



IBEC

INTERNATIONAL BANK
FOR ECONOMIC CO-OPERATION

ANNUAL REPORT
2019



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• Denis Ivanov,
• Chairman
• of the Board

A NUMBER OF TRANSACTIONS DESERVE BEING NAMED:

DEAR COLLEAGUES,

The past 2019 was marked by a number of outstanding events and achievements unprecedented for the new history of the Bank. The Bank has succeeded in implementing the priority task to expand client lending and trade and syndicated financing, which was set forth in the IBEC Updated Development Strategy for the period through 2020 approved by the Bank Council. The Bank demonstrated high growth rates: its assets grew by more than 60% (as early as in September, they exceeded the level planned for the whole calendar year). The IBEC loan and documentary portfolio increased by almost 2.5 times, from EUR 144 million as of December 31, 2018, to EUR 353 million as of December 31, 2019. These figures indicate the demand for products and services offered by the Bank and the dynamic development of IBEC as a whole.

It is important to note not only the quantitative growth of the key financial indicators, but also significant progress in business diversification. IBEC's high business activity in 2019 was combined with expansion in the geography of transactions. In addition to traditional financing of trade finance operations between member states, the Bank

entered the markets of such economic unions as the EAEU and the CIS, expanded the range of its counterparties in the EU and the ASEAN. Today, new markets for the Bank include Armenia and Uzbekistan. Besides, in 2019 the Bank commenced implementation of country-specific strategies to render maximally efficient support to foreign trade priority areas and economic development of each IBEC member state. At the same time, the geographic coverage of financed foreign trade contracts of member states with third countries expanded significantly. These are countries of Asia, the EU and the CIS.

Last year, the corporate loan portfolio was significantly diversified across sectors of the economy. If previously the majority belonged to borrowers from the energy, telecom and leasing sectors, now the Bank is working actively with clients from the infrastructure sector, pharmaceuticals, aluminium industry, retail, high-tech industries, financial and other sectors.

Expansion of the product line was also notable: new banking products and services, that meet the best international standards, were introduced.

In the past year, IBEC executed the first international factoring transactions, confirmed letters of credit with post-financing, for the first time acted as reimbursement bank under a letter of credit (Commerzbank AG, a leading German bank, acted as the confirming bank), carried out pre-export financing operations, for the first time implemented loan and documentary transactions accepting risk on Polish corporate clients, and participated in a syndicated loan in the national currency (Romanian leu) for the first time as well. In 2019, the Bank participated in 7 syndicated loans aimed at supporting the export of member states for the amount equivalent to EUR 105.5 mln.

A loan to Bulgartransgaz EAD, the Bulgarian unified gas operator, for coverage of investment costs related to implementation of a strategically significant project for the development of power infrastructure in East-European countries – Bank members (Bulgaria, Slovakia, Romania) – Balkan Stream;

The advance payment guarantee under the contract for supply of equipment by Frako-Term Sp. z o.o., a Polish company, for implementation of a unique international scientific project NICA (Nuclotron based Ion Collider Facility) in the Joint Institute for Nuclear Research, Russia;

A loan to Laude Smart Intermodal S.A., a Polish company, for financing of procurement of innovative intermodal freight railway containers and platforms made in Russia and Belarus. The importance of usage of such equipment is confirmed by support of this transaction on the part of the European Union, encouraging changes in the transportation and logistics industry aimed at optimizing and greening transportation. The borrower also receives special subsidies from the EU funds for the implementation of this project;

A direct loan to JSC Ufa International Airport in the amount equivalent to EUR 8.4 mln for financing the reconstruction of the domestic terminal within the scope of a major investment project aiming to support the Russian transportation sector;

Participation in a syndicated loan for a Romanian company Profi Rom Food S.R.L. (PROFI) in the amount equivalent to EUR 5.1 mln for financing the development of food retail accessibility in Romania.

In 2019, for the first time in the history of IBEC, the largest fixed-term deposit in the amount of RUB 2 bln (the equivalent of EUR 27.3 mln) from a legal entity, which is a non-banking organization, was attracted, and a fixed-term deposit amounting to USD 56 mln was placed with the Bank as a collateral.

In 2019, the Bank began to diversify the resource base, which is necessary for further successful development of its active operations. While at the end of 2018 the long-term borrowings amounted to just EUR 4 mln, at the end of 2019 this figure reached EUR 111 mln, an increase of 25 times. Such growth was primarily due to the Bank's debut public debt transaction – placement of bonds in the amount of RUB 7 bln on MICEX-RTS Moscow Exchange PJSC. In addition, in November, the Bank signed a loan agreement with Austrian Raiffeisen Bank International AG (RBI), according to which RBI provided IBEC with financing in the amount of EUR 10 mln for 2 years. These transactions, along with Fitch and Moody's investment grade ratings, confirm IBEC's reputation as a high-quality and reliable financial institution.



ONE OF THE
PRIORITY PROJECTS
OF THE BANK,
ESTABLISHMENT
OF THE
INTERNATIONAL
FUND FOR
TECHNOLOGICAL
DEVELOPMENT
ON THE IBEC
PLATFORM,
SHOULD BE
MENTIONED
SEPARATELY



The relevant agreement was signed with the Government of the Russian Federation in November. The key goal of the Fund is to facilitate the transfer of advanced technologies and the progress of economies of the interested member states, including through financing the projects which introduce and develop these technologies. In 2019, the Bank organized business events in new formats aimed at increasing the recognition of IBEC – the IBEC Day and international business forums.

In June 2019, IBEC joined the International Chamber of Commerce (ICC), the world business organization, as a member of the Russian National Committee (ICC Russia).

Bilateral partnerships of IBEC are documented in agreements on comprehensive cooperation with VEB.RF, a state corporation, the Chamber of Commerce and Industry of the Russian Federation (CCI of Russia), Business Russia, an all-Russia public organization, Moscow State Institute of International Relations (MGIMO University) of the Ministry of Foreign Affairs of Russia.

IBEC long-standing partnership with the Banking Association for Central and Eastern Europe (BACEE) was recognized by the BACEE Award for International Partnership at the traditional 38th BACEE Bank conference in Budapest in May 2019.

Besides, an important stage in collaboration with European development institutions was constituted by the IBEC accession to the Memorandum of Partnership between National and International Development Institutions of the Balkan region, Central and Eastern Europe.

Alongside with successes in IBEC core business development and a number of significant external events, 2019 was marked by continuation of active reformation of the Bank's internal infrastructure. In the shortest possible time, a new organizational structure was built, the best international personnel management practices were implemented, including the procedure of talent acquisition by an international competition, the key business processes and the regulatory framework were updated, several projects for implementation of the advanced IT solutions were launched simultaneously.

All business initiatives and internal reforms of the Bank were supported by the IBEC Council which at its 134th meeting in November 2019 pointed out not only the high positive development pace of the Bank but also the establishment of IBEC as a modern international financial institution acting for the benefit of sustainable development of each member country.

I would like to conclude by stating that the undoubted success achieved by IBEC last year became possible thanks to comprehensive support provided by member countries, the trust of our clients and partners, as well as intensive and highly professional work of the whole Bank team. I would like to thank you for your trust and to express confidence that together we will fulfil the most challenging plans.

*Denis Ivanov,
Chairman of the Board*

ABOUT IBEC

IBEC was established in **1963** based on the intergovernmental agreement registered with the United Nations Secretariat under number 7388.

International Bank for Economic Co-operation (IBEC) is a multilateral financial institution. The mission of the Bank is to facilitate economic growth and sustainable development of member countries, to support economic integration and international trade, small and medium-sized enterprises, resource-efficient technologies, and to improve competitiveness of national economies.

IBEC provides targeted support for export-import operations both between member countries and between member countries and third countries, providing a wide range of financial and non-financial support instruments to its clients and counterparties using trade and syndicated financing products.

The superior managing body of the Bank is the Council consisting of the authorized representatives of all member countries of the Bank. The executive body of the Bank is the Board.

PARTICIPATING COUNTRIES



Republic of **BULGARIA**



Socialist Republic of **VIETNAM**



MONGOLIA



Republic of **POLAND**



RUSSIAN Federation



ROMANIA



SLOVAK Republic



CZECH Republic

- THE UNIQUE GEOGRAPHIC COMPOSITION
- OF THE BANK MEMBERS OPENS NEW
- OPPORTUNITIES FOR INTERREGIONAL
- COOPERATION AND INTEGRATION,
- FACILITATING DEVELOPMENT
- OF A UNIFIED EURASIAN SPACE.

The Bank is a supranational intergovernmental organization and has a number of preferences in the territories of the member countries, including tax and diplomatic immunity.

One of the major advantages of IBEC is that the Bank provides cash management services and executes settlements in key global currencies and national currencies of its member countries.

