



MANAGEMENT STATEMENT

We're delighted to announce noticeable progress in our performance for the first nine months of 2013, while we continue to operate in a challenging environment, our aim is to maintain a competitive advantage and deliver high quality services and value to our customers. We're focused on paying higher attention to clients and maximizing the Bank's efficiency.

During all three quarters of this year the Bank continued to demonstrate noticeable progress towards its targets. One of the most important developments that took place within IBA is the Decision of Extraordinary Meeting of Shareholders to adopt a new long-term capital increase program, which will increase IBA's capital by AZN 500 million over the following 4 years.

IBA NEWS

Extraordinary Meeting of Shareholders

October 18, 2013: the International Bank of Azerbaijan held an extraordinary meeting of shareholders and it was decided to adopt a new AZN 500 million capital increase program over a 4-year period. First portion of capital, AZN 200 million, will be injected in 2013 and the Bank's capital would be further increased by an additional AZN 300 million over the subsequent 3 years (AZN 100 mln. each year).

Islamic Banking

The Bank signed a debut syndicated murabaha-financing facility amounted to USD 120.5 million and attracted 4-year loan of USD 20 million from ICD (The Islamic Corporation for the Development of the Private Sector) for its Sharia-compliant financing activities in Azerbaijan. In addition, IBA has become a pioneer among European banks that recently introduced newly designed "Qibla Card"- the debit card fully compliant to the rules of Islamic Banking.

Successful transactions

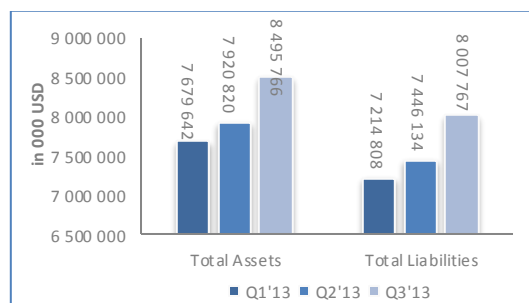
On September, IBA closed USD 198 million private placement transaction with a term of 5 years at the 7.75% rate. Moreover, the Bank successfully refinanced USD 130 million LPN transaction at a rate of 8.4% with a new USD 176 million at 7.2% rate. These transactions have aligned with IBA's intention to decrease the interest rates under new borrowings and improve the overall net interest margin of the bank.

Awards

During 2013, well-prominent London-based "Eneafinance Magazine" awarded IBA as the "Best Local Bank" in the «Best Bank in CIS, Central and Eastern Europe» category. In addition, the Russian RIA Rating Agency has ranked IBA 34th in the list of the biggest 100 CIS banks.

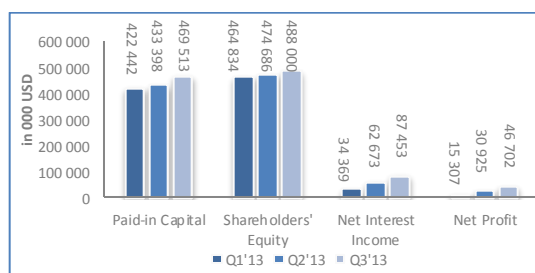
FINANCIAL HIGHLIGHTS*

Total assets for the third quarter of 2013 increased by 10.63% compared to Q1'13. Total liabilities showed an increase of 10.99% between the Q1'13 and Q3'13.



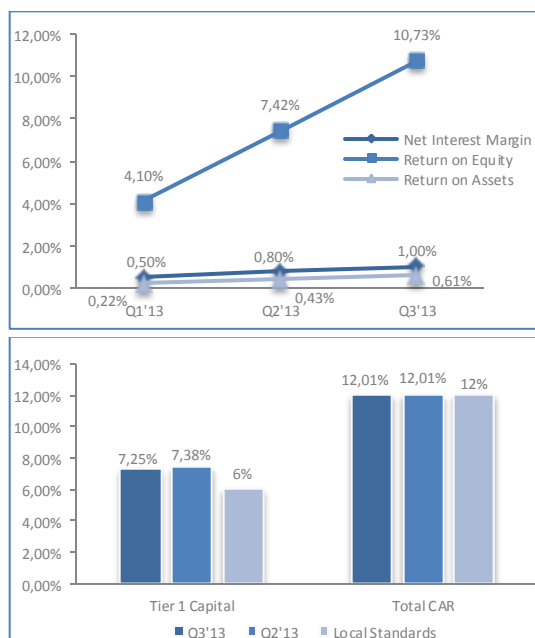
The Bank's paid-in capital increased by 11.14%. Total shareholders' equity rose approximately by 5.0% and is expected to increase further upon completion of capital emission as a result of the recently adopted program on October 2013.

