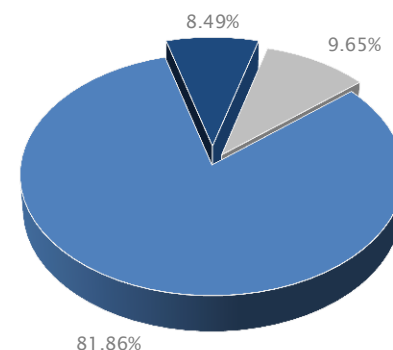




IBA OVERVIEW

- ❑ Main shareholder – Ministry of Finance of Azerbaijan Republic (81.86%)
- ❑ Market leader in terms of assets (34.9% market share), customer loans (33.4%) and deposits (31.3%)
- ❑ Strong position in corporate market segment: maintains accounts of largest companies of Azerbaijan
- ❑ Strong presence in retail business (both loans and deposits) Second largest branch network (35 branches) in the country and largest ATM network
- ❑ Prudent risk management and conservative approach to consumer lending
- ❑ Wide domestic territorial coverage and international presence via subsidiaries and representative offices

SHAREHOLDER STRUCTURE



■ Ministry of Finance ■ Non-state organizations ■ Individuals

RATINGS

Fitch

Long term IDR

BB (positive)

Moody's

Senior unsecured

Ba3 (stable)

NATIONWIDE AND INTERNATIONAL BRANCH NETWORK SNAPSHOT

- ❑ IBA's strategy - large and medium-size branches instead of numerous small points of service
- ❑ Growing operations in e-banking contribute to reduction of small and medium service points
- ❑ 35 Branches
- ❑ 42 Sub-branches & 4 service points
- ❑ 2 Subsidiaries (IBA Moscow & IBA Georgia)
- ❑ 2 Representative offices (London & Frankfurt)



SUBSIDIARIES OVERVIEW



BOARD

On July 22nd, 2015 the Extraordinary Shareholders Meeting appointed new Board Members of "International Bank of Azerbaijan". Mr. Elmar Mammadov was appointed as the Chairman of the Board and Mr. Ulvi Mansurov and Mr. Murad Shiraliyev as Deputy Chairmen.



Mr. Elmar Mammadov – Previously worked as a CEO at Azer-Turk Bank and Kapital Bank. Mr. Mammadov is a graduate of Azerbaijan University of Economics and Baku State University.



Mr. Ulvi Mansurov – Mr. Mansurov has previously worked as a CEO at Bank Technique and at various positions, including deputy CFO at IBA. Over 10 years of experience in banking. He is a graduate of Azerbaijan University of Economics and University of Warwick. Has PhD in economics.



Mr. Murad Shiraliyev – Before joining IBA, Mr. Shiraliyev worked as a deputy CEO at Kapital Bank. Has experience of over 15 years in banking. He graduated from the Azerbaijan Construction Engineering University in 1998 and from the Azerbaijan Architecture and Construction University in 2000 with a master degree (with honours) in Economics and Management. Mr. Shiraliyev obtained his PhD in Economics in 2005. Mr Shiraliyev is an alumnus of the “General Management” programme of the Harvard Business School and is currently studying the MBA programme in Finance at the Manchester Business School..

RECENT DEVELOPMENTS

- ❖ On July 15th, 2015, The President of Azerbaijan, Ilham Aliyev, signed a decree on measures to improve IBA's financial stability in order to prepare the bank for privatization.
- ❖ The action plan for privatization shall be submitted to the Government and we anticipate that preparation for privatization will take up to 5 years. No specific details are yet available.
- ❖ An asset disposal program was launched right after the presidential decree.
- ❖ The program considered selling poor quality assets in the amount of AZN 3 billion to a state-owned organization, called Agrar Kredit at a gross book value including accrued interest.
- ❖ Agrar Kredit issued bonds for the local market under the guarantee of Ministry of Finance, which are later being purchased by CBAR. Cash from the bonds is used for the purchase of assets from IBA.
- ❖ Four tranches, amounted to AZN 1 bn, AZN 1 bn, AZN 500 mn and AZN 500 mn were received in September, October, December of 2015 and January of 2016 respectively.
- ❖ To avoid negative impact arising from potential future market fluctuations and mitigate risks stemming from volatility, the MoF committed to inject additional capital in the amount of AZN 600 million which will be paid in several tranches. First contribution expected during the first quarter of 2016.

- ❖ In light of falling oil prices, to sustain the national economy, improve the export potential and reduce the pressure on FX reserves, the Central Bank of Azerbaijan has made a decision to shift the local currency to a free float, effective from December 21st, 2015.
- ❖ CBAR's FX reserves decreased from USD 12.6 bn to USD 5 bn as a result of interventions throughout 2015.
- ❖ Current refinancing and repo rates are 3% and 0.1% respectively
- ❖ IBA managed to successfully hedge its funds and did not have any open currency positions as at the date of devaluation
- ❖ In order to support future development in the market, AZN 500 million capital injection is expected from MoF during the course of 2016 (2 tranches, 250 mn each)
- ❖ Provisions released as a result of asset sale program remained in the balance to keep the bank on safe side, thus, no impact on capital and equity
- ❖ IBA's CAR and Tier 1 ratios remain above the minimum requirements of CBAR
- ❖ No significant increase in NPLs is expected due to the asset sale program
- ❖ No deposit outflow observed, however, population tend to convert and keep cash in US dollars

CAPITALIZATION

CAPITAL INJECTION BY SHAREHOLDERS AND SUPPORT FROM CBAR

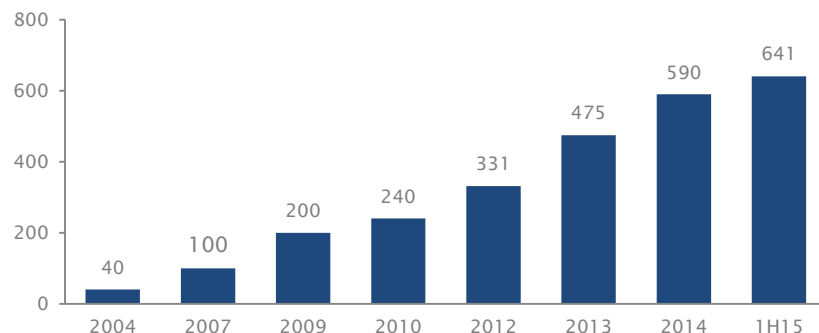
CBAR's SUPPORT

- The CBA provided timely support when IBA needed capital and liquidity.
- After global crisis to avoid non-compliance with capital adequacy ratios, CBAR provided IBA in a consistent manner with subordinated loans in February' 12 AZN 150 mln (Tier 1 – local standards) with 5 years tenor, December' 12 AZN 100 mln (Tier 2) with 7 years tenor, June' 13 AZN 100 mln (Tier 2) with 7 years tenor.
- As a result of devaluation in February' 15, further support was granted with AZN 250 mln (Tier 2) sub-debt with 7 years tenor as well as in March' 15 with AZN 400 mln senior credit line at below market price.

SHAREHOLDERS

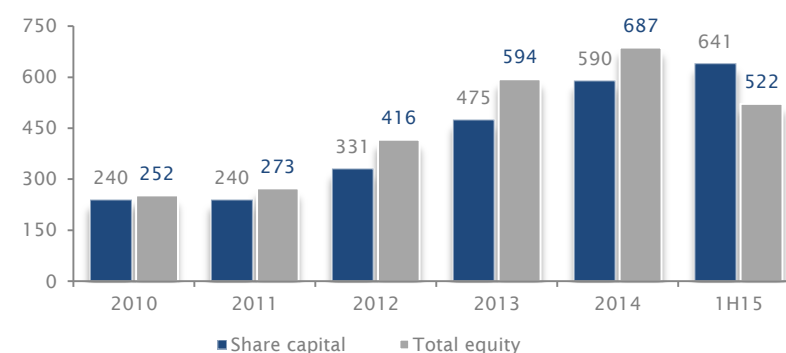
- In 2012, Shareholders approved an AZN 100 mln increase of IBA's share capital with an intention to increase it up to AZN 340 mln
- In October, 2013, Shareholders approved a 4-year capital increase program in the amount of AZN 500 mln. First injection in the amount of AZN 200 mln was made in July, 2014
- Second tranche in the amount of AZN 100 mln was approved in January, 2015 and the government already contributed AZN 51 mln in March, 2015
- As at 01 July, 2015, the capital increase program was decided to be postponed, due to the change in the Management of the Bank. Instead, an asset disposal program was launched after the Presidential decree. Hence, the gain from the sale and decrease in the provisions will positively affect the capital.
- Due to the change in the strategy, the government repurchased shares from minority shareholders in the amount of AZN 200 mln, increasing its' stake from 51.07 to 81.86%.
- Capital injection from MoF in the amount of AZN 600 million is expected during the course of 2016.