INTERNATIONAL PARTNERSHIPS



- IBEC COLLABORATES WITH NATIONAL (IN ITS MEMBER COUNTRIES) AND INTERNATIONAL ORGANIZATIONS, INCLUDING DEVELOPMENT BANKS, GOVERNMENT BODIES, FINANCIAL INSTITUTIONS AND COMPANIES FOR IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT PROJECTS, GREEN FINANCE, EXPLORATION OF NEW BUSINESS OPPORTUNITIES, RESOURCE MOBILIZATION AND IMPROVEMENT OF ITS ACTIVITIES, EXCHANGE OF ADVANCED EXPERIENCE, USE OF THE BEST INTERNATIONAL PRACTICES AND STANDARDS IN ITS WORK.

OUR PARTNERS:

Export credit agencies

National development banks

Regional development banks

National chambers of trade and industry

International financial institutions

Public financial institutions

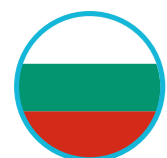
Commercial banks

Banking and financial NGOs



IBEC MANAGEMENT BODIES

THE IBEC COUNCIL



REPUBLIC OF BULGARIA

MARINELA
PETROVA

Deputy Minister of Finance
of the Republic of Bulgaria, Head of Delegation



MONGOLIA

CHIMEDIYN
KHURELBAATAR

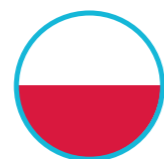
Minister of Finance of Mongolia,
Head of Delegation



SOCIALIST REPUBLIC OF VIETNAM

LE MINH HUNG

President of the State Bank of Vietnam,
Head of Delegation



REPUBLIC OF POLAND

ADAM GLAPIŃSKI

President of Narodowy Bank Polski,
Head of Delegation



RUSSIAN FEDERATION

SERGEY ANATOLYEVICH
STORCHAK

Deputy Minister of Finance of the Russian Federation,
Head of Delegation



ROMANIA

ATTILA GYÖRGY

State Secretary of the Ministry of Public Finance of Romania,
Head of Delegation



SLOVAK REPUBLIC

DANA MEAGER

State Secretary of the Ministry of Finance
of the Slovak Republic, Head of Delegation



CZECH REPUBLIC

LENKA DUPÁKOVÁ

Deputy Minister of Finance of the Czech Republic,
Head of Delegation

THE IBEC BOARD



**DENIS YURIEVICH
IVANOV**

RUSSIAN FEDERATION

Chairman of the Board



**BOYKO VASILEV
KOTSEV**

REPUBLIC OF BULGARIA

Member of the Board



THINH THI HONG

SOCIALIST REPUBLIC OF VIETNAM

Member of the Board



**GOTOV SAMINDII
TSERENPUREV**

MONGOLIA

Member of the Board



LIDIA ANCZAKOWSKA

REPUBLIC OF POLAND

Member of the Board



OLGA VOINEA

ROMANIA

Member of the Board



PETER OSWALD

SLOVAK REPUBLIC

Member of the Board



JAN JURSA

CZECH REPUBLIC

Member of the Board

KEY EVENTS

FEBRUARY

Negotiations with Mihaly Vargaq, Hungarian Deputy Prime Minister, Minister of Finance on the resumption of Hungary's participation in IBEC as a full participant.

The IBEC Day – a debut presentation of the bank's services and capabilities for national and international companies held in Poland with support of the Polish-Russian Chamber of Commerce and Industry. A series of events aimed at establishing new business contacts with representatives of the business community in the member countries was launched.

MARCH

The investment grade credit rating of BBB- assigned by Fitch earlier was reaffirmed.

APRIL

A new organizational structure has entered into force. A transition from the "quota system" to a system for selecting qualified personnel on the basis of an international competition was performed.



MAY

IBEC organized the first international business forum "Europe – CIS. 4D" with the support of BACEE, the Financial and Banking Council of the CIS, and TransKapitalBank PJSC. The central theme of the event became the new mechanisms for the development and deepening of foreign trade operations of European countries with the CIS countries. The Banking Association for Central and Eastern Europe (BACEE) recognized the long-term partnership with IBEC by awarding it with the BACEE Award for International Partnership.



OCTOBER

The debut issue of IBEC bonds in the amount of 7 billion rubles was successfully placed on Public Joint-Stock Company Moscow Exchange MICEX-RTS.

NOVEMBER

IBEC supported the first in the history of the Russian stock market issue of green bonds by Center-invest Bank. The funds raised are intended for financing and refinancing of loans for implementation of energy efficiency projects, development of renewable energy sources and eco-friendly transport.

The Agreement between the Government of the Russian Federation and IBEC on establishment of the International Fund for Technological Development was signed. The purpose of the Fund is to promote technological development in the Bank's member countries, including through financing of projects implemented for advanced technologies introduction and development.

The second business forum "Enhancing Trade Cooperation of Vietnam with Central and Eastern Europe and Eurasia" under the auspices of IBEC took place in Hanoi, the capital of Vietnam.



IBEC STRATEGY

IN THE PAST YEAR, THE BANK ACHIEVED SIGNIFICANT RESULTS IN IMPLEMENTATION OF THE IBEC UPDATED STRATEGY FOR THE PERIOD UNTIL 2020.

The Bank's business continued its active expansion – the volume targets in the key areas of activity were achieved, and the internal infrastructure continued to develop – the personnel policy, organizational model of the Bank, business processes were updated and the IT infrastructure was modernized.

	ACTUAL	PLAN ¹
CIR	68.3%	95.9%
ROE	2.2%	0.2%
ROA	1.3%	0.1%
CAR	57.2%	The standard established by the IBEC Council: > 25%
The loan portfolio² including provisions, EUR m	307.9	218.7

31.12.2019

IN 2019, PREPARATIONS FOR DEVELOPMENT OF IBEC STRATEGIC DOCUMENTS FOR THE NEW STRATEGIC PERIOD 2021–2025 BEGAN.

The main goal is to create a complete set of all documents and mechanisms necessary for the formation of a strategic planning system in accordance with modern practices and standards used in the business environment, which will contain clear KPIs, goals and responsibilities for each year of the strategic period.

It is planned to implement the principle of active management of strategic goals achievement, based on a quarterly analysis of KPI implementation, GAP analysis and development of the relevant proposals for corrective actions, as well as KPI forecasting and updating.

In financial modelling, a mechanism for continuous updating of the developed models will be introduced (roll-forward approach).

In addition to the overall IBEC strategy for the period 2021–2025 and the five-year financial model, it is planned to develop detailed functional strategies that will contain specific development goals and priorities of the Bank in certain areas, as well as the respective KPIs – marketing strategy as well as country-specific market strategies, risk management strategy, funding strategy, IT strategy, and personnel management strategy.

IBEC also pays special attention to the improvement of process management. The Bank aims to create a flexible internal change management system. To achieve these goals, from June 2019 the Bank started establishment of a unified Bank's business architecture using ARIS, a software solution for description and analysis of business processes, which is designed to improve transparency, efficiency of the ongoing business processes and speed up automatization.

Establishment of a transparent and well-handled business process management system will increase the Bank's attractiveness for potential investors and new member countries.

¹ In accordance with the IBEC Updated Strategy for the period through 2020.

² The loan portfolio of the Bank includes loans issued to banks for trade financing, syndicated lending of banks, loans to corporate clients (including syndicated loans), the loan and investment securities portfolio.



 **BUSINESS
COMMUNICATIONS**

IN 2019, IBEC representatives took an active part in conferences, forums, meetings and business missions on a wide range of foreign trade issues.

The Conference "Development of trade exchange between Russia and the Visegrád Four (V4) countries in the current environment"

MOSCOW

The 38th Conference of the Banking Association for Central and Eastern Europe – BACEE

BUDAPEST

The economic conference "Russia-Africa" during the general meeting of shareholders of the African Export and Import Bank (Afreximbank).

MOSCOW

The Meeting of Mukhisa Kituyi, the Secretary General of the UNCTAD, and Denis Ivanov, the Chairman of the IBEC Board.

The negotiations were attended by representatives of the Russian Ministry of Economic Development as the host party to the UNCTAD delegation

MOSCOW

The St. Petersburg International Economic Forum 2019

ST. PETERSBURG

The Interational Economik Forum "Roads to Partnership" organized by the Bulgarian Development Bank

SOFIA

Visits of the IBEC delegation headed by the Chairman of the IBEC Board Denis Ivanov to the ministries of economy and finance of Bulgaria

SOFIA

The 28th International Financial Congress

ST. PETERSBURG

The 21st Banking Conference "Interaction of the financial and real sectors in the context of digitalization of the economy: Russia and international practice" at the International Banking Forum

SOCHI

The 39th Conference of the Banking Association for Central and Eastern Europe – BACEE

BUDAPEST

The 6th Moscow International Financial and Economic Forum "EAEU and EU: Searching for new formats of cooperation"

MOSCOW





**PARTNERSHIP
NETWORK**

- THE DEVELOPMENT OF PARTNERSHIPS WITH OTHER FINANCIAL INSTITUTIONS
- AND NON-FINANCIAL ORGANIZATIONS ALLOWS IBEC TO EXPAND THE GEOGRAPHIC
- COVERAGE OF ITS ACTIVITIES, CREATES A PLATFORM FOR THE IMPLEMENTATION
- OF JOINT INTERNATIONAL PROJECTS, AND CONTRIBUTES TO THE DEVELOPMENT
- OF INTEGRATION TIES IN THE MEMBER COUNTRIES OF THE BANK.