Net interest income showed a noticeable increase in comparison with Q1. Net profit of the Bank doubled over the given period. The Bank's net interest margin improved from 0.5 % in Q1'13 to 1.0% by the end of Q3'13. Return on equity was recorded at 10.73% in Q3 compared to 4.10% in Q1. Return on assets was at 0.61% in Q3 improving from 0.22% in Q1.



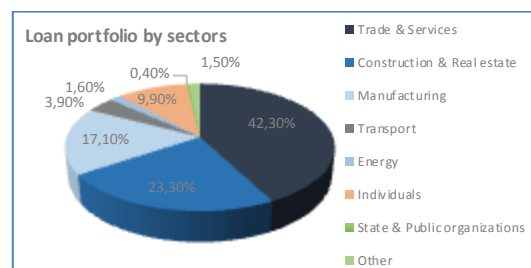
According to CBAR statistics, by the end of Q3'13, net interest margin stood at 5.27% in banking system of the country. ROE was recorded at 14.33%, while ROA was much lower showing 1.85%.

Steady trend has been observed in capital adequacy ratios of IBA indicating over 7% in Tier 1 capital ratio and 12.01% in aggregate capital. The Bank is in compliance with regulatory standards of the Central Bank of Azerbaijan Republic (CBAR) and BIS requirements. In addition, upon completion of first capital emission (AZN 200 million) in 2013, IBA's total capital adequacy ratio is expected to reach 13.0%.



According to the half-yearly financial estimates, three dominant sectors that comprised the loan portfolio of IBA were trade & services,

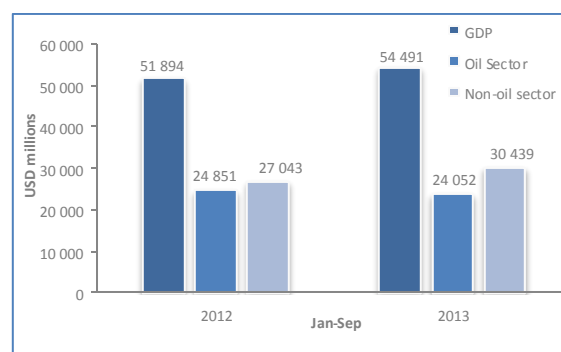
construction & real estate and manufacturing with contribution of 42.3%, 23.3% and 17.1% respectively. Another major ratio, non-performing loans (NPL) that are overdue over 90 days, was equal to 7.7% at the year-half of 2013.



ECONOMIC CONDITIONS

Azerbaijan

According to SSC¹, in January-September 2013 the economy continued to grow in the environment of a favorable foreign position and high internal demand. The government, the Central Bank², as well as international organizations forecast continuous economic growth in the country. From the beginning of 2013, GDP rose by 5.4 % in real terms and amounted to USD 54.5 billion in nominal terms. Non-oil sector constituted USD 30.4 billion.



State Budget revenues were calculated to USD 16.4 billion which equaled to 30.2% as a share of GDP.