IBA'S CAPITAL PLAN (AZN millions)



Source: IBA, IFRS

SHARE CAPITAL (AZN millions)





AZERBAIJAN MARKET AND BANKING SECTOR OVERVIEW

FINANCIAL OVERVIEW

APPENDIX

ECONOMIC PERFORMANCE

MOODY'S

A3	· Latvia
Baa2	· Bulgaria, Kazakhstan
Baa3	· <u>Azerbaijan (Stable)</u> , Turkey, Romania
Ba1	· Croatia, Russia
Ba3	· Georgia, Armenia
B1	· Serbia
...	
Caa3	· Ukraine

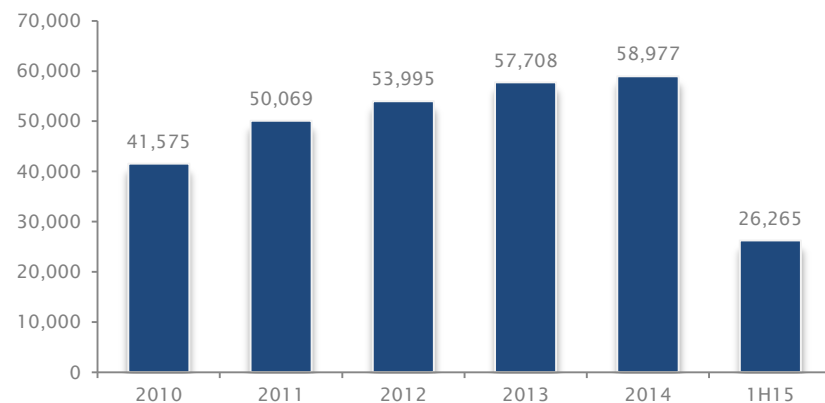
STANDARD & POOR'S

BBB	· Kazakhstan
BBB-	· <u>Azerbaijan (Negative)</u> , Romania
BB+	· Turkey, Bulgaria, Russia
BB	· Croatia
BB-	· Georgia, Serbia
...	
B-	· Ukraine

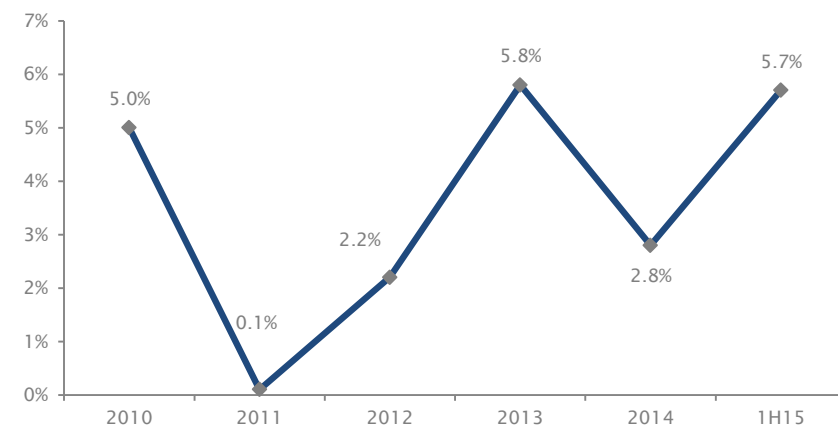
FitchRatings

BBB+	· Kazakhstan
BBB-	· <u>Azerbaijan (Negative)</u> , Romania, Bulgaria, Turkey, Russia
BB	· Croatia
BB-	· Georgia
B+	· Serbia, Armenia
...	
RD	· Ukraine

NOMINAL GDP (AZN millions)



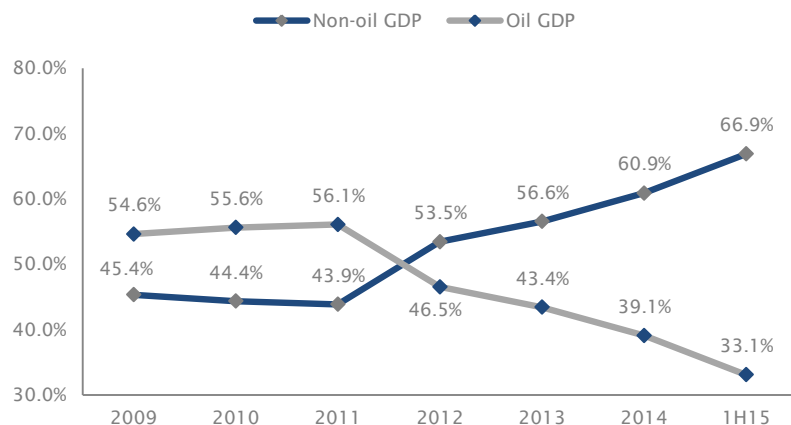
REAL GDP GROWTH (y.o.y)



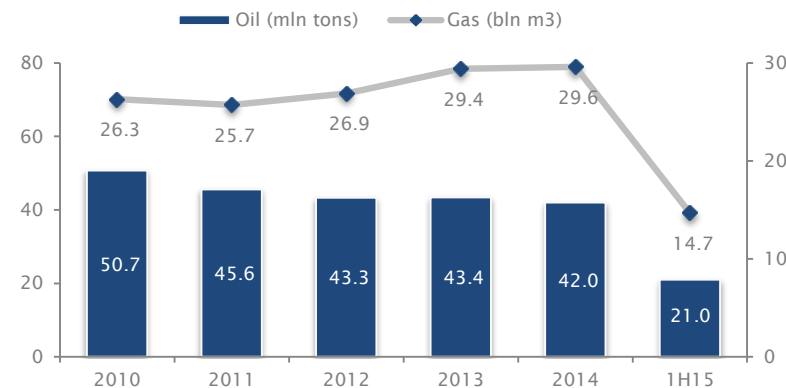
Source: State Statistical Committee, Fitch, Moody's, S&P

ECONOMIC PERFORMANCE

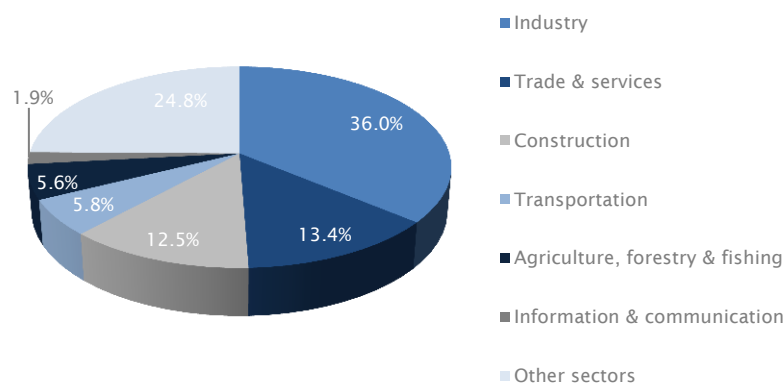
INCREASING SHARE OF NON-OIL GDP



OIL AND GAS PRODUCTION



COMPOSITION OF REAL GDP BY SECTOR



FINISHED & PLANNED PROJECTS

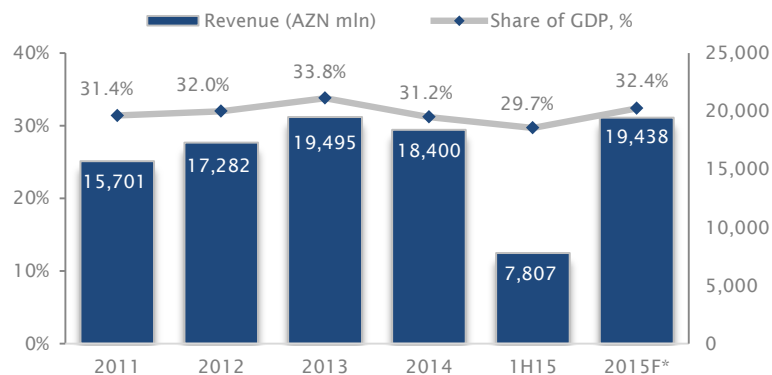
- ❑ The launch of production at Shah Deniz 2, the southern energy corridor between the Caspian region and Europe.
- ❑ Shamkir Chay water reservoir.
- ❑ The launch of the 2nd space satellite.
- ❑ Trans Adriatic Pipeline AG (TAP) project with BP, SOCAR, Total and Fluxys.
- ❑ Development of petrochemical complexes in Sumgayit.
- ❑ Modernization of farming industry.
- ❑ Construction of new Terminal at Heydar Aliyev International Airport.
- ❑ Development of the International Sea Trade Port in Alat.

