



**INTERNATIONAL  
INVESTMENT  
BANK**

**INVESTOR PRESENTATION**

SEPTEMBER 2020

# KEY FACTS I.

## STATUS - MULTILATERAL DEVELOPMENT BANK (MDB)

- IIB was founded in 1970 as an MDB with special status, based on intergovernmental agreement (registered with the UN).
- According to **the current IIB Development Strategy 2018-2022**, IIB's mission is to ensure sustainable and inclusive economic growth and competitiveness of national economies and to facilitate connectivity and integration between the economies of the Bank's Member States.
- The Bank finalized a large-scale institutional reform through the adoption of Protocol amending the Agreement Establishing the International Investment Bank and its Charter entered into force on 18 August, 2018. The main changes introduced: transition from a two-tier to a three-tier corporate governance system, implementation of a "proportionate" system of voting together with a double majority rule and increase of the authorised capital from EUR 1,3 bn to EUR 2 bn.

## MEMBER STATE COMPOSITION

- **Bulgaria, Cuba, Czech Republic, Hungary, Mongolia, Romania, Russian Federation, Slovak Republic and Vietnam.**

## SPECIAL STATUS IN MEMBER STATES

- IIB is not subject to national regulation and does not require a banking license
- For official purposes of IIB, VAT exemption is applied
- IIB is exempt from customs duties on export and import
- IIB's assets and transactions are immune from any national regulation (including but not limited to taxes, fees and charges), with exception for immunities waiver in terms of bond issuances and other debt instruments

KEY FINANCIAL INDICATORS				
	2017	2018	2019	1H2020
Assets (EUR m)	1 096,0	1 194,4	1 359,0	1 660,9
Equity (EUR m)	395,7	376,0*	408,1	450,1
Net Interest Margin**	2,5%	2,2%	1,8%	1,2%
Equity / Assets	36,1%	31,5%	30,0%	27,1%
Total capital adequacy	37,8%	34,4%	34,6%	34,8%
Basel leverage ratio***	32,9%	28,2%	27,15%	24,10%
Net Loans (EUR m)	664	754	884	951
NPL ratio	4,5%	1,9%	1,6%	1,5%

Source: Audited Consolidated IFRS Financial Statements 2017-2019, Interim condensed consolidated financial statements 1H2020

\* Decrease in the Bank's equity is linked to the creation of reserves based on IFRS9

\*\* Including cross-currency interest-rate SWAP

\*\*\*The Bank estimates to reach 26.4% in December 2020.



## KEY FACTS II.

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### HIGH LEVEL OF SUPPORT FROM MEMBER STATES

- During the process of obtaining its first credit rating (2013), Member States have addressed the Bank with “comfort letters”, endorsing their support for IIB’s initiatives.
- In 2017 the Bank’s Member States unanimously approved a new IIB Development Strategy for the period of 2018-2022.
- At the 1/110<sup>th</sup> Board of Governors meeting on December 4, 2018 in Varadero, Cuba, Member States approved the following strategic issues that provide necessary conditions for achievement of ambitious growth indicators, including the possibility of expansion of shareholders composition:
  - Relocation of the Bank’s Headquarters to Budapest;
  - Capitalization Program for the purpose of implementation of Development Strategy that implies the increase of paid-in capital from current shareholders in the amount of EUR 200 m (distributed over the years 2020-2022).
- **The Bank has a transparent mechanism of callable capital, which amounts to EUR 748,7 m as of August 1, 2020.**
- **IIB’s paid-in capital amounts to EUR 375,75 m (1H2020)** whereas the combined **share of European countries in the paid-in capital is 51,28%**, Russia’s share is 45,42%, Asian countries’ share (Vietnam and Mongolia) is 1,88% and Cuba’s share is 1,42%. The amount of contributions from the beginning of the year 2020 totals EUR 36,1 m.
- Second round of IIB capitalization was started by Hungary’s EUR 20 m host country contribution. In March and April 2020, Russian Federation contributed a total of EUR 20,6 m, thus fulfilling its obligations under Capitalization Program for 2020. In May 2020, Hungary fulfilled its commitments for 2020 in the amount of EUR 5,5 m.

### HIGH LEVEL OF FINANCIAL STABILITY

- Robust capital adequacy (1H2020 capital adequacy ratio at 34,8 %)
- Sustainable financial leverage
- Diversification of the loan portfolio by sectors and countries, as well as, diversification of treasury assets and long term funding (by geographies, investors, maturities, currencies, products), ensuring the Bank’s 12 month surviving horizon, as one of Covid-response package measures.
- Conservative risk policy and liquidity management

## KEY STRENGTHS

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- **IIB is an A rated institution** under Basel rules owing to solid investment grade credit ratings from Moody's (A3), S&P (A-), the stable outlooks affirmed also during the Covid-crisis, and Fitch (BBB+) and ACRA (A on international scale and AAA(RU) on national scale).
- At the 1/110th IIB Board of Governors Meeting in December 2018, the Issuer's Member States unanimously approved the **relocation of the Bank's Headquarters from Moscow to Budapest** in order to support the active development of IIB on the European territory.
- The Host country agreement was ratified by the Hungarian Parliament on March 5. As of July 2019, all collective decision-making bodies are located in Budapest. This was an important milestone of already ongoing **process of Europeanization** of the Bank. Also, an IIB branch has been established in Moscow (focusing on Russian, Mongolian, Cuban and Vietnamese markets).
- Clearly defined Strategy 2018-2022, unanimously approved by Member States, backed up by relevant Capitalization Program to achieve a substantial growth of assets and loan portfolio.
- IIB is open and planning to expand its shareholder structure to strengthen its capital base and identify new, sound financing opportunities.
- The Bank implemented the new three-tier corporate governance structure, which complies with the best practices of MDBs. The new system provides transparency and clear delegation of authority with well-defined roles and responsibilities of the governing bodies.
- Broad geographical diversification of investments among IIB's Member States, led by EU countries, achieving its share in the Loan Portfolio around 54% and its share in funding is moving between 60-70%, as of 30 June 2020.
- The Bank has conservative risk management policy: NPL ratio stood at 1,5% as of 30.06.2020, and since the Bank's relaunch in 2012 the NPL ratio has always remained below 5%.
- On 19<sup>th</sup> March 2020, IIB had successfully registered its first MTN Programme on Euronext Dublin, thus bringing the Bank's funding opportunities to a new level and at the same time making itself available to broader investor base.



# MEMBER STATES



Member States	Share of paid-in capital as of 30.06.2020	
	EUR, thousand	%
<b>EU members</b>	<b>192 666</b>	<b>51,28</b>
Republic of Bulgaria	42 203	11,23
Hungary	65 503	17,43
Czech Republic	37 375	9,95
Romania	26 104	6,95
Slovak Republic	21 481	5,72
<b>Other</b>	<b>183 089</b>	<b>48,72</b>
Russian Federation	170 666	45,42
Republic of Cuba	5 361	1,42
Socialist Republic of Vietnam	3 669	0,98
Mongolia	3 393	0,90
<b>Total</b>	<b>375 755</b>	<b>100,0</b>



- In May 2015 Hungary rejoined the IIB. The Bank is currently holding negotiations with several potential new members.
- Diversity of Member States – from G20 and EU members to rapidly growing Asian markets. In accordance with the new IIB Statutory Documents, the Bank uses “double majority” voting system, thus protecting small Member States
- Overall territory of operations – approx. 19,6 million km<sup>2</sup> with a total population of more than 290 million people

# CORPORATE GOVERNANCE STRUCTURE



## BOARD OF GOVERNORS

Countries or international financial entities who share the goals and principles that guide the Bank's activities can become members of the Bank, subject to corresponding obligations.

Board of Governors is the supreme collective governing body of the Bank, and consists of authorized representatives of countries, drawn from the highest-ranking officials of Member States. The Board of Governors identifies the general activities of the Bank and the development strategy, resolves to accept new members to the Bank, open offices and branches, as well as takes other fundamental decisions, in compliance with the Bank's Statutory Documents.

## BOARD OF DIRECTORS

### HR AND COMPENSATIONS COMMITTEE

An advisory body under the Board of Directors, whose main function is to control the observance of staff-related policies, rules and procedures at the Bank considering the issues regarding the Bank employees and their remuneration.

The Board of Directors is a collective governing body that consists of representatives, nominated by the Bank's Member States. This body is responsible for the general management and oversight of the Bank's operations and policies. The BoD reports to the Board of Governors.

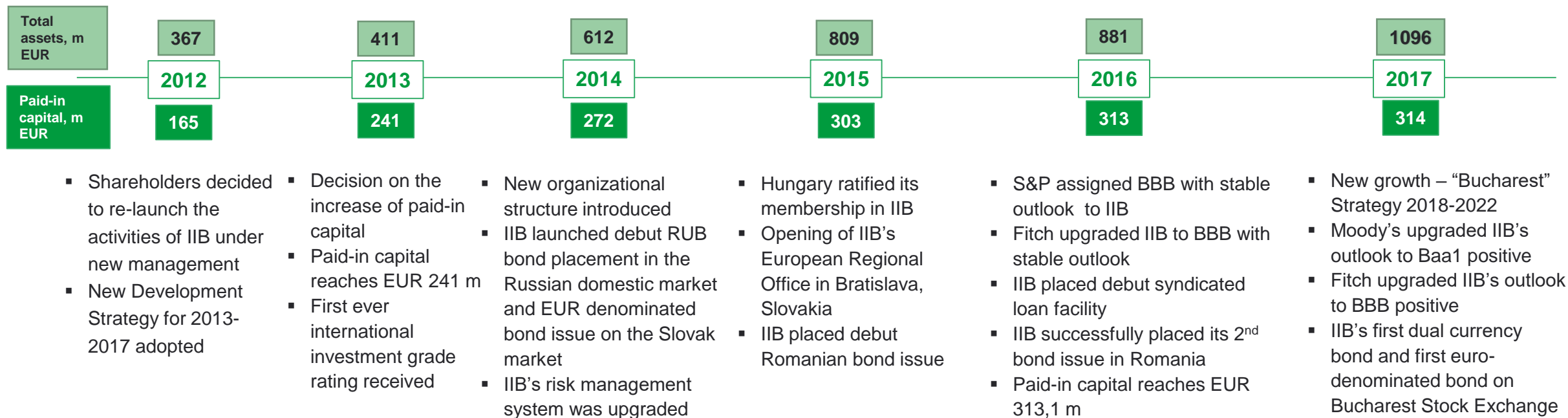
### AUDIT COMMITTEE

The Audit Committee (AC) is a governing body composed of Member States' representatives and responsible for auditing of the Bank's activities. AC reports both to the Board of Directors and to the Board of Governors.

