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IIB publishes audited 2019 financial results: relocation in Europe contributes to growth of net profit, assets and loan portfolio

February 13, 2020

On February 13, 2020, International Investment Bank (IIB) published audited IFRS financial statements for the past year.

The Bank's relocation to Europe gave a strong impetus to its comprehensive development. Despite large-scale events related to the relocation of IIB Headquarters to Budapest, in 2019 the Bank not only did not slow down the pace of its development, but also showed positive results in achieving the targets of its current Strategy.

Statements demonstrate positive dynamics in all key performance indicators, including growth of assets and loan portfolio, improvement in quality of treasury portfolio, volume growth and diversification of capital markets funding by type, maturity, geography and currency.

Published financial statements fully comply with the IFRS-9 reporting standards.

Financial result.

As at the end of 2019 net profit figure of IIB reached a stable high volume of 5,685 mln euro. Stable level of profit is a result of earned net interest and fee income, improvement of loan portfolio quality and strong cost control.

Assets.

Volume of assets reached 1,359 bn euro at the end of 2019, having increased by 14% compared to 2018. Such growth is primarily related to a dynamic increase in volume of lending and investment activities of the Bank with a focus on development projects with increasing significance and impact on the economic sustainability of IIB member states. The Bank has placed the SDG and "green development" factors on top of its investment agenda in line with the efforts of all major multilateral development institutions to channel corporate investments into development projects.

Paid-in capital.

As at the end of reporting period paid-in capital amounted to 339,6 mln euro having increased by 4% due to contributions from Romania and Hungary. On January 15, 2020, the Hungarian Government made an additional payment of 10 mln euro to the Bank's capital. As a result, the paid-in capital of International Investment Bank reached 349,6 mln euro, while the share of Hungary increased to 17,162%. The support of IIB member states will lead to further strengthening of the institution's financial stability and to a substantial increase in the

investment portfolio in the interest of all member states.

Lending activity.

IIB significantly increased the volume of loans granted and guarantees issued within the reporting period, actively operating in all of its nine member states. The net loan portfolio grew by more than 17% and reached 884,2 mln euro. Share of European shareholder countries in the portfolio peaked to over 53%.

It is important to note that the Bank strives to support projects with an integration component covering interests of two and more member states. More than 32% belongs to such initiatives in the loan portfolio as at the end of 2019. IIB plans to keep increasing this indicator.

The relocation of IIB to Europe, the Bank's full-scale integration into the international financial community, the increasing brand awareness, and the active development of partnership network contributed to an increase in the number of "partner projects" in the IIB portfolio, implemented in cooperation with multilateral and national development institutions, as well as with commercial banks. In 2019, the share of such projects reached 42%.

In 2019, the Bank continued its active work aimed at further improvement of risk management and compliance systems. Even in conditions of a significant increase in loan portfolio this brought a decrease in the non-performing loans figure to a record low level of 1,6%.

Within the framework of Trade Finance Facilitation Programme (TFFP) IIB continued to build up quantity and volumes of these operations in the interest of all member states helping to intensify trade turnover between them. In 2019, 48 trade finance deals were executed for the total amount of 126 mln euro. Accumulated figures for 2014-2019 equal more than 200 deals in the total volume of over 400 mln euro.

Treasury assets.

One of IIB priorities is to maintain a sufficient amount of highly liquid treasury assets with a systematic increase in their quality. Within the reported period a share of instruments with an "AAA-A" rating in the IIB treasury portfolio reached a record level of 70% compared to 57% at the end of 2018, while the share of "green" instruments increased almost 4 times - from 15 to 57% .

Liabilities.

Total volume of long-term financing of the Bank as at the end of 2019 amounted to 850,2 mln euro with 793,5 mln euro of bond issues and 56,7 mln euro from other sources. The acquisition of a European address brought the Bank closer to major funding sources, and let significantly increase volumes of funding and level of diversification in geography, instruments, currencies and tenor. In 2019, IIB successfully executed four bond placements - two in Hungary, one in Romania and one in the Czech Republic in the total amount exceeding 280 mln euro, which is about 30% of the total volume of Bank's long-term funding raised since 2014.

All issues were placed at record low rates. Relocation to Europe also allowed the Bank to seriously expand its investor base. Among its investors IIB currently counts more than 170 entities and institutions - banks, mutual and pension funds, insurance companies from 13

jurisdictions: Austria, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Moldova, the Netherlands, Romania, Russia, Slovakia, Switzerland, and the UK, among them.

Key rating events.

2019 was very successful in the history of the Bank in terms of its ratings - in the reported year the leading rating agencies carried three positive rating actions on IIB.

On March 7, 2019, the international agency **S&P Global** upgraded the IIB's long-term rating to "A-" with a stable outlook. Thus, IIB entered the elite club of financial institutions with an average "A" long-term credit rating.

On September 11, 2019, **Fitch Ratings** improved the outlook for the IIB long-term rating of BBB + from "stable" to "positive".

On November 18, 2019, the Russian **Analytical Credit Rating Agency** (ACRA) announced that International Investment Bank was assigned the highest national scale rating for the Russian Federation - AAA (RU), with a stable outlook.

Among the key factors that contributed to these decisions, agencies highlighted the completion of a corporate governance reform, the growth of the share of EU member states in the paid-in capital, the successful start of the "Growth strategy 2018-2022", high level of support from the shareholder states that approved the large-scale capitalization program of IIB, the decision to relocate the IIB headquarters to Hungary, and low level of NPLs.

"In the year of its 50th anniversary, which the Bank will celebrate in 2020, IIB will continue its dynamic development as an effective modern international financial development institution," said **Nikolay Kosov, Chairperson of the IIB Management Board**. - The published financial statements are another vivid example of the success of chosen IIB strategy implemented with full support of our member states. The positive impact of IIB's headquarters relocation to Europe has once again been demonstrated».