*The launch of Shah Deniz 2 will double gas production in 2018

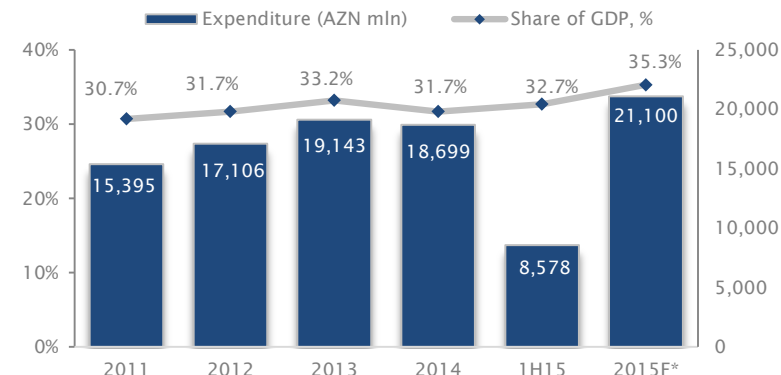
Source: State Statistical Committee, State Oil Company of Azerbaijan Republic

ECONOMIC GROWTH

STATE BUDGET REVENUE (forecasted at 90 US\$/bbl)



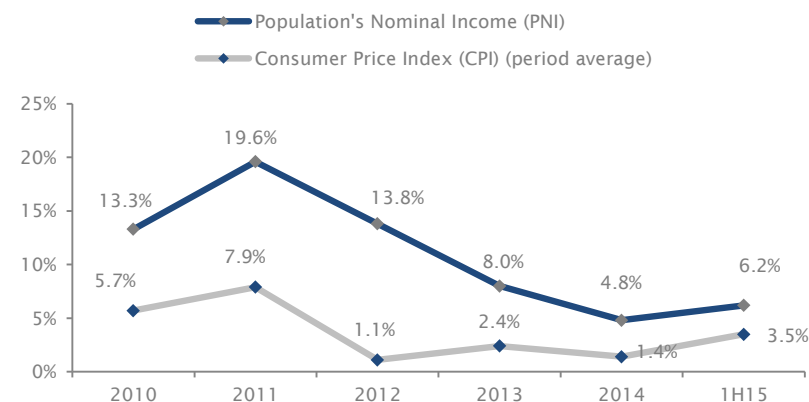
STATE BUDGET EXPENDITURE (forecasted at 90 US\$/bbl)



MAJOR BUDGET EXPENDITURES in 2015

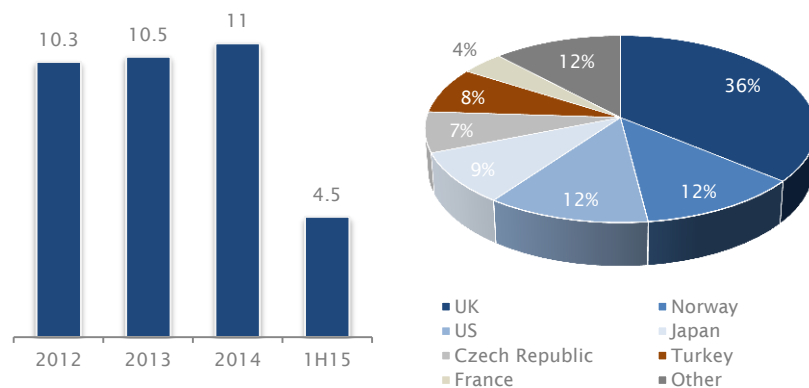
Expenditures	Amount, in AZN mln	Weight
Industry, Construction, Mining	6,451	33%
Social Expenses	2,040	9.70%
General Government Services	2,047	9.70%
Education	1,711	8.10%

DYNAMICS OF PNI and CPI

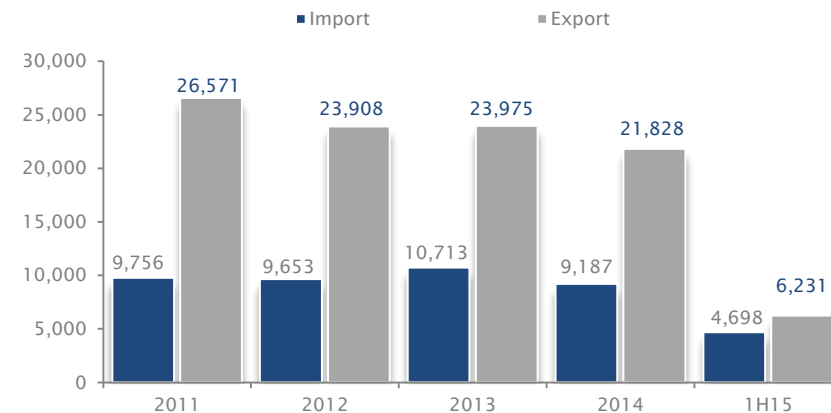


FINANCIAL MEASURES

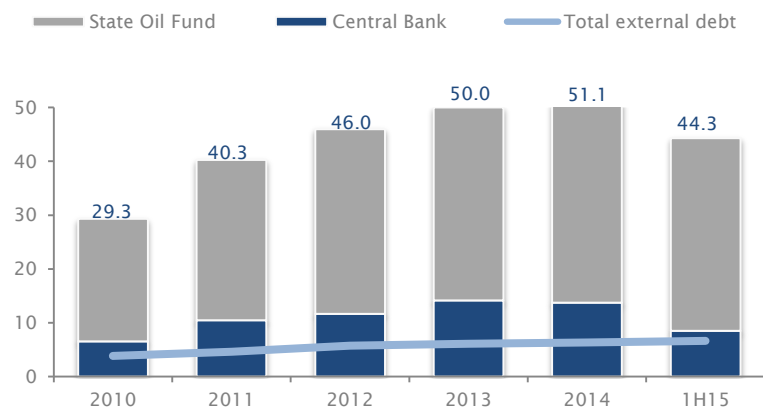
FOREIGN INVESTMENTS (USD billions)



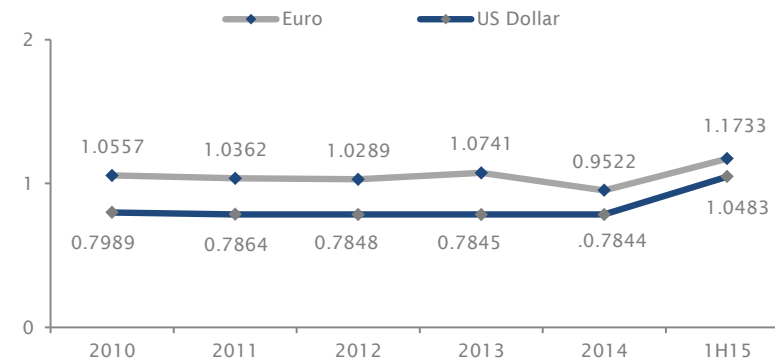
FOREIGN TRADE (USD millions)



EXTERNAL DEBT & FX RESERVES (USD billions)



OFFICIAL AVERAGE EXCHANGE RATES OF MANAT



On 21st of February 2015 the Central Bank devaluated AZN by 34%.

Source: State Statistical Committee, Central Bank of Azerbaijan, SOFAZ

MAIN INDICATORS

OVERVIEW

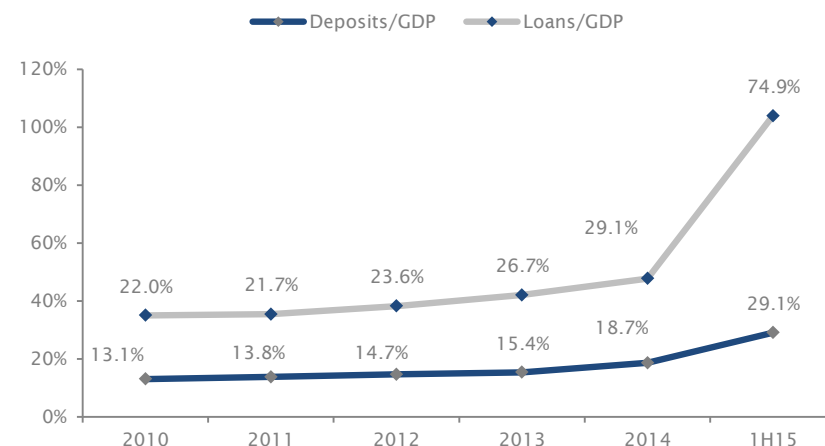
- ❑ Basel 1 type regulator standard implemented (Timing around Basel 2/3 uncertain)
- ❑ 45 banks of which 23 have foreign interest in their capital
- ❑ 2 state banks – one of which is International Bank of Azerbaijan
- ❑ 763 bank branches of which 35 belong to IBA
- ❑ 163 sub-branches (divisions)
- ❑ 11 bank units operating abroad (affiliate banks - 5, representations – 7)
- ❑ 4 local representations of foreign banks
- ❑ 157 non-bank credit organizations
- ❑ 103 credit unions

