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IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular relating to **International Bank for Economic Co-operation** (the "**Issuer**"). In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person. This electronic transmission and the attached document has been prepared solely in connection with the proposed offering addressed to qualified investors potentially interested in the offering , who are "**Qualified Investors**" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**"), without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law in reliance on article 1(2)(b) of the Prospectus Regulation and always to the extent, and only provided that, the offering to such investors does not violate any applicable law in the jurisdictions where the bonds are offered or otherwise applicable to offers of securities to the respective investor regardless of the jurisdiction where the Bonds are being offered and an investment in the Bonds does not constitute a violation of any applicable law by such investors, (the "**Offering**") of fixed interest rate BGN-denominated bonds, and having a maturity of three (3) years, issued by the Issuer (the "**Bonds**"). This offering circular (the "**Offering Circular**") in connection with the Offering (which will be amended accordingly for the admission of the Bonds to trading on the Main Market, Bonds Segment of the Bulgarian Stock Exchange ("**Admission**") to the extent the Issuer intends to submit such application, at its sole discretion, without anything in this Offering Circular to be construed as binding on the Issuer to take such decision, to apply for Admission) has not been and will not be approved by the Bulgarian Financial Supervision Commission or by any other financial supervisory authority. Read the Offering Circular before purchasing.

NOTHING IN THIS ELECTRONIC TRANSMISSION OR THE OFFERING CIRCULAR CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE THE OFFERING MAY RESULT IN A VIOLATION OF ANY APPLICABLE LAW. THE BONDS ARE OFFERED AND SOLD TO QUALIFIED INVESTORS WHERE IT IS POSSIBLE TO DO SO WITHOUT THE NEED TO PUBLISH A PROSPECTUS OR UNDERTAKE ANY OTHER FORMALITIES WHATSOEVER UNDER APPLICABLE LAW.

NEITHER THE OFFERING CIRCULAR NOR ANY PART OR COPY OF IT MAY BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE BONDS DESCRIBED THEREIN.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Issuer and Raiffeisenbank (Bulgaria) EAD and UniCredit Bulbank AD (the "**Joint Lead Managers**") that you are a Qualified Investor, and/or a Qualified Investor acting on behalf of, Qualified Investors.

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

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

The Joint Lead Managers or any of their affiliates or advisors will not be responsible to anyone for providing the protections afforded to its clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

DISCLAIMER: The Joint Lead Managers and the Bulgarian legal advisors have not independently verified nor examined regulations and requirements of jurisdictions, different from Bulgaria.

IMPORTANT NOTICE

THIS OFFERING OF THE BONDS DESCRIBED HEREIN IS AVAILABLE TO QUALIFIED INVESTORS POTENTIALLY INTERESTED IN THE OFFERING WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 14 JUNE 2017 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET, AND REPEALING DIRECTIVE 2003/71/EC, AS AMENDED (THE **"PROSPECTUS**

REGULATION"), WITHOUT THE NEED TO PUBLISH A PROSPECTUS OR UNDERTAKE ANY OTHER FORMALITIES WHATSOEVER UNDER APPLICABLE LAW, IN RELIANCE ON ARTICLE 1(2)(B) OF THE PROSPECTUS REGULATION, AND ALWAYS TO THE EXTENT, AND ONLY PROVIDED THAT, THE OFFERING TO SUCH INVESTORS DOES NOT VIOLATE ANY APPLICABLE LAW IN THE JURISDICTIONS WHERE THE BONDS ARE OFFERED OR OTHERWISE APPLICABLE TO OFFERS OF SECURITIES TO THE RESPECTIVE INVESTOR REGARDLESS OF THE JURISDICTION WHERE THE BONDS ARE BEING OFFERED AND AN INVESTMENT IN THE BONDS DOES NOT CONSTITUTE A VIOLATION OF ANY APPLICABLE LAW BY SUCH QUALIFIED INVESTORS.

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

The Offering Circular has been prepared in connection with the proposed offer and sale of the Bonds described therein. The Offering Circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

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

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

(2) you and any customers you represent are Qualified Investors , and

(3) the e-mail address that you gave us and to which the e-mail has been delivered is not located in any other territory where this will be in violation of the applicable legislation.

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

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

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Issuer or the Joint Lead Managers, nor any of their affiliates, nor any of their or its directors, officers, employees, advisers or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version made available to you on request from any of the Joint Lead Managers.

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

MIFID II product governance / eligible counterparties and professional investors – solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional investors, each as defined in MiFID II; (ii) all channels for distribution to eligible counterparties and professional clients are appropriate, PROVIDED THAT THEY ARE QUALIFIED INVESTORS. The product is incompatible for any client outside the positive target market identified above. Any person subsequently offering, selling or recommending the Bonds (a distributor) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

IBEC
INTERNATIONAL BANK FOR ECONOMIC CO-OPERATION

INTERNATIONAL BANK FOR ECONOMIC CO-OPERATION

OFFERING OF BGN BONDS

International Bank for Economic Co-operation (the "**Issuer**"), an international organization established and operating on the basis of the intergovernmental Agreement Concerning the Organization and Activities of the International Bank for Economic Co-operation dated 22 October 1963 and the Statutes of the International Bank for Economic Co-operation attached to the Agreement, registered with the Secretariat of the United Nations on 20 August 1964 under number 7388, is offering fixed interest rate BGN-denominated bonds, and having a maturity of 3 (three) years, and in the aggregate principal amount between BGN 40,000,000 and BGN 150,000,000, as the exact amount to be defined during the offering phase (the "**Bonds**"), in a placement under article 1, paragraph 2, letter (b) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") to Qualified Investors to which the Offering is not in breach of the applicable legislation, who are eligible counterparties as recognised in accordance with article 30 of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the "**MiFID II**") (the "**Eligible Counterparties**") and professional clients as listed in points (1) to (4) of Section I of Annex II to EU MiFID II or persons or entities who are, on request, treated as professional clients in accordance with Section II of Annex II to MiFID II (the "**Professional Investors**") unless they have entered into an agreement to be treated as non-professional clients in accordance with the fourth paragraph of Section I of Annex II to MiFID II and without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law in reliance on article 1(2)(b) of the Prospectus Regulation, to the extent, and only provided that an investment in the Bonds does not constitute a violation of any applicable law by such Qualified Investors (the "**Offering**").

Each Bond has a nominal value of BGN 10,000 (the "**Nominal Value**") and the Minimum Subscription Amount (and, respectively, allotment) per investor is BGN 200,000 (the "**Minimum Subscription Amount**"). The Bonds are issued at their Nominal Value. The Bonds shall bear the interest rate established by the Issuer in consultation with the Joint Lead Managers and notified to Qualified Investors through a pricing notification sent to the addressed Qualified Investors via e-mail by either of the Joint Lead Managers with copy to the Issuer, after the subscription period ("**Pricing Notification**"). The interest on the Bonds shall be paid semi-annually in arrears. The Bonds and any payments thereunder are governed by the relevant provisions of the "Terms and conditions of the Bonds" section below.

The Bonds are issued in registered form and evidenced by book-entry. The entity in charge of keeping the records of the Bonds is Central Depository AD, the Bulgarian central securities depository, a Bulgarian joint stock company having its registered office at 6 Tri Ushi Str., Sofia 1000, Bulgaria (the "**Central Depository**"). The Bonds shall be registered in the system of the Central Depository in accordance with the regulations thereof, by the crediting of the accounts of the Bondholders opened with the Central Depository, directly or through a Participant of the Central Depository. The Bonds may also be made available to be held through International Central Securities Depositories (the "**ICSDs**") such as Clearstream Banking, societe anonyme ("**Clearstream**"), provided that a link between the respective ICSD and the Central Depository is available and utilised for such purpose. The Issuer makes no representation and provides no warranties as to the availability and utilisation of any such link and disclaims any responsibility to ensure that any such link is available and utilised. For further information please see the *"Settlement"* section of this Offering Circular.

An application may be made, at the Issuer's sole discretion, for the Bonds to be admitted to trading on the Main Market, Bonds Segment of the Bulgarian Stock Exchange ("**BSE**"). The Issuer intends to make an application for the Bonds to be admitted to trading on a regulated market within six-month period following the registration of the Bonds by Central Depository. However, the Issuer may, at its sole discretion, decide to apply for such admission, or to abstain, for as long as it finds appropriate, from applying for admission of the Bonds to trading, including to not apply at all. The Main Market of the Bulgarian Stock Exchange is a regulated market in the European Economic Area for the purposes of Directive 2004/39/EC, as amended. The first day of trading of the Bonds on the Main Market of the Bulgarian Stock Exchange is expected to occur after decision, if such application is made and following a respective resolution of the Board of Directors of BSE on the date shown in the decision of Bulgarian Stock Exchange, will be published by the Bulgarian Stock Exchange in accordance with its rules. At the discretion of the Issuer, an application may also be made for the Bonds to be admitted to trading on any other regulated market in the European Union.

Long-Term Issuer Default Rating (IDR) has been recently upgraded to BBB with Stable outlook and the Issuer's Short-Term rating has been upgraded to 'F2'by Fitch Ratings Ltd. ("**Fitch**"), Baa3 with stable outlook by Moody's Investors Service Ltd. ("**Moody's**") and A- with a stable outlook (on an international scale) by Analytical Credit Rating Agency (Joint-Stock Company) ("**ACRA**"). Fitch and Moody's are established in the European Union and registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**") and is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. ACRA is established in the Russian Federation and is neither registered in accordance with the CRA Regulation nor included in the list of credit rating agencies published on ESMA's website or the FCA's website. Bonds issued under this Offering Circular are expected to be rated by at least one international rating agency under the terms of the Issuer's agreements with the agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This offering circular (the "**Offering Circular**") constitutes neither a prospectus nor a base prospectus for the purposes of the Prospectus Regulation. Accordingly, this Offering Circular does not purport to meet the format and the disclosure requirements set forth under the Prospectus Regulation and Commission Delegated Regulation (EC) No 2019/980 supplementing the Prospectus Regulation, as amended, and it has not been and will not be submitted for approval to any competent authority within the meaning of the Prospectus Regulation. This Offering Circular contains information provided by the Issuer in connection with the issue of the Bonds. The Issuer accepts responsibility for the information contained in this Offering Circular.

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

JOINT LEAD MANAGERS

RAIFFEISENBANK (BULGARIA) EAD **UNICREDIT BULBANK AD**

Offering Circular dated 13 May 2021

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1. IMPORTANT NOTICES

1.1. General notices to Qualified Investors

This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Bonds is unauthorized, and any disclosure of any of the contents of this Offering Circular, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

This Offering Circular contains information provided by the Issuer in connection with the issue of the Bonds. The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer confirms, as of the date hereof, that this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, conforms to the facts and that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect, that to the best of the Issuer's knowledge and belief this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Bonds) and is not misleading in any material respect, and that all reasonable enquiries have been made to verify the foregoing. However, the information set out under the section *"6. Relevant geographic markets"* includes extracts from information and data released by publicly available sources in Europe and elsewhere. While we accept responsibility for the accurate extraction and summarization of such information and data, we have not independently verified the accuracy of such information and data, and we accept no further responsibility in respect thereof. As far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, this Offering Circular contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. However, as far as we are aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

Pursuant to a mandate letter dated 30 March 2021, the Issuer has appointed Raiffeisenbank (Bulgaria) EAD as Joint Lead manager and joint bookrunner (“**RBB**”) and UniCredit Bulbank AD as Joint Lead manager and joint bookrunner (“**UCB**”) and UniCredit Bank as an escrow agent (the “**Escrow Agent**”) in connection with opening of fund raising account for the issuance of the Bonds (“**Accumulation Account**”), subject to terms of the contractual arrangements entered into by the foregoing parties (each of RBB and UCB are hereinafter referred to as a “**Manager**”, and collectively referred to as the “**Joint Lead Managers**”).

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

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

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

The Issuer and the Joint Lead Managers reserve the right to reject any subscription order for the Bonds, in whole or in part for any reason or no reason and to allot to any prospective investor less than the full amount of the Bonds, ordered by the investor. The Joint Lead Managers and/or their affiliates may acquire a portion of the Bonds for their own accounts.

Neither the Issuer nor the Joint Lead Managers can guarantee that, if the Issuer applies subsequently (the Issuer intends to make such application within 6-month period after the Issue Date, however it may decide to apply following the said period or not apply at all) for Admission at any time following the issuance of the Bonds, the application made to the Bulgarian Stock Exchange for the Bonds to be listed and admitted to trading on the Main Market, Bonds Segment thereof will be approved.

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

The Offering is addressed to Qualified Investors" within the meaning of article 2(e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") - eligible counterparties as recognised in accordance with article 30 of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the "**MiFID II**") and professional clients as listed in points (1) to (4) of Section I of Annex II to MiFID II or persons or entities who are, on request, treated as professional clients in accordance with Section II of Annex II to MiFID II unless they have entered into an agreement to be treated as non-professional clients in accordance with the fourth paragraph of Section I of Annex II to MiFID II and without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law in reliance on article 1(2)(b) of the Prospectus Regulation, and always to the extent, and only provided that, the offering to such investors does not violate any applicable law in the jurisdictions where the bonds are offered or otherwise applicable to offers of securities to the respective investor regardless of the jurisdiction where the Bonds are being offered and an investment in the Bonds does not constitute a violation of any applicable law by such Qualified Investors.

This document is not a prospectus and this Offering Circular has not been approved by the Bulgarian Financial Supervision Commission or any other competent Bulgarian authority. This Offering Circular and any document or advertisement in connection with the Bonds may not be distributed or published in Bulgaria, except in circumstances which (i) do not constitute a public offering of securities which requires the approval of a prospectus, public offer announcement or any other document in Bulgaria or by Bulgarian authorities and (ii) comply with all applicable laws and regulations, including the Prospectus Regulation (EC) 2017/1129, Public Offering of Securities Act, Markets in Financial Instruments Act, implementing norms issued or approved by the Bulgarian Financial Supervision Commission, or any other competent Bulgarian authority and applicable European Union ("**EU**") and Bulgarian legislation. The Bonds can be acquired by Qualified Investors only in such a manner that no approval from the Bulgarian Financial Supervision Commission or any other competent Bulgarian authority is needed. The Bonds may be offered in Bulgaria based on the exemptions from the obligation to prepare and publish a prospectus provided by the applicable capital markets legislations.

Presentation of financial and other information

The audited financial statements of the Issuer for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 (the "**Audited Financial Statements**" or the "**Financial Statements**") are attached to this Offering Circular.

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

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

Unless otherwise stated, all annual information is based on calendar years. Statistical data appearing in this Offering Circular has, unless otherwise stated, been principally obtained from the Eurostat, European Commission, International Monetary Fund, World Bank, Standard and Poor's, Moody's and Fitch. Similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Certain information related to 2021 and future periods should be treated as preliminary and any such information may be subject to future adjustments.

Certain financial measures presented in this Offering Circular, including some of the measures presented in *"10. Risk management"* may not be standardized. Because these measures are not standardized, companies can define and calculate these measures differently and therefore Qualified Investors are advised not to use these measures for comparing the Issuer's results with those of other companies or issuers.

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

1.2. Documents incorporated by reference. Website

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

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

1.3. Cautionary note regarding forward-looking statements

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

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

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

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

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

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

1.4. Currencies

In this Offering Circular, references to "euro," "EUR," "€" or "eurocents" are to the currency of the member states of the European Union participating in the European Monetary Union, references to "U.S. dollar" or "USD" are to the currency of the United States, references to "Bulgarian Lev," "BGN," "lev" (singular) or "leva" (plural) are to the currency of Bulgaria, and references to "RUB" are to the currency of the Russian Federation.

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

Unless otherwise indicated herein and unless such amounts are derived from the Financial Statements, the EUR equivalent of amounts denominated in RUB, USD and other currencies has been computed based on the average and rounded exchange rate applicable as of 31 December 2020. The above rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Offering Circular.

2. OVERVIEW OF THE BONDS

This section provides a preliminary overview of the Bonds to facilitate the comprehension of the sections hereunder. The complete features of the Bonds are detailed in section "*Terms and Conditions of the Bonds*".

Aggregate principal amount of the Bonds offered	The aggregate principal amount of the Bonds offered is maximum BGN 150,000,000 and minimum BGN 40,000,000, the final aggregate amount will be further specified subject to the market conditions and gauging the Qualified Investors' interest in the bonds. The final aggregate principal value of the Bonds offered shall be established by the Issuer in consultation with the Joint Lead Managers, and announced to Qualified Investors through the Pricing Notification which shall be sent to the addressed Qualified Investors via e-mail by either of the Joint Lead Managers with copy to the Issuer, after the subscription period (see Part "*Subscription and Sale*").
Denomination	Bulgarian Leva (BGN)
Form of the Bonds	The Bonds are issued as ordinary, dematerialized, fixed interest bearing, unsecured, non-convertible, freely transferrable, BGN denominated bonds. The Bonds will be issued as non-convertible securities. The Bonds may not be repaid under any circumstances by converting them into shares or securities equivalent to shares from the capital of the Issuer.
Nominal Value	The Nominal value of a single Bond is BGN 10,000 (ten thousand)
Minimum Subscription Amount	Minimum Subscription Amount (and, respectively, allotment) per investor shall be BGN 200,000 (two hundred thousand
Issue price per Bond	The Bonds are issued at their respective Nominal Value.
Subscription Dates	The period during which will be collected the orders for subscription of the bonds are 26 May 2021, from 8:00 until 17:30 Bulgarian time and on 27 May 2021, from 8:30 until 12:00 Bulgarian time (see "*Subscription and sale - 20.2. Proposed timetable of the Offering*")
Issue Date	The date on which the Bond Issue is registered in the register of Central Depository AD and specified in the Act of Registration, issued by Central Depository AD with respect of the Bonds
Maturity Date	The maturity of the Bonds shall be the date falling 3 (three) years of the Bond Issue Date.
Interest Rate	The bonds shall bear fixed interest rate, one and the same on all Bonds, established by the Issuer in consultation with the Joint Lead Managers, on the basis of collected orders for respective volume and interest rate at which the Qualified Investors would like to subscribe Bonds within the Aggregate principal value of the Bonds offered. The interest rate at which the Bonds will be issued shall be announced to Qualified Investors through the Pricing Notification (see "*Subscription and sale – 20.3. Establishment of the issue volume and the Interest Rate of the Bonds*).
Interest Payment Dates	The Interest Payment Dates on which the interest will be payable are the ones falling at the end of each six-month period starting on the Bonds Issue Date from and excluding the Issue Date and until and including the relevant Maturity Date.
Status and ranking of the Bonds	The Bonds from this first issue of the Issuer which is offered on Bulgarian market will be of the same class and will give equal rights to the Bondholders. The Issuer has issued two bond issues in Russia under ISIN RU000A100VX2 and RU000A101RJ7 (for further information on these bonds, please refer to the link: https://www.ibec.int/investors/debentures/). The Issuer undertakes to treat the holders of Bonds equally. The obligations under the Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and as to the order of their satisfaction and at least *pari passu* to all other current and future direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for those obligations of the Issuer so identified by the mandatory provisions of law and provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, the Issuer shall have no obligation to pay other obligations at the same time or as a condition of paying sums due on the Bonds and/or applicable interest and vice versa.
Redemption	The Bonds shall be redeemed at par on their respective Maturity Date.
No early redemption at the Issuer's option	The Bonds may not be redeemed by the Issuer before their respective Maturity Date. However, the Issuer may at any time purchase any Bonds on the secondary market, under any conditions and for any market price. The Bonds thus purchased by the Issuer shall not cease to exist and may be kept or resold by the Issuer, as well as the Issuer may decide to cancel such Bonds, at its sole discretion. The cancellation of the Bonds shall be made by Central Depository upon request by the Issuer and according to Rules and practices or instructions of the Central Depository.

Early redemption upon an Event of Default	Bondholders will have the right to declare all Bonds (but not some only) immediately due and payable and require the Issuer to pay the Nominal Value of all Bonds together with any accrued interest, by a written notification to the Issuer, if an Event of Default occurs and is continuing (see *"Terms and conditions of the Bonds - 18.11. Early repayment of the Bonds on default").*
Covenant	Bondholders will have the right to require the Issuer to repurchase all Bonds (but not some only) held by the Bondholders at the Nominal Value together with an amount equal to accrued interest, subject to, and pursuant to, the procedure described in "*Terms and conditions of the Bonds - 18.12.2. Covenant Triggering Event*", if a Covenant Triggering Event occurs and is continuing.
No Gross-up	All payments in respect of Bonds will be made free and clear of withholding taxes of Bulgaria, unless the withholding is required by law. In that event, the Issuer will (subject to, and save as provided in, Condition 18.10.5. ("*No Gross-up*") not have any obligation to pay additional amounts to the Bondholders in relation to such withholding.
Taxation	For certain considerations regarding the taxation of payments related to the Bonds see "*Taxation*".
Governing law and jurisdiction	Any rights and obligations arising under or in connection with the Bonds will be governed and construed in accordance with the laws of Bulgaria. Any disputes between the Issuer and the Bondholders regarding the Bonds will be resolved by the relevant competent court of Bulgaria. The Issuer has irrevocably and to the fullest extent possible waived the documents, property and assets immunity from legal process, jurisdiction and enforcement it enjoys under article 32 (1) of the Statutes and has submitted to the state courts of any jurisdiction including to the Bulgarian courts being nominated as the forum to hear and determine any proceedings and to settle any disputes regarding the Bonds.
Listing	The Issuer intends, within 6 months as from the Issuer Date, to make an application to the Bulgarian Stock Exchange for the Bonds to be admitted to trading on the Main Market, BSE, Bonds Segment thereof (see "*Subscription and sale - 20.12. Listing on the Main Market, BSE, Bonds Segment of the Bulgarian Stock Exchange*"), however anything in this Offering Circular shall not be construed as binding on the Issuer to apply for such admission. The Issuer may apply for admission of the Bonds to trading on other regulated markets in the European Union.
Use of proceeds	The net proceeds of the Bonds issue shall be used by the Issuer in Bulgaria and other EU Member Countries of the Issuer to finance its existing loan portfolio, provide new lending, and for debt refinancing (see "*Description of the Issuer – 4.3. Mission*" and "*Description of the Issuer – 4.5. Strategy and key objectives 2021-2025*").
Risk factors	Investing in the Bonds involves risk. See the "*Risk factors*" section for a description of certain risks which the Qualified Investors should carefully consider before investing in the Bonds.

3. RISK FACTORS

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

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

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

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

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

3.1. Risk factors related to the Issuer

3.1.1. Risks related to global events in financial and economic markets

Social and economic disruptions stemming from the crises in Europe have affected in the past and may affect in the future the geographic market in which the Issuer operates (see "*6. Relevant Geographic Markets*"). Such crises may result in a downturn and decrease in spending and investment in the relevant markets, potentially leading to an increase in costs due to currency fluctuations and legal and regulatory changes. These factors could increase the Issuer's operating costs or otherwise adversely affect the Issuer's business, prospects, results of operations and financial condition.

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

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

Another event which has spurred significant volatility in the global financial markets is the precedent with the United Kingdom's exit from the European Union. Concerns that other Member-States of the European Union may express their intention to leave the European Union have appeared as a possible risk.

Prospective Qualified Investors should ensure that they have sufficient knowledge and awareness of the latest global financial and economic developments, the challenges faced by the European Union, and the economic situation and outlook in the states in which the Issuer operates. Prospective Qualified Investors are encouraged to consider making their own evaluation (including in consultation with any tax, legal and financial advisors as they might deem necessary) of the risks and prospects of any investment in the Bonds. In particular, prospective Qualified Investors should take into account the current uncertainty as to how the challenges faced by the European Union, and the wider global economic situation, will develop over time and how these might affect the Issuer's financial condition, as well as its business, prospects and results of operations.

3.1.2. Risk related to the operations in emerging markets in general

An investment in emerging markets, such as some of the Member Countries of the Issuer[1], being the respective jurisdictions of the Issuer's Member Countries in which a significant part of its business is undertaken and its customers and assets are located, is subject to greater risks, including in some cases significant legal, economic and political risks, than an investment in more developed markets.

[1] The Issuer has eight shareholders (Bulgaria, Vietnam, Mongolia, Poland, Russian Federation, Romania, Slovak Republic, and Czech Republic) which are referred to as "Member Countries" to differentiate between member-states of the European Union ("Member-States"). Five of the Member Countries (Bulgaria, Poland, Romania, Slovak Republic, and Czech Republic) are Member-States.

Qualified Investors should be aware that these risks may be applicable to the Issuer notwithstanding that its status as an international organization might imply certain privileges, immunities or favourable policy treatment. Qualified Investors should also note that emerging markets are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly.

In addition, international investors' reactions to events occurring in one country sometimes demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors. Therefore, investment in the Bonds, as in any other comparable security, could be adversely affected by negative economic or financial developments in other countries outside its locations of operations and its Member Countries.

3.1.3. Deterioration of Russia's relations with other countries may adversely impact the Issuer's operations and financial condition

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

In this context, the recent crisis in Ukraine and responses by the EU, the United States, and other countries to the Russian Federation's actions relating to Ukraine create significant political and economic uncertainty, which could adversely impact the Issuer's business and financial condition.

The significant civil unrest and political instability in Ukraine has affected the relations between the Russian Federation and other countries. In March 2014, the European Union (EU) and United States (U.S.) enacted sanctions against Russia in response to its actions in Crimea and support for groups in eastern Ukraine.

The foregoing events have resulted, and may result in the future, in significant volatility on Russian stock exchanges and the securities of Russian issuers traded on foreign exchanges, significant overall price declines and capital outflow, and significant volatility in the exchange rate of the RUB against the USD and the EUR. These and other sanctions, restrictions or other measures may result in a further deterioration of economic conditions in the Russian Federation.

The Issuer is an international organisation, which is not a subject of any restrictive measures introduced against the entities from Russian Federation within sanction lists and embargo programs established by U.S, the European Union and / or other jurisdiction.

Another recent point of tension and debate between Russia and Western governments has been the Russian role in the Syrian crisis and its support for the Syrian Government.

This conflict still remains an inflection point in Russia's relationship with Western countries, with the U.S., the European Union and a number of other states voicing the possibility of sanctions to be imposed on Russia in case it decides to increase its profile in the Syrian conflict.

To the extent the Issuer (although being a self-standing international organisation) is perceived as having a strong connection to the Russian Federation and since the Issuer is directly and indirectly financially exposed to entities in the Russian Federation, a downturn in general economic conditions in the Russian Federation and other Member Countries as a result of the Ukraine-related sanctions and/or the ongoing conflict between the Russian Federation and Ukraine could have a material adverse effect on the Issuer's business, results of operations, financial condition or prospects. Ongoing or heightened tensions between Russia and the United States, Member States of the EU, Ukraine or other countries, the imposition of further sanctions on Russian persons and entities, or the impact of actions taken by the Russian government in response to actions by the United States, EU and other governments, could have a further adverse effect on the Russian economy and consequently, could have an adverse effect on the Issuer's business, financial condition, results of operations and prospects. However, the diverse shareholding of the Issuer and its strategy of diversification its treasury assets, source of funding and lending portfolio has reduced significantly the idiosyncratic effects of negative consequences derived from various exogenous factors such as sanctions this being proved by the developments of the Issuer financials in the latest years.

3.1.4. Credit risk faced by the Issuer in general

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

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

3.1.5. Credit risk due to lending concentration

For the purpose of achieving the Issuer's mission, which is to ensure sustainable and inclusive growth of its Member Countries, the

Issuer's loan and trading portfolio includes, and is likely to continue to include, concentrations in particular Member Countries. As of 31 December 2020, the Issuer has a corporate loan portfolio in the amount of EUR 199 mln, out of which 30% was provided to corporate clients based in the Republic of Bulgaria, 20% to corporate clients based in Mongolia, 14 % to corporate clients based in the Russian Federation, 7% to corporate clients based in the Republic of Poland, 7% to corporate clients based in Romania, and 22% to corporate clients based in other countries.

