

INTERNATIONAL
INVESTMENT
BANK

SUPPORTING SMEs

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International Investment Bank is an international financial organization Established in 1970

The Intergovernmental Agreement stating the foundation of the International Investment Bank and its Statutes are registered with the UN Secretariat

Diversified loan portfolio with funding of around 200 investment projects and volume of loans exceeding Euro 7 billion till date

Supporting the development of the SME sector in the IIB members states is a major part of IIB mission.

IIB is Aimed at SME in Its member states

- Diversity of member states from EU members to perspective Asian markets.
- Constant support from the authorities of our member states.

Our mission

is to contribute to the social and economic development, to the growth of the population wellbeing and to the support of the economic cooperation of the member states. Support of small and medium-sized enterprises in member states, as well as financing of sustainable investment projects.

Our objective

is to be recognized globally, by its shareholders in particular, as one of the prominent development finance institutions, providing efficiently-focused and tailor-made development assistance and solutions. Consequently, IIB aims to become a preferred partner in its member states for clients and multilateral or national development institutions.

Our advantages

outcome from effective and result oriented organizational model and the status of an international financial organization for development with constant support from the authorities of our member states.



Member states as of 31 December 2014: Russia, Czech Rep., Bulgaria, Slovak Rep., Romania, Cuba, Mongolia, Vietnam; In November 2014 Hungary rejoined IIB, currently the country is in the process of making its contribution to IIB capital.

We Have Customized SME Approach for each member state

- Individual approach for each member state.
- Target financing priorities are identified in IIB SME development program.

Individual approach:

- Due to the fact SME sector identification is not unified in our member states we apply diverse approach for each member state based on applicable legislation, internal policies and existing strategy.
- Following variables are taken into calculation: nr of personnel, revenue, total assets of SME entity.

Financing priorities

IIB identified a list of areas as its priority in financing:

- **Innovations** (including high tech start-ups):
 - commercialization of new technologies, based on SMEs intellectual property;
 - acquisition of new equipment (under 5 year old).
- **Modernization:**
 - premises and equipment;
 - real estate to expand production.
- **Efficient use of resources and energy efficiency:**
 - equipment to provide efficient use of resources and to calculate resources used.
- **Social responsibility:**
 - projects to stimulate mutual exchange between member states in terms of technology transfer, know-how and professionals;
 - projects to provide employment and whole new jobs generation in our member states.

Focus on Cooperation with Leading Financial Institutions

- IIB is moving from direct financing of investment projects to syndicated lending and to extending loans to the economic entities through national and regional financial institutions, which share IIB's strategic goals.

Key focus of IIB activity:

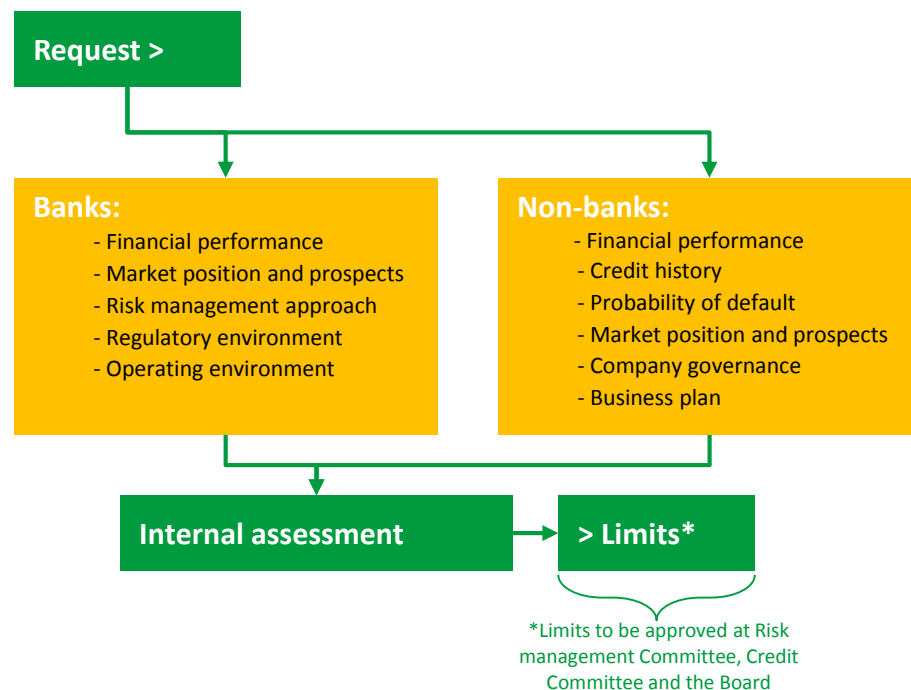
- SME-Financial Intermediaries. IIB has chosen to support the SME sector in its member states through leading national and multilateral financial institutions as one of its priorities.
- Developing cooperation between member countries (in cooperation with ECAs, leading national and international financial institutions).
- National investment projects. Focus on joint financing, syndicated lending together with leading national and international financial institutions.

