



The purpose of this bulletin is to address and deliver major news and financial highlights of the International Bank of Azerbaijan (IBA) to the attention of investors. In addition, current macroeconomic state analysis is also highlighted in this bulletin.

IBA NEWS

Capital injection

As a result of approved 4-year capital increase program on October 2013, the Bank's paid-in capital reached AZN 563.3 mln (US\$ 718.2 mln) as of 30 June 2014.

US\$ 500 mln Eurobonds issuance

On June 2014, the International Bank of Azerbaijan had successfully closed its debut RegS issue of 5-year bonds amounted to US\$ 500 mln with a coupon of 5.625%. The IBA's issuance received Ba3/BB rating from Moody's and Fitch respectively. JPMorgan and CITI were the joint book runners of the deal. Legal support was provided by Baker & McKenzie as counsel of the issuer and by White & Case as counsel of the joint lead managers.

US\$ 160,000,000 equivalent Dual Currency Syndicated Term Loan Facility

On April 2014, the International Bank of Azerbaijan repaid existing matured syndicated loan amounted to US\$ 127.5 mln and mandated Amsterdam Trade Bank, Citibank, London (Citi), Commerzbank Aktiengesellschaft (Commerzbank), ING Bank, J.P. Morgan Limited and Raiffeisen Bank International AG (RBI), collectively the Book-runners and Initial Mandated Lead Arrangers, to arrange a Dual Currency Syndicated Term Loan Facility. The Facility launched at US\$ 125 mln and attracted over US\$ 35 mln equivalent in commitments during syndication, a 28% over-subscription, resulting in an upsizing of the facility to US\$ 160 mln.

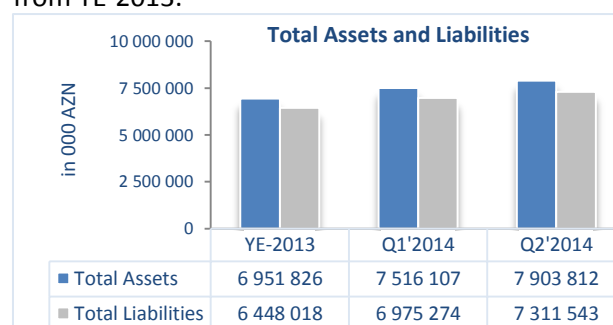
«Caspian Corridor» conference

On March 2014, second "Caspian Corridor" Conference was held under support of London Stock Exchange Group (LSEG), the International Bank of Azerbaijan (IBA), the Britain Azerbaijan Business Council (BABBC) and Asia House at the London Stock Exchange. The second conference "Caspian Corridor" brought together government

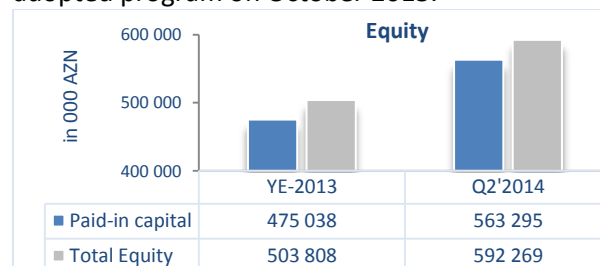
officials, business leaders, academics and the media of the Caspian region for the study of economic trends and prospects in the region. Participants discussed the potential for cooperation in energy, finance and banking, as well as in industry and education.

FINANCIAL HIGHLIGHTS*

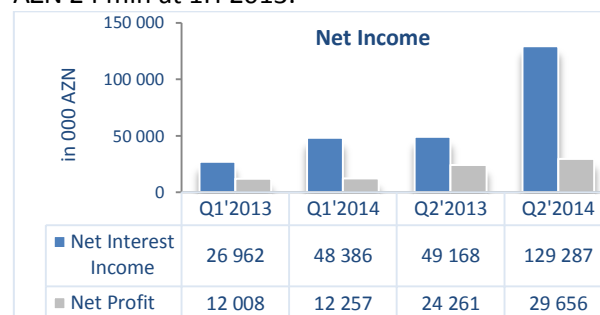
The Bank's financial indicators improved throughout the period. Total assets for the first half of 2014 (AZN 7.9 bln) increased by 13.7% compared to year-end 2013. Total liabilities amounted to AZN 7.3 bln and increased by 13.4% from YE-2013.