In terms of sector concentration, as of 31 December 2020, 30% out of the Issuer's loan portfolio to corporate clients was for transport-related activities, 20% to corporate clients active in the gas industry, 19% to corporate clients active in food industry, 14% was provided to clients active in investments activities (leases), 8% to corporate clients active in finance, 3% to corporate clients active in the aluminium industry, 3% was provided to clients active in investment activities, 2% to corporate clients active in retail trade and 1% to clients active in telecommunications.

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

3.1.6. Foreign exchange rate risk and interest rate risk

The Issuer conducts its business in various currencies including but not limited to EUR, USD, and RUB. As a financial institution, the Issuer is exposed to foreign exchange rate risk. Movements in foreign exchange rates may adversely impact the Issuer's borrowers, which may in turn adversely impact the nature of its exposure to these borrowers.

The Issuer manages its currency risk by seeking to match the currency of its assets with that of its liabilities on a currency-by-currency basis within the limits established by the Board of Management (the "**Board**"). The limit for a single currency position is set at 5% of the Issuer's capital and the limit for cumulative currency positions is set at 10% of the Issuer's capital.

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

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

3.1.7. Market risk in connection with the investment portfolio

As of 31 December 2020, securities at fair value through profit or loss were EUR 1 mln, bonds at fair value through other comprehensive income were EUR 286 mln and debt instruments measured at amortized cost amounted to EUR 65 mln. Most of the portfolio is composed of sovereign bonds denominated in EUR and USD. Government bonds account for 45.7% of the portfolio (excluding credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln as of 31.12.2020) and represent securities issued and guaranteed by the Ministries of Finance by governments of Member Countries and by governments of other countries. Corporate bonds, mainly issued by large companies and banks of Member Countries, as well as corporate international companies and development banks that have similar goals and missions with the Issuer, account for 54.3% of the portfolio (excluding credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln as of 31.12.2020). As a significant part of the issuer's business is generated by trading activities relating to this portfolio, which is susceptible to market fluctuation and price volatility, prospects of the Issuer may be impaired by its ability to further finance this portfolio or to regain its investments. Market price fluctuations in the large investment security portfolio may therefore materially and adversely affect the Issuer's business, financial condition, results of operations and prospects. As of 31 December 2020, investment grade bonds represented 78% (including AAA-BBB-) of the Issuer's debt securities portfolio. The share of AAA-rated securities increased to 12% as of 31.12.2020 from 1% as of 31.12.2019 (excluding credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln as of 31.12.2020).

3.1.8. Changes to IFRS for recognition and measurement methods for financial instruments may adversely affect the Issuer's financial results

The Issuer has adopted IFRS 9 from 1 January 2018. This change as well as more complicated economic situation and the crisis due to the COVID-19 pandemic could also impact the Issuer's capital needs.

In accordance with IFRS 9 *Financial Instruments*, the Bank applies the expected credit loss model to measure potential losses and reviews forecast information in a way that reflects "an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes" and "reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions." The Bank also determines to what extent, inter alia, the high level of uncertainty and any unexpected changes in short-term economic forecasts may result in negative consequences. The Bank reflects changes in economic conditions in applied macroeconomic scenarios and their respective weight coefficients. To calculate provisions for expected credit losses as at 31 December 2020, the Bank considered the following:

- The development analysis of the economies of IBEC member countries and other countries where IBEC operates, including the analysis of changes in GDP and CPI rates, etc. and availability of governmental support;
- Forecasts of the exchange rate of IBEC's functional currency (EUR) to major foreign currencies;

- The effect of changes in economic conditions on various industries;
- A decline in income of legal entities due to economic restrictions.

The key changes to the Issuer's accounting policies resulting from its adoption of IFRS 9 are summarised below.

3.1.9. Classification of financial assets and financial liabilities

A financial asset is classified at initial recognition as measured either at amortized cost or at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVPL).

A financial asset is measured at amortized cost if both of the following conditions are met and if the Bank selected not to measure it at FVPL:

- The asset is held under a business model designed to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest accrued on the principal amount outstanding.

A debt instrument is measured at FVOCI if both of the following conditions are met and if the Bank selected not to measure it at FVPL:

- The asset is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest accrued on the principal amount outstanding.

All other financial assets are classified as measured at FVPL.

In addition, at initial recognition the Bank may make an irrevocable election to designate a financial asset, which qualifies to be measured at amortized cost or FVOCI as measured at FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets are not reclassified after initial recognition, except for the period following the period when the Bank changes its business model to manage financial assets. The Bank should reclassify its financial assets only when it changes its business model to manage these financial assets. Such changes are expected to occur rarely. These changes should be determined by the Bank's management as resulting from external or internal developments and should be significant for the Bank's activities and evident to the third parties. Accordingly, the objective of the Bank's business model may be changed when, and only when, the Bank commences or ceases any operations significant to its business. This may be the case when the Bank acquires, disposes of or ceases certain business activities.

The Bank classifies financial liabilities as measured at amortized cost or at FVPL. Financial liabilities may not be reclassified after initial recognition.

3.1.10. Impairment of financial assets

Impairment applies to the following financial instruments that are not measured at FVPL:

- Financial assets that are debt instruments;
- Lease receivables, and
- Loan commitments and financial guarantee contracts.

The model of expected credit losses (ECL) is used.

Impairment loss is not recognized for investments in equity instruments.

Allowances for ECLs are recognized in the amount equal to 12-month expected credit losses or lifetime ECLs. Lifetime ECLs are ECLs arising from all probable defaults over the life of a financial instrument, and 12-month ECLs are part of ECLs arising from defaults that may occur during 12 months after the reporting date. Financial instruments for which 12 month ECLs are recognized, are included in Stage 1 financial instruments.

Lifetime ECLs are ECLs arising from all probable defaults over the life of a financial instrument. Financial instruments that are not purchased or originated credit impaired (POCI) assets for which lifetime ECLs are recognized, are included in Stage 2 (if the credit risk on financial instrument increased significantly after initial recognition but the financial instrument is not credit impaired) or Stage 3 (if the financial instrument is credit impaired).

The Bank recognizes allowances for ECLs in the amount of the lifetime ECLs, except for the following instruments, for which the allowance is based on 12 month ECLs:

- Debt investment securities that have low credit risk as at the reporting date, and
- Other financial instruments (except for lease receivables), for which the credit risk has not increased significantly since initial recognition.

The Bank believes that a debt security has low credit risk if its credit rating corresponds to the generally accepted definition of the investment quality.

12-month ECLs are ECLs resulting from defaults on a financial instrument that are possible within 12 months after the reporting date.

3.1.11. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented as at and for the year ended 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented as at and for the year ended 31 December 2018 under IFRS.

The Issuer used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the statement of profit or loss and other comprehensive income, the Issuer has reclassified comparative interest income on non-derivative debt financial assets measured at FVTPL to 'other interest income' and changed the description of the line item from 'interest income' reported in 2017 to 'interest income calculated using the effective interest method'.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- if a debt security had low credit risk at the date of initial application of IFRS 9, then the Issuer has assumed that credit risk on the asset had not increased significantly since its initial recognition.

3.1.12. The Issuer has limited operational history

Although the Issuer was founded in 1963, its post-Soviet operating history is relatively limited. The Issuer has adopted a new development strategy at the end of 2018 with an overall objective of transforming it into a modern international development bank. Most of the loans extended before 2010 were impaired and written off by 2018. The loan portfolio with documentary portfolio as of the year 2020 amounted EUR 414 mln, and the assets as of the year 2020 exceeded EUR 815 mln. The NPL as of the year 2020 was 2%.

On 26-27 June of 2018 IBEC Council Approved 'Bratislava Concept' of the Issuer's Further Development: increasing the product line and geography of the operations as well as qualitative reorganization of business and organizational structure update. The decision of the IBEC Council in December 2018 approved the updated development strategy until 2020.

In December 2020, the Issuer's Council approved new IBEC Development Strategy for 2021-2025, which is based on the results of the Updated Strategy implementation.

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

3.1.13. Profitability is not key driver for the Issuer

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

3.1.14. Withdrawal of a Member Country may adversely affect the Issuer's financial condition and operations

The Issuer's Statutes provide that any Member Country may withdraw its membership by giving the Issuer a written six months' notice to that effect. The withdrawal of a Member Country may adversely affect the Issuer's capital and financial condition, as well as its business, prospects and results of operations.

3.1.15. Conditions and actions of Member Counties may affect the Issuer

Although the Issuer is an international organisation having a legal personality separate from its Member Countries, the Issuer and its business operations may be affected by decisions of the Member Countries in their relations with other nations. The Issuer's operations are also subject to risks resulting from political and economic uncertainties, default under obligations and downturns in the economies of Member Countries as well the policies (such as monetary and financial) approved or pursued by Member Countries.

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

3.1.16. The Bonds are not guaranteed by any sovereign

The Issuer currently has eight members, namely: the Czech Republic, Mongolia, the Republic of Bulgaria, the Republic of Poland, Romania, the Russian Federation, the Slovak Republic and the Socialist Republic of Vietnam (the "**Member Countries**")**.**

Although the Member Countries are sovereign states, the Issuer is a legal entity which is separate from the governments of its Member Countries and the agencies of such governments. The Bonds, interest or other amounts due or to become due in respect of the Bonds, constitute obligations solely of the Issuer and do not constitute the obligation of, nor are they guaranteed or insured by, the Russian Federation, the Republic of Bulgaria or any other Member Countries or sovereign entity or agency thereof.

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

The Issuer is an international institution established and acting under the Intergovernmental Agreement on the Organisation and Activities of IBEC, registered with the Secretariat of the United Nations on 20 August 1964 under No. 7388 (the "**Agreement**"), and the attached thereto Statutes of IBEC (as subsequently amended, together referred as the "**Statutory Documents**"). The Statutory Documents are part of the Bulgarian law. The Issuer is an entity under, and subject to, public international law. The Issuer's existence, powers, privileges, immunities, liabilities and operations are subject to and governed by the Statutory Documents. There is no registry, maintaining information for the Issuer or issuing certificate of good standing for the Issuer, and the Issuer has represented and warrantied its governance structure, certified by a Russian notary public, which certification makes it a public document.

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

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

The Issuer's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the Issuer's credit ratings. As at the date of this Offering Circular, the Issuer has a long-term issuer default rating of BBB with a stable outlook by Fitch (March 2021), foreign currency long-term issuer rating of Baa3 with stable outlook by Moody's (January 2020), A- with a stable outlook and AAA(RU) with a stable outlook by ACRA (April 2021).

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

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

3.1.19. The Issuer is reliant upon skilled managers and personnel and may not be able to recruit and retain qualified personnel

Although the Issuer believes it has highly qualified personnel, there is generally a considerable shortage of adequately qualified personnel in the banking sectors of Russia (as the country of residence of the Issuer) and other Member Countries, particularly in such areas as risk management and credit assessment. If the shortage of adequately qualified banking personnel persists, the Issuer's ability to conduct its business may be affected which could, in turn, affect the Issuer's financial results. In addition, the shortage of adequately qualified banking personnel may cause the Issuer to increase expenditures to implement additional financial and other incentives in order to retain its existing personnel and recruit additional personnel.

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

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

In the process of building and managing its IT infrastructure, the Issuer is guided by international practices and standards (i.e., ITIL 3.0, ISO/IEC 27001:2013, ISO/IEC 27002:2013, ISO/IEC 27005:2018). Several measures aiming to reduce the operational risks associated with (i) the "human factor" (i.e., enforcement of internal normative documents, organizational measures and automated control tools), (ii) the failure of equipment (i.e., clustering of critical systems, including communication channels, complete back up of all data and settings and entering contracts with an extended warranty and technical support from the manufacturers) and (iii) information security breaches (i.e., organizational and technical access control mechanisms using two-factor authentication and the use of specialized data leakage prevention system, are in place.

However, the Issuer may be exposed to IT risks in connection with the development, implementation and application of its IT systems. In addition, there is a risk that there might be unauthorised access to the Issuer's sensitive data by third parties and improper use of such data, which may lead to the loss or disclosure of the Issuer's confidential information and may result in a breach of applicable data protection regulations. As a result, any malfunction, breach or unauthorised use of the Issuer's IT systems may have a material adverse effect on the Issuer's business, financial condition, prospects or results of operations. Due to COVID-19 restrictions, the meetings of the Boards and of the Council are conducted through proprietary software and the resolutions are executed through the same.

3.1.21. The legal infrastructure and the law enforcement systems in some of the Member Countries are less developed compared to Western Europe

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

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

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

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

Assets of the Issuer are, however, located in several of its Member Countries. Presence of the financial and other assets outside of the EU may limit an investor's legal recourse against the Issuer. Enforcement of Bulgarian and other EU Member States' civil judgments in the territory of non-EU Member Countries may be subject to existence of relevant international treaties and international law and, mainly, their respective observance by the relevant state authorities and local procedural rules. The Issuer notes that although Vietnam and Mongolia have not formally ratified the 1990 amendments to the Statutory Documents, due to the fact that the Protocol on Amendments to the Statutory Documents of December 18, 1990 was put into effect temporarily from January 1, 1991, it can be stated that today all changes made to the IBEC constituent documents are considered to be effective.

In addition, although the Issuer has waived its immunity against legal proceedings in the terms and conditions of the Bonds, any legal actions against the Issuer may be limited by the relevant international treaties on diplomatic and intergovernmental protection as well as principles of public international law. Pursuant to the Statutory Documents, the Issuer and its senior officers also enjoy privileges which are similar to those granted to diplomatic representations in the member-countries and thus, unlike directors of commercial companies, such senior officers would not personally liable, including to Bondholders. Several of the Issuer's assets, such as its headquarters which enjoys diplomatic privileges of an embassy may therefore be considered outside of the reach of civil courts' jurisdiction. **The Issuer's headquarters are located at 11 Masha Poryvaeva str., Moscow, 107996, Russian Federation and this is the only address of service of any court communications, including by the Bulgarian courts**. While bonds (including the Bonds) and coupons are eligible for the issue of payment order by the Bulgarian courts (instead of litigation), no payment order can be issued against the Issuer, because it is non-resident of Bulgaria.

Under Article 30 of the Statutes, the prescription period for the liabilities of the Issuer is only 2 years since origination of the claim. This period shall, under Art. 5 (4) of the Constitution of the Republic of Bulgaria, override Bulgarian laws of general application, which provide for longer prescription periods. Yet a Bulgarian court should not *ex officio* apply any prescription periods unless such defence is raised by the Issuer.

Furthermore, Bulgarian courts are not familiar with the concept of insolvency of institutions of public international law, and consequently the procedure for, and enforcement of payment under, the Bonds in such circumstances is uncertain. The Statutory Documents do not provide for any national corporate, bankruptcy, reorganisation, merger or demerger, insolvency, liquidation, arrangement, moratorium, privatisation or other similar laws of general application, to be directly or by default applicable to the Issuer. Pursuant to the Statutory Documents, the Issuer’s liability is limited to its assets and the member-countries are not responsible for its liabilities, nor under legal obligation to support liquidity or solvency of the Issuer. The Member-Countries of the Issuer are currently eight sovereign Member-Countries. Each such Member-Country can withdraw from membership upon notice of not less than 6-months, subject to settlement of mutual liabilities with the Issuer within the period of notice. The Issuer shall be wound up in case at least 2/3 of the Member-Countries withdraw as per the above procedure and the terms and conditions for the winding up of the business of the Issuer and its liquidation are to be determined by the Member-Countries.

3.2. Risk factors related to the Bonds and market in general

3.2.1. The Bonds may not be a suitable investment for all investors

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

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

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

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

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

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

3.2.2. There may not be an active trading market for the Bonds

The Bonds are new securities which may not be widely distributed and for which there may not be an active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. The Issuer intends to make an application for the Bonds to be admitted to trading on a regulated market, however, the Issuer may, at its sole discretion, decide to apply for such admission, or to abstain, for as long as it finds appropriate, from applying for admission of the Bonds to trading, including to not apply at all. Although application may be made for the Bonds to be admitted to trading on the Main Market of the Bulgarian Stock Exchange, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development, maintenance or liquidity of any trading market for the Bonds. Illiquidity may have a severely adverse effect on the market value of Bonds.

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

3.2.3. Inability to admit the Bonds to trading on the Bulgarian Stock Exchange

The admission of the Bonds to trading on the Main Market of the Bulgarian Stock Exchange, if the Issuer decides to apply for such, requires the approval of the Bulgarian Stock Exchange for such purpose. Admission of the Bonds to trading on the Main Market of the Bulgarian Stock Exchange is subject to certain requirements and subject to its decision to apply for admission of the Bonds to trading, if the Issuer decides to apply for such, the Issuer intends to take all necessary steps to ensure that the Bonds are admitted to trading on the Main Market of the Bulgarian Stock Exchange as soon as possible after the respective decision. There is no guarantee that, should the admission conditions for the approval by the Bulgarian Stock Exchange change, all such trading conditions will be met. Consequently, there is no assurance that the Bonds will be admitted to trading on the Bulgarian Stock Exchange.

3.2.4. The Bonds do not limit additional indebtedness

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

3.2.5. Taxation

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

3.2.6. Change of law

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

3.2.7. Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in Bulgarian leva (BGN). BGN is pegged to the EUR at the rate of BGN 1.95583 for EUR 1 through a piece of Parliamentary legislation, and accordingly, a change of this rate can occur only through a change of the law. In the process of joining the euro area, on 10 July 2020 the Bulgarian lev was included into the Exchange Rate Mechanism II (ERM II) and the ECB Governing Council passed a decision on close cooperation with the Bulgarian National Bank.

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Bonds. As a result, Qualified Investors may receive less interest or principal than expected, or no interest or principal.

3.2.8. Risks related to fixed interest rate Bonds

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

3.2.9. Credit ratings may not reflect all risks

As of the date of this Offering Circular, the Issuer is rated BBB with stable outlook by Fitch, Baa3 with stable outlook by Moody's and A- with a stable outlook by ACRA and AAA (RU) with a stable outlook by ACRA.

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

3.2.10. Transferability of the Bonds may be limited under applicable securities laws

The Bonds may be subject to restrictions on transfer in certain jurisdictions. Each purchaser of Bonds will be deemed, by its acceptance of such Bonds, to have made certain representations and agreements intended by the Issuer to restrict transfers of Bonds as described under *"Subscription and sale"*. It is the obligation of each purchaser of Bonds to ensure that its offers and sales of Bonds comply with all applicable securities laws.

3.2.11. Legal investment considerations may restrict certain investments

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

3.2.12. Reliance on Bulgarian Stock Exchange, Central Depository and ICSDs procedures

A holder of a Bond must rely on the procedures of the Bulgarian Stock Exchange, if the Bonds are admitted to trading on its Main Market and respectively subject to a transaction made on the regulated market, and the relevant clearing system to effect transfers of Bonds and receive payments under the Bonds.

The Issuer has no responsibility or liability for the implementation or defaults in the implementation of own procedures by the Bulgarian Stock Exchange, the Central Depository and/or any ICSD.

3.3. Automatic exchange of information in the field of taxation

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

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

4. DESCRIPTION OF THE ISSUER

4.1. Introduction and history

The Issuer is an international institution (a public international body within the meaning of Prospectus Regulation 2017/1129, as subsequently amended (the "**Prospectus Regulation**"), established and acting under the Statutory Documents.

The Issuer currently has eight Member Countries, namely: the Czech Republic, Mongolia, the Republic of Bulgaria, the Republic of Poland, Romania, the Russian Federation, the Slovak Republic and the Socialist Republic of Vietnam. Membership in the Issuer is open to other states.

Due to objective reasons, starting from 1991, the Issuer temporarily reduced its activity. As of 2018, the Issuer has undergone a complex reformation and major modernization process, re-launching its activity under a new management structure and on the basis of renewed development concept and lending policy. As of June 2018, the Issuer has reviewed and reinforced its development strategy, aiming at doubling its assets and loan portfolio within a 2020-year horizon, while transforming into an advanced, rapidly expanding and financially sustainable multilateral development bank, as well as a recognized player on markets in target geographical areas with a significant role to play for its shareholders and key partners (see *" Strategy. Re-launch Program and updated Strategy till* 2020*. Main achievements.").*

The Issuer's authorized capital is of EUR 400 million. As at 31 December 2020, the Issuer's paid-in capital amounted to EUR 200 million whereas the combined share of the Republic of Bulgaria, the Czech Republic, the Republic of Poland, Romania and the Slovak Republic - the Issuer's member countries within the European Union - to the Issuer's capital reached 46.7%. As at the same reference date, the share of Asian members of the Issuer (the Socialist Republic of Vietnam and Mongolia) is at 1.71%. the Russian Federation's share in the Issuer's paid-in capital is 51.59%.

The Issuer's LEI number is 253400HA8YB1HUTNC692

The Issuer's headquarter is located at 11 Masha Poryvaeva str., Moscow, 107996, Russian Federation. Although based in the Russian Federation, being an international organization, the Issuer is not a subject of any restrictive measures introduced against the entities from Russian Federation within sanction lists and embargo programs established by US, EU and / or other jurisdictions.

The Issuer's general telephone number is +7 (495) 604-72-20. For Qualified Investors inquiries please use +7 (495) 604-71-33 and/or ir@ibec.int

Issuer's website: https://www.ibec.int

The information on the Issuer's website does not form a part of the Offering Circular.

4.2. Statutory documents

The Agreement and the Statutes represent the Issuer's statutory documents. They set forth, among others, the Issuer's mission and purposes, its governance structure, the scope of operations which may be undertaken by the Issuer, as well as the rules regarding the withdrawal of members and the admission of new members.

The Statutory Documents specifically provide that the Issuer benefits from distinct legal personality. They also set forth several privileges and immunities of the Issuer and the Issuer's officials, and, in particular, of the representatives of the Member Countries in the Issuer's Council, on the territories of the Member Countries. Such privileges and immunities, which include immunity from judicial and administrative proceedings, are aimed at enabling the Issuer and its officials to carry out their functions and attain the purposes set forth in the Statutory Documents. Privileges and immunities granted to officials of the Issuer (including representatives of the Member Countries in the Issuer's Council) are applicable to such persons while in official capacity and are vested therewith only to serve the interests of the Issuer. Representatives of the Member Countries, the Issuer's Council and the Issuer's Board, as the case may be, have the right, and are under the obligation, to waive the immunity of the respective representative or official if, in their opinion, such immunity would prevent the administration of justice. Through its resolutions within Protocol of the 135th Meeting of the Council of IBEC (dated 8 December 2020) "*On the terms of the Bank's Raising of Long-Term Financing and Confirmation of the Existing Authorities to Waive Judicial Immunity in the Ordinary Course of Banking*" the Council has confirmed the authority of the Board to make decisions on all issues related to attracting debt and/or structural financing and decide on the particulars thereof(including to delegate such decision-making to the Chairman of the Board), as well as the authority of the Chairman of the Bank's Board to waive the Bank's judicial immunity in terms of ordinary banking (treasury lending raising funds).

Certain matters related to the residence of the International Bank for Economic Cooperation in the Russian Federation are set forth in the agreement dated 23.12.1977 concluded between the Issuer and the former USSR (the "**Host State Agreement**"). Among others, the Host State Agreement provides for the inviolability of the Issuer and the exemption of the Issuer's operations from the regulation of central or local authorities of the Russian Federation.

4.3. Mission

The renewed mission of the Issuer, in accordance with its Development Strategy for 2021-2025, is "*contribute to economic prosperity of member countries through support of interconnection via intra- and inter-regional trade operations, development of member states' economies and facilitation of financing under projects that promote sustainable development goals considering the Bank's supranational status as an institution beyond politics and in compliance with international regulations and principles*".

The Issuer is primarily engaged in lending activities with the participation of leading national financial institutions (partly owned by Member Countries) and development banks, export-import banks/agencies or in partnership with other international development institutions, mainly targeting foreign trade projects between or in favor of entities in its Member Countries. Complementary to its main lending activities, the Issuer invests in, and is involved in transactions with, securities and foreign currency, as an alternative method to manage surplus liquidity.

The Issuer is determined to extend its activity within Member Countries through diversified and in-depth cooperation with export credit agencies, national organizations for development, multilateral development banks and other international finance institutions with a high rate of credibility.

4.4. Strategy. Re-launch Program and updated Strategy till 2020. Main achievements.

In 2019-2020, the Bank operated in accordance with the Updated Strategy of the International Bank for Economic Co-operation for the period up to 2020 approved by the Member Countries on December 6, 2018. During the Updated Strategy implementation period, the Issuer managed to fulfil the key strategic tasks facing the Bank:

- significant success was achieved in the development of effective expertise in conducting trade finance operations and targeted financing to support export-import operations using a wide range of financial instruments;
- the Issuer increased its loan and documentary portfolios, expanded the geography of transactions, and developed its cash management services;
- The Bank moved to the new organizational structure, necessary for the development of its activities in the current conditions, as well as switched from a quota system of employees appointment to a modern system of recruitment based on international competition;
- risk management tools were significantly improved, the IT infrastructure was transformed, and significant work on the business processes description and improvement was carried out;
- the client base and partner network were largely expanded.

The Issuer's consistent efforts on its transformation became the basis for the fact that in March 2021, Fitch Ratings raised the IBEC's long-term rating to BBB, with a stable outlook.

In December 2020, the Issuer's Council approved new IBEC Development Strategy for 2021-2025, which is based on the results of the Updated Strategy implementation.

4.5. Strategy and key objectives 2021-2025

In the Development strategy for 2021-2025, the Issuer defined five key strategic goals, which are to be achieved during the next five years:

1. Positive developmental impact on member countries through promotion of international trade, support of a greater role of SME trade between member and third countries and participation in sustainable development
2. Provide clients with innovative and competitive products and services relevant with clients' higher requirements
3. Improve IT technology in banking operations and continue development of the internal operational efficiency
4. Growth ensured by a long-term financial stability of the Issuer
5. A proportional increase in the IBEC's business activities in all member countries.

According to the Development Strategy for 2021-2025, the Issuer will continue to focus on supporting Member Countries' economies through facilitation of international trade and financing projects that promote sustainable development using different set of products (including trade finance loans, syndicated loans, off-balance sheet transactions and cash management).

Moreover, Issuer plans to finance projects and companies promoting United Nations sustainable development goals (UN SDGs) consistent with the Issuer's mission with a focus on the following specific goals: zero hunger; good health and well-being; industry, innovation and infrastructure, sustainable cities and communities, climate action. Another focus will be on increasing financial and non-financial support of SME companies involved in international trade.

The following products are to be of high priority during the next strategic cycle:

1. Trade finance: Letters of credit (LCs), stand-by LCs, Guarantees and counter-guarantees, Reimbursement undertakings, Insurance covered loans
2. Cash management: Opening and maintaining of accounts as well as bundled cash and settlement offers for different client segments
3. Lending: Syndicated loans, Direct targeted lending, Working capital loans
4. Treasury operations: Risk-hedging products

The Issuer also plans to introduce new products during the strategic period. Furthermore, the Issuer is determined to undertake certain steps in order to develop its settlement capabilities in order to become a settlement centre for foreign trade of its member countries.

According to the Development strategy for 2021-2025, the Issuer will continue transitioning from the product-based to the client-centric business model which would increase the Bank's market competitiveness.

Further development and structuring of partners' and agents' network will be one of the key focuses during the next strategic period. The Issuer is determined to extend its activity within Member Countries through diversified and in-depth cooperation with local and international financial institutions, national and multilateral development institutions, chambers of commerce and industry, as well as other relevant associations, non-profit organizations, agencies, and institutions with a high rate of credibility.

4.6. Key business strengths

The Issuer believes that its potential for future growth of its business are primarily due to the following strengths: The Issuer has a unique, among the multilateral banks, settlement function and its business profile focuses on the development of trade financing both off-balance and target, aiming at supporting export-import operations of Member Countries, including with other countries, as well as treasury transactions. The Issuer develops its business through cooperation with other international financial institutions, development banks, on the base of specialization and complementarity of business profiles.

