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In order to strengthen requirements on the effective and transparent management and reporting system, tailored to international standards on maintaining financial stability, and boosting sustainability of the banking sector, the Management Board of the Central Bank of the Republic of Azerbaijan, based upon Item 34.4 of the Law of the Republic of Azerbaijan on Banks, as well as Item 22.0.17 of the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan (CBA) and subitem 4.1.2 of Decree # 463 of President of the Republic of Azerbaijan dated 1 July 2011

DECIDES to:

1. approve Corporate Governance Standards in Banks (attached);
2. assign Legal Department (R.Malikova) to ensure submission of the present Regulations to the Ministry of Justice to be entered to the State Registry of Legal Acts of the Republic of Azerbaijan within 3 days;
3. revoke Regulations on Application of Corporate Governance Standards approved at the decision (protocol # 19) of the Management Board of the CBA dated 03.11.2004 (certificate # 3089 dated 16.11.2004) and changes to these Regulations dated 13.03.06 (certificate # 3218 dated 31.03.2006), 18.03.08 (certificate # 3389 dated 03.04.2008), 06.09.10 (certificate # 4010 dated 24.09.2010).

Acting Governor of the Central Bank

A.Guliyev

Corporate Governance Standards in Banks

1. General provisions

1.1. This document has been developed in line with Item 34 of the Law of the Republic of Azerbaijan on Banks, as well as Principles for Enhancing Corporate Governance issued by the Basel Committee considering international corporate governance practice and determines corporate governance standards in banks.

1.2. The goal of setting these standards is to launch reliable and transparent management and reporting systems, and ensure effective internal control and risk management being guided by the requirements, set by the corporate governance law.

1.3. Items 12-2, 14 (except for sub-items 14.6.1, 14.6.2, 14.6.5, 14.6.6, 14.6.11, 14.6.13, 14.6.14, 14.6.15 and 14.6.16) and 15 apply to local branches of foreign banks.

2. Definitions

2.0. The definitions used herein shall bear the following meanings:

2.0.1. corporate governance – a management method, which ensures setting of strategic objectives and targets based upon bank’s strategic view, tools and processes in place to achieve them, exact segregation of authorities across all management levels, as well as introduction of an effective internal control system to provide efficient risk management and transparent performance;

2.0.1. The definitions ‘wage and salary’, ‘supplement to compensation’ and ‘bonus’ shall bear the meanings as per Article 157 of the Labor Code of the Republic of Azerbaijan for the purposes of these Regulations.

2.0.2. strategic vision – bank’s long-term performance program targeting stronger market position and higher value;

2.0.3. mission statement – summary of the key principles of the strategic vision;

2.0.4. strategic plan - an annual plan, which links bank’s strategic vision to clearly defined measurable goals and coordinated measures;

2.0.5. fiduciary duties – tasks aimed at protection of bank’s current and future interests;

2.0.6. risk management – the process, which addresses identification, evaluation, management, monitoring and reporting of risks, inherent to bank’s performance;

2.0.7. strategic planning process – development of a strategic plan in order to set and achieve bank’s long-term performance targets.

2.0.8. financial indicators – relative quantitative indicators, used to evaluate bank’s performance results, computed on the basis of financial statements;

2.0.9. related parties – persons related to the bank and those acting on their behalf;

2.0.10. Chief Financial Officer (CFO) – Management Board member, who is directly in charge of bank’s financial management divisions;

2.0.11. data users – existing and potential shareholders, market players and other stakeholders, who are interested in obtaining data related to bank’s performance.