The Bank's paid-in capital increased by 18.6% from YE-2013 to 1H'2014. Total shareholders' equity grew by 17.6% for the same period and is expected to increase further upon completion of capital emission as a result of the recently adopted program on October 2013.



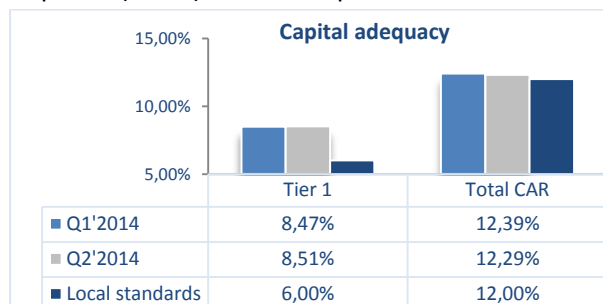
Net interest income showed a noticeable increase and amounted to AZN 129 mln at 1H'2014 (AZN 49 mln at 1H'2013). Net profit of the Bank was AZN 30 mln by the end of June 2014 compared to AZN 24 mln at 1H'2013.



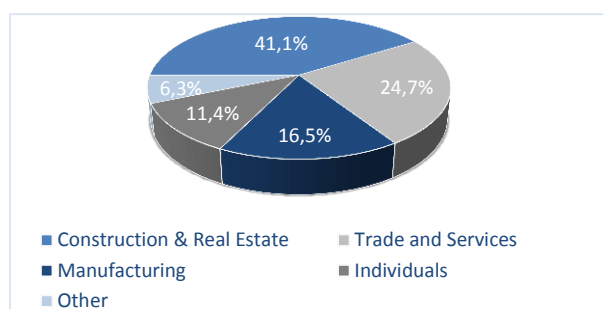
*Based on unaudited and unconsolidated statements



Steady trend has been observed in capital adequacy ratios indicating 8.51% in Tier 1 capital ratio and 12.29% in aggregate capital at 1H'2014. The Bank was in compliance with regulatory standards of the Central Bank of Azerbaijan Republic (CBAR) and BIS requirements.



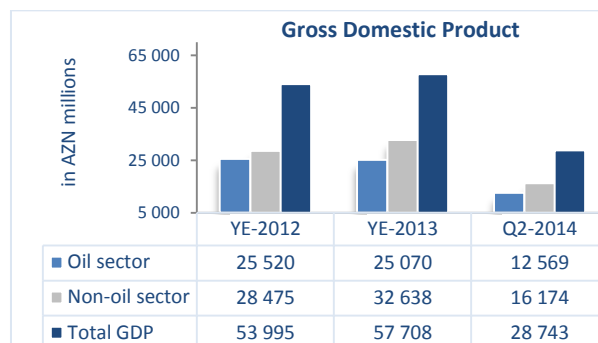
According to the 2013 year-end audited financial figures, three dominant sectors that comprised the loan portfolio of IBA were construction & real estate, trade & services and manufacturing with 41.1%, 24.7% and 16.5% respectively. Another major ratio, non-performing loans (NPL) that are overdue over 90 days improved from 7.7% in 2012 to 6.5% by the end of 2013.



ECONOMIC CONDITIONS

Macro-economic indicators

The economy continued to grow during fragile global economic growth and the sensitive global financial system. The foreign economic position of the country was favorable fuelled by high economic activity. In 2013, GDP rose by 5.8 % in real terms and amounted to AZN 58 bln (US\$ 73.6 bln.) GDP growth was primarily driven by the non-oil sector which grew by 10% and constituted AZN 33 bln (US\$ 41.6 bln) which was 56.6% of GDP.