REGULATION

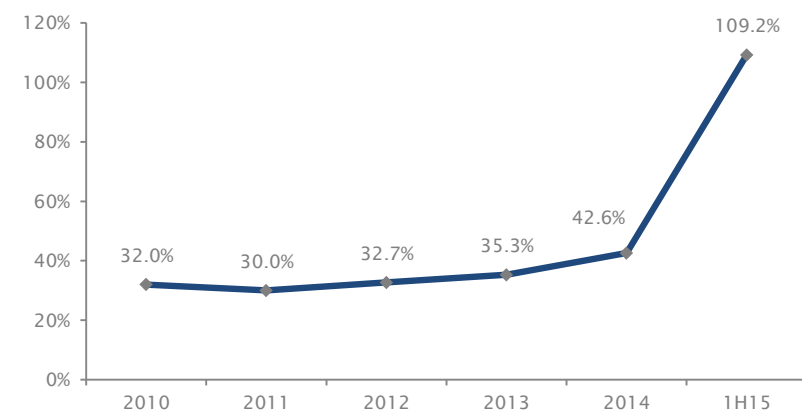
CENTRAL BANK OF AZERBAIJAN (CBA)

Minimum capital requirements for a new bank	AZN 50 mm
Minimum CAR requirement	12.0%
Minimum Tier 1 requirement	6.0%
Mandatory reserve deposits at CBA	3.0% (of deposits)
Maximum open currency position to single currency	10% of capital
Sum of all long/short currency positions	20% of statutory capital
Deposit insurance	Up to AZN30,000

TOTAL DEPOSITS TO GDP and LOANS TO GDP RATIOS

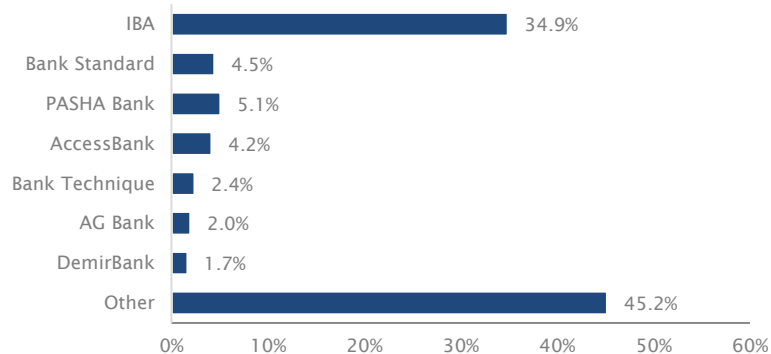


TOTAL ASSETS TO GDP RATIO

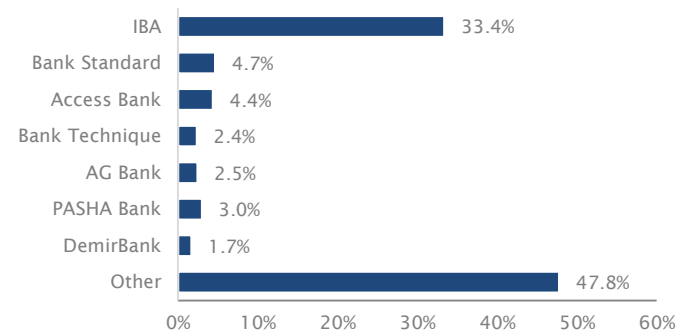


MARKET SHARES

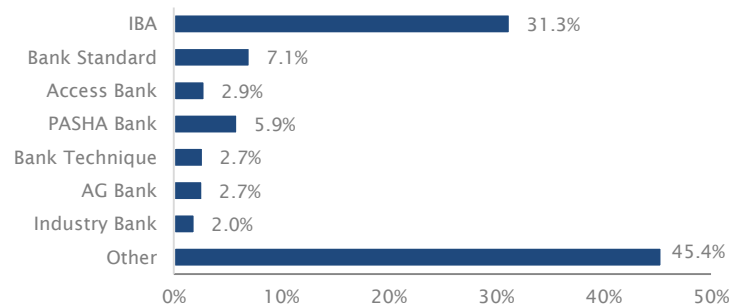
ASSETS



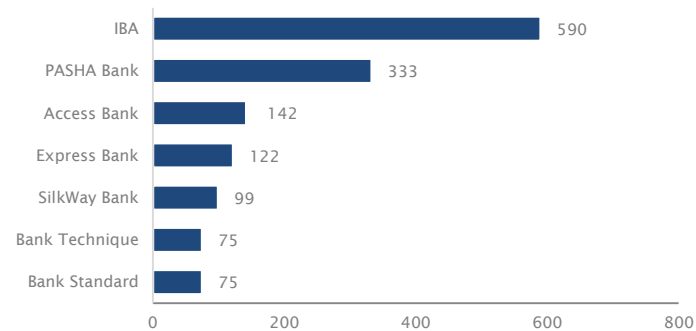
CUSTOMER LOANS



DEPOSITS

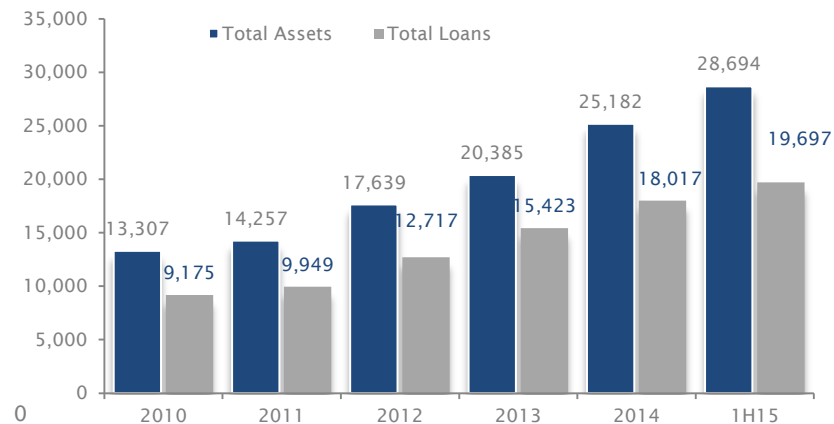


SHARE CAPITAL (AZN millions)

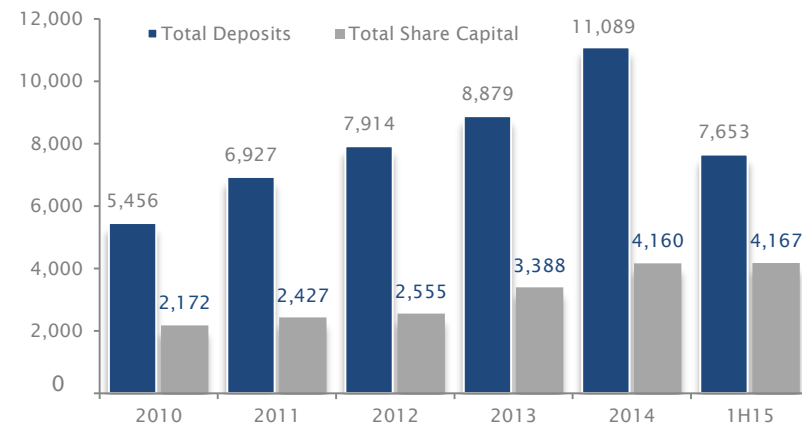


FINANCIAL PERFORMANCE

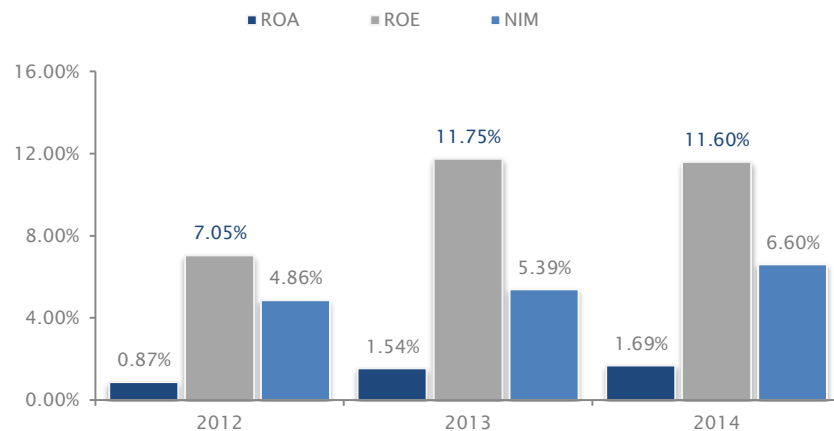
TOTAL ASSETS & LOAN PORTFOLIO (AZN millions)



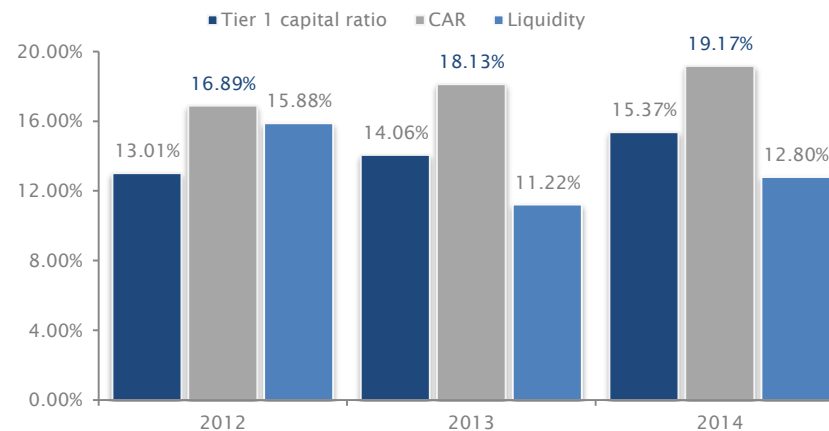
TOTAL CUSTOMER DEPOSITS & CAPITAL (AZN millions)