3. Key objectives of bank’s shareholders and administrators in corporate governance

3.0. To introduce an effective and reliable governance system, bank’s shareholders and administrators should ensure the following:

3.0.1. organize and implement the strategic planning process;

3.0.2. create an efficient organizational structure;

3.0.3. establish an accounting policy, implement the budget planning process;

3.0.4. ensure compliance of financial statements with the International Financial Reporting Standards;

3.0.5. effective internal control and risk management systems in place;

3.0.6. timely deliver precise, thorough and unbiased data on the bank performance to data users;

3.0.7. create and permanently develop a reliable management information system, which provides uninterrupted flow of detailed and clear data on bank’s current financial standing and operations;

3.0.8. create an internal audit division, which boosts, advances and enhances internal control, set the audit policy and organize the relevant work;

3.0.9. avoid conflict of interests to fully and timely disclose direct and indirect interests likely to cause conflict before the bank;

3.0.10. administrators prefer bank’s interest to their own;

3.0.11. prevent related parties’ performance, which lead to deterioration of the bank’s financial standing or damage its reputation;

3.0.12. observe requirements of legal acts, regulating the banking activity.

4. How to organize strategic planning

4.1. Every bank should set its strategic vision and develop its mission statement for the strategic planning period on its basis.

4.2. Bank’s draft strategic vision and mission statement shall be prepared by the Management Board at the assignment of the Supervisory Board.

4.3. Strategic vision and mission statement shall be approved by Supervisory Board and submitted to the next General Meeting of Shareholders for their information.

4.4. The Management Board shall develop a strategic plan on the basis of the strategic vision and mission statement. Strategic plan and amendments therein shall be approved by the Supervisory Board.

4.5. The strategic plan should cover at least a three-year period. Upon the end of each year, the Management Board shall review the strategic plan on the basis of results of the year and make relevant changes, if necessary.

4.6. The strategic plan shall incorporate bank’s strategic vision, mission statement, risks analysis, growth priorities, and activity types to be implemented, strategic targets and

actions plan on them, the organizational structure, required for the implementation of the strategic plan and the financial forecast.

47. The strategic plan's implementation shall be ensured by the Management Board.

48. The Management Board shall analyze the implementation of the Strategic plan at least once half a year and report to the Supervisory Board on results.

5. Risk management

Banks should have a risk management system in place adequate to the type and volume of its operations, performance specifics and environment, complexity and risks. Minimum requirements on this system are governed by the Regulations of the Central Bank of the Republic of Azerbaijan (hereinafter – the CBA) on Risk Management in Banks.

6. Bank's organizational structure and reglament

6.1. Bank's organizational structure shall be approved by the General Meeting of Shareholders or, if authorized, by the Supervisory Board. The organizational structure should cover bank's key activity directions and ensure risk protection goals. Every bank's organizational structure should include structural units, which fulfill internal audit and risk management functions.

6.2. Statutes, which regulate performance of managerial bodies and structural units, should establish the composition and authorities of managerial bodies and structural units, summoning of meetings of managerial bodies, the order of decisionmaking, subordination and reporting.

6.3. Except for the case, when the Supervisory Board is kept responsible for approval of the statute of the Management Board, statutes of bank's managerial bodies shall be approved by the general meeting of shareholders.

6.4. Statutes of managerial bodies should establish authorities of their chairmen. These authorities should be established based upon the principles of team spirit in management and effective segregation of authorities.

6.5. Statutes of internal committees, created according to section 12 herein, shall be approved by the bank's Supervisory Board. The statute on the internal audit division shall be reviewed by the Audit Committee, statutes on other structural units – by the Management Board and submitted to the Supervisory Board for approval together with a relevant opinion. Statutes of branches, departments and representative offices shall be approved by the bank's authorized managerial body (the general meeting of shareholders or the Supervisory Board).

6.6. The bank should have internal regulations in place, encompassing organization of work per activity type, reporting and oversight mechanisms. These documents shall be developed by the Management Board and approved by the Supervisory Board.

7. The Supervisory Board

7.1. The Supervisory Board shall oversee the bank to ensure performance of the bank, its structural units and subsidiaries under the legislation.

7.2. To ensure more efficient control over bank's management and performance, the Supervisory Board shall be entitled to request any report and data on the bank's performance from bank's managerial bodies, it oversees, and internal committees, as well as structural units.