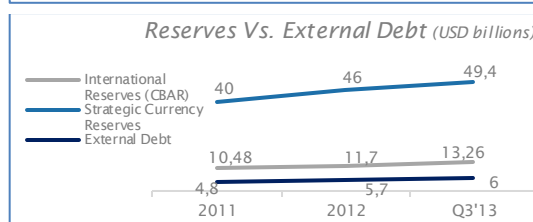
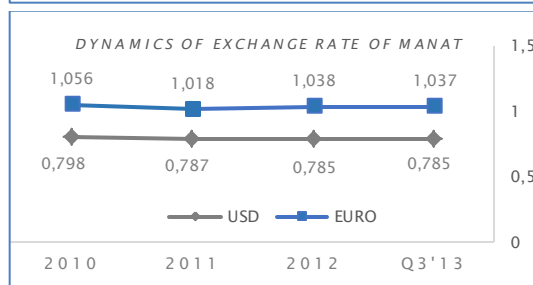
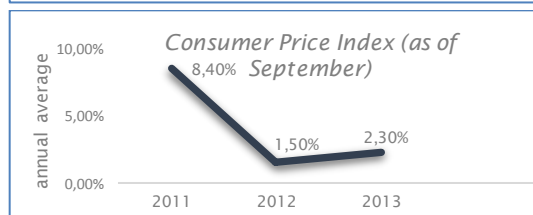
¹The State Statistical Committee of the Republic of Azerbaijan (SSC): www.stat.gov.az

²The Central Bank of Azerbaijan Republic (CBAR): www.cbar.az



In USD millions	Sep-2013	2013 Jan-Sep vs. 2012 Jan-Sep	2012 Jan-Sep vs. 2011 Jan-Sep
Budget Revenues	16 431	117.3%	142.0%
Budget Expenditures	14 816	119.5%	129.0%

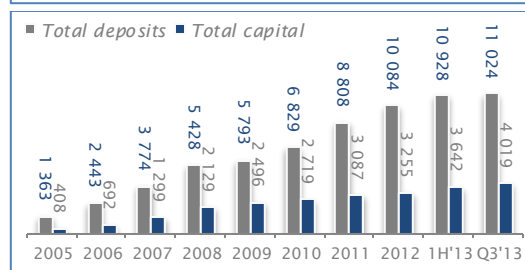
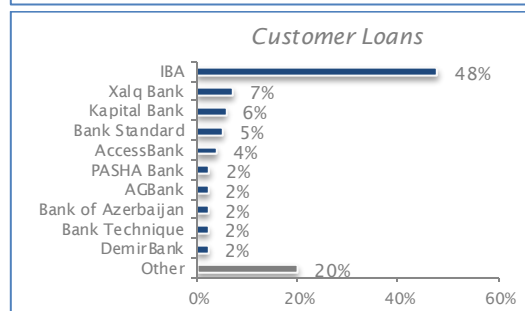
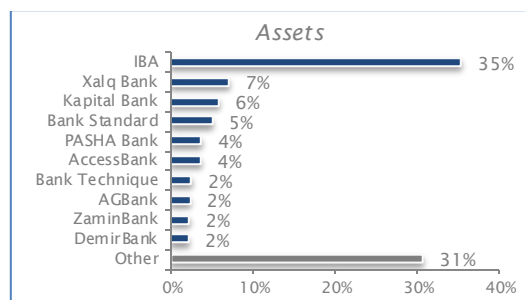
Budget expenditures have been reported at USD 14.8 billion which constituted 27.2% as a share of GDP. Budget surplus was recorded at USD 1.6 billion.



Banking System

The Central Bank indicates that the banking sector preserved growth dynamics and financial intermediation keeps growing. Over the reporting period banking system's overall financial results were satisfactory.

State Banks	1
Private Banks	42
Banks with foreign capital	22
Number of banks branches	683
Number of banks operating abroad	10
Non-bank credit organisations	146
*minimum capital requirement for a new bank	AZN 10 million, (AZN 50 million from Jan 2014)



Sustainability indicators

	Dec-12	Q1'13	1H'13	Q3'13
■ Tier 1 Capital ratio	13,01%	13,76%	13,16%	13,38%
■ Total CAR	16,89%	16,82%	16,72%	17,27%
■ ROA	0,87%	1,70%	1,88%	1,85%
■ ROE	7,05%	13,41%	14,84%	14,33%
■ NIM	4,86%	5,04%	5,22%	5,27%
■ NPL	6,10%	6,10%	5,70%	5,40%

Note*: Information included in Financial Highlights is based on unconsolidated and unaudited reports of the Bank.



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