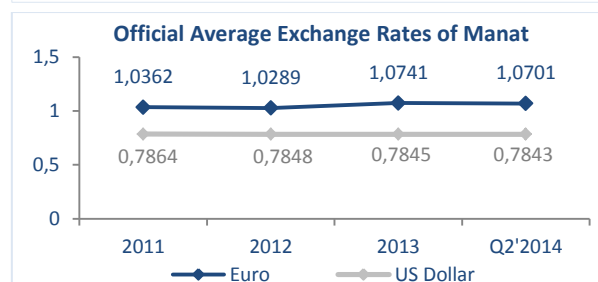
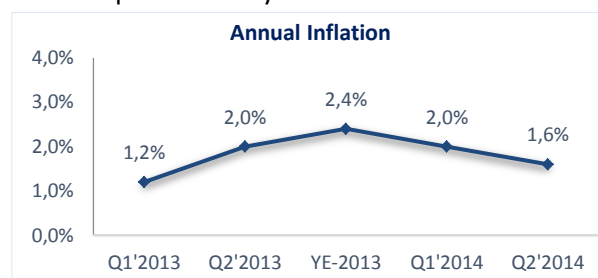


By the YE-2013, State Budget revenues were calculated to AZN 19.5 bln (US\$ 25 bln) which equaled to 34% as a share of GDP. Budget expenditures were reported at AZN 19.1 bln (US\$ 24.4 bln which constituted 33.1% of GDP.

In AZN millions	YE-2012	YE-2013	2014F
Budget Revenues	17 282	19 494	18 384
Budget Expenditures	17 106	19 113	20 063

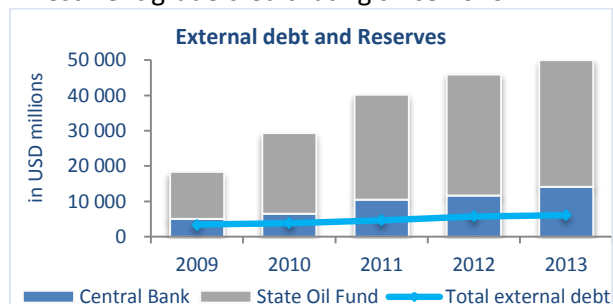
In addition, on 11 March 2014, Azerbaijan has successfully completed the initial allocation of government bonds at the international market. The emission of the initial Azerbaijani bonds attracted interest of foreign investors. The emission of state securities amounted to US\$ 1.25 bln was allocated by 5 percent profitability and a payment period of 10 years. The funds will be used to finance the budget deficit forecasted in 2014.

During the period, low single-digit level of inflation with a stable Manat exchange rate ensured price stability.



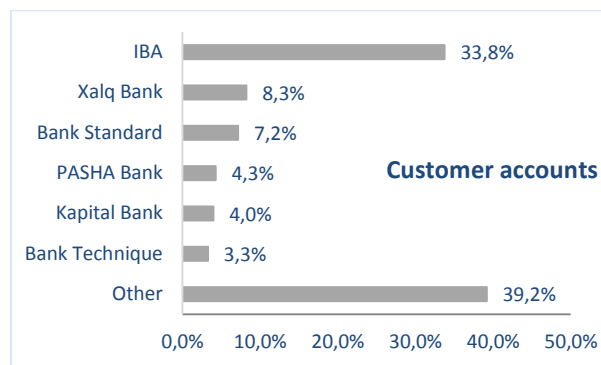
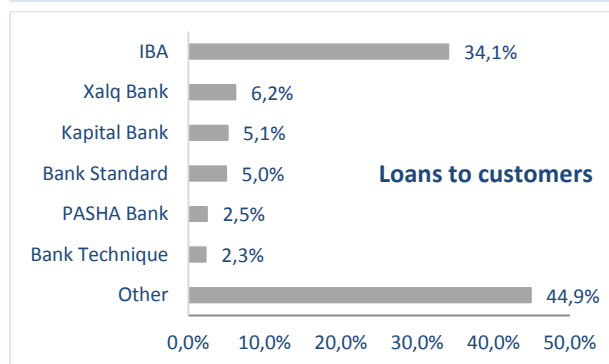
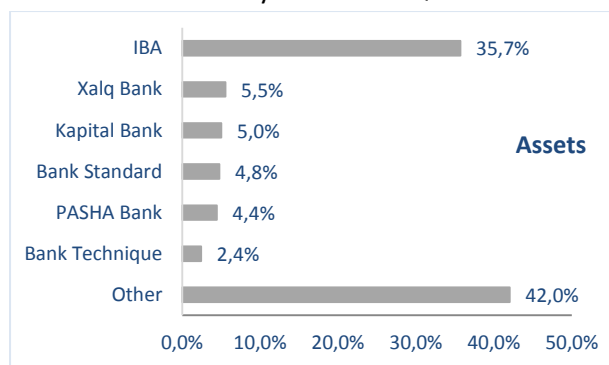