Risk appetite:

- IIB risk management approach is based on Risk appetite - the cumulative amount of risk IIB is willing to accept in reaching its goals and objectives.
- Risk appetite is a basis for the strategic limits of the Bank defining threshold values for key indicators and significant risks.
- The values of Risk appetite components are identified by the Council with respect to strategic targets of the Bank.

Counterparties assessment:

- IIB implemented a new principle of risk management according to which an either internal credit rating or probability of default is assigned to each counterparty based on qualitative and quantitative analyses. Such indicators provide a proper image on the financial stability of the counterparty.



Financing is Provided in a Variety of Forms

- The Bank provides targeted credit lines to national development banks, leading international and national financial institutions of IIB member states
- The Bank provides financing including syndicated lending with leading national and international institutions for the investment projects on the territory of its member states

SME

Credit lines for SMEs through selected financial institutions

- loan maturity from 1 to 7 years
- loan volume up to EUR 40 million

Syndicated loan facilities for SMEs with cooperation with selected partners

- loan maturity from 1 to 7 years
- loan volume up to EUR 40 million

Equity investments in SMEs via Investment funds

- through selected investment funds
- investment volume up to EUR 10 million

CORPORATE / OTHER

Syndicated loans for financial institutions in the member states

- loan maturity from 1 to 15 years
- loan volume up to EUR 50 million

Syndicated loans for investment projects

- loan maturity from 3 to 15 years
- loan volume up to EUR 50 million

Equity investments

- clear exit strategy from 3 to 7 years
- loan volume up to EUR 20 million

Investments in funds in line with IIB strategy

Profit-maximizing is not a Target

- As a multilateral development bank IIB is not a profit-maximizing institution: loan pricing reflects the fundamental principles of market pricing (with an appropriate risk premium) and recovery of operating and capital costs associated with transactions.
- Bank's pricing reflects its mission to support the development of shareholders' economies. At the same time commercial viability of the projects is a key prerequisite to IIB financing.

Both base rate and margin form the loan interest rate

- Base rate component is identified as value of WACC (weighted average cost of capital).
- In the margin, following factors are taken into account:
 - Administrative expenses;
 - Risk premium (including country risk and project risk components);
 - Return on capital;
 - Adjustment factor to market rate in the corresponding member state.
- As profitability prove measure "zero-profitability" interest rate is calculated to act as a baseline during a credit origination process.

Fees and commissions

are separate components from the interest rate and include front-end commissions, commitment charges and other fees. These commissions and charges may fluctuate within a range and vary on a case-by-case basis.

Transparency in Transaction Approval Provides Flexibility

- Clear transaction approval process provides flexibility in complex deals and structures approval

