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## **The 100th meeting of the Council of the International Investment Bank**

December 6, 2013

On December 5–6, 2013, an anniversary 100th meeting of the Council of International Investment Bank, the highest authority body, was held in Moscow. Among the issues of the Council were: report about the Bank's activity during the first half-year, information about the implementation of the new organizational structure and new personnel arrangements, draft of new constituent documents, project of restructuring the debt of the Republic of Cuba.

In fact, the anniversary Council, having approved the work done by the Bank's management in the IIB's renovation and reload, draw the line to the period of «lacking idea» and stagnation. The IIB defined its prospects and priorities of its activity, designated its mid-term strategy and directions of business development, gained self-identification. The main sphere of the IIB's activity is the support of SMEs in member states. However, the Bank declined to work with sub-borrowers, focusing on working primarily with the largest national and multilateral financial institutions, generally with the participation of the Government. Throughout the year (11 months) twenty Agreements on cooperation were signed. The IIB actively boosts its new strategic regulations, on a regular basis, carrying out presentations in the largest financial centers of Europe and Asia. On this basis a «new» portfolio was developed- the management approved the extension of credit lines to the amount of up to more than EUR 156 million. Among the recipients of resources are: The Bulgarian Development Bank, the Russian ROSEXIMBANK, SME Bank, the Mongolian XacBank, Trade and Development Bank of Mongolia, Vietnam JSC Bank for Industry and Trade (VietinBank), Bank for Investment and Development of Vietnam (BIDV), the Romanian BT Leasing Transilvania. Thus the IIB actively cooperates with multilateral development banks, participates in syndicated lending, organized by the European Bank for Reconstruction and Development and International Financial Corporation.

In-parallel, the Bank ends the program of the readjustment of the old credit portfolio. By the end of the current year, all bad debts will have been written off. Taking into account, that a 100% provision was made for those kinds of credits, there will be no negative impacts on the financial part of the Bank.

The growth of the awareness and development of partnership relations with the leading financial institutions has made it possible to enlarge the operations on the financial and stock markets. The enlargement of the correspondent base for carrying out the borrowing led to the opening of the IIB's limits on the amount of more than EUR 140 million from the part of the leading Russian and Foreign contractors. The IIB continues to enlarge its network of its bank-partners, focussing on the leading institutions of the member states, banks, who have an investment rating, international development banks. The IIB was granted observer status in the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). The Bank also renewed its own observer status policy, aiming to use such kind of status to

strengthen the interrelations with its strategic partners. In October this year the Russian Vneshekonombank was granted with such a status.

Along with the development of the financial operations a comprehensive set of measures of modernizing and improvement of business processes was realized. A Budget Committee was created and is working on a regular basis. New principles of budget planning on the base of a complex business-plan in full were realized in compiling the budget of the Bank for 2014 which was affirmed by the IIB's Council.

From the ground up the system of risk-management is being implemented in the Bank, which is based on the Basel II standards. Large-scale work on updating and improving the regulatory base, directed towards the increase of transparency and quality of control of risks is being carried out.

In particular, the status of money laundering and the financing of terrorism, as well as the control of fraud and corrupt practices, the Policy of AML/CFT and the control of fraud and corruption were developed. The status had been carried out on the base of the recommendations of the FAFT Group and Organization for Economic Co-operation and Development, Basel Committee on Banking Supervision and the experience of the leading development banks of risk management of legalization of criminal income, financing terrorism and also risks which are tied to corruption and fraud.

From January 1, 2014, there will be a new organizational structure in the Bank, which was elaborated jointly with the consulting company «Ernst & Young» and it corresponds completely to the global practices. To the full extent it corresponds to the strategic aims of the Bank, presupposes an effective system of remuneration and motivation of personnel. In the closest future it will allow the IIB to enlarge the quality of human capital. Besides this, a complex audit of banking informational systems was carried out, on the base of which a 3-year old program of IT-infrastructure was elaborated, which was approved at large in the course of the meeting.

In total, the member states approved the new version of constituent documents which was proposed by the management of the Bank. This way a principal step was made in an important issue, which for 10 years did not have a constructive resolution. Projects of changes in the Articles of Agreement and Agreement of the Creation of the IIB were elaborated with the assistance of the legal adviser — international company Allen&Overy Legal Services. The new version of constituent documents corresponds to the generally accepted norms of international law and reflects the cumulative experience of the multilateral institutions for development. The Council was charged to finish these projects taking into account the stated remarks and to submit in the first quarter of 2014 the final versions for starting interstate procedures in their coordination for the subsequent statement at the next meeting of the Council of the IIB in May, 2014.

At the request of the Government of Hungary the delegation of this country which had earlier left the membership of the Bank also took part in the work of the Council. The Deputy State Secretary of the Ministry for National Economy Kornél Kisgergely officially voiced the will of Hungary to revert the Bank to being a full member. The management of the IIB received from the Council the mandate on negotiations with Hungary. Also the delegation of the Republic of Poland took part in the meeting of the Council.

