



**INTERNATIONAL  
INVESTMENT  
BANK**

**INVESTOR PRESENTATION**

OCTOBER 2019

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# 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 new IIB Development Strategy 2018-2022**, IIB's mission is to facilitate connectivity and integration between the economies of the Bank's Member States, to ensure sustainable and inclusive growth and competitiveness of national economies.
- The Bank finalized a large-scale institutional reform through the adoption of Protocol amending the Agreement Establishing the International Investment Bank and its Charter (Protocol). The Protocol entered into force on 18 August, 2018. The main changes introduced by the Protocol: 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, zero VAT rate is applied
- IIB is exempt from customs duties and restrictions 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 issuance and other debt instruments

KEY FINANCIAL INDICATORS				
	2016	2017	2018	30.06.2019
Assets (EUR m)	881,4	1 096,0	1 194,4	1 276
Equity (EUR m)	390,2	395,7	376,0*	392,6
Net Interest Margin**	2,5%	2,5%	2,2%	2%
Equity / Assets	44,3%	36,1%	31,5%	30,8%
Total capital adequacy	53,5%	37,8%	34,4%	35,08%
Basel leverage ratio***	41,2%	32,9%	28,2%	27,49%
Net Loans (EUR m)	363	664	754	777
NPL ratio	3,9%	4,5%	1,9%	1,8%

Source: Y2015- Y2018 Audited Consolidated IFRS Financial Statements, Interim condensed consolidated financial statements 1H2019

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

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

\*\*\* Basel 3 Leverage set at 25%.



# KEY FACTS II.

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## HIGH LEVEL OF SUPPORT FROM MEMBER STATES

- During the process of obtaining its first credit rating, Member States have addressed the Bank with “comfort letters”, endorsing their support for IIB’s initiatives.
- IIB with active support from the Member States constantly works at building a more balanced structure of the Bank’s paid-in capital. The Bank’s paid-in capital amounts to EUR 339,6 m whereas the combined **share of European countries in the paid-in capital is 52,16%**, Russia’s share is 44,18%, Asian countries’ share (Vietnam and Mongolia) is 2,08% and Cuba’s share is 1.58%.
- **The Bank has a transparent mechanism of callable capital, which amounts to EUR 784,9 m.**
- 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, the Member States approved the following strategic issues:
  - A. Relocation of the Bank’s headquarters to Budapest;
  - B. Capitalization Program for the purpose of implementation of IIB Development Strategy 2018-2022. The Program implies the increase of paid-in capital from current shareholders in the amount of EUR 200 m (distributed over the years 2020-2022).Both decisions combined provide necessary conditions for achievement of ambitious growth indicators, including the possibility of accession 2-3 new shareholders from European and Asian countries to the Bank.

## HIGH LEVEL OF FINANCIAL STABILITY

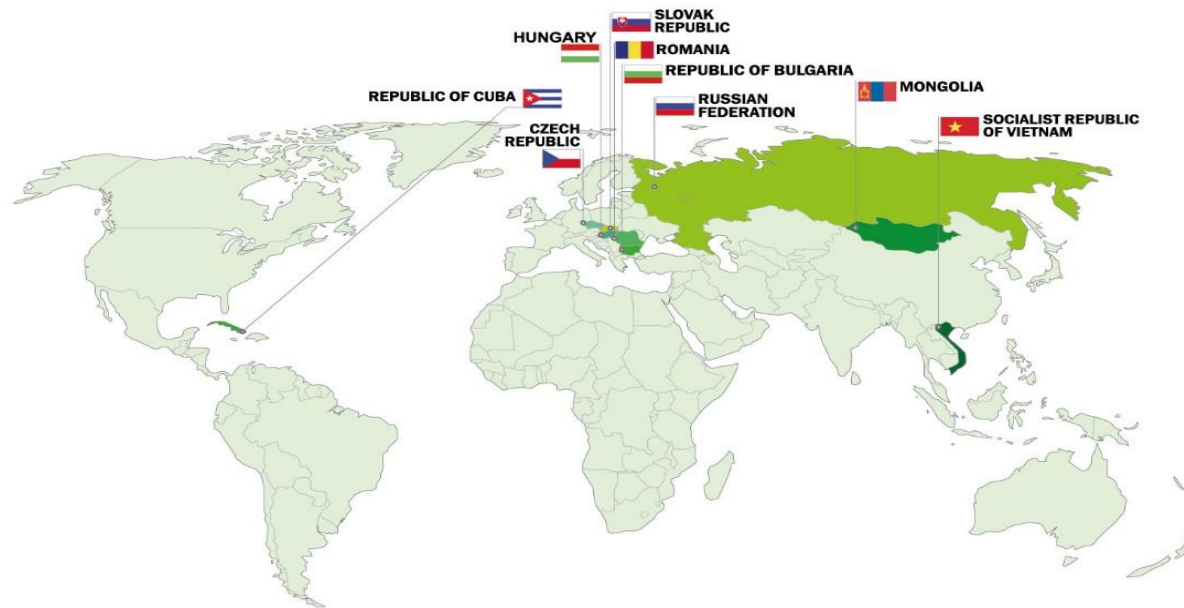
- Robust capital adequacy (1H2019 capital adequacy ratio at 35,08%)
- Sustainable financial leverage
- Diversification of the loan portfolio by sectors and countries, as well as, diversification of treasury assets and long term funding (by geographies, investors, maturities, currencies, products)
- Conservative 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-), Fitch (BBB+) and Dagong Europe (A-). All four of the ratings are recognized by European Securities and Markets Authority (ESMA).
- 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 (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. The HCA was successfully ratified by the Hungarian Parliament on March 5, 2019 and came into effect on April 28, 2019. As of April 29, 2019 the amendment to the Charter of IIB fixing the seat of the Bank in Budapest is provisionally applied. As of July, all collective decision-making bodies are located in Budapest. Also, an IIB branch has been established in Moscow (focusing on Russian, Mongolian and Vietnamese markets).
- Clearly defined Strategy 2018-2022, unanimously approved by Member States, backed up by relevant Capitalization Program to achieve a two fold 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 53% as of 30 June 2019.
- The Bank has conservative risk management policy: NPL ratio stood at 1,8% on 1H2019, and since the Bank's relaunch in 2012 the NPL ratio has always remained below 5%.

# MEMBER STATES



Member States	Share of paid-in capital	
	as of 11.09.2019	
	EUR, thousand	%
<b>EU members</b>	<b>177 160</b>	<b>52,16</b>
Republic of Bulgaria	42 200	12,43
Hungary	50 000	14,72
Czech Republic	37 380	11,00
Romania	26 100	7,69
Slovak Republic	21 480	6,32
<b>Other</b>	<b>162 450</b>	<b>47,84</b>
Russian Federation	150 030	44,18
Republic of Cuba	5 360	1,58
Socialist Republic of Vietnam	3 670	1,08
Mongolia	3 390	1,00
<b>Total</b>	<b>339 610</b>	<b>100,0</b>



In May 2015 Hungary rejoined the IIB. The Bank is currently holding negotiations with several potential new members.

*Due to the last contributions of Romania and Czech Republic in 2018 in the amount of EUR 4 m and respectively EUR 7 m, and contribution of Romania and Hungary in March and September 2019 amounting to EUR 3.6 m and EUR 10 m, share of the Russian Federation in the paid-in capital decreased from 48% to 44%. The contributions are yet another proof of Member States' commitments, Hungary's EUR 10m as a host country contribution kicking off the second round of capitalization program amounting to EUR 200 m by 2022.*

- 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, if they are ready to assume the corresponding obligations.

Board of Governors is the supreme 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, and resolves to accept new members to the Bank, open offices and branches, as well as takes other fundamental decisions, in compliance with the Bank Statutes.

## BOARD OF DIRECTORS

The Board of Directors is a governing body that consists of representatives, nominated by the Bank 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.