7.3. The Supervisory Board should ensure harmony of the corporate governance system, procedure and regulations and internal control mechanisms of the bank's subsidiary vendors (hereinafter – the subsidiary) created under the Law of the Republic of Azerbaijan on Banks with the risks inherent to the subsidiary's activity, as well as periodically evaluate subsidiaries' relations to each other and to the bank.

7.4. If the bank is a subsidiary of another legal entity, the Supervisory Board should evaluate instructions of the parent company whether they have a negative impact on the bank's financial standing and contradict the legislation, including prudential rules.

7.5. When determining the meeting reglament of the Supervisory Board the following should be considered:

7.5.1. The Supervisory Board may summon next and extraordinary meetings. Probable venue and timing for the next meeting shall be defined at a current meeting of the Supervisory Board. If there are any changes to the venue and timing of the meeting, Supervisory Board members, as well as related structural units shall be accordingly informed in advance;

7.5.2. The order and timing of delivery of a written notification on the meeting agenda to every member of Supervisory Board should be determined;

7.5.3. The agenda should be attached with detailed and fully elucidated written materials, which address the issues to be discussed at the meeting. Each member of the Supervisory Board should be provided with data and reports specified in Section 8 herein together with the agenda of the next meeting;

7.5.4. The issues included to the agenda should be discussed at the meeting. The agenda shall be developed considering proposals issued by members of the Supervisory Board, the Audit Committee and the Management Board, as well as qualifying holdings or shareholders who own at least 5 (five) percent of voting shares. Urgent and unexpected issues not implied on the agenda may be discussed and relevant decisions taken if all Supervisory Board members are participating and there is an agreement with simple majority of votes;

7.5.5. The Supervisory Board member himself/herself and his/her family members, who has direct or indirect interest with respect to the issue discussed at the meeting should disclose his/her interest prior to the meeting, and not participate in discussions and voting related to the issue. Relevant data shall be included to meeting minutes.

7.6. Supervisory Board members may participate in meetings either personally or via telecommunication facilities (video conference or phone call). Meeting minutes should include notes on member's participation via telecommunication, and the meeting video or audio-recorded and stored in a softcopy for at least three years. Each Supervisory Board member should voice exact and implicit attitude (for or against) to the issue on the agenda, personally sign meeting minutes or submit a written document on his/her attitude to the issue, his/her signature being confirmed in the order specified in the legislation. If any Supervisory Board member misses three meetings on end, the Chairman of the Supervisory Board, or his/her substitutor, should submit a written notification to the CBA no later than five business days upon the last meeting.

8. Data and reports delivered to the Supervisory Board

8.1. Managerial bodies overseen by the Supervisory Board and bank's internal committees should submit to the next meeting of Supervisory Board at least the following data and reports in the period specified in the meeting reglament:

8.1.1. Financial statements as of the meeting month and their year over year

comparison;

8.1.2. Information on probable translation of assets and liabilities on off-balance sheet accounts to those of balance sheet accounts;

8.1.3. A Report on aggregate income covering the period from the beginning of the year to the reporting date and comparison with budget expenditures implied for that period;

8.1.4. In the event of violations of prudential norms in the bank performance, an actions plan on their elimination;

8.1.5. Data on average ROE and ROA, as well as other financial indicators set by the Supervisory Board;

8.1.6. In the event of financial data on peer banks, report on comparison of financial indicators, developed by the CFO on their basis;

8.1.7. Analysis of the annual budget, comparison of actual and implied expenditures of the current year and quarter;

8.1.8. All significant correspondence with the CBA, tax, executive and other public authorities (deficiencies revealed in the bank performance, mandatory instructions, decrees), analyses and measures of the issues implied therein;

8.1.9. Data on NPLs, including possible loan loss provisioning, and assets classified as highly risky;

8.1.10. data on all overdue and non-accrual loans, their delinquencies and reasons, via relevantly categorizing borrowers, who violated their loan liabilities;