MAJOR PARTNERSHIP AGREEMENTS SIGNED IN 2019:

A Memorandum of Understanding between IBEC and the global holding company Veolia Environment aimed at implementation of joint projects in the field of energy, water management, waste treatment in the member states of the Bank.

Accession of IBEC to the Memorandum of Partnership between National and International Development Institutions of the Balkan region, Central and Eastern Europe. The agreement is aimed at developing the Southern Europe region, implementing projects in such critical infrastructure sectors as energy, transportation, telecommunications.

BULGARIA

The Memorandum of Understanding with the Bulgarian Development Bank aimed at expanding bilateral cooperation.

MONGOLIA

A new agreement on cooperation in the field of trade financing with Golomt Bank provides for partnership in the field of export and trade financing, support for small and medium enterprises, development of bilateral and multilateral transactions between companies from the IBEC member countries.

The Memorandum of Understanding with DBM Leasing, a subsidiary of the Development Bank of Mongolia. IBEC intends to provide financing for the implementation of investment projects in Mongolia with the support from DBM Leasing.



RUSSIA

Memorandum of Understanding between IBEC and the Centre for Financial and Credit Support (ANO IC CGCS) aimed at support of projects in the member countries of the Bank, including through use of entrepreneurship support state programs.

An agreement with the State Transport Leasing Company, providing for cooperation in organizing leasing operations for counterparties registered in the IBEC member countries, as well as third countries, to support the economies of the IBEC member countries.

A Memorandum of Cooperation with the Chamber of Commerce and Industry of the Russian Federation (RF CCI). The purpose is to facilitate trade and industrial cooperation between economic entities of the IBEC member states.

The agreement on cooperation with VEB.RF, which strengthens collaboration in the field of export and trade financing, as well as in the field of investment projects implemented both in Russia and in the IBEC member countries.

A Memorandum of Cooperation with the all-Russia organization "Business Russia", which provides for the promotion of trade and industrial cooperation between economic entities of the IBEC member countries, the development of priority sectors of the economy, creation and implementation of innovations. The focus of joint work will be on the development of the transport infrastructure, energy, agriculture, healthcare, as well as on the renewable green energy projects

VIETNAM

A trilateral memorandum of understanding between Vietinbank, Hateco and IBEC on potential funding for the construction of the Hateco logistic centre in Sai Dong.

The Memorandum of Cooperation with the Vietnam Bank for Agriculture and Rural Development aimed at the search of new promising areas of cooperation and implementation of joint projects.



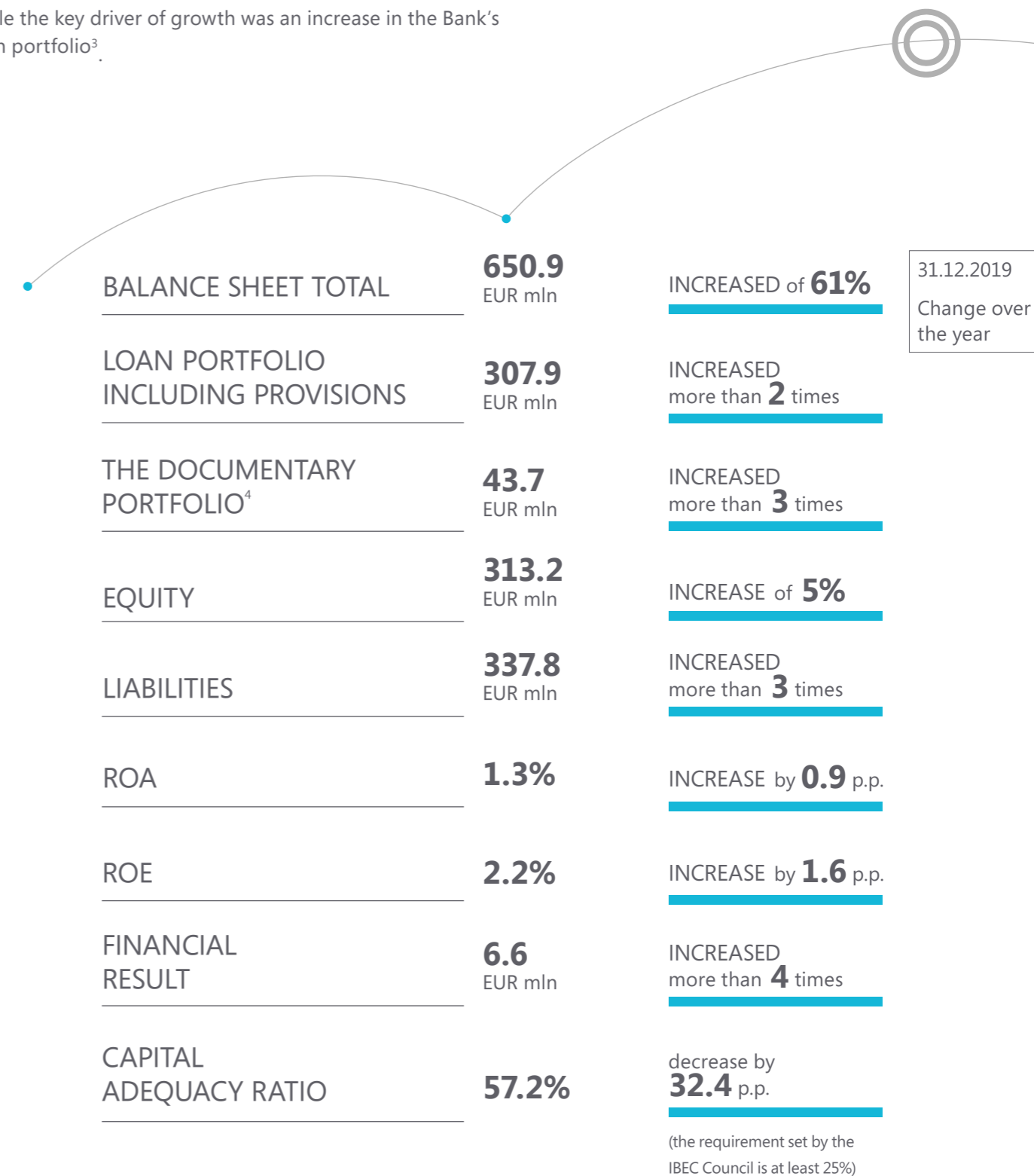
KEY FINANCIAL RESULTS

THE 2019 PROFIT REACHED EUR **6.6** mln, **4** TIMES MORE THAN IN 2018.

- DUE TO THE SIGNIFICANT GROWTH OF THE BUSINESS VOLUME,
- THE BANK NEEDED ADDITIONAL FUNDING, THEREFORE, LIABILITIES
- INCREASED BY MORE THAN **3** TIMES TO EUR **337.8** MLN.
- THE YEAR-END CAPITAL AMOUNTED TO EUR **313.2** MLN.

IN 2019, THE BANK'S ASSETS GREW BY **61%** TO EUR **650.9** mln,

while the key driver of growth was an increase in the Bank's loan portfolio³.



³ The loan portfolio of the Bank includes loans issued to banks for trade financing, syndicated lending of banks, loans to corporate clients (including syndicated loans), the loan and investment securities portfolio.

⁴ The documentary portfolio includes letter of credit and guarantee transactions, bank-to-bank reimbursement arrangements.