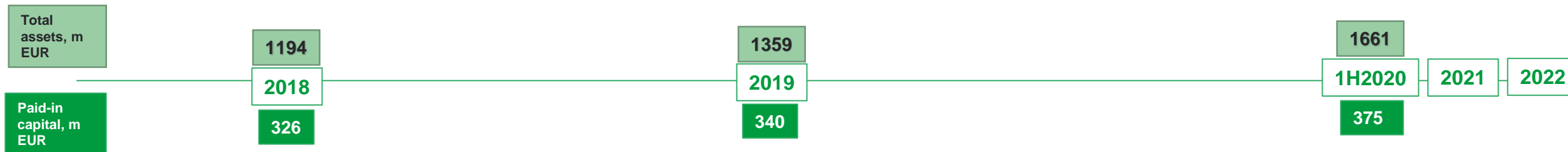
## MANAGEMENT BOARD

The Management Board is the executive body of the Bank, appointed by the BoG, and is responsible for day-to-day management of the activities of the Bank in compliance with the Statutory Documents, and resolutions of the Board of Directors and the Board of Governors. In accordance with the Key Principles of Management Board Composition approved at the 1/110<sup>th</sup> meeting of the BoG on December 4, 2018 the members of the Management Board are appointed by the BoG with consideration of the recommendations of the HR and Compensations Committee on a competitive basis through an independent assessment of their qualifications and conformity with the Bank's requirements (merit-based principle). The Management Board shall include citizens of at least four Member States of the Bank.

# IIB HISTORY MILESTONES-FIRST STRATEGIC CYCLE



# IIB HISTORY MILESTONES-SECOND STRATEGIC CYCLE



- The Bank had completed the ratification procedure of **the new Statutory Documents**
- Moody's upgraded IIB to **A3** with stable outlook, S&P upgraded IIB to **BBB+** with stable outlook, Fitch upgraded IIB to **BBB+** with stable outlook.
- First **CZK** denominated bond amounting to CZK 750 m.
- At the 1st IIB Board of Governors Meeting in December 2018, the Issuer's Member States unanimously approved the **relocation of the Bank's Headquarters from Moscow to Budapest**. The Member State also approved new **Capitalization Program**.
- During 2018 **Romania** and **Czech Republic** increased their shares in the IIB's paid-in capital.

- **The Host country agreement (HCA)** was signed on February 5, 2019. HCA sets the status and the conditions of stay of IIB as a supranational, multilateral, international organization with headquarters in Budapest. It was ratified on March 5, 2019 by the National Assembly of Hungary and came into force on 28 April 2019.
- On April 30, IIB officially started its activity from its new Headquarters in Budapest, thus IIB became **the first and only** multilateral development bank with Headquarters in the CEE region.
- **Debut HUF denominated bond** amounting to HUF 24,7 bn (EUR 79 m).
- **S&P upgraded IIB to A- from BBB+** on the back of the Headquarters move and the new capitalization program. As, such **IIB's average rating rose to A- from BBB+**.
- On September 11<sup>th</sup> Fitch had changed the IIB's outlook from stable to positive.
- On September 11<sup>th</sup> **Hungary made a host country contribution** to the Bank's paid-in capital amounting to EUR 10 m kicking off the second round of capitalization program amounting to EUR 200 m by 2022.
- Second bond issue on the Hungarian market amounting to HUF 22,5 bn (approx. EUR 67 m) in October 2019.
- On 1<sup>st</sup> November IIB placed its fifth bond issue on the Romanian market in the total size of RON 500 m.
- Rating agency ACRA had assigned an international rating of A stable and domestic rating of **AAA(RU) stable**. IIB has become the highest rated institution on the Moscow Stock Exchange

- On January 15<sup>th</sup> 2020, Hungary contributed to the Bank's paid-in capital EUR 10 m.
- The HCA with Russian Federation had been signed on 11<sup>th</sup> February 2020.
- On 12<sup>th</sup> March, Russian Federation had made an additional contribution to the Bank's paid-in capital in the amount of EUR 10 m. On 7<sup>th</sup> April, Russia contributed additional EUR 10,64 m, thus fulfilling its obligations for 2020. On 7<sup>th</sup> May, Hungary contributed additional EUR 5,5 m in paid-in capital bringing its share to **17,43%**.
- On 19<sup>th</sup> March, IIB had **successfully registered its inaugural MTN program on the Euronext Dublin**. The first two transactions under the Programme were executed in April and May.
- **Moody's and S&P had confirmed IIB's credit ratings despite the COVID-crisis.**



# STRATEGIC OVERVIEW

## RELAUNCH STRATEGY 2013-2017

2013-2017 period for IIB can be characterized by:

- Substantial increase of assets (3-fold) reaching EUR 1096 m at end of 2017, and loan and documentary portfolio reaching EUR 712 m
- Obtaining investment grade credit ratings from three leading international rating agencies
- Issuing bonds and other debt instruments in Member States, both in euros and national currencies (RON, RUB, CZK, EUR as national currency of Slovak Republic)
- Building an advanced risk, assets/liabilities management and compliance control systems
- Expanding the Bank's product offering through direct funding, intermediated financing, trade financing products and bank guarantees;
- Phasing in a three-tier corporate management system
- Restoring Hungary's membership with the IIB, and opening a European Regional Office in the Slovak Republic
- Increasing the Bank's recognition on international markets
- Implementing corporate social responsibility principles
- Building a qualitatively new organizational structure



## DEVELOPMENT STRATEGY 2018-2022 CURRENT STAGE

**MISSION:** *facilitating connectivity and integration between the economies of the Bank's Member States in order to ensure sustainable and inclusive growth, competitiveness of national economies.*

By the end of 2022, IIB aims to:

- Raise total assets to EUR 1,7 bn and expand the loan portfolio to EUR 1,2 bn based on new capital and increase of volume of bond issuances, including denominated in local currencies of the member-states
- Become an acclaimed niche lending institution capable of executing medium-sized projects to promote the development of the Member States' national economies
- Put forward a recognizable value proposition on the markets of Member States, play a prominent role in supporting financial transactions both between them and third countries, which includes funding export/import operations and investment
- Run a partnership network in each Member State on the basis of long-term mutually advantageous relationships
- Achieve and maintain long-term financial sustainability
- Demonstrate sustainable profitability through its core activity

## LONG-TERM VISION PERSPECTIVE UNTIL END 2032

By the end of 2032 the Bank should become:

- A medium-sized development bank in its target geographical areas with a broad product and service offering
- A full-fledged player in Member States and in the global community of international development institutions
- A major platform providing financial, foreign trade and investment ties between Member States and their companies
- An attractive strategic investment target
- To deliver measurable development effect for Member States

# IIB RATINGS

## IIB IS AN “A” RATED INSTITUTION

INTERNATIONAL RATINGS	RATING	OUTLOOK	RATING DATE
Moody's	A3	Stable	15 May 2020
S&P	A-	Stable	27 March 2020
Fitch	BBB+	Positive	11 Sep 2019
ACRA	A	Stable	8 May 2020

## IIB'S RATING IS SAFE DURING THE GLOBAL 2020 RECESSION:

### S&P (March 2020) – Rating affirmation

“We expect the bank's fundamental credit strengths - particularly its capital buffers and contained risk appetite--to protect it from the most severe impacts of anticipated economic volatility.” .... “The outlook is stable and reflects IIB's comfortable capitalization, strengthening role and public policy mandate, contained risk appetite and relatively diverse funding options.”

### Moody's (May 2020) – Rating affirmation

“The affirmation of IIB's A3 rating reflects the following factors: (1) A capital adequacy that remains in line with that of similarly-rated peers, despite a recently increased leverage; (2) A robust liquidity situation which benefits from IIB's diversification of funding sources; (3) A moderate strength of member support which is reflected in continued increases in IIB's paid-in capital. The stable rating outlook is based on improvements in credit metrics over the past two years amidst new challenges and heightened uncertainty related to the coronavirus outbreak and the sharp correction in oil prices.”

### Fitch (July 2020) Research report titled “MDBs in CEE and CIS Largely Resilient to Coronavirus”

“International Investment Bank [is] largely resilient to the coronavirus crisis following structural improvements in the bank as reflected in the Positive Outlook.’ .. The Positive Outlooks primarily reflect structural changes. These have led to both an improvement in the credit quality of the loan portfolio through sectoral and geographic diversification towards more highly rated borrowers and a strengthening in the risk management functions”



## ON IIB'S HEADQUARTER MOVE TO BUDAPEST:

- **Fitch stated** “The Prime Minister of Hungary (BBB-/Positive) has proposed relocating **IIB's headquarters from Moscow to Budapest**. If implemented, the move could contribute to **positive pressure on the assessment of the bank's business environment** by Fitch” *and that* “such improvement in the bank's business environment ... could **lead to positive rating action.**” *22<sup>nd</sup> November 2018*
- **Moody's** “**The relocation decision is credit positive** since it is **expected to lower IIB's cost of funding** by reducing the perceived risks associated with having its headquarters in Russia. It will also **increase IIB's investor diversity** and its **visibility and attractiveness to potential new shareholders.**” *12<sup>th</sup> December 2018*
- **S&P** – “The improvement in the assessment of IIB's enterprise risk profile **reflects the progress that IIB has made in repositioning itself as a diversified European institution.** This includes the relocation of its headquarters to Hungary from Russia and the increase in European member countries' shares in both the loan portfolio and paid-in capital” *March 7<sup>th</sup> 2019*

# 2020-2022 IIB 3-Y BUSINESS PLAN

IIB IS MAINTAINING ITS OUTLOOK FOR 2020-2022 IN SPITE OF COVID

KEY TARGET INDICATORS	2018	2019	2020 H1	2020 Budget	2021F	2022F
Total assets (EUR m)	1 194	1 359	1 661	1 455	1 581	1 727
Net Loan portfolio (EUR m)	753	884	951	987	1 091	1 202
Share of EU in Loan portfolio (%)	50%	54%	54%	55%	55 to 60%	55 to 60%
Share of Treasury assets in total assets (%)	31%	28%	34%	25%	25%	25%
Share of A-AAA rated Treasury assets* (%)	57%	70%	74%	>65%	>70%	>75%
Basel II CAR (min. 25%) (%)	34%	35%	35%	35%	37%	38%
NPL to Total Outstanding Loans (%)	1.9%	1.6%	1.5%	1.5%	1% to 3%	1% to 3%
NPL Coverage ratio** (%)	137%	131%	156%	173%	127%	106%