4.7. Status, privileges and immunities

The Issuer is an international institution, benefitting of immunity from the application of all direct taxes and charges (with the exception of charges for public utilities and other services), whether national or local, as well as from the application of customs duties and restrictions on the import and export of articles destined for official use, in the Member Countries. In particular, no tax is levied by Member Countries on the profits received from the Issuer's banking activities.

Furthermore, according to the Statutory Documents, the Issuer itself, representatives of the Member Countries in the Issuer's Council and officials of the Issuer enjoy such privileges and immunities on the territories of the Member Countries solely in the interests of their official functions and attain the purposes set forth in the Statutory Documents.

As it is generally the case with supranational financial organizations acting on the basis of international treaties, the Issuer is not subject to local regulation by the Central Banks of the Member Countries, while also being exempt from the general legal treatment applicable to other legal entities operating within the same business as the Issuer on the territory of the Member Countries. In particular, the Issuer is not subject to regulatory requirements under the Member Countries ' legislation, including with respect to licensing, capital adequacy and information disclosure requirements. No insolvency regime is applicable to the Issuer.

Based on the Statutory Documents, the Issuer also enjoys privileges which are similar to those granted to diplomatic representations in the Member Countries with respect to priorities, tariffs and rates applicable to postal, telegraphic, and telephone communication. Pursuant to the Statutory Documents, the Issuer and its senior officers also enjoy privileges which are similar to those granted to diplomatic representations in the member-countries and thus, unlike directors of commercial companies, such senior officers would not be personally liable, including to Bondholders.

IBEC is not a subject of any restrictive measures introduced against the entities from Russian Federation within sanction lists and embargo programs established by US, EU and / or other jurisdictions.

4.8. Strong capital base

The authorized capital of the Issuer is of EUR 400 million, out of which EUR 200 million represent the paid-in capital of the Issuer.

The total equity of the Issuer (including retained profits and other equity funds) amounted to EUR 313.18 million as of 31 December 2019 and to EUR 317.11 million as of 31 December 2020.

4.9. Strong support from Member Countries

The Bank's members are eight countries in Europe and Asia: the Republic of Bulgaria, the Socialist Republic of Vietnam, Mongolia, the Republic of Poland, the Russian Federation, Romania, the Slovak Republic, and the Czech Republic. The distribution of shares of the IBEC member countries in the paid portion of the Bank's share capital is presented below.

Data in EUR thousand ***Countries / %***	***2020***	***%***	***2019***	***%***
Russian Federation	103,179	51.59	103,179	51.59
Czech Republic	26,684	13.34	26,684	13.34
Poland	24,016	12.01	24,016	12.01
Republic of Bulgaria	15,121	7.56	15,121	7.56
Romania	14,232	7.12	14,232	7.12
Slovak Republic	13,342	6.67	13,342	6.67
Mongolia	2,668	1.33	2,668	1.33
Socialist Republic of Vietnam	758	0.38	758	0.38
Total	**200,000**	**100**	**200 000**	**100**

4.10. Robust capital adequacy and potential for attraction of funding

The Issuer's capital adequacy ratio established by the Council stands high at minimum 25%, 17 percentage points above the Basel II 8% requirement applicable to total capital. As of 31 December 2020, the Issuer's capital adequacy ratio, calculated in accordance with the Basel II methodology stood at 43.7% for total capital.

As of 31 December 2020, the Issuer attracted short-term funds from financial institutions in the form of money market deposits amounting to EUR 237 million representing 47.6% of the Issuer's total liabilities as of the same date.

From 2018 and until the date of this Offering Circular, the Issuer had also concluded and is, as at the date of this Offering Circular, negotiating more than 200 different agreements, including bilateral loan agreements, ISDA Master Agreements and long-term REPO, GMRA and trade finance agreements with a number of financial institutions.

4.11. Solid investment grade rating

In 2017 Fitch Ratings Ltd. assigned to IBEC investment-grade ratings: long-term issuer default rating (IDR) "BBB-" with a stable outlook and short-term IDR "F3".

In March 2018, Fitch affirmed long-term IDR of the Issuer at the level of "BBB-" with stable outlook. The short-term IDR was affirmed at the level of "F3".

In March 2019, Fitch affirmed long-term IDR of the Issuer at the level of "BBB-" with stable outlook. The short-term IDR was affirmed at the level of "F3"

In January 2020, Moody's assigned to the IBEC foreign currency long-term issuer rating at the level of "Baa3" with a stable outlook.

In March 2020, Fitch affirmed the long-term IDR of the Issuer at the level of "BBB-", having revised the outlook to positive. The short-term IDR was affirmed at the level of "F3".

In May 2020, ACRA assigned to the IBEC "A-" under the international scale with a stable outlook and "AAA(RU)" under the national scale for the Russian Federation with a stable outlook.

In November 2020, ACRA affirmed to the IBEC "A-" under the international scale with a stable outlook and "AAA(RU)" under the national scale for the Russian Federation with a stable outlook.

In March 2021, Fitch upgraded IBEC the long-term IDR to "BBB" from "BBB-", with stable outlook. The short-term IDR was upgraded to the level of "F2".

In April 2021, ACRA affirmed to the IBEC "A-" under the international scale with a stable outlook and "AAA(RU)" under the national scale for the Russian Federation with a stable outlook.

4.12. Risk Management Policy

The Issuer manages risks in the course of the ongoing process of identification, assessment and monitoring subject to risk limits and other internal controls. The risk management process is crucial to maintain stable profitability of the Issuer. The Issuer is exposed to financial risks: credit, liquidity and market risks. The Issuer is also exposed to operational risks.

Risks are assessed and managed using the comprehensive approach whereby all existing risk factors and relationships between such factors are taken into consideration. Monitoring and control of risks are primarily performed based on the limits established by the Issuer. Such limits reflect the business strategy and market environment of the Issuer and the level of risk the Issuer is ready to take.

Information received from all business activities is analysed by the Issuer's departments and processed in order to analyse, control and timely identify risks. The Issuer's departments prepare regular reports on their operations and communicate current risk status to the Risk Management Department. For the effective risk management, the Issuer's departments together with the Risk Management Department monitor current risks to which the Issuer's customers, counterparties, certain transactions and portfolios might be exposed. The specified information shall be provided to the collective bodies: to the Credit Committee, the Assets, Liabilities and Risk Management Committee, the Board and the Council of the Issuer.

In the context of risk management, the Issuer applies various risk limitation and minimization methods, such as diversification, limitation, and hedging. The Issuer uses collateral in order to reduce its credit risks.

Risk concentrations arise when changes in economic, political or other conditions produce similar effect on counterparties' ability to perform contractual obligations where several counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic characteristics. Concentrations of risks reflect relative sensitivity of the Issuer's performance to changes in the conditions that affect an industry or geographical region.

4.13. Business profile

The Issuer intends to continue to carry out the following operations, based on its key activities:

- trade finance operations;
- target financing to support export and import operations of the Bank's Member Countries, including operations with other countries, and domestic trade operations;
- syndications and co-financing;
- cash management services;
- client operations on financial markets.

IBEC intends to provide products and services in the trade financing segment as follows:

- documentary letters of credit, including issuance, confirmation, discounting, post-financing, etc.;
- irrevocable reimbursement undertakings;
- guarantees and sureties, including tender guarantees, advance payment guarantees, performance guarantees, counter-guarantees, stand-by letters of credit.

Target financing to support export and import operations includes the following products and services:

- trade related loans, including pre-export, post-export, pre-import, and post-import financing;
- factoring;

- forfaiting;
- financing foreign trade operations covered by Export Credit Agencies;
- other target financing products in line with the Bank's business profile.

Direct lending to companies residing in IBEC Member Countries is possible, when declared operations fully comply with the IBEC's strategic goals. Joint projects of IBEC Member Countries, SME support with partner banks and projects meeting United Nations Sustainable Development Goals will be the priority.

Cash management services of the Issuer will include the following:

- opening and maintaining accounts in all currencies of Member Countries and in key foreign currencies;
- payments (incl. book-to-book operations);
- providing remote access services through a remote banking system (RBS);
- FX conversions;
- SWIFT GPI;
- term deposits.

IBEC intends to carry out the following client operations on financial markets:

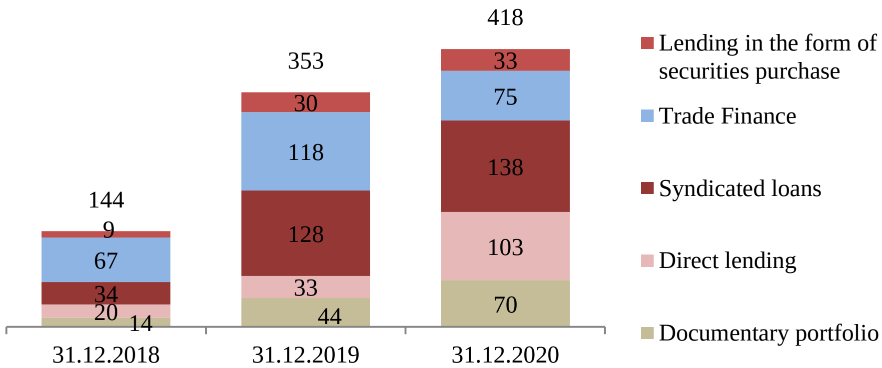
- arranging financing for projects, enterprises and banks of Member Countries on the debt capital market, including participation in offering and purchasing of bonds, credit notes, participation in syndicated loans;
- participating in syndicated loans aimed at supporting foreign trade operations and/or projects with involvement of Member Countries residents;
- hedging currency and interest risks of clients in all currencies of Member Countries and key foreign currencies.

4.14. Lending and Documentary Business

Within the framework of Trade Finance operations, IBEC provides the following products and services:

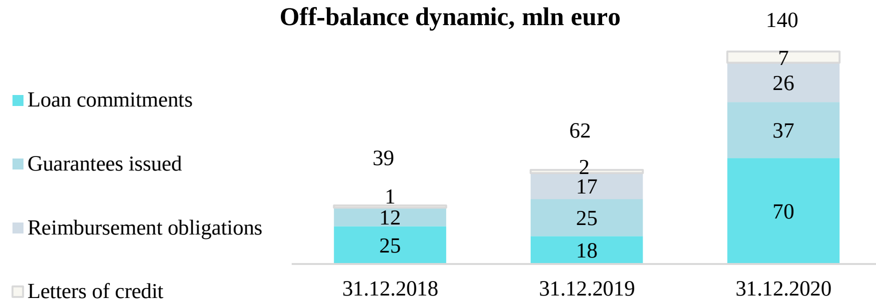
- Letters of Credit
- Irrevocable Reimbursement Undertakings
- Guarantees / Counter-Guarantees
- Trade Related loans
- Factoring and Forfeiting
- Documentary Collection
- Export-Import Operations with Export Credit Agencies

Loan and Documentary Portfolio Structure*, mln euro



** The loan portfolio includes credit investment portfolio of securities (see Note 8. Securities at amortized cost).*

- The gross Loan and Documentary Portfolio reached **EUR 144 mln** as of 2018, **EUR 353 mln** at 31.12.2019 and **EUR 418 mln** at 31.12.2020.
- Active issuance of off-balance began in the 2H2018. As of the end of 2018, the off-balance portfolio reached **EUR 38,6 mln** (including unused credit lines) and comprised **EUR 140,3 mln** at the end of December 2020.



As of 31 December 2018 and 31 December 2019, there were no non-performing loans **("NPLs")**. As of 31 December 2020, NPLs coverage ratio was of 2%.

4.15. Industry sectors and geographic structure of the loan portfolio

Loans are issued to corporate customers operating in the following industry sectors:

(EUR thousand) *(Sector/ %)*	***2020***		***2019***	
	Amount	***%***	***Amount***	***%***
Transport	59,558	29.92	12,830	6.86
Gas industry	39,972	20.08	50,012	26.73
Food industry	37,776	18.98	–	–
Investment activities (leases)	28,282	14.21	28,021	14.98
Finance	14,983	7.53	–	–
Aluminium industry	6,324	3.18	9,002	4.81
Investing activities	4,998	2.51	–	–
Retail trade	4,722	2.37	5,034	2.69
Telecommunications	2,428	1.22	22,369	11.96
Power industry	–	–	39,953	21.36
Pharmaceuticals	–	–	19,847	10.61
Total loans to corporate customers	**199,043**	**100**	**187,068**	**100**

As at 31 December 2020, balances with three major counterparties of the Issuer amounted to EUR 115,309 thousand, or 57.93% of the Issuer's total loan portfolio less allowance for expected credit losses (31 December 2019: EUR 110,267 thousand, or 58.94% of the Issuer's total loan portfolio less allowance for expected credit losses).

Loans are issued to customers operating in the following countries:

(EUR thousand) **Country**	***2020***	***2019***
Republic of Bulgaria	59,953	58,518
Mongolia	39,649	–
Russian Federation	27,942	68,909
Republic of Poland	14,212	4,177
Romania	13,474	27,900
Hungary	–	19,847
Other countries	43,813	7,717
Total	**199,043**	**187,068**

Other countries are represented by countries that carry out their operations in transactions with the Issuer's Member Countries.

4.16. Loans and deposits to banks

Loans and deposits to banks comprise:

(EUR thousand) **Total loans and deposits to banks**	***2020***	***2019***
Loans issued to banks under trade financing	74,782	77,805
Term deposits with banks in IBEC member countries	52,497	16,024
Term deposits with banks in other countries	-	3,925
Syndicated loans	38,792	14,078
Total loans and deposits to banks	**166,071**	**111,832**
Allowance for expected credit losses	(795)	(889)
Loans and deposits to banks	**165,276**	**110,943**

As at 31 December 2020, balances with three major counterparties amounted to EUR 61,991 thousand, or 37.51% of total loans and deposits to banks (31 December 2019: EUR 46,725 thousand, or 42.12% of total loans and deposits to banks).

4.17. Credit-related commitments

Credit-related commitments comprise the following:

(EUR thousand) **Credit-related commitments**	***2020***	***2019***
Loan commitments	69,978	18,448
Guarantees issued	36,954	24,502
Reimbursement obligations	25,890	17,080
Letters of credit	7,434	2,073
Total credit-related commitments	**140,256**	**62,103**
Allowance for expected credit losses	(384)	(154)
Credit-related commitments	**139,872**	**61,949**

Credit-related commitments are due to customers engaged in transactions with the following countries:

(EUR thousand)
Credit-related commitments

	2020	***2019***
Russian Federation	85,139	28,673
Mongolia	9,663	1,416
Romania	5,796	1,673
Republic of Bulgaria	5,000	–
Czech Republic	2,052	–
Republic of Poland	981	12,568
Other countries	31,241	17,619
Total	**139,872**	**61,949**

Other countries include countries, which are not the Issuer’s Member Countries; but carry out operations with the Issuer’s Member Countries. The changes in the allowance for expected credit losses from credit-related commitments is presented below:

(EUR thousand)	**Stage 1**	**Total**
Allowance for expected credit losses at 1 January 2020	**154**	**154**
New exposures	1,171	**1,171**
Exposures expired or amounts paid	(812)	**(812)**
Changes to models and inputs used for ECL calculations	(116)	**(116)**
Changes in currency exchange rates	(13)	**(13)**
Allowance for expected credit losses at 31 December 2020	**384**	**384**
Allowance for expected credit losses at 1 January 2019	**36**	**36**
New exposures	158	**158**
Exposures expired or amounts paid	(23)	**(23)**
Changes to models and inputs used for ECL calculations	(21)	**(21)**
Changes in currency exchange rates	4	**4**
Allowance for expected credit losses at 31 December 2019	**154**	**154**

The Issuer provides guarantees and extends letters of credit to guarantee the discharge of its customers' liabilities to third parties.

Reimbursement obligations are irrevocable reimbursement obligations of the Issuer issued on behalf of banks issuing documentary letters of credit, which are confirmed and financed by foreign partner banks up to a stipulated amount under specific terms and conditions and collateralized by the underlying shipments of goods and therefore carry less risk than direct lending.

Guarantees represent an amount of the Issuer's liability to make payments in the event that a customer cannot meet its obligations to third parties.

Documentary letters of credit are written undertakings by the Issuer on behalf of a customer to make payments up to an agreed amount under specific terms and conditions, which are collateralized by the corresponding shipments of goods.

When issuing guarantees, letters of credit, reimbursement obligations, credit-related commitments, the Issuer uses the same risk management policy and procedures as for granting loans to customers.

Credit related commitments may be terminated without being performed partially or in full. Therefore, the above credit-related commitments do not represent an expected cash outflow.

4.18. Interest income and interest expense

(EUR thousand)	**2020**	**2019**
Interest income		
Interest income calculated using the EIR method		
Loans to corporate customers	5,764	3,530
Securities at fair value through other comprehensive income	4,993	4,737
Loans and deposits to banks	4,814	2,762
- loans issued to banks under trade financing	*2,295*	*1,745*
- syndicated loans	*1,307*	*78*
- term deposits with banks	*1,212*	*939*
Securities at amortized cost	2,253	2,062
Other	12	5
Other interest income		
Securities at fair value through profit or loss	447	738
Total interest income	**18,283**	**13,834**
Interest expense		
Interest expense calculated using the EIR method		
Due to customers	(2,556)	(1,540)
Debt securities issued	(2,452)	(625)
Due to credit institutions	(1,494)	(2,527)
Lease liabilities	(2)	(1)
Other	(24)	(2)
Total interest expense	**(6,528)**	**(4,695)**
Net interest income	**11,755**	**9,139**

4.19. Net fee and commission income

(EUR thousand)	***2020***	***2019***
Documentary operations	587	306
Fiduciary operations	120	–
Fee for servicing a loan/credit facility	110	166
Cash and settlement operations	80	90
Accounts maintenance	47	58
Currency control	45	38
Other	13	–
Fee and commission income	**1,002**	**658**
Fee and commission expense	(213)	(136)
Net fee and commission income	**789**	**522**

4.20. Net gains from operations with securities at fair value through other comprehensive income

Net gains from securities at fair value through other comprehensive income that are recorded in profit or loss comprise:

(EUR thousand)	***2020***	***2019***
Result from disposal of debt securities	5,909	4,726
Total net gains from operations with securities at fair value through other comprehensive income	**5,909**	**4,726**

The gain from the revaluation of securities at fair value through other comprehensive income due to their disposal during 2020 is reclassified from other comprehensive income to net gains from operations with securities at fair value through other comprehensive income in the amount of EUR 6,118 thousand (2019: EUR 4,787 thousand).

Changes in the allowance for expected credit losses

Changes in the allowance for expected credit losses from loans and deposits to banks is presented below:

(EUR thousand)

Loans and deposits to banks	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for expected credit losses at 1 January 2020	**889**	**–**	**–**	**889**
New originated or purchased assets	1,918	–	–	**1,918**
Transfer to Stage 2	(109)	109	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(368)	(86)	–	**(454)**
Changes to models and inputs used for ECL calculations	(1,504)	–	–	**(1,504)**
Changes in currency exchange rates	(54)	–	–	**(54)**
Allowance for expected credit losses at 31 December 2020	**772**	**23**	**–**	**795**

Loans and deposits to banks	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for expected credit losses at 1 January 2019	**227**	**–**	**11**	**238**
New originated or purchased assets	1,812	–	–	**1,812**
Assets derecognized or redeemed (excluding write-offs)	(312)	–	(11)	**(323)**
Changes to models and inputs used for ECL calculations	(841)	–	–	**(841)**
Changes in currency exchange rates	3	–	–	**3**
Allowance for expected credit losses at 31 December 2019	**889**	**–**	**–**	**889**

Changes in the allowance for expected credit losses from loans to corporate customers is presented below:

(EUR thousand)

Loans to corporate customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for expected credit losses at 1 January 2020	**260**	**117**	**–**	**377**
New originated or purchased assets	1,191	–	–	**1,191**
Transfers from Stage 1 to Stage 2	(21)	21	–	**–**
Transfers from Stage 2 to Stage 3	–	(117)	117	**–**
Assets derecognized or redeemed (excluding write-offs)	(210)	–	–	**(210)**
Changes to models and inputs used for ECL calculations	(302)	304	1,133	**1,135**
Changes in currency exchange rates	(4)	(10)	(47)	**(61)**
Allowance for expected credit losses at 31 December 2020	**914**	**315**	**1,203**	**2,432**

Loans to corporate customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for expected credit losses at 1 January 2019	**311**	**155**	**–**	**466**
New originated or purchased assets	135	–	–	**135**
Assets derecognized or redeemed (excluding write-offs)	–	(1)	–	**(1)**
Changes to models and inputs used for ECL calculations	(190)	(40)	–	**(230)**
Changes in currency exchange rates	4	3	–	**7**
Allowance for expected credit losses at 31 December 2019	**260**	**117**	**–**	**377**

4.21. Treasury - investment and trading activities

Securities at fair value through profit or loss

Securities at fair value through profit or loss comprise:

(EUR thousand)	***2020***	***2019***
Held by the Bank		
Corporate bonds	1,119	4,412
from BBB+ to BB-	*1,119*	*4,412*
	1,119	**4,412**
Securities at fair value through profit or loss	**1,119**	**4,412**

As at 31 December 2020 and 31 December 2019, there were no securities pledged under repurchase agreements.

Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income comprise:

(EUR thousand)	*2020*	*2019*
Held by the Issuer		
Internationally rated		
Corporate Eurobonds	68,876	102,349
from AAA to A-	*11,256*	–
from BBB+ to BB-	*35,186*	*92,477*
from B+ to B-	*22,434*	*9,872*
Eurobonds of IBEC member countries	51,882	19,354
from AAA to A-	*13,373*	*3,517*
from BBB+ to BB-	*35,899*	*11,256*
from B+ to B-	*2,610*	*4,581*
Eurobonds of international financial institutions	26,681	2,113
from AAA to A-	*26,681*	*2,113*
Corporate bonds	19,649	23,651
from BBB+ to BB-	*19,649*	*23,651*
Eurobonds of funds	14,350	6,590
from AAA to A-	*14,350*	*6,590*
Bonds of IBEC member countries	7,151	–
from AAA to A-	*7,151*	–
Eurobonds of banks	2,088	2,395
from AAA to A-	–	*201*
from BBB+ to BB-	*2,088*	*2,194*
Bonds of other countries	838	–
from B+ to B-	*838*	–
Bonds of banks	327	2,550
from BBB+ to BB-	*327*	*2,550*
Internally rated only		
Corporate bonds	2,602	–
from B+ to B-	*2,602*	–
	194,444	**159,002**
Pledged under repurchase agreements		
Internationally rated		
Eurobonds of Issuer's member countries	47,692	15,826
from AAA to A-	*4,767*	*6,464*
from BBB+ to BB-	*42,925*	*9,362*
Corporate Eurobonds	36,805	21,595
from BBB+ to BB-	*36,805*	*15,852*
from B+ to B-	–	*5,743*
Eurobonds of other countries	4,961	–
from BBB+ to BB-	*4,961*	–
Eurobonds of international financial institutions	1,267	–
from AAA to A-	*1,267*	–
Bonds of IBEC member countries	1,137	–
from AAA to A-	*1,137*	–
Eurobonds of banks	–	6,880
from AAA to A-	–	*3,814*
from BBB+ to BB-	–	*3,066*
	91,862	**44,301**
Securities at fair value through other comprehensive income	**286,306**	**203,303**

Securities at fair value through other comprehensive income comprise securities pledged as collateral under repurchase agreements with a fair value of EUR 91,862 thousand as at 31 December 2020 (31 December 2019: EUR 44,301 thousand). According to the contract, the counterparty shall return securities transferred under repurchase agreements when the contract expires.

Corporate Eurobonds are debt securities denominated in euros, US dollars, Russian rubles and Swiss francs and issued by financial and industrial entities of IBEC member countries for circulation on markets external to the issuer and for trade on exchange markets. Corporate Eurobonds mature from December 2022 to October 2028 (31 December 2019: from December 2022 to October 2028), and coupon rates range from 0.875% to 6.75% p.a. (31 December 2019: from 0.875% to 7.75% p.a.).

Eurobonds of IBEC member countries are issued in euros and US dollars for circulation on markets external to the issuing country and for trade in over-the-counter markets. Eurobonds mature from December 2022 to September 2050 (31 December 2019: from December 2022 to July 2031), and coupon rates range from 0% to 5.125% p.a. (31 December 2019: from 1% to 5.125% p.a.).

Eurobonds of international financial institutions are denominated in euros and US dollars and are traded on exchange markets external to the issuing country. Eurobonds mature from January 2022 to July 2035 (31 December 2019: October 2020), and coupon rates range from 0% to 0.5% p.a. (31 December 2019: 1.4514% p.a.).

Corporate bonds denominated in Russian roubles and euros were issued by financial institutions of IBEC member countries for circulation on internal markets of the issuing countries and trade on exchange markets. Corporate bonds mature from December 2024 to November 2033 (31 December 2019: from October 2022 to March 2034), and coupon rates range from 1.75% to 6.95% p.a. (31 December 2019: from 1.75% to 9.1% p.a.).

Eurobonds of funds are denominated in euros and comprise Eurobonds issued by international finance funds that are traded on exchange markets external to the issuing country. Eurobonds of funds mature from December 2024 to October 2025 (31 December 2019: from January 2020 to July 2023), and the coupon rate is 0% p.a. (31 December 2019: from 0% to 1.5% p.a.).

Bonds of IBEC member countries are denominated in euros for circulation on internal and exchange markets of the issuing countries and for trade on over-the-counter markets, mature in May 2025 and the coupon rate is 0.25% p.a. The Bank does not have such securities as at 31 December 2019.

Eurobonds of banks are debt securities denominated in euros for circulation on markets external to the issuer. Eurobonds of banks mature in June 2025 (31 December 2019: from April 2021 to July 2029), and the coupon rate is 1.375% p.a. (31 December 2019: from 0% to 5.15% p.a.).

Bonds of other countries were issued in Russian roubles for circulation on internal and exchange markets of the issuing countries and for trade on over-the-counter markets, mature in May 2025 and the coupon rate is 8.5% p.a. The Bank did not have such securities as at 31 December 2019.

Bonds of banks are debt securities denominated in Russian roubles for circulation on the domestic markets of the country where the issuer is located. Bonds of banks mature in December 2021 (31 December 2019: from November 2020 to November 2026), and the coupon rate is 5.75% p.a. (31 December 2019: from 7.27% to 8% p.a.).

Eurobonds of other countries are issued in euros, traded on exchange markets external to the issuing country, mature in November 2030 and the coupon rate is 0.5% p.a. The Bank does not have such securities as at 31 December 2019.

Securities at amortized cost

Securities at amortized cost comprise:

(EUR thousand)	***2020***	***2019***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	10,661	22,663
from BBB+ to BB-	–	*16,134*
from B+ to B-	*10,661*	*6,529*
Eurobonds of banks	4,214	17,170
from BBB+ to BB-	–	*12,515*
from B+ to B-	*4,214*	*4,655*
Corporate bonds	668	8,054
from BBB+ to BB-	*668*	*8,054*
Internally rated only		
Corporate bonds	3,003	–
from B+ to B-	*3,003*	–
	18,546	**47,887**
Pledged under repurchase agreements		
Internationally rated		
Corporate Eurobonds	29,041	9,949
from BBB+ to BB-	*29,041*	*9,949*
Eurobonds of banks	12,483	–
from BBB+ to BB-	*12,483*	–
Eurobonds of IBEC member countries	5,148	5,163
from BBB+ to BB-	*5,148*	*5,163*
	46,672	**15,112**
Total securities at amortized cost	**65,218**	**62,999**
Allowance for expected credit losses	(622)	(467)
Securities at amortized cost	**64,596**	**62,532**

Securities at amortized cost comprise securities pledged as collateral under repurchase agreements with an amortized cost of EUR 46,460 thousand as at 31 December 2020 (31 December 2019: EUR 15,019 thousand). According to the contract, the counterparty shall return securities transferred under repurchase agreements when the contract expires.

