



IBEC

INTERNATIONAL BANK
FOR ECONOMIC CO-OPERATION

IBEC

STRATEGY

for 2024–2026

Ulaanbaatar
2024



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Assumptions of the new IBEC strategy

Results of the current Development Strategy 2021–2025 implementation

IBEC Development Strategy for 2021–2025, approved at the 135th Council meeting, reflected the Bank’s ambitious plans to grow for stability based on the Bank’s successful transformation that began in 2018 and that led to a significant growth in core activities and increased performance efficiency. The commitment to growth involved a balanced increase in business in all eight of the Bank’s member countries, which would allow IBEC to reach a new activity scale with EUR 1 billion in total assets in 2025.

Despite the business conditions during the pandemic and the drop in economic activity, from 2021 to early 2022, the Bank managed to lay the required foundation for implementing the strategic tasks and benchmarks by the middle of the strategic cycle:

» In 2021, IBEC Loan & Documentary Portfolio (gross) increased by 25% and exceeded EUR 0.5 billion for the first time in the Bank’s history, and all IBEC member countries were represented in the loan portfolio. Total assets reached almost EUR 0.8 billion.

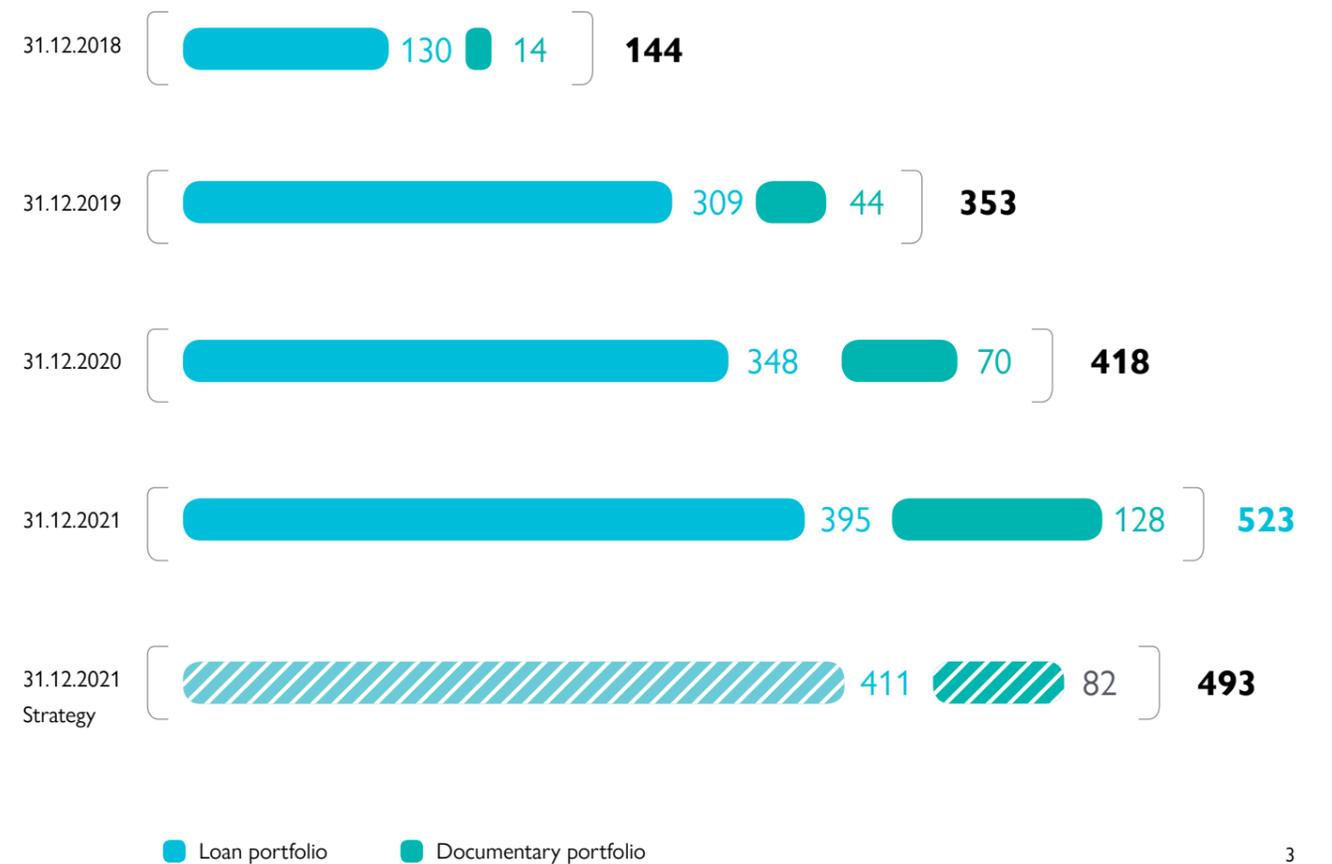
» The Bank successfully placed its debut bond issue on the European market (in Bulgaria) and became the first IFI based outside the European Union to issue bonds on the Bulgarian market in the national currency and in accordance with local legislation.

» Leading rating agencies highly appraised the Bank’s activities: in March 2021, Fitch Ratings raised IBEC long-term rating by one notch to BBB, while Moody’s changed the outlook on IBEC rating from Stable to Positive and confirmed the long-term rating of Baa3.

» In November 2021, the Bank was awarded the “Best Eastern European Bank in Trade Finance 2021” by the British media portal Global Banking & Finance Review, which proved that IBEC trade finance operations have contributed to the integration and development of trade relations between the Bank’s member countries.

The geopolitical events of 2022 led to a radical change in the Bank’s operating environment, which required the development of a new, medium-term Strategy for 2024-2026.

Figure 1. Loan & Documentary Portfolio dynamics (EUR million)





Key aspects of the IBEC Strategy for 2024–2026

Basic principles of the new Strategy

This Strategy is based on the following principles which serve as fundamental guidelines for the IBEC activities in the strategic period 2024–2026:



Basic principle 1.

“Aiming at maintaining the status of a supranational international development financial institution, mitigating the risk of restrictive measures applied against the Bank by strictly monitoring and complying with requirements and ensuring transparency of operations, providing a unique product line and expertise in the field of trade finance, serving to the all member countries interests.”

The Bank’s existence as an international development institution is directly related to the Bank’s strict compliance with the requirements of sanctions compliance.



Basic principle 4.

“Financial stability of the Bank. Achievement of breakeven in the Bank’s operating activities and fulfilment of obligations to the countries that withdrew from IBEC.”

Operational break-even is the key to IBEC financial stability; it is necessary in order to fulfil its financial obligations to the withdrawn countries and preserve of its status as a reliable partner for existing and potential new shareholders.



Basic principle 2.

“Maintaining the continuity of the accumulated competencies of the IBEC in providing direct trade finance to the corporate sector and financial institutions. Improving product specialization for the effective development of trade and economic relations of member countries.”

IBEC competencies in direct trade finance set it apart from other development institutions, and their preservation and development are the foundation of IBEC value proposition to member countries.



Basic principle 5.

“Consistently creating prerequisites for attracting new shareholders through the development of the Bank’s business in priority regions, as well as through the modernization of statutory documents and the corporate governance system.”

The Bank’s high business activity in promising markets and the introduction of modern corporate governance practices are necessary prerequisites for new countries to join IBEC shareholders.



Basic principle 3.

“Determination of priority regions of IBEC presence in accordance with the national interests of member countries and the capabilities of the Bank.”

In its work to expand the geography of its activities, the Bank will be guided primarily by the trade interests of the member countries.



Basic principle 6.

“The new Strategy will take into consideration the necessity to adapt the Bank to the new reality and create preconditions for further sustainable growth. The implementation of the Strategy will be aimed at a consistent transition from stabilizing the Bank’s work in changed environment to developing the Bank’s specialization and business model.”

The Bank is focused on the long term and considers the implementation of this Strategy and achievement of its objectives set as the most important steps in preparing for further development.

Target strategic scenario

IBEC STRATEGY FOR 2024–2026 IS OF A TRANSITIONAL NATURE – ITS GOAL IS TO COMPLETE THE BANK’S ADAPTATION TO THE NEW OPERATING REALITY AND CREATE THE PREREQUISITES FOR FURTHER SUSTAINABLE GROWTH IN THE NEXT STRATEGIC CYCLE.

Considering the complexity of the tasks for developing activities in fundamentally new conditions and relying on the support of member countries, in the strategic period the Bank intends to implement the target strategic scenario, implying:

- » Active and systematic work of the Bank in the markets of all member countries
- » Development of infrastructure and resource base in member countries and the priority region of South and East Asia

The implementation of the target scenario will be determined by the Bank’s achievement of the following strategic goals:

- » Strengthening the Bank’s role in mutual trade and sustainable development of member countries
- » Development of the product line and partner network
- » Expansion of the resource base and reduction of its cost
- » Improvement of operational efficiency



The following factors will contribute to their achievement:



Implementation of the Bank’s individual value proposition for each member country



Diversification of funding sources



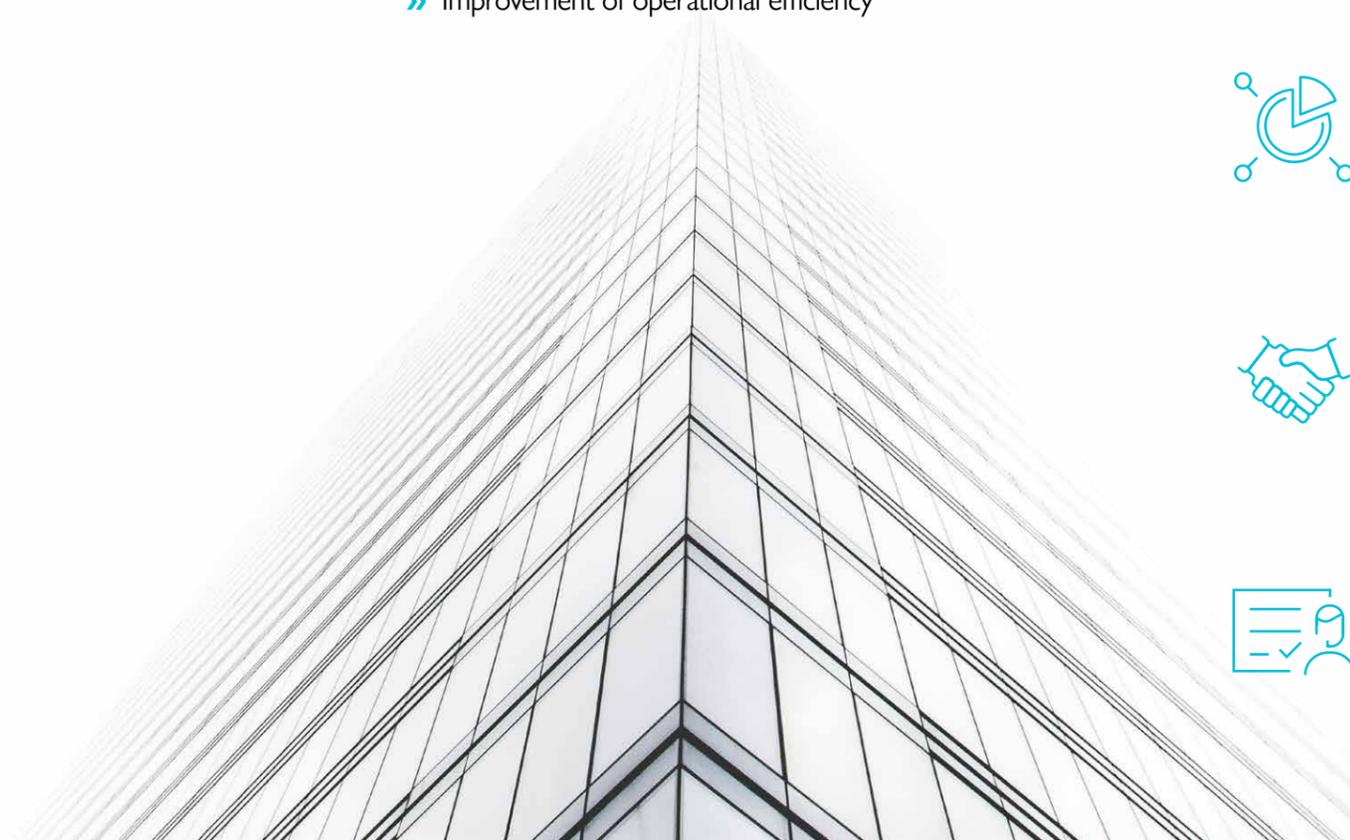
Work to enter promising markets in the priority region and beyond



Expanding partnerships with financial institutions, including national and international development institutions



Implementation of a set of measures to develop functional areas and increase the efficiency of operating activities



The external and internal environment

Main trends in the global economy and international trade

The negative shocks of the last four years — COVID-19, worsening geopolitical tensions — have generated a number of trends in the global economy and international trade that, to a greater or lesser extent, will determine the external conditions of IBEC activities in the strategic cycle 2024–2026.