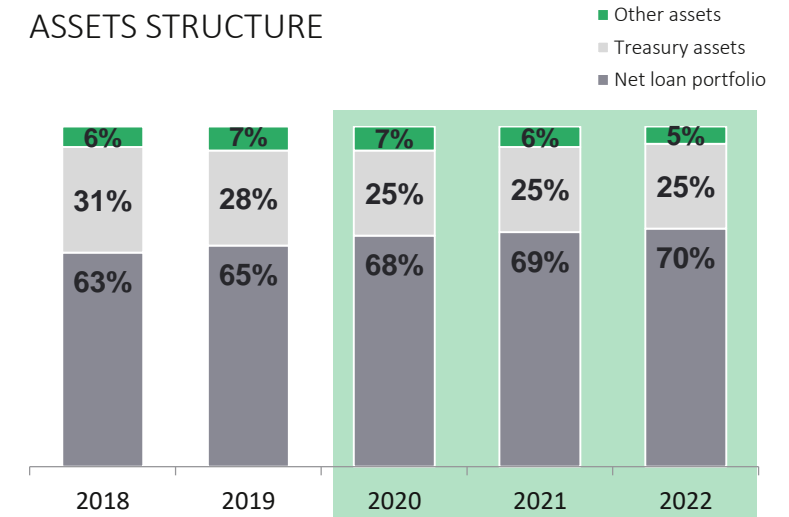
Source: Audited Consolidated IFRS Financial Statements 2018-2020H1, 2020-2022 IIB 3-Y Business Plan

\* Treasury assets incl. securities portfolio, cash and cash equivalents, deposits

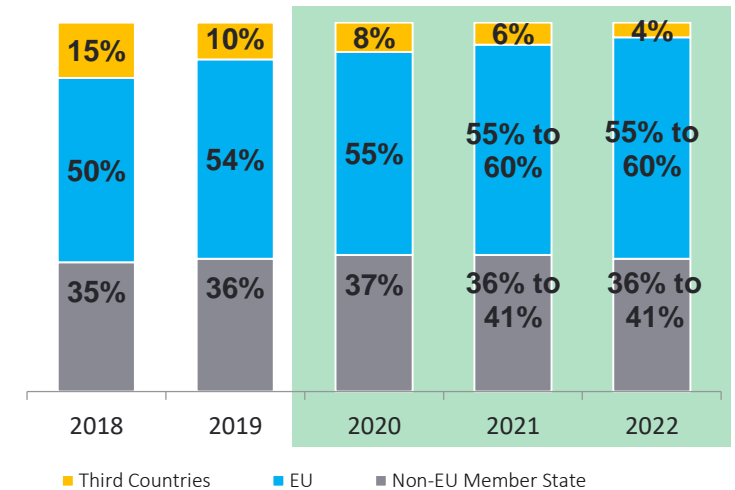
\*\* Total reserves to total NPLs.



## ASSETS STRUCTURE



## LOAN PORTFOLIO DIVERSIFICATION



# BALANCE SHEET AND P&L

(EUR million)	Y2019 Actual	1H2020 Actual	(EUR million)	Y2019 Actual	1H2020 Actual
<b>Assets</b>	<b>1 359</b>	<b>1 661</b>	<b>Interest income</b>	<b>66,8</b>	<b>30,7</b>
<b>Earning assets</b>	<b>1 315</b>	<b>1 587</b>	Interest income - NOSTRO, deposits with financial institutions	0,3	0,1
Cash and equivalents	48	170	Interest income - Loans portfolio	40,4	18,1
Deposits with financial institutions	29	25	Interest income - Securities portfolio	7,5	3,2
Financial instruments FVTPL	4	20	Cross-currency derivatives	18,7	9,2
Securities portfolio	309	385	<b>Interest expenses</b>	<b>(44,6)</b>	<b>(21,8)</b>
Net Loan portfolio	884	951	Interest expenses - Customer accounts	(0,2)	(0,1)
Loan portfolio - gross	903	971	Interest expenses - Short-term loans	(0,2)	(0,3)
Provision for possible loan losses	(19)	(20)	Interest expenses - Long-term loans	(1,8)	(0,6)
Investments in subsidiaries	0	0	Interest expenses - Debt securities issued	(33,2)	(15,3)
Investments in funds	1	1	Cross-currency derivatives	(9,2)	(5,4)
Investment property	40	34	<b>Net interest income before provisions</b>	<b>22,2</b>	<b>8,9</b>
<b>Fixed and Intangible assets, Other Assets</b>	<b>44</b>	<b>73</b>	(Charge)/Write-off of provisions	0,6	(2,0)
Fixed and Intangible assets	41	69	<b>Net interest income after provisions</b>	<b>22,8</b>	<b>6,9</b>
Other assets	3	5	Net losses from operations in foreign currencies and derivatives	(2,2)	(1,2)
<b>Equity and liabilities</b>	<b>1 359</b>	<b>1 661</b>	Net gains from operations with securities	2,7	5,5
<b>Liabilities</b>	<b>951</b>	<b>1 211</b>	Net fee and commission income	1,1	0,9
Customer accounts	11	11	Net gains from operations with property	5,6	1,8
Due to banks and other financial institutions	105	244	Net other income	(2,3)	(0,6)
Short-term interbank loans received	48	162	(Charge)/Write-off of other provisions	0,0	0,0
Long-term interbank loans received	57	81	Bonus payments	(2,0)	0
Financial liabilities at fair value through profit or loss	31	33	<b>Operating profit</b>	<b>25,7</b>	<b>13,3</b>
Debt securities issued	794	913	<b>General and administrative expenses</b>	<b>(17,9)</b>	<b>(7,4)</b>
Other liabilities	10	10	<b>Expenses on depreciation of fixed assets and intangible assets</b>	<b>(2,1)</b>	<b>(0,9)</b>
<b>Equity</b>	<b>408</b>	<b>450</b>	<b>Net income</b>	<b>5,7</b>	<b>5,0</b>
Paid-in capital	340	376			
Revaluation reserves	17	17			
Fixed assets revaluation reserve	11	11			
Securities revaluation reserve	6	4			
Investments in funds revaluation reserve	0	0			
Cash flow hedge reserves	(1)	2			
Retained earnings	52	57			

Source: Balance Sheet - Consolidated financial statements for 2019 and 1H2020  
P&L - Separate financial statements for 2019 and 1H2020

# RISK MANAGEMENT

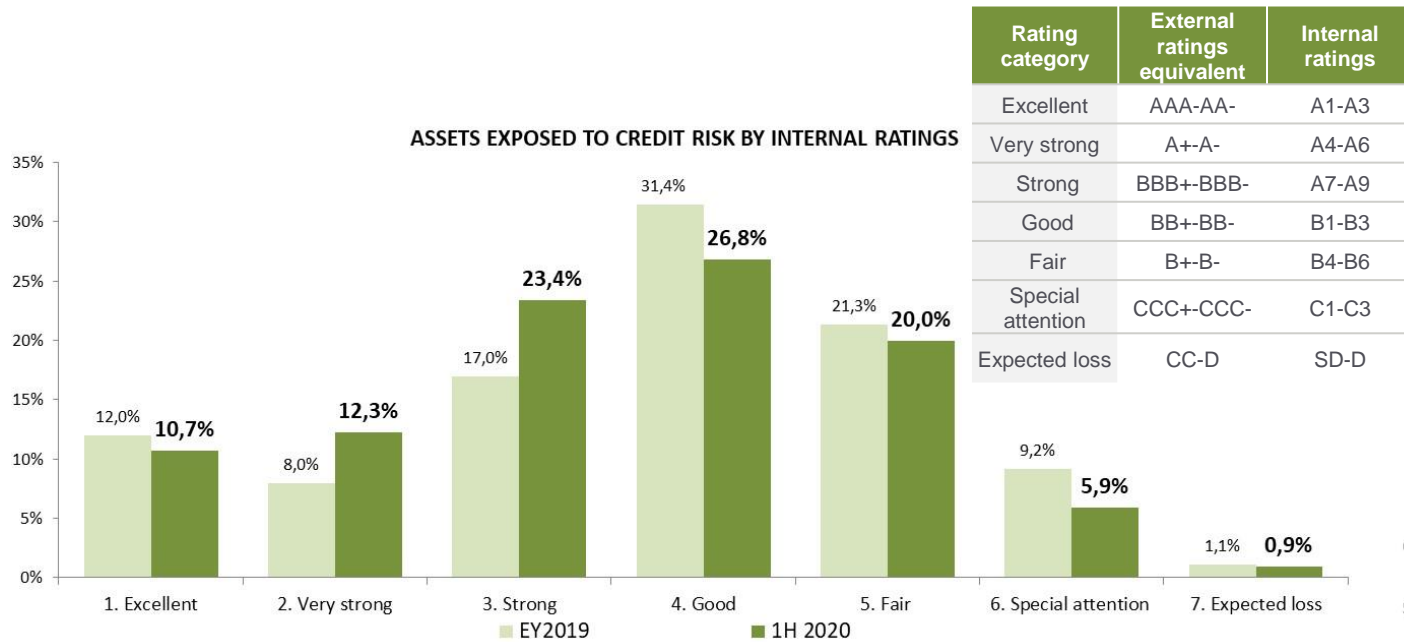
Indicator	2020 Risk appetite target	1H19	Y2019	1H20
<b>Capital adequacy</b>	Maintaining the capital adequacy ratio of at least 25%	35.1%	34.6%	<b>34.6%</b>
<b>Liquidity adequacy</b>	Maintaining the liquidity coverage ratio (LCR) of at least 100%	216.9%	187.8%	<b>1435.1%</b>
	Maintaining the net stable funding ratio (NSFR) of at least 100%	116.9%	121.7%	<b>129.1%</b>
<b>IIB's credit rating</b>	The credit rating is not below investment grade (BBB- according to Fitch and S&P, Baa3 according to Moody's)	Fitch	BBB+	BBB+
		Moody's	A3	A3
		S&P	A-	A-
<b>Credit risk</b>	The capital to cover the credit risk does not exceed 75%.	59.4%	63.0%	<b>60.3%</b>
	Single borrower (or related party) exposure does not exceed 25% of the capital	23.1%	22.0%	<b>21.6%</b>
	Non-performing loans (NPL) do not exceed 4.0% of the loan portfolio	1.8%	1.6%	<b>1.5%</b>
<b>Market risk</b>	The Capital used for the coverage of market risk does not exceed 15%.	12.2%	9.6%	<b>11.6%</b>
<b>Operational and other risks</b>	The capital to cover the operational risk does not exceed 1%.	0.9%	0.9%	<b>0.9%</b>
	The total operating losses should not exceed EUR 2.0 m	0	0	<b>0</b>
<b>Basel leverage ratio</b>	Tier 1 capital to bank assets (including balance sheet and off-balance sheet items) ratio must be more than 25%	27.5%	27.2%	<b>24.1%*</b>