## 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.

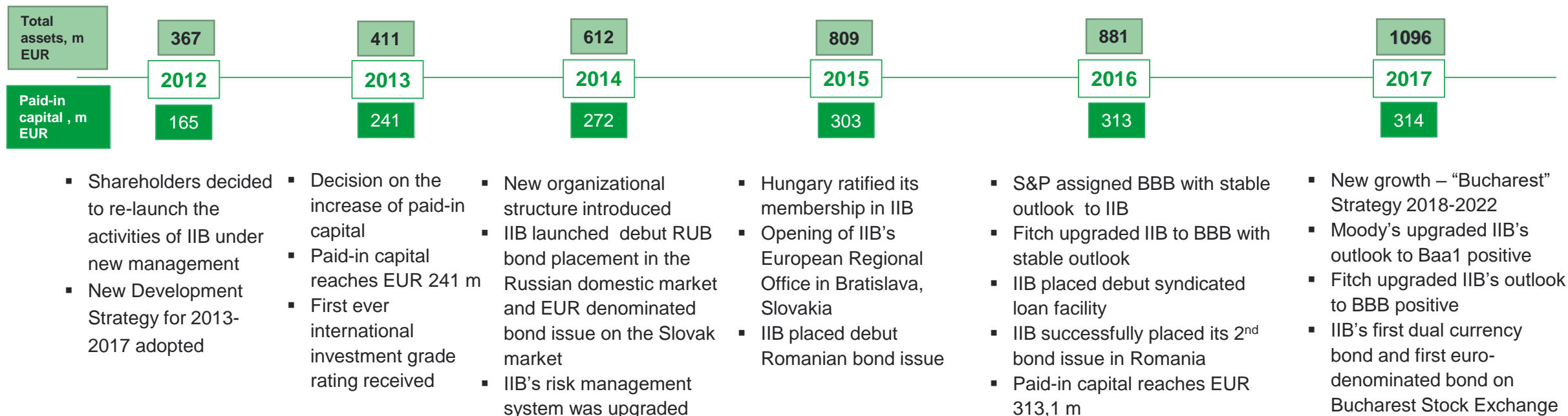
## AUDIT COMMITTEE

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

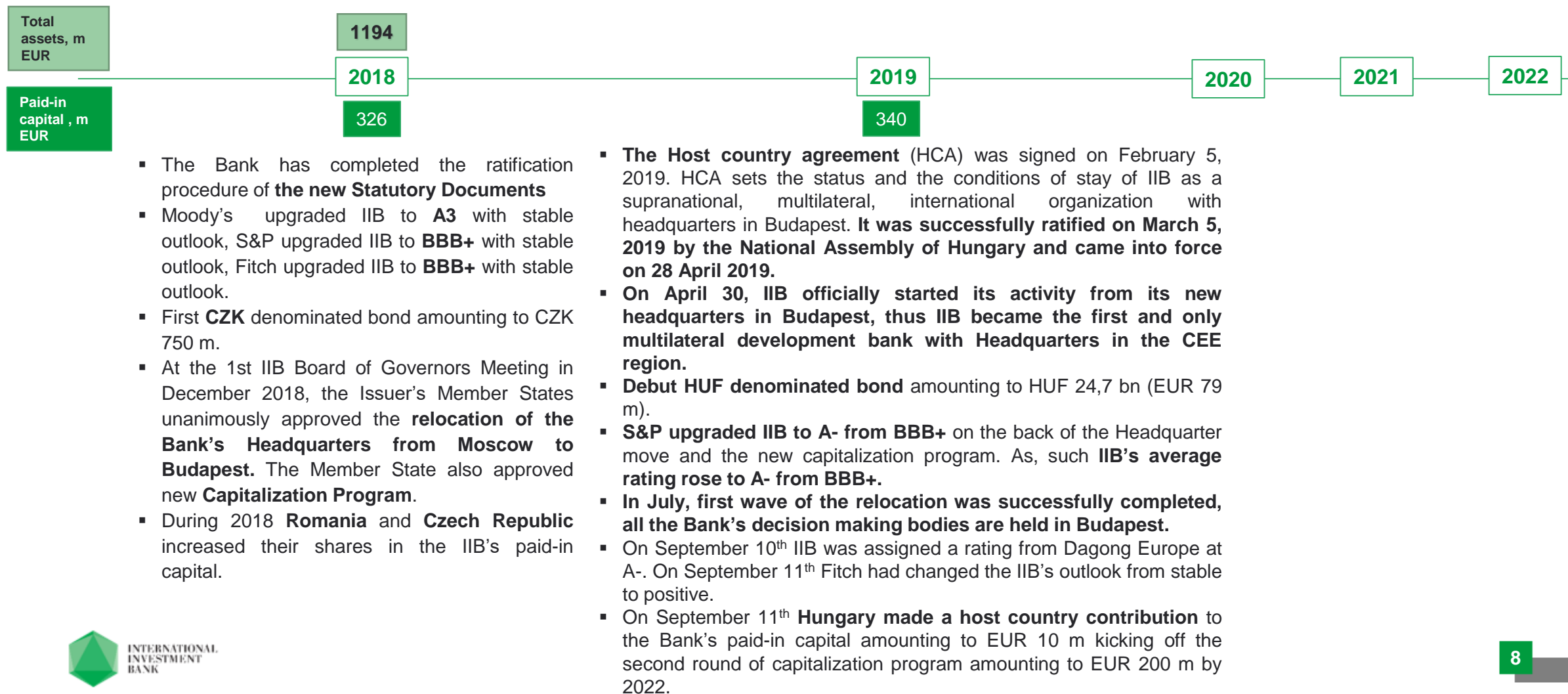
The Management Board is the executive body of the Bank, appointed by the BoG, and is responsible for day-to-day management of the activities of the Bank in compliance with the Statutes, and resolutions of the Board of Directors and the Board of Governors. In accordance with the Key Principles of Management 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



# 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, backed by the existing historical ties*

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 BECAME AN “A” RATED INSTITUTION UNDER BASEL RULES

ESMA RECOGNISED RATINGS	RATING	OUTLOOK	RATING DATE
Moody's	A3	Stable	30 April 2018
S&P	A- ↑	Stable	07 March 2019
Fitch	BBB+	Positive ↑	11 Sep 2019
Dagong Europe	A-	Stable	10 Sep 2019

## KEY FACTORS OF RATING ASSIGNMENT:

- **Moody's upgraded** IIB's rating to “**A3**” stable due to “improvement in asset quality . . . more robust risk management systems . . . an increasingly diversified loan book and funding strategy . . . the strengthened credit quality of its treasury portfolio”. *30<sup>th</sup> April 2018*
- **S&P upgraded** IIB's rating to “**A-**” on ‘strengthened governance and management structure, diversifying its shareholders, and clearly articulating an expansion strategy, which includes relocating its head office.’ *7<sup>th</sup> March 2019*
- **Fitch improved** IIB's **outlook to positive** on its “**BBB+**” rating noting the recently approved capitalization program reflecting the “renewed importance for its member states” and the Bank's Headquarter move to Budapest supporting “the bank's lending and funding shift to CEE” . *11<sup>th</sup> September 2019*
- **Dagong Europe assigned IIB** a rating of “**A-**” with a stable outlook due to “very high potential to receive support” from Member States and the “strong financial profile characterized by an excellent capital level” . *10<sup>th</sup> September 2019*

## 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*

# 2018-2020 IIB 3-Y BUSINESS PLAN

## KEY TARGET INDICATORS

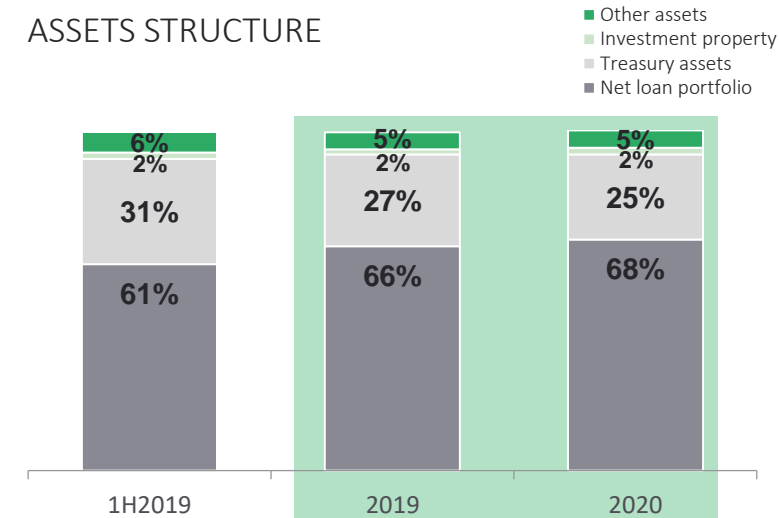
	1H2019 Actual	2019 Budget	2020 Business Plan
Total assets (EUR m)	1 276	1 309	1 437
Net Loan portfolio (EUR m)	775,5	857	975
Share of net loan portfolio in total assets (%)	60,7	66	68
Treasury assets (EUR m)	400	356	356
Share of EU in Loan portfolio (%)	53	54	54
Share of Treasury assets in total assets (%)	31	27	25
Share of A-AAA rated Treasury assets* (%)	63	60	65
Basel II CAR (min. 25%) (%)	35,08	31	30,7
NPL to Total Outstanding Loans (%)	1,8	2,7	3,6
NPL Coverage ratio** (%)	124,7	121	98

Source: Interim condensed consolidated financial statements 1H2019, 2018-2020 IIB 3-Y Business Plan

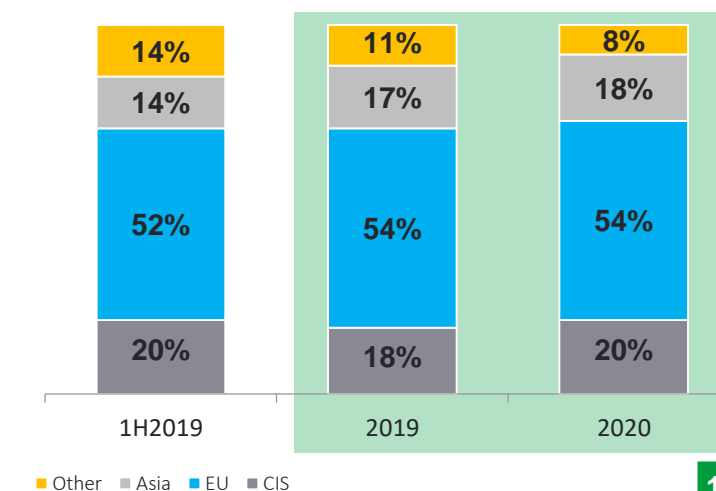
\* Treasury assets incl. securities portfolio, cash and cash equivalents, deposits

\*\* Total reserves to total NPLs.