General slowdown in economic growth rates

According to the IMF most recent data¹ the average global GDP growth rate in 2024–2026 is forecasted at 3.2%, which is lower than the 10-year historical average for 2010 to 2019 of 3.7% (3.5% if the recovery growth in 2010 following the 2009 crisis is excluded).

The impact of this factor on IBEC activity's is not obvious, but is expressed in a general decline in business activity in the member countries and a decrease in the growth rate of their trade.



Global trade slowdown, supply chain disruption

Weak global trade dynamics will persist in the medium term, despite the recovery in trade services. According to IMF forecasts, the average global trade growth rate for 2024–2026 will be 3.3% (2010–2019 average of 4.6%), with a growth rate of only 0.3% in 2023.

Weaker-than-expected global demand and logistical and settlement issues pose increased risks to the development of global trade. Increasing trade protectionism and fragmentation of trade links are leading to higher trade costs and slower trade growth. The vulnerability of global supply chains, which has become evident during the pandemic and geopolitical tensions, requires that manufacturers adopt new strategies based not on integration into the global market but on the formation of a diversified pool of local suppliers in nearshore markets.



In case of the continued fragmentation of global trading, investment and financial networks, a further transition to localised productions carrying out multi-currency settlements through various settlement services and systems is likely. Nevertheless, at the initial stage, the transition to settlements in national currencies will involve additional costs (wider conversion spreads compared to reserve currencies, the lack of a wide and accessible list of liquidity management instruments, regulatory barriers, etc.).

The positive factors that will affect global trade during the forecast period include some improvements in global trade logistics (e.g., normalisation of freight and shipping rates after the peaks of the pandemic) and the conclusion of new trade agreements between countries and regions.

This factor, despite the general restricting impact on the development of IBEC activities, opens new opportunities for the Bank to implement its tasks as a development institution, primarily, to restore and strengthen supply chains.



Persistent inflationary pressure

The large fiscal stimulus and loose monetary policy applied in the world's largest economies from the start of the pandemic injected a significant amount of liquidity into the economy. Although these measures helped support the global economy in the early stages of the crisis, they also led to a significant increase in inflation, which reached 4.7% in 2021, compared to an average of 3.5% in the previous decade. The situation was exacerbated by the geopolitical events of 2022, which lead to widespread increases in government spending, commodity and food prices and additional supply chain challenges. These factors helped push up average inflation to 6.8% in 2023.

The longer-term nature of increased inflationary pressure is driven by wage growth, including due to structural problems in the labour market and a significant level of debt in the economy.

¹ Data from the World Economic Outlook Database / April 2024 is used hereinafter.

The IMF forecasts a gradual decrease in average inflation to 3.7% in 2024–2026.

On the strategic horizon, inflation will affect the amount of IBEC administrative costs and capital expenditures.

 **End of the low interest rate period and reduced liquidity**

Tightening financial conditions to contain extremely high and persistent inflation could have medium- to long-term negative effects on market liquidity and financing costs. Contractionary monetary policy is expected to remain in place until there are clear signs of a decline in underlying inflation.

While central banks continue to shrink their balance sheets, market liquidity will decline. The period of “cheap” money can be considered over; rates for deposits and other funding sources are likely to remain elevated for the foreseeable future.

This factor generally slows the demand for lending and requires effective management of funding costs.

 **Increasing deglobalisation processes**

Ongoing geopolitical and geo-economic tensions and the risks of conflict escalation have a destabilising effect on the global economy, increase uncertainty and volatility, lead to increased economic fragmentation and the subsequent introduction of additional restrictions on international payments and the cross-border capital and labour flows.

The short-term costs of such fragmentation are particularly high, as reorientation and substitution of cross-border flows will take time.

The precedent of imposing large-scale financial sanctions against Russia, which significantly changed the global trade and economic landscape may result in medium- and long-term changes in the structure of foreign exchange reserves and international settlement practices — in particular, the increasing role of multi-currency settlements, settlements in national currencies and digital financial assets.

In addition, the strengthening role of regional associations, unions and blocs (BRICS expansion, high activity of ASEAN and APEC, EAEU development) leads to further reformatting of regional economic interaction, the emergence of new power lines and national partnerships, and, in the long term, the emergence and introduction of new currencies.

The impact of this factor on IBEC activities in the strategic period has a mixed character: increased risks and volatility are accompanied by new opportunities for product line development and regional integration.

 **Decreasing investments and deteriorating credit quality of borrowers**

The combination of high uncertainty, slow economic growth, tight financial conditions and significant debt levels is dampening investment and could trigger corporate defaults.

Weak investment growth poses a significant challenge over the forecast horizon, as it constrains

the potential growth of economies and trade. Investment activity needs to be supported to overcome the observed slowdown in long-term economic growth, especially in developing countries. This will require appropriate economic state policies and increased opportunities for private sector financing, including from international organisations.

Conducting banking activities while the credit quality of borrowers is deteriorating imposes high requirements on IBEC risk management system.

 **The growing role of multilateral development banks (MDBs) in the implementation of sustainable development principles and the transition to a green economy**

The current economic and geopolitical environment, which directly and indirectly threatens the implementation of the Sustainable Development Goals, places special demands on MDBs, whose activities are aimed at ensuring the stability of the economies of developing countries and addressing global challenges.

All development institutions are currently focused on the climate agenda and related initiatives. Ensuring sustainable development, reducing air emissions and implementing energy efficiency projects are recognised priorities for MDBs. Responding to new challenges, all development institutions in their key tasks declare strengthening mutual cooperation and collaboration with the private sector in order to multiply financial resources and implement joint projects and programmes.

In October 2023, the largest MDBs (ADB, AIIB, CEB, EBRD, EIB, NDB, IDB, ISDB and the World Bank) issued a joint statement confirming their commitment to strengthening cooperation in five critical areas:

- » Scaling up financing capacity
- » Boosting joint action on climate
- » Enhancing country-level collaboration
- » Strengthening co-financing
- » Catalysing private sector engagement

According to the statement, the MDBs are ready to engage with shareholders, clients, development partners, civil society and other stakeholders to shape an MDB system that better responds to development challenges and delivers shared prosperity for those most in need. It also looks forward to more intense engagement with each other and with other development institutions.

In the context of climate change, in a separate statement in December 2023, these MDBs reaffirmed their commitment to socially inclusive, gender responsive and nature positive climate and development action, taking into account their different mandates, unique country and client networks, operating models, geographies and expertise.

Maintaining IBEC positioning as a development institution, staying on the relevant international agenda and seeking opportunities for interaction with other MDBs are fundamental tasks for the continuation of the Bank’s work and are an integral component of this Strategy.

The Bank's member countries: an economic review and the structure of foreign trade

Analysis of the member countries economies' specifics, their strengths and challenges, the structure of their foreign trade (including mutual trade), makes it possible to identify the most pressing needs of the member countries and reflect them in IBEC value proposition, which is formulated for each member country in Section 4.2 "The Bank's Value Proposition" of this Strategy

Vietnam | Key economic indicators

Vietnam is one of the most rapidly growing economies in the world, with a high degree of transparency and involvement in international economic integration. In the last few years, Vietnam has been actively signing bilateral trade agreements with countries from around the world, which should enhance the future development of the country's foreign trade.

Table 1. Vietnam's key economic indicators

Indicator	2022 (actual)	2023 (actual)	Average 2019–2023	Forecast		
				2024	2025	2026
GDP growth, %	8.1	5.0	5.2	5.8	6.5	6.5
Inflation (CPI), average for the period, %	3.2	3.3	2.9	3.7	3.4	3.4
Export growth rate, %	6.4	-3.9	5.0	4.7	5.5	7.2
Import growth rate, %	2.8	-4.7	4.3	8.7	6.6	8.2

Source: IMF, World Economic Outlook Database, April 2024.

Vietnam's economic growth is based on success in key industries such as agriculture, textiles, food, furniture, paper, plastics, tourism and telecommunications. In recent years, the industrial sector has grown significantly (coal, hydrocarbons, electricity, cement and steel). Although Vietnam is "new" to the oil industry, it is now the third largest oil producer in Southeast Asia. The country has also invested in high value-added sectors, such as the automotive industry, electronics and computer technology (software).

Vietnam's GDP growth reached a 10-year maximum of 7.2% in 2019 but then dropped due to COVID-19. Nevertheless, it remained positive,

even during the 2020 crisis (2.9). By 2022, the 10-year maximum was beaten as GDP growth hit 8%.

According to IMF forecasts, Vietnam's economic growth will increase to 5.8% (from 5.0% in 2023.) and continue to grow to 6.5% in 2026. The government's commitment to increase public spending, especially on transport and infrastructure, should help boost trade and develop Vietnam as one of the manufacturing hubs in Southeast Asia. The focus on supporting foreign investment, export diversification, banking sector development, clean energy, tourism and creating new businesses will ensure economic recovery and long-term sustainability.

One of the basic elements of the country's further economic growth that will improve the economy's performance (including job growth and poverty reduction) and increase exports is the development of the private sector, which currently mostly consists of small and medium-sized enterprises (more than 90% of Vietnamese enterprises²).

Challenges for the country's export-oriented economy include the slowdown in global growth and weak economic conditions in China, which may pose complicate the recovery of external demand in the strategic period and, therefore, negatively affect Vietnam's export dynamics and manufacturing activity in the country.

Banking sector

Positive external factors provide Vietnam's banking sector with significant growth potential, including a relatively favourable macroeconomic environment, uncovered potential of the domestic market and a growing trend towards digital banking. In addition, the sector has benefited from the restructuring of many players, which has helped improve competitiveness in several aspects, from products and services to corporate governance, risk management and operational efficiency.

Vietnam's banks are gradually moving from interest-based products to fee-based products, which include payment orders and trade finance, cards and bank insurance, etc. This is very much in line with the global trend in banking and the shift towards expanding the retail segment. Together with products such as mortgages, automobile loans, credit cards, etc., this implies a higher rate of return and is a more sustainable source of income for local banks.

Bank lending has been growing at a fairly high rate. Total lending in the economy increased by 13.8%

² OECD — SME and Entrepreneurship Policy in Viet Nam, 2021.



Landmark 81, Ho Chi Minh City, Vietnam

in 2023³ (compared to 14.2% growth in 2022). At the same time, trade credit grew by 19.8% in 2023 (compared to 15.8% growth in 2022).

Foreign trade

Vietnam is one of Asia's most open economies in terms of international trade: in 2022, Vietnam's foreign trade to GDP ratio was 186%, while the regional average was 61% and the global average was 74%.⁴

Vietnam's economic model relies on foreign investment and exports to the US, China and the EU, among others.

Vietnam has demonstrated its commitment to trade liberalisation in recent years. Vietnam has signed free trade agreements with ASEAN, EU and EAEU member states⁵, Chile, South Korea, Japan, United Kingdom and Israel⁶, as well as China, India, Australia and New Zealand (as a member of ASEAN). The country is also a member of major free trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership⁷ and the Regional Comprehensive Economic Partnership (RCEP) agreement⁸. Most of the raw materials for Vietnam's exports are imported from RCEP member countries. In addition, free trade agreements are being negotiated between Vietnam and the UAE, Canada and EFTA (Switzerland, Norway, Iceland and Liechtenstein).

The main export industries are electronics, machinery, footwear, garments and furniture. The country's main imports are electronic goods and components, computers, cars, textiles, plastics and fossil fuels.