## Explanatory notes:

- **Capital adequacy ratio increased slightly in 1H2020** due to the regulatory capital growth from 407 m EUR to 444 m EUR (Hungarian (+15.5 m EUR) and Russian (+20.6 m EUR) capital injections.).
- **Liquidity ratios remained within the RA limits.** LCR growth is driven by the small value of the Bank's stressed outflows over the next 30 days – 31.9 m EUR, and simultaneously by the significant amount of HQLA - 541.7 m EUR. NSFR stands at a sufficient level originating from a solid disposable base of long-term funding.
- **NPL ratio** was slightly down from 1.6% to 1.5% as a result of the loan portfolio growth.
- **Loan & documentary portfolio concentration ratios slightly improved.** TOP - 5 reduced from 33.9% to 31.1%. TOP – 10 went down from 50.2% to 48.9%, the share of the European countries was up to 54.1% from 52.4% at the beginning of the year.
- **The provisions coverage ratio for overall credit assets decreased** from 1.54 % to 1.33% (growth of the Stage 1 provisions from 0.36% to 0.39%), updated macro-economic factor (macro add) led to an increase of 1,6 m EUR.
- **Market risk profile is within the RA boundaries.** The Bank's Treasury securities portfolio (AFS+HTM) increased by 24.7% (+74.4 m EUR) to 385.3 m EUR. The share of AAA-A rated bonds decreased to 63.5% from 66.6%, the share of “BBB-...BBB+” rated bonds raised to 30.3% from 22.2%. The share of Sovereign bonds in AFS portfolio went up to 37.7% from 21.2%. Value-at-risk (market risk sensitivity metrics) for AFS and OCP was up to 3.3% from 0.7% and from 2,5% to 4,9% respectively.
- **Basel leverage ratio** shrank to 24.1% from 27.2%. The Bank's balance sheet assets raised by 22.2% to 1 661 m EUR after the bond placements in RUB (150+89 m EUR), RON (22,7 m EUR), and CZK (23 m EUR), issued in line with the bank's anti Covid-19 liquidity strategy.



# RISK MANAGEMENT: CREDIT RISK



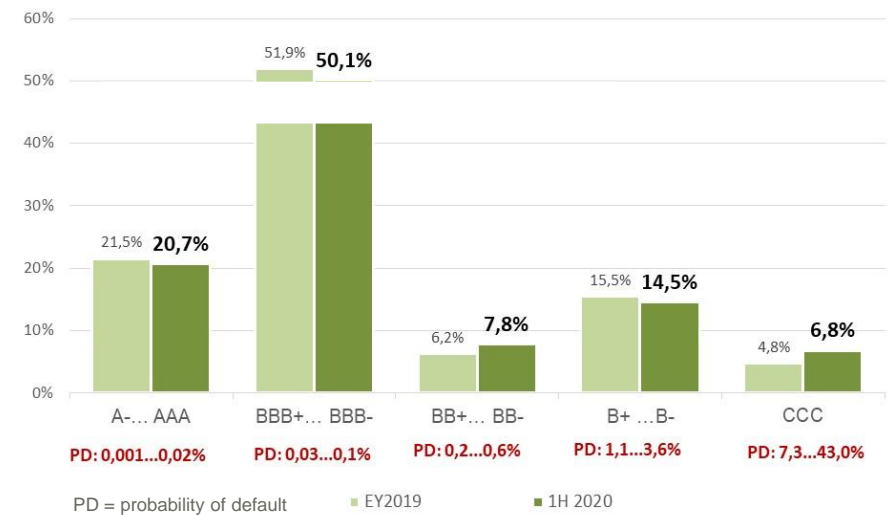
## Loan and Documentary portfolio. Concentration TOP-5/TOP-10

	EY 2019		1H 2020	
	mEUR	Concentration, %	mEUR	Concentration, %
Total portfolio	1 000,4		1 037,3	
TOP-5	338,8	33,9%	322,7	31,1%
TOP-10	502,3	50,2%	507,4	48,9%

## Provisions under IFRS9:

- The overall IFRS9 provisions volume increased by 1.5% to 22.0 m EUR.
- At the end of 1H 2020, the share of Stage 1, 2 and 3 assets constituted 97.5%, 1.6% and 0.9% respectively (96.9%, 1.9% and 1.1% as of YE2019).
- **NPL Coverage** ratio maintained at least 100% both as of YE2019 and 1H2020.
- The risk cost as of 30 June 2020 amounts to 2,1%.

## LOAN PORTFOLIO BY COUNTRY CREDIT RATINGS



# ACTIONS & MEASURES UNDERTAKEN DUE TO COVID-19

The Bank has implemented a number of defensive measures to account for a potential deterioration in the credit portfolio in line with measures taken by policy makers, central banks, regulators and peer financial institutions in the COVID-19 pandemic context

## I. Tailored support to Borrowers aimed at improving the Bank's position towards the client as well as supporting the borrowers:

- The most risky clients in the Bank's portfolio were grouped into three separate categories: high, medium and low risk which reflects the likelihood of the need for restructuring.
- The clients within the high risk group, which are more exposed to headwinds originating from COVID19, were subject to stricter monitoring as well as additional support from the bank in the form of loan renegotiation, amendments on collateral checks due to travel restrictions as well as amendment to the payment schedule.

## II. COVID19-Driven Restructuring & Provisioning applied to use the flexibility inherent in IFRS 9:

- Restructuring of the loan driven by causes associated to COVID19 are subject to a specific provisioning and classification methodology in line with the most recent EBA guidance. If loans are renegotiated in a way that the financial position of the lender does not diminish and the obligor remains likely to meet its obligations under the renegotiated contract, such loan will not be reclassified to Stage 2 under IFRS 9. In line with recent regulatory guidance, this type of restructuring is not considered as a distressed restructuring; on the contrary, it has to be considered a suitable measure to give relief to borrowers, which are temporarily not able to serve their loan obligations due to COVID-19 disruptions.
- Public and private moratoria permitting suspension or delays in payments also impact the criterion for the reclassification of the loan to NPL or Stage 2. Similarity to what is described above, such delays allow the necessary time to renegotiate the loan, and therefore are not regarded negatively. The relevant delays are only those counted subsequently and based on the modified schedule of payments

## III. Early prevention of COVID19 related arrears :

- The Bank is taking all possible actions/steps to prevent a loan from becoming overdue in 2020, if the borrower's performance is mainly affected by COVID19. Therefore, these actions may have a duration not shorter than the moratorium and / or State of Emergency period declared by the country where the borrower is located.
- As the economic consequences of COVID19 will likely continue in 2021, the loan restructuring for the Bank's top exposures are done with a forward-looking approach and potentially extend beyond the initial terms requested by the borrower (especially if linked to 2020 only).

## IV. Improvement of quality for new deals:

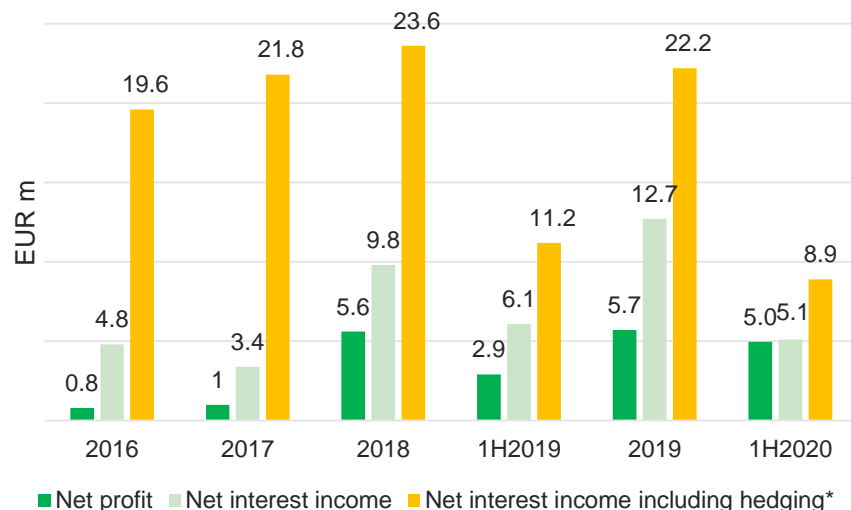
- In the lending area, the emphasis has been put on improving the overall portfolio quality through the origination of loans towards strong names such as MVM and Bulgartransgaz, which benefit from strong business model and / or public ownership, as well as investment grade rated companies located in non-member countries, but with significant presence in a member country.
- This allowed IIB to continue its mission of support while lifting the average portfolio quality of the borrowers at a time of economic uncertainty.

## V. Stress-resilient liquidity management has been implemented:

- Primary emergency liquidity buffer solely free in cash of not less than 70 mEUR, to absorb sudden unpredictable outflows at any time.
- Secondary emergency buffer comprised of the high-rated unencumbered securities portfolio (mostly ECB eligible and high quality liquid securities acceptable for the REPO counterparts) of around 100 m EUR to maintain sufficient liquidity cushion.
- Short-term borrowings irrespective of products (interbank loans, REPO, TRS, etc.) with contractual maturity not more than three months are limited at not more than 100 m EUR
- 12M Granular cash-inflow-outflow model

# PROFITABILITY METRICS & COST OF BOND ISSUANCE

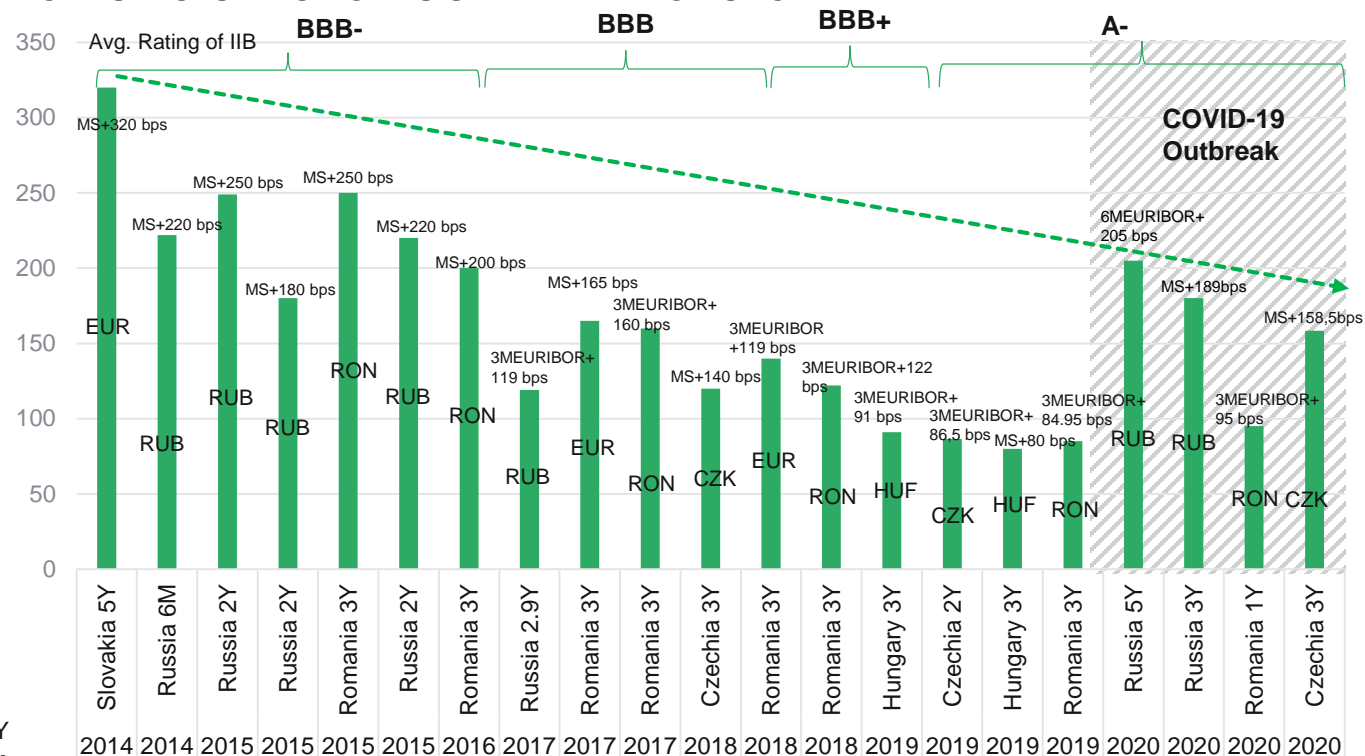
## NET PROFIT AND NET INTEREST INCOME



Source: Audited Consolidated IFRS Financial Statements 2016-2019, Interim condensed consolidated financial statements 1H2020