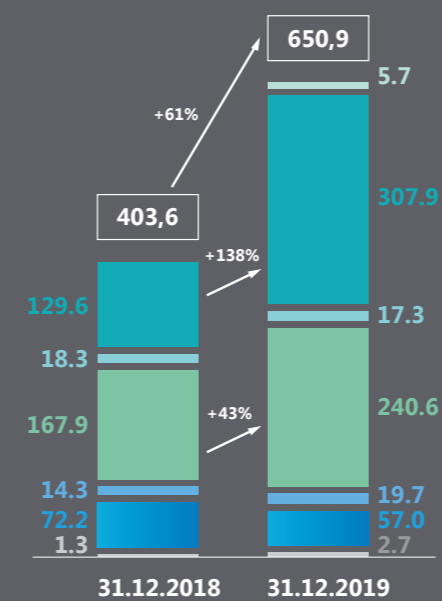
 **ACTIVE
OPERATIONS**

THE KEY DRIVER OF BUSINESS DEVELOPMENT IN THE REPORTING PERIOD WAS THE GROWTH OF LENDING VOLUMES

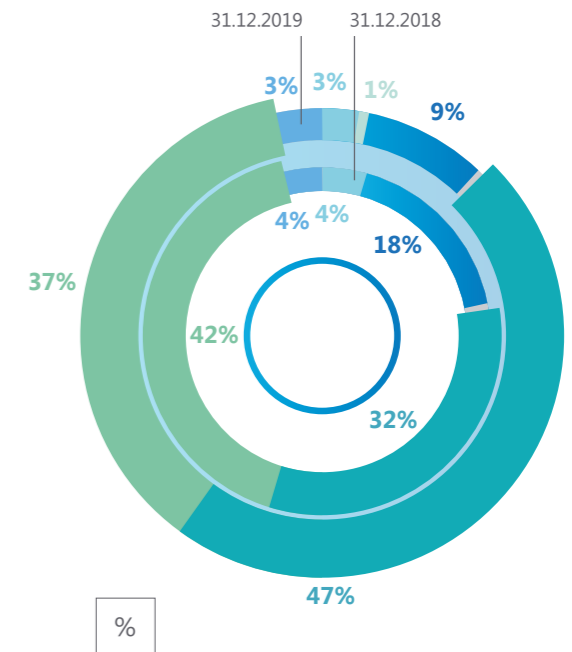
- AS A RESULT, THE SHARE OF THE LOAN PORTFOLIO
- IN THE BANK'S ASSET STRUCTURE INCREASED FROM
- **32% TO 47%**, AT THE SAME TIME THE SHARE OF THE
- SECURITIES PORTFOLIO⁵ DECREASED (BY 5 P.P. TO 37%),
- INCLUDING IN ORDER TO ENSURE SUFFICIENT LIQUIDITY
- TO INCREASE THE BANK'S LENDING.

⁵ Hereinafter, the Securities Portfolio does not include the volume of securities attributable to the IBEC loan and investment portfolio, the concept of which is given in Section "Lending Activities".

ASSET STRUCTURE



EUR mln

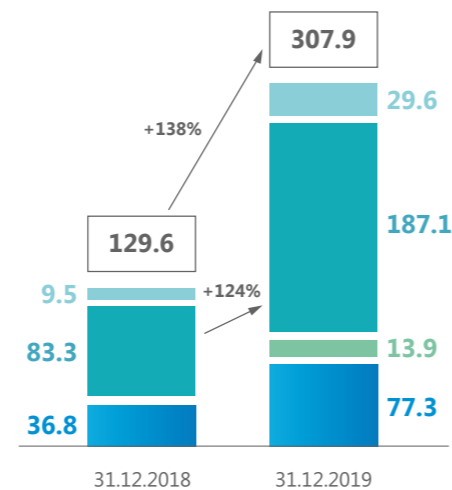


- Derivative financial assets
- Loan portfolio
- Cash and cash equivalents
- Securities portfolio
- Term deposits placed in banks
- Fixed Assets, Intangible Assets and Right-of-use Assets
- Other assets

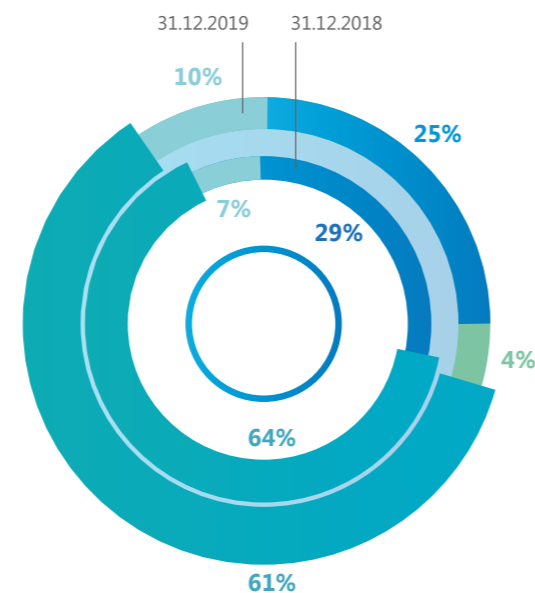


 **LENDING
ACTIVITIES**

LOAN PORTFOLIO STRUCTURE



EUR mln



%

- The loan and investment securities portfolio
- Corporate loans
- Syndicated loans to banks
- Loans to banks issued for trade financing

- THE 2019 LOAN PORTFOLIO FULLY
- CORRESPONDS TO THE BANK'S
- BUSINESS PROFILE AND INCLUDES:

trade related loans,

syndicated loans for support of the economies and foreign trade of the IBEC member countries,

loans to corporate clients,

loan and investment securities portfolio. This category includes debt securities of companies from the member countries of the Bank acquired at initial offering in order to participate in financing of socially significant infrastructure projects in the territory of the Bank's member countries, as well as to facilitate the development of small and medium-sized enterprises.

IN 2019, THE LOAN PORTFOLIO INCREASED MORE THAN 2 TIMES FROM EUR 129.6 mln TO EUR 307.9 mln, PRIMARILY DUE TO THE GROWTH OF CORPORATE LENDING

- INCREASING THE PORTFOLIO, THE BANK PAYS
- SPECIAL ATTENTION TO ITS QUALITY MAINTENANCE
- AND IMPROVEMENT.

In the reporting period, IBEC actively participated in syndicated loans to banks (as of December 31, 2019, its participation volume was EUR 13.9 mln).

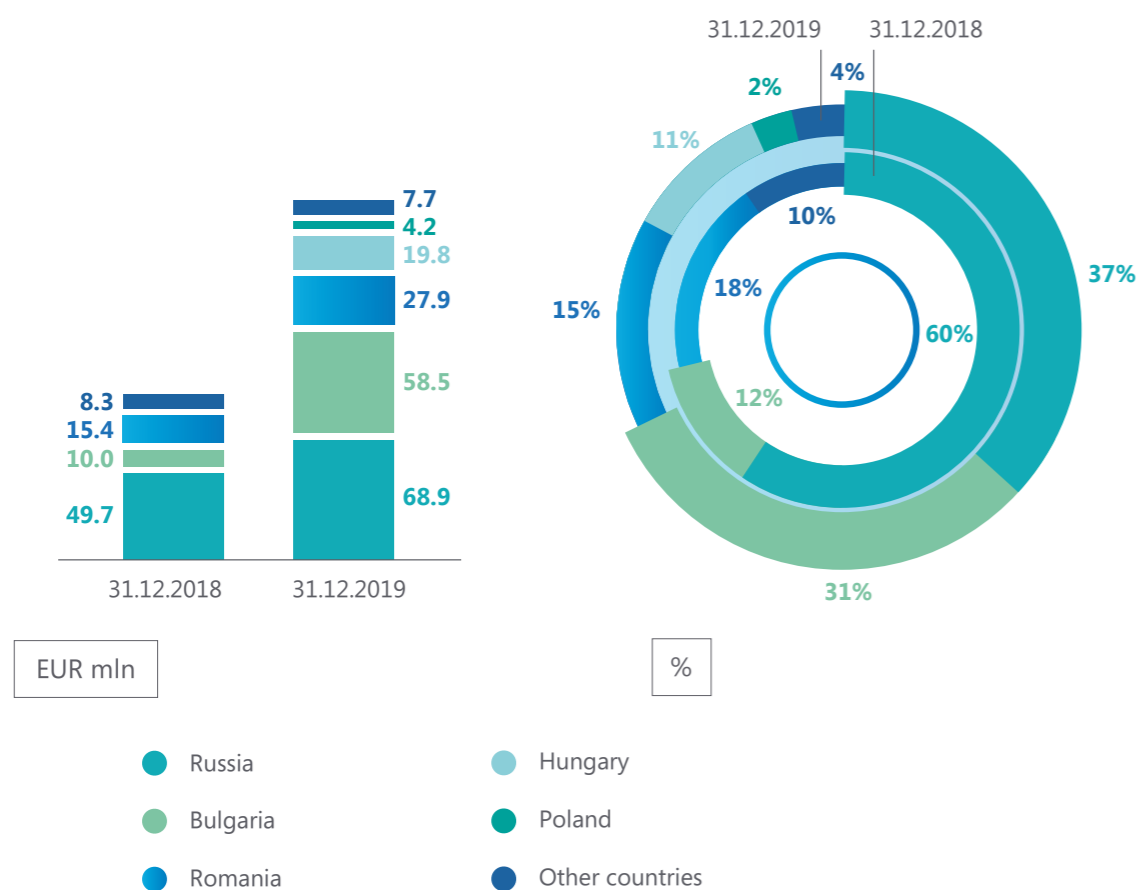
The volume of loans to banks as part of trade finance transactions (to EUR 77.3 mln) and loans to corporate clients (to EUR 187.1 mln) more than doubled.

The loan and investment securities portfolio reached EUR 29.6 mln, having increased 3 times compared to the beginning of the year.