Table 2. Vietnam's main trading partners

No.	Country	Foreign trade volume for 2022, USD mln	% of the country in the total foreign trade volume for 2022	CAGR 2017–2022
1	China	234,921	28.8%	14.0%
2	USA	147,275	18.1%	21.1%
3	Republic of Korea	87,688	10.7%	6.5%
4	EU	71,564	8.8%	6.6%
5	Japan	45,069	5.5%	6.1%
6	China, Hong Kong	32,827	4.0%	12.6%
7	Singapore	22,708	2.8%	7.7%
8	Thailand	21,150	2.6%	5.0%
9	Malaysia	19,394	2.4%	10.6%
10	India	14,885	1.8%	4.0%

Source: UN Comtrade Database

³ State Bank Of Vietnam, Credit to The Economy

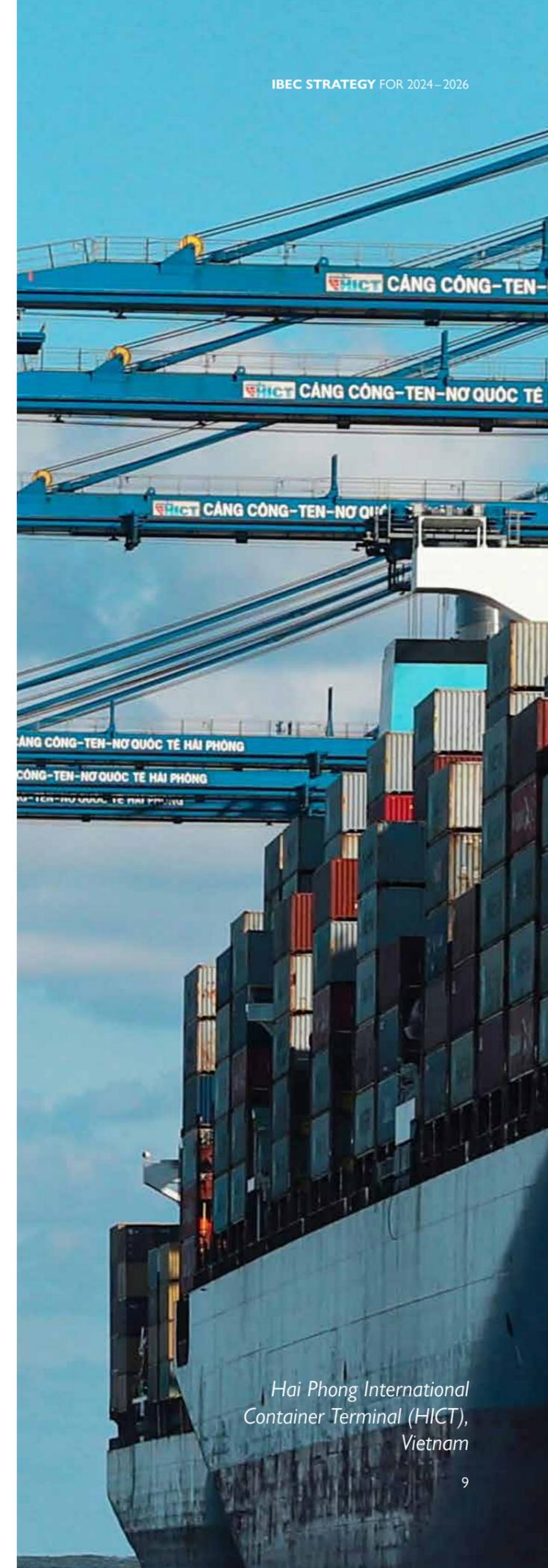
⁴ World Bank — Trade (% of GDP) — Viet Nam, East Asia & Pacific, World.

⁵ Members: Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan.

⁶ Signed 25 July 2023 and will enter into effect in 2024.

⁷ Members: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam.

⁸ Members: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, South Korea, Thailand and Vietnam.



Hai Phong International Container Terminal (HICT), Vietnam

 **Mongolia | Key economic indicators**

Mongolia is a country rich in resources that is focused on strengthening its international economic integration and occupies a strategically important geographical position between Russia and China.

Table 3. Mongolia's key economic indicators

Indicator	2022 (actual)	2023 (actual)	Average 2019–2023	Forecast		
				2024	2025	2026
GDP growth, %	5.0	7.0	2.9	6.5	6.0	5.5
Inflation (CPI), average for the period, %	15.2	10.3	8.8	9.7	10.0	8.9
Export growth rate, %	23.9	53.6	9.3	10.0	13.7	6.5
Import growth rate, %	12.6	20.2	5.8	5.7	9.2	8.0

Source: IMF, World Economic Outlook Database, April 2024.

The mining industry is the main contributor to Mongolia's GDP (especially coal, copper and gold). Other significant industries include the agricultural sector, consisting mainly of traditional livestock farming, and the growing service sector, including tourism, transportation and logistics, banking and telecommunications.

The country's private sector is mainly made up of small and medium-sized enterprises, which are concentrated in non-resource sectors, making them the most important participants in the diversification of the national economy.

Between 2010 and 2019, Mongolia was one of the fastest growing economies in the world, with an average annual growth rate of 7.9%. The COVID-19 pandemic caused significant damage to Mongolia's economy, despite extensive state support. In 2020, the country's GDP shrank

by 4.6%, the biggest fall since 1992. However, following the lifting of COVID-19 restrictions, the economy began to gradually recover, and real GDP surpassed pre-pandemic levels in 2022.

According to IMF forecasts for 2024–2026, Mongolia's economic growth is expected to slow slightly from 7% in 2023 to 5.5% in 2026. The main reason for this is the projected slowdown in China's economic activity, which is the main market for Mongolia's systemically important mining industry.

The growth in private consumption and fiscal expansion, as well as the implementation of mining and infrastructure projects, should support the economy in the medium term. However, procyclical fiscal policy may increase inflationary pressures, support import demand and create the risks of twin deficits — fiscal and current account deficits. Maintaining inflation above the

target range in the medium term will put pressure on the other sectors and restrain the country's economic growth.

The challenge for the national economy is the strong dependence of key sectors — primarily the mining industry, but also agriculture — on external factors: market fluctuations in global commodity and raw materials markets, weather conditions, as well as the state of the economies of key trading partners (primarily China). Relatively high debt levels and limited foreign exchange reserves increase the country's vulnerability to external shocks. Therefore, it is very important to develop the potential for economic diversification: growing the production sector, in particular the agri-food sector (livestock, dairy products, meat, cashmere), tourism and increasing exports. It is also vital to develop the transport infrastructure, which will improve logistics and trade efficiency, as well as the digital infrastructure and communications, reduce resource intensity and improve agricultural practices.

Banking sector

Historically, bank loans provided to the private sector as a percentage of GDP have been relatively low in Mongolia compared to the regional average (40.9% compared to 161.2% for the region as of 2022⁹), indicating insufficient saturation of the economy with bank financing.

The high concentration of the banking sector and strict collateral requirements limit lending, especially to SMEs, which is exacerbated by low-risk appetite towards SMEs of domestic financial institutions.

Most banks in Mongolia carry out international money transfers. The four largest banks maintain

⁹ World Bank — Domestic credit to private sector by banks (% of GDP) — Mongolia, East Asia & Pacific.



City view
Ulaanbaatar, Mongolia

correspondent relationships with a number of foreign banks and hold accounts in major global currencies.

Given the significant volume of foreign currency liabilities, currency fluctuations may still impact bank balance sheets. If there is a significant gap between foreign assets and liabilities, this can pose foreign exchange risks to bank balance sheets, especially in the face of volatility in foreign markets.

Despite the reduction in the share of dollar loans in the banking sector in recent years, the level of dollarisation of current accounts and deposits is still high.

Foreign trade

Mongolia's economy is heavily dependent on foreign trade: in 2022, trade accounted for 136%

of Mongolia's GDP, compared to a regional average of 61% and a global average of 74%¹⁰. In addition, the country's foreign trade volume generally has rather low product and geographical diversification. For example, trade with China accounts for more than half of Mongolia's total foreign trade, including 84% (in 2022) of the country's exports. Mongolia has close import links with Russia, which is the country's main supplier of energy products.

Mongolia is working to intensify and diversify its foreign trade. The country is a member of the Asia-Pacific Trade Agreement¹¹, has signed an economic partnership agreement with Japan, and has initiated procedures for the development and signing of free trade agreements with the EAEU, South Korea and China.

The main export industries are mining (coal, ore, gold, crude oil), textiles and food. Mongolia mostly imports energy, machinery and equipment, electrical appliances, vehicles, metals and metal products.

Table 4. Mongolia's main trading partners

No.	Country	Foreign trade volume for 2022, USD mln	% of the country in the total foreign trade volume for 2022	CAGR 2017–2022
1	China	12,226	65.7%	-0.9%
2	Russian Federation	2,765	14.9%	16.5%
3	Switzerland	975	5.2%	7.8%
4	Japan	523	2.8%	5.8%
5	Republic of Korea	465	2.5%	13.9%
6	Germany	194	1.0%	8.6%
7	USA	176	0.9%	13.9%
8	Italy	139	0.7%	7.8%
9	Kazakhstan	104	0.6%	6.8%
10	Singapore	102	0.5%	4.6%

Source: UN Comtrade Database

¹⁰ World Bank — Trade (% of GDP) — Mongolia, East Asia & Pacific, World.

¹¹ Members: Bangladesh, China, India, Laos, South Korea, Sri Lanka and Mongolia.



The Government Palace
Ulaanbaatar, Mongolia

 **Russia | Key economic indicators**

Russia is one of the world’s largest economies in terms of GDP; it is rich in natural resources and minerals and occupies a strategic geographical position between Europe and Asia, with a long “neighbourhood belt” and numerous land and sea transport corridors. As a result, Russia is a significant economic partner for many countries in the region.

The structure of the Russian economy matches the economies of developing countries: the services sector accounts for just over 50% of GDP, there is a relatively low share of household consumption (about 47% of GDP in 2022) and a high percentage of imports in the key industrial sectors. The key sectors of the Russian economy are mining and refining, agriculture, food industry, metallurgy, machine building and the chemical industry.

The state continues to play a major role in the Russian economy, particularly in natural resources, infrastructure, energy and financial sectors. Development of the private sector, in particular small and medium-sized enterprises, should

contribute to more inclusive and sustainable economic growth.

After a downturn in 2022 to early 2023, the Russian economy returned to growth by Q2 2023. Industrial production (primarily manufacturing) and high consumer activity were the key drivers of GDP dynamics. Industrial growth was encouraged by the fiscal policy aimed at stimulating a number of industries and taking over areas occupied by foreign companies through import substitution.

Geopolitical tensions and sanctions restrictions are expected to largely remain throughout the forecast horizon, which could significantly limit economic activity. The IMF forecasts that the Russian economy will grow by 3.2% in 2024 with a subsequent deceleration down to 1.3% in 2026. Economic growth will slow down largely under the influence of strict financial conditions imposed to combat persistent inflation. Higher interest rates will have a negative impact on corporate and consumer lending and, as a result, will weaken domestic demand, which should lead to a gradual

reduction in inflationary pressure. A soft fiscal policy should support the economy over the forecast horizon.

Risks to the forecast include increased geopolitical tensions and a greater than expected slowdown in global economic growth, which will reduce demand for Russian exports (primarily raw materials) and, as a consequence, a noticeable drop in export revenues.

The key challenge for the Russian economy is the need to adapt to the changed environment, which requires structural transformation: diversification and increased industrial productivity, ensuring technological sovereignty, reconfiguration of logistics routes, the search for alternative suppliers and buyers in production chains and the production of analogous goods.

Banking sector

In the coming years, the Russian financial system will remain largely isolated from international markets as a result of sanctions restrictions. Most branches of Russian financial companies abroad are closed, and most foreign financial companies operating in the country are selling or ceasing operations. The government has taken necessary measures to prevent a domestic financial crisis and has supported banks in various ways, including through liquidity support and easing the regulatory burden.

The Central Bank’s monetary policy involves inflation targeting and is designed to combat inflation through active management of the key rate. Russia’s banking sector has a relatively low level of saturation of the economy with bank financing: the volume of bank lending to the corporate sector as a percentage of GDP amounted to 54.4%

Table 5. Russia’s key economic indicators

Indicator	2022	2023	Average 2019–2023	Forecast		
	(actual)	(actual)		2024	2025	2026
GDP growth, %	-1.2	3.6	1.6	3.2	1.8	1.3
Inflation (CPI), average for the period, %	13.8	5.9	6.8	6.9	4.5	4.0
Export growth rate, %	-8.4	-15.6	-6.2	6.5	5.9	4.5
Import growth rate, %	-14.6	16.0	1.8	1.5	1.9	1.7

Source: IMF, World Economic Outlook Database, April 2024.



Moscow-City
Moscow, Russian Federation

in 2021, while the regional average was 90.7%¹². Key banks and banking groups on the market are state-owned or include state participation, although a number of private sector competitors also play a systemically important role. Russian banks have high total capital levels, which is crucial for ensuring solvency and covering losses in stress situations.

There is no significant differentiation in the Russian banking industry, as all major players offer similar financial products and operate according to similar strategies. Most industry players periodically issue stocks and bonds or acquire various companies in other industries and markets to finance their operations. According to analysis from

Expert RA, when servicing foreign trade activity, customers prefer larger credit institutions that are not sanctioned and have high technology and customer service.

Foreign trade

Russia is integrated into international supply chains as a major supplier of commodities, including cereals, titanium, uranium, wood and wood products, metals and hydrocarbons. In addition, Russia is one of the largest global suppliers of fertiliser.

After 2022, Russia needed to reconfigure established supply chains and find new buyers and suppliers of intermediate and finished products. This began with the reorientation of trade routes and the expansion of foreign trade relations with potential partners from the EAEU, Central and East Asia, the Middle East, Africa and Central and South America.

Russia is interested in trade liberalisation in its region of presence: Russia is a member of the EAEU and has free trade agreements with Azerbaijan, Turkmenistan, Georgia, Uzbekistan, Serbia, Vietnam, Iran, China and Singapore (as a member of the EAEU).

Russia mainly exports products from mining and oil refining industries, metallurgy, machine building, chemical and agricultural industries. The country mainly imports machinery, equipment and transport, chemical products (including pharmaceuticals), food and agricultural products.