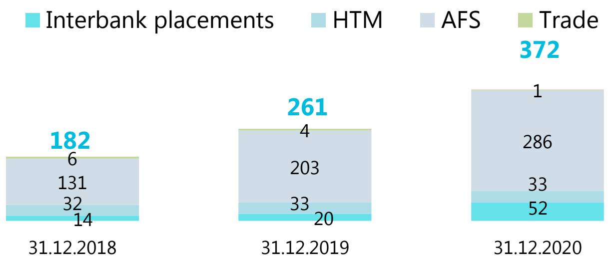
Corporate Eurobonds and bonds are debt securities issued in euros, US dollars and Russian roubles by financial and industrial entities of IBEC member countries for circulation on markets internal and external to the issuer and for trade on over-the-counter and exchange markets. Eurobonds mature from May 2021 to February 2028 (31 December 2019: from February 2020 to May 2027), and coupon rates range from 1.5% to 7.75% p.a. (31 December 2019: from 1.5% to 7.75% p.a.). Corporate bonds mature from December 2024 to December 2025 (31 December 2019: from January 2020 to December 2024), and coupon rates range from 1.75% to 6.89% p.a. (31 December 2019: from 1.75% to 9.1% p.a.).

Eurobonds of banks are debt securities issued in euros and US dollars for circulation on markets external to the issuer with a maturity from February 2023 to October 2023 (31 December 2019: from February 2023 to October 2023) and a coupon rate from 4.032% to 7.25% p.a. (31 December 2019: from 4.032% to 7.25%p.a.).

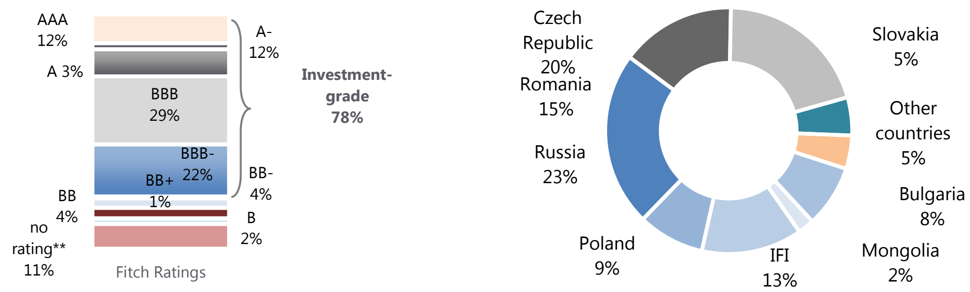
Eurobonds of IBEC member countries are issued in euros for circulation on markets external to the issuing country and for trade on over-the-counter markets. Eurobonds mature from December 2026 to April 2027 (31 December 2019: from December 2026 to April 2027), and coupon rates range from 2% to 2.375% p.a. (31 December 2019: from 2% to 2.375% p.a.).

The table below shows treasury portfolio structure as of 31.12.2020:

Treasury portfolio (gross), excluding credit investment portfolio of securities being for the loan purpose in the amount of EUR 9.5 mln as of 31.12.2018, EUR 29.6 mln as of 31.12.2019 and EUR 32.2 mln as of 31.12.2020, mln euro



Securities portfolio diversification as of 31.12.2020, excluding credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln as of 31.12.2020



** According to the Fitch Ratings Methodology.*

*** Securities have rating by Standard & Poor's or Moody's Investors Service.*

Foreign exchange risk is mitigated by using different hedging techniques, using derivatives or currency swaps. In line with the Issuer's commitment to keep up with regulatory environment relating to derivatives, these operations are carried out based on ISDA Master Agreements concluded with partners. The Issuer also conducts its operations by observing the standards set forth in the European Market Infrastructure Regulation (EMIR) adopted at EU level. In 2016, the Issuer adhered to ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol.

4.22. Other operations

The Issuer also carries out several non-core activities, primarily consisting of lease operations with respect to its building. The Issuer rents out part of its building under operating lease agreements. As of 31 December 2019, the Issuer's revenues from lease of property increased by EUR 0.365 million or 21% to EUR 2.075 million, as compared to EUR 1.710 million as of 31 December 2018. As of 31 December 2020, such revenues decreased by EUR 0.44 million or 21% to EUR 1.635 million, as compared to 2019.

5. COMPETITION

The Issuer operates in a relatively competitive market for the provision of financing for development projects. At first glance, the Issuer's principal competitors are national, regional and other international development banks as well as large local commercial banks operating within the region. As the Issuer's mission is to support economic growth and development in Member Countries, the Issuer attempts to avoid direct competition with commercial banks to the extent possible and aims to achieve synergy effect while performing mutual deals with partner banks in order to support international business and sustainable projects of its Member Countries residents and / or SME support through partner banks.

The Issuer does not, however, believe that it faces significant competition from small- or medium-sized commercial banks active in the region, which generally target different industries than the Issuer and offer shorter-term financing products, at less competitive interest rates. The Issuer also believes that its clearly defined mission and lending criteria, combined with the unique part of its mandate to foster economic cooperation between its Member Countries, and to support relevant projects, do not generally overlap with those of other development banks active in the same region as the Issuer. On the contrary, the Issuer seeks to partner with other development banks in accomplishing its objectives.

6. RELEVANT GEOGRAPHIC MARKETS

For the reasons of the Issuer's mission fulfilment, which is to facilitate sustainable and inclusive growth and competitiveness of national economies of the Member Countries, the Issuer's loan and documentary portfolio includes, and, most likely, will continue to include, concentrations in particular Member Countries. Accordingly, the economic situation in the Member Countries affects the financial conditions and prospects of the Issuer. The Issuer has specified its value proposition for each Member Country in country strategies with focus on the specificities of the development of the Issuer's operations within each Member Country including potential partners and counterparties of the Issuer within the respective Member Country.

According to its strategic vision, the Issuer's growth is associated mainly with increase of its loan and documentary portfolio in each Member Country, focusing on trade finance operations, trade related loans and syndications as well as integrational and flagship projects, with further diversification of its instruments, as well as with access to promising markets outside the Issuer's current geography.

This section of the Offering Circular sets out certain high-level information about the macroeconomic situation in the main current relevant geographic markets of the Issuer, as well as the Issuer's most recent activities in such markets.

The Republic of Bulgaria

Bulgaria is an export-oriented emerging market economy, strongly integrated in the EU. In 2014-2019, the Bulgarian economy has shown average growth rates of 3.3% annually, which is higher than the corresponding average figures for the EU. One of the main drivers of the Bulgarian economy growth was external demand: the export of goods and services increased by an average of 5.1% annually, which was the result of increased demand in the major trading partners' markets. Since 2015, the expansion of domestic consumption (primarily due to the increase of incomes of the population) has been contributing significantly to the national economy growth. In recent years, the fastest growing sector of the Bulgarian economy was services sector, which accounts for more than 60% of Bulgaria's economic activity.

In 2020, Bulgarian GDP growth is estimated to fell to -4.2% as a result of the COVID-19 pandemic outcomes. However, the national economy is resilient enough to rebound in 2021 with a growth of about 4.4%. In 2020, the import volumes are expected to decrease by 5.9%, export volumes – by 9.1%, with subsequent growth in 2021 of around 5.1% and 5.4% respectively. Bulgaria is characterized by a stable negative trade balance. At the end of 2020, the main export trading partners of Bulgaria were Germany (16.0%), Romania (9.2%), Italy (6.9%), Greece (6.7%) and Turkey (6.4%). The leading import trading partners of the country were Germany (12.2%), Romania (7.4%), Italy (7.1%), Turkey (7.1%), and Russia (6.1%).

Bulgaria is rated BBB with a stable outlook by S&P (27 November 2020), Baa1 with a stable outlook by Moody's (9 October 2020) and BBB with a positive outlook by Fitch (19 February 2021).

In 2019, the IBEC conducted business mission to Bulgaria, during which a Memorandum of Cooperation with the Bulgarian Development Bank and a Memorandum of Partnership between national and international development institutions of the Balkan region, Central and Eastern Europe were signed.

In 2020, IBEC participated in the meeting of the Russian-Bulgarian Intergovernmental Commission.

As of 31.12.2020 the volume of the Bank's loan portfolio in Bulgaria amounted to EUR 65 mln (19% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln). The most prominent deals in Bulgaria in 2020 include:

- Financing to Bulgartransgaz EAD in the amount of EUR 40 mln for the development project of energy infrastructure, "Balkan Stream", which is of strategic importance for the Eastern European member countries of the Bank: Bulgaria, Romania, and Slovakia.
- Revolving credit line in the total amount of EUR 5 mln to the Bulgarian Doverie United Holding, which is part of the Sopharma AD group (one of the leading Bulgarian pharmaceutics producers), for the implementation of ongoing projects of the holding enterprises.
- Financing in the amount of EUR 15 mln for Eurohold Bulgaria AD for expansion of its insurance business in Bulgaria, Romania and Poland.

The Czech Republic

Czech Republic is an industrial country with a stable and highly developed economic system. In 2014-2019, the Czech economy has demonstrated GDP growth rates of about 3.5% annually, which is higher than the corresponding average figures for the EU. The characteristic of the Czech economy remains in its pronounced export orientation, which continued to increase in recent years. Besides external demand, investments were another driver of the national economy growth, which was largely the result of an inflow of FDI. In recent years, wage growth has also contributed to an increase in domestic consumer demand. Services sector constitutes the basis of the Czech economy.

Czech Republic macroeconomic performance is expected to deteriorate sharply in 2020 given the impact of the lockdown in response to the COVID-19 pandemic. GDP growth is estimated to come to -5.6% in 2020. However, the contraction is anticipated to be followed by a recovery of 4.2% by the end of 2021. The expected decrease of export by 5.8% in 2020 will be partly compensated by 6.8% growth in 2021. Import volume is estimated to shrink by 6.0% in 2020, which will be followed by the growth of about 5.9% in 2021.

At the end of 2020, the Czech Republic's main export trading partners were Germany (32.6%), Slovakia (7.6%), Poland (6.2%), France (4.7%), and Austria (4.2%). The country's leading import trading partners were Germany (27.9%), China (11.3%), Poland (8.8%), the Netherlands (6.7%), and Slovakia (5.2%).

Czech Republic is rated AA- with a stable outlook by S&P (30 October 2020), Aa3 with a stable outlook by Moody's (5 February 2021) and AA- with a stable outlook by Fitch (22 January 2021).

As of 31.12.2020 the volume of the Issuer’s loan portfolio in Czech Republic amounted to EUR 5 mln (1% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln).

- Advance payment guarantees in the total amount of EUR 2.3 mln on behalf of Czech corporate clients, under contracts for supply of transport means and scientific equipment and accepted directly by corporate beneficiaries, incl. in the Czech Republic.
- Supporting Czech export to other countries by means of trade related loans in the total amount of EUR 1.9 mln for supporting export of energy equipment from the Czech Republic to the Commonwealth of Independent States (CIS).

Mongolia

Mongolia is a country with agro-industrial economy, well endowed with mineral resources, strong potential in agriculture and tourism, and a young and dynamic population. The country is one of the most perspective markets in Northeast Asia. In 2014-2019 the average annual growth rate of real GDP amounted to 4.8%. During this period, the main drivers of the country's economic growth were exports and, to a lesser extent, domestic demand, based mainly on the consumption of imported goods and services. The dynamics of the Mongolian economy development is largely determined by the situation in the world commodity markets, as well as the realization of investment projects with attraction of foreign capital for the development of large minerals deposits. GDP formation is largely dominated by agriculture and mining.

According to the current estimates, Mongolia's GDP fell by 5.3% in 2020 due to the negative effects of COVID-19 pandemic, which is the first contraction since 2009. However, in 2021 national economy is expected to grow by 5.0%. Amidst increasing government's borrowing requirements, the possible sharp fall in export revenue can substantially deteriorate Mongolia’s public finances. In 2020 volume of Mongolian export is estimated to decrease by 10.6%, import – by 13.2%. In 2021, foreign trade volumes are projected to recover: export growth rate will amount to 4.9%, while import will increase by 23.3%. China remains Mongolia's main export trading partner, accounting for 88.9% of the country’s export volume in 2020. The geographical structure of imports is relatively more diversified. According to the data for 2020, most important import partners were China (33.2%), Russia (28.2%), Japan (9.6%), the USA (4.7%) and the Republic of Korea (4.4%).

Mongolia is rated B with a stable outlook by S&P (9 July 2020), B3 with a stable outlook by Moody’s (16 March 2021) and B with a stable outlook by Fitch (28 May 2020).

In 2019, the IBEC conducted business mission to Mongolia, where series of meetings with state and commercial banks and representatives of the business community were held, as well as a meeting with the Chairman of the Mongolian National Chamber of Commerce and Industry, during which various aspects of cooperation were discussed.

In 2019, a new agreement on cooperation in the field of trade finance was signed between Golomt Bank LLC and IBEC for partnership in the field of export and trade finance, support for small and medium-sized enterprises, the development of bilateral and multilateral transactions between companies from the IBEC Member Countries.

In 2020, Memorandum of Understanding with Golomt Bank LLC aimed at financing environmentally oriented projects was signed.

As of 31.12.2020 the volume of the Bank’s loan portfolio in Mongolia amounted to EUR 61 mln (18% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln). The most prominent deals in Mongolia in 2020 include:

- IBEC provided a targeted loan in the amount up to EUR 40 mln with 10 years tenor to the Ulaanbaatar Railway for its long-term modernization investment program that includes a purchase of Russian-made locomotives meeting modern environmental and safety requirements.
- Trade-related loans to Golomt Bank (Mongolia) amount to EUR 9.7 mln (equiv.) for financing supplies of petrochemical and consumer goods, electronic goods, etc.
- Participation in syndicated loan with other development institutions for XacBank with IBEC’s part accounting to USD 10 mln with the aim to support external trade contracts of Mongolian residents along with SME support.
- Off-balance transactions with Golomt Bank and Trade and Development Bank of Mongolia in the amount of EUR 17.8 mln (equiv.) for supporting supplies of railway equipment, modern construction equipment, electronic goods and others accepted by leading banking groups.

The Republic of Poland

Poland is an industrial country with a highly developed market economy. In 2014-2019, the Polish economy has demonstrated steady growth rates, which averaged 4.3% annually, which is higher than the corresponding average figures for the European Union (EU). One of the main drivers of the Polish economy growth was external demand: exports of goods and services increased by an average of 7.6% annually. Another key growth factor was large-scale government investments, including those financed by EU funds. Poland's economy grew by 5.3% in 2018, the highest growth rate in Central Europe and the Baltic countries, and then slowed down to 4.5% year on year in 2019. Compared to most other EU members, Poland is characterized by a relatively low share of the services sector in GDP and, correspondingly, an increased share of the real sector.

According to the current estimates, the negative effects of COVID-19 pandemic will plunge the Polish economy into recession in 2020, with GDP growth rate falling to -2.8%, which means that the Polish economy was one of the least hit by the pandemic in the EU.

Recession is expected to be followed by the recovery of 3.5% in 2021. In 2020, volume of Polish export is estimated to slightly fall by 0.5%, while import is to decrease by 2.6%. The subsequent growth of export in 2021 is to constitute 10.6%, of import – 11.6%. At the end of 2020, the main export trading partners of Poland were Germany (28.9%), Czech Republic (5.8%), the United Kingdom (5.7%), France (5.6%), and Italy (4.3%). The country's leading import trading partners in 2020 were Germany (27.5%), China (10.4%), the Netherlands (6.1%), Italy (5.0%), and Russia (4.4%).

Poland is rated A- with a stable outlook by S&P (2 October 2020), A2 with a stable outlook by Moody's (19 April 2019) and A- with a stable outlook by Fitch (19 March 2021).

In 2019, IBEC jointly with the Polish–Russian Chamber of Commerce and Industry arranged «IBEC Days» in Poland, an inaugural event of a fundamentally new format. The event resulted in improvement of the Bank's recognition in Poland and establishment of business contacts with leading Polish companies.

As of 31.12.2020 the volume of the Issuer's loan portfolio in Poland amounted to EUR 14 mln (4% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln). The most prominent deals in Poland in 2020 include:

- Financing deal for Polish corporate client Laude Smart Intermodal successfully launched in 2019 and has continued in 2020 for EUR 14 mln for 7 years. The funds were provided to support innovative and environmentally friendly development of the European transport infrastructure. The financing is aimed at purchasing innovative intermodal freight railway containers and platforms. The client's project is also supported by EU funds.
- Documentary transactions on behalf of a Polish corporate client - Frako Term for up to EUR 1.1 mln in guarantees, letter of credit issued to cover obligations under contracts for the supply of equipment as a part of an international scientific project.
- Trade related loans, standby letters of credit, guarantees for up to EUR 7 mln supporting export-import operations between Poland and CIS in such sectors as pharmaceutics, packaging and construction equipment, automobile, chemical and others.

Romania

Romania is an above-average-sized, diversified CEE country, with growth potential above the regional average. In 2014-2019, the Romanian economy has shown rather high growth rates of about 4.5% annually, which is two times higher than the corresponding average figures for the EU. The main driver of the growth of the Romanian economy was domestic consumer demand, inter alia based on the active increase in imports of goods and services.

The share of the services sector in the GDP is significant and keeps growing, while the shares of industry and agriculture are diminishing.

COVID-19 pandemic aftermath is estimated to lead to Romania's GDP contraction of about 3.9% in 2020. In 2021 the economy is anticipated to show the growth of around 6.0%. In 2020, the import volumes are expected to decrease by 4.6%, export volumes – by 9.4%, with subsequent growth in 2021 of around 11.4% and 12.0% respectively. In 2020, Romania's main export trading partners were Germany (22.8%), Italy (10.7%), France (6.8%), Hungary (5.0%), and Poland (3.8%). The country's leading import trading partners were Germany (20.7%), Italy (8.8%), Hungary (7.3%), China (6.3%), and Poland (6.2%).

Romania is rated BBB- with a negative outlook by S&P (4 December 2020), Baa3 with a negative outlook by Moody's (24 April 2020) and BBB- with a negative outlook by Fitch (30 October 2020).

As of 31.12.2020 the volume of the Issuer's loan portfolio in Romania amounted to EUR 23 mln (7% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln). The most prominent deals in Romania in 2020:

- IBEC has expanded its cooperation with one of the largest Romania's telecommunications company. The Bank financed the supply of equipment, materials, work and services as part of the Supply Chain Finance platform of one of the top international banks. The funds were provided in national currency in the amount of approximately EUR 5.2 mln (equiv.).

The Russian Federation

Russia is a country with one of the largest economies in the world. In 2014-2019, the Russian economy has shown low growth rates of real GDP, amounting to 0.8% per year, which is more than four times lower than similar average indicators for the global economy (3.5%). The main driver of economic growth was external demand - the export of goods and services, while domestic demand showed mostly negative dynamics amid falling real incomes and lower investment activity. The dynamics of the Russian economy development is largely determined by the situation on the world commodity markets, sanctions imposed by western states, and the country's adaptation to the external shocks in the context of the existing commodity-based development model obsolescence. Services sector forms the basis of the Russian economy accounting for more than 60% of GDP.

As a response to the pandemic-provoked crisis, Russian economy is estimated to contract in 2020 by 3.0%, the following recovery in 2021 is estimated at the level of about 3.8%. In 2020, volume of Russian export is estimated to fall by 7.8%, while import is to decrease by 13.5%. The subsequent growth of export in 2021 is to constitute 3.1%, of import – 15.0%. At the end of 2020, the main export trading partners of Russia were China (14.6%), the Netherlands (7.4%), the United Kingdom (6.9%), Germany (5.5%), Belarus (4.8%).

The leading import trading partners of the country were China (23.7%), Germany (10.1%), the United States (5.7%), Belarus (5.4%), and Italy (4.4%).

Russia is currently rated at BBB- with a stable outlook by S&P (15 January 2021), Baa3 with a stable outlook by Moody’s (8 February 2019) and BBB with a stable outlook by Fitch (5 February 2021).

In 2019, the IBEC organized in Moscow its first international business forum “Europe–CIS.4D” with the support of BACEE, the Financial and Banking Council of the CIS, and TransKapitalBank. The key item of the agenda was the new mechanisms for expanding and deepening foreign trade operations between the European countries and the CIS.

In 2019 and 2020 IBEC successfully placed two bond issues on the Moscow Exchange.

In November 2019, the IBEC supported the first ever issue of environmental bonds in the history of the Russian stock market by Center-Invest Bank. The funds raised are intended for financing and refinancing of loans for implementation of energy efficiency projects, development of renewable energy sources and eco-friendly transport.

In 2019, the IBEC signed Agreement on Establishment of the International Fund for Technological Development with the Government of the Russian Federation. The purpose of the Fund is to promote technological development and economic growth in the Bank’s member countries concerned, including through the financing of projects aimed at introduction and development of advanced technologies.

In 2020, the Issuer signed Cooperation agreement with the Agency for Technological Development, which involves joint support of the initiatives to create and promote advanced technologies, cooperation in increasing the availability of financial and administrative resources for the implementation of investment projects in Russia and the Bank's member countries, partnership in the information and analytics field.

As of 31.12.2020 the volume of the Issuer’s loan portfolio in Russia amounted to EUR 51 mln (14% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln). The most prominent deals in Russia in 2020 include:

- The Bank continued its cooperation with State Transportation Leasing Company PJSC – the largest leasing company in Russia. IBEC provided financing for a purchase of L-410 aircraft under Russia’s governmental program aimed at the development of the country’s transportation infrastructure. The funds were provided in national currency in the amount of approximately EUR 5.3 mln (equiv.).
- Guarantee/ counter guarantee operations for EUR 16 mln up to 1 year to support purchase of pharmaceuticals from major world producers by top Russian distributor.
- Letter of credit issued on behalf of the Russian corporate client for EUR 8 mln up to 1 year tenor for purchase of industrial equipment of Hungarian exporter.
- Participation in syndicated loan for Sovcombank, IBEC’s part accounts USD 10 mln with the aim to support external trade contracts of Member Countries, external trade contracts, including an ESG tranche.

The Slovak Republic

Slovak Republic is a country with an open economy and an actively developing industry. In 2014-2019, the Slovak economy has shown GDP of 3.1% annually, which corresponded to the world average indicators. The main driver of the growth of the Slovak economy was domestic demand, which was based on the investments growth owing to improving of the business environment and the increasing consumption of imported goods and services.

The Slovak economy is estimated to shrink in 2020 – GDP will decrease by 5.2%, which is the worst contraction since the global financial crisis of 2009, when GDP shrank by 5.4%. Gradual removal of restrictions, connected with COVID-19, will lead to the economic activity recovery, with growth forecast at 4.7% by the end of 2021. In 2020 volume of the Slovak export is estimated to decrease by 7.1%, import – by 8.5%. In 2021, foreign trade volumes are projected to recover: export growth rate is anticipated to amount to 10.8%, while import will increase by 11.5%. At the end of 2020, the main export trading partners of Slovakia were Germany (22.1%), Czech Republic (10.6%), Poland (7.9%), France (7.3%), and Hungary (6.4%). The country's leading import trade partners were Germany (19.6%), the Czech Republic (17.7%), Austria (8.7%), Poland (7.7%), and Hungary (7.3%).

Slovakia's sovereign rating stands high, at A+ with stable outlook by S&P (22 January 2021), A2 with stable outlook by Moody’s (27 September 2019), and A with negative outlook by Fitch (6 November 2020).

In 2019-2020, IBEC participated in meetings of the Russian-Slovak and Kazakh-Slovak Intergovernmental Commissions.

As of 31.12.2020 the volume of the Bank’s loan portfolio in Slovakia amounted to EUR 3 mln (1% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln).

The Socialist Republic of Vietnam

In recent years, the economy of Vietnam was one of the fastest growing in the world: in 2014-2019 the average annual growth rate of real GDP was around 6.6%. The main drivers of the growth of the Vietnamese economy were external demand - the country's exports, as well as large-scale investments (primarily FDI). The dynamics of the Vietnamese economy development is largely determined by its high level of openness and integration into the global economy, including through the attraction of large-scale FDI and active conclusion of preferential trade agreements with other countries and regions, and the country's favourable transport and geographical location. Vietnamese GDP structure is dominated by services.

COVID-19 pandemic had a negative impact on Vietnam's economy mainly through the country's tourism and export sectors. However, the Vietnamese GDP still showed growth of 2.9% in 2020, helping the country to maintain the position as one of the fastest-growing economies. In 2021, the GDP growth is expected to amount to 6.5%. In 2020, the import volumes are expected to grow by 2.9%, export volumes – by 2.8%, with subsequent growth in 2021 of around 5.7% and 10.2% respectively. In 2020, the leading export partners of Vietnam were: the United States (23.2%), China (15.7%), Japan (7.7%), and the Republic of Korea (7.5%). The main import markets were China (29.8%), the Republic of Korea (18.5%), Japan (7.7%), the United States (5.7%).

Vietnam is rated BB with a stable outlook by S&P (21 May 2020), Ba3 with a positive outlook by Moody's (18 March 2021) and BB with a positive outlook by Fitch (1 April 2021).

In November 2019, business forum "Enhancing Trade Cooperation of Vietnam with Central-Eastern Europe (CEE) and Eurasia" organized by the IBEC with the support of the State Bank of Vietnam was held in Hanoi (Vietnam).

In 2019, the IBEC signed a tripartite agreement with Vietinbank and Hateco company, that addresses issues related to securing financing for the construction of the Hateco logistics centre in Sai Dong (Vietnam).

In 2020, IBEC participated in the meeting of the Russian-Vietnamese Intergovernmental Commission.

As of 31.12.2020 the volume of the Issuer's loan portfolio in Vietnam amounted to EUR 27 mln (8% of gross loan portfolio, including credit investment portfolio of securities being for the loan purpose in the amount of EUR 32.2 mln). The most prominent deals in Vietnam in 2020 include:

- Provision of financing under Usance Payable at Sight (UPAS) letters of credit to Vietnamese Saigon-Hanoi Commercial Joint Stock Bank (SHB) in amount of USD 40 mln to support export-import operations with countries of Asia, Africa and South America in agricultural, chemical, metallurgical sectors.
- The first forfaiting deals: IBEC bought out the obligations of the Vietnamese SHB Bank for up to USD 7 mln and took part in financing of contracts for supply of monocrystalline solar panel modules to Vietnam – a key element for renewable solar energy projects.

EU Member-States

IBEC took part in supplier's financing program of the biggest international food producer in Bulgaria, Poland, Czech Republic and Slovakia, organized by international bank. IBEC's exposure as of 31.12.2020 – EUR 37,8 mln in equivalent.

Third countries

IBEC is providing trade finance products and participates in syndications for financial institutions of third countries to support trade of its Member Countries with such countries.

The most significant deals in 2020 include:

- Trade finance deals, including off-balance deals (IRUs, guaranties, LCs confirmation) with Uzbek banks for the amount of USD 19.3 mln to support Russian export of medical and metallurgy goods to Uzbekistan.
- Participation in syndicated loans for Uzbek banks with IBEC's part totaled approximately EUR 23 mln for support of external trade contracts of Member Countries (including Europeans) export of Russian high-tech equipment for the metallurgical industry, supply of engineering products.

7. MEMBERS

The Issuer currently has eight members, namely: Bulgaria, Czech Republic, Mongolia, Poland, Romania, Russian Federation, Slovakia and Vietnam. The Issuer benefits from the high geographical diversification of its Member Countries. Their territories and, therefore, the Issuer's relevant geographic market, cumulates approximately 19.7 million square km and a total population of more than 300 million people.

