



INTERNATIONAL
INVESTMENT
BANK

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Moscow, Mashki Poryvayevoy st. 7
Phone: : +36 1 727 8888
Fax: : +7 (499) 975-20-70
E-mail: mail@iibbank.com

Speech of the Chairman of the Board of IIB Nikolay Kosov at the solemn ceremony of entrance of IIB to the Banking Association for Central and Eastern Europe

October 13, 2014

Dear Dr. Mahr, dear Mr. Lengyel,

dear colleagues, BACEE members,

dear friends,

as Chairman of the Management Board, I am honored to represent the International Investment Bank in joining the elitist club of the Banking Association for Central and Eastern Europe.

Our presence in Budapest is not occasional and I wouldn't even call it a beginning. As a multilateral development bank, with 4 members coming from the CEE region, we have a solid history of over 40 years of close cooperation with CEE governments and banking institutions, over 200 projects financed in a total volume exceeding 7 bn. euro, aiming to fulfill our mission and strategy to contribute to the sustainable development of our members and to promote their integration in the international trade.

That is why I prefer to say it is quite a natural choice of IIB to join BACEE, which in its almost 20 years of activity has increasingly affirmed itself as a valuable think-tank and a cooperation fostering institution. We highly appreciate the efforts made by distinguished Dr. Patyi, Dr. Mahr, by our friend — Mr. Istvan Lengyel, together with all BACEE members, to bring together financial institutions with a significant presence in the region, sharing common development goals and looking forward to consolidate their business relations. In BACEE's vision we could clearly identify one of our fundamental beliefs — consolidation of cooperation and mutual commercial links is the main road to a sound and sustainable economic growth.

We are convinced that by joining BACEE, we enter a special environment where our regional business can significantly expand, by joining the forces with the prestigious members of this Association. At its turn, BACEE meets an a modern and reliable partner, an «A» rated supranational institution with a unique status and geographical shareholder base, that shares similar values and has a genuine statutory interest in the sound development of Central and Eastern Europe.

Our presence here today is even more important for the IIB because it also somehow marks the consolidation of our presence in CEE and the comeback in the IIB family of one of its founding members back in 1971, with a three decades history of fruitful cooperation — Hungary. For this reason, IIB accession to BACEE, as well as Hungary's accession to IIB as a member state, to be fully institutionalized by end of 2014, cannot be described as a beginning, but more

as a constructive comeback, which makes us really proud.

In the early 2000s the Bank was struggling to find its identity, after the flourishing activity in the previous years. IIB's rebound after 1990 was a very difficult one, it's repositioning and identification of a proper niche on the financial markets lasted more than 20 years during which the Bank entered a protracted period of negative stagnation, aggravated by the lack of coherent loan and investment policy and inadequate management.

At the end of 2012, shareholders took a radical step in what regards the future of the Bank and unanimously approved the IIB's reform and re-launch as a fully fledged international financial institution, reaffirming its strategic priorities, establishing a new and revived identity for the Bank, aiming to make full use of its statute and institutional capacities.

From the very start of this process, Hungary has been close to us, from its position of a former member and has always strongly underlined its interest in rejoining IIB, but has also set some very tough standards that the Bank had to fulfill in order to justify the decision of Hungarian government to support and join the Bank in deploying its mission.

Such conditions were mainly focused on the requirement that the Bank would've evolved from its obscure statute and become a modern multilateral development bank, able to deliver on its commitments towards the shareholders, able to act as a vector of cooperation between countries with different economic and political orientations and to find its role in a puzzle game of international relations not easy at all to solve.

This "geo-economical puzzle" consists in discovering and sometimes generating links between countries placed on 3 continents, with different development levels and sometimes radically different political orientations — G20 countries (Russian Federation), EU and NATO member states (Bulgaria, Czech Republic, Romania and Slovakia), Asian emerging markets (Vietnam and Mongolia) and Caribbean (Cuba). Overall our main operational territory covers 19,6 mil. sq. km. and a total population of over 290 million inhabitants.

In this context, our vision is that MDBs must step up and assume the responsibility of being a platform of dialogue and cooperation between member countries, outlining mutual economic and commercial interests and paying their share to the growth path desired and followed by member governments. IIB's priorities are always aligned to the priorities of national economies of its shareholders.

There was a long and difficult mountain we had to climb, but today we are very proud to have the Hungary's return to the Bank as one more objective confirmation of the success of our reform. As was mentioned we expect to finalize the procedural matters soon to officially announce the country as the IIB's member at the 102nd Council Meeting of the Bank at the end of November, hoping that the year 2015 we see first deals with the Hungarian partners.