LOANS TO CORPORATE CLIENTS HAVE THE LARGEST SHARE IN THE BANK'S PORTFOLIO (61%)

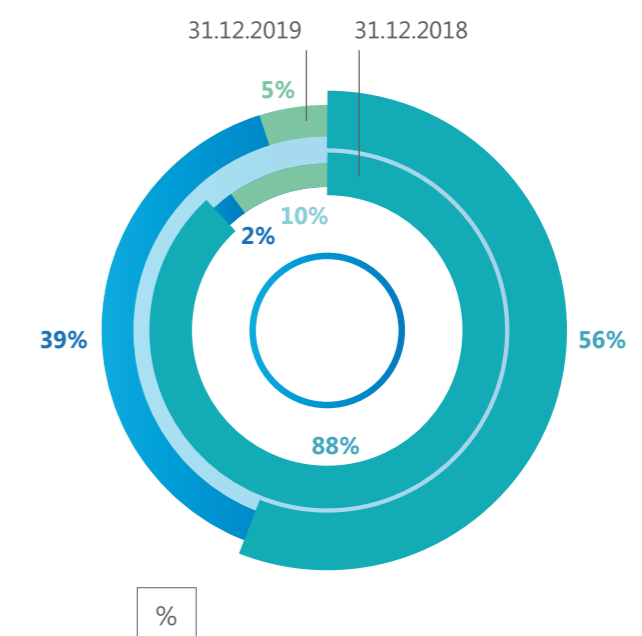
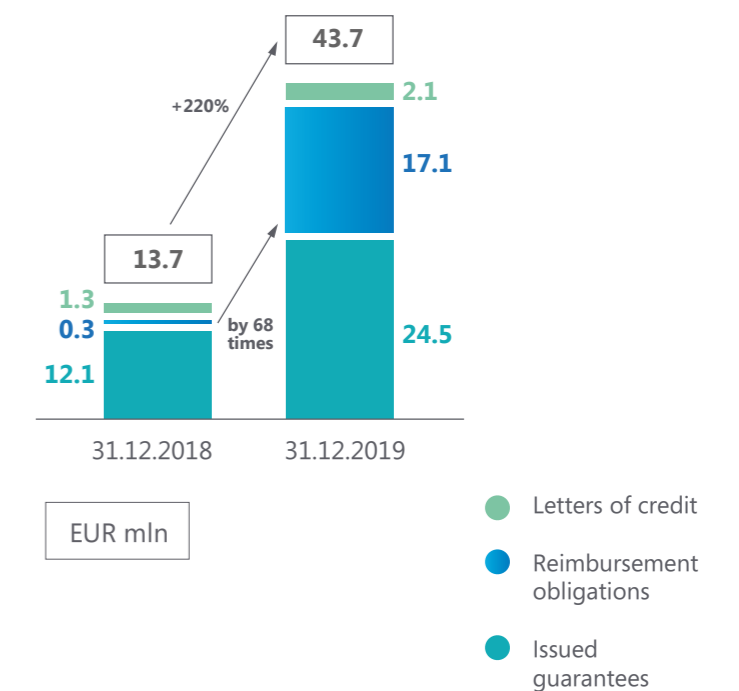
Their geographic diversification improved: among borrowers there are companies from 4 out of 8 member countries, as well as borrowers from third countries, loans to which are provided within the scope of projects implemented with counterparties from IBEC member states. This contributes to the expansion of export-import operations of companies from the Bank's member countries, and their entry into new markets.

COUNTRY STRUCTURE OF CORPORATE LOANS



In the reporting period, IBEC increased its documentary portfolio by more than three times to EUR 43.7 mln, primarily due to the increase in the volume of issued reimbursement obligations and guarantees.

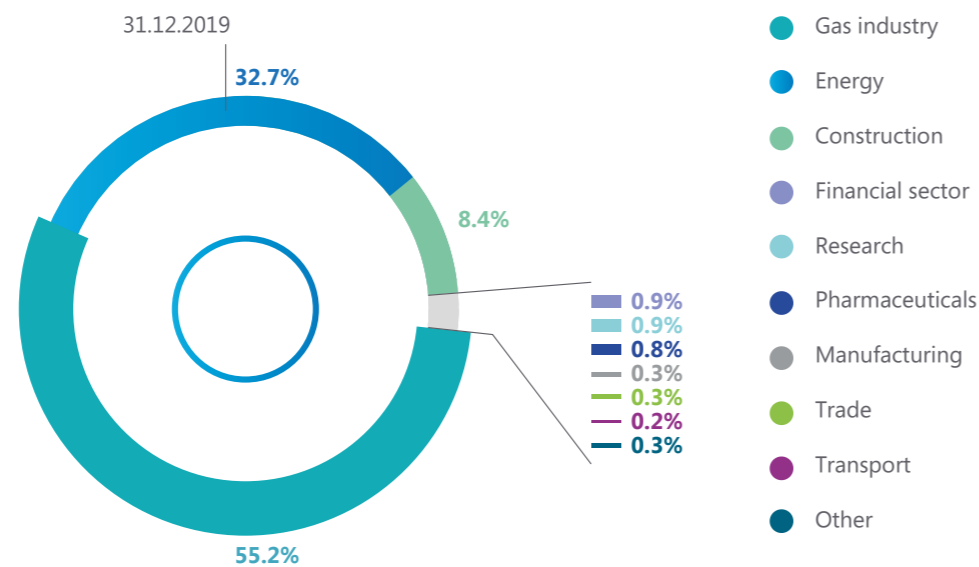
DOCUMENTARY PORTFOLIO





SETTLEMENT SERVICES

DISTRIBUTION OF FUNDS OF CLIENTS (ENTITIES) BY SECTORS OF ECONOMY

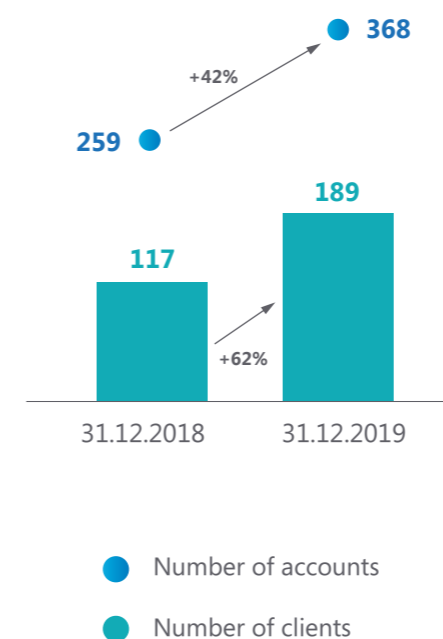


PROVISION OF SETTLEMENT AND CASH SERVICES TO NON-BANKING ENTITIES IS A UNIQUE SPECIALIZATION OF IBEC, DISTINGUISHING IT FROM OTHER INTERNATIONAL DEVELOPMENT BANKS

- THE COUNTRY DIVERSIFICATION WAS IMPROVED – THE BANK PROVIDES SETTLEMENT SERVICES TO COMPANIES FROM 7 OUT OF 8 IBEC MEMBER STATES.

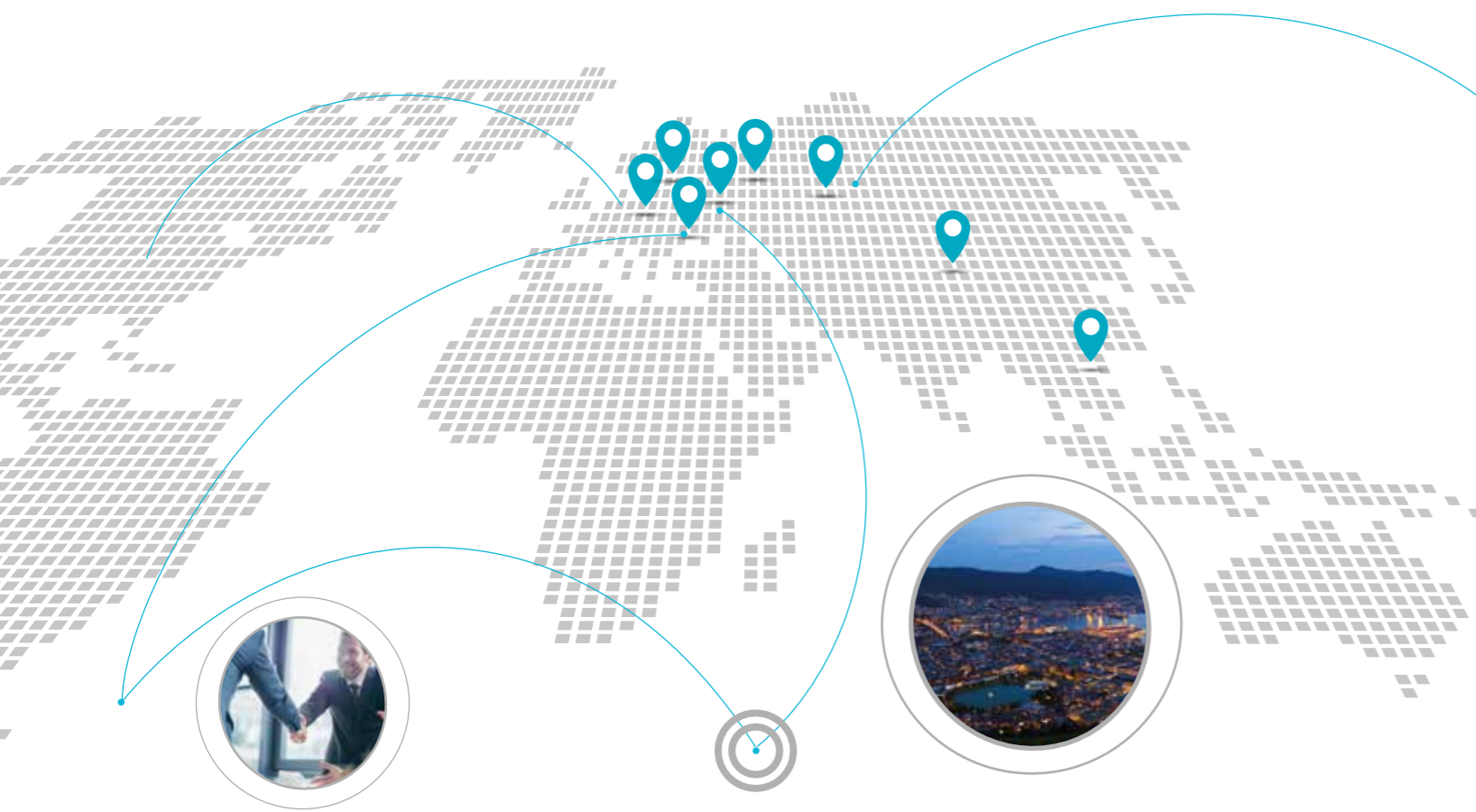
IN 2019, THE NUMBER OF CLIENTS AND ACCOUNTS INCREASED BY 62% AND 42%, RESPECTIVELY