## ASSETS STRUCTURE



## LOAN PORTFOLIO DIVERSIFICATION

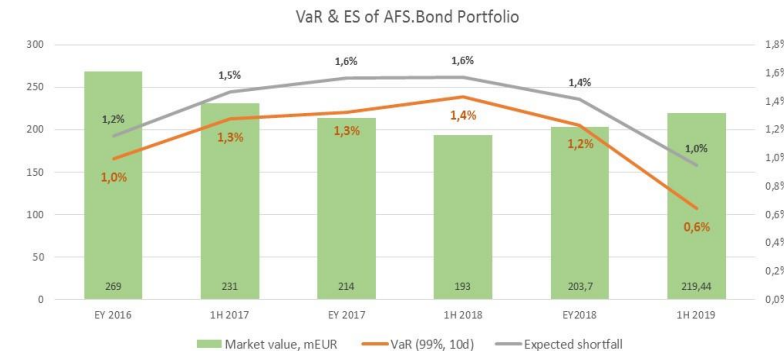
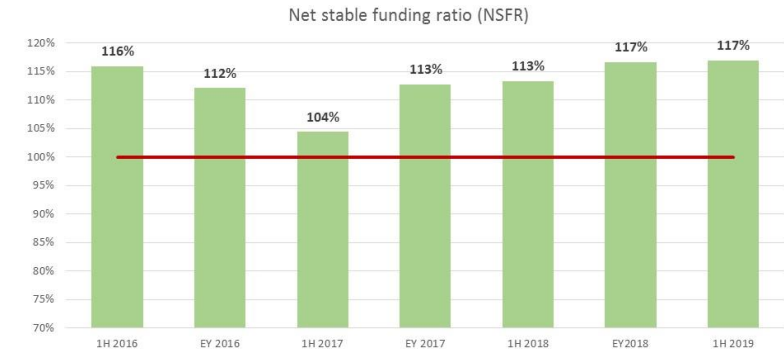
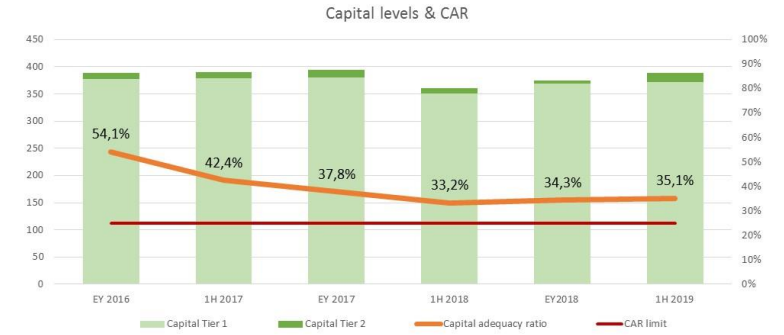


# RISK MANAGEMENT

Indicator	2019 Target	1H18	2018	1H19
<b>Capital adequacy</b>	Maintaining the capital adequacy ratio of at least 25%	37,8%	34,4%	35,1%
<b>Liquidity adequacy</b>	Maintaining the liquidity coverage ratio (LCR) of at least 100%	381,5%	175,2%	216,9%
	Maintaining the net stable funding ratio (NSFR) of at least 100%	112,7%	116,7%	116,9%
<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+	BBB+
		Moody's Baa1	A3	A3
		S&P BBB	BBB+	A-
<b>Credit risk</b>	The amount of capital to cover the credit risk does not exceed EUR 250 m	205,5	215,9	220,7
	Single borrower (or related party) exposure does not exceed 25% of the capital	18,0%	24,3%	23,1%
	Non-performing loans (NPL) do not exceed 6.0% of the loan portfolio	4,5%	1,9%	1,8%
<b>Market risk</b>	The capital to cover the market risk does not exceed EUR 58 m	44,3	47,0	45,5
<b>Operational risk</b>	The capital to cover the operational risk (including others) does not exceed EUR 4.0 m	3,47	3,32	3,35
<b>Other risks</b>	The total operating losses should not exceed EUR 1.5 m	0	0	0
	The total losses from other types of risk should not exceed EUR 1.5 m	0	0	0

## Main developments:

- Loan portfolio concentration gradually improving.** TOP-5 decreased from 38,0% as of 1H2018 to 34,5% as of 1H2019. TOP-10 for the same period decreased from 56% to 55%, higher share of the European countries (52% as of 1H2019 against 50% at the beginning of the year).
- Provisions coverage ratio** for overall credit assets decrease from 1,72 % to 1,59% during 1H2019 ( Stage 1 reduction from 0,46% to 0,41% comparing to the same period last year)
- Capital adequacy ratio** slightly increased in 1H2019 due to the regulatory capital growth from 375 m to 388 m (Romanian contribution +3,6 and positive AFS revaluation +10,1).
- Liquidity ratios** have been kept within the boundaries set out in RAF. NSFR forecast as at YE2019 approximately 106%.
- Credit rating upgrade** by S&P to «A-» in March 2019 means the Bank now has an A rating under Basel rules with positive effect on IIB's cost of funding.
- Improvement in the loan portfolio quality**, NPL ratio down from 1,9% to 1,8%.
- Market risk profile** has been kept within the boundaries set out in RAF, capital consumption slightly decreased during 1H2019 (- EUR 1,5 m, - 3,1%) due to the improvement of the treasury portfolio quality. The share of AFS portfolio assets of the highest credit quality (AAA-A rating groups) increased to 52,9% from 48,9% during 1H2019, value-at-risk (market risk sensitivity metric) decreased to 0,64% from 1,2% during the same period.
- Leverage ratio** estimated to reach 26,9% as of YE2019.



# KEY RISK INITIATIVES FOR 2019

## IFRS9 ECL Validation Framework

### ▪ Qualitative validation

Transparency of the assumptions, ECL models design, consistency of the model development processes, proper documentation, analytical description of the rating process, responsibilities of key personnel, robustness of the validation and review procedures.

### ▪ Quantitative validation

Statistical analysis of input data quality, the accuracy of ratings, discriminatory power, probability of default and loss given default assignments in terms of the models' ability to rank obligors by risk levels, the stability.

### ▪ Results

Overall performance of IIB's ECL model is in line with the requirements of IFRS9, while there is space for the fine tuning of the corporate internal rating and macro-economic models.

Corporate Rating and Macro-Economic Models Calibration Project was initiated in September 2019.

## Toolkit enhancement initiatives

### ▪ Country limits

New straightforward and transparent concept of country limit set-up is being introduced, based on 15 year Moody's probability of default with adjustments for the volume of paid in capital and credit rating.

### ▪ Industry specific indicators

RM assessing market solutions offered by professional vendors (e.g. Bureau van Dijk). Aim is to deepen the capabilities to analyze counterparties more granularly depending on the particular industry and geographic location.

### ▪ Market Contingency Early Warning System

The main objective of the system is to provide early warning signals in the periods of high volatility on the stock and currency markets, the money markets as well as about the deteriorating market conditions pertaining to specific counterparties of IIB.

## GEMS Annual Meeting held in Moscow 17-19 July

The best risk management practices were the focus of a discussion at a regular annual meeting of the Global Emerging Markets Risk Database Consortium (GEMs), **which this year was organized and conducted under the aegis of International Investment Bank**. A three-day event involving more than 40 high-rank risk officers from major international development banks (17 institutions, e.g EIB, IFC, IBRD, EBRD, AfDB, ADB, FMO, IADB, ...)

Key issues on the agenda included data submission process, knowledge sharing on internal rating models, applications of the Capital Adequacy Framework and Restructuring, and other topics such as the data sharing initiatives, GEMs Web Tool, data access by the third parties that are not part of the Consortium, etc.