NIM, RETURN ON ASSETS AND EQUITY OF BANKS



CAPITAL RATIOS AND LIQUIDITY OF BANKS





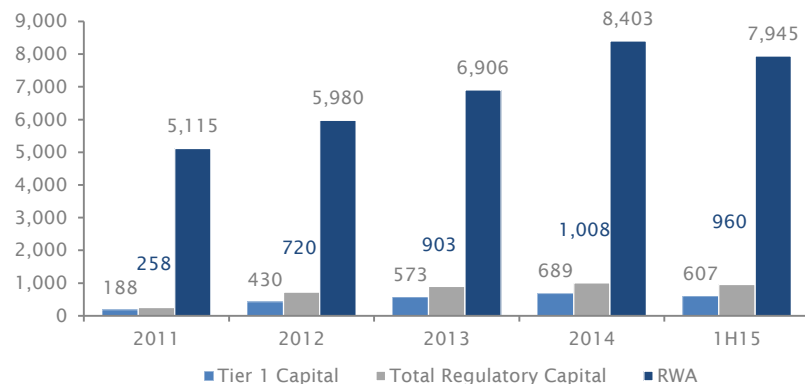
AZERBAIJAN MARKET AND BANKING SECTOR OVERVIEW

FINANCIAL OVERVIEW

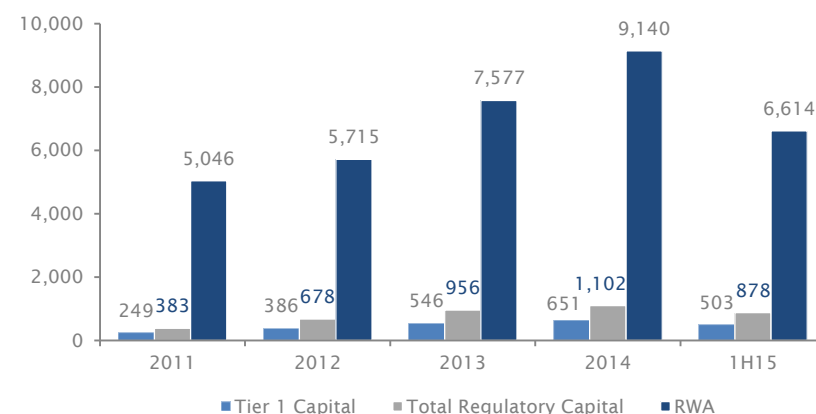
APPENDIX

CAPITALIZATION

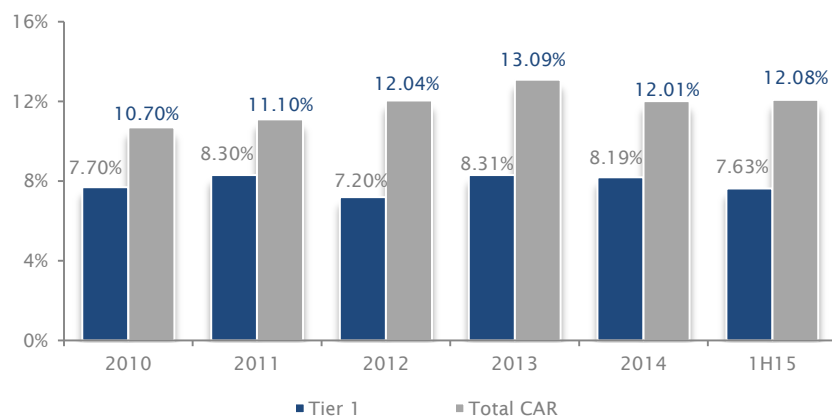
COMPOSITION OF CAPITAL LOCAL (AZN millions)



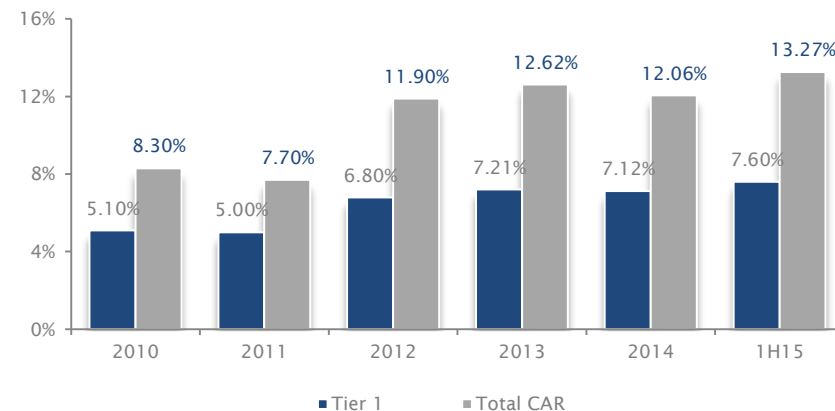
COMPOSITION OF CAPITAL BIS (AZN millions)



CAPITAL ADEQUACY RATIO – LOCAL STANDARDS*



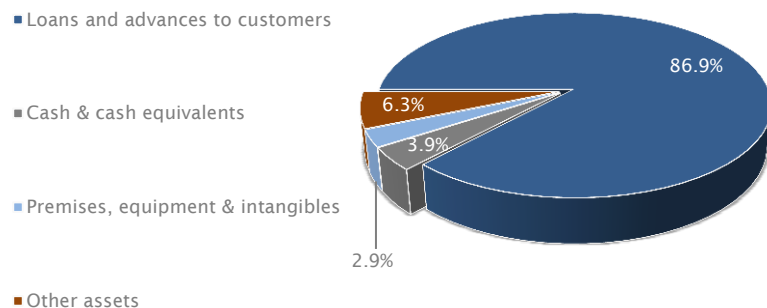
CAPITAL ADEQUACY RATIO – BIS STANDARDS



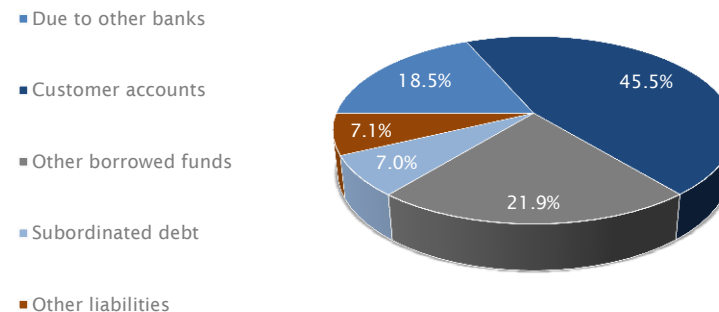
Source: IFRS and statutory reports

ASSETS & LIABILITIES

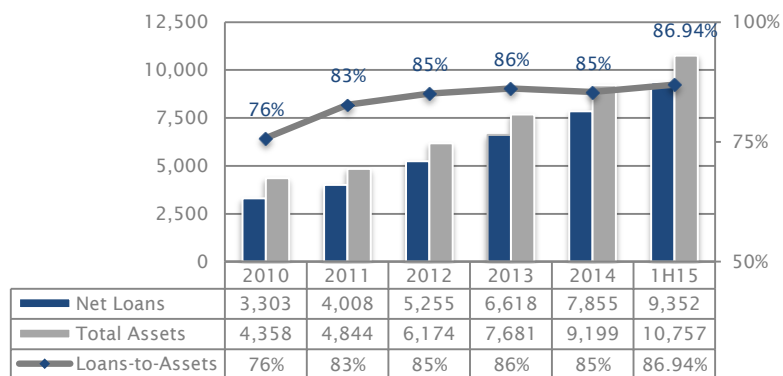
COMPOSITION OF ASSETS



COMPOSITION OF LIABILITIES



LOANS AND ASSETS (AZN millions)