NUMBER OF CLIENTS – NON-BANKING ORGANIZATIONS





KEY PROJECTS



BULGARIA

A syndicated (club) loan to a Bulgarian company Bulgartransgaz EAD amounting to EUR **50** mln for financing of costs associated with the implementation of the **Balkan Stream** project, which has a strategic importance for the Eastern European member countries of the Bank: Bulgaria, Romania, Slovakia.

VIETNAM

Financing in the amount of USD **13.5** mln (equivalent of EUR 12 mln) was provided under the letters of credit (UPAS) to the Vietnamese bank Saigon-Hanoi Commercial Joint Stock Bank (SHB). The money was aimed at supporting import of **agricultural products** to Vietnam.

MONGOLIA

For the first time, IBEC acted as a reimbursing bank under a letter of credit from Golomt Bank. The transactions totalling EUR **1.4** mln (the equivalent) are aimed at procurement of **automotive components** from Japan and food products from Poland.

RUSSIA

Provision of a loan in the total amount of RUB **600** mln (equivalent of EUR 8.4 mln) to finance reconstruction of the passenger terminal of the **Ufa International Airport** – a major investment project in the transportation industry.

An advance payment guarantee by order of MetPromStroy LLC in the amount of EUR 11.7 mln (equivalent) for up to 9 months for execution of the contract for modernization of one of the largest **metallurgical enterprises** in Russia.

The Bank also executed the first transactions to finance international factoring: IBEC provided financing to the National Factoring Company bank forexport factoring transactions under contracts for supply of Russian **metallurgical products** to Poland and Lithuania.

ROMANIA

IBEC took part in the syndicated loan to Profi Rom Food S.R.L. (PROFI), a Romanian company. The participation amount was about RON **24** mln (the equivalent of EUR 5.1 mln). PROFI is the largest food and household goods **retail chain** in Romania.

IBEC expanded cooperation with the largest Romanian **telecommunications company** RCS&RDS S.A. The Bank financed supply of equipment, materials, work and services within the Supply Chain Finance solution of Citi Group. The funds were provided in the national currency in the amount of approximately EUR **7.4** mln (equivalent).

POLAND

The Bank provided the first disbursements under the direct loan granted to Laude Smart Intermodal, a Polish corporate client, to support innovative and environmentally friendly development of the European **transport infrastructure** in the amount of EUR **4.2** mln. The total limit approved for Laude Smart Intermodal S.A. is EUR **15.2** mln.

The first documentary transaction was executed at the request of a Polish corporate client –IBEC supports advanced research and development, participating in implementation of a unique **international scientific project NICA** (Nuclotron based Ion Collider Facility) in the Joint Institute for Nuclear Research in Dubna (Russia). IBEC issued an advance payment guarantee in the amount of EUR **1.6** mln for implementation of a contract for supply of unique equipment by Frako Term, a Polish company.

NON-MEMBER STATES

A loan in the amount of EUR **20** mln was issued to finance/refinance investment costs of Alvogen, a major Hungarian pharmaceutical group operating on the markets of **Romania, Poland, Bulgaria and Russia**.

Financing of trade contracts between **Uzbekistan, Poland, Romania, Slovakia and the Czech Republic** under a syndicated loan for Agrobank (Uzbekistan). IBEC participation amount was EUR **5** mln.

Trade contracts between the republic of **Belarus, Poland, Slovakia and the Czech Republic** were financed under a syndicated loan to Belagroprombank. The total amount of IBEC participation in the syndicate was EUR **9** mln.

In **2019**, the transaction with the Development Bank of the Republic of **Belarus** for the amount of EUR **15** mln approved by the Bank Council with a tenor of up to **3** years for support of non-commodity export (supply of wood processing products) to **Poland** was implemented.

IBEC issued reimbursement obligations under letters of credit of Belarusian JSSB Belarusbank in the total amount of EUR **15.4** mln. The performing and confirming bank for the letters of credit is German Commerzbank AG. The letters of credit provide for deliveries, subsequent installation and after-sales service by a Polish exporter of industrial equipment for Belarusian food industry companies.

First transactions were executed with the participation of an Armenian bank (the total volume is EUR **4.1** mln): a new partner, Ardshinbank, is among the top **3** leading national financial institutions of Armenia. IBEC provided Ardshinbank with pre-export financing to support export of fruit and vegetable products to Russia, as well as financing under a foreign trade contract for the supply of consumer goods from **Russia to Armenia**.





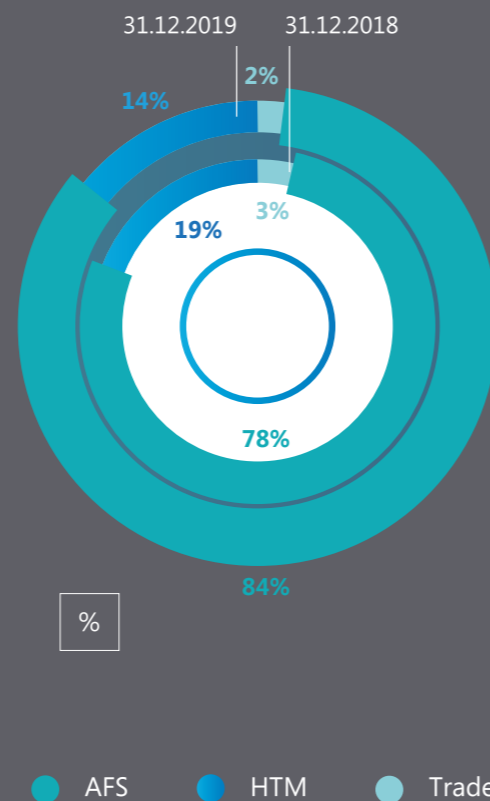
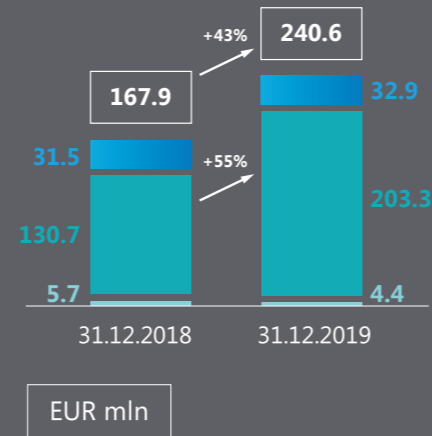
 **FINANCIAL MARKET
ACTIVITIES**

THE SECURITIES PORTFOLIO STRUCTURE

IBEC IS A PROMINENT INVESTOR IN EUROBOND MARKETS OF THE BANK MEMBER COUNTRIES

The bond portfolio is managed using several management models and includes both treasury and development assets. Development assets are represented by bonds of issuers from the Czech Republic, Bulgaria, Mongolia, Romania, and Russia. The treasury portion of the portfolio includes assets of both the liquidity buffer and the strategic liquidity reserve.

In 2019, IBEC took part in 45 primary bond placements, inter alia, implementing the objectives relating to support of the SME segment, the Bank acted as a co-organizer and investor in the transaction executed for securitization of the SME Bank loan portfolio and an underwriter of the bond issue of BT Leasing (Romania). Having invested in the Center-invest Bank bonds, IBEC supported the first ever issue of green bonds on the Russian equity market.