In 2013, strategic FX reserves of the country rose by US\$ 4.1 billion or 9% and exceeded US\$ 50 bln. The ratio of the foreign state debt on the Gross Domestic Product (GDP) was 8.2 percent on 1 January 2014, exceeding most of developed and developing countries in this regard. Government public debt was among lowest in peer group at 12.7% of GDP in 2013. Azerbaijan is rated Baa3/BBB-/BBB- by Moody's/S&P/Fitch investment grade credit rating since 2010.

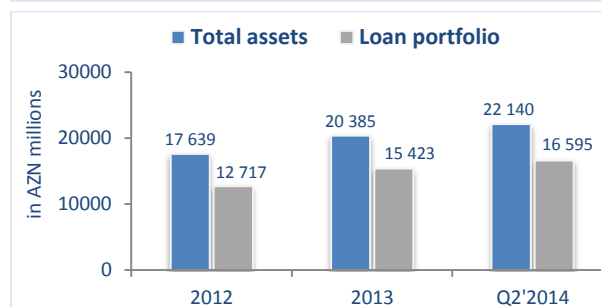


Banking System

The banking system preserved growth dynamics. According to CBAR's 2013 year-end reports, financial sustainability indicators continued to improve. The capital base of the banking system continued to strengthen; system's capital adequacy indicators were favorable as well. IBA was a key market player with 35.7% in total assets, 34.1% in loans to customers and 33.8% in customer accounts by the end of Q1'2014.



	2012	2013	Q2'2014
■ Tier 1 Capital ratio	13,01%	14,06%	15,60%
■ Total CAR	16,89%	18,13%	18,74%
■ ROA	0,87%	1,54%	2,32%
■ ROE	7,05%	11,75%	16,05%
■ NIM	4,86%	5,39%	6,70%
■ NPL	6,10%	5,10%	5,45%



State Banks.....	1
Private Banks.....	42
Banks with foreign capital.....	22
Number of banks branches.....	710
Number of banks operating abroad.....	11
Non-bank credit organizations	154
*minimum capital requirement for a new bank	AZN 10 million, (AZN 50 million from Jan 2015)

*The Management Board of the Central Bank took a decision on 14 November 2013 to extend the deadline for the new capital requirement until 1 January 2015. To this effect, the banks, currently maintaining less than AZN 50 mln capital, are assigned to once again refine their capitalization plans for the supplementary period by the yearend and submit to the Central Bank.

Sources:

[The State Statistical Committee of Azerbaijan Republic](#)
[The Central Bank of Azerbaijan Republic](#)
[The Ministry of Finance of Azerbaijan Republic](#)



CONTACT INFORMATION

RASHAD HAJIYEV

Deputy Chairman of the Board – CFO

Phone: +994 12 493 00 91

E-mail: rashad.hajiyev@ibar.az

FARHAD KERIMOV

Director of the Central Treasury Department

Phone: +994 12 493 00 91 (ext. 1319)

E-mail: farhad.kerimov@ibar.az

MIRANAR JAFAROV

Head of Financial Institutions

Phone: +994 12 493 00 91 (ext. 1982)

E-mail: miranar.jafarov@ibar.az

SABINA ABASSOVA

Head of Debt Capital Markets & Ratings

Phone: +994 12 493 00 91 (ext. 1983)

E-mail: sabina.abassova@ibar.az