- Weighted average interest rate of the Bank's loan portfolio was recorded at 4,2% (incl. CCY IRS, before provisions) as of 30 June 2020. Weighted average maturity of the IIB's loan portfolio (residual) was recorded at 4.6 years as of 30 June 2020.
- Progressive decrease in the cost of funds reflects the improvement of the Bank's credit ratings

## IIB'S CREDIT SPREAD DEVELOPMENT VS BENCHMARKS FOR EURO-DENOMINATED BONDS INCLUDING BONDS SWAPPED INTO EURO

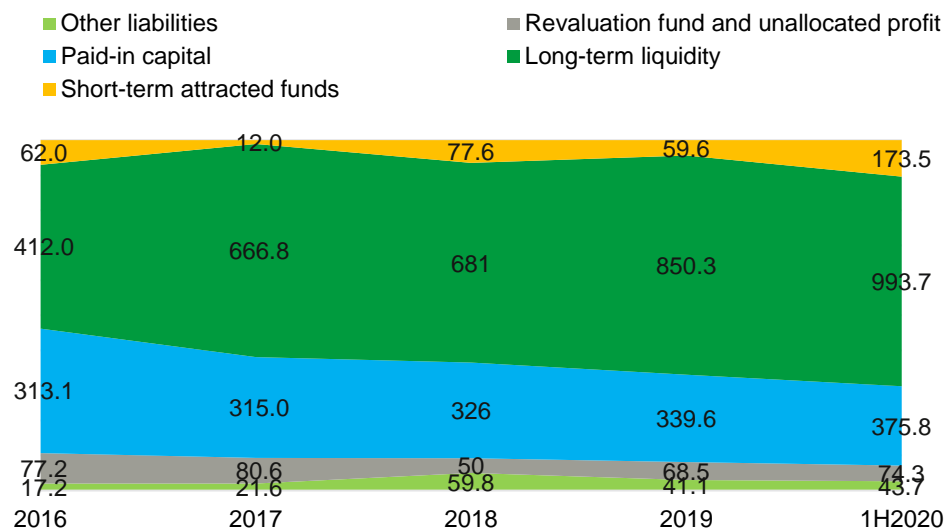


Source: Management reports 2014-2020

**Progressive decrease in the cost of funds reflects the improvement of the Bank's credit ratings and its position as a high-quality recurring issuer on Member States' markets.**

# FUNDING STRUCTURE AND OVERALL CAPITALIZATION LEVEL

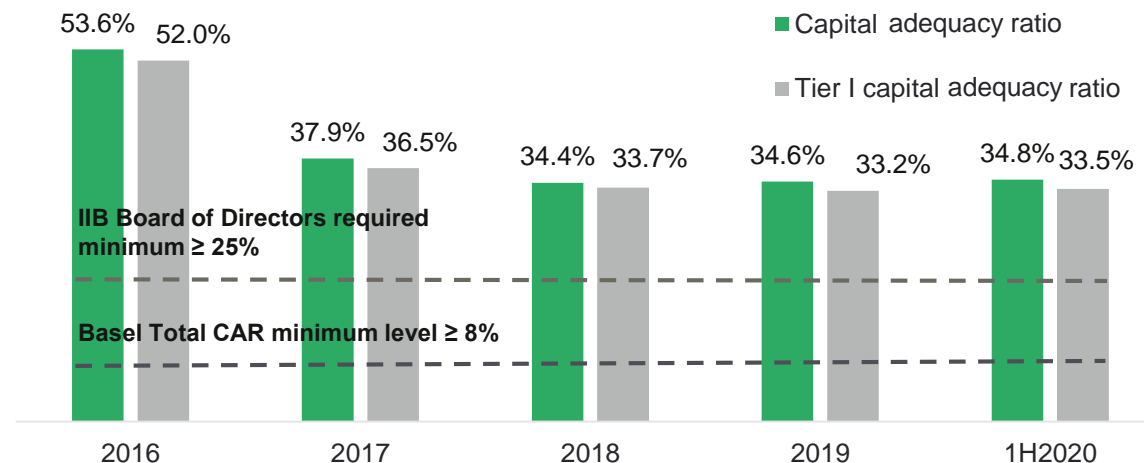
## FUNDING STRUCTURE



Source: Audited Consolidated IFRS Financial Statements 2016-2019, Interim condensed consolidated financial statements 1H2020

- As of 30 June 2020, the authorized capital of the Bank of EUR 2 bn comprises the paid-in capital of EUR 375,8 m and the unpaid capital amounts of EUR 1624,2 m, divided between callable capital amounting to EUR 748,7 m and unallocated portion of the Bank's authorized charter capital totalling EUR 875,5 m. Equity amounts to EUR 450 m as of June 30, 2020, and comprises paid-in capital (EUR 375,8 m), reserves (EUR 17,1 m) and retained earnings and net income cumulating (EUR 57,1 m).

## CAPITAL ADEQUACY RATIO

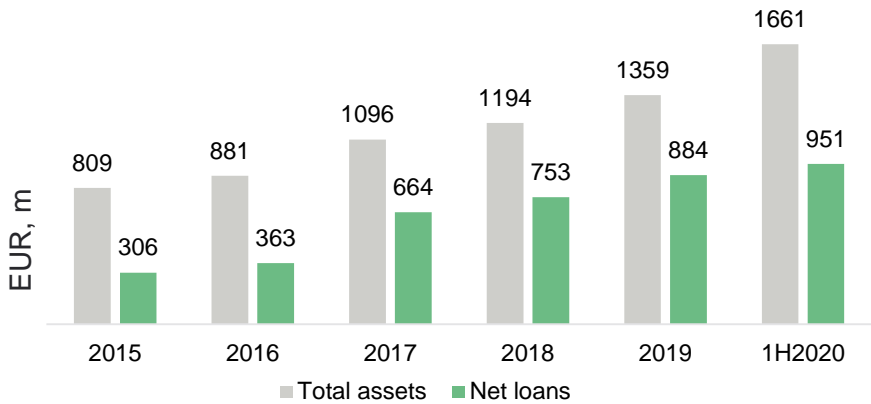


Source: Audited Consolidated IFRS Financial Statements 2016-2019, Interim condensed consolidated financial statements 1H2020

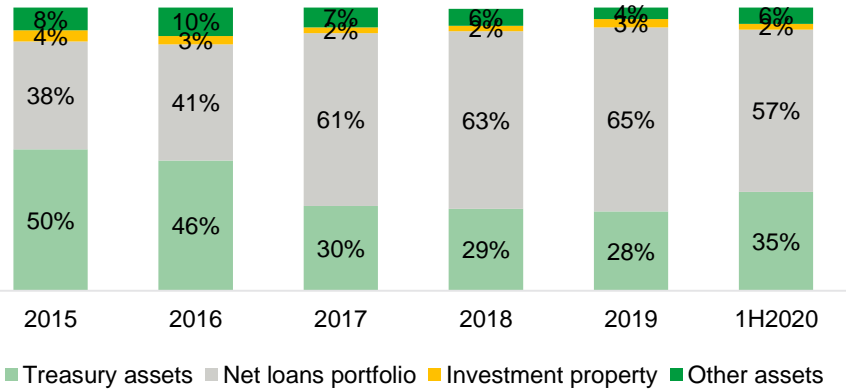
- The new Strategy of the Bank envisages to diversify its capital structure through a mix of debt funding operations in form of Tier II capital
- IIB maintains capital levels well in excess of the minimum requirements recommended by the Basel Committee. As of June 30, 2020, IIB's CAR calculated in line with Basel Capital Accord (Basel II) were:
  - Total CAR: 34,83%
  - Tier I CAR: 33,49%
- IIB's internal risk policies stipulate maintaining of a conservative total capital adequacy ratio **of not less than 25%**

# ASSETS BREAKDOWN

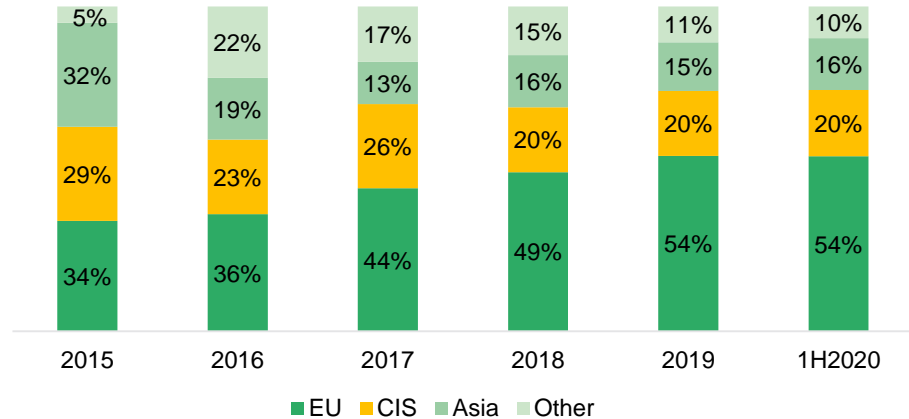
TOTAL ASSETS AND NET LOANS



ASSETS BREAKDOWN



LOAN PORTFOLIO REGIONAL DIVERSIFICATION



IIB has supported the **European Investment Fund (EIF)** in the launch of a regional fund-of-funds initiative focused on boosting equity investments in **Austria, Czech Republic, Hungary, Slovak Republic and Slovenia**. Current size of the Fund is EUR 97 m. The Fund of Funds is expected to mobilize at least around **EUR 200 m** in equity investments into **start-up's and small mid-caps**. The share of IIB amounts to EUR 10 m.