Top 30 loans comprise 41% (AZN 4.3 bn) of the portfolio

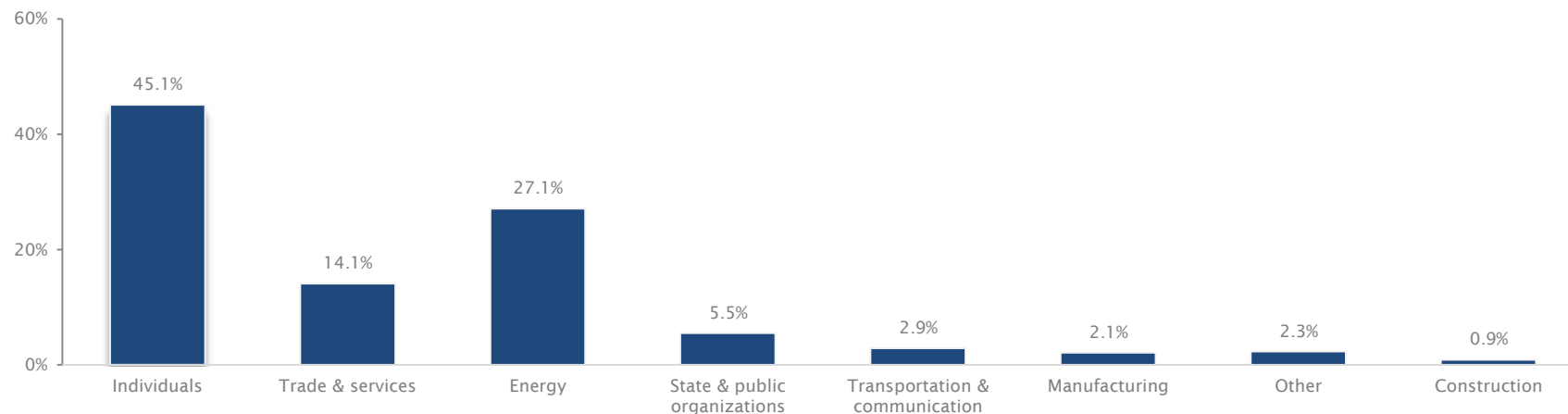
Source: IFRS

RETAIL vs. CORPORATE LOANS



CUSTOMER BASE

CUSTOMER ACCOUNTS BY SECTORS (1H15)

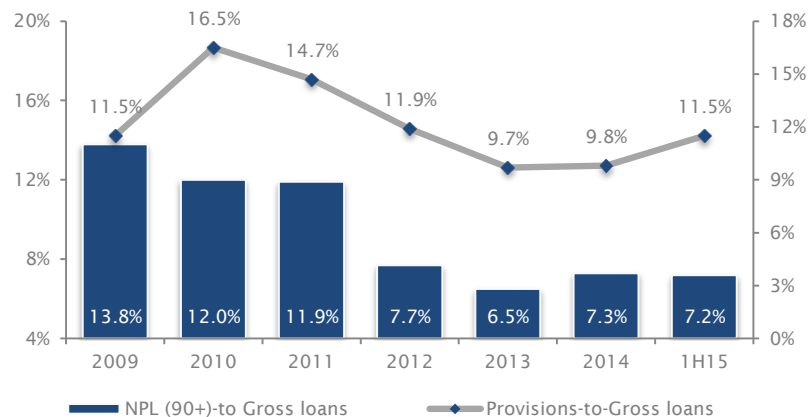


CUSTOMER ACCOUNTS including DEPOSITS (AZN millions)



ASSET QUALITY

NPL (overdue +90 days) & PROVISIONING RATIOS



LOAN PORTFOLIO BY SECTORS

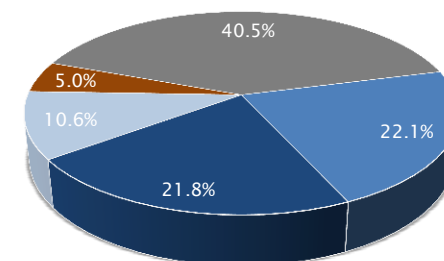
■ Construction & Real Estate

■ Trade and Services

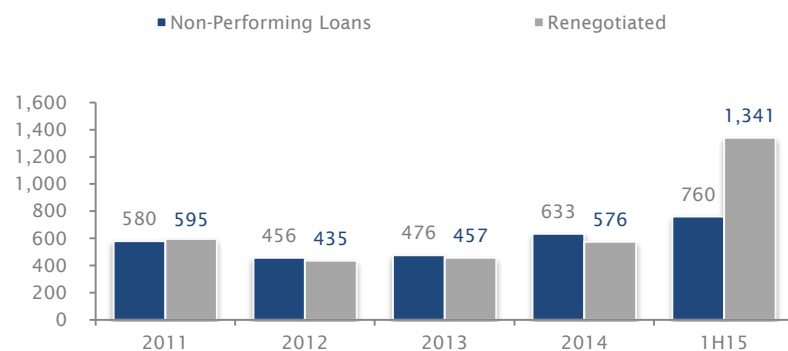
■ Manufacturing

■ Individuals

■ Other



NPL AND RENEGOTIATED LOANS (AZN millions)



LOAN PROVISION DYNAMICS (AZN millions)





LIQUIDITY & FUNDING

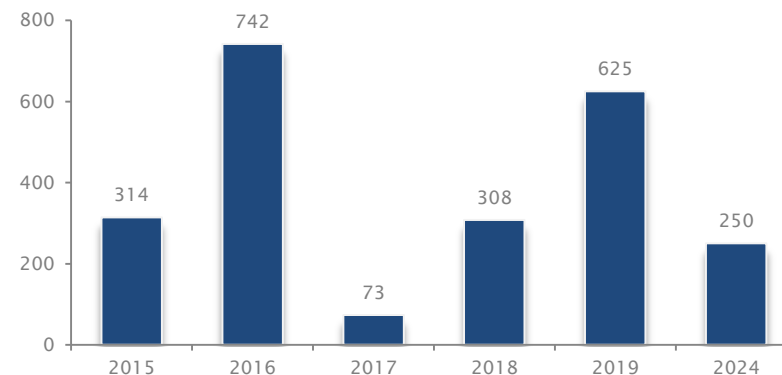
LOAN REPAYMENTS (AZN million)

Instrument	Amount	Maturity Date
2015		
Bilateral Loan	50	December
Islamic Syndication	264	December
2016		
Bilateral Loan	55	January
Bilateral Loan	52	March
Bilateral Loan	63	April
Conventional Syndication	216	April
Structured Transaction	66	July
Amortising Bilateral loan	42	August
Private Placement	248	October

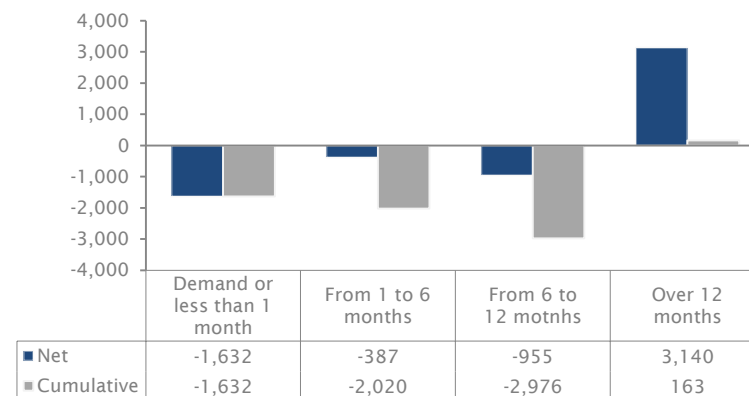
KEY BORROWING PRINCIPLES

- ❑ Diversify across investor base, geography and instruments
- ❑ Optimize tenor and funding costs
- ❑ Minimize liquidity risk
- ❑ Focus on proactive management of liabilities
- ❑ Decrease the level of existing covenant package and be in compliance with all required financial ratios

MATURITY PROFILE (Loans, Deposits and Notes) (AZN million)



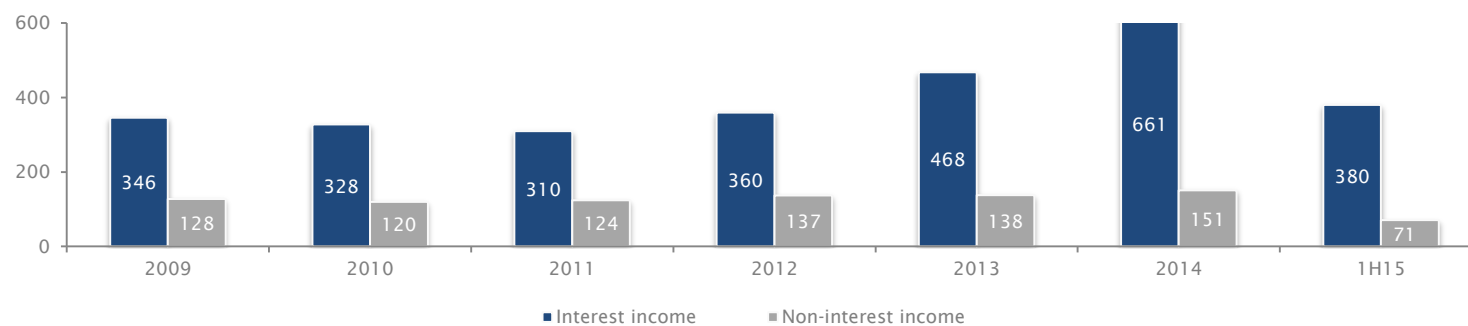
LIQUIDITY GAP (AZN million)



