



**INTERNATIONAL
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International Investment Bank. Results and prospects.

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The first half of 2013 has become the most important and life-changing period for the International Investment Bank for the past quarter of the century. The program of transformation and re-launch of the Bank has almost been completed within these six months, which lays the foundation for the multilateral institution for development, which the Bank is about to become.

First of all, that continuous era of 'lacking idea' is over as the Bank has identified its priorities and principles of its functioning; it has also defined its mid-term strategy, ways of further development and it has found its identity. The IIB has chosen the support of small and medium-sized businesses of its member states as the key focus of its activity. At the same time, the Bank has discarded the idea of working with end-use borrowers and concentrated on the partnerships with the leading national and multilateral financial institutions, which tends to involve governmental participation. Within the six-month period 15 agreements of such sort have been signed. IIB actively promotes its new strategic policy by making presentations in the largest financial centers of Europe and Asia. As a result, a 'new' meaningful portfolio has been created: the Board has approved the loans to the sum of more than EUR 120 million. Bulgarian Development Bank, Russian ROSEXIMBANK and SME Bank, Mongolian XacBank, and Vietnam commercial bank for industry and trade (VietinBank) are among its fund receivers. IIB also actively cooperates with other multilateral banks for development.

The Bank is working on the implementation of the program for the readjustment of the old credit portfolio. According to the plan approved by the IIB Council, all non-performing loans will be written off by the end this year. Taking into account the fact that all such loans have 100% reserves, the above-mentioned action will not have a negative effect on the financial status of the Bank.

Creating awareness and developing partnerships with the leading financial institutions have allowed considerable increase in the operation on the monetary and stock markets. The total limits for the Bank have reached EUR 142 million, and the profitability of the portfolio has exceeded 7%. IIB continues to expand its network of agency banks, paying special attention to the leading institutions of the member states, banks with investment rating and international development banks.

Alongside the development of the financial operations, the Bank has also taken a range of measures to improve and upgrade its business processes. Two committees — Budget Committee and Development Committee — were established, and they function on a regular basis. The new principles of budget planning on the basis of the complex business plan are being currently tested and will be fully implemented in 2014.

The system of risk management is being developed on Basel II standards. The regulatory system of the Bank is being upgraded and improved, striving for more transparency and risk management. In particular, the Statute on the measures for the prevention of money laundering of the funds acquired by illegal means or by means of terrorism financing has been

renewed (AML/CFT). The Bank has developed AML/CFT, fraud and corruption policy.

At the moment the Bank is in the process of transition to a new organizational structure, which was developed in cooperation with the consulting company 'Ernst & Young'. The given structure corresponds to the best world practices and goes along the lines of the strategic tasks of the Bank. The new system will have an efficient remuneration and personnel motivation systems. This will allow the IIB to boost the quality of human capital assets.

The Bank has also conducted a comprehensive audit of the banking information systems, the results of which are used for developing the IT infrastructure remodeling program.

Complex transformation of the IIB received approval from all the member states during the 99th meeting of the Bank's Council, which took place in Bratislava in June earlier this year. The most significant decision made during the session was concerning its recapitalization, which would occur for the first time since 1970 when the IIB was established. The Bank's capital will be increased by EUR 100 million with the additional contributions of its member states, and by EUR 76 million with the part of the undivided profit of the recent years. The given steps will lead to a double increase of IIB's paid-up capital up to EUR 341 million. Support on the part of the member states opens up new practical opportunities, which would allow being able to receive an international credit rating of the investment level. The Bank has already appointed a corresponding executive committee; leading rating agencies and investment banks are being consulted with on the matter of rating advisory.

The increase of the capital base and the prospect of rating acquisition are boosting the Bank's competitiveness in getting access to financial resources on the international arena as well as on the markets of its member states. In particular, according to the Decree of the Government of the Russian Federation on May 2nd of the current year, the IIB's stocks are accepted for distribution and public trading on the territory of the Russian Federation.

Together with the implemented steps aimed at the modernization of the Bank this will allow the Bank to increase many-fold the investment into economies of the member states and make the work of the Bank more productive and efficient.