8.1.11. data on all assets, classified as highly risky over the previous quarter, reasons for such classifications, amount for loan loss provisioning per highly risky classified assets;

8.1.12. data on the loan portfolio structure and its change dynamics;

8.1.13. data on the amount of large loans and sectoral concentration;

8.1.14. proposals on bettering the quality of problem loans;

8.1.15. data on restructured loans;

8.1.16. data on loans to related parties;

8.1.17. data on liens possible to impact the bank and related parties;

8.1.18. information on changes to legal acts, as well as new legal acts, which regulate the banking activity.

8.2. The Audit Committee shall submit a report to the next meeting of the Supervisory Board at least incorporating the following within the period specified in the meeting reglament:

8.2.1. information on the facts of violation of requirements of legal acts in the bank's performance and proposals and recommendations on their elimination;

8.2.2. a report on the audit of internal control and risk management, proposals and recommendations issued to boost their adequacy and efficiency, and information on their implementation status, as well as external audit report and all correspondence with the external auditor including proposals issued to the management (documents and data on this sub-item need to be delivered at least once a year).

8.3. Members of the bank's Audit Committee, the Management Board and other officials should submit other data and reports required with respect to issues to be discussed at the next and extraordinary meeting of the Supervisory Board.

9. Fiduciary duties of the Supervisory Board

9.0. Each member of the Supervisory Board shall:

9.0.1. be aware of the bank's financial standing, as well as its all key operations, and

regularly analyse reports submitted by internal committees;

9.0.2. be aware of the key events occurred in the banking and other financial sectors and available trends;

9.0.3. take a decision and vote solely based upon his/her judgement and internal belief to protect bank's interests;

9.0.4. not prefer interests of any shareholder or a group of shareholders when voting or decisionmaking or not act under their instructions, avoid taking decisions to earn short-term income confronting the bank's interest and against long-term risks;

9.0.5. protect bank's legal interests, not criticize the bank, other Supervisory Board members and bank administrators before the public;

9.0.6. avoid impact of his/her business activity on the bank;

9.0.7. not disclose any confidential data, known to him/her, due to job duties and responsibilities on the bank, related parties, customers and other persons, who are in business relations with the bank, to any persons, except for the cases specified in the law;

9.0.8. discuss problems related to internal control, results of financial activities and strategic plan implementation in the bank with bank's related officials;

9.0.9. ensure independency of the Audit Committee;

9.0.10. not interfere into internal auditors' activities, only issue recommendations to the Audit Committee, which establish the key directions of the internal audit plan and ensure accountability of the internal audit division to the Audit Committee;

9.0.11. ensure delivery of all necessary information and documents by bank employees to internal auditors on the bank and related parties;

9.0.12. at least once a year evaluate qualifications of Management Board members, their services in bank's operation with profit, financial stability, and timely attainment of strategic goals, as well as their fitness to the positions they hold.

10. The Management Board

10.1. The Management Board shall ensure bank's management and operation, including strategic plan implementation, compliance of the financial control system with financial management and reporting requirements, and fulfillment of the bank's budget.

10.2. The Management Board shall be accountable to the Supervisory Board.

10.3. The Management Board shall professionally and consciously discharge its duties and responsibilities in the internal control and risk management systems.

10.4. Employees of the internal audit division may not be Management Board members.

11. The Audit Committee

11.1. The Audit Committee shall organize and control performance of the internal audit division. Audit Committee meetings shall be held not less than once in three months, at least five business days prior to the Supervisory Board's next meeting.

11.2. Audit Committee members may participate at meetings either personally, or via telecommunication facilities (video conference or phone call). The meeting minutes should include whether the member participated personally or via telecommunication. Each Audit Committee member should sound exact and unconditional attitude to the issue on the agenda when voting (for or against), personally sign minutes, or deliver a written document on his/her attitude to the issue confirming his/her signature in the order specified in the legislation.

