

## ACRA AFFIRMS A- TO INTERNATIONAL BANK FOR ECONOMIC CO-OPERATION, OUTLOOK STABLE, UNDER THE INTERNATIONAL SCALE, AAA(RU), OUTLOOK STABLE, UNDER THE NATIONAL SCALE FOR THE RUSSIAN FEDERATION, AND AAA(RU) TO BOND ISSUE

**BATCHULUUN LKHAGVAA**

Director, Financial Institutions Ratings Group

+7 (495) 139-0480, ext. 135

batchuluun.lkhagvaa@acra-ratings.ru

**ZHANNUR ASHIGALI**

Associate Director, Sovereign Ratings and Macroeconomic Analysis Group

+7 (495) 139-0302

zhannur.ashigali@acra-ratings.ru

The credit rating of [International Bank for Economic Co-operation](#) (hereinafter, IBEC, or the Bank) is driven by its strong intrinsic financial strengths that stem from strong capital adequacy, a satisfactory risk profile, adequate liquidity and funding, as well as moderately strong shareholder and structure support.

Headquartered in Moscow, IBEC is an International Financial Institution (IFI)/supranational development bank founded in 1963 with a mandate to facilitate international trade, economic development, and collaboration among its member states and the rest of the world. As of end-June 2021, the member states of IBEC were the Russian Federation (51.6%), the Czech Republic (13.3%), the Republic of Poland (12%), the Republic of Bulgaria (7.6%), Romania (7.1%), the Slovak Republic (6.7%), Mongolia (1.3%), and the Socialist Republic of Vietnam (0.4%).

Historically, the Bank has taken part in key multilateral initiatives aimed at fulfilling its mandate, including the implementation of a collective currency and payment platform among the member states, then known as COMECON/CEMA (Council for Mutual Economic Assistance), which included its current and former member states — GDR (East Germany, now defunct), Hungary, and Cuba.

After several years of reduced activities following the dissolution of the Soviet Union in the early 1990s, the member states of the Bank reaffirmed their commitment and decided to reform and relaunch the Bank in 2018, reinforcing its original mandate.

### KEY ASSESSMENT FACTORS

**The Bank's management quality, strategy, and operational transparency are adequate.** A key aspect of the Bank's relaunch in 2018 was the introduction of an experienced international management team and a general HR overhaul aimed at attracting top talent to the Bank. Since its relaunch, IBEC has made significant changes to its governance framework and personnel, which introduced new key mechanisms such as a transition from a country quota-based employment system to international competition, as well as a set of other management and governance practices.

**IBEC's capital adequacy position is strong.** IBEC's capital levels remain substantial and enable the Bank to withstand potential material deterioration in asset quality that may be caused by systemic events such as the ongoing COVID-19 pandemic. Paid-in capital stood at EUR 200 mln as of end-June 2021, while authorized capital stood at EUR 400 mln. However, the Bank has yet to implement a callable capital mechanism. By Basel terms, the Tier 1 capital ratio stood at 40.74% as of the same period. Return on equity stood at 1.8% at end-June, 2021, as calculated by ACRA.

**ACRA assesses IBEC's asset risk profile as satisfactory.** IBEC's total assets grew by more than 3% to EUR 762 mln as of end-June 2021, from EUR 739 mln as of end-June 2020. The credit portfolio amounted to around 51% of total assets as of end-June 2021, with about two-thirds being loans to customers and a substantial part of it being either secured by corporate, state or other guarantees. The Bank has been maintaining its focus on trade financing which is considered as one of its main activities, which stood at EUR 80 mln as of end-June 2021 (3% more compared to the same period a year ago). At its relaunch, the Bank's legacy non-performing assets of EUR 39 mln were fully written off. A portion of the Bank's current outstanding credit is exposed to assets with low creditworthiness — as of end-June 2021, the bank reported EUR 7.7 mln of Stage 3 assets. However, ACRA notes the full sovereign guarantee from a major shareholder, specifically covering this set of assets. The Bank continues to build its portfolios and implement robust industry standard risk management measures focused on ensuring the stable availability of the liquidity and material buffer, maintaining strict underwriting criteria for credit, and diligent treasury operations.

**IBEC's liquidity and funding position is adequate.** IBEC's liabilities are moderately diversified in terms of funding sources (the Herfindahl–Hirschman Diversity score by type stands at 31%). IBEC has aggregate long-term financing, which stood at EUR 223 mln (29% of total funding including capital) as of end-June 2021. IBEC's net stable funding ratio (NSFR) and liquidity coverage ratio (LCR) stood at 127% and 408%, respectively, at end-June 2021. IBEC issued its first placement in the Russian market in 2019 for a volume of RUB 7 bln with a tenure of ten years which was followed by another ten-year RUB 5 bln placement at the end of H1 2020 and during the same period the Bank also received a long-term tied loan (for infrastructure projects) of EUR 41 mln. In 2021, IBEC further extended its credit history as it tapped another member state market for the first time by placing BGN 68 mln in Bulgaria in June 2021.