Table 6. Russia's main trading partners

No.	Country	Foreign trade volume for 2022, USD mln	% of the country in the total foreign trade volume for 2022	CAGR 2017–2022
1	China	190,272	23.2%	17.7%
2	Turkey	68,192	8.3%	24.3%
3	Germany	46,882	5.7%	-3.4%
4	India	43,555	5.3%	33.9%
5	Belarus	43,418	5.3%	6.2%
6	Italy	34,725	4.2%	8.7%
7	Netherlands	26,651	3.3%	2.7%
8	Kazakhstan	26,123	3.2%	9.8%
9	Poland	21,472	2.6%	-0.2%
10	Republic of Korea	21,146	2.6%	2.2%

Source: UN Comtrade Database

¹² World Bank — Domestic credit to private sector by banks (% of GDP) — Russian Federation, Europe & Central Asia.



Vladivostok, Russian Federation

Mutual trade between Vietnam, Mongolia and Russia

Total trade turnover

From 2017 to 2022, the volume of mutual trade between IBEC member countries gradually increased (CAGR 2016–2021 was 16%), after which, against the background of geopolitical events, its intensity began to decline (the main factor was the decline in exports from Vietnam to Russia). Nevertheless, trade relations between member countries have potential for further development.

Despite relatively small volumes, the last five years have seen an increase in trade between Mongolia and Vietnam, with cumulative trade almost doubling between 2018 and 2022 to USD 85 million. Both countries have shown an interest in further developing mutual trade. Mongolia is a net importer for Vietnam, as the volume of imported products consistently exceeds the country's exports to Vietnam.

Russia has traditionally been a strategically important trading partner for Mongolia, second after China in the country's trade turnover. In addition, imports from Russia significantly exceed Mongolian exports to the country. Mongolian customs statistics show

that trade between Mongolia and Russia reached nearly USD 2.8 billion in 2022, a historic record for the two countries.

Bilateral trade between Russia and Vietnam followed an upward trend until 2022, when there was a significant decrease in exports from Vietnam to Russia, which led to a decline in the intensity of foreign trade relations between the countries.

Despite the current difficulties, IBEC sees the potential for the development of mutual trade between member countries, based on historically established trade ties and the common aim of all three countries to diversify suppliers and export destinations.

The commodity structure of mutual trade of Vietnam, Mongolia and Russia

Detailed analysis of the commodity structure of mutual trade of the member countries makes it possible to identify current trends, determine growth potential and possible priorities for IBEC, primarily in terms of implementing its tasks as a development institution.

The priorities for each member country are the health, food and chemical industries. In addition, the garment and textile industries, as well as machine engineering are important.

★ Vietnam

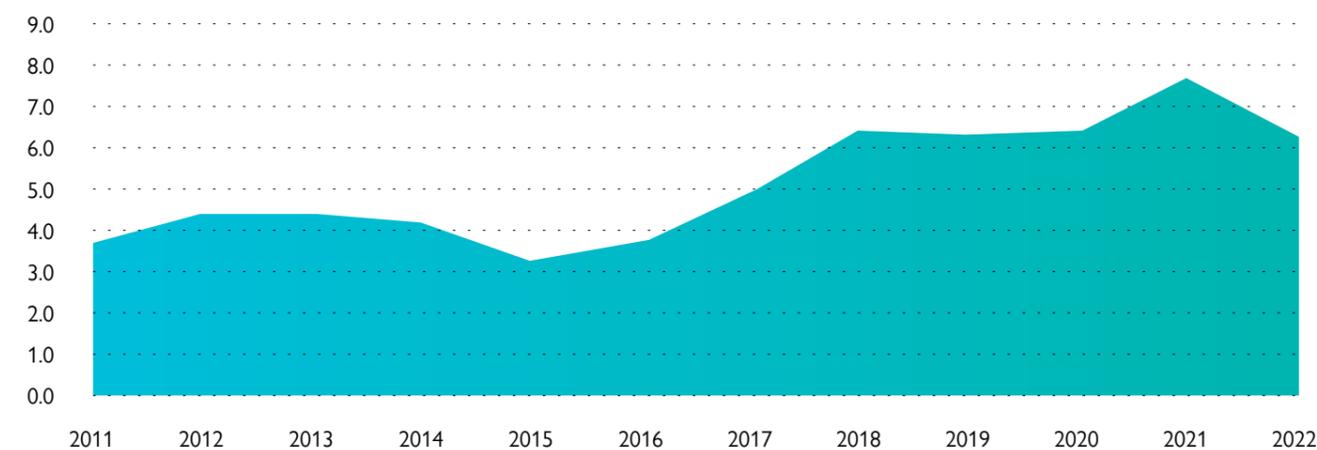
By analysing the commodity structure of Vietnam's exports to member countries for 2022, as well as the dynamics for 2018–2022, the following sectoral priorities for IBEC can be identified, taking

into account the Bank's accumulated experience and expertise and its development institution tasks:

» **Chemicals** — polymer chemical products and advanced processing chemicals account for more than 15% of Vietnam's exports to Russia and Mongolia.

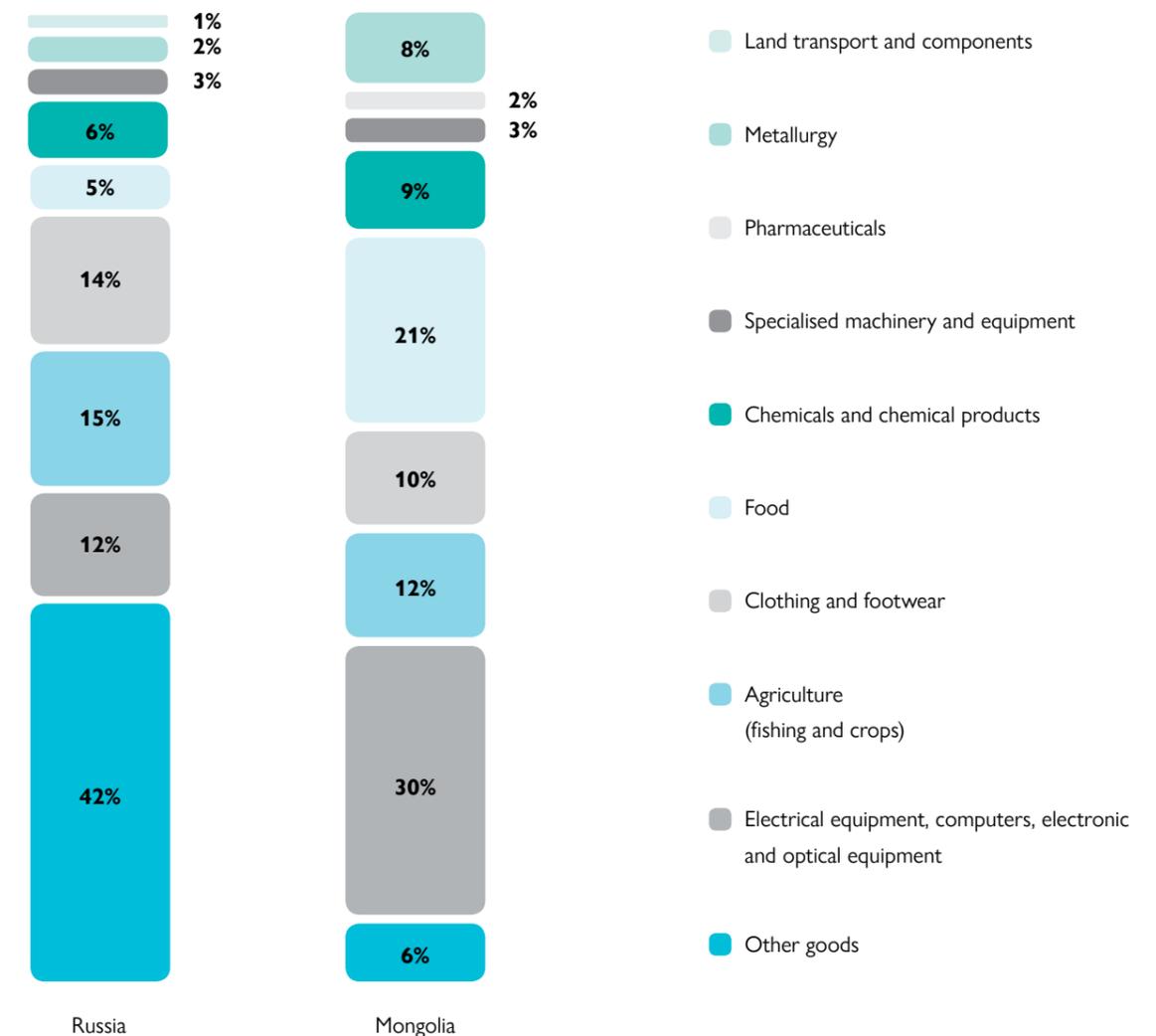
» **Metallurgy** — metalworking products account for more than 10% of Vietnam's exports to Mongolia and Russia, with an increase in volumes during 2018–2022 (CAGR of 51% over the period).

Figure 2. Mutual trade volumes between IBEC member countries (USD mln)

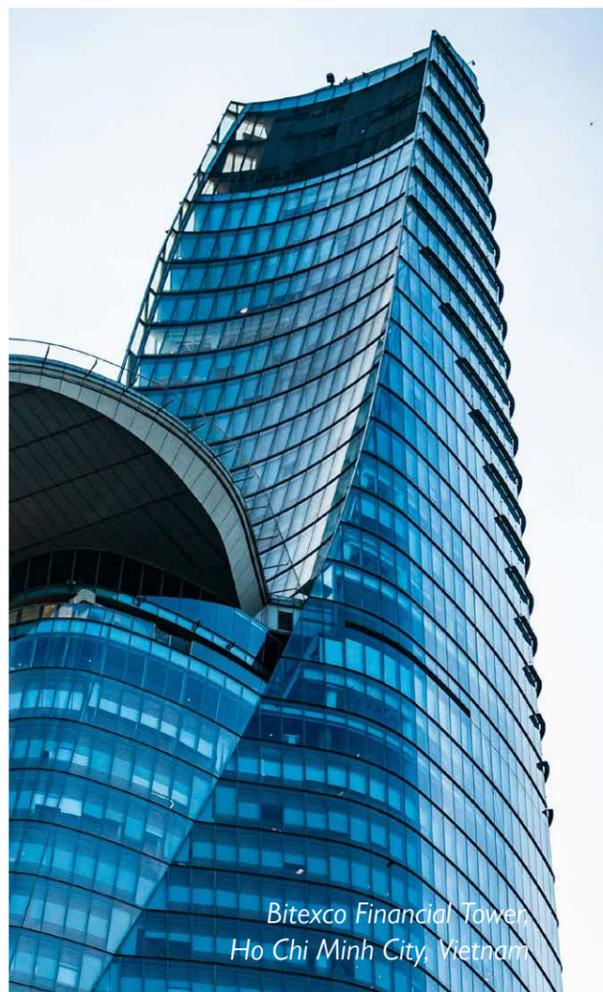


Source: UN Comtrade Database

Figure 3. Vietnam's export structure, 2022



Source: UN Comtrade Database



Bitexco Financial Tower, Ho Chi Minh City, Vietnam

» **Electronics** is one of Vietnam's leading export industries and is the country's main export to Russia and Mongolia, with over 42% of the combined volume for the two countries. However, there was a significant decline in volumes in 2022, primarily due to a sharp drop in exports in this commodity item to Russia.

» **Agriculture** — aquaculture and crop products account for more than 26% of Vietnam's exports

to Russia and Mongolia; however, this fell by almost half in 2022, mainly due to a decrease in exports to Russia.

» **The garment and footwear industry** is one of Vietnam's leading export industries, accounting for about 25% of the total volume of supplies from Vietnam to Russia and Mongolia in the commodity structure of exports to these two countries. Supplies to Russia fell by half in 2022, while exports of these goods to Mongolia increased by 44% (however, the aggregate dynamics for the two countries was negative).

» **Food** — food products account for more than 26% of Vietnam's exports to the markets of the Bank's two member countries. Supplies to Russia fell by 39% in 2022, while exports of these goods to Mongolia almost doubled (however, the aggregate dynamics for the two countries was negative).

» **Machinery** is one of Vietnam's leading export industries; it mainly supplies the markets of Russia and Mongolia with various machinery and equipment, as well as transport (spare parts and components for vehicles). Exports of this category of goods declined in 2022 against a drop in supplies to Russia. Meanwhile, exports to Mongolia showed positive dynamics (CAGR 2018–2022 was 8%).

» **Health care** — (pharmaceuticals and medical equipment) — despite the reduction in supplies to Russia in 2022, the total volume of exports (especially pharmaceutical products) to the markets of IBEC member countries increased by 28% (CAGR 2018–2022 was 8%) due to increased exports to Mongolia. The observed dynamics may indicate the potential for further growth.

Mongolia

By analysing the commodity structure of Mongolia's exports to member countries for 2022, as well as the dynamics for 2018–2022, the following sectoral priorities for IBEC can be identified, taking into account the Bank's accumulated experience and expertise and its development institution tasks:

» **Food industry** — one of the most important sectors of the national economy, based on the country's agricultural sector. Food products account for more than 24% of the total volume of Mongolia's exports to Russia and Vietnam. After a downturn in 2020, there has been a significant increase in supplies to Russia.