In the course of the work of the 100<sup>th</sup> meeting of the Council, there was also an Open Session in which representatives of the leading national and international institutions for development

took part at the invitation of the management of the Bank. The guests made interesting reports and announcements, dedicated to the modern tendencies in development of financial markets, missions and functions of institutions of development as an important element of the investment process, their role in the social and economic development.

The Deputy Chairman of the Board of Vnesheconombank, Sergey Lykov, noted the long-standing partnership relations between Vnesheconombank and the IIB, which in the past year received a new grade — Vnesheconombank became the first observer in the IIB. The General Director of EXIAR, Peter Fradkov, made a presentation of his agency, placing an emphasis on those possibilities which exist for the support of the foreign-trade operations with the participation of the companies from the member states of the IIB. The Chairman of the Board of the Black Sea Trade and Development Bank, Andrey Kondakov, shared his experience in the realization of projects in the member states of the Bank, among which are members from the IIB. Also among the speakers was the Head of the Moscow Office of the German Bank Group KfW, Ekaterina Golitsina, the Director of the Financial institutions in Russia of European Bank for Reconstruction and Development, Yuriy Orlov, the first Vice-President of the North Investment Bank, Thomas Wrangdahl, the Chairman of the Board of the International Bank of Economic Cooperation, Vladimir Belyi, the Representatives of the International Financial Corporation in Central and Eastern Europe, Galina Klimenko and The European Investment Bank, Vyacheslav Pakhomov. Informational and valuable exchange of views on the issues of cooperation, implementation of joint projects, and exchange of experience were carried out in the course of the meeting. A congratulatory telegram from the First Deputy Prime Minister of the Russian Federation, Igor Shuvalov, was addressed to the anniversary meeting of the Council of the IIB. In the address he noted in particular that «The Russian Federation counts on the IIB's accumulation of rates of work, growth of the financial performance being essentially important, the invariable support by its shareholders. In return the Russian Government will continue the concerned participation in the Bank's activity».

Effective consultations with the Cuban Government and also a mutually accepted formula for the resolution of the debt issue, accepted by all member states of the IIB, were carried out during the year 2013. The Council of the IIB approved the Agreement on the restructuring of the debt of the Republic of Cuba which was prepared by the Bank's management. This day the Agreement was signed by the Vice-President of the Executive Committee of the Council of Ministers of the Republic of Cuba, Ricardo Cabrisas Ruiz and the Chairman of the Board, Nikolay Kosov.

The agreement involves the debt of Cuba on the credits and loans given out in the nineties of the last century and relating to that period when the Bank served integration projects within Council For Mutual Economic Assistance. According to the agreements the debt regarding the credits which have been given out under specific projects which became impossible to find a solution to in connection with the disintegration of the socialist block, has been written off. The debt on the part of deposits on accounts of National Bank of Cuba is recognized by Cuba being regarded as a principal debt. The interest accrued on these deposits, are also subject to a write-off. The IIB provides favorable ten-year period during which interest on the amount of the debt aren't charged. All income gained by Cuba owing to its membership in the Bank will go for debt repayment. The debt has to be paid off within 20 years. In May-June 2014, at the invitation of the Cuban Delegation, the next 101st meeting of the Council will take place in the capital of the Republic of Cuba, Havana.

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A congratulatory telegram from the First Deputy Prime Minister of the Russian Federation,  
Igor Shuvalov

Dear Ladies and Gentlemen,

To begin with I would like to congratulate the Heads of the Delegations of the International Investment Bank, the members of the Expert Committee, senior management and all the Bank's staff headed by N.N.Kosov with the anniversary of the 100<sup>th</sup> meeting of its Council.

The Government monitors the processes taken place in the IIB with interest. We note with approval the meaningful progress in pursuing the renewed strategic line of the Bank till 2017.

It is known that among the key achievements are: the consolidation of the budget, the increase in the new loan portfolio, the development of the new corporate governance rules in risk-management and compliance control.

Russia as the major shareholder of the IIB is interested in its further development and realization of its significant potential as an institution for development which enjoys a unique geographical position and membership taking into account their different social and economic structures.

We support the Bank's activities in obtaining investment grade credit rating. We expect that it will allow the IIB to significantly increase the amounts of investment in the financial and real economy sectors of the member states including Russia.

We emphasize that the task of supporting of SMEs set by the Bank as the top-priority is fully approved by the Russian Government. It is important that the Bank has already taken steps to increase the number of its activities in the Russian Federation and funds the SMEs through its Russian financial institutions. This trend is typical for the IIB's activities as well as in its other member states.

We note the essential expansion of the network of the partnership relations including international finance institutions and member state's banks. It allows us to state that the IIB is getting a more sure footing in the interbank relations at both the international and national levels as a reliable and equal partner.

The Government of the Russian Federation pays attention to the process of the discussion of the IIB's renewed constituent documents. We hope that the other members of the Bank can accord them in the nearest future. The Russian Federation expects that the IIB will gain momentum in its activities, increase the financial results and what is essentially important the permanent support by its shareholders. The Russian Government for its part continues its concerned participation in the Bank's activities.