In accordance with the Statutory Documents, all delegations of the Member Countries to the Issuer's Council may vote at the meetings of the Issuer's Council - this being the supreme governing body of the Issuer - and each Member Country has one vote in the Council regardless of the size of its contribution to the Issuer's capital.

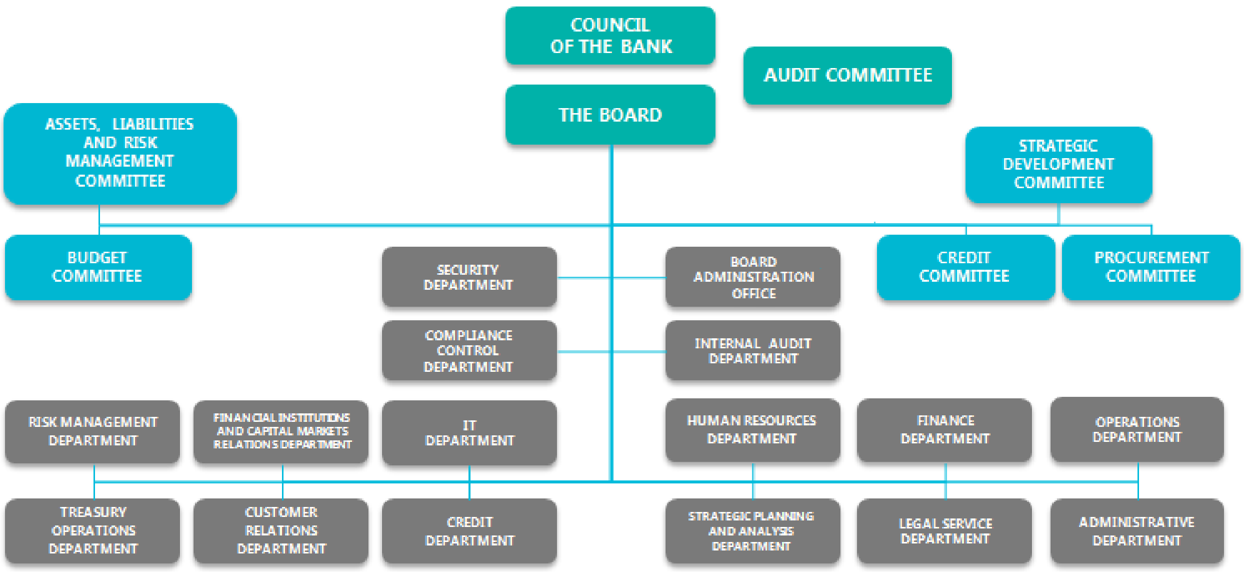
The Issuer is open to new members. Membership may be obtained by forwarding an official application to the Council. Acceptance of the new member is approved by decision of the Council.

Member Countries may withdraw their membership from the Issuer upon notice to the Council at least six (6) months in advance in accordance with the regulations outlined in the Statutory Documents.

8. MANAGEMENT AND GOVERNANCE

General

The corporate governance structure of the Issuer is based on the principles of transparency, accountability, responsibility and openness. The overall governance structure of the Issuer is shown in the following chart:



The Issuer's governing bodies are the following:

- The Council, which is the highest authority, and supreme management body, of the Issuer, carrying out the strategic and general management of the Issuer's activities; and
- The Board, which is the executive body of the Issuer, appointed by the Council.

In line with best corporate governance practices of the international development banks, the Issuer has established various specialised collective bodies, including the Credit Committee, the Assets, Liabilities and Risk Management Committee, the Strategic Development Committee, the Procurement Committee, the Budget Committee and various tasks groups.

Council

The Council is the highest authority of the Issuer responsible for the general management of the Issuer's activities. The Council meets as frequently as it is necessary, but not less than twice a year. The main tasks of the Council include:

- determines the general direction of the Issuer's activities related to establishment of business contacts and cooperation with banks of Member Countries, banks of other countries, financial, banking and other international economic organizations, and cooperation with or participation in other organizations, which activities correspond to Issuer's objectives;
- approves, at the suggestion of the Board, annual reports, balance sheets and distribution of Issuer's profit, the Bank's structure and manning table and the estimates of the administrative and management expenditure of the Issuer;
- establishes Issuer's own special funds;
- appoints Chairman and members of the Issuer's Board;
- appoints the Issuer's Audit Committee, hears its reports and passes resolutions based on such reports;
- authorizes establishment of branches, agencies and representative offices of the Issuer;
- hears reports of the Issuer's Board concerning its activity and passes resolutions based on such reports;
- decides on acceptance of any new Issuer's members;
- approves the Issuer's Staff Rules;
- performs any other functions arising from the Agreement and the Statutes, which may become necessary for achievement of Issuer's purposes and objectives.

The Council also resolves on the opening of branches and representative offices by the Issuer in Member Countries, as well as in other countries, resolves on the increase of the capital of the Issuer, the admission of new members.
Each Member Country has one vote in the Council, irrespective of its share in the paid-in share capital of the Issuer. Members of the Council are appointed by the Governments of the respective Member Countries. Below is a list of persons appointed as members of the official Delegations of the Member Countries, and, respectively, members of the Council by each Member Country, as of the date of the Offering Circular:

- *Republic of Bulgaria:* Head of the Delegation is Marinela Petrova, Deputy Minister of Finance of the Republic of Bulgaria. Council Member is Gergana Beremska, Director of the International Financial Institutions and Co-Operation Directorate of the Ministry of Finance of the Republic of Bulgaria.
- *Czech Republic:* Head of the Delegation is Lenka Dupakova, Deputy Minister of Finance of the Czech Republic. Council Member is Zuzana Matyasova, Director of the Department of International Relations with the Ministry of Finance of the Czech Republic.

- *Mongolia:* Head of the Delegation is Javkhlan Bold, Minister of Finance of Mongolia. Council Member is Bat-Ireedui Anar, Department Office Head of the Ministry of Finance of Mongolia.
- *Republic of Poland:* Head of the Delegation is Adam Glapinski, President of Narodowy Bank Polski. Council Members are Pawel Samecki, Board Member of Narodowy Bank Polski and Andrzej Ciopiński, Deputy Department Director of the Ministry of Finance of the Republic of Poland.
- *Romania:* Head of the Delegation is Sebastian-Ioan Burduja, State Secretary of the Ministry of Public Finance of Romania. Council Member is Boni Florinela Cucu, Department General Director of the Ministry of Public Finance of Romania.
- *Russian Federation:* Head of the Delegation is Timur Maksimov, Deputy Minister of Finance of the Russian Federation. Deputy Head of the Delegation is Evgeniy Stanislavov, Director of the Department of Economic Cooperation of the Ministry of Foreign Affairs of the Russian Federation.
- *Slovak Republic:* Head of the Delegation is unoccupied at present, appointment in progress. Council Member is Vladimir Martvon, Senior State Counsellor of the Section of International Relations of the Ministry of Finance of the Slovak Republic.
- *Socialist Republic of Vietnam:* Head of the Delegation is Nguyen Thi Hong, Governor of the State Bank of Vietnam. Council Members are Doan Hoai Anh, Head of International Relations Department of the State Bank of Vietnam and Dao Thuy Hang, Deputy Head of International Relations Department of the State Bank of Vietnam.

Board

The Board is the executive body of the Issuer and it reports to the Council. The Board is headed by the Chairman. Board members and the Chairman are appointed from the citizens of all the Member Countries for a term of up to five years. The business address of the Chairman and of the members of the Board is the address of IBEC, namely: Masha Poryvaeva str., 11, Moscow, Russia, GSP-6, 107996. Neither of the Chairman or the Board members has involvement in any material business or activity outside the office of Board member and has no conflict of interest.

The Board is vested with operating management duties, carried out in accordance with the strategy and policies approved by the Council. The Board supervises the Issuer's activities, oversees the day-to-day administration of the Issuer, exercises all powers delegated to it by the Council and performs all such other functions within its powers in accordance with the Statutory Documents.

As at the date of this Offering Circular, the Board comprises seven members, namely six Members of the Board and the Chairman of the Board, one appointment is in progress. One Executive Deputy Chairman is appointed on a merit basis. The members of the Board supervise the departments assigned to them and report to the Chairman.

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

No	Full Name	Gender	Position	Date of birth	Citizenship
1	Denis Ivanov	Male	Chairman of the Board	02/07/1974	Russian Federation
2	Boyko Vassilev Kotzev	Male	Member of the Board	18/06/1956	Republic of Bulgaria
3	Thinh Thi Hong	Female	Member of the Board	12/10/1966	Socialist Republic of Vietnam
4	Tserenpurev Gotov	Male	Member of the Board	01/05/1960	Mongolia
5	Lidia Anchakovska	Female	Member of the Board	15/05/1968	Republic of Poland
6	*appointment in progress*		Member of the Board		Romania
7	Peter Osvald	Male	Member of the Board	27/06/1962	Slovak Republic
8	Jan Jursa	Male	Member of the Board	19/06/1956	Czech Republic

Audit Committee

The Audit Committee is appointed by the Council and consists of a chairman and five members, vested with audit duties with respect to the Issuer's operations. The Audit Committee is independent from any other body within the Issuer and reports directly to the Council.

The activity of the Issuer's Audit Committee includes the verification of the annual reports, the cash and assets operations, the keeping of the Issuer's records, accounts and other books, as well as of the activity of the Issuer's branches and agencies. The members of the Audit Committee are appointed by the Council for a two-year mandate. The Chairman and the other members of the Audit Committee cannot hold any other positions within the Issuer.

Voting System

According to Article III of the Agreement, the activities of the Issuer are performed on the basis of equality of its members and by respecting the sovereignty of states.

The Statutory Documents also provide that each member of the Issuer, irrespective of its share in the authorized capital, has one vote in the Council of the Issuer - this being the supreme governing body of the Issuer, which exercises the general management duties with respect to the Issuer's activity. The key matters, such as increasing of the authorized capital and contributions to it, admission of new members, proposals for amendment of the Statutory Documents, appointment of the Board and its Chairman, approval of the annual report, balance-sheet and allocation of profits by the Issuer, opening or closing down branches and representative offices, are decided with the unanimity of votes of the Members Countries. Other matters, including the adoption of strategy and credit policies, are decided with the qualified majority of three fourths of the votes, *i.e.*, by six votes out of the total eight votes possessed by the Member Countries.

Based on the express provisions of the Statutes, the Chairman and the Members of the Board of the Issuer, as well as the Issuer's other officials are subordinated to the Issuer only (while in their official capacity), being also independent from any authority or official of the Member Country of which they are citizens.

The Issuer's corporate governance system is based on the principles of transparency, responsibility, openness and careful consideration in decision making. All Member Countries are therefore equally capable of influencing the decisions adopted at the level of the Issuer.

9. REGULATORY CAPITAL

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

The 25% minimum capital adequacy ratio approved by the Council is 17 percentage points above the Basel II 8% requirement applicable to total capital.

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

The following table shows the composition of the Issuer's capital position in the paid-in capital as of 31 December 2020 and 31 December 2019:

(EUR thousand/%)	**2020**	**%**	**2019**	**%**
Russian Federation	103,179	51.59	103,179	51.59
Czech Republic	26,684	13.34	26,684	13.34
Poland	24,016	12.01	24,016	12.01
Republic of Bulgaria	15,121	7.56	15,121	7.56
Romania	14,232	7.12	14,232	7.12
Slovak Republic	13,342	6.67	13,342	6.67
Mongolia	2,668	1.33	2,668	1.33
Socialist Republic of Vietnam	758	0.38	758	0.38
Total	**200,000**	**100%**	**200,000**	**100%**

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

10. RISK MANAGEMENT

The Issuer manages risk through an ongoing process of identification, evaluation and monitoring, as well as through risk limits and other internal controls. The risk management process is essential to maintain the Bank's stable operations. In carrying out core activities, the Bank is subject to financial risks: credit risk, liquidity risk and market risk. The bank is also subject to operational risks.
In line with the IBEC's current growth initiatives, key challenges in terms of implementing and optimizing the risk management system have been met:

- development and optimisation of risk management methodology approaches, tools, and technologies for analysis and assessment of liquidity, market and operational risks;
- improvement of the limit-setting system;
- automation of processes for risk analysis and assessment and of risk reporting.

At all stages of its operations, the Issuer is implementing as follows:

- calculating and controlling risk appetite indicators;
- applying models of operational risk control and accounting.

Risk management structure

Responsibility for risk management lies with the Council, the Board, the Credit Committee, the Assets, Liabilities and Risk Management Committee, Audit Committee, Strategic Development Committee, the Risk Management Department and the other departments of the Issuer. Each structural unit of the Issuer is responsible for the risks associated with its responsibilities.

Council

The supreme management body responsible for general management of Issuer's activities. It approves the Risk Management Policy, the Risk Management Strategy, risk appetite concept and capital adequacy ratio.

Board

An executive body responsible for direct management of the business of the Issuer. It takes risk management decisions (in respect of credit risk, market risk, liquidity risk, operational risk, functional risks).

Audit Committee

Responsible for independent inspection of IBEC's activities. Consists of representatives of all IBEC member countries. Conducts inspections twice a year.

Credit Committee

Considers issues and gives recommendations to the IBEC's Board as to credit risk management decisions (borrowers, credit institutions, issuers).

Assets, Liabilities and Risk Management Committee

Considers issues and gives recommendations to the Board of Management as to assets and liabilities, capital, market risk, liquidity management decisions, setting of major limits.

Strategic Development Committee

Determines the acceptable level of strategic risk within the limits set by the Issuer, as well as the level of risk to avoid the Bank's losses and maintain the optimal level of the Bank's capital in achieving its strategic objectives.

Risk Management Department

- Coordinates liaison between all units in respect of risk management
- Develops methodology and conducts independent assessment of banking risks;
- Exercises general independent control of risks
- Exercises an independent risk analysis of counterparties
- Prepares risk reporting
- Risk Monitoring

Internal Audit Department

Audits the effectiveness of banking risks assessment methodology and procedures for managing banking risks.

Compliance Control Department

Manages compliance risks.

Credit Department

Conducts expertise, monitoring of outstanding loans and manages collateral.

Legal Department

Exercises control of legal risks at all phases of banking operations.

Security Department

Verifies counterparties and the Issuer's economic security procedures.

Risk assessment and risk information reporting systems

The Issuer's risk management policy is based on the principle of reasonable conservatism, which implies the Issuer 's rejection of potential transactions with a very high or uncertain level of risk, regardless of their profitability.

Risk assessment and management are carried out in a comprehensive manner, considering all the underlying risk factors and their relationship. Risk monitoring and control are based on the Issuer's limits. Such limits reflect the strategy and market conditions in which the Bank operates, as well as the level of risk that the Issuer is prepared to accept.

Information from all activities is studied by structural units and processed for risk analysis, control and early detection. The reporting documents on the operations are prepared by the structural units on a regular basis and are coordinated with the Risk Management Department (RMD) in terms of the current state of risks. In order to effectively manage the Issuer’s risks, the structural units are being monitored in conjunction with the RMD for clients, counterparties, specific transactions and the Bank's portfolios. This information is provided to the Board of the Issuer.

Reducing risk

As part of risk management, the Issuer uses various ways to limit and minimize risks: diversification, limitation, hedging. The Issuer also uses collateral to reduce its credit risk.

Excessive risk concentrations

Risk concentrations occur when changes in economic, political and other conditions have a similar impact on the ability of counterparties to meet contractual obligations in a situation where a number of counterparties carry out similar types of activities or activities are conducted in the same geographical region, or counterparties have similar economic characteristics. Risk concentrations reflect the relative sensitivity of the Issuer's performance to changes in conditions that affect a particular industry or geographic region.

In order to avoid excessive risk concentration, the Issuer's policies and procedures include specific principles aimed at maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Issuer will suffer losses due to non-performance or improper performance by customers or counterparties of its contractual obligations to the Bank. The Issuer manages credit risk by setting a risk limit that the Bank is willing to accept for individual counterparties, as well as by monitoring compliance with established risk limits.

All credit risk transactions are assessed using quantitative and qualitative analysis methods established by the Issuer's lending and risk management regulations. Based on the intra-bank methodology, the client or the contractor is assigned an internal credit rating, which reflects the level of credit risk.

When managing the credit quality of financial assets, the Issuer considers the credit ratings assigned by the international rating agencies of S&P, Moody's and Fitch. On the operations of lending to legal entities in addition to the analysis of the financial condition of the counterparty, the Issuer conducts analysis and modelling of cash flows.

Credit risk management is carried out by conducting a regular analysis of the ability of clients or counterparties to meet their obligations to repay principal and pay interest. On a regular basis, the Issuer's clients/counterparties are monitored, the cash flow model is monitored and refined, and their financial condition is monitored as appropriated by internal credit ratings and, as needed, appropriate adjustments are made. The credit quality verification procedure allows the Issuer to assess the size of potential losses for the risks it is exposed to and to take the necessary measures to reduce them. In addition, additional minimization of credit risk is achieved by obtaining collateral for loans in the form of collateral, guarantees (including state guarantees) and sureties of legal and natural persons**.**

Risks associated with conditional liabilities of a credit nature

Credit risk on conditional liabilities of a credit nature is defined as the probability of losses due to the inability of another participant of the transaction to fulfil the terms of the contract. Under these agreements, the Issuer carries risks that are similar to credit risks and which are reduced through the same risk assessment, monitoring and control procedures**.**

Definition of default

The financial asset refers to the Bank's financial assets, which were the event of default, in the following cases:

It is unlikely that the borrower's loan obligations to the Issuer will be repaid in full without the Issuer's application of such actions as implementation of the security (if available); or

The borrower's debt on any of the Issuer's substantial loan obligations is more than 90 days late (for lending to legal entities).

When assessing the financial statement and IFRS 9 stages on the borrower's liabilities, the Issuer takes into account the following indicators:

- High-quality (e.g. violation of restrictive covenant terms)
- Quantitative (e.g., having "overdue debt" status and non-payment of another obligation of the same Issuer counterparty); nd based on data independently developed within the Issuer and obtained from external sources.
- The initial data when assessing the event of default on a financial instrument and their significance may change over time to reflect changes in circumstances.

Significant increase in credit risk

In determining whether there has been a significant increase in credit risk (i.e. default risk) on the financial instrument since its initial recognition, the Issuer considers reasonable and valid information that is relevant and accessible without excessive costs or efforts, including both quantitative and qualitative information, as well as analysis based on the Issuer's historical experience, expert assessment of the quality of the financial instrument and forward-looking information.

It is revealed whether there has been a significant increase in credit risk for a position exposed to credit risk, by comparing including:

- The probability of default for the remainder of the entire term as of the reporting date; and

- The probability of default for the remainder of the entire period calculated for a given time determined by the initial recognition of a credit-risk position (adjusted, if appropriate, considering changes in expectations early repayment).

Evaluating a significant increase in credit risk from the moment of initial recognition of the financial instrument requires a date for the initial recognition of the instrument.

Criteria for determining a significant increase in credit risk vary from portfolio to portfolio and include both quantitative changes in the probability of default and qualitative factors, including a term “trigger” delay.

The Issuer considers that credit risk for a particular position subject to credit risk has increased significantly since its initial recognition, which is if the internal or external rating has decreased by 2 stages since the initial recognition. When assessed for a significant increase in credit risk, the expected credit losses for the remainder of the term are adjusted to reflect the change in maturity.

Based on an expert assessment of credit quality and, where possible, relevant historical experience, the Issuer may conclude that there has been a significant increase in credit risk for the financial instrument, if some of the qualitative indicators, which are an indicator of a significant increase in credit risk, the effect of which cannot be fully identified in a timely manner in the context of quantitative analysis.

As a sign of a "trigger" indicating a significant increase in credit risk on a financial asset since its initial recognition, the Issuer considers the presence of arrears on this asset for more than 30 days (for lending to legal entities). The number of days of arrears is determined by counting the number of days from the earliest day, as of which the full amount has not been paid.

The Bank checks the effectiveness of the criteria used to detect a significant increase in credit risk through regular checks to verify the following:

- The criteria allow you to detect a significant increase in credit risk before a default event occurs against a position at risk;

- The average time period between the detection of a significant increase in credit risk and the onset of a default event seems reasonable;

- Positions subject to credit risk are not transferred directly from the portfolio, for which the valuation reserve is recognized as the sum of 12-month expected loan losses (stage 1) to the portfolio of credit-depreciated assets (stage 3);

- There is no unreasonable volatility of the valuation reserve under expected credit losses when transferring items exposed to credit risk from the portfolio, for which the valuation reserve is recognized as the sum of 12-month expected credit losses (Stage 1) in the portfolio, for which the valuation reserve is recognized in the amount of expected loan losses for the entire term (stage 2).

Credit risk levels (gradations)

The Issuer distributes each position at risk of credit risk between credit risk levels based on the different data that are determined to predict the risk of default, as well as through the application of expert judgment on the loan. The Issuer uses these credit risk levels to detect a significant increase in credit risk in accordance with IFRS 9. Credit risk levels are determined using qualitative and quantitative factors that indicate the risk of default. These factors may vary depending on the nature of the position at risk and the type of borrower.

Credit risk levels are defined and calibrated so that the risk of default increases exponentially as credit risk deteriorates - for example, the difference in default risk between 1 and 2 levels of credit risk is less than the difference 2 and 3 levels of credit risk.

Each position at risk of credit risks refers to a certain level of credit risk as of the date of initial recognition based on the information available about the borrower. Positions exposed to credit risk are subject to constant monitoring, which can lead to the transfer of the position to another level of credit risk. Monitoring usually involves analysing the following data:

- Information obtained from periodic analysis of borrower information, such as audited financial statements, management statements, budgets, projections and plans;

- Data from credit rating agencies, publications in the press, information about changes in external credit ratings;

- The quotations of bonds and swaps of credit default issuers, if this information is available;

- Actual and expected significant changes in the political, regulatory and technological environment of the borrower's activities or business activities;

- Payment information, including the status of arrears;

- Requests and satisfaction of requests for renegotiation of the terms of credit agreements;

- Current and projected changes in financial, economic and operational conditions.

Creating a temporary default probability structure

Credit risk levels are the initial baseline data when creating a temporary default probability structure for positions at risk. The Bank collects information on debt servicing and default levels for positions at risk, analyzed according to jurisdiction, product type and borrower, and credit risk level. Some portfolios may also use information purchased from external credit rating agencies.

The Bank uses statistical models to analyse the data collected and to obtain estimates of the probability of default over the remaining period for positions exposed to credit risk and expectations of their changes over time.

This analysis includes the definition and calibration of the relationship between changes in default probabilities and changes in macroeconomic factors, as well as a detailed analysis of the impact of certain other factors (e.g., review practices) credit agreements) at the risk of default. For most positions exposed to credit risk, the key macroeconomic indicator is the change in GDP, the consumer price index.

For positions at risk, for specific sectors and/or regions, the analysis may apply to prices for related goods and/or real estate, exchange rates, etc.

The Bank's approach to including forward-looking information in this assessment is below.

Initial data when assessing expected credit losses

The main baseline data when assessing expected credit losses are the time structures of the following variables:

- The probability of default (PD);

- The amount of loss in case of default (LGD);

- The amount at risk in case of default;

- Credit conversion rate (CCF)

- Cash flows used to service debt under different scenarios (for corporate lending operations);

- Credit ratings of the leading international rating agencies of counter-agents, debt securities;

- Volatility of the share price/index (on transactions with counter-agents that do not have a credit rating of international rating agencies).

These figures (excluding cash flows) are derived from external statistical models and other historical data. They are adjusted to reflect the forward-looking information below.

Default probability estimates (PD) are estimates on a specific date, which are calculated on the basis of statistical rating models and evaluated using assessment tools adapted to different categories of counterparties and positions at risk of credit risk. If the rating of the credit quality of the counterparty or the position exposed to the credit risk changes, it will lead to a change in the assessment of the relevant PD indicators, credit risk and expectations of early repayment.

The provision for corporate lending operations is determined in accordance with the Issuer's approved valuation models. One model for assessing the level of expected credit losses is based on determining the difference between contract and expected cash flows in favour of the Issuer, discounted at the initial effective interest rate and adjusted for security and reimbursement rate. Other models are based on the borrower's international credit ratings/parent company and the sovereign ranking of the borrower's location. Based on the results of their assessment, the Issuer chooses the most conservative option of calculation.

The amount of loss in case of default (LGD) is the amount of the likely loss in the event of default and depends on the recovery rate. For corporate investment and speculative securities, the recovery rate is accepted in accordance with average historical values according to Moody's. For loans and deposits, banks receive a repayment rate in accordance with Moody's historical data on the historical average reimbursement rate for unsecured bank loans.

The amount at risk in the event of default represents the expected value of the position at risk of credit risk on the date of default. This figure is calculated by the Issuer based on the current value of event of default and its possible changes, permissible under the contract.

As described above, subject to the use of the maximum 12-month default probability factor for financial assets for which credit risk has not been significantly increased, the Issuer assesses the expected credit losses taking into account the risk of default during the maximum period under the contract (including any borrower's extension options) during which he is exposed to credit risk, even if the Issuer considers a longer period for risk management purposes. The maximum period under the contract extends up to the date when the Issuer has the right to demand repayment of the loan granted or has the right to cancel the obligation to provide the loan.

Forecast information

In accordance with IFRS 9, the Issuer includes forward-looking information both in its assessment of a significant increase in credit risk from the initial recognition and in the assessment of expected credit losses. This assessment is based on external information as well. External information may include economic data and projections published by government and monetary authorities in the countries where the Issuer operates, as well as individual and scientific forecasts, information obtained from Bloomberg databases, Thomson Reuters, etc. The Issuer also periodically conducts stress testing of "shock" scenarios in order to adjust its approach to determining data of representative scenarios. The Issuer identified and documented the main factors of credit risk and credit losses for each portfolio of financial instruments, and, using an analysis of historical data, assessed the relationship between macroeconomic variables, credit risk and credit losses. The main factors are GDP forecasts and the consumer price index. The projected ratios of the key indicator and the amount of defaults and the levels of losses for various portfolios of financial assets were developed on the basis of an analysis of historical data for the last 7 years.

Credit quality by financial asset classes

External and internal credit ratings are used in the management of the credit quality of the Issuer's financial assets.

The table below provides an analysis of the credit quality of assets exposed to credit risk, the three stages of impairment in the context of external ratings assigned by international rating agencies, and domestic credit ratings (in the absence of December 31, 2020 (audited):

(EUR thousand)	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Cash and cash equivalents (other than cash on hand)				
Due from central banks	*9,276*			*9,276*
Correspondent accounts with internationally rated banks	*7,200*			*7,200*
Correspondent accounts with banks having internal credit ratings only	*14*			*14*
Total	**1,490**			**16,490**
Allowance for expected credit losses	-			-
Carrying amount	**16,490**			**16,490**
Securities at fair value through other comprehensive income - held by the Bank				
Internationally rated	*185,732*	*6,110*		*191,842*
Internally rated only	*2,602*			*2,602*
Carrying amount	**188,334**	**6,110**		**194,444**
Allowance for expected credit losses	(560)	(562)		(1,122)
-pledged under repurchase agreements				
Internationally rated	*91,862*			91,862
Carrying amount	**91,862**			**91,862**
Allowance for expected credit losses	(178)			(178)
Securities at amortized cost - held by the Bank				
Internationally rated	*15,543*			*15,543*
Internally rated only	*3,003*			*3,003*
Total	**18,546**			**18,546**
Allowance for expected credit losses	(410)			(410)
Carrying amount	**18,136**			**18,136**
-pledged under repurchase agreements				
Internationally rated	*46,672*			*46,672*
Total	**46,672**			**46,672**
Allowance for expected credit losses	(212)			(212)
Carrying amount	**46,460**			**46,460**
Loans and deposits to banks				
Internationally rated	*162,886*	*2,440*		*165,326*
Internally rated only	*745*			*745*
Total	**163,631**	**2,440**		**166,071**
Allowance for expected credit losses	(772)	(23)		(795)

(EUR thousand)	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Carrying amount	**162,859**	**2,417**		**165,276**
Loans to corporate customers				
Internationally rated	*62,503*			*62,503*
Internally rated only	*120,370*	*11,362*	*7,240*	*138,972*
Total	**182,873**	**11,362**	**7,240**	**201,475**
Allowance for expected credit losses	(914)	(315)	(1,203)	(2,432)
Carrying amount	**181,959**	**11,047**	**6,037**	**199,043**

Main principles

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

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

Risk profile

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

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

Risk appetite

Risk appetite is the aggregate risk value accepted by the Bank to achieve its strategic goals and objectives.

