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"International Investment Bank seamlessly integrated into European environment" - IIB Chairperson Nikolay Kosov shared the highlights of the Bank's operations in 2020 with the Hungarian news agency MTI

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The current year, which is a jubilee year for International Investment Bank, brought a lot of challenges and surprises for international financial system. Despite that, IIB celebrated its 50th birthday by continuing its operations in an efficient manner implementing provisions of its current strategy, reaching targets set out by shareholders, while fulfilling its mission and mandate.

In turbulent market conditions, we put best efforts to turn existing challenges into additional development opportunities. We finish this year with sound financial results having maintained a solid pace of business activity. The Bank built on successes of the previous year, where a relocation of Headquarters to Europe and a smooth integration into the European financial environment were the highlights.

Today I can confidently state that based on high level of credit ratings, growing brand recognition and investors trust IIB has proven its ability to attract market long-term funding in various currencies at record low rates even amidst global turmoil. That, in its turn, gives us ground for setting new investment goals.

A transformation of IIB loan and documentary portfolio is already visible at this stage. Long-term larger volume infrastructure projects with a greater developmental impact have started to take a significant share, which makes a big difference from our books at the beginning of the Bank's relaunch over 8 years ago. Back then, most of our tickets were rather small and sector-scattered.

One of the most vivid examples of a country portfolio development is the case of our host country - Hungary, currently our second largest shareholder by the share in paid-in capital. Since 2015, the year of Hungary's return to IIB as a member state, the accumulated volume of our investments into Hungarian economy has estimated at 400 million euros. We currently support key priority sectors for the country, such as energy infrastructure (MVM Group), agriculture and food processing (Hunent), tourism (Balaland). If at the time of Headquarters relocation the share of Hungary in the loan books constituted 6% of the total amount, it currently stands at 15% just above 154 million euros. We see increasing demand for IIB financial services in the country: apart from classic loans, a mechanism of guarantees has proven to be rather effective in the local market.

As a development financial institution, we also pay great attention to the development of capital markets of our states. Since relocation to Budapest International Investment Bank has placed two Hungarian forint denominated bond issuances on the Budapest Stock Exchange

becoming the first multilateral bank to execute such transactions strictly in accordance with the Hungarian Law. The Bank also actively participated in the first sovereign green bond issue back in June this year, and became one of anchor investors in the first corporate green bond issue by CPI Hungary Investments Kft. in August. Both of them were landmark transactions for Central and Eastern Europe, with the sovereign issue setting a new benchmark for the region for the first time since 2016. Hence, IIB participation in these operations was a natural step. We will continue to extend support to various priority initiatives in Hungary and contribute to the growing role of Budapest as an international financial centre.

A relocation to Europe naturally brought the Bank closer to its European investors, partners and clients and solidified its position in the region. It gave impulse to further expansion of our partnership network and a qualitative shift in our client network. We have become regular participants of syndications and other types of complex financing structures for large EU corporates, such as Schaeffler, Gestamp, Auchan, etc. By taking part in such operations, IIB ensures business development of these companies and their investments in economies of its member states.

We estimate that by the year-end the share of projects financed in the interest of our EU shareholders will amount to about 60% of the whole portfolio. This, however, in no way means that we shifted focus from our other geographies. On the contrary, 2020 saw IIB investment activity in Vietnam and Mongolia. Russia remains a market we actively work in. Moreover, the Bank gives special focus to deals with a so-called integration effect – covering interests of two or more shareholders. Currently, a share of such deals in our portfolio constitutes about 35% of its total volume.

Overall, IIB has a well-diversified portfolio, which is estimated to reach 1,1 bn euros by the end of 2020 and includes loans in all 9 member states. Since the Bank's relaunch, aggregate investments aimed at support of our countries exceed 3 bn euros, out of which over 1,6 bn euros were allocated in the past 3 years.

Despite a global tendency of credit rating downgrades this year, three out of four agencies that assess IIB activities confirmed our long-term ratings, whilst back in September Fitch Ratings issued an upgrade, thus making IIB the only supranational upgraded in 2020. Nowadays, we enjoy a high-level range of "A-" to "A" level ratings from S&P Global, Moody's Investors Service, Fitch Ratings and Russian national agency ACRA.

The level of non-performing loans in our portfolio remains low at 1,5% mainly due to a prudent risk management system. We perfectly understand that this figure can change in current circumstances. However, all necessary instruments, such as Early Warning System, are in place in our institution, and we hope to maintain this indicator at the lowest possible level.

In my opinion, the "boutique" character of our institution also plays a crucial role in this. During the process of IIB relaunch we made sure that best world practices of development institutions were taken into account, while rebuilding core pillars of activity: corporate governance system, lending and investment, risk management, compliance control, debt capital markets operations, legal framework, etc. This approach helped transform IIB into a modern, dynamic financial institution in record time. Now it is the only multilateral development bank headquartered in Hungary and Central and Eastern Europe. A large part of the ongoing success of International Investment Bank is due to a highly professional team, which is rather compact (just over 60 members of staff in the Headquarters) and multinational (representatives of member states, including 15 from Hungary, as well as Italy, the UK,

France).

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