

INFORMATION

On management structures' authorities, financial management, reporting and internal control processes of the International Bank of Azerbaijan Public Joint Stock Company

Authorities of the Bank's General Meeting of the Shareholders

1. Approval of the Bank Charter, introduction of changes and amendments to Charter;
2. Approval of the bank policies and introduction of changes and amendments to policies;
3. Definition of the interest rates, placement and categories of Bank assets policies, as well as general financial, reporting, administrative and human resource policies of the Bank;
4. Approval of decisions on participation of the Bank into capital of other legal entities, establishment and termination of Bank affiliates and representations, approval of the statutes;
5. Approval of the decision on implementation of planned and, if necessary, extraordinary audit and appointment of the external auditor;
6. Adoption and approval of the Bank budget;
7. Appointment and dismissal of the Bank board members, approval of the statute of the Board;
8. Appointment and dismissal of the members of Supervisory Board and Audit Committee of the Bank, approval of the statutes of the above management bodies, definition of terms and conditions for recruitment of bank administrators;
9. Definition of authorities of bank administrators (with exception of authorities of the Supervisory Board members) for adoption of obligations on behalf and at the cost of the Bank and framework for transfer of these authorities to other Bank employees;
10. Adoption of rules for disclosure of commercial interests of bank administrators and introduction of changes and amendments to these rules;
11. Establishment and termination of subsidiary entities of the Bank, adoption of decisions on purchasing of other bank;
12. Adoption of decisions on increase or reduction of the charter capital, determination of terms and provisions for issuance of bank shares, as well as provision of consent for purchasing of the major share in the Bank;
13. Approval of annual financial statements, verified by the external auditor to the Bank and recommended by the Audit committee, as well as adoption of the decision on establishment of reserves and payment of dividends from net profits;
14. Adoption of decisions on sales, reorganization and liquidation of the Bank;
15. Other issues set under legislation of the Azerbaijan Republic and the Charter of the Bank.
16. Decisions on introduction of changes and amendments to the Charter, appointment and dismissal of the members of the Supervisory and Management Boards, purchasing of other bank and liquidation of the Bank shall be accepted by the majority of the 75 percent of votes

present on the shareholder meeting. Decisions on other issues are adopted by the majority of votes.

Authorities of the Supervisory Board of the Bank

1. Performance of control and management over Bank operations, including receipt of reports from the Bank Management Board;
2. Submission of recommendations to the General Meeting of Shareholders and Management Board;
3. Call of the General Meeting of shareholders via issuance of notification and adoption of the agenda for each meeting, with exception of the extraordinary meetings, held by the demand of shareholders, as well as Audit committee and Management Board, under their agenda;
4. In the event of found fact of violation by the Bank of the current legislation, the notification on such violation to the General Meeting of shareholders, Audit Committee and Management Board, direction to National Bank of notifications on non-compliances with banking legislation;
5. In accordance with legislation, dismissal of the Board Members, their temporary substitution, in accordance with provisions of legislation, until approval by the General Meeting of Shareholders;
6. In the event of conflict of interests between the Bank and one or more members of the Board, representation and management of the Bank;
7. Review of results of internal and external audits, as well as audit of the National Bank and adoption of corrective actions on the results;
8. In compliance with legislation, performance of other duties stipulated under the Bank Charter and National Bank guidelines.
9. The Board, until the implementation of the authority stipulated under item 1.1.6, shall send to National Bank the written notification with indication of reasons and calls for extraordinary session of the General Meeting of Shareholders.
10. Decisions adopted by the Board in accordance with items 1.1.5 and 1.1.6 of this Statute, shall be included into the agenda of the planned General Meeting of Shareholders.