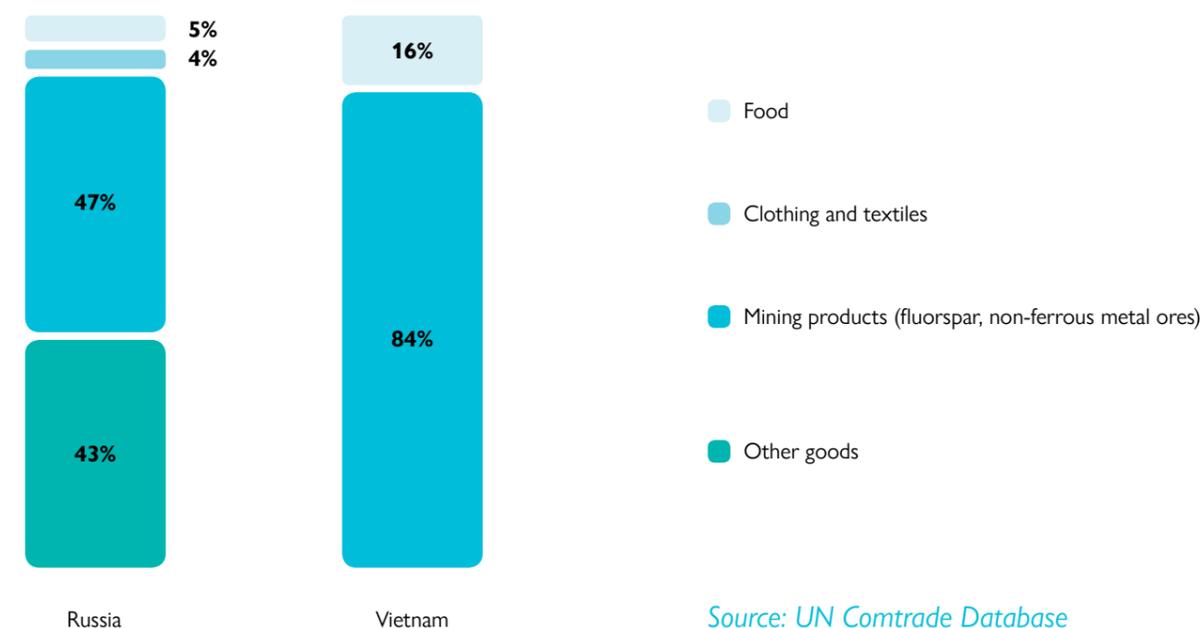
» **The garment and textiles industry** is one of Mongolia's leading non-resource export industries. In terms of the Bank's member countries, Mongolia supplies Russia, making up about 4% of the total volume. There was a slight decline in volumes in 2022, but the medium-term trend remains positive (CAGR 2018–2022 was 9%).



Ulaanbaatar, Mongolia

Although mining products make up most of Mongolia's exports, IBEC does not prioritise this sector, guided by the need to finance operations aimed at diversifying the country's exports and increasing the share of highly processed products and by the Bank's focus on financing sustainable development projects and operations that have a positive environmental impact.

Figure 4. Mongolia's export structure, 2022



Source: UN Comtrade Database

Russia

By analysing the commodity structure of Russia’s exports to member countries for 2022, as well as the dynamics for 2018–2022, the following sectoral priorities for IBEC can be identified, taking into account the Bank’s accumulated experience and expertise and its development institution tasks:

» **Food industry** — food products account for about 21% of Russia’s exports to Vietnam and Mongolia. However, despite a slight decrease in this item’s export volumes for Russia-Vietnam in 2022, the medium-term dynamics of supplies to the markets of member countries remain

positive (CAGR 2018–2022 was 22%). Exports to Mongolia show positive dynamics over the entire 2018–2022 horizon.

» **Chemicals** are one of Russia’s leading export industries; Mongolia and Vietnam are mostly supplied with fertilisers and polymer chemistry products, which accounts for more than 25% of total exports to member countries. Both destinations showed positive medium-term dynamics, which continued into 2022 in the two markets.

» **Machinery** — machine-building products occupy a significant place in Russia’s non-resource exports. Machinery accounts for about 8%

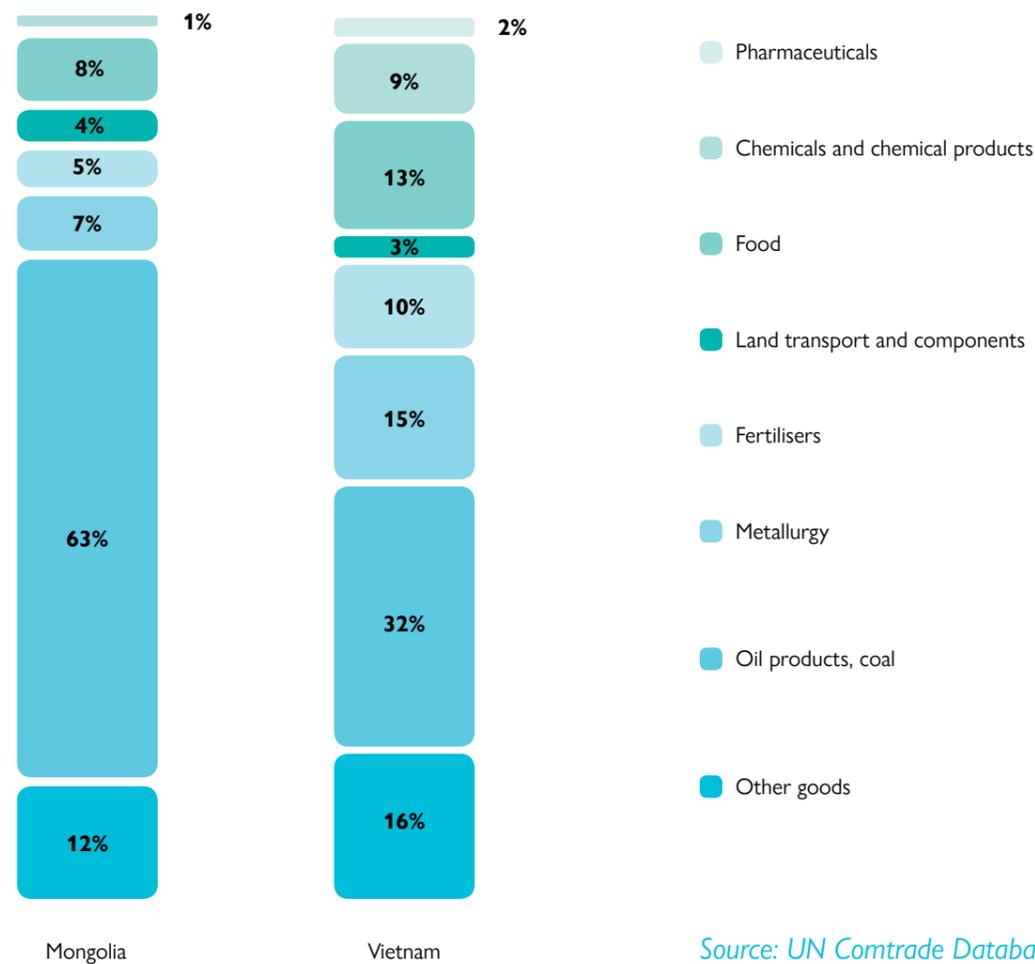
of Russia’s total exports to the markets of member countries, with a medium-term positive trend that continued in 2022 in both markets.

» **Metallurgy** is one of Russia’s leading export industries, accounting for about 22% of Russian supplies to the markets of Mongolia and Vietnam. In 2022, supplies to Vietnam almost halved, while steel exports to Mongolia showed a positive trend over the entire 2018–2022 horizon (however, the cumulative trend for the two countries in 2022 was negative).

» **Healthcare (pharmaceuticals)** — pharmaceutical products account for about 3% of Russian exports to Mongolia and Vietnam. Despite the fall in supplies to Mongolia in 2022, the medium-term trend remained positive (CAGR 2018–2022 was 25%). Meanwhile, supplies to Vietnam increased by 5% in 2022 (CAGR 2018–2022 was 32%). The observed dynamics may indicate the potential for further growth.

Although mining and oil refining products make up most of Russia’s exports, IBEC does not prioritise this sector, guided by the need to finance operations aimed at diversifying the country’s exports and increasing the share of products from highly value-added sectors and by the Bank’s focus on financing sustainable development projects and operations that have a positive environmental impact.

Figure 5. Russia’s export structure, 2022



Source: UN Comtrade Database (mirror data)



The Evolution Tower, Moscow, Russian Federation

Internal environment

Organisational structure

The Bank has a hierarchical organisational structure, where:

» The IBEC Council is the highest collegial body and forms the Board from representatives of the member countries; it also appoints the Chairman of the Board and members and Chairman of the Audit Committee, which is also a part of the Bank's organisational structure

» The Chairman of the Board appoints the Executive Deputy Chairman of the Board, supervised by the Members of the Board and the Chairman, and directors of independent structural units and their employees. Eligible candidates are selected through open international competitions

» The Bank's independent structural units (as well as the Board Administration Office) are Departments headed by Directors. The Departments are supervised by Members of the Board, the Chairman of the Board, and the Executive Deputy Chairmen of the Board

» The Departments may include divisions for specialised areas of activity

» The Bank's employees are citizens of the IBEC member countries. To ensure the independent performance of duties, employees are granted privileges and immunities under the Statutes

Specifics of corporate governance

The Bank is a supranational intergovernmental organisation whose members, in accordance with the statutes, are shareholders. The Bank's activities are based on full legal equality and respect for the sovereignty of the member countries. Decisions on major issues related to the Bank's activities are made collegially.

The Bank's member countries are Vietnam, Mongolia and Russia. Each member country of the Bank makes an equity contribution to the Bank's authorised capital.

The Bank has a two-tiered decision-making system:

I. The Council is the Bank's highest governing body and consists of representatives from the central banks and finance ministries of the shareholder countries. As part of its activities, the Council determines policy and the direction of work, appoints the Chairman and members of the Board of the Bank, decides on the admission of new member countries and considers other issues.

II. The Board of the Bank acts as an executive body and provides direct operational management of the Bank's activities. The Board is responsible and accountable to the Council. The Board of the Bank consists of the Chairman and members of the Board, who are appointed from citizens of all member countries of the Bank. The Bank has established specialised collegial bodies to support the work of the Board. The Audit Committee, a collegial body reporting to the Board, is responsible for the regular audit of the Bank's operations.

The key feature of IBEC decision-making system is the principle of one country one vote, which enshrines the equality of countries when making decisions at the level of the Council and the Board, regardless of the size of their contribution to the Bank's authorised capital.



Vladivostok,
Russian Federation

Vision, Mission And Niche

Vision and Mission

The period from 2024 to 2026 should be a period when IBEC creates the necessary prerequisites for future growth and business development. In addition, the existing client base, for which IBEC has become a reliable partner, needs to be maintained and the operational and technological efficiency of the Bank’s work needs to be increased.

The Bank’s specialisation in trade finance, which has evolved over the past few years, is particularly relevant in the context of radical changes to international economic and trade specifics that require coordinated efforts by a multitude of actors — from small producers to states and their associations — to overcome emerging challenges in servicing cross-border supply chains and conducting payments.

The status of a supranational international financial development institution that is free from restrictive measures underpins IBEC existence and all its future activities. Maintaining and strengthening this status in an aggressive and extremely turbulent environment requires the Bank to have a deep and focused understanding of its tasks and to efficiently use the tools available to resolve these tasks.

The observed shift away from prioritising global economic ties in favour of regional ones increases the Bank’s integration value. The need to build new international supply chains and protect existing ones from emerging threats drives its operational priority.

In this context, **IBEC sees itself as**

IMPORTANT ELEMENT IN BUILDING THE FOREIGN TRADE RELATIONS OF THE SHAREHOLDER COUNTRIES, CONTRIBUTING TO THEIR SUSTAINABLE ECONOMIC AND SOCIAL DEVELOPMENT.

Taken together, all these aspects reflect the **Bank’s Mission:**

TO DEVELOP INTERNATIONAL SUPPLY CHAINS IN ACCORDANCE WITH THE NEEDS OF MEMBER COUNTRIES PROVIDING THE FULL RANGE OF TRADE SUPPORT TOOLS TO CORPORATE SECTOR AND FINANCIAL INSTITUTIONS.

IBEC niche

The number of development institutions has increased significantly over the recent decade, with the emergence of international financial institutions (IFIs), such as the Asian Infrastructure Investment Bank (AIIB) (2014) and the New Development Bank (2014). This growth is evidence of the increasing concentration of development institutions in Asia, the recognition of the region’s strategic importance globally and the beginning of active work on its development.

IBEC member countries interact with the largest international and national development banks in their regions. All three countries are members of the Asian Infrastructure Investment Bank (AIIB); Vietnam and Mongolia are members of the Asian Development Bank (ADB), and Russia is a member of the Eurasian Development Bank (EDB). There are also national development banks in all shareholder countries: VEB.RF, Development Bank of Mongolia and Vietnam Development Bank.