**ACRA assesses support from shareholder countries as moderately strong.** This assessment is supported by two elements: ACRA's view that the importance of IBEC's operations for shareholder countries is generally high and the moderately strong creditworthiness assessment of shareholder countries on an aggregate basis. However, the level of support from shareholder countries does not limit the SCA of the Bank, which drives the final rating.

Underlining the Bank's systemic importance, IBEC has co-founded the International Fund for Technological Development, alongside Russia, its majority shareholder. The Bank also acts as a trustee holder of the assets and financial agent of this fund, which supports technological development and adaptation through soft loans in the member states of IBEC.

IBEC's credit rating is AAA(RU), outlook Stable, under the national scale for the Russian Federation as per the [Methodology for Mapping Credit Ratings Assigned under ACRA's International Scale to Credit Ratings Assigned under ACRA's National Scale for the Russian Federation](#).

## KEY ASSUMPTIONS

- Maintaining member state creditworthiness, as well as IBEC's systemic importance to the member states;
- Maintaining the current strategy and business model within the 12 to 18-month horizon;

- Maintaining the capital adequacy ratio well above 25%;
- Continued refinement of governance and risk management policies.

## POTENTIAL OUTLOOK OR RATING CHANGE FACTORS UNDER THE INTERNATIONAL SCALE

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

### A positive rating action may be prompted by:

- Notable and sustained improvement in asset risk profile.

### A negative rating action may be prompted by:

- Deterioration in capital adequacy;
- Increase in impaired assets;
- Deterioration in liquidity and funding position.

## POTENTIAL OUTLOOK OR RATING CHANGE FACTORS UNDER THE NATIONAL SCALE FOR THE RUSSIAN FEDERATION

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

### A negative rating action may be prompted by:

- Decrease in IBEC's credit rating under the international scale.

## RATING COMPONENTS

SCA: **a-**.

Adjustments: **none**.

## ISSUE RATINGS

[International Bank for Economic Co-operation exchange-traded bond Series 001P-02 \(RU000A101RJ7\)](#), maturity date: June 3, 2030, issue volume: RUB 5 bln — AAA(RU).

## REGULATORY DISCLOSURE

The credit rating has been assigned to International Bank for Economic Co-operation under the international scale based on the [Methodology for Assigning Credit Ratings on the International Scale to International Financial Institutions and Other Supranational Development Institutions](#). The credit rating has been assigned to International Bank for Economic Co-operation and the bond issued by International Bank for Economic Co-operation (RU000A101RJ7) under the national scale for the Russian Federation based on the [Methodology for Mapping Credit Ratings Assigned under ACRA's International Scale to Credit Ratings Assigned under ACRA's National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#). The [Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments on the National Scale for the Russian Federation](#) was also applied to assign the credit rating to the above issue.

Credit ratings of International Bank for Economic Co-operation under the international scale and the national scale for the Russian Federation were published by ACRA for the first time on May 18, 2020. The credit rating assigned under the national scale for the Russian Federation to the bond issued by International Bank for Economic Co-operation (RU000A101RJ7) was published by ACRA for the first time on June 15, 2020. The credit ratings and credit rating outlooks for International Bank for Economic Co-operation, as well as the credit rating of the bond issue listed above, are expected to be revised within 182 days following the publication date of this press release as per the [Calendar of sovereign credit rating revisions and publications](#).

The credit ratings are based on data provided by International Bank for Economic Co-operation, information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the IFRS financial statements of International Bank for Economic Co-operation. The credit ratings are solicited, and International Bank for Economic Co-operation participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which was, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

Disclosure of deviations from approved methodologies: the indicators used to assess the concentration of credit risks were calculated with a deviation from the [Methodology for Assigning Credit Ratings on the International Scale to International Financial Institutions and Other Supranational Development Institutions](#). For the purposes of the calculation, aggregate capital was used, as it allows the risks of concentration of the rated entity to be adequately assessed.

ACRA provided no additional services to International Bank for Economic Co-operation. No conflicts of interest were discovered in the course of the credit rating assignment.

(C) 2021

Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)  
75, Sadovnicheskaya embankment, Moscow, Russia  
[www.acra-ratings.com](http://www.acra-ratings.com)

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bln. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website – [www.acra-ratings.com/criteria](http://www.acra-ratings.com/criteria).

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website – [www.acra-ratings.com](http://www.acra-ratings.com). Information is provided on an "as is" basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on Information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by legislation of the Russian Federation.