Risk appetite is approved by the Issuer’s Council annually for the upcoming year and is the main factor of the Issuer’s system of strategic limits that set thresholds for the key metrics of the Issuer’s operations and risks significant for the Issuer.

When determining the risk appetite, the Issuer evaluates acceptability of the set risk appetite in the current period and in the future, taking into account:

- Expectations of the member countries regarding the profitability level;
- International regulatory standards;
- The Bank’s business plan, income and expenditure budget;
- Current and projected volume of transactions;
- Current and projected structure of significant risks;
- Current and projected level of total capital.

When determining the risk appetite level, the concepts of «limit» and «trigger» are introduced are introduced.

The limit of risk appetite is the red zone level that the Issuer should not exceed in its operations.

The trigger is the yellow zone level of risk appetite, which does not adjust the Issuer’s activities related to risk assumption but serves as a basis for the Issuer to develop measures to reduce the level and profile of the risks assumed.

Values not exceeding the trigger are in the green zone.

Indicators of risk appetite are considered and approved by the Board and then approved by the Council. The values of the risk appetite indicators are formulated for approval by the Council in conjunction with the Issuer’s income and expenses budget for the coming financial year.

Risks monitoring, control and reporting

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

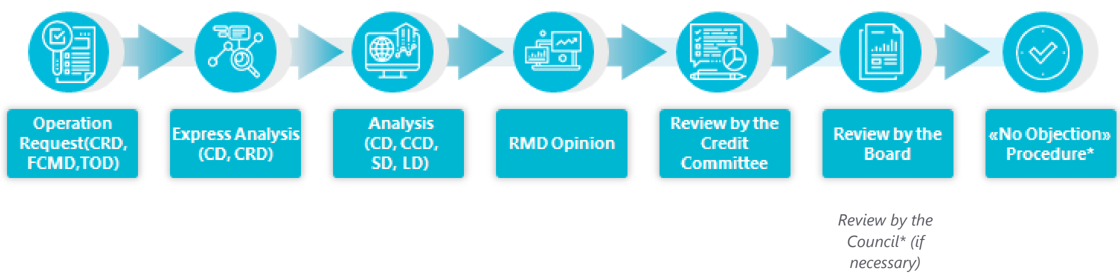
As part of the lending activity analysis, risks associated with the Issuer's asset-based lending operations are continuously monitored and the fair value of the pledged items is regularly determined. During the monitoring period, specialists appointed by the Issuer perform on-site visits to certain borrowers,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

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

The diagram below describes loan and treasury operations approval procedure:

Participating units:

- Customer Relations Department (CRD)
- Credit Department (CD)
- Treasury operations Department (TOD)
- Financial institutions and capital markets department (FCMD)
- Risk Management Department (RMD)
- Compliance Control Department (CCD)
- Security Department (SD)
- Legal Department (LD)



** for trade finance deals with tenor more than 3 years for residents of non-member countries*
** for credits with tenor more than 7 years and for all other credits for residents of non-member countries*

CD and RMD divided the functions of potential counterparties analysis, thereby optimizing and deepening the analysis process: CD is focused on the balance sheet indicators analysis, RMD has deepened its analysis of potential risks from the operation.

The Bank also conducts the **"no objection"** procedure, i.e. addressing the head of the delegation of the **Member country** of which the borrower is a resident with a request to confirm that no fundamental objections to the loan extension exist.

In some cases (loan term > 7 years; the borrower - resident on non-member country) **the Council approval is also required.**

The following tables show key risk parameters of the Issuer and applicable limits:

<u>Structural Limits:</u>

Maximum risk per borrower or a group of related borrowers	Total amount of the Issuer's credit claims against single borrower or a group of related persons	at most EUR 40 mln
Overall securities portfolio	The ratio of investments in securities to Issuer k's assets	at most 65%
Loan portfolio in total assets	Total loans to total assets	at most 60%
Maturity limit	Maximum maturity	15 years (loans for more than 7 years must be approved by the IBEC Council)
Country limit	Total exposure per country's residents other than the IBEC's member countries or an IFI *(share of balance and off-balance sheet deals incl. interbank loans and deposits for a period over 7 days, the loan-investment portfolio (loans in the form of securities purchase), the HTM portfolio, assigned to each country in the portfolio of the appropriate transactions)*	at most 15% of appropriate portfolio

	Total exposure to per all countries' residents other than the IBEC's member countries *(calculated against the maximum amount of investments in the Issuer's active operations conducted with borrowers and issuers who are not residents of the IBEC member countries)*	at most 30% of total assets
	Total exposure to the residents of IBEC's member countries *(share of balance and off-balance sheet deals as well: interbank loans and deposits for a period over 7 days, the loan-investment portfolio (loans in the form of securities purchase), the HTM portfolio, assigned to each country in the portfolio of the appropriate transactions)*	at most 35% of appropriate portfolio
Open FX Positions in certain currencies	ratio of any long (short) Open FX position in certain currencies to Bank's equity (capital)	at most 5%
Aggregate Open FX Position	ratio of all long (short) Open FX positions in certain currencies to Bank's equity (capital)	at most 10%
CAR		at least 25%

Structural Limits:

By portfolio type	AFS	at most EUR 300 mln
	Trade	at most EUR 30 mln
	HTM	at most EUR 50 mln
By securities type	sovereign and quasi-sovereign bonds	at most EUR 230 mln
	corporate bonds	at most EUR 120 mln
	municipal bonds	at most EUR 20 mln
Non-Investment Grade securities	Investments in securities of issuers having lower than BBB- rating (S&P, Fitch) and lower than Baa3 rating (Moody's) to the total size of securities portfolio	at most 35% of total securities portfolio

Liquidity limits:

LCR	Trigger/limit: at least 100% /at least 60%
NSFR	Trigger/limit: at least 100% /at least 60%

11. BORROWINGS

Credit institutions

Amounts due to credit institutions comprise:

(EUR thousand)	*2020*	*2019*
Repurchase agreements	121,413	54,205
Loans from banks in IBEC member countries	74,382	59,278
Long-term related financing from banks of IBEC member countries	39,740	–
Loans from banks in other countries	26,919	4,599
Loans from international financial institutions	13,546	1,010
Long-term financing from banks in other countries	9,929	9,920
Correspondent accounts of banks from IBEC member countries	577	370
Correspondent accounts with banks in other countries	1	–
Due to credit institutions	**286,507**	**129,382**

As at 31 December 2020, balances due to three major counterparties amounted to EUR 133,366 thousand, or 46.55% of total amounts due to credit institutions (31 December 2019: EUR 70,364 thousand due to three major counterparties, or 54.38% of total amounts due to credit institutions).

The Issuer entered into repurchase agreements with banks in IBEC member countries and banks in other countries with encumbrances on securities with a fair value of EUR 138,322 thousand as at 31 December 2020 (31 December 2019: EUR 59,320 thousand).

12. COMPLIANCE

The Issuer represents its endeavours to comply with commonly accepted compliance rules and standards. As of 2020, the Issuer developed and currently has in place a clearly defined policy which includes rules regarding compliance control standards, compliance organization, responsibilities, functions and independence of compliance control, reporting, access to information, training and interaction with departments with relevant areas of responsibility (the "**Compliance Policy**").

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

- development of recommendations for the Issuer's management regarding compliance, and of standards and practices based on the models used by other international financial institutions with respect to the organization and implementation of compliance control;
- development and maintenance of the reporting system regarding compliance risks and disclosure of information to management bodies of the Issuer with respect to compliance risks;

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

The Issuer does not tolerate any actions related to prohibited practices neither as regards its own operations nor on the part of its employees or partners. Therefore, the Issuer supports international efforts to tackle the aforementioned practices while actively applying international standards for anti-money laundering and combating terrorism financing, corruption and fraud ("**AML/CFT/F/C**") to its activities.

The identification of its counterparties and the performance of related due diligence investigations, followed by continuous monitoring operations, are at the core of the Issuer's AML/CFT/F/C control system, enabling the effective identification, mitigation and control of compliance risks. Main approaches, standards and requirements for the procedures of the Issuer's AML/CFT/F/C control system aimed at preventing the participation in illicit operations are outlined by the Issuer's internal policy on anti-money laundering and combating the financing of terrorism, fraud and corruption. The Issuer understands that its mission to promote economic growth and increase competitiveness of Member Countries' economies is more efficiently carried out if its corporate culture is aligned with generally accepted norms of corporate ethics and business conduct. Therefore, a Code of Conduct applicable to all employees has been prepared and implemented at the level of the Issuer. The Code of Conduct identifies key corporate values and rules of conduct in atypical situations. The Compliance Department collects information, educates and works with employees to prevent potential conflicts of interest.

Attaching great importance to and promoting the formation of an efficient, transparent and competitive financial market, the Issuer has implemented certain internal control measures aimed at preventing, identifying, and stopping abuse in the form of unlawful use and dissemination of insider information, manipulation of prices for the Issuer's financial instruments, as well as financial instruments of third parties.

13. LEGAL AND ARBITRATION PROCEEDINGS

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

14. MATERIAL CONTRACTS

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

15. RELATED PARTIES TRANSACTIONS

During 2020, remuneration to the key management personnel of the Bank amounted to EUR 1,822 thousand (2019: EUR 1,908 thousand).

The Issuer carries out operations with member countries which have a significant impact on the Issuer, and in the ordinary course of business, the Issuer enters into contractual relations with government-related companies.

The table below discloses transactions with government-related companies:

Statement of financial position	***2020***	***2019***
Assets		
Cash and cash equivalents	3,434	651
Securities at fair value through profit or loss	1,119	4,412
Securities at fair value through other comprehensive income	168,605	114,166
Securities at amortized cost	45,135	50,046
Loans and deposits to banks	50,893	19,043
Loans to corporate customers	107,563	118,920
Derivative financial assets	19	2,634

Statement of financial position	*2020*	*2019*
Other assets	7,072	1,828
Liabilities		
Due to credit institutions	101,433	18,793
Due to customers	38,603	81,129
Derivative financial liabilities	8,318	1,793
Other liabilities	378	113
Off-balance sheet commitments		
Credit-related commitments	18,741	5,765

Amounts included in the statement of profit or loss and other comprehensive income for transactions with government-related companies for 2020 and 2019 are as follows:

Statement of profit or loss	*2020*	*2019*
Interest income calculated using the EIR method	8,668	7,132
Other interest income	164	457
Interest expense	(2,925)	(2,104)
Allowance for expected credit losses from financial assets	(399)	(484)
Fee and commission income	52	28
Fee and commission expense	(10)	(5)
Net gains from operations with securities at fair value through profit or loss	1,362	1,235
Net gains from operations with securities at fair value through other comprehensive income	3,130	4,520
Net (losses) gains from operations with derivative financial instruments and foreign currency	(1,736)	1,557
Lease income	1,581	1,579
Other banking income	116	14
Administrative and management expenses	(335)	(481)
Other banking expenses	(17)	(14)

16. TREND INFORMATION

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

17. STATUTORY AUDITORS

The financial statements of the Issuer for the years ended 31 December 2018 prepared in accordance with the IFRS have been audited by JSC "KPMG", with its registered office at 16/5 Olimpiysky Avenue, Moscow, 129110, Russian Federation.

The financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2020, respectively, prepared in accordance with the IFRS have been audited, and the interim condensed financial statements of the Issuer for the six-month periods ended 30 June 2019 and 30 June 2020, respectively, prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting have been reviewed, by Ernst & Young LLC, with its registered office at Sadovnicheskaya nab., 77, bld. 1, Moscow, 115035, Russian Federation.

Ernst & Young LLC was approved by the Issuer's Board as an external auditor of IFRS financial statements for 2019-2023 including interim reports based on the closed tender conducted among auditors of the accounting networks of Deloitte, Ernst & Young, KPMG and PwC.

JSC "KPMG" is registered in the State Register of Legal Entities on 13 August 2002, State Registration Number 1027700125628. JSC "KPMG" is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". JSC "KPMG" is included in the control copy of the register of auditors and audit organizations, main registration number 12006020351.

Ernst & Young LLC is registered in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203. Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

18. TERMS AND CONDITIONS OF THE BONDS

The following does not purport to be a complete listing of all rights, obligations, or privileges of the Bonds. Prospective Qualified Investors should carefully review the information contained in this Offering Circular and the information incorporated by reference herein, as well as the information found elsewhere relevant for the Offering (as such term is defined below). Prospective Bondholders are likewise encouraged to consult their legal and financial counsels and accountants in order to be better advised of the circumstances surrounding the Bonds. In respect of the Bonds, the terms and conditions below represent the sole terms and conditions governing the obligations of the Issuer under the Bonds, irrespective of any separate agreement which may exist between the Issuer and particular Qualified Investors.

The International Bank for Economic Co-operation is offering fixed interest rate BGN-denominated bonds, having a maturity of three (3) years, and in the aggregate principal amount between BGN 40,000,000 and BGN 150,000,000, as the exact amount to be defined during the offering phase (the "**Bonds**"), in a placement under article 1, paragraph 2, letter (b) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC to Qualified Investors who are eligible counterparties as who are eligible counterparties as recognised in accordance with article 30 of MiFID II (the "**Eligible Counterparties**") and professional investors as listed in points (1) to (4) of Section I of Annex II to MiFID II or persons or entities who are, on request, treated as professional clients in accordance with Section II of Annex II to MiFID II (the "**Professional Investors**") unless they have entered into an agreement to be treated as non-professional clients in accordance with the fourth paragraph of Section I of Annex II to MiFID II and without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law in reliance on article 1(2)(b) of the Prospectus Regulation, and always to the extent, and only provided that the offering to such investors does not violate any applicable law in the jurisdictions where the bonds are offered or otherwise applicable to offers of securities to the respective investor regardless of the jurisdiction where the Bonds are being offered and an investment in the Bonds does not constitute a violation of any applicable law by such Qualified Investors (the "**Offering"**).

The final principal value, as well as the fixed interest rate of the Bonds offered hereunder, shall be established by the Issuer in consultation with the Joint Lead Managers and announced to Qualified Investors through a pricing notification which shall be sent via e-mail communication to the approached investors after the subscription period. (the "**Pricing Notification**"). The Pricing Notification shall not be construed, nor shall require, an amendment of this Offering Circular or the Conditions.

Investors may subscribe for the Bonds on 26 May 2021 from 08:30 to 17:30 and on 27 May 2021 from 8:30 to 12:00 Bulgarian time (the "**Offering Dates**"), (see *"Subscription and sale"* below).

The Bonds are governed by the following terms and conditions (the "**Conditions**"):

18.1. DEFINITIONS AND INTERPRETATION

Capitalized term used herein and not otherwise defined in this Offering Circular shall have the following meaning:

Bondholders	has the meaning ascribed to it under Condition 18.4 herein;
Bonds	means up to 15,000 (fifteen thousand) ordinary dematerialized fixed interest bearing unsecured non-convertible freely transferrable Bonds denominated in BGN, being the first issue of the Issuer, which will be offered on Bulgarian market issued under the terms and conditions set out herein. The Bonds will be issued as non-convertible securities. The Bonds may not be repaid under any circumstances by converting them into shares or securities equivalent to shares from the capital of the Issuer.
Bonds Maximum Total Nominal and Issue Value	BGN 150,000,000 (one hundred and fifty million Bulgarian leva);
Bonds Minimum Total Nominal and Issue Value	BGN 40,000,000 (forty million Bulgarian leva);
Business Day	means a day in which banks are opened for general business in Bulgaria, other than Saturday, Sunday and public holidays;
Central Depository	Central Depository AD, acting as Depository, Registrar and Paying Agent in respect to the Bonds Address: 6 Tri Ushi Str., Sofia 1000, Bulgaria
Conditions	means the terms and conditions in this section "*Terms and conditions of the Bonds*" by which the Bonds are governed;
Covenant	has the meaning ascribed to it in Condition 18.12 herein;
Covenant Fulfilment Notice	has the meaning ascribed to it in Condition 18.12 herein;
Covenant Triggering Event	has the meaning ascribed to it in Condition 18.12 herein;
Day Count Fraction	Actual/Actual (ISMA-Year, Actual/365L), calculated as actual number of days within the period /Actual number of days held over 365 or 366
Depository	Central Depository AD
Early Redemption	has the meaning ascribed to it in Condition 18.12 herein;
Early Redemption Amount	has the meaning ascribed to it in Condition 18.12.2 herein;
Early Redemption Date	has the meaning ascribed to it in Condition 18.12.2.2 herein;

Eligible Recipient	has the meaning ascribed to it under Condition 18.10.3 herein;
EMU	means the Economic and Monetary Union;
Event of Default	has the meaning ascribed to it in Condition 18.11.1 herein;
Interest Payment Date	means, in relation to the Bonds, each six-month period starting on the Bonds Issue Date from and excluding the Issue Date and until and including the relevant Maturity Date;
Interest Period	means, in relation to the Bonds, the period beginning on the Issue Date (inclusive) and ending on the first relevant Interest Payment Date (exclusive) and each following six-month period beginning on an Interest Payment Date (inclusive) and ending on the next following Interest Payment Date (exclusive), until and excluding the relevant Maturity Date; for the avoidance of doubt, interest payable in respect of each Interest Period shall be calculated in accordance with the Day count fraction Actual/Actual (ISMA-Year, Actual/365L) – Actual number of days within the period /Actual number of days held over 365 or 366;
Interest Rate	means the fixed interest rate, one and the same on all Bonds, established by the Issuer in consultation with the Joint Lead Managers for the Bonds and announced to Qualified Investors through the Pricing Notification (see also *"Subscription and Sale - 20.3. Establishment of the issue volume and the Interest Rate of the Bonds"*);
Investment Intermediary	means an investment firm as defined in art. 2 (1) (1) of the MIFID II, including, for avoidance of doubt, a credit institution which is a Participant;
Issue Date	means the date on which the Bond Issue is registered in the register of Central Depository AD and specified in the Registration Certificate issued by Central Depository AD with respect of the Bonds and communicated by the either of the Joint Lead Managers in a form of a Final Term Sheet of the Bonds sent via e-mail communication to Qualified Investors subscribed and paid for the Bonds;
Issue Value	means the amount of BGN 10,000 of each of the Bonds (equal to their Nominal Value);
Issuer	International Bank for Economic Co-operation 11 Masha Poryvaeva Str., Moscow, 107996, Russian Federation
Joint Lead Managers	Raiffeisenbank (Bulgaria) EAD 55 Nikola Vaptzarov Blvd, Expo 2000, Sofia 1407, Bulgaria (performing the functions of Joint Lead Manager and Joint Bookrunner in connection with the Offering) and UniCredit Bulbank AD 7 Sveta Nedelya Square, Sofia 1000, Bulgaria (performing the functions of Joint Lead Manager, Joint Bookrunner and an Escrow Agent, in connection with the Offering)
Maturity Date	means in relation to the Bonds, the date falling 3 years after the Issue Date;
Nominal Value	means the nominal value of each of the Bonds, being the amount of BGN 10,000;
Minimum Subscription Amount	Minimum Subscription Amount (and, respectively, allotment) per investor shall be BGN 200,000 (two hundred thousand)
Offering	has the meaning ascribed to it in the preamble of this section *"Terms and conditions of the Bonds"*;
Book-building Dates	means 26 May 2021 from 08:30 to 17:30 and 27 May 2021 from 8:30 to 12:00 Bulgarian time;
Participant	means any entity authorised to open securities accounts with the Central Depository on its own name, whether on its own behalf or on behalf of its clients, appearing as Members of Central Depository AD;
Paying Agent	Central Depository AD

Payment Date	has the meaning ascribed to it in Condition 18.10.2 herein;
Pricing Notification	means the notification which shall be sent via e-mail communication to the approached Qualified Investors after the subscription period, where the Issuer and the Joint Lead Managers shall *inter alia* announce the Interest Rate for the Bonds to Qualified Investors (see *"Subscription and Sale - 20.3. Establishment of the issue volume and the Interest Rate of the Bonds"*);
Procedures	has the meaning ascribed to it in Condition 18.10.4 (a) herein;
Rating Agency	means any of the following: Fitch or Moody's and their respective successors or affiliates;
Redemption Date	means the Maturity Date or the Early Redemption Date, as applicable;
Record Date	Date, falling seven (7) Business Days prior to the respective Interest Payment Date and/or Maturity Date at which Record Date the composition of bondholders shall be determined in respect to interest and/or principal payment.
Registrar	Central Depository AD
Registry of Bondholders	means the evidence of bondholders maintained electronically by the Central Depository on the basis of the contractual arrangements entered into with the Issuer;
Relevant Account	means the Registry of Bondholders or the internal account of a Participant registered in the Registry of Bondholders, as the case may be;
Restricted Party	means any person or entity which is (i) listed on a Sanctions List, or a person acting on behalf of such a person; or (ii) the subject of any Sanctions;
Sanctions	means any country- or territory-wide trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by a Sanctions Authority;
Sanctions Authority	means each entity under (i) to (v) of the definition of the Sanction List;
Sanctions List	means the Specially Designated Nationals and Blocked Persons list maintained by Office of Foreign Assets Control of the US Department of the Treasury (OFAC), the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by Her Majesty's Treasury, or any similar list maintained by, or public announcement of a Sanctions designation made by (i) the Security Council of the United Nations; (ii) the United States of America; (iii) the European Union; (iv) the member states of the European Union and (v) the governments and official institutions or agencies of any of paragraphs (i) to (iv) (including OFAC, the US Department of State and Her Majesty's Treasury), each as amended, supplemented or substituted from time to time;
Security Interest	means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; the Bond Issue is not secured by any Security Interest at the Issue Date;
Status and Ranking of the Bonds	The Bonds from this first issue of the Issuer which is offered on Bulgarian market will be of the same class and will give equal rights to the Bondholders. The Issuer has issued two bond issues in Russia under ISIN RU000A100VX2 and RU000A101RJ7 (for further information on these please refer to the link: https://www.ibec.int/investors/debentures/). The Issuer undertakes to treat the holders of Bonds equally. The obligations under the Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and as to the order of their satisfaction and at least *pari passu* to all other current and future direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for those obligations of the Issuer so identified by the mandatory provisions of law and provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, the Issuer shall have no obligation to pay other obligations at the same time or as a condition of paying sums due on the Bonds and/or applicable interest and vice versa.
Tap	has the meaning ascribed to in Condition 18.3.
Value Date	The Date by the end of which the payment for the allocated bonds shall be received at the Accumulation Account

18.2. GENERAL DESCRIPTION OF THE BONDS

18.2.1. The Bonds are issued in registered form and evidenced by book-entry. The entity in charge of keeping the records of the Bonds is the Bulgarian Central Depository, a Bulgarian joint stock company having its registered office at 6 Tri Ushi Str., Sofia 1000, Bulgaria. The Bonds shall be registered in the system of the Central Depository in accordance with the regulations thereof, by the crediting of the accounts of the Bondholders opened with the Central Depository, directly or through a Participant.

18.2.2. The Bonds are denominated in BGN. Each Bond has a Nominal Value of BGN 10,000 and the Minimum Subscription Amount is BGN 200,000 (no allotments shall be made for subscription amounts, lower than the Minimum Subscription Amount).

18.2.3. All Bonds are issued at an Issue Value which shall be equal to the Nominal Value.

18.2.4. The Bonds are issued under the laws of Bulgaria. Any dispute arising out of or in relation to the Bonds shall be settled by the competent Bulgarian courts.

18.2.5. The Bonds shall be issued and delivered to the Bondholders on the Issue Date.

18.2.6. The ISIN code assigned to the Bonds shall be announced in the Final Term Sheet sent to the Qualified Investors by either of the Joint Lead Managers or the Issuer after registration of the Bonds in Central Depository AD.

18.2.7. The total principal value of the Bonds offered hereunder have been established by the Issuer in consultation with the Joint Lead Managers.

18.2.8. The issuance and the offering of the Bonds has been approved with the decision of the Issuer's Board No. 15, dated 15 April 2021 and the terms and conditions applicable thereto have been approved with the decision of the Issuer’s Board No. 19, dated 13 May 2021. The authority of the Board to make the respective decision is confirmed by the resolution of the Issuer’s Council dated 8 December 2020. Final aggregate principal value of the Bonds and Interest Rate shall be determined by the Chairman of the Issuer’s Board, duly authorised to do so by the resolution of the Issuer’s Board No. 19, dated 13 May 2021, following the book-building procedure and notified to Qualified Investors through the Pricing Notification.

18.3. FURTHER BOND ISSUES

The Issuer may at any time issue further bonds under terms and conditions similar to or different from the Conditions, such bonds representing a different issue than the Bonds. The Issuer may sell any number of such bonds by any means, and at any such price, the Issuer may deem fit in its sole discretion, provided that:

- any bond issue of the same class shall be issued by the Issuer without restrictions;
- any bond issue under privileged repayment conditions shall necessitate a prior approval by the General Meeting of the Bondholders.

In the event the Issuer intends to issue a subsequent bond issue containing whatever payment privileges to the prospective bondholders prior to the full payment of all its liabilities to the Bondholders from this bond issue, the Issuer will request a convocation of a General Meeting of the Bondholders from this bond issue. The General Meeting of the Bondholders from this bond issue will vote on the proposal of the Issuer. No subsequent issuance of bonds containing whatever payment privileges will occur unless the Bondholders from this bond issue will have approved such proposal of the Issuer subject to the terms and conditions related to the General Meeting of the Bondholders.

In order to optimize the Bond Issue volume, in accordance with its budget needs, the Issuer may tap the Bond Issue at its sole discretion within 6-month period following the Bonds Issue Date, provided that the minimum amount has been reached, but the maximum amount has not been reached, subject to market conditions, by increasing of the outstanding volume of the Bonds (the “**Tap**”). The Issuer shall have the right to effect the Tap either solely, as an Issuer acting as an offeror of the Bonds, or via Participants whereas Raiffeisenbank (Bulgaria) EAD and UniCredit Bulbank AD have no exclusive rights for the Tap. The Lead Managers are engaged for the present Bond Issue and are not engaged for the Tap. For the avoidance of doubt, the Issuer may arrange one or several Taps at its discretion.

18.4. BONDHOLDERS

Bondholders are natural persons and legal entities which have subscribed Bonds at the initial offering subject to the provisions of this Offering Circular or have acquired Bonds afterwards prior to the Maturity Date. All Bonds from the Issue give equal right of receivables from International Bank for Economic Co-operation. The Bondholders of this Issue form one class and have the same rights, expressed as receivables for the principal representing the nominal value of the Bonds held (principal payment) and interest receivables (coupon payments). Apart from the said rights, each Bondholder will be entitled to take part at the General Meeting of the Bondholders and to vote on any issue concerning its rights subject to the terms and conditions of this Offering Circular and the mandatory provisions of Bulgarian law. The Issuer will be entitled to subscribe (including in a Tap) for not more than 33.33% of the Bonds, provided that no other Bondholders’ subscription orders remain unsatisfied, and subject to the other conditions in this Condition 18.4. and Condition 20.1. below.

The bondholders are represented by their General Meeting. Each Bond Issue forms a separate General Meeting of the Bondholders. Bondholders of each issue form an individual group for the protection of their common interests before the

Issuer. The group is presented by representatives elected by the General meeting of the bondholders. The representatives may not be more than three. They may be entitled to payment by the Issuer as a remuneration for its/their role as a Bondholder/s' representative/s subject to existing market standards. The representatives may perform activities for the protection of bondholders' interests according to the resolutions of the General Meeting of the Bondholders.