Transaction contents

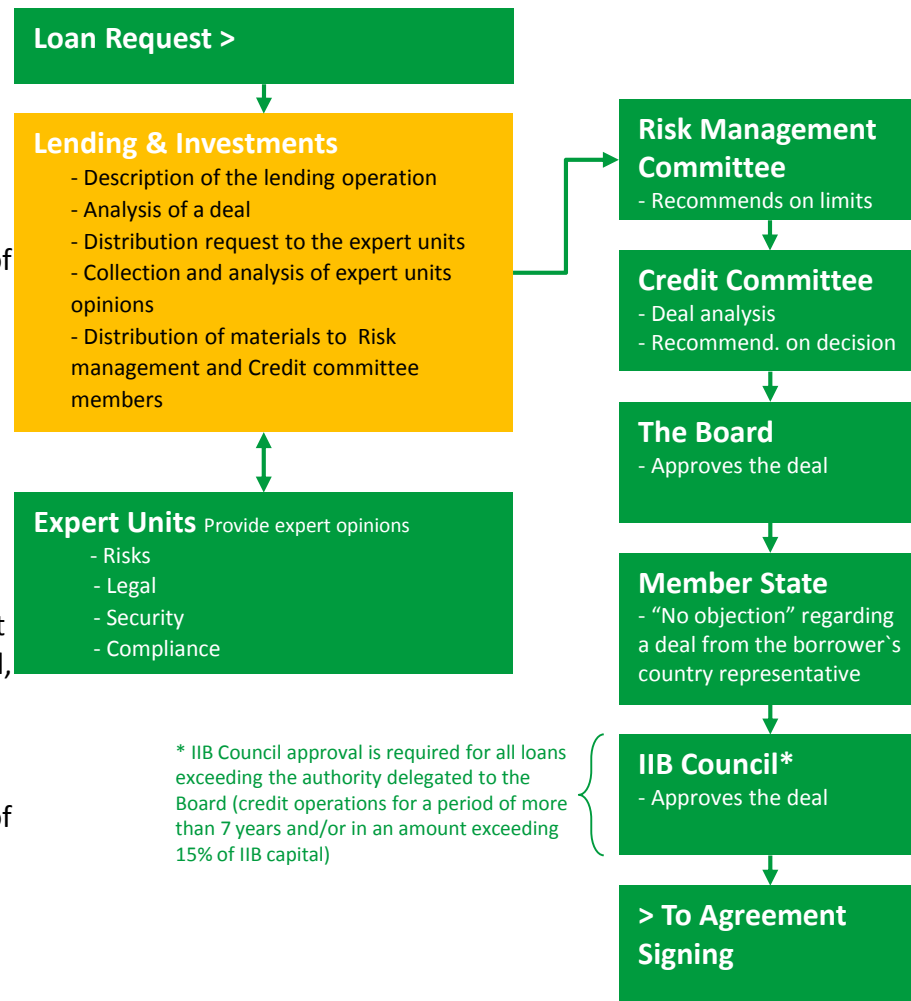
> Banks

- Transaction description and terms of IIB participation (purpose, amount, maturity, financial terms, collateral, condition precedent, target for use of funds, etc.)
- Financial analysis
- Transaction participants and borrower details (originators, beneficiaries, credit rating of the borrower, main business lines of the borrower, experience in lending to SMEs and investment project lending, competitive potential, market position)

> Other entities

- Transaction description and terms of IIB participation (purpose, amount, maturity, financial terms, project location, collateral, conditions precedent, etc.)
- Project description (business plan analysis, purpose, total project costs and financing sources, target market, competitive potential, financial statements of the borrower)
- Financial analysis
- Transaction participants and borrower details (originators, beneficiaries, credit rating of the borrower, main business lines of the borrower, competitive potential)

Transaction approval



Assessment and Monitoring Results in Performing Portfolio

- A lot of attention is paid to assessment of counterparties at every stage of the deal in terms of risk factors and proper utilization of funds.

Counterparty monitoring

- On daily basis:
 - News following
 - Limit usage control
- On monthly basis:
 - Check international ratings
 - Monitoring report of loans including assessment of: financial statement, payment discipline, business plan implementation
 - Provision calculation
- On quarterly basis:
 - Collateral evaluation report
 - Analysis of the counterparties financial statement
- On 6 months basis:
 - Review of counterparty limits

Loan monitoring

- Loan monitoring activities are performed on a regular basis allowing to identify from early stages all objective evidences regarding the impairment of assets, based on the analysis of risk factors by the relevant units of the Bank, first of all, Risk Management unit.
- Outcome of monitoring activities results in issuing Monitoring Reports for each lending operation at least once per quarter. Each Monitoring Report includes justifications of the necessity to establish corresponding loan loss provisions.
- Following risk factors are being examined within the monitoring framework: payment discipline, business plan implementation (in case of loans extended to investment projects), financial status of the borrower and other risk factors.
- Risk factor analysis allows to range the loan in a certain class/group of risk.
- Monitoring of proper use of funds disbursed to Financial institutions and other legal entities is emphasized as it is of crucial importance to IIB Mission statements

Targeted SME Financing is Crucial to Our Mission



- As far as IIB supports SME sector through specialized Financial Intermediaries - strict selection and post-control procedures are maintained

FI Selection Criteria

- Leading positions of financial institution on national market of a member country on intra-regional and/or national scale
- Experience in SME lending and clear SME financing policy / strategy
- Credit rating of financial institution
- Competitive potential
- Business reputation
- Adequate financial condition

Targeted Financing

- Under SME support program funds are utilized by IIB to its financial intermediaries subject to SME project financing only. The Bank continuously supervises proper utilization - following details of each transaction (executed by IIB financial intermediary) are verified:
 - Name of a Borrower
 - Location (country, federal district)
 - Business activity
 - Structure of shareholders / participants
 - Type (Micro, SME or Mid-Cap)
 - Annual sales
 - Number of staff as of Agreement signing date
 - Project Description
 - Cost of a project
 - Loan type (credit, credit line, leasing)
 - Loan amount (for each tranche)
 - Disbursement date (for each tranche)
 - Loan tenor

The Bank Supports SMEs Through Financial Intermediaries

- Over the years, International Investment Bank 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, major projects aimed at SME development from 2012 to the present day are listed below:

CAPITAL BANK

EUR 6 million; 5Y financing for SME support



XAC BANK

USD 8 million; 3Y take in USD 46 million syndicated facility for SME support.
Partner: EBRD



TDBM

USD 10 million; 5Y take in USD 82 million syndicated facility for SME support.
Partner: FMO



KHAN BANK

USD 10 million; 5Y take in USD 51 million syndicated facility for SME support.
Partner: IFC



SPURT BANK

EUR 15 million; 5Y financing for SME support



EUROLEASE AUTO

USD 7 million; 5Y take in USD 15 million syndicated facility for SME support.
Partner: VTBA



BT LEASING

BT LEASING

EUR 10 million; 5Y financing for SME support



SME BANK

EUR 10 million; 3Y financing for SME support



VIETINBANK

EUR 15 million; 3Y financing for SME support



BANK CENTER-INVEST

EUR 15 million; 3Y financing for SME support



ASIAN-PACIFIC BANK

EUR 20 million; 5Y financing for SME support

THANK YOU FOR ATTENTION!

INTERNATIONAL
INVESTMENT
BANK

7, Mashy Poryvaevoy Street
107078 Moscow, Russia
Tel: +7 495 604 7070
Fax: +7 499 975 2070
e-mail: info@iibbank.com
www.iibbank.com
www.iibbank.org