AFS – securities measured at fair value through other comprehensive income.

HTM – securities measured at amortized cost (excluding the loan and investment securities portfolio).

Trade – securities measured at fair value through profit or loss.

THE SECURITIES PORTFOLIO⁶ OF THE BANK INCREASED BY 43% DURING THE YEAR AND AMOUNTED TO EUR 240.6 mln

As of the end of 2019, 69% of securities in the Bank's portfolio had an investment grade credit rating assigned by Fitch Ratings.

In the currency markets, the Bank executes interbank lending, repo, spot and forward conversion transactions, FX, interest rate and cross-currency swaps with a wide range of counterparties. In 2019, new counterparties appeared on the interbank markets of Bulgaria, Romania, Belarus and Russia.

The volume of transactions executed for placements in term deposits with credit institutions increased by 38% and at the end of 2019 amounted to EUR 19.7 mln, of which 80% was placed with the banks of the IBEC member states.

The Bank executes FX operations at the request of clients, satisfying their need for settlements in key world currencies and in the currencies of the IBEC member countries. The Bank network of correspondent accounts includes the central banks of Germany and Russia (for settlements in euro and Russian rubles), as well as major commercial banks in the member countries.

⁶ Hereinafter, the Securities Portfolio does not include the volume of securities attributable to the IBEC loan and investment portfolio, the concept of which is given in Section "Lending Activities".



 **FUNDING
BASE**

EQUITY

- THE BANK MAINTAINS THE VOLUME OF BORROWINGS STRICTLY IN ACCORDANCE WITH THE BUSINESS DEVELOPMENT TRENDS, PAYING A PARTICULAR ATTENTION TO SUSTAINABILITY OF THE FUNDING SOURCES AND THE ADEQUACY OF THEIR DURATION TO THE ACTIVE OPERATIONS TENORS.

THE EQUITY (CAPITAL) CONSTITUTES A SIGNIFICANT SHARE IN THE IBEC RESOURCE BASE (48%)

The 2019 capital growth by 5% to EUR **313.2** mln occurred primarily due to the profit of the reporting period (EUR **6.6** mln) and increase in the revaluation reserve for securities measured at fair value through other comprehensive income (+EUR 7.3 mln).

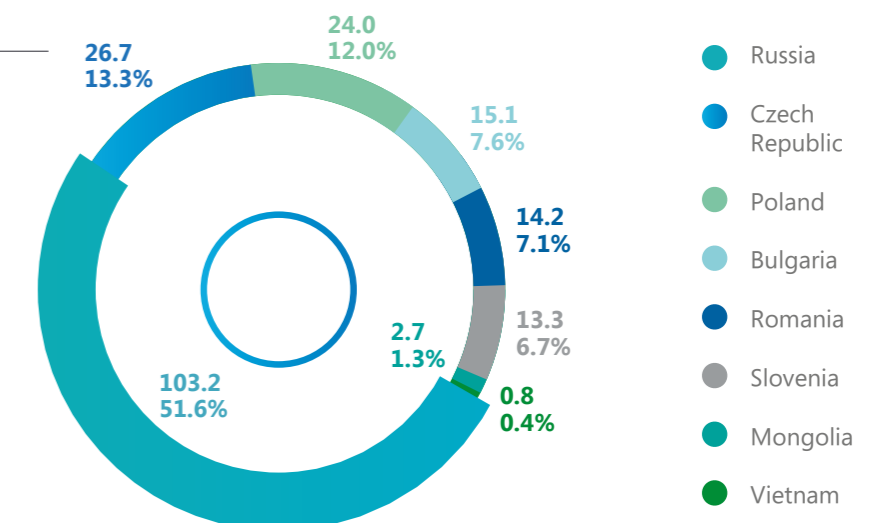
A SIGNIFICANT SHARE (64%) OF THE BANK'S EQUITY IS CONSTITUTED BY THE AUTHORIZED CAPITAL (EUR **200** MLN).

	31.12.2018			31.12.2019		
	FITCH	S&P	MOODY'S	FITCH	S&P	MOODY'S
CZECH REPUBLIC	AA-	AA-	A1	AA-	AA-	▲Aa3
SLOVAKIA	A+	A+	A2	A+	A+	A2
POLAND	A-	A-	A2	A-	A-	A2
BULGARIA	BBB	BBB-	Baa2	BBB	▲BBB	Baa2
RUSSIA	BBB-	BBB-	Ba1	▲BBB	BBB-	▲Baa3
ROMANIA	BBB-	BBB-	Baa3	BBB-	BBB-	Baa3
VIETNAM	BB	BB-	Ba3	BB	▲BB	Ba3
MONGOLIA	B	B	B3	B	B	B3
Weighted average rating of member countries	BBB+	BBB+	Baa2	BBB+	BBB+	▲Baa1

▲ In 2019, the sovereign ratings of 4 out of 8 IBEC member states were upgraded; the average weighted rating (Moody's) was upgraded from Baa2 to Baa1, which, inter alia, contributed to strengthening the Bank's reliability of and increasing trust on the part of international credit institutions.

THE IBEC PAID-IN CAPITAL STRUCTURE

EUR mln
on 31.12.2019



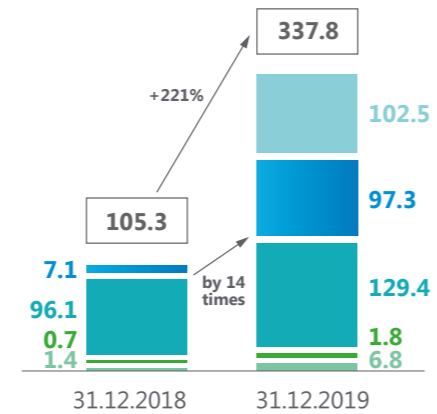
BORROWINGS

DUE TO THE DYNAMIC BUSINESS EXPANSION,

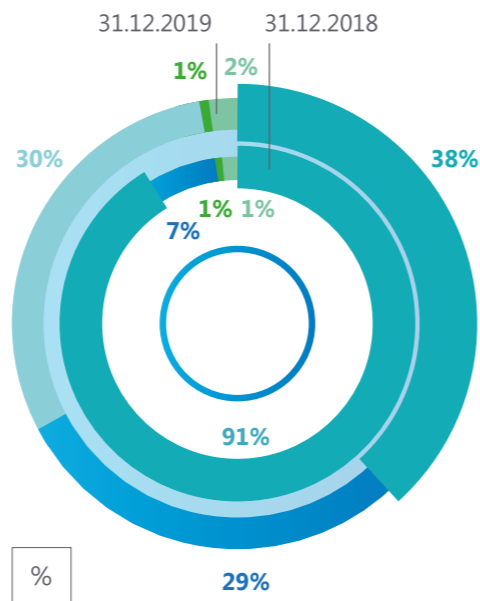
THE VOLUME OF THE LIABILITIES INCREASED SIGNIFICANTLY, FROM EUR 105.3 mln TO EUR 337.8 mln

PRIMARILY DUE TO VALUE-BASED FUNDING GROWTH.

BANK LIABILITIES

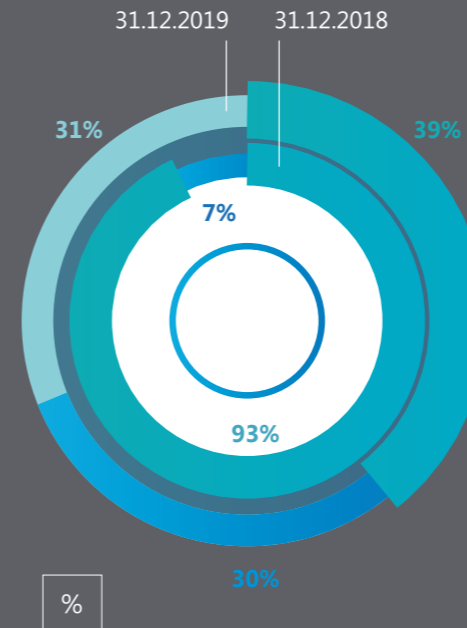


EUR mln

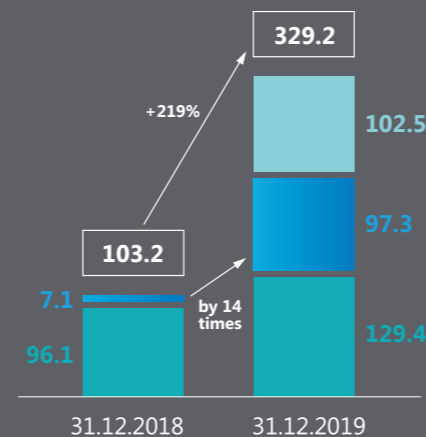


- Issued debt securities
- Amounts due to clients
- Amounts due to credit institutions
- Other financial obligations
- Other liabilities