The General Meeting of the Bondholders comprises the bondholders of the respective issue that are entered in the in the Registry of Bondholders maintained by the Central Depository AD 5 (five) days prior to the date of the General Meeting of the Bondholders. Provided that the Issuer is a Bondholder, the Issuer shall not be entitled to participate and/or vote at the General Meeting of the Bondholders with the Bonds, subscribed by the Issuer. For the avoidance of doubt, any Bonds, subscribed by the Issuer, restore all these rights upon their acquisition by another Bondholder, different from the Issuer.

The General Meeting of the Bondholders is competent to decide on modifications to the terms and conditions of the Bonds, and/or the consequences of an event of default, including on accelerated repayment, and/or on other issues of common interest or benefit of the Bondholders.

The Issuer will convene the first General Meeting of the Bondholders not later than 30 (thirty) days following the date of announcement of the offering results at the web-site of the Issuer www.ibec.int.

The first General Meeting of the Bondholders will be convened through the Electronic Platform for General Meetings, subject to its functionalities, administered by the Central Depository which is accessible through the following link: www.epos.csd-bg.bg or http://www.csd-bg.bg/, by pressing the "EPOS" button (the "EPOS Platform"). The Issuer will procure that the convocation notice for the first General Meeting of the Bondholders will be made available to the bondholders both at the EPOS Platform and at the web-site of the Issuer www.ibec.int.

In case "EPOS" is not suitable and/or technically unavailable, the Issuer will provide for another means of communication.

The first General Meeting of the Bondholders will be able to make valid resolutions if at least 50% (fifty per cent) of the subscribed Bonds are represented at the meeting. Resolutions will be made with a majority of at least 50% (fifty per cent) plus one bond of the Bonds represented at the first General Meeting of the Bondholders.

The rules of quorum and majority relevant to the first General Meeting of the Bondholders will apply accordingly to the subsequent General Meetings of the Bondholders. However, amendments to the terms and conditions of the Bonds may be introduced and Bonds may become due and payable prior to the Maturity Date on default only subject to the prior consent of the Bondholders, given by a resolution of the General Meeting of the Bondholders provided that at least 2/3 (two thirds) of the bondholders have attended the General Meeting of the Bondholders and the resolution has been voted by a majority of at least 75% (seventy-five per cent) of the Bonds represented at the first General Meeting of the Bondholders.

In the event it happens that due to any reason either the first General Meeting of the Bondholders or any other General Meeting of the Bondholders cannot take place virtually at the EPOS Platform such General Meeting of the Bondholders will take place with physical presence of the Bondholders. All Bondholders need to be notified of the coming meeting with a notice in writing received at least 10 (ten) days prior to the meeting. The rules concerning quorum and majority, as specified in this section, will apply accordingly.

Upon admission of the Bonds to trading at Bulgarian Stock Exchange the Issuer will observe all provisions specified in art. 100ц of the Bulgarian Public Offering of Securities Act, including, without limitation, to send to the Bulgarian Financial Supervision Commission and to the public the notice for convocation of the General Meeting of the Bondholders by electronic means at least 15 (fifteen) days prior to the date of the meeting, and to send to the Bulgarian Financial Supervision Commission and to the public the minutes from the General Meeting of the Bondholders by electronic means not later than 3 (three) Business Days after the date of the meeting.

18.5. PAYMENT OBLIGATION OF THE ISSUER

The Issuer declares that it is obliged to pay to each Bondholder the Nominal Value of the Bonds held by the respective Bondholder and the applicable interest on such Bonds, in accordance with the Conditions herein.

18.6. TRANSFERABILITY AND RIGHTS ATTACHED TO THE BONDS

18.6.1. Transferability of the Bonds and the rights attached to the Bonds are not restricted, except for any general statutory restrictions applicable to creditor rights in general and the individual restrictions applicable to each Bondholder (if any).

18.6.2. The ownership right over the Bonds is transferred by the registration of the Bonds in the relevant account of the Bondholders, in accordance with the regulations of the Central Depository and the applicable legislation. All costs related to the transfer of the Bonds are incurred by the relevant Bondholder.

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

18.7. USE OF PROCEEDS

The net proceeds of the Bonds issue shall be used by the Issuer in Bulgaria and other EU Member Countries of the Issuer to finance its existing loan portfolio, provide new lending, and for debt refinancing (see "*Description of the Issuer – 4.3. Mission*" and "*Description of the Issuer – 4.5. Strategy and key objectives 2021-2025*").

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

18.8. INTEREST DESCRIPTION

18.8.1. Interest

The Bonds bear interest, one and the same on all Bonds, on their principal amount from and including the Issue Date and up to and excluding the relevant Maturity Date at the Interest Rate announced through the Pricing Notification, payable each six-month period in arrears, on the date of each semi-annual period following and excluding the Issue Date.

For purposes of clarity, the first Interest Payment Date on the Bonds is the Date on which are elapsing six months after and excluding the Bonds Issue Date on the same calendar date of the both months – the month in which the Bonds were issued and the month in which is due interest and/or principal payment, and the last Interest Payment Date on the Bonds shall fall on the relevant Maturity Date.

In case the Interest Payment Date is not a Business day, the payment shall be made of the next following Business day and the Bondholders shall not be entitled to payment of the amount due until the next following Business day and shall not be entitled to any interest or other sum in respect of such delay.

18.8.2. Interest Rate

The Bonds will have fixed Interest Rate, one and the same on all Bonds, as may be established by the Issuer in consultation with the Joint Lead Managers and notified to Qualified Investors through the Pricing Notification.

18.8.3. Interest accrual

Each Bond shall accrue and bear interest from and including the first day of each Interest Period until and excluding the last day of the Interest Period.

18.8.4. Interest calculation convention or Day Count Fraction

Actual/Actual (ISMA-Year, Actual/365L) – Actual number of days within the period /Actual number of days held over 365 or 366.

18.8.5. Determination of the interest income

The amount of interest income attributable to one Bond for each six-month period will be determined as the nominal value of the Bond multiplied by the applicable interest rate (expressed by a decimal number), and multiplied by the Day Count Fraction. The amount of interest income attributable to one Bond for each period of less than the respective six-month period will be determined as the Nominal Value of the Bond multiplied by the applicable interest rate (expressed by a decimal number) multiplied by the relevant Day Count Fraction calculated in accordance with the Interest calculation convention specified in Condition 18.8.4 above, with the resulting amount rounded to two decimal points pursuant to mathematical rules.

18.8.6. End of interest accruing

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

18.9. MATURITY OF THE BONDS AND REPURCHASE

18.9.1. Final repayment

If payments under the Bonds do not become accelerated under these Conditions, the Nominal Value is payable as a bullet payment on the respective Maturity Date of the Bonds. In case this date is not a Business day, the principal payment shall be made on the next Business day and the Bondholders shall not be entitled to payment of the amount due until the next following Business day and shall not be entitled to any interest or other sum in respect of such delay.

18.9.2. No redemption at the option of the Issuer

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

18.9.3. Purchase, resale and cancellation of the Bonds by the Issuer

In addition to its right to subscribe for Bonds, the Issuer may at any time purchase any Bonds on the secondary market, under any conditions and for any market price. The Bonds thus purchased by the Issuer shall not cease to exist and may be kept, resold by the Issuer, as well as the Issuer may decide to cancel such Bonds, at its sole discretion. The cancellation of the Bonds shall be made by Central Depository upon request by the Issuer and according to Rules and practices or instructions of the Central Depository.

18.10. CURRENCY, DATES AND MAKING OF PAYMENTS. NO GROSS-UP

18.10.1. Currency

The Issuer undertakes to pay the applicable interest on the Bonds on each Interest Payment Date and repay the Nominal Value of the Bonds on the Redemption Date, in BGN. All payments under the Bonds to the Bondholders shall be made in accordance with these Conditions and applicable tax and other laws of Bulgaria as valid and effective at the time of making of the payment (see also *"Taxation").*

18.10.2. Payment dates

(a) All payments under the Bonds will be made through the Paying Agent - Central Depository AD - on the dates specified in these Conditions (each, a “**Payment Date**”), in accordance with Condition 18.10.4. below.

(b) If the Payment Date falls on a day other than a Business Day, the Issuer, through the Paying Agent, shall pay the relevant amounts on the next following Business Day, without being obliged to pay any default interest or any other additional amounts.

18.10.3. Determination of the right to receive payments

(a) All payments under the Bonds will be paid to those persons who are Bondholders registered as such in the Relevant Accounts at end of business hours on the relevant Record Date (the “**Eligible Recipient**”). All payments made to Eligible Recipients shall be deemed as effective and irrevocable discharge of the Issuer's and the Paying Agent's payment obligations towards such persons.

(b) For the purposes of determination of the Eligible Recipient, neither the Issuer nor the Paying Agent will take into consideration any transfers of Bonds occurring after the Record Date and until the relevant Payment Date and the respective transferee shall not have the right to claim or receive the relevant payment for the purposes of which they were not duly registered as Bondholders by the aforementioned time on the Record Date.

(c) The payments on the Bond Issue will be made via the Central Depository according to the procedure set forth in Section VI („Payments regime via the Central Depository system. Notices for general meetings“) of the Central Depository’s Rules. The Issuer shall notify the Central Depository for every forthcoming payment on the Bond Issue. Payments on bond issues are made via the system of the Central Depository pursuant to an agreement between the Issuer and the Central Depository and upon receipt of payment application. The amount to be paid via the Central Depository’s system, net of the due taxes thereon, shall be transferred by the Issuer to the account of the Central Depository within the terms set forth in Ordinance No. 8, dated 3 September 2020 for the Requirements on the activities of the Central Securities Depositories, Central Securities Register and other persons performing activities related to the securities’ settlement, as further amended (the “**Ordinance 8**”) and the Central Depository Rules.

(d) The Issuer shall transfer to the account of the Central Depository the amount for the respective payment not later than 4 (four) Business Days prior to the relevant interest or principal payment date. The Issuer shall file with the Central Depository an application for being supplied with the register of Bondholders as at the Record Date – the date on which the list of the Bondholders entitled to the respective payment has been specified.

(e) Provided any amendments to the terms and conditions of the Bond Issue are made, the Issuer shall notify the Central Depository on the first Business Day following the day on which a decision for amendment has been taken.

18.10.4. Making of payments

(a) The Paying Agent will make all payments under the Bonds in accordance with the applicable law, the Rules of procedures of the Central Depository, and the agreement to be concluded between the Central Depository and the Issuer with respect to payments under the Bonds (the "**Procedures**").

(b) The obligation to pay any amount under the Bonds is deemed to be satisfied properly and on time if, on the relevant due date, the relevant amount is transferred by the Paying Agent in accordance with the Procedures.

18.10.5. No Gross-up

All payments under the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Bulgaria unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold, then the Issuer will not be obligated to pay any additional amounts in respect of such withholding or deduction.

For the avoidance of doubt, Central Depository fees payable upon the effectuation payments in respect of the Bonds shall be incurred by the Issuer.

18.11. EARLY REPAYMENT OF THE BONDS ON DEFAULT

18.11.1. Event of Default

The Bonds may be accelerated before the Maturity Date where all Bonds may become due and payable prior to the Maturity Date subject to a prior resolution of the General Meeting of the Bondholders provided that at least 2/3 (two thirds) of the Bondholders have attended the General Meeting of the Bondholders and the resolution has been voted by a majority of at least 75% (seventy-five per cent) of the Bonds represented at the General Meeting of the Bondholders if any of the following Events of Default occurs and is continuing:

***(a)** Non-payment:* the Issuer does not pay an amount payable under the Bonds within 15 (fifteen) calendar days from its due date;
***(b)** Breach of other obligations:* the Issuer breaches any other obligation under or in connection with the Bonds, except for the financial covenants specified in "*Terms and conditions of the Bonds - 18.12.1. Financial Covenants*", and does not remedy this breach within 30 (thirty) calendar days from the day on which the Bondholder's Representative has notified the Issuer of this fact by a written notice delivered to the Issuer;
***(c)** Imposition of Sanctions:* the Issuer becomes a restricted party as defined in the Offering Circular;
***(d)** Inability to pay debts:* either of the following events occurs in respect of the Issuer:

- (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due and remain unpaid more than sixty (60) days following the date on which such debts were due;
- (ii) the Issuer makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of its material indebtedness;
- (iii) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or
- (iv) an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer;

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

18.11.2. Duty to inform

The Issuer must without undue delay notify the Bondholders via Bondholders' representative or directly to each of the Bondholders, the Central Depository and the Bulgarian Stock Exchange (where necessary) if and after the Bonds are admitted to trading on the Main Market, BSE, Bonds Segment, of the occurrence of any Event of Default. Any such notification must specify the nature of the Event of Default and the circumstances giving rise to it.

18.12. COVENANTS

18.12.1. Financial covenants

As from the admission of the Bonds to trading on Bulgarian Stock Exchange the Issuer undertakes to comply with the financial covenants herein and to maintain until the full repayment of the bond issue the following financial indicators under Art. 100б of the Bulgarian *Public Offering of Securities Act*:

- Liabilities/Assets Ratio - maximal value of the indicator until the full repayment of the bond issue - 80%
- Interest Rate Coverage Ratio, calculated as the earnings before interest, depreciation, taxes and amortization (EBITDA) divided by interest expenses – minimal value of the indicator until the full repayment of the bond issue - 200%

In the event of any breach of the Financial Covenants the Issuer undertakes to take appropriate actions to remedy such breach and to bring the affected ratios in compliance with the predetermined financial indicators within a period of 6 (six) months as from the date of the first periodical reporting statement of the Issuer disclosing the aforesaid breach. In the event the Issuer fails to remedy such breach within the indicated period the Issuer will propose a program for bringing the affected financial covenants into compliance with the requirements which will be subject to approval by the General Meeting of Bondholders. In case such program is not approved by the General Meeting of Bondholders the bond issue will not be accelerated and the Issuer will prepare an amended program for compliance with the requirements which will take into account the amendment proposals of the General Meeting of Bondholders and will be presented for approval to the General Meeting of the Bondholders.

18.12.2. Covenant triggering event

18.12.2.1.List

If any of the following events occurs and is continuing (each of them a "**Covenant Triggering Event**"):

(a) *Change in the membership of the Issuer:* Bulgaria ceases to be a Member Country of the Issuer;

then the Issuer hereby undertakes (the "**Covenant**"), upon request by any Bondholder registered as such in the Relevant Account at the end of business hours on the date of publication of the Covenant Fulfilment Notice (as defined below), to repurchase each Bond (but not some only) held by that Bondholder at the Nominal Value together with an amount equal to accrued interest (if any) up to but excluding the Early Redemption Date (the sum of such amounts being the "**Early Redemption Amount**") in accordance with the procedure set out in this Condition 18.12. ("**Early Redemption Covenant**"). For the avoidance of doubt, the Covenant Triggering Event under paragraph (b) above occurring only in relation to particular series of Bonds shall not trigger cross-obligations of the Issuer in relation to the other series of Bonds to which it does not relate.

18.12.2.2. Fulfilment notices

The Issuer must within seven Business Days after the occurrence of any Covenant Triggering Event notify the Bondholders by way of publication of a notice on its website and, provided that such an option is available, on the site of Central Depository AD and other mean of communication that the Issuer started using if and after the Bonds are admitted to trading at Bulgarian Stock Exchange AD **(**"**Covenant Fulfilment Notice**"). Any such notice must specify the following:

(a) date of occurrence of the Covenant Triggering Event, nature of the Covenant Triggering Event and circumstances leading to its occurrence and the date of publication of the Covenant Fulfilment Notice;

(b) date by which each Bondholder must deliver to the Issuer a duly signed request whereby they require that the Issuer fulfil the Covenant;

(c) date on which the Early Redemption shall take place, which may not be later than 13 Business Days after the lapse of the 20 Business Days period specified in Condition 18.12 below (the "**Early Redemption Date**");

(d) specification of the procedures to be followed for Early Redemption to take place;

Within 20 Business Days after the Covenant Fulfilment Notice is published, each Bondholder shall have the right to require that the Issuer fulfil the Covenant by delivery of a duly signed request in this respect to the Issuer. The request must specify the number of Bonds to be redeemed by the Issuer *(i.e.,* the total number of Bonds held by that respective Bondholder). Condition 18.10. shall apply to making payments on the Early Redemption Date accordingly. Condition 18.9.3. shall apply accordingly.

18.13. STATUTE OF LIMITATIONS

The rights to claim interest under the Bonds are subject to statute of limitations of three years from their respective due date. The rights to claim repayment of the principal of the Bonds are subject to statute of limitations of five years. However, under Article 30 of the Statutes, the prescription period for the liabilities of the Issuer is only 2 years since origination of the claim. This period shall, under Art. 5 (4) of the Constitution of the Republic of Bulgaria, override Bulgarian laws of general application, which provide for longer prescription periods. Yet a Bulgarian court should not *ex officio* apply any prescription periods unless such defence is raised by the Issuer.

18.14. PAYING AGENT

The applicable amounts payable to the Bondholders on the Bonds in accordance with Condition 18.8 above shall be paid via the system of Central Depository AD, a joint stock company incorporated under the laws of Bulgaria, having its principal office at 6 Tri Ushi, Sofia, floor 4, Bulgaria, in capacity as Paying Agent on a basis of agreement for Principal and Coupon Payments, to be signed between the Issuer and Central Depositary AD.

The Issuer may appoint a calculation agent in accordance with the contractual arrangements entered into with the Calculation Agent. Any such appointment shall be notified to the Bondholders in accordance with the Conditions herein and shall not be deemed as an amendment of the Conditions.

The Issuer may not dispose of the funds paid by the Issuer to the account opened with the Paying Agent to be used to pay the interest income on the Bonds and the Nominal Value. These funds are not owned by the Paying Agent; the Paying Agent must use them only for payments to the Bondholders in accordance with the Conditions herein. These funds may be returned to the Issuer only as provided for by the Procedures.

18.15. AMENDMENTS

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

Pursuant to a decision of the Board of Management of the Issuer amendments to the Conditions of the Bonds may be proposed by the Issuer to be voted by the General Meeting of the Bondholders during the period of subsistence of the bond issue with regards to the following characteristics of the Bonds:

- the final maturity of the bond issue which may be deferred (by means of rescheduling the repayment of the loan principal and/or the interest due within the period of deferred repayment);
- the interest rate and/or the terms and conditions of the interest payments;
- the financial covenants that the Issuer undertakes to comply with;

The Conditions under which the Bonds have been issued, including the specific parameters of the Bond Issue, may be modified by the Issuer subject to prior resolution of the General Meeting of the Bondholders in line with Bulgarian law. The quorum for such meeting shall be at least 2/3 (two thirds) of the issued Bonds and the resolution shall be taken by a majority of 75% (seventy-five per cent) of the bonds represented at the General Meeting of the Bondholders. Such resolution may be voted no later than 2 (two) months prior to the Maturity Date. Amendments of the Bond can be made with regard to any of the Conditions (including but not limited to extension of maturity, change in the interest rate, rescheduling of interest and principal payments).

Any amendment to the Conditions hereunder will be published in both Bulgarian and English language (where the Bulgarian translation shall be made by sworn translators if required under Bulgarian law or the Rules of the Central Depository and/or the Bulgarian Stock Exchange if and after the Bonds are admitted to trading on the Main market, Bonds Segment) on the Issuer's web site https://www.ibec.int, on the web site of the Central Depository http://www.csd-bg.bg/, section "Notifications for Corporate events", provided that such an option is available, as well as on the website of the Bulgarian Stock Exchange https://www.bse-sofia.bg and other mean of communication required to be used if and after the Bonds are admitted to trading on the Main market, BSE, Bonds Segment.

If the Bonds are admitted to trading on the Main market, BSE, Bonds Segment, the Issue will make a notification thereof in both Bulgarian and English language on the Issuer's web site https://www.ibec.int**.**

If the Bonds are not admitted to trading on the Main market, Bonds Segment, the Issuer will make a notification thereof in both Bulgarian and English language on the web site of the Central Depository http://www.csd-bg.bg/, section "Notifications for Corporate Events", provided that such an option is available, and on the Issuer's web site https://www.ibec.int**.**

18.16. NOTICES

Any notice to the Bondholders in connection with the Bonds will be published in English language (unless Bulgarian language is required under law) on the Issuer's web site https://www.ibec.int and/or the website of the Bulgarian Stock Exchange https://www.bse-sofia.bg and other mean of communication required to be used in case the bonds are admitted to trading at BSE. If a law or regulation requires its publication by other means, the notice will be published also by those other means. If a notice is published by several means, the publication date of such notice will be deemed to be the date of its first publication. The date of publication is also deemed to be the date of delivery of the notice to the Bondholders.

Any notice to the Issuer in connection with the Bonds must be delivered in writing to the following address of 11 Masha Poryvaeva str., Moscow 107996, Russian Federation (the only address of service of any court communications, including by the Bulgarian courts), to the attention of Julia Slyusar IR@ibec.int.

Any notice to Raiffeisenbank (Bulgaria) EAD, in capacity as Joint Lead Manager and Bookrunner, must be delivered in writing to the following address of the Joint Lead Manager: 55 Nikola Vaptzarov Blvd, Expo 2000, Sofia 1407, Bulgaria, to the attention of Tsvetanka Madjounova tsvetanka.madjounova@raiffeisen.bg

Any notice to UniCredit Bulbank AD, in capacity as Joint Lead Manager, Bookrunner and Escrow Agent, must be delivered in writing to the following address of the Joint Lead Manager: UniCredit Bulbank AD, Investment Banking Unit, 7 Sveta Nedelya Square, Sofia 1000, Bulgaria, to the attention of Alexander Poulev.

Any notice to Central Depository AD, in capacity as Paying Agent must be delivered in writing to the following address of Central Depository AD, 6 Tri Ushi Str., Sofia 1000, Bulgaria, to the attention of Registry Department and/or to its web page, where relevant: info@csd-bg.bg.

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

The Issuer shall publish notice of the registration of the Bonds by the Central Depository AD at its web page.

A Bulgarian Bondholder (unless exempt) shall file for registration of the exposure under the bonds with the Bulgarian National Bank under the Bulgarian Currency Act within 15 business days of the issue.

18.17. GOVERNING LAW, LANGUAGE AND DISPUTES

Any rights and obligations arising under or in connection with the Bonds will be governed and construed in accordance with the laws of Bulgaria. For the avoidance of doubt, the law, applicable to the Issuer, is international public law, including its Statutory Documents.

Any disputes between the Issuer and the Bondholders regarding the Bonds will be resolved by the relevant competent court of Bulgaria. The Issuer has irrevocably and to the fullest extent possible waived the documents, property and assets immunity from legal process, jurisdiction and enforcement it enjoys under article 32 (1) of the Statutes and has submitted to the state courts of any jurisdiction including to the Bulgarian courts being nominated as the forum to hear and determine any proceedings and to settle any disputes regarding the Bonds..

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

18.18. WAIVER OF IMMUNITIES

To the extent that the Issuer, at any time and in any jurisdiction, is entitled or may otherwise claim for itself or its assets or properties or revenues, whether of a commercial or a non-commercial nature, immunity from suit, execution, enforcement proceedings or attachment or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or properties or revenues, whether of a commercial or a non-commercial nature, the Issuer has irrevocably and unconditionally to the fullest extent possible waived the documents, property and assets immunity from legal process, jurisdiction and enforcement it enjoys under article 32 (1) of the Statutes in accordance with the Council's resolution dated 8 December 2020 and the Board's decision dated 13 May 2021 and the Chairman of the Board's immunity waiver letter, dated 13 2021.

18.19. REPRESENTATION OF THE ISSUER

The Issuer represents to each Bondholder that all information in these Conditions is true and complete.

19. TAXATION

19.1. GENERAL INFORMATION

This overview is a general and not detailed discussion of certain Bulgarian tax consequences of the acquisition, ownership and disposition of corporate bonds.

This overview does not purport to be a comprehensive description of all tax considerations which may be relevant to an investment decision to purchase the Bonds. It may happen that the status of the International Bank for Economic Co-operation as an international public law institution is taken into consideration while assessing the tax impact of the investments in the Bonds. In particular, this overview does not consider any specific facts or circumstances that may apply to a concrete purchaser of the Bonds. It is not intended to be, nor should it be considered to be, a legal or tax advice to any prospective bondholder.

The statements herein regarding taxation are based on the laws in force in Bulgaria as of the date of this Offering Circular and does not take into account any subsequent changes in the law, whether or not such changes have a retroactive effect.

Prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Bonds under the tax laws of Bulgaria and each country in which they are tax residents. Transactions with Bonds by non-Bulgarian tax-resident bondholders and/or payments of interest under the Bonds to non-Bulgarian tax-resident bondholders may trigger additional tax payments in the country of tax residence of the Bondholder. Such issues are not covered by this overview.

The bonds accrue incomes to their holders in the form of interest payments for the period of holding. In addition, the bonds may provide capital gains to the bondholders in the form of a positive difference between the documented acquisition price and the sale price in case of sale of the bonds before the maturity date.

19.2. RESIDENT NATURAL PERSONS

The incomes of the resident natural persons are taxable subject to the provisions of the Personal Income Tax Act (the "**PITA**") (art.2 of the PITA).

A resident natural person, regardless of the citizenship, is a person: (i) who has a permanent address in Bulgaria, or (ii) who resides within the territory of Bulgaria more than 183 days during any 12-month period, or (iii) who has been sent abroad by the Bulgarian state, by its bodies and / or organizations, by Bulgarian enterprises, and the members of his family, or (iv) whose centre of vital interests is in Bulgaria. The centre of vital interests is located in Bulgaria when the interests of the person are closely related to the country. The family, the property, the place from which the person carries out labour, professional or economic activity, and the place from which the person manages his property may be taken into account in the process of assessment. A natural person who has a permanent address in Bulgaria, but the centre of his vital interests is not in Bulgaria is not a resident natural person (art. 4, para. 1 of the PITA).

Resident natural persons are liable to taxes in respect to any income acquired from a source in Bulgaria or abroad (art. 6 of the PITA). Consequently, the income of the bondholders – resident natural persons in the form of interest payments for the period of holding of the bonds and/or in the form of a positive difference between the documented acquisition price and the sale price in case of sale of the bonds (or the exchange value in case of exchange of the bonds with other assets) before the maturity date will be taxable under the PITA and will be included in the taxable base of the annual tax declaration of the bondholder, unless subject to a specific exemption.

Interest payments and discounts stemming from Bulgarian corporate bonds are not taxable. The same rule applies to similar bonds issued according to the legislation of another member state of the EU or of another state which is a member of the European Economic Area (art. 13, para. 1, item 9 of the PITA). The Bonds issued by IBEC will be governed by Bulgarian law unless otherwise provided in the Offering Circular. Bulgarian law does not provide an explicit definition for "Bulgarian corporate bonds". In case the resident natural persons may not benefit from the aforesaid exemption the interest income of such bondholders will be taxable with 10 per cent withholding tax.

Capital gains of the bondholders upon dispositions with bonds in the form of the positive difference between the documented acquisition price and the sale price in case of sale of the bonds (or the exchange value in case of exchange of the bonds with other assets) before the maturity date need to be included in the annual tax declaration of the bondholder and will be taxable with 10 per cent income tax (art. 12 in connection with art. 13, para 1, item 2 „в" and art. 33, para 3 of the PITA).

19.3. RESIDENT LEGAL ENTITIES

Resident legal entities will be liable to taxes under CITA in respect to the taxable profit and revenues accruing from all sources in the Republic of Bulgaria and abroad (art.3, para. 2 of the Corporate Income Tax Act (the "**CITA**").