UNLIKE THE MENTIONED DEVELOPMENT INSTITUTIONS, IBEC CORE COMPETENCY IS PROVIDING A WIDE RANGE OF TRADE FINANCE PRODUCTS AND SERVICES DIRECTLY TO THE CORPORATE SECTOR, NOT JUST TO PARTNER FINANCIAL INSTITUTIONS.

Table 7. Comparison of IBEC product line with that of international and national development banks operating in member countries

	Organisation	Presence in IBEC member countries	Trade finance with banks	Direct trade finance with exporters and importers	Settlement operations	Treasury products	Investment / project financing
International financial institutions	IBEC	Russia, Vietnam, Mongolia	✓	✓	✓	✓	✗
	Asian Development Bank (ADB)	Vietnam, Mongolia	✓	✗	✗	✓	✓
	Asian Infrastructure Investment Bank (AIIB)	Vietnam, Mongolia	✗	✗	✗	✓	✓
	Eurasian Development Bank (EDB)	Russia	✓	✗	✓	✗	✓
	Black Sea Trade and Development Bank (BSTDB)	Russia (suspended)	✓	✗	✗	✗	✓
	Afreximbank	No	✓	✗	✗	✗	✓
National banks	VEB.RF	Russia	✓	✗	✗	✗	✓
	Development Bank of Mongolia	Mongolia	✓	✗	✗	✗	✓
	Vietnam Development Bank	Vietnam	✓	✗	✗	✗	✓

Source: official websites of the organisations

This competence defines the Bank's own, unique niche:

AN INTERNATIONAL DEVELOPMENT INSTITUTION SPECIALISING IN DIRECT TRADE FINANCE FOR THE CORPORATE SECTOR AND FINANCIAL INSTITUTIONS.

Within this niche, the Bank is unmatched by other international development institutions.



IBEC offers trade finance products based on short- and medium-term transactions (documentary and balance sheet) oriented towards targeted and operational support for foreign and domestic trade between counterparties from member countries.

The further development of the Bank's specialisation, the shift in its operational priority from working with individual clients to identifying and servicing extended supply chains involving counterparties from several member and non-member countries will enable IBEC to transform its trade finance product line into a comprehensive and diversified toolkit for promoting sustainable foreign trade for member countries. By applying best practices (ICC Principles for Sustainable Trade) and exploring other approaches as they appear, the Bank will assess alignment of financed trade operations with the Sustainable Development Goals and their environmental and social impact.

Taking into account the active presence of international and national development institutions and commercial banks in the markets of the member countries, IBEC will focus on ensuring that its activities are complementary. The Bank's competencies allow it to directly support exporters and importers (and the banks serving them) and organically complement other development institutions by including its products in the trade component (purchase of equipment, supply of raw materials, settlements) of their projects. By establishing and strengthening relationships and developing strategic partnerships with other financial institutions, the Bank will be able to perform sustainable trade finance transactions in close cooperation with them, contributing to the implementation of IBEC mission and vision.



Landmark 81,
Ho Chi Minh City, Vietnam

Business model

Geographical footprint

As part of its target business model, IBEC views its geographical presence area both in terms of developing operational activities and the potential for attracting new countries as the Bank's shareholders.

In terms of its geographical footprint, the Bank's main strategic priority is foreign trade operations between Vietnam, Mongolia and Russia.

Taking into account the common need for the member countries to diversify their foreign trade, IBEC main objective in the strategic period is also to expand its geographical footprint in the regions most valuable for the shareholder countries in terms of economic integration and development of foreign trade relations.

To identify such regions, the Bank has focused on the following factors for each of the shareholder countries:

- » Foreign trade turnover for 2022
- » Foreign trade growth rates for 2021–2022
- » The Bank's actual ability to enter a particular market given the current geopolitical environment and related restrictions
- » Trade agreements, government plans and projects for developing trade relations

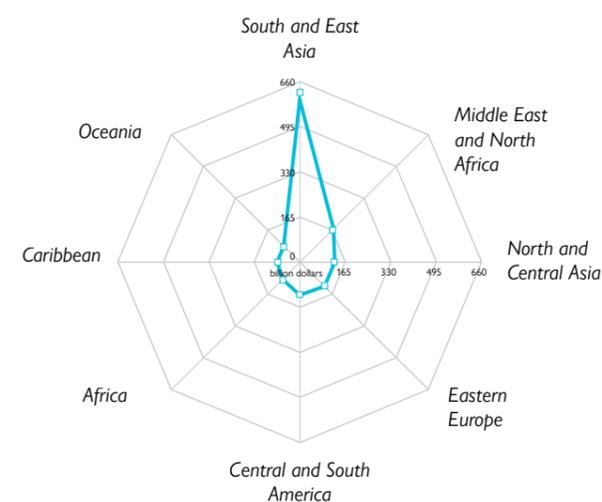
Target region

Analysis of the foreign trade of the Bank's member countries through the prism of the above factors allows us to highlight **South and East Asia as the top priority region for all three IBEC member countries and the most promising region for further development of the Bank's business for the period of the Strategy 2024–2026.**

In 2022, **South and East Asia became the top regional trading partner for member countries** in terms of the volume of trade:

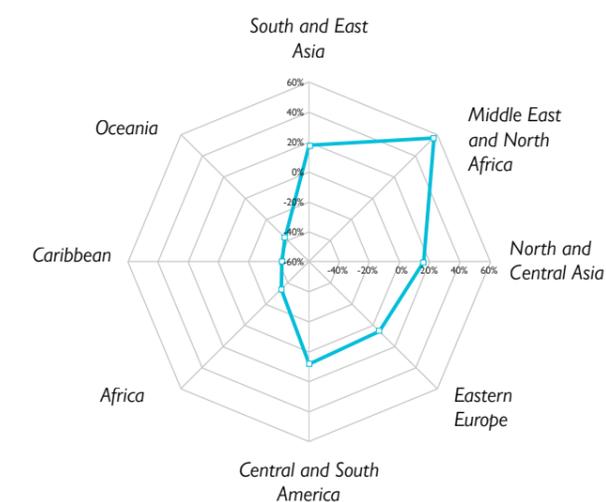
- » Vietnam — USD 351.7 billion (86% of total trade)
- » Mongolia — USD 12.4 billion (80% of total trade)
- » Russia — USD 256.3 billion (55% of total trade)

Figure 6. Foreign trade turnover of IBEC member countries for 2022



Source: UN Comtrade Database

Figure 7. Foreign trade growth rates of IBEC member countries for 2021–2022



Source: UN Comtrade Database

For Vietnam, the growth in the volume of trade with countries of South and East Asia for 2021–2022 was 6.1%, while it was 34% for Mongolia and 38% for Russia.

Vietnam and Mongolia belong to the Asian region, so they have close economic ties with other Asian countries. Due to its geographical proximity to the Asian region, Russia is actively developing economic relations with Asian countries; in addition, this area has become a priority in the process of reorienting supply chains and trade routes.

The largest international economic organisation in the region is the Association of Southeast Asian Nations (ASEAN), of which Vietnam is a member, giving the country access to free-trade zones with its member countries and other partners. Russia is a full ASEAN Dialogue Partner. Vietnam and Russia are members of the Asia-Pacific Economic Cooperation (APEC) forum, which aims to support sustainable economic growth and prosperity in the region. Mongolia is interested in participating in integration processes with ASEAN countries

and APEC members. In 2020, Mongolia became a member of the Asia-Pacific Trade Agreement, which aims to promote economic development through mutually beneficial measures that enhance intraregional trade and economic cooperation.

Key issues in the regional development agenda of South and East Asia include increasing regional integration and improving logistical connectivity. Regarding the second issue, major cross-national projects are being implemented to create, restore and upgrade transport corridors, including the North–South Transport Corridor and the Russia–China–Mongolia railway, etc.

Work to enter other promising markets — both in the priority region and beyond — will be carried out by the Bank in accordance with the foreign trade goals and priorities of all member countries.

The successful development of IBEC activities in any country that is not its member could potentially open up opportunities to consider their accession to the Bank's shareholders.



The Bank's value proposition

Clients

IBEC target clients in the markets of all member countries are:

» **Mid-segment exporters and importers** involved in supply chains with counterparties from other member countries or third countries

» **Mid-segment leasing and factoring companies** that work directly with small businesses

» **Financial institutions** providing trade finance and SME support programmes

Classifying these clients as target clients means they have a higher priority but does not prevent the Bank from working with companies of other segments and profiles, or with financial institutions.

Products and services

The Bank's product line will focus on **short- to medium-term trade finance** and will include:

» Trade finance credit products

» Direct loans and co-financing

» Documentary products (letters of credit, guarantees and counter guarantees)

» Factoring, forfeiting

» Treasury services

The choice of a specific product or a combination of products will be made when structuring projects and transactions based on the principles of maximising the positive impact from IBEC participation in the project.

In the strategic period, the Bank will be designing

A RANGE OF STANDARDISED PRODUCTS AND TARGET PROGRAMMES FOR SUPPORTING VARIOUS INDUSTRIES AND CLIENT SEGMENTS.

The Bank will also study and work on the implementation of new digital solutions to service foreign trade transactions.

Counterparties and partners

The Bank will provide its products and services to target clients both directly and with the participation of counterparties that are **local financial institutions and export credit agencies, and national and international development institutions.**

The Bank's partners will be specialised associations, chambers of commerce, trade representative offices and industry associations.

The Bank's value proposition in member countries

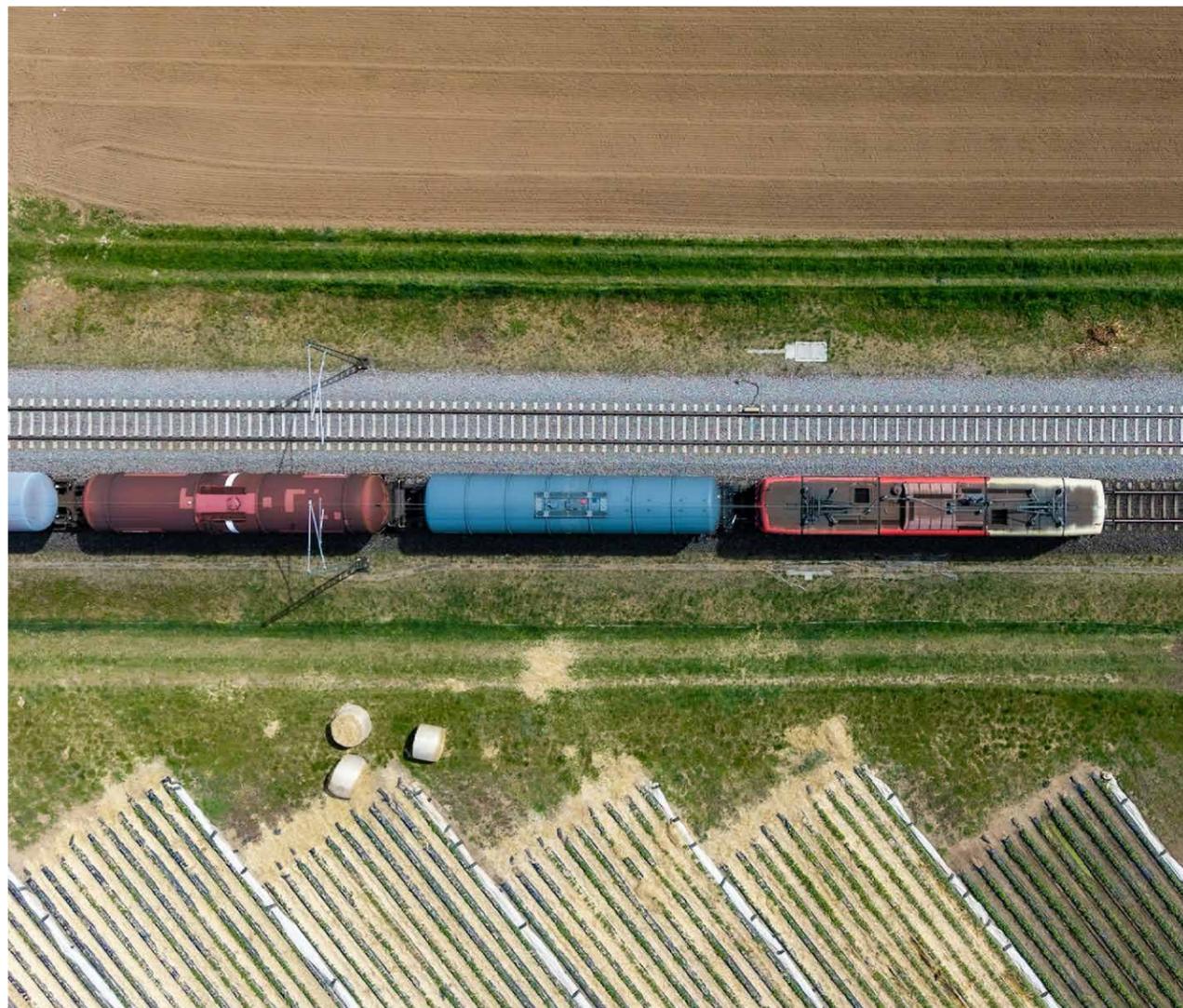
IBEC value proposition is formed by its products, provided to target customers and meant **to contribute to specific trade development objectives and support various sectors of the economies of member countries with the Bank's products. It includes:**

» Providing a comprehensive toolkit for supporting foreign trade

» Financing corporate clients directly and in cooperation with various financial and development institutions

» Applying the Bank's integration, communication and advisory capabilities for building and strengthening the supply chains of member countries' products

» Building long-term strategic partnerships with clients and counterparties



For example, **in Mongolia**, the Bank intends to focus on helping to reduce dependence on commodity exports, expand the geographical diversification of foreign trade, support SMEs and develop the agro-industrial sector.