Allow me to briefly present the main milestones of our sustained reform implemented during the past 2 years:

- most important achievement was to reinforce the shareholders' confidence, support and interest towards the Bank — all without any exception have approved the new strategic priorities and provide effective support to the Bank;
- confirmation of our statutory mission to promote social and economic development, to increase the competitiveness of national economies, expanding trade and economic

ties and maximizing investment interaction opportunities in the interests of our shareholders;

- adoption of a new medium-term development strategy, radically targeting the increase of lending activities and establishing strong pillars for our lending policy — focusing on providing support to SMEs sector and increasing their access to resources, but also financing of sustainable investment projects, as well as support of foreign trade operations or public and private partnerships;
- unanimously it was decided to practically double the paid-in capital of our Bank, as a measure to indicate the support to its development and also to create the necessary room for a deeper leverage of our resources;
- member states have agreed to amend the current statutory documents, improving the corporate governance and setting a new and sustainable framework for the IIB activity;
- for the first time in the IIB history, in December 2013, we have managed to obtain an investment grade credit rating from Fitch Ratings (BBB-);
- first credit rating was naturally followed by the A3 credit rating provided by Moody's this September, indicating the continuous progress of our activities, confirming our statute of sustainable development institution and including IIB in the distinguished list of A rated MDBs;
- another major achievement was the first public bond issue placed on the Russian market in April 2014. We consider it to be a real success, as it has attracted a 350% oversubscription to the 2 bn. rubles announced amount, while the current trading confirms investors' interest to our Bank. The issue was also included in the Lombard list of financial instruments accepted by the Russian Central Bank in REPO operations, which is a confirmation of the IIB's consolidated prestige in the banking environment;
- we have managed to rapidly consolidate the implementation of our mandate as a development bank and to increase in the past 2 years by almost 40% the total assets of our institution and to triple the loan portfolio in line with the new lending policy, acting in close partnership with leading IFIs and national development institutions with global outreach in an effort to join our capacities in order to increase the support provided to our member countries;
- The IIB has developed in a very short time a sound portfolio of international partners (leading IFIs such as EBRD, IFC, FMO, EIB, KfW, etc.) as well as national development institutions (Bulgarian Development Bank, Vietnam Bank for Industry and Trade, VTB Capital, VEB, Export Credit Agencies, etc.).
- great efforts were also deployed in order to clear Bank's portfolios of all non-performing assets, to completely reorganize the Bank, to select new highly professional staff and to establish and consolidate the IIB brand on the financial markets.

I would like to especially mention one more IIB's «know-how» — an innovative mechanism of cooperation established under the IIB "umbrella" — a Memorandum of Cooperation between IIB and Export Credit Agencies from Bulgaria, Romania, Russia, Slovakia and Czech Republic has been recently signed, incepting a unique multilateral mechanism of trade finance and export-import operations between the Bank's member states.

I also have a pleasure to announce that the EximBank of Hungary has expressed its strong intention to join the club and as a result today we sign a relevant document between our institutions to make our cooperation practical in the nearest times.

And it should be as well mentioned that the Memorandum is potentially open to any interested foreign ECA.

In the end of this short presentation, let me outline the main plans for the near future, hoping that they will be strengthened by partnerships that we can develop with other BACEE members and also with Hungarian counterparts, as a new country of operations:

— next phase of the Bank's development will be focused on further internationalization of the Bank:

1st domestic bond issue is planned for October 2014 in Slovakia (authorities Sofia & Prague have also expressed interest in IIB organizing similar issues on their financial markets);

preparations are underway to open the 1st IIB Regional Branch in Bratislava (1st half of 2015), with the purpose of increasing our presence in CEE and a closer coordination of business in the region;

further potential expansion of the Bank's shareholder base.

— introducing new products and services, including participation or establishment of equity funds, trade financing in partnership with reliable financial institutions and participation in public private partnerships;

— continuing our strategic orientation of providing timely and efficient support aimed to increase the access of SMEs to financing in order to foster their development and role as the main engine of overall economic growth.

Bank's cooperation with its counterparts can be organized as joint financing of investment projects, provision of credit lines for financial institutions in the IIB member states and also equity participation. In this regard, the IIB is mainly using a lending system commonly implemented by other leading IFIs, providing its financial support not directly, but through its partners — sound commercial banks, leasing or factoring companies, microfinancial organizations, investment funds, etc.

IIB provides unique facilities and necessary platform in order to establish contacts, to find local partners, to finance important investment projects on a standalone basis or in cooperation with peer MDBs, hence ensuring the catalytic role of our finance.

We see IIB's membership in BACEE as a window of opportunities in order to consolidate our position as MDB fully dedicated to its member states, to get involved in an active exchange of opinions and experiences on the most actual topics in the CEE banking environment providing support to the expansion of our presence in the region.

Finally, I would like to thank once again our friends in BACEE for having invited us to join their club and also to submit a strong message of genuine interest in an active participation in its events in order to find new business partners and opportunities in the framework provided by the Association.

Thank you very much!