



## **International Investment Bank: New Way of Development**

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Last autumn set the beginning of the new stage in the development of the Bank. The goal is to build a modern institution of development as a part of IIB. The given institution will be oriented at financing SMEs and supporting economic cooperation of the member states.

In November 2012 the Council of the Bank unanimously approved the renewed development strategy of the IIB. In order to implement the given strategy an Event Plan for Bank's Development and a Business Plan created in cooperation with Ernst & Young CIS B.V. was prepared. The Bank also appointed a Development Committee, which has its purpose to follow the implementation of the reorganization plans on a weekly basis. Detailed suggestions concerning the key development questions will be discussed during the meeting of the Council, which will take place in the end of May this year. These key questions are the organizational structure of the Bank, the turnaround program of the loan portfolio, and the system of staff incentive.

One of the main tasks as part of the reformation process is the development of the planning and budgeting systems, which would correspond to the modern standards. The Bank appointed a Budgeting Committee responsible for the optimization of the financial and economic activities.

The Bank is also currently working on the implementation of the bad loans turnaround and the financial rehabilitation of the bank. The Board made a decision to assign the monitoring of all bad loans to the independent legal firm on conditions of incentive fee, which should lead to considerable decrease in the expenses on running such loans. Bank's subsidiary "IIB Capital" has begun the practical activities in this field. Due to the given activity IIB dissolved more than EUR 3 million of reserves on one of the bad loans handed over off the Bank's balance.

The first results of the new approach to IIB's development can also be found in its financial activity. The Bank has sufficiently increased the range of the performed treasury operations. Within the two-month period the limitations for the activity on the financial markets increased almost EUR 150 million.

Due to successful results of the fourth quarter net yearly profit (before audit) amounted to EUR 2.99 million which is 80% more than in 2011. Moreover, with the use of the increase of operational profitability 100%-reserves were added to the majority of the troubled loans.

At the same time the Bank is working on its new loan portfolio. The Bank is currently changing its credit policy and is switching to agency approach. Cooperation with the national and international financial institutions is seen as a priority for IIB. The Bank developed a list of lending products; new projects, which reflect Bank's new lending priorities are drawn and are being implemented.

As a result the deal with Mongolian XacBank in cooperation with EBRD for the syndicated loan was authorized; the deal with Bulgarian Bank for opening a credit line SMEs was approved. There was also an agreement on the prerequisites of the participation on the syndicated loan for Bulgarian media company Vivacom.

More than that, there is a pending project for the Bank's participation in the syndicated loan for the construction of CHPP Long Phu in Vietnam along with Slovakia and Czech Republic. The Bank is working on the possible participation in the syndicated loan for the project of alternative energy alongside VBT Capital, Bulgaria. The Bank is also conducting negotiations concerning opening a credit line for small enterprises in Russia through SME Bank and INVESTTRADEBANK.

The Bank has been actively working on the expansion of its partners and contractor base. The agreements for the cooperation with the leading Russian financial institutions such as VNESHECONOMBANK, VTB and EXIMBANK of Russia have been signed. There are negotiations concerning joint projects with the international institutions, among those being Eurasian Development Bank and Black Sea Trade and Development Bank.

A highly important step in the work aimed at the expansion of the funding base, activation of the financial operations and the subsequent increase of their efficiency will be achieved with the acquisition of the credit rating, which is a new and difficult task for the Bank. IIB appointed a special committee for such a matter. This year the Bank is planning to prepare and place its ruble debt securities on the Moscow Stock Exchange.

In order to achieve all the goals IIB has set, personnel of the Bank is being reinforced. Professionals with impressive experience of work for the internationally acknowledged financial institutions such as BNP Paribas, VNESHECONOMBANK, VTB Capital Asset Management have been recently appointed to the positions of the Deputy Chairman of the Board, Chief Accountant, as well as for various positions in the departments of control and compliance, and IT.