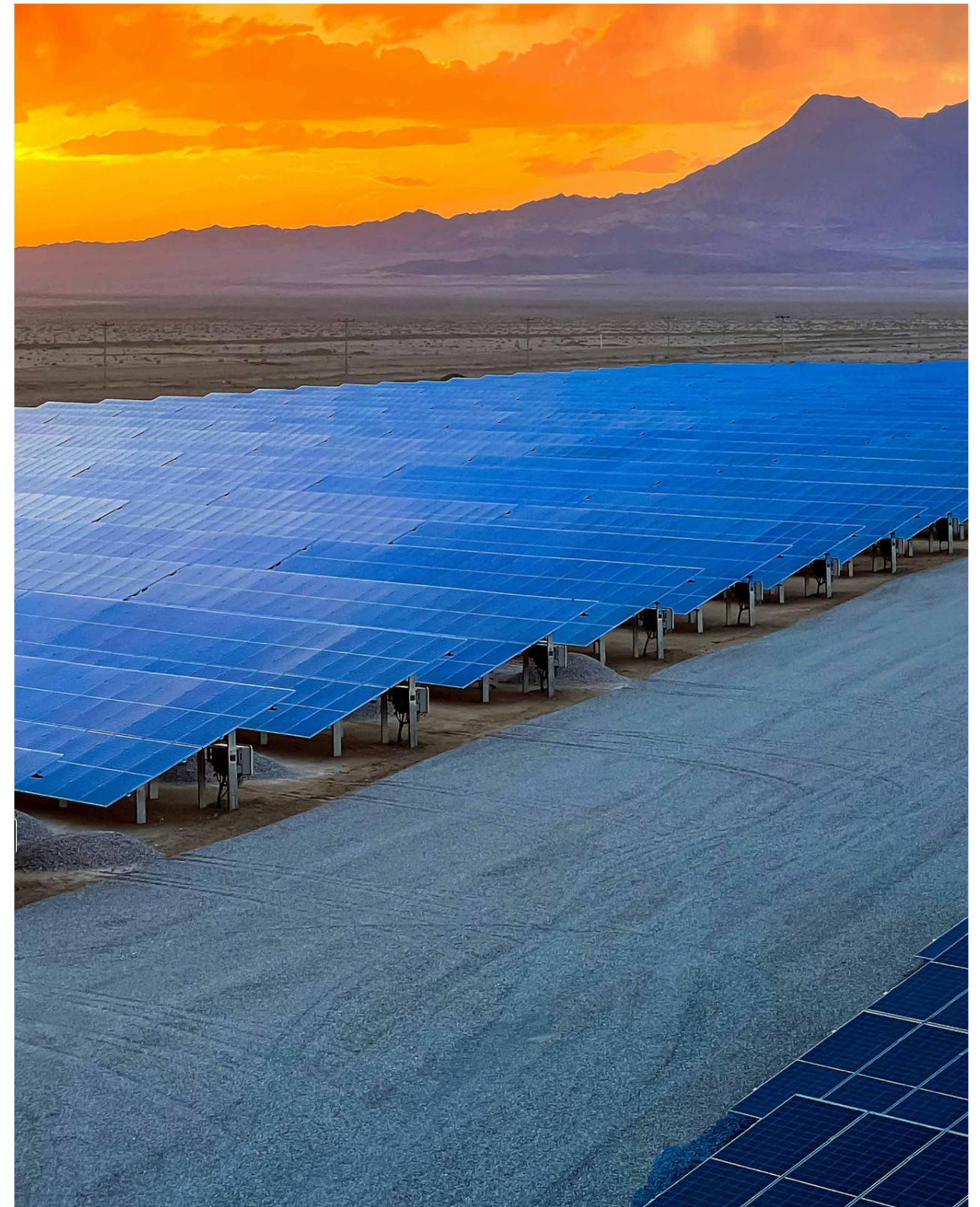
Table 8. IBEC value proposition in Mongolia

Task	IBEC potential contribution	Industries
Reduce the vulnerability of the national economy to fluctuations in the global commodity markets; increase the role of the secondary sector of the economy	Supporting projects aimed at improving the efficiency, environmental friendliness and sustainability of key industries and increasing the degree of domestic processing of raw materials produced by these sectors	<ul style="list-style-type: none"> • Agriculture • Food • Textiles and garments • Mining
Develop geographical diversification of foreign trade	Supporting trade deals with counterparties from Vietnam and Russia, as well as from promising new markets and other countries of strategic interest	<ul style="list-style-type: none"> • Agriculture • Food • Innovations and technology • Healthcare • Transport and logistics • Energy • Garments and textiles
Develop SMEs for sustainable and inclusive economic growth	SME support	<ul style="list-style-type: none"> • Agriculture • Garments and textiles • Food • Service sector, including retail and wholesale trade
Build up the productive capacity of the agro-food complex	Facilitating the building and expansion of value chains between Mongolia, Vietnam and Russia Financing projects aimed at increasing the productivity of value chains	<ul style="list-style-type: none"> • Agriculture • Transport and logistics • Energy
Develop the logistics and transport infrastructure	Supporting projects for upgrading the logistics and transport infrastructure in the country	<ul style="list-style-type: none"> • Transport and logistics

The Bank's priorities **in Vietnam** will be to promote geographical diversification of foreign trade, support energy and logistics and promote industrial development in order to achieve the objectives of the Industrial Development Strategy 2025, Vision 2035.

Table 9. IBEC value proposition in Vietnam

Task	IBEC potential contribution	Industries
Further development of foreign trade on potential markets	Supporting trade deals with counterparties from Vietnam and Russia, as well as from promising new markets and other countries of strategic interest	<ul style="list-style-type: none"> • Energy • Agriculture • Healthcare • Chemicals • Innovations and technology • Food • Metallurgy (metalworking) • Textiles, garments and footwear
Develop renewable energy to meet the ever-increasing demand for energy	Supporting the import of components for renewable energy	<ul style="list-style-type: none"> • Energy
Develop the logistics infrastructure	Supporting projects for upgrading the logistics infrastructure in the country	<ul style="list-style-type: none"> • Logistics
Develop SMEs for sustainable and inclusive economic growth	SME support	<ul style="list-style-type: none"> • Agriculture • Service sector, including retail and wholesale trade • Innovations and technology • Textiles, garments and footwear
Implement the tasks of the "Industrial development strategy to 2025, vision to 2035"	Supporting imports of components for industrial development projects	<ul style="list-style-type: none"> • Energy • Machine building • Electronics • Food • Textiles, garments and footwear • Chemicals • Metallurgy



Work with counterparties **from the Russian Federation** will take into account the need for strict compliance with sanctions regulations, and only trade transactions with civilian products will be financed.

Table 10. IBEC value proposition in the Russian Federation

Task	IBEC potential contribution	Industries
Build new foreign trade geographies and infrastructure	Supporting trade deals with counterparties from Vietnam and Mongolia, as well as from promising new markets and other countries of strategic interest Financing supply chains serving the implementation of infrastructure projects	<ul style="list-style-type: none"> • Healthcare • Agriculture and food • Chemicals • Energy • Transport and logistics • Metallurgy
Develop technology and innovation	Supporting projects and trade operations aimed at developing high-tech industries, increasing the technological sophistication and efficiency of production	<ul style="list-style-type: none"> • Technology and innovations • Energy • Metallurgy
Develop SMEs for sustainable and inclusive economic growth	SME support	<ul style="list-style-type: none"> • Healthcare • Agriculture and food • Chemicals • Service sector, including retail and wholesale trade • Transport and logistics • Technology and innovations



Implementation of the development institute's mission

Sustainable trade

Global trade is the most important driver of economic growth, enabling countries to better integrate into the world economy, gain access to diverse goods and services and achieve higher standards of living.

International trade accounts for up to 30% of all CO₂ emissions and therefore is one of the most important targets for sustainable development practices at the international, industrial and corporate levels. The growing interest in environmental, social and corporate governance (ESG) requires precision and clarity when defining sustainable international trade and sustainable trade finance. However, while there are several relevant standards for sustainable goods, services and financial products, none of them have yet been fully adapted.

In 2021, the International Chamber of Commerce (ICC) began developing the Principles for Sustainable Trade, which included setting standards for sustainable trade and sustainable trade finance for financial institutions. The work aims to evaluate the sustainability of trade in an accessible, standardised and automated process. In the future, by utilising existing resources and information, banks will be able to evaluate the entire trade transaction in terms of multiple dimensions of sustainability.

The ICC sustainable trade principles leverage existing expertise and industry standards to assess trade finance transactions across four 'components of trade' — the 'use of proceeds', 'seller', 'buyer', and 'distribution', and is in effect a 4 x 2 matrix, showing the sustainability of each of the four components of a transaction across the two dimensions of sustainability, namely environmental and socio-economic sustainable development.

By 2026, the Bank aims to build internal competencies to evaluate the sustainability of its trade transactions and develop an internal methodology based on the best current ICC practices. This will help transform the Bank's existing line of trade finance products into a

COMPREHENSIVE DEVELOPMENT TOOLKIT AND MAKE SUSTAINABLE TRADE FINANCE FOR SUPPLY CHAINS A FLAGSHIP ACTIVITY FOR IBEC IN THE NEXT STRATEGIC CYCLE.

IBEC will also continue to evaluate its contribution to the implementation of the Sustainable Development Goals through the trade transactions supported by the Bank. All transactions that IBEC implements will be reviewed to ensure that they comply with the objectives of the Bank's Strategy and Mission, target industries, contribute to the Sustainable Development Goals, and support the SME sector in the Bank's shareholder countries.

In the long term, IBEC will:

- » Build expertise in sustainable trade finance to improve internal methodologies and provide analytical and advisory services to its clients
- » Strengthen its role in financing sustainable supply chains
- » Lay the groundwork for providing more effective support to its members in developing sustainable foreign trade



Strategic partnerships and communications

Strengthening international communications and brand recognition will be an important part of IBEC institutional evolution in the strategic cycle; therefore, by 2026, the Bank aims to form a developed network of international partnerships. IBEC will seek to increase client recognition and accurate identification of the Bank's capabilities in terms of their needs in member country markets and other markets of strategic interest.

IBEC will work to transform its positioning as a development institution in communications with its main groups of partners: shareholders and state authorities, development institutions (including multilateral and national development banks), regional and international associations, financial institutions and the corporate sector.

The Bank will seek to build its potential and deepen its engagement with its member countries to actively identify and facilitate the implementation of foreign trade projects.

Establishing partnerships with other development institutions aimed at facilitating the implementation of their long-term projects with trade finance instruments, implementing joint initiatives, exchanging experience and strengthening its presence in new markets will play an important role in strengthening IBEC position in its niche.

IBEC will enhance its overall customer focus by strengthening its client outreach capacity. The creation of a client service system that is highly responsive and economically efficient will be a defining feature of IBEC business model in the current strategic cycle.

Strategic objectives and mechanisms for achieving them

Strategic objectives

Due to changes over the last two years in the internal and external environment and, as a consequence, the renewal of the Bank's Vision and Mission and the definition of its niche, the following strategic objectives were formulated for the period 2024–2026, whose achievement during implementation of the Strategy depends on the efficiency of the target business model:

-  Strengthening the Bank's role in mutual trade and sustainable development of member countries
-  Development of the product line and partner network
-  Expansion of the resource base and reduction of its cost
-  Improvement of operational efficiency



Mechanisms for achieving the strategic objectives

All these strategic objectives are complex and require the Bank to simultaneously engage a number of different mechanisms — organisational, financial, infrastructural and regulatory — with the assistance of its shareholders to achieve them.