Authorities of the Bank Audit Committee

1. Definition of the Bank's audit policies and strategy;
2. Approval of the internal audit plans and performance of control over the operations of the Internal Audits Department, submission of proposals to authorized management bodies of the Bank in connection with appointment of the external auditor;
3. Organization of the joint work with external auditor, assistance in implementation of results and recommendations of the audit;
4. Recommendation for approval by the General Meeting of Shareholders of the annual financial statements, verified by the external auditor to the Bank;

5. Establishment of relations between the Bank management authorities and external auditors, as well as regulatory bodies;
6. Submission to General Meeting of Shareholders and Supervisory Board of proposals on improvement of the internal control systems;
7. Submission to Supervisory Board of the Bank of recommendations for appointment and dismissals from the positions of the Director and employees of the Internal Audit Department;
8. Enquiry and receipt from Bank executive authorities, its structures and executives of information and documents required for implementation of certain duties, including financial and other reports, as well as additional information and clarifications on development of reports;
9. Performance of other authorities stipulated under guidelines of the National Bank.

Authorities of the Management Board of the Bank

1. Management Board provides the financial management of the Bank financial control system and its compliance with reporting requirements, implementation of the budget and applies necessary procedures for management of risks that Bank encounters or forecasts. For this purpose the Board, within his responsibilities provides the development of the organization structure, providing the distribution of roles and responsibilities, organization of the management reporting systems and efficient Bank management;
2. Settlement of issues related to authorities of the Management Board, set under legislation and Bank Charter;
3. Definition of the strategic directions of Bank budget;
4. Approval of the internal structure of the Bank and development of new structural units (with exception of affiliates and representations);
5. Approval of draft internal structure, draft staff schedules and wage grades of employees of territorial affiliates and representations of the Bank;
6. Advancement of banking services and introduction of new services, including new banking products;
7. Approval of statutes of the Bank structural units (with exception of affiliates and representations);
8. Approval of technical specifications, methodic instructions, policies and other similar documents, prepared on the basis of internal procedures (instructions, statutes, rules etc.);
9. Settlement of other issues related to bank operations, not assigned to General Meeting of Shareholders and Supervisory Board.

Authorities of the Internal Audit Department of the Bank

1. Audit and assessment of the efficiency and adequacy of the internal control systems;
2. Analysis of applicaiton and efficiency of the risk management methodology;

3. Analysis of financial and information management systems, including electronic information and payment systems and banking services;
 4. Audit of the accuracy and reliability of the accounting documents and financial reports;
 5. Analysis of the asset security means;
 6. Analysis of the bank capital evaluation system with considered potential risks;
 7. Assessment of the operations and efficiency of costs (from pricing point of view);
 8. Audit of specific internal control and operational procedures;
 9. Analysis of systems providing the implementation of rules and procedures, compliance with legislation and internal codes of conduct (business ethics);
 10. Audit of accuracy and timely preparation of reports required by regulatory documents;
 11. Performance of special surveys.
2. Department prepares and submits in accordance with procedure, the following reports:
- 2.1 Reports required by the guidelines of the National Bank;
 - 2.2 Sends the results, conclusions, proposals and recommendations of the audits to the Audit Committee and others as necessary;
 - 2.3 Report on implementation of the internal audit plan and results obtained.

Financial management, reporting and internal control processes

1. Bank maintains accounting and submits reports in accordance with legislation of the Azerbaijan Republic and guidelines of the National Bank of the Azerbaijan Republic.
2. Bank develops daily balance sheets in national and foreign currency.
3. Accounting performed on Azeri language and in national currency. The calculation of the amount in foreign currency is performed at the exchange rate set by the National Bank of the Azerbaijan Republic.
4. Financial and economic indicators of the Bank shall be audited annually by the external auditor within terms and in accordance with procedures set under legislation of the Azerbaijan Republic.
5. Bank, within terms set under the legislation of the Azerbaijan Republic, submits to National Bank of the Azerbaijan Republic the consolidated financial report reflecting its operations and financial standing along with auditor's opinion.
6. Bank, within terms and procedures set by National Bank of the Azerbaijan Republic, submits to the National Bank the prudential reports and banking statistics for the purposes of assessment of its financial standing.
7. Fiscal year of the Bank commences at January 1 and ends on December 31 of each calendar year.

Financial Report of the Bank is published at mass media, in accordance with forms, contents and terms set by the National Bank of the Azerbaijan Republic.