# MARKET CONTINGENCY EARLY WARNING SYSTEM

## Method of alerts during periods of strong volatility on the financial markets

Market contingency EWS (MEWS) is composed of three functional parts, each using its own method of determining the signal levels and the order of recognition of their excess:

- **Market indicators.** Major stock exchange indices, corporate spreads, interest rates, exchange rates, and Brent crude oil, tracked in aggregate. The system records the number of breakouts per day, and if the number of breaches 10 or more the report is sent.
- **Credit indicators.** Counterparty shares are tracked individually, excess is considered by the analyst of the RD. After the analysis, if necessary, the report is sent.
- **Sensitivities.** Interest rate and currency risk sensitivities are calculated for swap and bond portfolios, exposure to currency and interest rate risks, amount of margin calls as a result of stressful events.

## Signal levels methodology

Signal levels are used to detect breakouts. The methodology that underlies the calculation of signal levels is based on a Value at Risk (VaR).

## Validation

Validation was performed on historical data for market and credit indicators. The basis of the valuation was the assumption that during periods of financial crisis most market indicators would exceed signal levels.

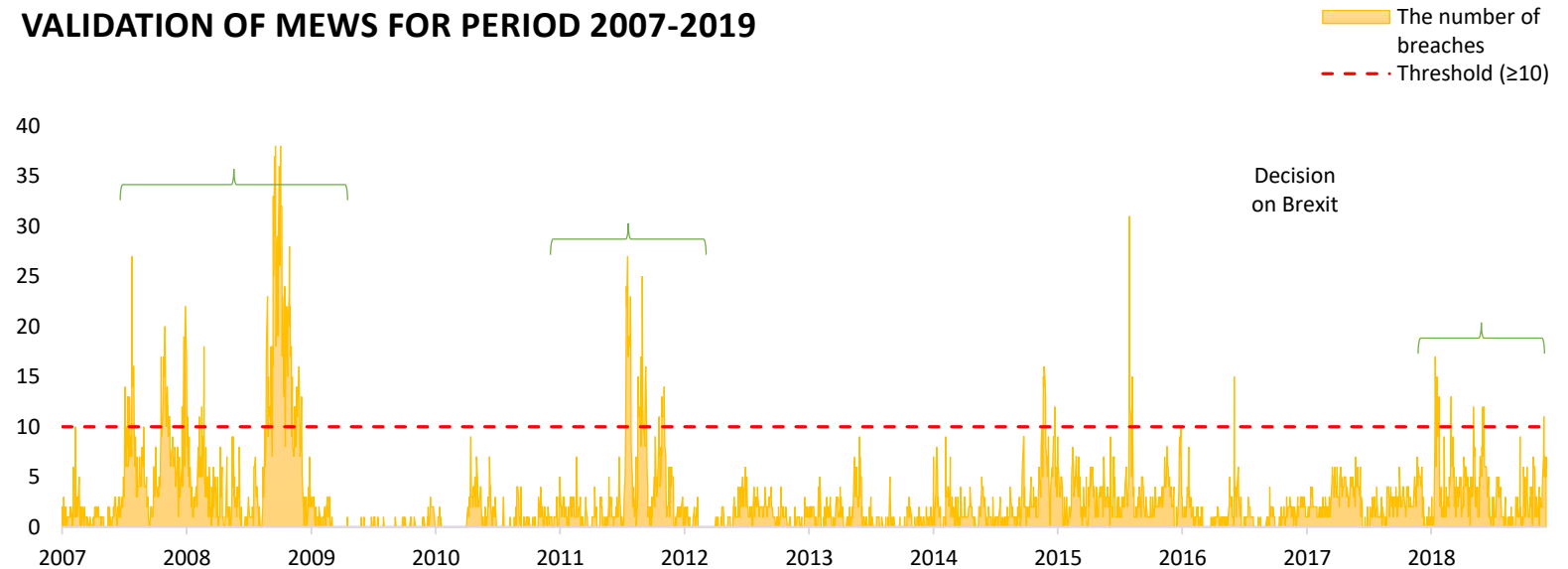
[ Validation for market indicators is presented on a graph below. The system has responded to all significant financial shocks since 2007 ]

## Testing mode via In-house Programmed Application

MEWS implementation in IIB is automated based on the combination of Bloomberg API and the VBA Excel programming environment enabling to monitor 63 indicators on a daily basis.

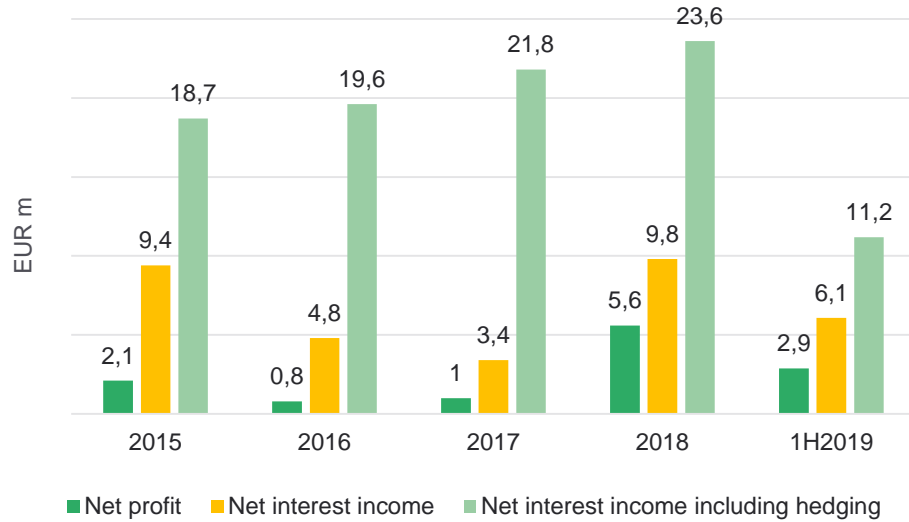
Currently it is operating in test mode. After finishing the calibration of the main indicators and alarm levels, the system will be put into «commercial» operation.

## VALIDATION OF MEWS FOR PERIOD 2007-2019



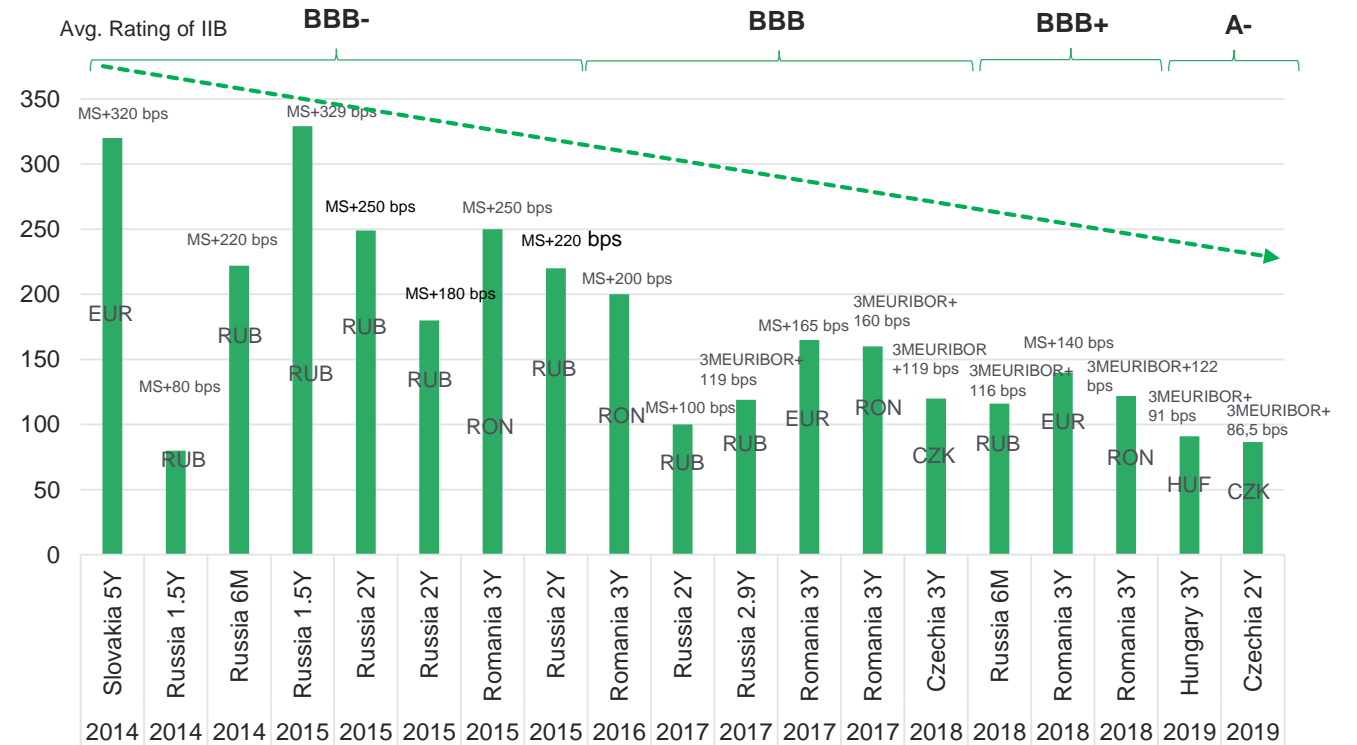
# PROFITABILITY METRICS & COST OF BOND ISSUANCE