Resident legal entities are: (i) legal entities incorporated under the Bulgarian laws and (ii) companies incorporated under Council Regulation (EC) 2157/2001 and cooperative societies incorporated under Council Regulation (EC) 1435/2003 provided that they have a registered seat in Bulgaria and are entered with a Bulgarian register (art. 3, para. 1 of the CITA).

Incomes originating from interest payments for the period of holding of the bonds and/or capital gains in the event of disposition with the bonds in the form of the difference between the documented acquisition price and the sale price in case of sale of the bonds (or the exchange value in case of exchange of the bonds with other assets) before the maturity date take part in the formation of the taxable profit of the resident legal entity.

The taxable profit will be calculated on the basis of the annual financial statement of the resident legal entity subject to the provisions of the CITA. As of the signing date of the Offering Circular the corporate tax rate is 10 percent.

The revenues of the universal pension funds, the professional pension funds, the funds for payments of lifetime pensions and the funds for deferred payments are exempt from taxation under the CITA (art. 160, para 1 of the Social Insurance Code). The revenues from the investments of the assets of the universal pension funds and the professional pension funds allocated to the individual batches of the socially insured persons are exempt from taxation under the CITA (art. 160, para 2 of the Social Insurance Code).

Pursuant to art. 176, para 1, item 1 („д") of the Social Insurance Code, the pension company may invest the assets of the funds for supplementary compulsory pension insurance in debt instruments issued by international financial organizations subject to condition that these debt instruments are investment grade bonds. According to Art. 176, Para 2 of the Social Insurance Code in connection with art. 5a of the Ordinance No. 29 of the Financial Supervision Commission on the Minimal Levels of Credit Ratings of the Banks and for Determination of the States, the International Financial Organizations, the Markets and Indices of these Markets, pension companies may invest the assets of the funds for payments of lifetime pensions and the funds for deferred payments in the Bonds issued by IBEC as an international financial organization.

The revenues of the supplementary voluntary pension funds and identical revenues originating directly from supplementary voluntary pension insurance carried out by entities from other EU member states which have the right to carry out voluntary pension insurance activities according to their national laws are exempt from taxation under the CITA (art. 253, para 1 of the Social Security Code). The revenues from the investments of the assets of the supplementary voluntary pension funds allocated to the individual batches of the socially insured persons are exempt from taxation under the CITA (art. 253, para 2 of the Social Security Code).

The collective investment schemes which are admitted to public trading in Bulgaria, the national investment funds and the alternative investment funds created for fulfilment of financial instruments in the meaning of art. 38, para 7 of Regulation (EU) 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OB, L 347/320 of 20 December 2013) under the Collective Investment Schemes and Other Undertakings for Collective Investments Act, as per art. 174 of the CITA, are exempt from taxation under the CITA.

The licensed special investment purpose companies operating under the Special Investment Purpose Companies and Securitization Companies Act are exempt from taxation under the CITA (art. 175 of the CITA).

19.4. NON-RESIDENT NATURAL PERSONS

Incomes of the non-resident natural persons are taxable whenever provided under the PITA. Non-resident natural persons are the persons who are not resident persons within the meaning of art. 4 of the PITA (art. 5 of the PITA).

Non-resident natural persons will be liable for taxes related to incomes from sources in the Republic of Bulgaria (art. 7 of the PITA).

The incomes generated by interest payments may be considered to be from a source in Bulgaria subject to condition that they are paid by resident persons, or by representative offices, or by a permanent establishment in Bulgaria (art. 8, para. 6, item 4 of the PITA).

The incomes from interest payments generated from a source in Bulgaria payable to non-resident natural persons (when the income is obtained other than through a fixed base of the non-resident person in Bulgaria) will be subject to withholding tax (art. 37, para 1, item 3 in connection with art. 12 of the PITA), unless the non-resident natural person qualifies for the exemption under art. 37, para 7 of the PITA, or unless otherwise provided in a double tax treaty (if applicable) or in another international act.

Capital gains of the bondholders from dispositions with bonds in the form of the positive difference between the documented acquisition price and the sale price in case of sale of the bonds (or the exchange value in case of exchange of the bonds with other assets) before the maturity date will be subject to withholding tax (art. 37, para 1, item 12 of the PITA), unless otherwise provided in a double tax treaty (if applicable) or in another international act.

As of the signing date of the Offering Circular the withholding tax is 10 percent (art. 46, para 1 of the PITA).

19.5. NON-RESIDENT LEGAL ENTITIES

The profits of non-resident legal entities from a permanent establishment in Bulgaria and from dispositions with assets in such permanent establishment as well as the incomes of non-resident legal entities from source in Bulgaria are subject to taxation under the CITA (art. 1 of the CITA).

Incomes from interest payments from bonds are taxable with withholding tax subject to the provisions of art. 195, para. 1 of the CITA in connection with art.12, para. 5 of the CITA, unless otherwise provided in a double tax treaty (if applicable) or in another international act.

Capital gains of the bondholders from dispositions with bonds in the form of the positive difference between the documented acquisition price and the sale price in case of sale of the bonds (or the exchange value in case of exchange of the bonds with other assets) before the maturity date will be subject to withholding tax (art. 199, para 3 of the CITA), unless otherwise provided in a double tax treaty (if applicable) or in another international act.

As of the signing date of the Offering Circular the withholding tax rate is 10 percent (art. 200, para 2 of the CITA).

19.6. DOUBLE TAX TREATIES

The International Bank for Economic Co-operation, as an international public law institution created pursuant to the Agreement on the Organization and Activities of the International Bank for Economic Co-operation and the Statutes of the International Bank for Economic Co-operation dated 22 October 1963, as amended and supplemented, is exempt from all direct taxes and duties levied either by a state or by local authorities pursuant to art. 32, item 2, "a" of the Statutes of the International Bank for Economic Co-operation. The bondholders are advised to consult their own legal and tax advisers as to whether any double tax treaties may apply to the tax regime of this bond issue.

20. SUBSCRIPTION AND SALE

20.1. General information about the Offering

The Offering is addressed to Qualified Investors who are Eligible Counterparties or Professional Investors representing Target market for the purposes for Product Manufacturer requirements (the "**Target Market**") under Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the "**MiFID II Directive**") and without the need to publish a prospectus in reliance on article 1(2)(b) of the Prospectus Regulation, to the extent, and only provided that, an investment in the Bonds does not constitute a violation of any applicable law by such Qualified Investors.

Under article 1(2)(b) of the Prospectus Regulation, the debt securities issued by public international bodies in which at least one member is a Member State of the European Union, such as the Issuer, are out of the scope of the Prospectus Regulation.

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

Under article 20(2) of the Bulgarian Stock Exchange's Rules and Regulations, for admission of bonds to trading on the Bonds Segment of the BSE Main Market in the cases under article 1(2) of the Prospectus Regulation, if the Issuer decides to apply for such admission, it will provide to the BSE this Offering Circular with relevant amendments to reflect the final parameters of the Bond Issue and other relevant information regarding the Issuer.

However, this Offering Circular constitutes neither a prospectus nor a base prospectus for the purposes of the Prospectus Regulation. Accordingly, this Offering Circular does not purport to meet the format and the disclosure requirements set forth under the Prospectus Regulation and Commission Delegated Regulation (EU) No 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, and it has not been and will not be submitted for approval to any competent authority, within the meaning of the Prospectus Regulation.

No underwriting commitment is undertaken by any of the Joint Lead Managers with respect to the Offering. However, the Joint Lead Managers may subscribe Bonds at their sole discretion.

The Issuer, at its sole discretion may subscribe Bonds, subject to the below conditions:

(a) such subscription cannot constitute more than 33.33% of the Bonds or BGN 50 million, whichever is lower;

(b) the Issuer shall not exercise the voting rights of the subscribed Bonds, as specified in Condition 18.4. above;

(c) the Issuer agrees to defer priority to subscription orders of other Qualified Investors, as specified in Condition 18.1. above, subject to principles of: i) lowest possible coupon; and, ii) maximum subscription amount achieved. For this purpose, the Issuer shall place market order(s) and not limited order(s);

(d) the number of the Bonds allocated to the Issuer shall not exceed 33.33 % of the number of the Bonds allocated in the Offering or, in case of taps, the number of the Bonds allocated to the Issuer together with the Bonds already subscribed in a previous procedure shall not exceed 33.33 % of the total number of the Bonds already issued and allocated in the respective tap offering.

20.2. Proposed timetable of the Offering

Information on the proposed timetable of the Offering is set forth in the table below. Such information is for reference purposes only and should not be construed as a binding commitment or undertaking by the Issuer or the Joint Lead Managers to comply with the indicative dates below. The timetable of the Offering may be subject to change. Certain events provided therein are beyond the control of the Issuer. The Issuer, in agreement with the Joint Lead Managers, reserves the right to change the below timetable for the Offering, including the Offering Dates. Information about any changes to the proposed timetable of the Offering will be notified to Qualified Investors in accordance with *"Terms and conditions of the Bonds"* above. For the avoidance of doubt, any change in any of the dates set forth in the table below shall neither require nor be construed as an amendment to the Offering Circular or the Conditions.

Expected dates:

17 May 2021 **(T)**	Distribution of the Offering Circular to invited Qualified Investors
26 May 2021, 8:30 - 17:30 and 27 May 2021, from 8:30 by 12:00 Bulgarian time	Book-building process for Qualified Investors
27 May 2021, by 14:00 Bulgarian time	Determination of the Interest Rate and volume of Bonds to be issued
27 May 2021, between 14:00 and 18:00 Bulgarian time	Allocation of the Bonds

27 May 2021, after 18:00 Bulgarian time and/or on 28 May 2021 by 13:00 Bulgarian time	E-mail communication of the Allocation
31 May 2021	**Value Date** of the payment for the allocated bonds
(indicative) 1 June 2021	Indicative Issue Date *i.e.*, the date on which the Bonds will be registered with the Central Depository

20.3. Establishment of the issue volume and the Interest Rate of the Bonds

For the purpose of gauging investor interest for Bonds, a book-building process shall be carried out by the Joint Lead Managers among Qualified Investors, on 26 May 2021 from 8:30 -17:30 and 27 May 2021 from 8:30 by 12:00 Bulgarian time. During the book-building process, the Joint Lead Managers will evaluate the sensitivity of demand for the Bonds from the Qualified Investors, depending on the number of bonds and the interest rate.

For such purposes, Qualified Investors will be required to submit either (i) limited orders for subscription of bonds specifying the number of Bonds which they would be prepared to acquire, the related interest rate at which they would be prepared to acquire such Bonds or (ii) market order for subscription of Bonds specifying the volume of Bond that they would be prepared to acquire at the Interest Rate.

The total principal amount, as well as the Interest Rate, shall be established by the Issuer, in consultation with the Joint Lead Managers, on the basis of the book-building results and shall be notified to Qualified Investors through the Pricing Notification.

For the avoidance of doubt, after the allocation process is completed (including in case of Taps), all Bonds shall be entitled to the same Interest Rate and will be issued at one and the same issue price.

20.4. Subscription and payment of the Bonds

The Bonds from the present Issue are offered to Qualified Investors invited by either of the Joint Lead Managers. The Bonds subscription will take place via submission of subscription orders in a form provided by UniCredit Bulbank and Raiffeisenbank (Bulgaria) at the addresses of the designated investment intermediaries specified below:

UniCredit Bulbank AD, 7 Sveta Nedelya Square, Sofia, 1000, Bulgaria
Contact persons: Yolanda Hristova; Sonya Gecheva
Phone: +359 2 9320 150; +359 2 9320 151
E-mail: Yolanda.Hristova@unicreditgroup.bg and Sonya.Gecheva@unicreditgroup.bg

Raiffeisenbank (Bulgaria) EAD, 55 Nikola Vaptzarov Blvd, Expo 2000, Sofia 1407, Bulgaria
Contact persons: Hristomir Zhelev; Vladimir Valkov
Phone: +359 2 91985 490; +359 2 91985 496
E-mail: Hristomir.Zhelev@raiffeisen.bg, Vladimir.Valkov@raiffeisen.bg

Aggregated orders for subscription of Bonds on behalf of Qualified Investors shall be submitted to UniCredit Bulbank AD or to Raiffeisenbank (Bulgaria) to the e-mail addresses specified above by the investment intermediaries that are members/participants of the Central Depository ("**Investment Intermediary/ies**" or "**Participant/s**"). The aggregated orders are an aggregation possibility which should be viewed as a list of individual orders which have details on the identity of the clients placing the orders. The aggregated orders shall be duly signed by legal representative/s of the Investment Intermediary or its/their proxy and consist the information on the Qualified Investors required by Central Depository for registration of the Bonds ("**Aggregated Orders**").

The addressed by the Lead Managers Qualified Investors shall submit subscription orders to their investment intermediaries with which Qualified Investors have open securities accounts, including UniCredit Bulbank AD and Raiffeisenbank (Bulgaria) EAD as Joint Lead Managers and Bookrunners of the Offering. The subscription orders shall be placed by Qualified Investors, or by the legal representatives of Qualified Investors' legal entities or their proxies authorized by explicit power of attorney certified by a notary public. The Qualified Investors placing subscription orders must prove their identity with an identification document and, for legal entities - certificates of good standing. Proxies shall present the original of an explicit power of attorney certified by a notary public (legalized with apostille, if applicable). The following documents shall be attached to the subscription orders:

(a) For Bulgarian legal entities: verified copy of a certificate of good standing issued not earlier of 3 (three) months prior to the placement of the order, unless the legal entity is entered in the Commercial Register with the Registry Agency (in which case the information about its UIC will be sufficient);

(b) For non-resident legal entities: a copy of the registration document (or other identical supporting document proving the existence/establishment of the person) issued in the relevant foreign language and including the full name of the legal entity, the date of issue and the country of registration, the address of the legal entity, the names of the persons authorized to represent it, accompanied by a translation of these documents in Bulgarian or English.

20.5. Confirmation by the Participants submitting Aggregated Orders

Upon placement of Aggregated Orders for subscription of Bonds the Participants/Investment Intermediaries shall certify that they have carried out identification and categorization of their clients, and that they have carried out sanctions check and that there is no match of these clients with sanctions lists and that they have complied with the other statutory rules and procedures according to the requirements of the Markets in Financial Instruments Act (MFIA), its implementing instruments, other applicable legal acts, and their own internal rules and procedures. The subscription order shall specify the client's categorization under the MFIA and whether the client falls within the target investor group for the transaction. The Aggregated Order shall be signed by the legal representative/s of the investment intermediary or a person under Art. 65, paragraph 1 of Ordinance No. 38 of Financial Supervision Commission (FSC) within the respective investment intermediary.

UniCredit Bulbank and Raiffeisenbank (Bulgaria) shall not charge Qualified Investors with any fees and commissions for the collection of subscription orders for the Bonds.

20.6. Accumulation Account

The issue price of the subscribed Bonds shall be paid in BGN to the accumulation account of International Bank for Economic Co-operation, opened with UniCredit Bulbank AD, according to an agreement for the opening of an accumulation account.

20.7. Subscription period

Qualified Investors may subscribe for the Bonds during the subscription period between 26 May 2021 from 08:30 and 17:30 Bulgarian time and 27 May 2021, during 08:30 and 12:00 Bulgarian time, through the Joint Lead Managers or Eligible Participants.

20.8. Subscription procedures

By subscribing for Bonds, either directly or via Investment Intermediary, each Qualified Investor confirms having read this Offering Circular, having unconditionally accepted the terms and conditions set out in *"Terms and conditions of the Bonds"* above and having made the subscription according to the terms included in this Offering Circular and the applicable law and warrants to the Issuer and the Joint Lead Managers that he/ she / it is an Qualified Investor (within the definition set forth in this Offering Circular) which may lawfully subscribe the Bonds (without being subject to any restriction or limitation) under his/ her/ its jurisdiction of residence. Any subscription made in breach of this Offering Circular or in breach of applicable law shall be invalid and shall be cancelled.

The Issuer, in consultation with the Joint Lead Managers, will determine, at its/their sole discretion, those Qualified Investors to whom invitations to submit a subscription order for the Bonds will be sent by the Joint Lead Managers. Each Qualified Investor may submit one or several subscription orders, in accordance with the procedures set forth herein.

Minimum Subscription Amount (and respectively, allotment) requirement of BGN 200,000 (two hundred thousand) applies to Qualified Investors. Subscriptions of fractions of Bonds are not permitted and any subscription for a fraction of a Bonds shall be deemed invalid. Multiple subscriptions orders must be placed with the same Participant.

Participants may not accept subscriptions by investors who are not Qualified Investors, and such submitted subscription order shall not be taken into consideration and the Issuer and the Joint Lead Managers shall have no liability whatsoever in relation thereto. Each Participant must comply, and must ensure that its internal systems allow it to comply, with the requirements set out in this Offering Circular, the Pricing Notification and the applicable law carried out by the respective Participant, including, without being limited to, the requirements regarding the availability of funds for payment of the subscribed by and allocated Bonds to the respective Qualified Investor.

The Joint Lead Managers and the Participants shall process, validate and register all the received subscriptions provided by the Participant and if that subscriptions meet the validation conditions. The subscription orders shall be registered with the Joint Lead Managers only if:

1) the Participant has submitted the Aggregated Order for the Qualified Investors submitted subscription orders to the respective Participant with the confirmation that the Participant has performed the identification and classification of their clients according to MiFID and that has complied with the applicable legislation and their internal procedures. In the subscription form shall be stated the classification of the client according to MiFID and whether it falls within the set target group for the Offering.

2) following the allocation for the Bonds made by the Issuer in consultation with the Joint Lead managers and communicated via e-mail to the respective Participants (the "**Allocation Notification**"), the cumulative amount for the allocated Bonds has been verified with the total amount due by the respective Participant received allocation for the Qualified Investors submitted subscription orders to it by the end of the Value Date (a "**Payment Evidence**"), together with a list of Qualified Investors for which payment has been made if different from the list of Qualified Investors in the Allocation Notification. No deposits in cash directly to the Accumulation Account, or the client accounts are accepted.

The amounts transferred by Qualified Investors in the Accumulation Accounts will not bear interest in favour of such Qualified Investors.

The amounts credited in the Accumulation Account for the subscribed Bonds does not include the bank fees or other applicable charges. The Qualified Investors must take into consideration the charges applicable to bank transfers and duration of bank transfers.

No Joint Lead Manager shall be held responsible if, for reasons outside its control, an Accumulation Account is not effectively credited with the amounts representing the value of the subscriptions by the end of the Value Date;

If the amount transferred by Participant into the Accumulation Account is higher than the amount represented by the Nominal Value of the Bonds multiplied by the number of Bonds as per the respective Allocation Notification the subscription will only be validated for the total number of Bonds stated in the Allocation notification and the Participant shall be reimbursed with the remaining amount within five business days after the Value Date.

Any reimbursements to Qualified Investors or to Participants, as the case may be, shall be less of any bank transfer commissions and any applicable commissions of the relevant market institutions, to the bank account indicated by the respective investor or Participant in the Aggregated Order submitted in relation to the subscription of Bonds. No interest shall be payable to Qualified Investors in respect of such amounts. If an investor or Participant has indicated more than one account for the reimbursement of any such amounts, the Escrow Agent reserve the right to pay the whole amount to be reimbursed to only one of the accounts indicated by the investor or the Participant.

In circumstances where the amount transferred to the Accumulation Account is lower than the amount represented by the Nominal Value multiplied by the number of Bonds allocated to Qualified Investors or Participant via which the Qualified Investors has submitted orders, the subscription form or the purchase order shall be deemed valid for the number of bonds corresponding to the amount for which valid Payment Evidence has been provided, calculated by dividing the such amount to the Nominal Value, provided that the amount transferred to the Accumulation Account is not lower than the Minimum Subscription Amount.

The Qualified Investors must take into consideration bank fees, charges applicable to bank transfers and duration of bank transfers.

20.9. Allocation of the Bonds

The allocation of Bonds shall be made by the Issuer in consultation with the Joint Lead Managers following the completion of the book-building process among Qualified Investors, on 27 May 2021, between 14:00 and 18:00 Bulgarian time.

Qualified Investors shall thereafter be invited to pay for Bonds, on the Value Date of the payment, based on the results of such allocation and in accordance with *"Subscription procedures"* above.

Qualified Investors also acknowledge and agree that they cannot refuse the Bonds allocated to them in accordance with the foregoing and shall have no right to contest or oppose such allocation. The allocation of the Bonds as described herein is mandatory and is binding for the Qualified Investors.

20.10. Offering results

The results of the Offering will be published on the Issuer's web site https://www.ibec.int in English and/or Bulgarian, as the case may be, after the Bonds registration in the Central Depository AD.

20.11. Withdrawal of subscriptions

The subscriptions made on the Value Date are irrevocable and may not be withdrawn or amended by the Qualified Investors.

20.12. Listing on the Main Market, BSE, Bonds Segment of the Bulgarian Stock Exchange

After the completion of the Offering, the Issuer intends to apply to the Bulgarian Stock Exchange for the admission of the Bonds to trading on the Bonds Segment of the Main Market within 6-month period.

The admission to trading and the listing of the Bonds on the Bulgarian Stock Exchange, when the Issuers applies for such, requires, *inter alia:* (i) the signing of the commitment for the admission and maintenance to trading by the Issuer; and (ii) the approval of the Bulgarian Stock Exchange.

The first trading date and symbol under which Bonds are expected to trade shall be announced on the Issuer's web site https://www.ibec.int and on the website of the Bulgarian Stock Exchange https://www.bse-sofia.bg, following the decision for admission. Upon admission of the Bonds to trading at Bulgarian Stock Exchange the Issuer will comply with all mandatory requirements for disclosure of information set in the Bulgarian Public Offering of Securities Act. The Issuer will announce on its website the media it will use for dissemination of the regulated information to the public in accordance with art. 100т of the Bulgarian Public Offering of Securities Act.

The Issuer may apply for admission of the Bonds to trading on other regulated markets in the European Union. Although the Issuer intends to make an application for the Bonds to be admitted to trading on a regulated market within a 6-month period of the Issue Date, it may, at its sole discretion, decide to apply for such admission within or following the said period, as well as to abstain, for as long as it finds appropriate, from applying for admission of the Bonds to trading, including to not apply at all.

21. SETTLEMENT

21.1. General

Transfers of securities (other than derivatives) are cleared and settled through the clearance-settlement system managed by the Central Depository AD, in accordance with applicable laws and regulations.

The Central Depository AD is a joint stock company organized and functioning in accordance with the Bulgarian law, having its registered office at 6 Tri Ushi Str., Sofia 1000, Bulgaria, which is authorised and supervised by the Bulgarian Financial Supervision

Commission and provides depository, registrar, clearing and settlement and other related services in connection with dematerialized securities (other than derivatives), including those traded on the Bulgarian Stock Exchange.

The ownership right over securities is transferred to the purchaser on the settlement date. The settlement is generally effected on a T+2 basis by debiting/crediting the relevant accounts, on a delivery versus payment basis (*i.e.*, the securities being delivered only if the corresponding purchase price is paid). Shorter settlement period as well as free-of-payment transfers are possible for transactions concluded outside the regulated market.

The transactions with securities concluded on the Bulgarian Stock Exchange or outside the regulated market (the latter being the only option before the Bonds are listed on the Bulgarian Stock Exchange) shall be registered with the Central Depository.

There are certain cases in which the Central Depository AD may operate direct transfers of ownership over securities including such listed on the Bulgarian Stock Exchange, subject to the conditions set forth in the regulations of the Central Depository AD, as a result, among others, of: (i) a final judgment issued by a court of law; (ii) succession; or (iii) other transfers, in accordance with applicable laws and regulations.

Although the foregoing sets out the procedures of the Bulgarian Central Depository which shall, in principle, apply to transfers of Bonds before and after their admittance to trading on the Main Market, Bonds Segment of the Bulgarian Stock Exchange, in certain cases, the Central Depository AD reserves the right to suspend or cancel the registration of an instruction, if there are any doubts with respect to its content, the authority of the person submitting such instruction or if it establishes that the provisions of its regulations or the related agreements have been breached, or to ignore instructions which contain errors or other vices or which are not duly executed by authorized persons. None of the Issuer, the Joint Lead Managers, or their respective agents will have any responsibility for the performance or failure to perform by the Central Depository AD or other Participants of their respective obligations under the rules, procedures and agreements governing their operations as at the date when such obligations are or should have been performed.

For a more detailed description of the settlement procedures applicable to the transfers of the Bonds within the Offering, see *"Subscription and sale"*. Transfer restrictions relating to the Bonds are presented in *"Terms and Conditions of the Bonds – 18.6. Transferability and rights attached to the Bonds"*.

21.2. Registration of the Bonds

The Bonds, being issued under the Bulgarian law, are mandatorily deposited with the Central Depository AD for the purpose of ensuring that securities operations are performed in a centralized manner and that unitary records of such operations are maintained. All securities accepted in the Central Depository's system are dematerialized and evidenced by book entry.

The Central Depository will maintain the record of the aggregate holdings of Bonds and for the bondholders' book.

The Issuer will not impose any fees in respect of holdings of the Bonds; however, holders of Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the system of the Central Depository.

21.3. Title to the Bonds

Only persons that are Bondholders within the meaning set forth under Condition 18.4. *"Bondholders"* of the *"Terms and conditions of the Bonds"* section above will be recognized as owners of the Bonds and, therefore, entitled to the corresponding rights attached to the Bonds. Bondholders will be able to exercise their rights in accordance with the *"Terms and conditions of the Bonds"* section above and, if the case, subject to the contractual arrangements entered with the relevant Participant through which the Bonds are held and the applicable laws and regulations.

21.4. ICSDs

The Bonds may also be held through ICSDs, such as Clearstream or such other ICSD as may be announced on the web site of the issuer http://ibec.int/. In particular, as of the date hereof, Clearstream has either direct or indirect links with the Central Depository; an indirect link is normally maintained through a custodian that holds Bonds for ICDSs in a holding (nominee) account with the Central Depository.

Persons holding any Bonds in their accounts with an ICSD must only look to the relevant ICSD for the discharge of the obligations of the Issuer under the Bonds. Subject to the paragraphs below, such persons holding any Bonds through an ICSD may only exercise their rights against the Issuer through the relevant ICSD or the relevant custodian that holds such Bonds for such ICSD, whichever entity is registered as a holder of an account in relation to such Bonds with the Central Depository.

A person holding any Bonds through an ICSD may not have direct rights against the Issuer. Such rights, if any, will be always subject to the standard rules of procedure of the relevant ICSD (if so enabled thereunder) and the applicable laws.

It should be noted that the Issuer does not have any direct agreement with any ICSD to the effect that any links with the Central Depository will remain available as long as any Bonds remain outstanding. The Issuer does not have any direct means to ensure that such links will remain available and accepts no responsibility in respect of the information concerning any ICSD. No ICSD is under any obligation to perform or continue to perform under any clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. The Issuer and the Joint Lead Managers will not, nor will any of their agents, have responsibility for the performance of the respective obligations of an ICSD or their respective participants. Qualified Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

THE UNDERSIGNED CHAIRMAN AND MEMBER OF THE BOARD OF MANAGEMENT VERIFY THAT, TO THE BEST OF THEIR KNOWLEDGE, THE INFORMATION PROVIDED, AND THE STATEMENTS MADE IN THE CONTENTS OF THE PRESENT OFFERING CIRCULAR (INCLUDING THE BELOW ATTACHED AUDITED FINANCIAL STATEMENTS) ARE TRUE, ACCURATE , COMPLETE, SUFFICIENT AND NOT MISLEADING.

This Offering Circular was executed in Moscow on 13 May, 2021 by:

Denis Ivanov	**Thinh Thi Hong**
Chairman of the Board	**Member of the Board**

22. INDEX TO FINANCIAL STATEMENTS

Audited financial statements of the Issuer

REGISTERED OFFICE OF THE ISSUER

International Bank for Economic Co-operation

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Moscow, 107996, Russian Federation

JOINT LEAD MANAGERS

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Sofia 1407, Bulgaria

UniCredit Bulbank AD

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