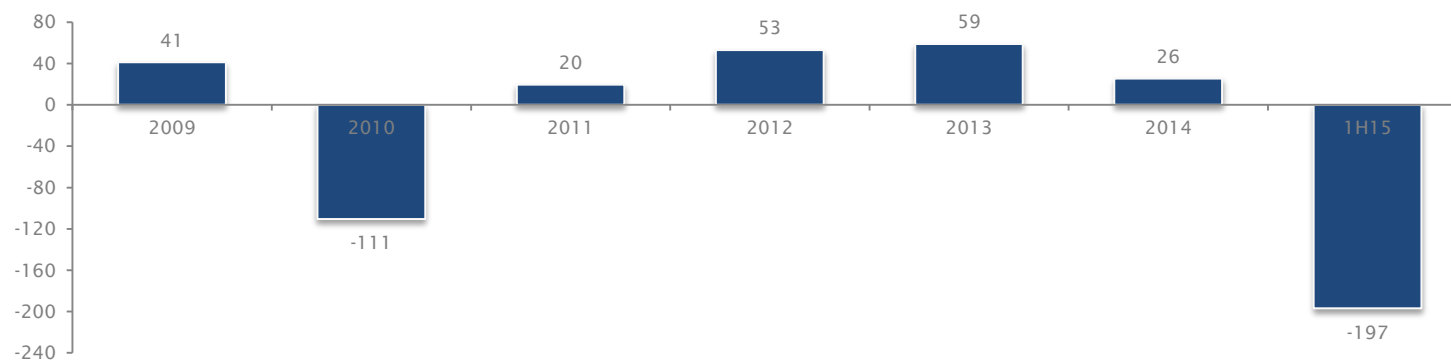


INCOME & PROFITABILITY

TOTAL INCOME (AZN millions)



NET PROFIT/LOSS (AZN millions) (1H15)

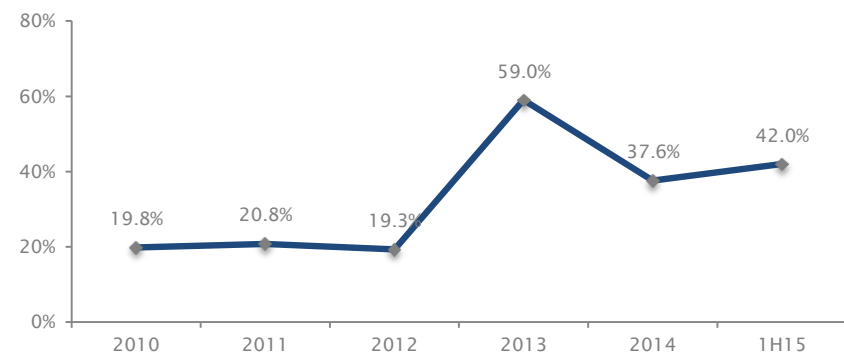


INCOME & PROFITABILITY

OPERATING INCOME VS EXPENSES (AZN millions)

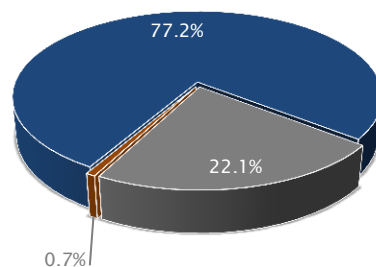


COST-TO- INCOME RATIO



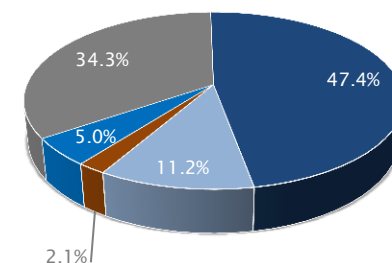
OPERATING INCOME STRUCTURE (AZN millions)

- Net interest income (115 mln)
- Net fee and commission income (33 mln)
- Other operating income (1 mln)



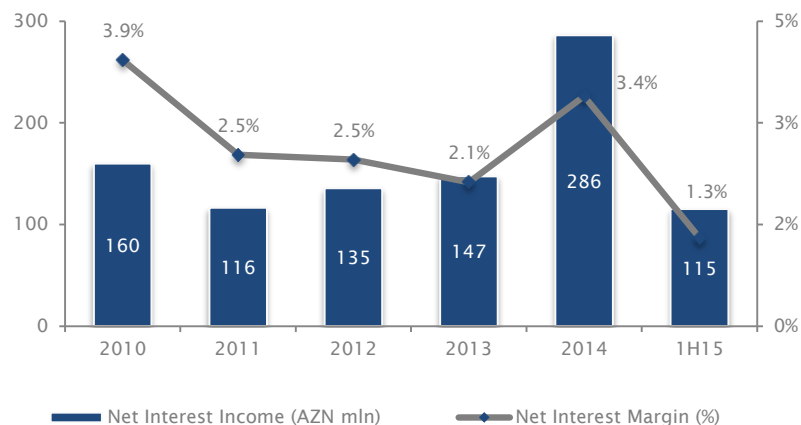
OPERATING EXPENSE STRUCTURE (AZN millions)

- Staff costs (31 mln)
- Depreciation of premises and equipment (7 mln)
- Customs duties and taxes (1 mln)
- Advertising and marketing (3 mln)
- Other operating expense (22 mln)

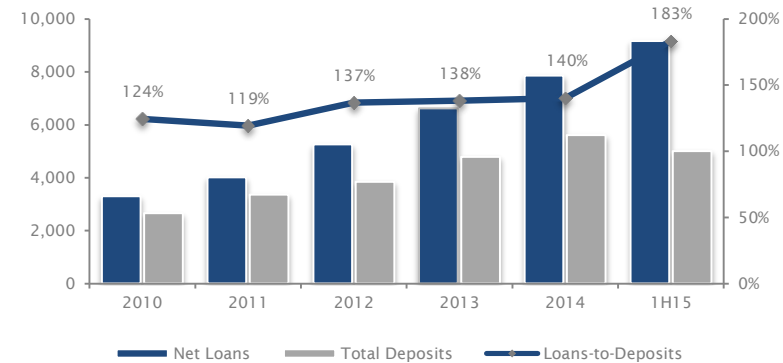


KEY FINANCIAL RATIOS

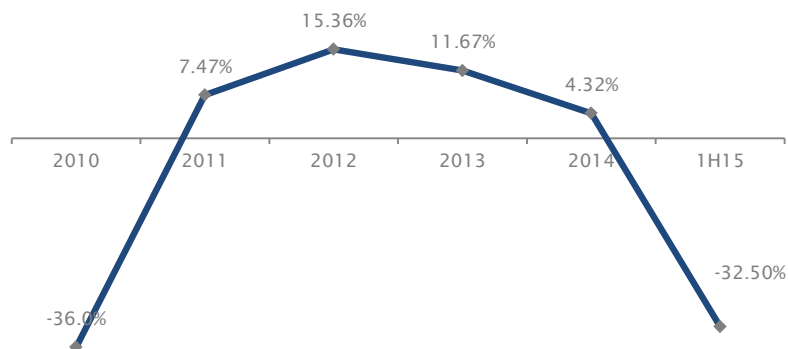
NET INTEREST INCOME & NET INTEREST MARGIN



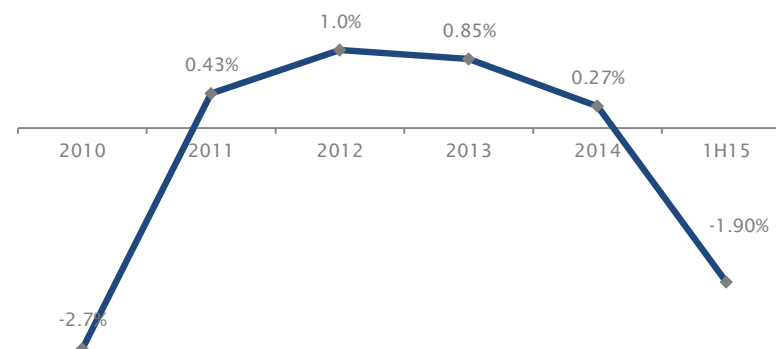
LOANS TO DEPOSITS RATIO (AZN millions)



RETURN ON AVERAGE EQUITY



RETURN ON AVERAGE ASSETS





AZERBAIJAN MARKET AND BANKING SECTOR OVERVIEW

FINANCIAL OVERVIEW

APPENDIX



COUNTRY INFORMATION



- ❑ **Area** - 86,600 sq.km
- ❑ **Population** - 9,477,100
- ❑ **Time zone** - GMT+4
- ❑ **Government** - presidential state



C O U N T R Y I N F O R M A T I O N

GOVERNMENT FORM	Presidential Unitary Republic
LEGAL SYSTEM	Civil Law
HEAD OF STATE	President
HEAD OF GOVERNMENT	Prime minister
PARLIAMENT	Unicameral national assembly (Milli Mejlis)*
JUDICIAL BRANCH	Constitutional court, Supreme court, Court of appeals, Courts of first instance
INTERNATIONAL COOPERATION	UN, IMF, WB, OSCE, Council of Europe, CIS, NATO

**125 seats; members elected by popular vote to serve five-year terms*

CLIMATE

- ❑ The climate in Azerbaijan is majorly influenced by its geographical position, landscape and the Caspian Sea. Semi-desert, dry, sub-tropic and frigid types of climate. Azerbaijan accounts for 9 out of 11 climate zones existing in the world.