## NET PROFIT AND NET INTEREST INCOME



Source: Audited Consolidated IFRS Financial Statements 2015-2018, Interim condensed consolidated financial statements 1H2019

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



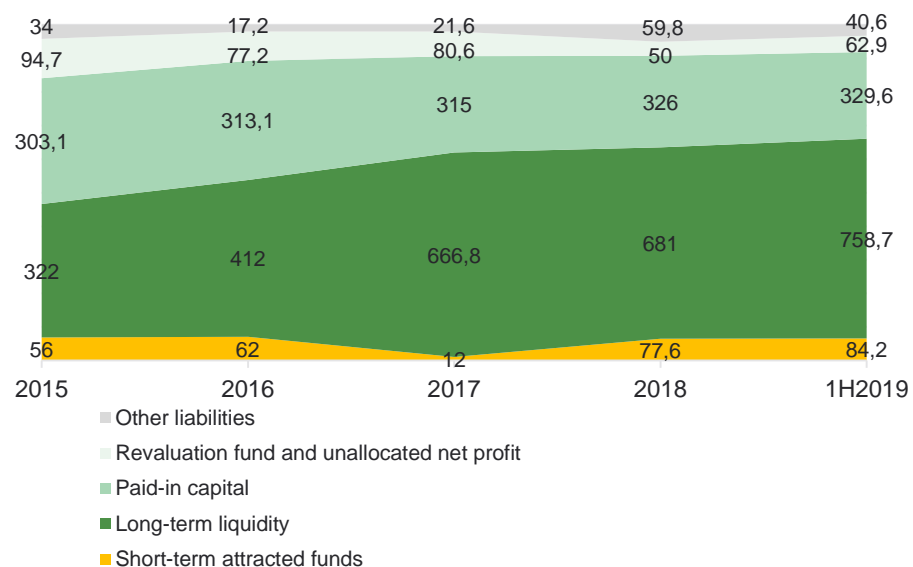
Source: Management reports 2014-2019

- Weighted average interest rate of the Bank's loan portfolio was recorded at 4,7% (incl. CCY IRS, before provisions) as of 30 June 2019.
- IIB earns a steady income from the lease of the building, where the Bank's headquarters are located. The building itself is under the management of IIB Capital, IIB's subsidiary
- Progressive decrease in the cost of funds reflects the improvement of the Bank's credit ratings



# FUNDING STRUCTURE AND OVERALL CAPITALIZATION LEVEL

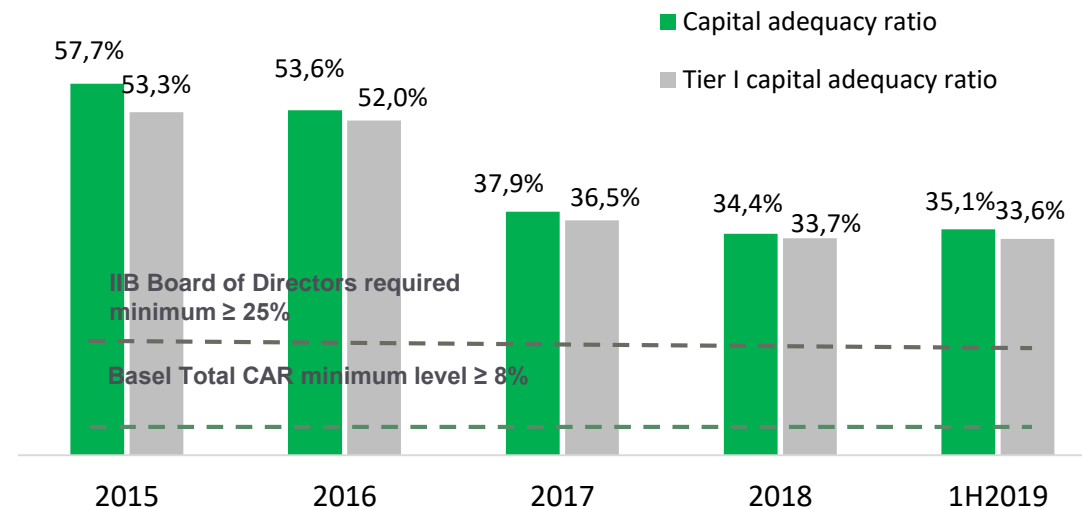
## FUNDING STRUCTURE



Source: Audited Consolidated IFRS Financial Statements 2015-2018, Interim condensed consolidated financial statements 1H2019

- As of 30 June 2019, the authorized capital of the Bank increased to EUR 2 bn - the paid-in capital amounts to EUR 329,6 m, unpaid capital amounts to EUR 1,674 m and is divided between callable capital amounting to EUR 794,9 m and unallocated portion of the Bank's authorized charter capital totalling EUR 875,5 m.
- Equity amounts to EUR 392,6 m as of June 30, 2019, and comprises paid-in capital (EUR 329,6 m), reserves (EUR 16,5 m), retained earnings and net income (EUR 46,5 m)
- As of 11<sup>th</sup> September, after contribution of EUR 10 m by Hungary, Bank's paid-in capital amounts to EUR 339,6 m

## CAPITAL ADEQUACY RATIO

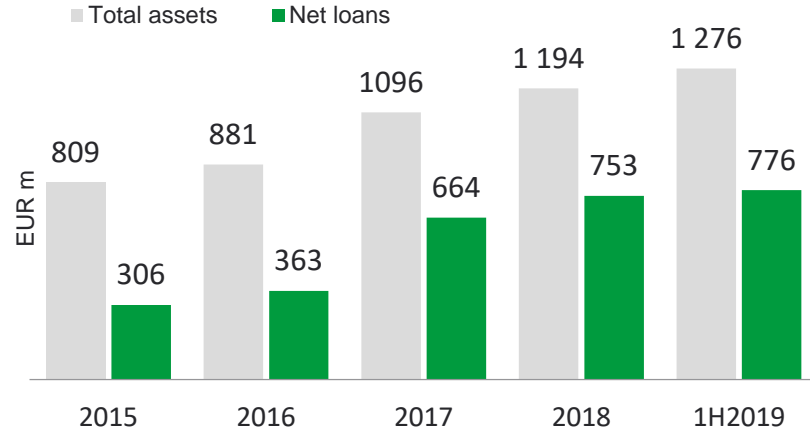


Source: Audited Consolidated IFRS Financial Statements 2015-2018, Interim condensed consolidated financial statements 1H2019

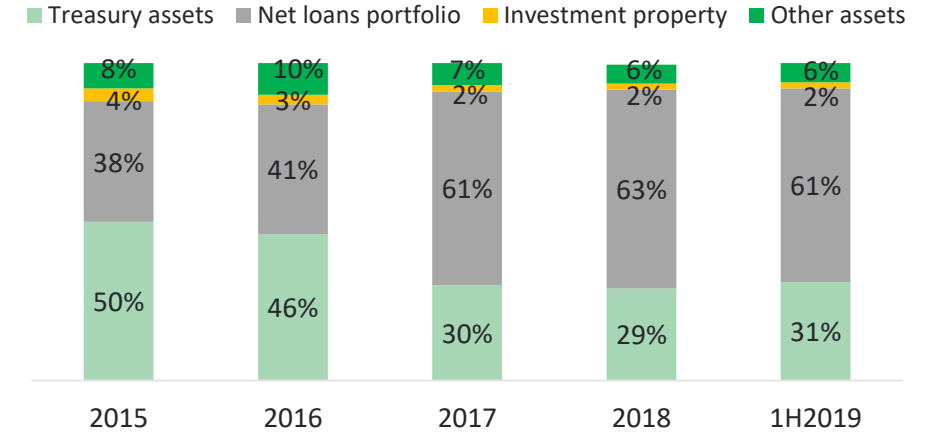
- The new Strategy of the Bank envisages to diversify its capital structure through a mix of debt funding operations in form of Tier II capital
- IIB maintains capital levels well in excess of the minimum requirements recommended by the Basel Committee. As of December 31, 2018, IIB's CAR calculated in line with Basel Capital Accord (Basel II) were:
  - Total CAR: 35,08% and
  - Tier I CAR: 33,60%
- IIB's internal risk policies stipulate maintaining of a conservative total capital adequacy ratio of **not less than 25%**