DEBT FINANCING STRUCTURE



%



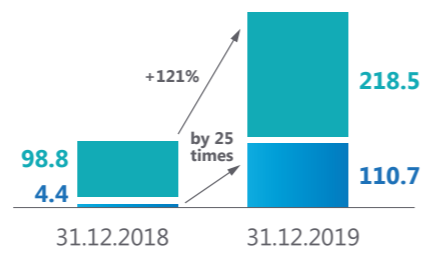
EUR mln

- Issued debt securities
- Amounts due to clients
- Amounts due to credit institutions

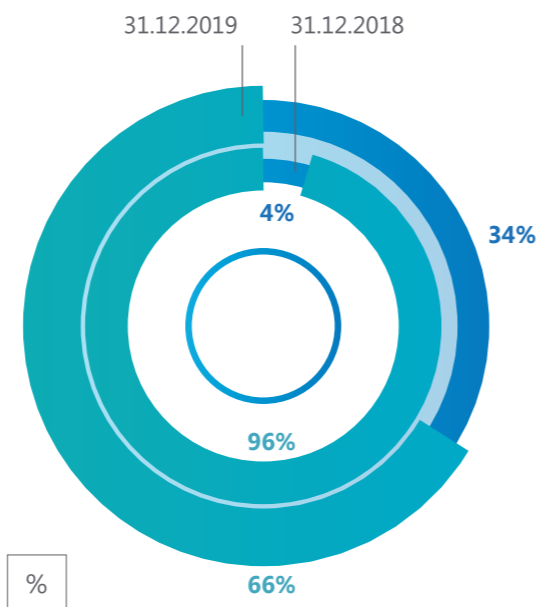
The volume of debt financing more than tripled and comprised EUR 329.2 mln, mainly due to attracting customer funds and issuing debt securities: IBEC placed its debut issue of exchange-traded bonds on Public Joint-Stock Company Moscow Exchange MICEX-RTS in the amount of RUB 7 bln (EUR 98,266 thousand) with a maturity period of 10 years, a 3-year offer.

In 2019, the structure of borrowing sources changed significantly, becoming more diversified: the share of amounts due to credit institutions decreased from 93% to 39%, and the share of amounts due to clients increased by 23 p.p. and amounted to 30%.

DEBT FINANCING STRUCTURE BY TENOR



EUR mln



%

- Short-term borrowing
- Long-term borrowing

At the same time, the structure of debt financing was optimized in terms of tenors: the share of long-term financing (above one year) increased from 4% to 34% due to the long-term borrowings from credit institutions (the Bank took a bilateral loan from Raiffeisen Bank International AG in the amount of EUR **10** mln for two years) and a bond issue.

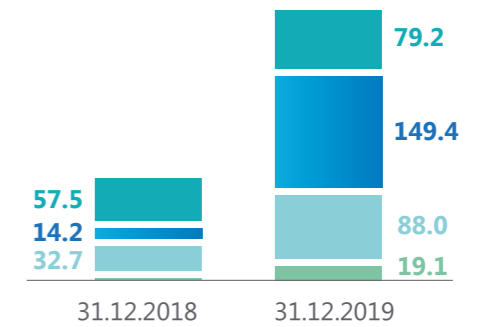
The increase in the share of long-term borrowings in the total volume of debt financing had a positive effect on the NSFR (an increase from 120% to 124% in the reporting period).



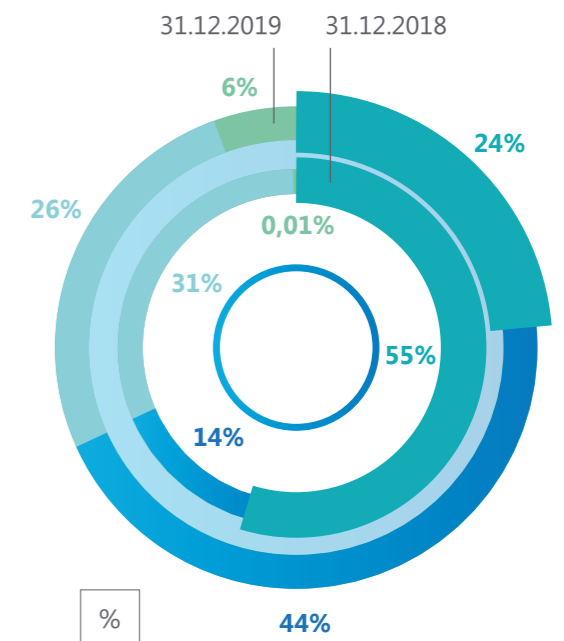
The currency structure of the Bank's financial liabilities changed in accordance with the currency structure of financial assets. There was a transition from a prevalence of the US Dollar to a more diversified structure: the largest share (44%) belongs to the Russian ruble (mainly due to the ruble securities issue), the US Dollar and the euro account for 24% and 26%, respectively.

- FOR FUNDING PURPOSES, FX AND INTEREST RATE SWAP TRANSACTIONS ARE USED TO HEDGE THE CURRENCY AND INTEREST RISK. THE INSTRUMENTS ARE SELECTED BASED ON THE ECONOMIC EFFICIENCY OF THE CURRENCY POSITION.

CURRENCY STRUCTURE OF FINANCIAL LIABILITIES⁷



EUR mln



%

- USD
- Russian ruble
- EUR
- Other

⁷ Excluding derivative financial instruments.

RISK MANAGEMENT

The Bank's risk management policy is based on the principle of reasonable conservatism, which implies refusal from transactions with a very high or uncertain risk level, regardless of their profitability.

The Bank implements risk management during the continuous process of identification, assessment, monitoring and control, including through the establishment of risk limits and other internal control measures.



THE RISK
MANAGEMENT
PROCESS IS ESSENTIAL
TO MAINTAINING
A STABLE BUSINESS

- TO IMPROVE THE RISK MANAGEMENT
- FRAMEWORK IN ACCORDANCE WITH
- THE BEST WORLD PRACTICES, LAST YEAR:

the IBEC Council approved the updated Risk Management Policy and the Risk Management Strategy;

risk appetite indicators were developed and approved, and guidance values were set for 2020;

the procedure for preparation of the opinions on the assessment of the Bank's counterparties was amended with the aim to optimize the processes and to deepen the analysis;

the development of internal models for assessing the creditworthiness of counterparty banks was completed. The models were subjected to testing and independent validation during the year;

a comprehensive upgrade of the limit system was performed, approaches to the limit calculation and limit utilization control were changed.



COMPLIANCE CONTROL AND INTERNAL AUDIT

AUDIT

The internal audit system aims to minimize the probability of events negatively affecting the effective management of the Bank's financial resources, ensuring the safety of assets and maintaining risks at a level that does not threaten the interests of the member countries and clients of the Bank.



COMPLIANCE CONTROL

As part of the process of internal transformation and development of the IBEC infrastructure, the analysis of compliance risks was brought to a qualitatively new level.

Formation of the first line of compliance defence was completed.

Screening of borrowers, potential clients, including in trade financing transactions, contractors and tenants is carried out on a continuous basis.



IT INFRASTRUCTURE

IN 2019, THE PROCESS OF TECHNOLOGICAL TRANSFORMATION CONTINUED:

active work was carried out to implement the first stage of the new ABS: the IT specialists were trained in setting up and administering the ABS, a software and hardware solution for access to the ABS was purchased and implemented, the new system operation was tested;

activities were implemented to ensure reliability of the Bank's information systems;

works were carried out to create a new IBEC website (a tender was held and a contract with the provider was signed). The project completion is expected in 2020;

preparations for the implementation of a customer relationships management (CRM) system and a new version of the electronic document management system (EDMS) started. The projects are scheduled to be completed in 2020;

the supplier of equipment and the contractor for the implementation of the Bank's network infrastructure modernization project were selected.



PERSONNEL MANAGEMENT AND ORGANIZATIONAL STRUCTURE

IN 2019, THE KEY PERSONNEL REGULATIONS
OF THE BANK WERE APPROVED:

the Human resources policy,

the Rules of Labour Conditions for the IBEC
Employees,

the Regulations on Social Guarantees
for the IBEC Employees,

the IBEC Regulation on Recruitment.



- ON APRIL 1, 2019, THE NEW ORGANIZATIONAL STRUCTURE,
- CORRESPONDING TO THE STRATEGIC DEVELOPMENT
- GOALS AND APPROVED BY THE IBEC COUNCIL,
- CAME INTO EFFECT.

IN THE PAST YEAR,
THE BANK INTRODUCED
THE PRINCIPLES
OF PERSONNEL
SELECTION BASED
ON INTERNATIONAL
COMPETITION.

THE BANK ACTIVELY IMPLEMENTS ACTIVITIES TO ENHANCE
PROFESSIONAL SKILLS OF THE EMPLOYEES:

13 advanced training programs were arranged;

a corporate program for the English language teaching
was introduced.



CONTACT INFORMATION



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