Source: Audited Consolidated IFRS Financial Statements 2015-2019, Interim condensed consolidated financial statements 1H2020



# PROJECTS FINANCED

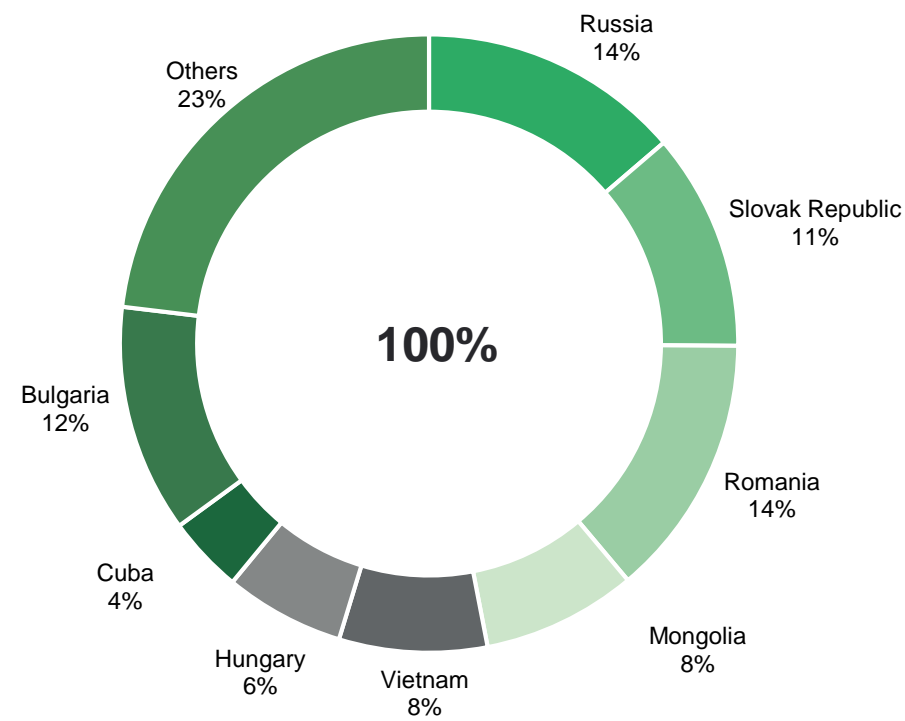
Over the years, IIB took part in financing of more than 200 investment projects, signed and implemented cooperation agreements and provided credit lines to financial institutions of the Member States. Examples of projects in Member States include:

- ✓ Urban Mobility Centre (SUMC) (Bulgaria) - EUR 15 m 5Y take in syndicated facility. Partner: [Bulgarian Development Bank](#)
- ✓ Agricover Credit IFN (Romania) - EUR 10 m 7Y financing for SME support
- ✓ Tyrbul EAD (Bulgaria) - EUR 11 m up to 7Y take in syndicated facility. Partner: [BSTDB](#)
- ✓ Fabrica de Lapte Brasov S.A. (Romania) - EUR 11 m up to 7Y take in syndicated facility. Partner: [BSTDB](#)
- ✓ Huvepharma (Bulgaria) - up to USD 20 m participation in syndicate facility. Partner: [Citibank N.A.](#)
- ✓ JSC Nord Hydro (Russia) - RUB 4,0 b 12Y financing. Partner: [Eurasian Development Bank](#)
- ✓ Slovenské elektrárne, a.s. (Slovak Republic) - EUR 90 m 7Y financing
- ✓ GTLK (Russia) - EUR 75 m 7Y for the purpose of financing the purchase of leasing items
- ✓ Hunent (Hungary) - EUR 22 m and HUF 4750 m guarantees for 10Y to finance construction of a new, green-field production facility
- ✓ Khan Bank (Mongolia) - USD 20 m 5Y participation in the syndicated facility to finance SMEs. Partner: [FMO](#)
- ✓ Alvogen (Hungary) - EUR 20 m 5Y financing
- ✓ Avicola (Romania) - EUR 17 m 7Y financing for the purpose of modernization
- ✓ SH Bank (Vietnam) - USD 20 m 5Y financing
- ✓ Heliosagri (Romania) - EUR 20 m 7Y financing for the purpose of acquisition of the edible oil plant and production development
- ✓ Zvolenska teplarenska (Slovak Republic) - EUR 31 m 15Y financing for the purpose of modernization
- ✓ Vietnam Prosperity Joint Stock Commercial Bank (Vietnam) - USD 20 m for SME support and climate projects. Partner: [IFC](#)
- ✓ GOBI (Mongolia) - EUR 30 m 7Y financing for the purpose of business development

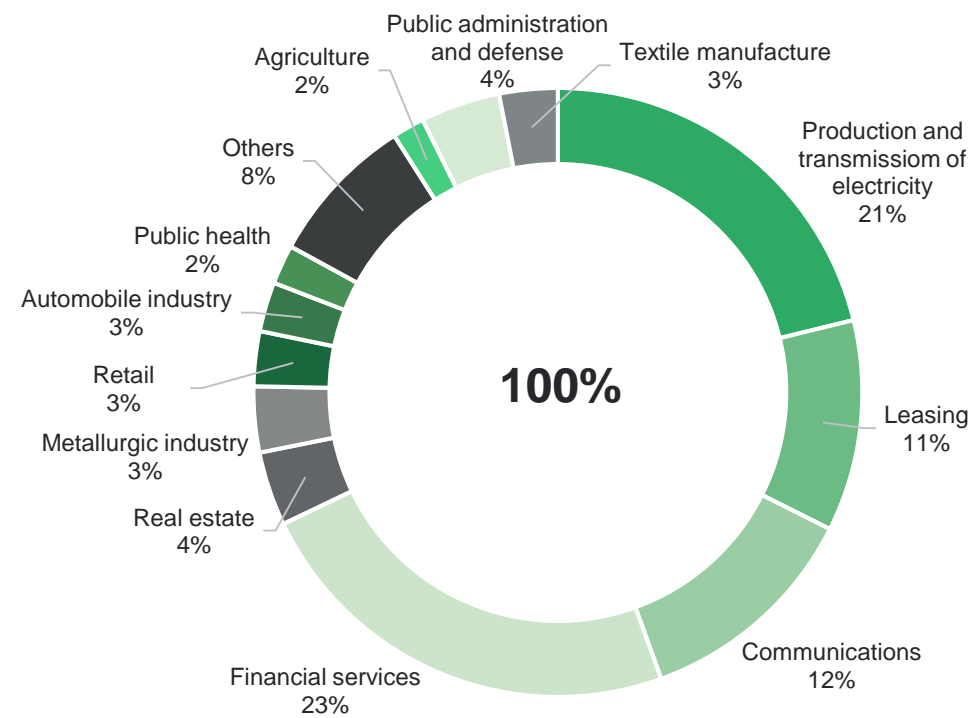


# LOAN PORTFOLIO STRUCTURE

NET LOAN PORTFOLIO SPLIT BY COUNTRIES



CUSTOMER LOAN PORTFOLIO SPLIT BY INDUSTRIES

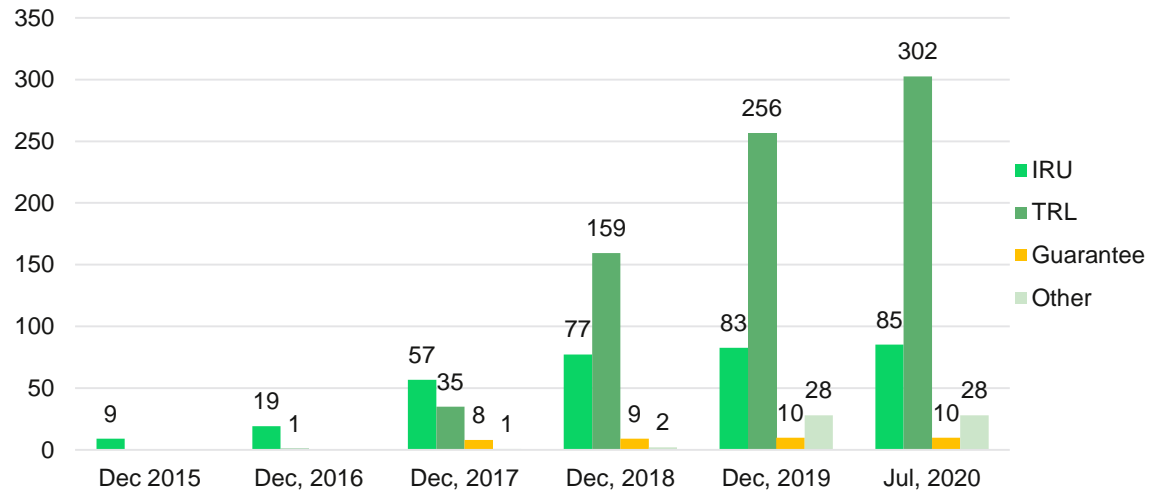


Source: Interim condensed consolidated financial statements 1H2020

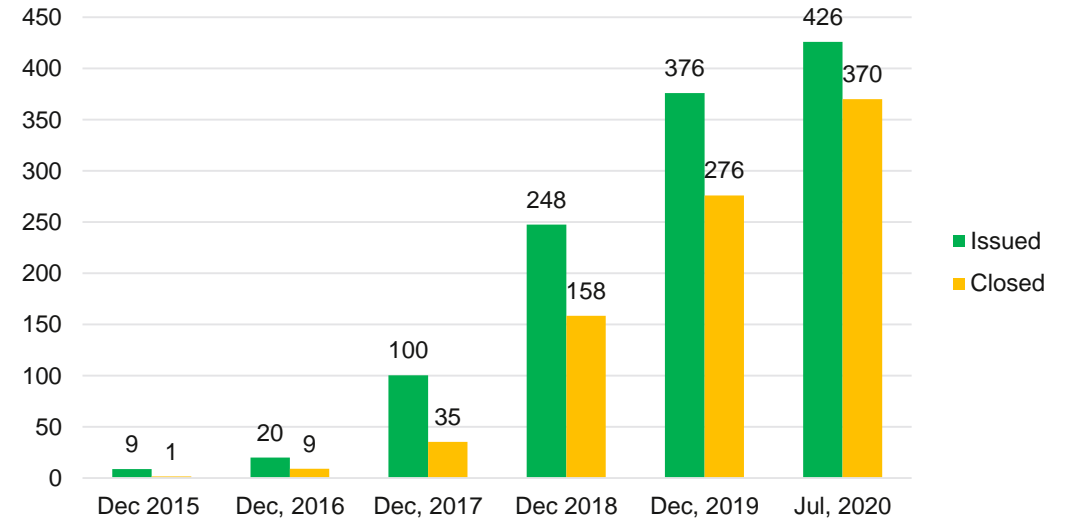
# IIB TRADE FINANCE PORTFOLIO

- SINCE APPROVED BY COUNCIL IN 2014 TF HAS BECOME SIGNIFICANT PART OF THE ACTIVITY
- PARTICIPATED 202 DEALS FOR EUR 426 M SINCE TF INTRODUCTION