# ASSETS BREAKDOWN

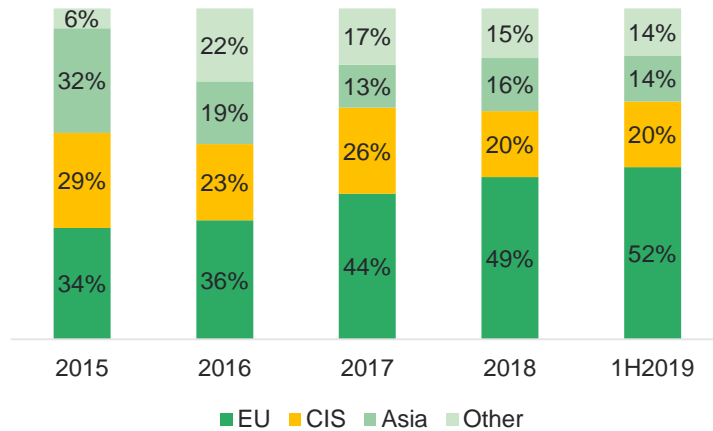
## TOTAL ASSETS AND NET LOANS



## ASSETS BREAKDOWN



## LOAN PORTFOLIO REGIONAL DIVERSIFICATION



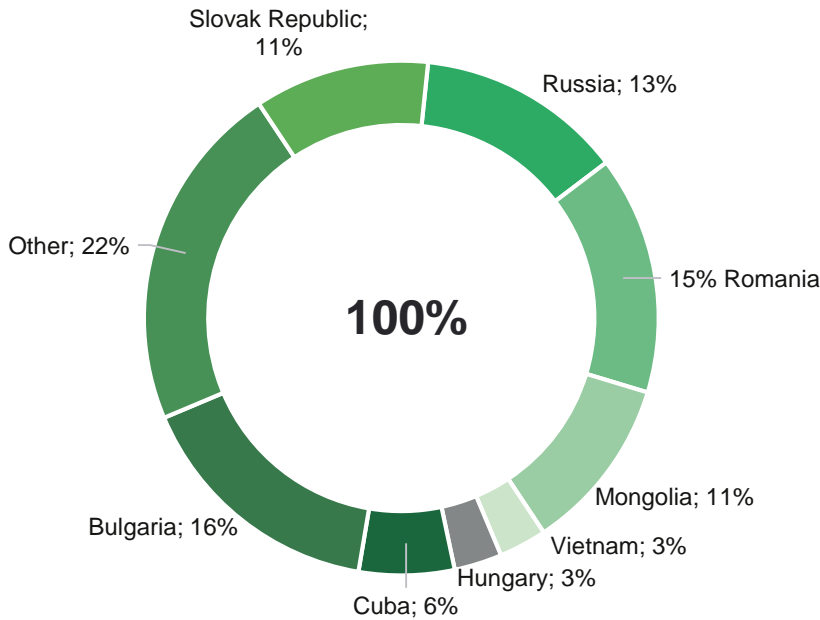
IIB has supported the **European Investment Fund (EIF)** in the launch of a regional fund-of-funds initiative focused on boosting equity investments in **Austria, Czech Republic, Hungary, Slovak Republic and Slovenia**. Current size of the Fund is **EUR 97 m**. The Fund of Funds is expected to mobilize 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**.



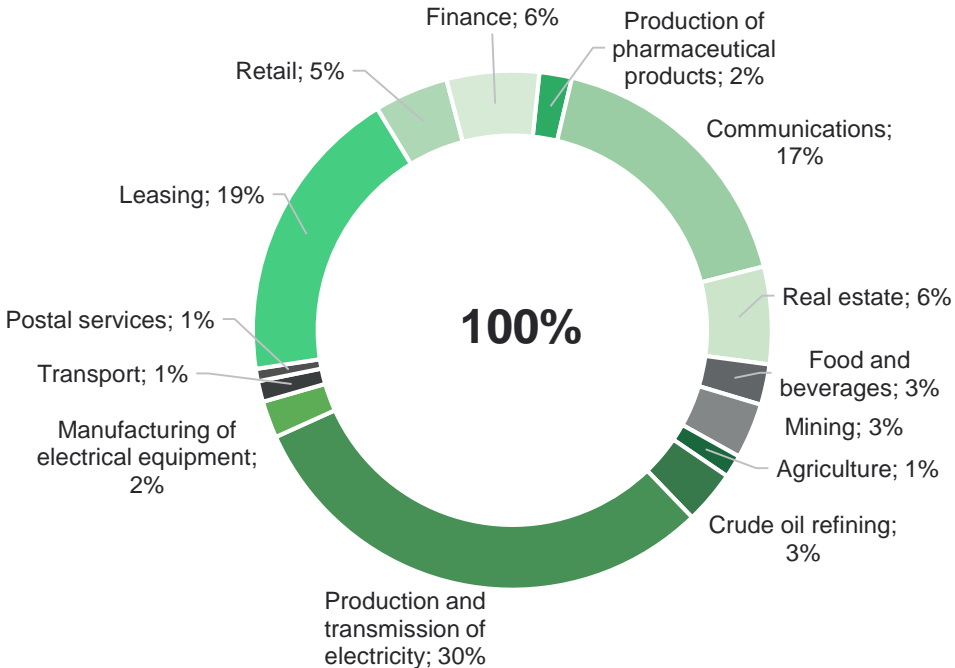
Source: Audited Consolidated IFRS Financial Statements 2015-2018, Interim condensed consolidated financial statements 1H2019

# LOAN PORTFOLIO STRUCTURE

NET LOAN PORTFOLIO SPLIT BY COUNTRIES



CUSTOMER LOAN PORTFOLIO SPLIT BY INDUSTRIES



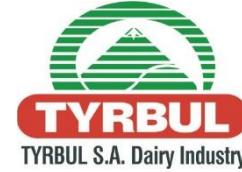
Source: Interim condensed consolidated financial statements 1H2019



# 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
- ✓ MEP Retail Investments SRL (Romania) - RON 137 m 7Y participation in syndicated facility. Partner: Citibank N.A., London Branch, Citibank Europe plc, Dublin, Romania Branch, ING Bank N.V., London Branch, Raiffeisen Bank International AG и UniCredit SpA
- ✓ Slovenské elektrárne, a.s. (Slovak Republic) - EUR 90 m 7Y financing
- ✓ Vivacom (Bulgaria) - EUR 50 m 5Y participation in syndicated facility. Partner: Citibank
- ✓ Urgent Cargus (Romania) - RON 32,6 m 7Y participation in the syndicated facility. Partner: Erste Group Bank AG, UniCredit Bank
- ✓ 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
- ✓ Avicola (Romania) - EUR 17 m 7Y financing for the purpose of modernization
- ✓ 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
- ✓ SH Bank (Vietnam) - USD 20 m 5Y financing



