

IIB to Cooperate with TakarékBank

After assessment of business environment, granting of credits started this year
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“In the next year or year and a half, the International Investment Bank is planning to issue public bonds in Hungary as well”, said the Chairman of the Board Nikolay Kosov.

What is the difference between the International Investment Bank (IIB) and the European Bank for Reconstruction and Development (EBRD)?

The EBRD is one of the world’s largest development banks, in addition it is subordinated to the European Union. First, we do not have such a “superior” and second, the IIB operates on a much smaller scale. The total outstanding loan of the bank since its formation is eight billion Euros. The bank has existed since the 1970’s but we rebooted operations it in 2012. In the last five years, we grew our balance sheet total from €367 million to €1.16 billion and our outstanding loans rose above €700 million.



Nikolay Kosov, Chairman of the Board
Photo: Attila D. Földi

Where does the bank get its resources?

All three big credit rating agencies, Fitch, Moody’s and S&P have rated the bank as recommended for investment with a stable outlook. In addition, the Chinese Dagong has given us an A rating, also a with stable outlook. This allowed us to be able not to just place our own capital but also attract external sources. So far, we have sold public bonds for a total of €715 mn, half of which are derived from securities issued in Eastern Europe. In Slovakia and

Romania, we issued Euro and Lei based bonds respectively, while in Russia we raised capital with the aid of Ruble bonds.

What companies are eligible for loans?

We would like to finance SME's as this sector is at the core of the economy and society. Thanks to the amount of capital raised, the initial projects of €10mn have grown and we are now able to grant loans of up to €50-70 mn. Over the next five years, however, instead of expansion we plan to focus on increasing our financial stability. Although our accounting is in Euro, we also grant loans in local currencies.

Members of the IIB are comprised of the countries of the former Eastern bloc, is there a political aspect here?

This reminds me of an old BBC comedy show, so I can say, "Sorry, but no politics, we are the IIB". The bank is totally free of politics, we do not belong under legislation of any single country, so sanctions don't apply to us either. If a problem arises, the UN has jurisdiction over the bank. The exemption from sanctions was confirmed by the 2014 decision of the European Commission regarding the IIB. Our shareholders are the Member States of the IIB, the largest being Russia with 48 percent, Bulgaria with 13 percent, and Hungary comes third, also owning almost 13 percent of the shares.

Which are the largest ongoing projects in Hungary?

Hungary only re-joined the IIB a year and a half ago, so the first year was about assessing the business environment and we just recently started offering loans. Invitel is an important partner, we granted a credit of €25 mn to them, which enabled the new owner to buy the company and also to refinance the earlier commercial bank loan. We granted a €40 mn long-term loan together with our partner bank to Hunent for a greenfield poultry processing plant; Mr. Peter Szijjártó, Minister of Foreign Affairs and Trade, also assisted in the project. This was the development that commercial banks alone would not have financed, however, we believed in it. MOL is an important partner: we have a long-term credit agreement and bond placement agreement with them in the value of €20 mn. We have a special arrangement with Takarékbank, under which they can draw down HUF 4 billion to assist the financing of projects in Hungary. An important factor is that we do not wish to compete with commercial banks but rather to complement their activities.

What developments can be expected in Hungary?

Within the coming year or year and a half, we would like to issue public bonds in Hungary as well on the Budapest Stock Exchange. The issuance will enable the domestic sustainability of projects: we will raise funds from the market where we originate the asset portfolio the instrument. In addition to the Ministry of Foreign Affairs and Trade, we have a good relationship with the Ministry of National Economy, in fact the Minister, Mihály Varga is a member of the IIB Board. Three years ago we started financing foreign trade companies, expressly at the request of our East European members. We expect serious growth in this area as well, since this encourages trade with non IIB-member countries.