Basic Principles of the Credit Policy of the International Investment Bank

1. Basic Principles

1.1. The Bank’s credit policy is implemented in accordance with the following basic principles:

1.1.1. compliance of credit activities with international banking practices with due consideration to the requirements set by the national legislation of the country where the Bank conducts credit activities;

1.1.2. compliance with recognized international standards and the Bank’s internal regulations based thereon in anti-money laundering and combating the financing of terrorism;

1.1.3. compliance with the Bank’s internal requirements in combating corruption and fraud;

1.1.4. compliance by borrowers with international and national requirements for environmental protection in the financing of production facilities;

1.1.5. transparency and stability of credit terms and conditions for the provision of guarantees with the proper enforcement of the terms of contracts and respect for property rights;

1.1.6. ensuring the profitability of credit activities with an acceptable level of risks;

1.1.7. maintaining the amount and terms of granted credit/guarantees in line with the financial situation of the borrower/principal, the potential risks and the effectiveness of a financed investment project (hereinafter, the “project”), and the credit limits and regulations approved by the Council of the Bank;

1.1.8. conducting credit activities in accordance with the Bank’s financial capacity subject to the prudent use of financial resources;

1.1.9. conducting credit activities upon the terms that take into account the current and projected situation in the credit market in the country of the borrower/principal and international capital markets;

1.1.10. protection of the Bank’s interests with the best possible use of different types of collateral and other ways to reduce the risks of loans/guarantees;

1.1.11. diversification of credit risks;

1.1.12. constant monitoring and control of the intended use of loans, ensuring their payment and repayment in a timely manner, and similar monitoring and control of granted guarantees and other financial services.

2. Basic Areas of Credit Activities

2.1. The Bank’s credit priority is syndicated lending and the provision of financial resources for business entities, including small and medium-sized enterprises through international, national, and regional financial institutions that share the goals and objectives of IIB.

2.2. The Bank provides the following financial services:

2.2.1. participation in syndicated loans;

2.2.2. lines of credit;

2.2.3. project financing;

2.2.4. bank guarantees for financial obligations;

2.2.5. shareholdings in companies, banks, financial and other organizations.

2.3. The Bank provides, directly or through financial institutions, funds for the financing of the following economic activities:

2.3.1. construction of facilities, their expansion, modernization, rehabilitation, and technical upgrading;

2.3.2. research and development directly related to investment in production;

2.3.3. introduction of new production processes;

2.3.4. development of new products;

2.3.5. acquisition of property on finance lease terms;

2.3.6. acquisition and implementation of licenses for production purposes;

2.3.7. investment in environmental measures, including the acquisition of equipment;

2.3.8. investment in infrastructure projects;

2.3.9. foreign trade (mainly export);

2.3.10. replenishment of capital assets and working capital;

2.3.11. other activities conducted by small and medium-sized enterprises (SMEs) subject to the criteria established by the legislation in their country of incorporation.

2.4. The Bank does not provide credit for the following areas of economic activities, regardless of entities engaged in such activities:

2.4.1. activities prohibited by international conventions, whether member states are parties to such conventions or not;

2.4.2. activities related to money laundering and the financing of terrorism;

2.4.3. production and sale of arms and ammunition;

2.4.4. production and sale of tobacco products;

2.4.5. casinos, lotteries, and gaming clubs;

2.4.6. activities associated with substantial irreparable damage to the environment.

2.5. The Bank provides credit and issues guarantees for the purposes specified in Paragraph 2.3 for the following entities:

2.5.1. corporate entities with any legal form of ownership that have the necessary legal capacity in accordance with their national laws;

2.5.2. international organizations recognized as such in accordance with international law.

The Bank may also have shareholdings in the above-mentioned entities.

2.6. The Bank gives priority to credit activities in the Bank's member states with respect to borrowers and principals from the Bank's member states and other borrowers and principals associated with export from the Bank's member staes.

2.7. The Bank's credit activities in any third countries and/or with respect to any borrowers/principals that are not entities incorporated in the Bank's member states shall be subject to authorization from the Council of the Bank.