11.3. The Audit Committee shall implement the following duties in addition to the

authorities specified in the Laws of the Republic of Azerbaijan on Banks and on Internal Audit:

- 11.3.1. issue recommendations to the Supervisory Board on the charter of the internal audit division and its maintenance cost;
- 11.3.2. issue recommendations to Supervisory Board on promotion, dismissal or discharge, as well as remuneration of internal auditors;
- 11.3.3. discuss findings of internal audits, proposals and recommendations with Supervisory Board;
- 11.3.4. due to organization of the joint work with an external auditor, ensure timely and full delivery of all critical information on the bank's performance and bank documents to the external auditor;
- 11.3.5. request from the external auditor prompt delivery of information on key facts and events revealed during the audit;
- 11.3.6. analyse and discuss the external auditor's report jointly with the external auditor, Management Board, and bank's related structural units, issue proposals to develop an actions plan to eliminate shortcomings and violations;
- 11.3.7. to discuss all audit related key issues, organize meetings with the participation of the CBA, bank's managerial bodies and the external auditor.

12. Internal committees

12.1. To enhance effectiveness of management in the bank and control over risks, the Supervisory Board shall launch internal committees, independent from the Management Board, which takes independence decisions. The composition, function and authorities of committees, the decisionmaking shall be established via their statutes considering the requirements herein. Internal committees shall be accountable to the Supervisory Board.

12.2. Every bank shall launch a Risk Management Committee and a Remuneration Committee. Other committees may be created in the bank to increase efficiency of the lending activity, ensure effectiveness and safety of the IT system, as well as manage other risks the bank faces.

12.3. Internal committees may include members of the Supervisory and Management Boards and the Audit Committee, bank employees, also, if the bank is a subsidiary, representatives of its parent company.

12.4. Heads and members of internal committees shall be appointed by the Supervisory Board. Heads of Risk Management and Remuneration Committees shall be appointed from among Supervisory Board members. Members in Risk Management and Remuneration Committees may include only one representative, representing bank's any activity area.

12.5. Internal committees shall be competent with the participation of over half of its members at their meetings. Committees shall take decisions with simple majority of votes of the members, participating in the meeting. Committee members may not abstain during voting. In the event of equal votes, the vote of the head of the Committee shall be deemed decisive.

12.6. Internal committee meetings shall be documented with meeting minutes. The minutes shall include the timing, venue and participants of the meeting and decisions taken. The opinion of the committee member, who voted against the decision taken at the meeting, shall be included to the minutes. Minutes shall be signed by the committee head.

12.7. The Risk management committee:

12.7.1. The Risk management committee shall comprise at least five members with the

voting right with the participation of managers of bank's structural units. In addition to other members, head of the bank's Audit Committee (without the voting right), CFO, as well as head of the bank's IT division should be included to the committee.

12.7.2. Risk management committee's authorities shall be governed by the Regulations of the CBA on Risk Management in Banks.

12.8. The Remuneration committee:

12.8.1. The Remuneration committee shall include odd number of at least three members. At least one third of the Remuneration committee should have work experience on financial management, strategic planning and risk management in banks.

12.8.2. The key objectives of the Remuneration committee shall be as follows:

12.8.2.1. establish and submit to the Supervisory Board for approval the remuneration policy being guided by principles specified in Section 12-1.1. herein;

12.8.2.2. oversee the remuneration process, as well as evaluate efficiency of the remuneration system jointly with the Risk Management Committee at least once a year;

12.8.2.3. issue recommendations to the Supervisory Board on the size of remuneration.

12-1. Requirements on remuneration in banks

12-1.1. Each bank shall set a remuneration policy in line with its risk management policy, to be based upon results of bank's long-term performance, directed at hitting strategic targets, avoid bank's earning income in a short run at the expense of long-term risks, as well as not be dependent on bonuses for bank employees and members of managerial bodies.