TRADE FINANCE PORTFOLIO, M EUR



TRADE FINANCE PORTFOLIO, M EUR



IRU - Irrevocable Reimbursement Undertaking  
TRL – Trade Related Loans  
Other – SBLC & LCs/guarantees advising

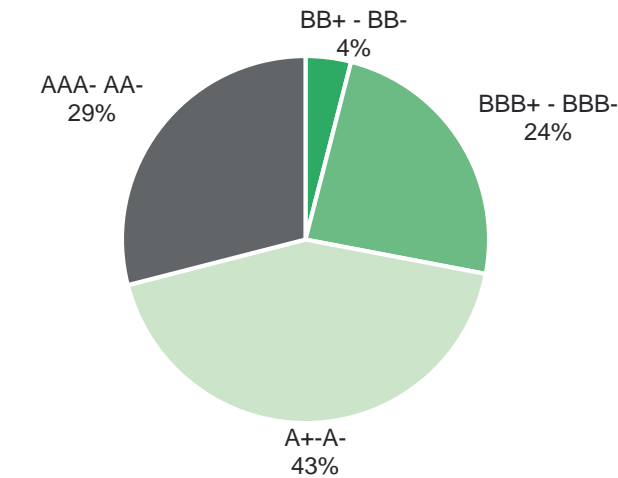


<b>COMMERZBANK</b> <b>ČESKÁ SPORITELNA</b> <b>CSOB</b> <b>Czech &amp; Slovak Republic</b> Export of equipment and food products to Belarus	<b>GOLOMT BANK</b> <b>Mongolia</b> Export of equipment to Mongolia from Czech Republic & Japan & Oman <b>COMMERZBANK</b>	<b>INTERNATIONAL INVESTMENT BANK</b> Export of cotton fiber from <b>Czech Republic to Belarus</b> EUR2m <b>UniCredit Bank</b>	<b>INTERNATIONAL INVESTMENT BANK</b> Export from <b>Czech Republic &amp; Russia to Armenia</b> EUR4,4m <b>ABB</b>	<b>UniCredit Bulbank</b> Export from <b>Bulgaria &amp; Czech to Armenia</b> EUR4,95m <b>Ardshinbank</b>	<b>TDB</b> Trade & Development Bank Export from <b>Mongolia to China</b> USD20,0m <b>ING</b>	<b>MTBank</b> Services between <b>Russia and Belarus</b> RUB13m <b>CREDIT BANK OF MOSCOW</b>
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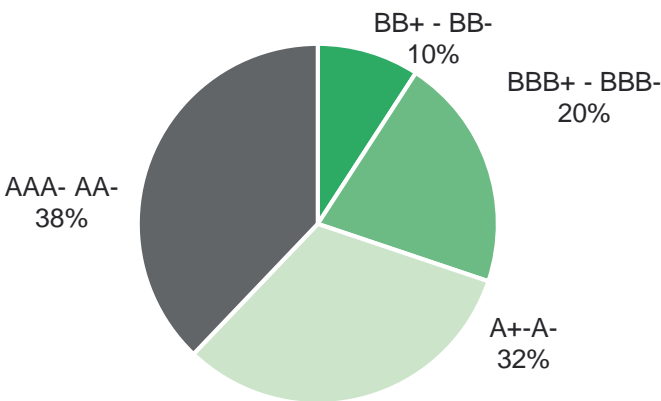
# TREASURY ASSETS DIVERSIFICATION

1H 2020

BY RATINGS\*

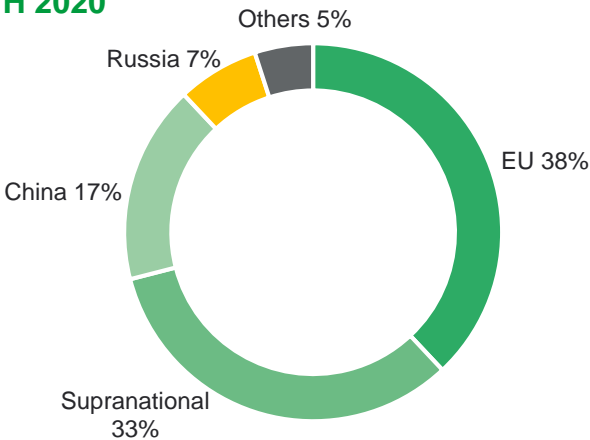


Y 2019

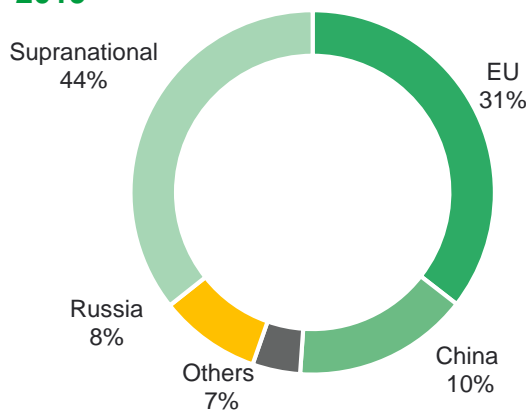


1H 2020

BY COUNTRIES\*

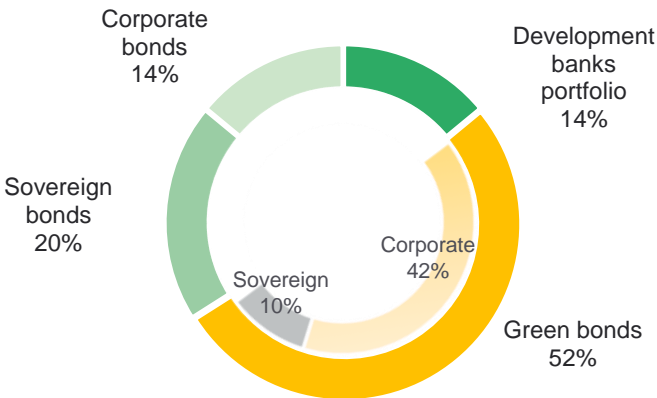


Y 2019

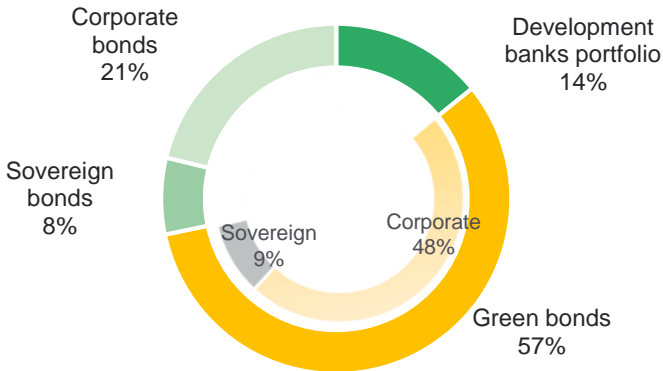


SECURITIES STRUCTURE

1H 2020



Y 2019



\*Treasury assets incl. securities portfolio, cash and cash equivalents, deposits  
 Source: Audited Consolidated IFRS Financial Statement 2019, Interim condensed consolidated financial statements 1H2020, Management Reports 2019-2020

# MARKET-BASED FUNDING IN 2020 DURING THE COVID-19 OUTBREAK

Listing	Maturity	Volume
Moscow Exchange	5y	RUB 7 bn (EUR 87,5 m)
Moscow Exchange	5y	RUB 5 bn (EUR 62,5 m)
Euronext Dublin	1y	RON 110 m (EUR 23 m)
Moscow Exchange	3y	RUB 7 bn (EUR 87,5 m)
Euronext Dublin	3y	CZK 621 m (EUR 22,5 m)

- In terms of funding, IIB had reached a qualitatively new level when successfully registering the inaugural MTN Programme, which has been registered with Euronext Dublin on March 19, 2020 (Programme on the Euronext Dublin <https://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/ShowSecSpecialist/?seclD=10801>) with JP Morgan as lead arranger for the Programme.
- IIB's funding is based on **two strong pillars**: EUR 1,5 bn MTN Programme registered on the Euronext Dublin and RUB 100 bn Programme registered with Moscow Exchange.
- For IIB, local currency issuance provides further cost effectiveness vs a first sub-benchmark/benchmark Eurobond. The flexibility of issuing under the newly created MTN offers potential to exploit market windows. Central banks' quantitative easing policies creates favorable liquidity conditions and good market windows despite the challenging context (see RUB market case).
- EUR, RON and RUB **redemptions** in the fall amounting to around **EUR 200 m** equivalent provide a good opportunity to fulfill the remaining funding needs, while partially pre finance the 2021 borrowing plan.
- For the remaining part of the year, the long-term funding strategy will further consider issuance of local and hard currency private placements under MTN as well as potential RUB issuance under the Program registered with Moscow Stock Exchange; the preferred maturity segment is 3-5 years while the Bank remains flexible regarding the size of the issuance aiming the cost effectiveness and investor diversification.