2.8. The main requirements applicable to borrowers and principals are as follows:

2.8.1. reliable reputation, solvency, financial stability, no overdue obligations, and other requirements in accordance with the national laws of the Bank's member states, including those analyzed by due diligence;

2.8.2. reliable collateral for the repayment of loans/guarantees. Unsecured credit is allowed in certain cases if borrowers are:

2.8.2.1. financial institutions with government-owned controlling shareholdings formally approved for work with an IIB member state;

2.8.2.2. financial institutions with shareholdings owned by international development banks (if the country whose territory is planned for a credit transaction is a shareholder (member) of such international development bank).

An international development bank is deemed as such if it is a specialized international or interstate investment institution in which one or more IIB member states participates and whose main purpose is to assist member states in economic development and increase the competitiveness and diversification of the national economies of the Bank's member states.

For the purposes of Paragraphs 2.8.2.1, 2.8.2.2, and 2.8.3, “financial institutions” mean international and national development banks, export insurance agencies, guarantee agencies, leasing companies, banks and non-bank financial institutions, and investment funds.

2.8.3. a borrower’s participation in financing the project by using its own funds or funds borrowed from other financial institutions. In this case, the limit of such participation shall be at least 15% of the total project value. This requirement is not mandatory for borrowers that are financial institutions.

3. Main Parameters of Credit Extended/Guarantees Issued by the Bank

3.1. Credit length.

3.1.1. The Bank extends short-term, medium-term, and long-term (up to 15 years) credit and issues guarantees with similar lengths. The Bank uses a differentiated approach to the terms and conditions of any credit transaction/guarantee, depending on its length.

3.1.2. As specifically decided by the Council, credit may be extended for a longer period.

3.2. Resource base.

3.2.1. The Bank extends credit, issues guarantees, and has shareholdings by using its own funds and borrowings.

3.2.2. The purposes, conditions, and procedures for extending credit and issuing guarantees from special funds established by the Bank’s member states are defined by separate agreements among the involved member states, institutions, and the Bank.

3.3. Currency of credit/guarantees.

3.3.1. The Bank extends credit and issues guarantees in euros and other currencies subject to available resources. The Bank may, at the request of a borrower/principal, change the original currency of credit into another currency.

3.3.2. In selecting any currency, the Bank complies with the applicable approved requirement criterion: the limit of an open currency position.

3.4. Collateral: methods and forms.

To ensure repayment, the Bank may use the following methods of ensuring repayment and securing the performance of obligations:

3.4.1. sovereign guarantees issued by governments;

3.4.2. guarantees issued by central (national) banks;

3.4.3. guarantees issued by commercial banks;

3.4.4. guarantees and collateral provided by corporate entities;

3.4.5. pledged tangible assets, property rights, mortgages;

3.4.6. bank deposits;

3.4.7. marketable securities;

3.4.8. other contractual forms of collateral under the laws of the country of a borrower, principal, or guarantor.

4. Value of the Bank's Credit Resources

In measuring the value of credit/guarantees provided the Bank, the Bank relies on the need to fully cover the costs of the relevant borrowings and include markups and charges providing reimbursement for the Bank's costs associated with the examination, documentation, and administration of credit/guarantees and yielding an acceptable return, taking into account the potential risk of a credit transaction. For this purpose, the Bank establishes:

4.1. Interest rates.

4.1.1. As payment for credit, the Bank sets the interest rate based on the following main factors:

4.1.1.1. risk premium;

4.1.1.2. cost of the resource base;

4.1.1.3. share of general and administrative expenses of the Bank;

4.1.1.4. planned rate of return;

4.1.1.5. interest rates in the credit market of a borrower's country and in international capital markets.

4.1.2. Interest on loans accrues on the amount of the actual debt of credit from the date of its actual disbursement. The Bank uses fixed or floating interest rates.

4.1.3. Interest is paid by a borrower for interest periods whose duration is defined in loan agreements.

4.2. Bank charges.

Normally, the Bank charges for extended credit and issued guarantees, including a one-off fee for a loan agreement, a prepayment fee, a commitment fee, a guarantee fee, and other fees. Types of fees/payments and their amounts and conditions are determined by the Board and specified in loan and other agreements.