12-1.2. The remuneration policy shall separately address terms and conditions on granting bonuses for bank employees and members of managerial bodies at least under the following categories:

12-1.2.1. bank management. This category includes members of the Supervisory and Management Boards, the Audit Committee, as well as employees who maintain control over one or a number of structural units (custodian);

12-1.2.2. bank employees involved in risk-based income generating activities and heads of such structural units. This category at least includes employees of bank's structural units engaged in loan issuing and securities buy-and-sell transactions, as well as transactions related to derivatives;

12-1.2.3. other employees not listed in sub-items 12-1.2.1 – 12-1.2.2 herein.

12-1.3. Total volume of bonuses paid per employee and member of the managerial body over a year specified in Item 12-1.2 herein shall not exceed 2 (two) times of a salary and compensation supplements paid over a year (or compensation determined in the form of a salary based upon a decision of the bank's authorized management body). The amount of annual bonus in addition to the compensation paid to each Supervisory Board member, who do not receive a salary from the bank (whose compensation is determined as a percentage of retained earnings based upon the bank's authorized management body) shall not exceed 1 (one) percent of net profit earned by the bank on the year of compensation (after profit tax).

12-1.4. At least the following requirements shall be considered in compensating for bank management under subitem 12-1.2.1:

12-1.4.1. a decision on remuneration shall be taken once a year. At that a bank shall generate net profit according to results of the fiscal year, minimum amount of bank's aggregate capital, capital adequacy ratio and loan provisioning shall be in line with results of the fiscal year and prudential norms set by the CBA as at the date of the decision on remuneration;

12-1.4.2. except for bonuses paid in the form of bank shares, payment of at least 60 (sixty) percent of the bonus is deferred and paid in equal installments over next 3 years;

12-1.4.3. if a bank is in loss according to results of any following fiscal year or net profit earned is 25 (twenty five) percent less than that of the year, the bonus is commuted, or the bank violates prudential norms set by the CBA on the minimum amount of aggregate capital, a calculated capital adequacy ratio or loan provisioning, the portion of the bonus deferred to be paid that year shall not be paid. If these instances are eliminated in the following fiscal year(s), the portion of the deferred bonus for the year in question is paid;

12-1.4.4. if interest is to be accrued on the deferred portion of the bonus, interest payments shall not exceed the interest rate ceiling set by the Deposits Insurance Fund for protected deposits as at the date of the decision on payment of bonus;

12-1.4.5. the portion of the bonus deferred in any form shall not be taken as securitization on liabilities before the bank;

12-1.4.6. if persons related to bank management are discharged from employment for any reason, the deferred portion of the bonus is paid under subitems 12-1.4.2 – 12-1.4.5 herein.

12-1.5. All terms and conditions specified in Item 12-1.4 herein on bonuses paid to persons in bank management shall be included to the decision of the authorized managerial body on remuneration.

12-1.6. bank employees and members of managerial bodies specified in subitems 12-1.2.1 – 12-1.2.3 herein, shall not be paid the bonus, including its deferred portion, in the following instances:

12-1.6.1 until the bank, that obtained a loan from the CBA as a lender of last resort, discharges liabilities in full;

12-1.6.2 if the CBA issues a mandatory instruction to the bank to create special reserves, to raise capital or eliminate violations of the capital adequacy ratio, until the instruction in question is implemented by the bank in full;

12-1.7. A decision on granting bonuses to bank's managers per year (except for deferred bonuses) and their sizes shall be approved by the General Meeting of Shareholders, while a decision on remuneration of bank employees under other categories shall be approved by the Supervisory Board.

12-2. Requirements on remuneration in local branches of foreign banks

12-2.1. The size of remuneration to each employee, including managers of a local branch of a foreign bank over a year shall not exceed 2 (two) times of the salary and supplements to compensation paid to him/her over a year.