NATURAL RESOURCES

- ❑ Petroleum, Natural Gas, Iron ore, Non-ferrous metals, Bauxite

INDUSTRIES

- ❑ Petroleum and Gas, Oilfield equipment, Steel, Cement, Textiles

ECONOMIC PERFORMANCE

TAXATION

Corporate Tax	20%
Value Added Tax	18%
Simplified Tax*	4% (in Baku)
	2% (in other regions)
Withholding tax	10%

- No Taxes in agriculture (except land tax)
- No inheritance and gift taxes
- No customs duties and VAT on non-oil production imports (specified agricultural products and items)

* Total annual revenue of the legal entity should not exceed AZN 120,000 (approximately USD 154,000)

EASE OF DOING BUSINESS RANK

COUNTRY	RANK
Bulgaria	38
Romania	48
Turkey	55
Russia	62
Kazakhstan	77
<u>Azerbaijan</u>	80
Ukraine	96

GLOBAL COMPETITIVENESS INDEX

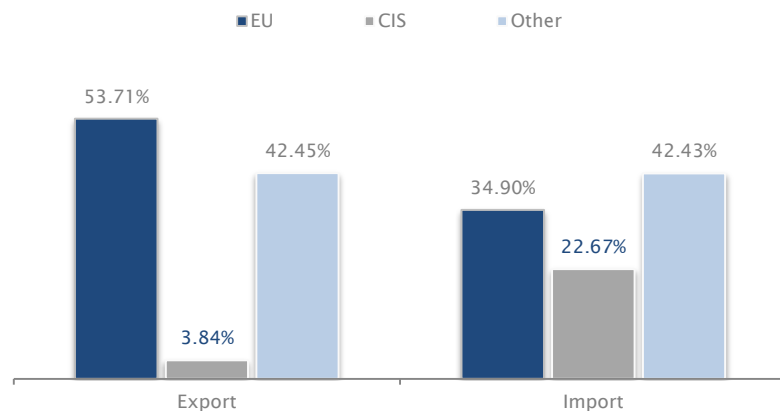
COUNTRY	RANK
<u>Azerbaijan</u>	38
Latvia	42
Turkey	45
Kazakhstan	50
Russian Federation	53
Bulgaria	54
Romania	59
Ukraine	76

GOVERNMENT PROJECTS

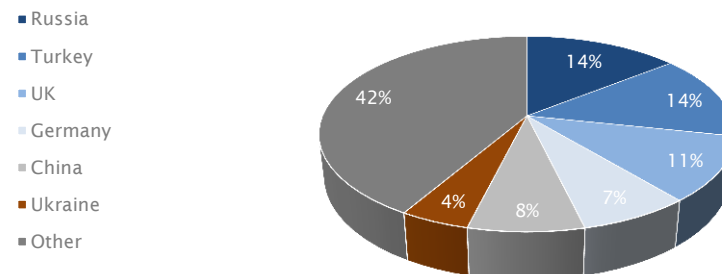
- ❑ The launch of production at Shah Deniz 2, the southern energy corridor between the Caspian region and Europe
- ❑ Trans Adriatic Pipeline AG (TAP) project with BP, SOCAR, Total and Fluxys
- ❑ Baku-Tbilisi-Kars rail line
- ❑ Baku International Sea Trade Port
- ❑ Sumgayit Chemical Industrial Park

ECONOMIC PERFORMANCE

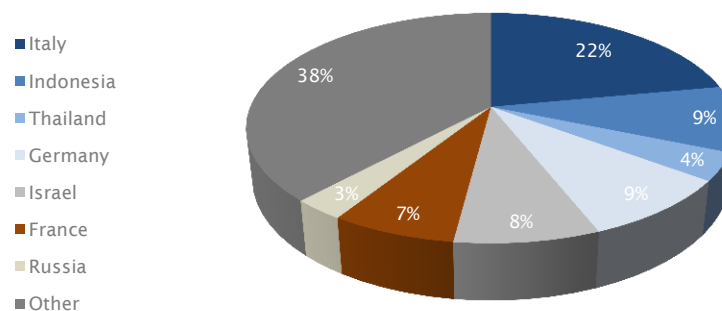
EXTERNAL TRADE (2014 figures)



MAJOR SUPPLIERS (2014 figures)



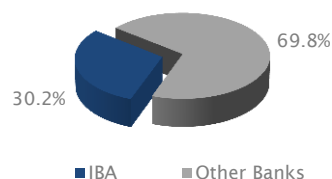
EXPORT MARKETS (2014 figures)



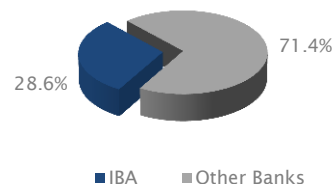
Involvement in major retail banking projects:

- ❑ Pension debit cards: distributed more than 1,000,000 pensioner and other social cards
- ❑ Salary debit cards: more than 440,000 employees rely on this system for receipt of salaries

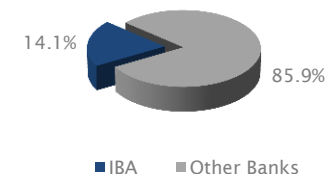
PLASTIC CARDS



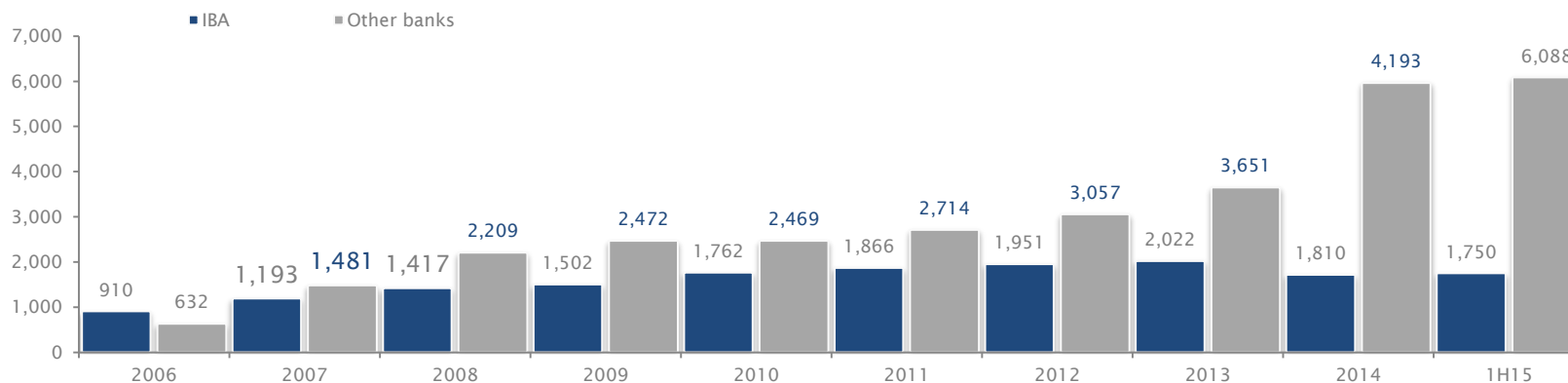
ATMs



POS MACHINES



PLASTIC CARD ISSUANCE ('000 pcs)



APPENDIX

*in AZN thousands***2010****2011****2012****2013****2014****1H15****Balance Sheet**

Total assets	4,358,314	4,843,626	6,173,865	7,681,218	9,198,768	10,757,610
Loans and advances to customers	3,303,431	4,008,184	5,255,151	6,617,667	7,854,991	9,352,608
Provision for loan impairment	654,500	689,509	707,252	713,665	849,804	1,214,423
Customer accounts	2,111,615	2,757,280	3,104,140	3,500,854	4,144,678	4,657,700
Placements from other banks	542,326	602,411	738,738	1,286,183	1,458,698	1,896,912
Share capital	240,000	240,000	330,834	475,038	590,192	641,287
Total equity	251,511	272,516	416,237	593,578	686,584	521,829

Income Statement

Net interest income	159,692	116,305	135,393	147,286	286,559	115,548
Net interest income after provisions for impairment	-109,364	73,586	114,812	126,898	79,076	-212,726
Net fee and commission income	65,111	58,589	59,757	70,464	72,926	33,823
Net profit/loss	-110,605	19,561	52,912	58,946	25,510	-196,929

Source: IFRS



THANK YOU!