SLOVENSKE  
ELEKTRARNE

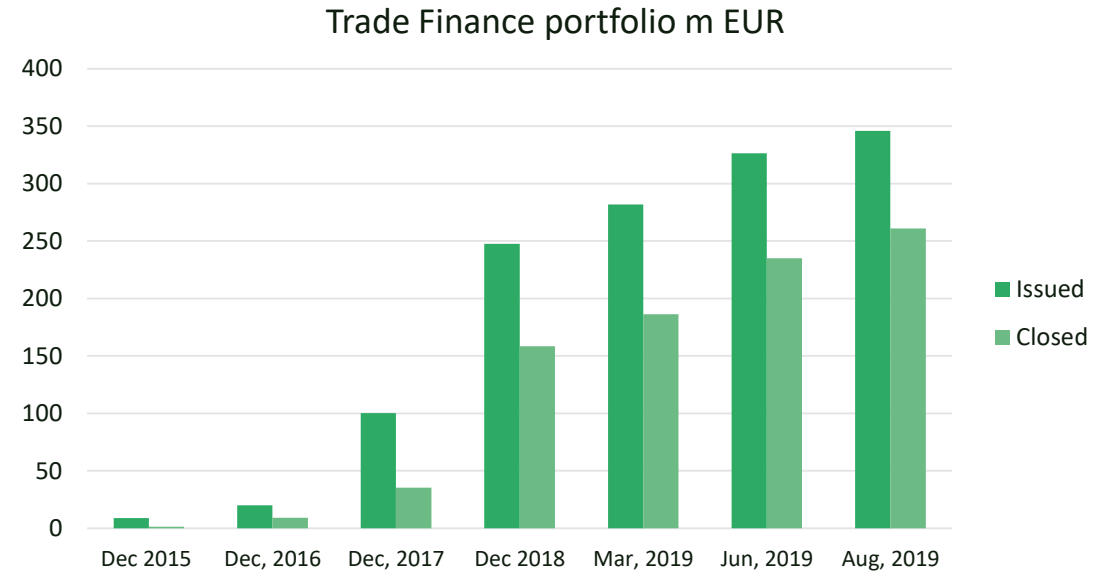
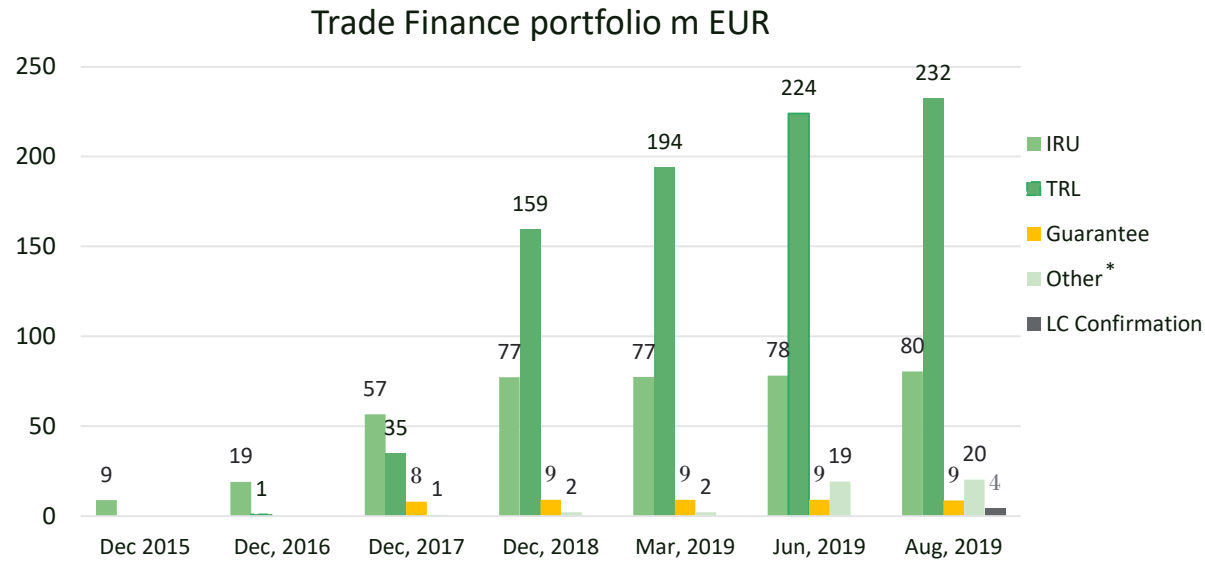


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# IIB TRADE FINANCE PORTFOLIO

- SINCE APPROVED BY COUNCIL IN 2014 TF HAS BECOME SIGNIFICANT PART OF THE ACTIVITY
- PARTICIPATED 168 DEALS FOR EUR 346M SINCE TF INTRODUCTION



\* Other – SBLC & LCs/guarantees advising



**COMMERZBANK**

**ČESKÁ SPORITELNA** **CSOB**

Czech & Slovak Republic  
Export of equipment and food products to Belarus

**GOLOMT BANK**

Mongolia  
Export of equipment to Mongolia from Czech Republic & Japan & Oman

**CSOB**

**KBC**

France & Singapore  
Export of Cuban cane raw sugar to Belarus

**K&H** **faktif bank**

Hungary, Turkey, Australia  
Export to Russia

**НБД Банк**

**INTERNATIONAL INVESTMENT BANK**

Export from Czech Republic & Russia to Armenia  
EUR4,4m

**ABB**

**UniCredit Bulbank**

Export from Bulgaria & Czech to Armenia  
EUR4,95m

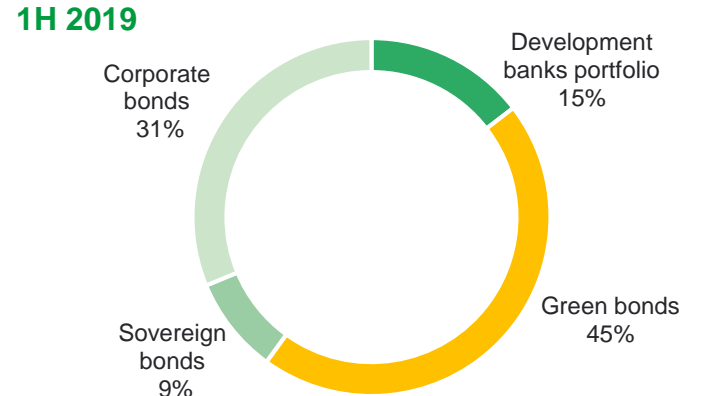
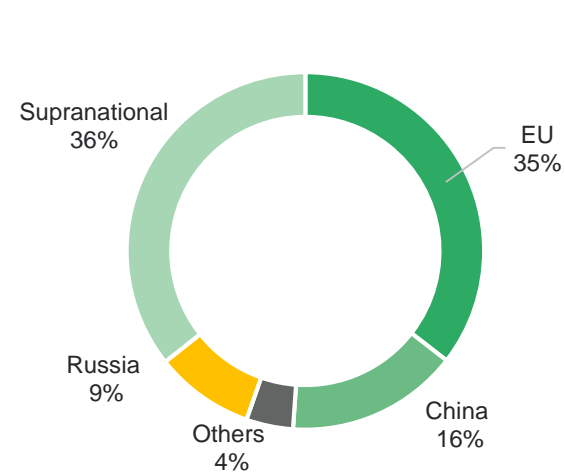
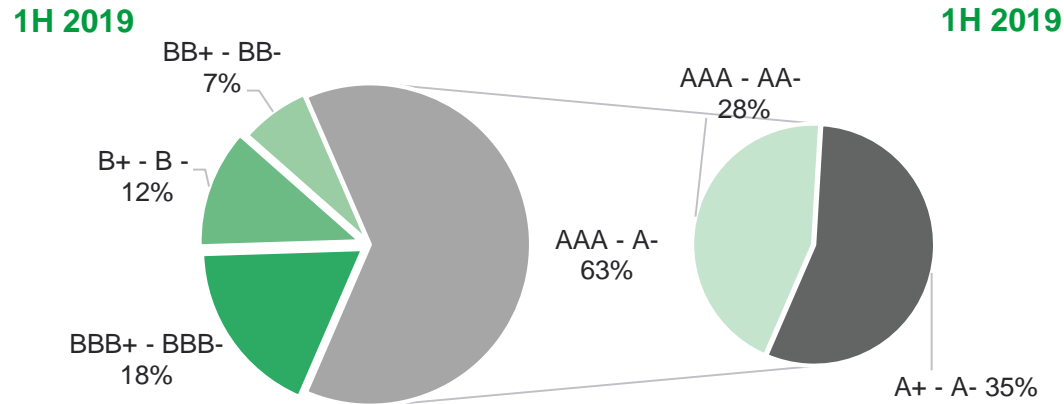
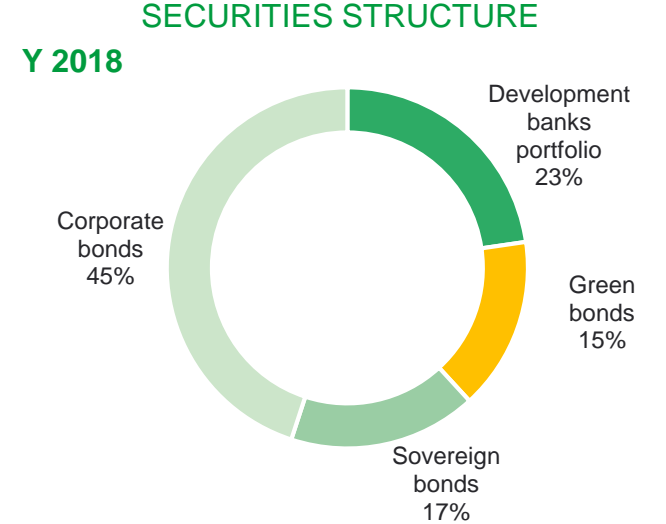
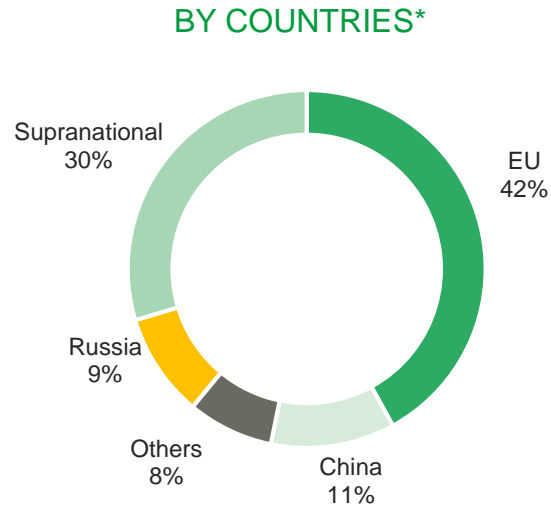
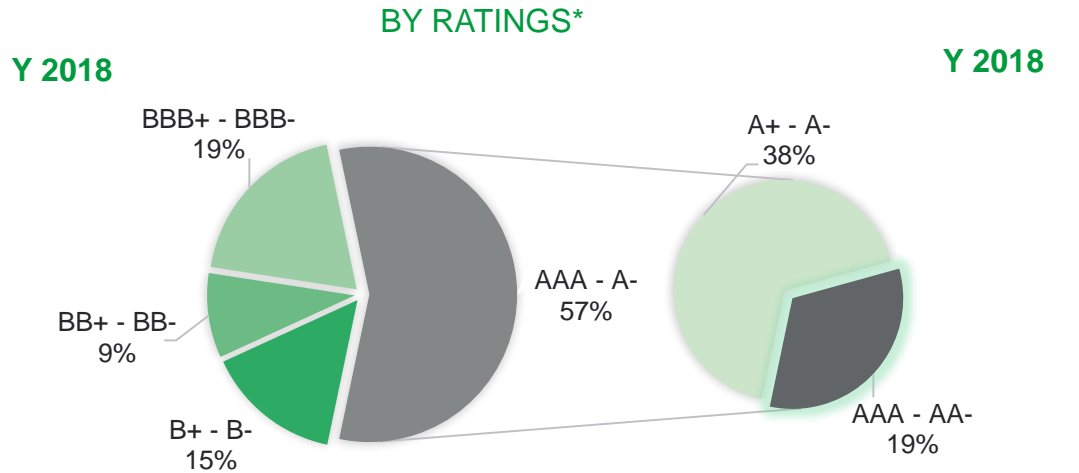
**Ardshinbank**