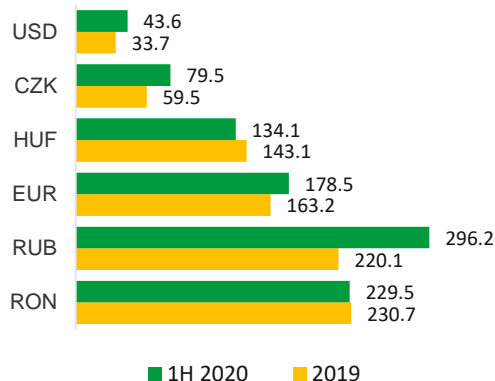


# LONG-TERM FUNDING STRUCTURE

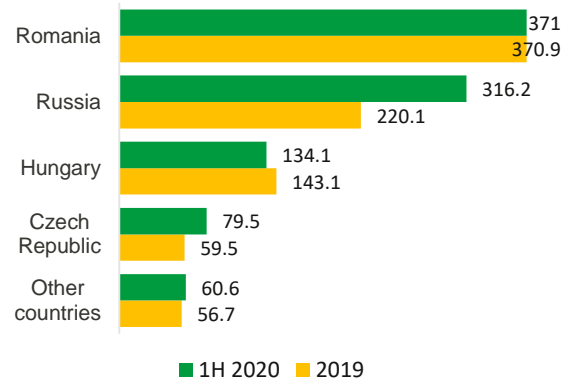
## AVERAGE EUR INTEREST RATES AND DIVERSIFICATION

	2018 YE	2019 YE	1H2020
Avg. Balance EUR Interest Rate	1,37%	0,91%	1,16%
EU share of Funding	59%	70%	62%
Number of geographies	12	12	12

## LONG TERM BORROWINGS BY CURRENCY, EUR M



## LONG TERM BORROWINGS BY COUNTRY, EUR M



Irish Stock Exchange	MTN programme CZK 621 m	May 2020	UniCredit Bank
MOSCOW EXCHANGE	RUB 7 bn	May 2020	РЕГИОН ГРУППА КОМПАНИЙ, МОСКОВСКИЙ КРЕДИТНЫЙ БАНК, SOVCOMBANK
Irish Stock Exchange	MTN Programme RON 110	May 2020	UniCredit Bank
MOSCOW EXCHANGE	RUB 12 bn	April 2020	РЕГИОН ГРУППА КОМПАНИЙ, МОСКОВСКИЙ КРЕДИТНЫЙ БАНК
BURSA DE VALORI BUCUREȘTI	RON 500 m	November 2019	BT Capital Partners, ING
BUDAPEST STOCK EXCHANGE	HUF 22,5 bn	October 2019	otpbank, UniCredit Bank
BUDAPEST STOCK EXCHANGE	HUF 24,7 bn	March 2019	otpbank, UniCredit Bank
BURSA DE VALORI BUCUREȘTI	RON 300 m and EUR 80 m	October 2018	BT Capital Partners, ING, BRD GROUPE SOCIÉTÉ GÉNÉRALE
PRAGUE STOCK EXCHANGE	CZK 1,5 bn	April 2018	ERSTE BANK
BURSA DE VALORI BUCUREȘTI	RON 300 m and EUR 60 m	September 2017	BT Capital Partners, BCR
MOSCOW EXCHANGE	RUB 10 bn	June 2017	ROS BANK, SOVCOMBANK, Raiffeisen BANK, UniCredit Bank
BURSA DE VALORI BUCUREȘTI	RON 300 m	September 2016	BT Capital Partners, BCR

# BILATERAL LOANS AND RELATIONSHIP WITH FINANCIAL INSTITUTIONS



## BILATERAL LOANS AND EXPOSURES WITH FI:

- IIB is also using other long-term funding instruments such as bilateral loans, syndicated loans and loans from other International Financial Institutions. In 2020, IIB has disbursed in March the last USD 12.5m tranche out of a USD 50m, 12yr bilateral facility from NDB and contracted also a 1.5yr EUR 20m bilateral facility from Rosbank in April.
- IIB is taking advantage of very low rates for the short-term borrowings and it is opening new lines and continuously reviewing the current lines for money market operations. IIB has credit lines for MM, FX, Repo, TF, DCM, bonds, etc. from approx. 120 financial Institutions amounting to above EUR 2,0 bn. The total volume of limits set by IIB on approx. 120 financial Institutions amounts to above EUR 2,7 bn.

# SUSTAINABILITY

## Environmental & Social Policy Framework

- Assessment of environmental and social risks of each project is currently based on the **Environmental and Social Impact Guidelines** and is taken into consideration by the Credit Committee on par with documentation prepared by other expert departments.
- In July 2019 Organization for Economic Cooperation and Development (OECD) included IIB in the list of international institutions eligible for acceptance of the Official Development Assistance (ODA).
- From that moment on, a 29% share of contributions made by OECD member states to IIB's equity from 2018 onwards can be reported by donor states as a "contribution to development support" and as ODA-eligible amounts. This also helps to comply with the UN recommendations regarding contributions made by developed countries to developing countries, set at 0.7% of Gross National Income (GNI).

### The ODA coefficient for IIB was approved at 29%.

- In May 2020 IIB presented its first annual Report about developmental activities towards developing countries to the OECD for the year 2019.
- IIB is aiming to develop a sustainable bond framework working on setting up the needed prerequisites;

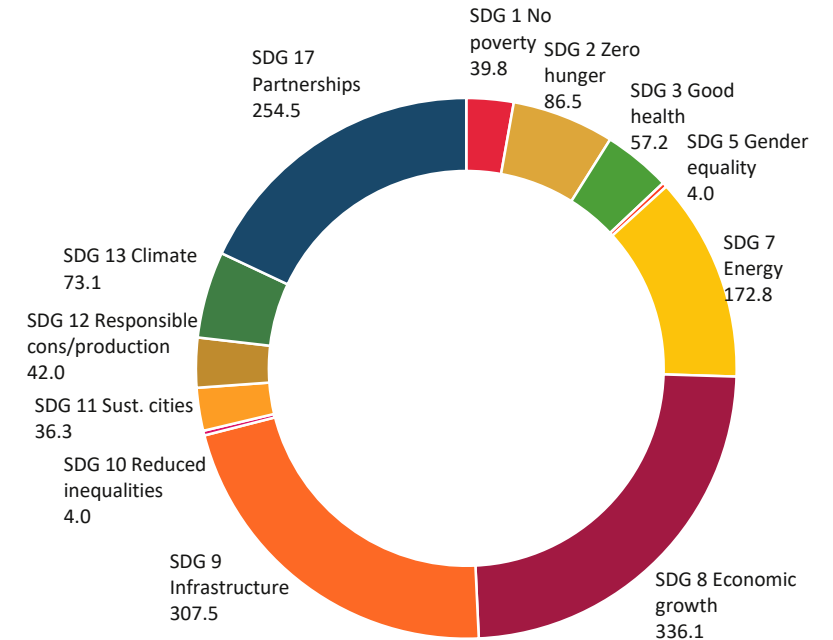
## Sustainable Development Goals (SDG)

- Pursuant to the existing internal plan to measure the development impact from the projects financed in order to raise awareness among investors, rating agencies, partner IFIs and international financial community on the Bank's impact in achieving SDGs outlined by the United Nations, IIB has performed a portfolio breakdown by purposes of finance and targeted SDG.



## LOAN AND DOCUMENTARY PORTFOLIO PRELIMINARY SDG ASSESSMENT

(EUR m, each transaction may contribute to several SDGs, data excl. Bonds and Trade finance portfolio)



# INTERNATIONAL PARTNERSHIP NETWORK

## IIB BUSINESS PARTNERS

- International Financial Organizations (The World Bank Group, EBRD, EIB, NDB, IBEC and others)
- Regional development banks (BSTDB, CAF, CABI, NIB, EDB and others)
- National development banks
- National Chambers of Trade and Industry
- Export credit agencies
- State and private financial institutions.
- Platforms and associations of financial institutions (IDFC, ADFIAP, BACEE, D20)
- Commercial banks Commercial and Investment Banks via syndicated loans, funding support and treasury business (Citibank, Societe Generale, UniCredit Bank, ING Bank, Erste Group Bank, JP Morgan, Credit Suisse, RBI, Banca Transilvania, OTP Bank, Nord LB and others)

## RECOGNITION

- BNE Intellinews recognition as “The most innovative IFI” (2016)
- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) award for best trade finance support programme among IFIs (2017)
- International publication “Global Banking and Finance Review” recognition as “The Fastest growing infrastructure bank of CEE region” (2018)
- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) award for best Corporate Governance Reform (2019)
- “The European” Global Banking Award for “Best Trade and Investment Bank – CEE” (2019)
- The international media holding Global Banking and Finance Review (GBFR) has published a list of 2019 GBFR Award winners. International Investment Bank was awarded as the “Best Bank for Sustainable Development Central and Eastern Europe”



## IIB NON-COMMERCIAL ORGANISATIONS PARTNERS

IIB takes a strong stance on supporting initiatives aimed at environmental protection and sustainable development. The Bank not only extends financial support to such projects (loans and grants), but also actively cooperates with non-profit international organizations to develop new policies and promote responsible development financing.

These esteemed organisations include:

- United Nations (IIB is a member of UN Global Compact)
- UNEP FI
- WWF
- Wetlands International
- ICC Green Finance Working Group



# GRANT POLICY & TECHNICAL ASSISTANCE FUND

The Bank regularly allocates funds for various grants aimed at environmental protection, especially for projects and programs related to water and sanitation. The Bank’s strategic partners in these activities are [Wetlands International](#) and [World Wildlife Fund \(WWF\)](#).

No.	Supported projects	Country	Recipient Organization	Date	Amount (EUR)
1.	Preservation of endangered animal and bird species in Mongolia	Mongolia	Ministry of Environment	June 2015	c. 28,000
2.	Wild Asian Elephants Program	Vietnam	WWF Vietnam	December 2015	45,000
3.	The Hungarian Water Risk Filter	Hungary	WWF Hungary	June 2016	30,000
4.	Restoring Peatlands in Russia – for fire prevention and climate change mitigation	Russia	Wetlands International	December 2016 June 2018	70,000 70,000
5.	Environmental education and awareness raising in protected areas	Romania	Milvus Group Association	June 2017	30,000
6.	Restoration of natural river ecosystems in Northern Slovakia	Slovakia	WWF International Danube-Carpathian Program	December 2017	30,000
7.	Restoration of wetlands of the upper creek of the Tuula Gol river in central Mongolia	Mongolia	Mongolian Academy of Sciences	November 2018	c. 34,000
8.	Project on water preservation of the River Tisza and its cleaning from plastic waste	Hungary	Plastic Cup	September 2019	50,000

## TECHNICAL ASSISTANCE FUND

INITIAL FUND SIZE: EUR 1,245,000



- FRC of Mongolia
- PeWaS s.r.o.
- Proxenta Cuban Investments, a.s.
- Asseco Central Europe, a.s.
- IMAO electric, s.r.o.
- Available (317 281 EUR)



### About

Technical Assistance Fund (TAF) was established at the initiative of the Ministry of Finance of the Slovak Republic in 2016 and is co-financed and managed by IIB. The main purpose of TAF is to finance the provision of advisory services and technical assistance in respect of the projects financed, or to be financed, by the IIB within its mandate. The target countries include Mongolia, Vietnam, and Cuba.

Slovak nationals or firms registered in the Slovak Republic are eligible to bid for projects supported by the TAF.

### Completed projects under TAF framework:

- supporting Mongolian legal framework in AML area for Financial Regulatory Commission of Mongolia;
- technical expertise project for Proxenta Cuban investments a.s.;
- testing innovative Aquaholder products for PeWaS s.r.o.;
- Providing expertise related to opening and development of biomass power plants for IMAO Electric s.r.o.





INTERNATIONAL  
INVESTMENT  
BANK

## CONTACT INFORMATION

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IIB IFRS (International Financial  
Reporting Standards) Statements  
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[www.iib.int](http://www.iib.int)  
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