Objective I. Strengthening the Bank's role in mutual trade and sustainable development of member countries

To accomplish this objective, the Bank will need to increase its loan and documentary transactions across all member countries which suggests the following steps:

- » Establishing new and developing the existing partnerships with Mongolian and Vietnamese financial institutions for ensuring the potential performance of trade finance transactions with such institutions, raising funds in the interbank market and involving the necessary payment infrastructure
- » Developing and performing marketing strategies for each member country, detailing the Bank's value proposition and a set of instruments available to the Bank for carrying out the same taking account of the member countries' needs as well as determining methods for its positioning and expanding the clients' base in each country
- » Hiring employees with a working experience in the member countries' markets specialising on clients' relations or analytical expertise
- » Developing operations with the corporate segment in the member countries' markets
- » Developing strategic partnerships with specialised associations, national banks and MDBs

Creating a centre of expertise on member countries and supply chains for their products on the basis of the Bank may also be contributory to strengthening the Bank's role in the development

of its member countries' foreign trade. The creation of such centre, consolidation of the most up-to-date data and analytics and the involvement of leading experts will significantly strengthen the Bank's value proposition for both strategic partners and the Bank's clients.

To make sure the sustainable development has priority over other business goals, the Bank will build competencies for evaluating the trade transactions sustainability and implement the relevant approaches in its client-related efforts.

Objective II. Development of the product line and partner network

An important mechanism to achieve this objective is the development and launch of new products in the strategic period, as well as of comprehensive products at the brink of cooperation between banks and corporate clients, including:

- » LORO correspondent account overdrafts (including for payment of a customer invoice)
- » Dedicated programmes for supporting exporters and importers and the banks serving them (financing environmental and social projects, sectoral programmes) and SME support programmes (programmes for leasing and factoring companies)
- » Trade financing in national currencies, etc.

To accomplish this strategic objective, IBEC will also strive to establish and develop new partnerships with financial institutions in the countries of its strategic interest.

A necessary mechanism is also to deepen the Bank's strategic cooperation with key clients (client engagement) developing international supply chains in line with the needs of member countries.

Objective III. Expansion of the resource base and reduction of its cost

The key mechanism for achieving this objective is the work on reducing the cost of funding through the use of additional sources, such as:

- » Deposits from insurance companies
- » Investment opportunities for pension and insurance provisions
- » Targeted subsidised financing
- » Getting access to various liquidity instruments, including market instruments
- » Expanding the list of the Bank's institutional investors

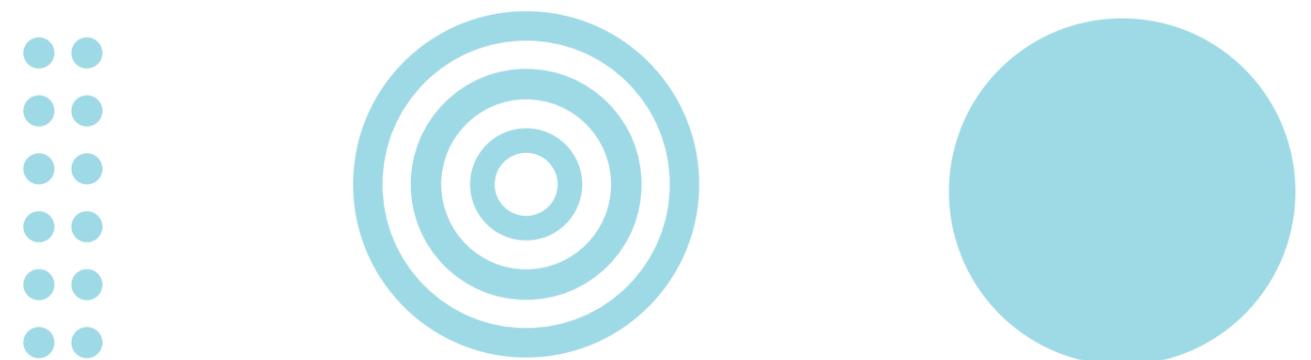
Objective IV. Improvement of operational efficiency

The quality of operations and their technology impact different bank risks, its business volumes and customer satisfaction and should contribute to the best standards today.

The main mechanisms for improving operational efficiency in the strategic period will be as follows:

- » Adapting the Bank's organisational structure to its business model, which will involve strengthening front-office and analytical units with qualified employees who have the required knowledge of the markets of the member countries and the markets of the countries of strategic interest
- » Optimisation of business processes
- » Modelling risk assessment tools considering strategic objectives
- » Upgrading the IT infrastructure

Overall, these efforts will help to improve the experience of the Bank's clients with a focus on accelerating decision-making processes to meet their needs in a fast-changing environment and provide clients with convenient digital solutions.



Key performance indicators

The Bank has defined the key performance indicators used to evaluate the Bank’s overall performance, the implementation of its mission as a development institution and to determine its success in achieving its strategic goals and objectives.

Table 11. Key performance indicators

Strategic goal	Mechanisms for achieving the goals	KPI
Mission		
Objective I. Strengthening the Bank’s role in mutual trade and sustainable development of member countries	Resumption and expansion of the Bank’s loan and documentary transactions in member countries	Annual Loan and Documentary Portfolio (LDP) volume (gross)
	Development of mutual trade among member countries	Volume of new LDP transactions involving at least two member countries
	Funding sustainable development projects	Share of projects meeting SDG criteria
Objective II. Development of the product line and partner network	Development and launch of new products and comprehensive solutions	Share of transactions within the framework of new products introduced in the strategic period
	Establishment and development of new relationships with financial institutions in countries of strategic interest	Share of loan and documentary and other transactions with financial institutions in countries of strategic interest in the LDP
Financial stability		
Objective III. Expansion of the resource base and reduction of its costs	Developing operations with the Chinese financial sector	Obtaining a credit rating from a Chinese agency
	Ensuring stable margins	NIM
Objective IV. Improvement of operational efficiency	Optimisation of operations	Operating profit (excluding provisions and volatile income/expenses)
	Cost control	Cost-to-stable operational income ratio
	Organisational development and automation of the processes	Development and approval of the HR- and IT-strategies



Development of functional areas

The effective performance of all the mechanisms for achieving the strategic goals and successful implementation of the Strategy will require fostering a number of the Bank's functional areas over the entire strategic period.

Client relations

The Bank intends to develop and enhance its approaches to client relations. One of the Bank's key goals will be transformation of its current product line into a package of standardized solutions and target programmes for various corporate client segments (including SMEs) and financial institutions.

In its client relations the Bank will strive to identify and analyse the entire supply chain of the anchor client, followed by building relationships with their suppliers and customers based on their needs and prospects. Such an approach complies with the Bank's Mission to develop international supply chains and will help expand its client base.

The Bank plans on carrying out active marketing activities. The following channels shall be used to find new clients and promote new products:

- » Participation in external events to expand the current range of partnerships

- » Organisation of in-house events focused on target client segments, markets and industries

- » PR and media relations

Development of the Bank's presence in the markets of member countries will require client service specialists who have experience in client relations in these markets and a deep understanding of the business practices involved.

Operational work

The main areas of development for the operational activities are organisational and technical measures aimed at ensuring the uninterrupted and high-quality support of the Bank's operational business processes. Business activity growth during Strategy implementation will require the relevant development of the following aspects of operational activities:

- » Ensuring the necessary compliance of the quantitative and qualitative composition of personnel involved in the implementation of operational activities with the dynamics of the implementation of the Strategy
- » Completion of the automation of operational support business processes
- » Automation and optimisation of new and existing business operational support processes

Risk management

During the strategic and operational planning of the Bank's activities, an important risk management activity is to determine the balance between the acceptable amount of risk and the implementation of the mission of the development institution.

The new Strategy provides for entering new markets with regulatory and economic specifics that are different from the Bank's traditional markets. Accordingly, the main task of this functional area should be to adapt analytical methodology and loan

process to the specifics of new markets. In addition, the implementation of the strategic goals provides for an increase in the Loan and Documentary Portfolio volume, including in areas with a higher level of risk, which will require strengthening the measures for monitoring and controlling the quality of the loan portfolio.

The general vector of the Bank's development involves an increase in the operational burden, which, in turn, leads to an increase in the level of operational risk and the need for qualitative changes in its monitoring and mitigation system. In the new strategic period, a plan to optimise operating risk management processes to match the planned scale of the Bank's operations shall be developed. The issue of automating and synchronising all processes between the Bank units will also be considered separately in this context.

As part of the process for reducing the operational burden in the new strategic period, the Risk Control Department, together with the Client Relations Department, plans to develop a standardised set of products to be offered to clients in non-traditional markets in the Bank's member countries and countries of strategic interest. Risk management

when entering new markets and further business development in high-risk segments will be carried out through a pre-designed and preapproved set of typical products with standardized parameters which will allow to avoid building a non-technological and problematic Loan and Documentary Portfolio.

Corporate governance

The Bank's corporate governance system meets all the latest requirements for such institutions and complies with the G20/OECD and Basel Principles of Corporate Governance. Nevertheless, as part of Strategy implementation and enhancing sustainability, the Bank plans to improve its corporate governance systems and procedures to bring them in line with the best international practices. However, in view of the geopolitical tensions of 2022–2023 and the changes in the Bank's shareholders after five European states completed their withdrawal procedures, the task of updating the Bank's statutory documents (with unconditional observance of the interests as well as regulatory and legislative aspects of all member countries) has taken on practical importance.

As IBEC considers expanding its shareholder base, there are plans to establish a procedure for new countries to join the Bank. The presence of a transparent and detailed procedure will form the basis for a systematic work with countries that are potentially interested in acceding to the Agreement and joining the Bank.

In order to comply with best practices and changes in the Bank's external environment, there are plans to update the rules and procedures of the IBEC Council, the procedures of the IBEC Board and

collegial bodies under the Board. There are also plans to develop and approve the IBEC Code of Corporate Governance, which will consolidate a set of Bank processes and practices that manage activities achieve strategic, financial, operational and long-term sustainability goals.

HR management

Implementation of the new Strategy will require the creation of a fully-fledged HR strategy aimed at the comprehensive development of the Bank's HR potential, taking into account the latest changes in the external environment and the planned strategic goals.

The HR strategy will allow to:

- » Shape the new organizational structure that meets the Bank's development objectives in its new strategic cycle
- » Generate a sufficient quantity of necessary labour resources to implement the Strategy's goals including as part of development of certain functional areas
- » Focus the main human resources on key business areas
- » Introduce a complex system for staff evaluation, remuneration and development

Development and implementation of the functional and individual KPIs system will help ensure the necessary staff motivation as part of achieving the units' functional objectives.

Information technology

For the Bank to achieve its strategic objectives, it will need to significantly enhance its operational efficiency, which, among other things, requires improvement of its technology platform. It is envisaged to run a comprehensive IT audit to fully assess the technology infrastructure and identify areas for potential development that are consistent with the Bank's strategic objectives.

The Bank intends to take an integrated approach to the technological upgrade and all planned changes in the strategic period will be implemented phase by phase as a part of the overall IT infrastructure upgrading project.

Strategic management and business planning

The results of monitoring the progress of the Strategy's implementation will be reflected in the annual Report on the Strategy to the Bank's Council, which will include:

- » Analysis of changes in the macroeconomic environment, factors and benchmarks included in the financial model and assessment of the impact these changes will have on achieving the target strategic benchmarks
- » Analysis of the achievement of strategic goals and implementation of strategic KPIs/KFIs
- » Analysis of the implementation of tasks for the development of functional areas

» The resulting assessment of the success of the Strategy's implementation and the need for adjustments, with recommendations for corrective actions, if necessary

Starting from 2025, and for each year of the Strategy's implementation, an annual Business Plan will be prepared and approved by the IBEC Board that decomposes the strategic goals to the level of specific tactical tasks of the Bank's structural units and contains an operational financial model. The Business Plan progress will be monitored on a quarterly basis.

As part of monitoring the alignment of the Bank's operations with its Mission the following activities will be conducted:

- » Assessment of transactions and operations for compliance with the Mission
- » Classification by industry and analysis of transactions to match priority industries (by target attribute)
- » Assessment of clients to determine whether they belong to the SME segment
- » Assessment of operations for compliance with target geographies
- » Assessment of the environmental and social impact of operations and projects, assessment of compliance with UN SDGs
- » Assessment of the sustainability of trade operations in terms of the environmental and social assessment of all components of a trade operation



IBEC in the long term

As a result of the successful implementation of this Strategy, IBEC should become an international financial institution specialising in supporting foreign trade of member countries, which is recognisable and actively operating in their markets.

In the long term, the Bank will further specialise its activities in financing extended supply chains, by expanding and strengthening partnerships with other development institutions and integrating its value proposition into their projects, achieving maximum technological sophistication of operations.

IBEC ULTIMATE OBJECTIVE FOR THE NEXT STRATEGIC CYCLE WILL BE TO BECOME THE FINANCIAL INSTITUTION OF “FIRST CHOICE” IN ALL MATTERS RELATED TO THE DEVELOPMENT OF FOREIGN TRADE OF MEMBER COUNTRIES.

Development of the Bank’s product line in the period 2026–2030 will focus on:



Finalisation of a comprehensive package of products for exporters/importers of member countries, including, in addition to loan and documentary products, settlement and treasury services, as well as advisory services



Implementation of IBEC targeted programmes aimed at supporting small businesses and priority industries in partnership with national and international development institutions



Implementation of advanced solutions to automate settlements and unlock working capital for tier-2 suppliers and beyond (deep-tier supply chain finance)