**TDB**  
TRADE & DEVELOPMENT BANK

Export from Mongolia to China  
USD20,0m

**ING**

# TREASURY ASSETS DIVERSIFICATION



\*Treasury assets incl. securities portfolio, cash and cash equivalents, deposits  
 Source: Audited Consolidated IFRS Financial Statement 2018, Interim condensed consolidated financial statement 1H2019

Source: Management Reports 2018, 2019

# OVERVIEW OF DEBT FUNDING



# BILATERAL LOANS AND OTHER BORROWINGS



INTERNATIONAL INVESTMENT BANK

**SYNDICATION LOAN**  
EUR 60 m  
25 May 2016, Maturity 2Y  
English Law



INTERNATIONAL INVESTMENT BANK

**2 Schuldschein deals**  
Total EUR 23 m  
April & December 2017

Maturities 3Y – 10Y  
German Law

**NORD/LB**



INTERNATIONAL INVESTMENT BANK

**HUF 4 bn (EUR 13 m)**  
1 August 2017

Maturity 3Y  
Hungarian Law



INTERNATIONAL INVESTMENT BANK

**Up to USD 50 m**  
August 2017

Maturity 12Y  
Public International Law



## FURTHER FUNDING PLANS:

- The Bank is planning to set up an MTN program in order to increase the flexibility in executing its funding plans, extending further its issuance in local currencies of its Member States while building up gradually its euro-denominated yield curve.
- IIB is also using other long-term funding instruments such as bilateral loans, syndicated loans and loans from other International Financial Institutions.
- IIB is also 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. 113 financial Institutions amounts to above EUR 2,6 bn.



# 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)



## 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



# IIB'S ENVIRONMENTAL AND SOCIAL FRAMEWORK

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- Since 2012 the IIB's has developed a comprehensive corporate Environmental and Social Framework (ESF) based on IFI best practices, which enables the Bank and its potential borrowers to better manage environmental and social risks of projects and to improve development outcomes.
- Currently the Bank's ESF consists of the following main documents:
  - **Corporate Social Responsibility Policy** (endorsed in 2014)
  - **Environmental and Social (E&S) Impact Assessment Guidelines** (endorsed in 2015).
- The Bank has developed the **E&S Exclusion List**, which defines the types of projects that IIB does not finance, including production or trade in any product or activity deemed illegal and causing significant harm to environment and human well-being; weapons and munitions; tobacco goods and strong alcoholic beverages, etc.
- The Bank conducts **E&S impact assessment (ESIA)** of all new direct investments that are being considered for IIB support. Each potential project is categorized by the Bank either as **A, B, C** or **FI**. «**A**» and «**B**» category projects undergo a full-scale assessment by default. Where there are significant environmental or social risks, IIB normally relies on the results of the ESIA prepared by **external independent experts** and works with its potential borrowers to determine possible **remediation measures** and **E&S monitoring activities**.
- The Bank collaborates with an extensive network of peer IFIs and international organizations **to promote a dialogue on ESIA methodology and sustainable development**, including the UN Global Compact, MFI Working Group on Environmental and Social Standards, WWF, Wetlands International, etc.

# IIB'S GRANT POLICY

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.	Project Supported	Country	Recipient Organization	Month and Year	Amount (EUR)
1.	<b>Preservation of endangered animal and bird species in Mongolia:</b> The Project is aimed at the supporting the threatened populations of the Przewalski's horse and the Altai snowcock in Mongolia.	Mongolia	Ministry of Environment	June 2015	c. 28,000
2.	<b>Wild Asian Elephants Programme:</b> The Project aims to increase the capacity of relevant Vietnam's authorities to manage human - elephant conflicts, and to increase Vietnamese public and corporate engagement for Asian elephant conservation.	Vietnam	WWF Vietnam	December 2015	45,000
3.	<b>The Hungarian Water Risk Filter:</b> The project is aimed at collection of data on the Hungarian river basins for the Water Risk Filter, a WWF-sponsored practical global online tool that helps to assess and map water risks and to elaborate practical measures to mitigate them.	Hungary	WWF Hungary	June 2016	30,000
4.	<b>Restoring Peatlands in Russia – for fire prevention and climate change mitigation:</b> The project carries out measures to return the degraded peatlands in Russia to their original waterlogged state with sustainable use of these areas in a manner involving peatland cultivation and biodiversity conservation. The Project is supported jointly with the KfW.	Russia	Wetlands International	December 2016	70,000
5.	<b>Environmental education and awareness raising in protected areas:</b> The project aims to raise awareness of local population towards natural values and the environment at the Romanian territory of protected by the EU Natura 2000 sites. The programme facilitates 200 hours of environmental education activities in the elementary schools in Transylvania region. The project also provides an establishment and a training of volunteer ranger network in 7 villages, as well as publishing and distribution of educational toolkits in local schools and organization of the Forest School for 25-30 selected local children.	Romania	Milvus Group Association	June 2017	30,000
6.	<b>Restoration of natural river ecosystems in Northern Slovakia:</b> The project is focused on sustainable management of the Northern Slovakia river basins, preserve key natural river systems, protect and restore critical river habitats and initiate rehabilitation of endangered species populations, especially the Danube salmon.	Slovakia	WWF International Danube-Carpathian Programme	December 2017	30,000
7.	<b>Restoration of wetlands of the upper creek of the Tuula Gol river in central Mongolia:</b> The aim of the project is to study the current state of wetlands in the area, biosystems and ecosystems, identify main causes for degradation of wetlands and to assess the risks of deepening processes, which negatively influence the ecosystem. Afterwards a scientifically based plan is to be developed for restoration of wetlands in order to prevent fires, reduce greenhouse gas emissions, preserve water resources and biological diversity, as well as create conditions for the rational use of these territories.	Mongolia	Mongolian Academy of Sciences	November 2018	c. 34,000

# TERM SHEET IIB 2022/II

<b>Issuer</b>	INTERNATIONAL INVESTMENT BANK
<b>Rating of the Issuer (S&amp;P/Moody's/Fitch)</b>	A- stable / A3 stable / BBB+ positive
<b>Status</b>	Senior unsecured, pari passu
<b>Currency</b>	HUF
<b>Denomination</b>	10.000
<b>ISIN</b>	HU0000359245
<b>Issue date</b>	18 October 2019
<b>Maturity</b>	18 October 2022
<b>Tenor</b>	3 years
<b>Coupon type</b>	Fixed
<b>Coupon rate</b>	1.25%
<b>Targeted issue amount</b>	15 billion HUF (+/- 50%)
<b>Benchmark</b>	Hungarian Government Bond curve <sup>1</sup>
<b>MNB repo eligibility</b>	confirmed
<b>Listing</b>	Budapest Stock Exchange
<b>Settlement</b>	KELER
<b>Joint Lead Managers</b>	OTP, UniCredit
<b>Paying agent</b>	UniCredit
<b>Governing law</b>	Hungarian



Notes: (1) Benchmark rate would be calculated using HGB 1.75% 10/26/22

# CONTACT INFORMATION

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