12-2.2. Branch managers (head of a branch and his/her deputy, as well as the employee, who is responsible for controlling one or a number of structural units) shall be remunerated in line with the requirements specified in subitem 12-1.4 herein.

12-2.3. No bonuses are paid in a branch in the cases specified in subitems 12-1.6.1 and 12-1.6.2 herein.

13. Financial management and reporting

13.1. The financial management and reporting system is an integral part of the bank's internal control system. Bank's CFO should establish the accounting policy, which covers the system's key elements – financial management and reporting methods, internal procedures, as well as reports to the management and financial control mechanisms.

13.2. Duties and responsibilities on financial management and reporting shall be segregated as follows:

13.2.1. general meeting of shareholders or, if authorized, the Supervisory Board, shall approve and, if required, review the bank's accounting policy;

13.2.2. the Supervisory Board shall oversee proper and timely implementation of methods and internal procedures, established in the bank's accounting policy;

13.2.3. Annual financial statements shall be approved by the general meeting of shareholders. The Supervisory Board shall ensure timely delivery of financial statements to data users, while the Audit Committee ensure their reliability and transparency;

13.2.4. The Management Board shall create a financial planning system and analyse the status of the annual budget;

13.2.5. The CFO shall ensure proper launch of and oversee the operation of structural units, which implement bank's accounting, reporting and financial control functions;

13.2.6. in compliance with bank's internal procedures, heads of structural units shall develop and submit data to ensure financial control.

13.3. Bank's all operations should be recorded in the bank's general ledger, and its administration and usage regulations established. At that, members of the Supervisory Board, the Audit Committee and the Management Board, head of the Risk Management Division, the CFO, the bank's chief accountant (head of financial service) and, under the regulations on the system usage, other administrators and employees should be capable to enter the system.

13.4. Where operations of branches and departments are recorded in the bank's general ledger in an online regime, appointment of a chief accountant to this branch and department shall not be required.

13.5. Bank's annual budget shall be developed under the leadership of the bank's CFO one month prior to the beginning of the next calendar year, coordinated with the Management Board, and approved by the General Meeting of Shareholders or, if authorized, by the Supervisory Board, prior to the beginning of the budget year.

14. Data disclosure

14.1. Financial statements, which reflect bank's performance and financial standing, shall be developed on a consolidated basis in accordance with the IFRS, while annual financial statements shall be approved by an external auditor and disclosed jointly with the auditor opinion within the period, specified in Article 45 of the Law of the Republic of Azerbaijan on Banks.

14.2. The bank should place the following quarterly financial statements on the bank's website (which may be disclosed without being approved by an external auditor):

14.2.1. report on financial standing (balance sheet);

14.2.2. report on aggregate income (income statement);

14.2.3. report on cash flow;

14.2.4. report on changes to the capital structure.

14.3. To enable different banks to effectively compare various banks when taking economic decisions, evaluating bank's financial standing and decisionmaking, each bank shall provide data users with the following group of information:

14.3.1. general information on the bank and its performance;

14.3.2. structure and adequacy of the bank capital;

14.3.3. risk management.

14.4. Data should be in harmony with the principles of reliability, comprehensibility, promptness, significance, actuality, comparability, when being disclosed,

and balance between transparency and protection of commercial interests.

14.5. The order and periodicity of data disclosure, composition and order of delivery to users, as well as the mechanism of coverage of these processes with internal control shall be established with internal regulations approved by the Supervisory Board given the requirements herein.

14.6. Data, disclosed on the bank and its performance, shall include:

14.6.1. bank's strategic vision and mission statement;

14.6.2. bank's strategic targets;

14.6.3. if any, information on bank's ratings (name of the rating agency, date of rating, bank's current and previous rating);

14.6.4. bank's organizational structure;

14.6.5. 1st and last names, phone numbers, e-mail addresses, education and qualification of chairmen and members of bank's Supervisory and Management Boards, and the Audit Committee;

14.6.6. bank's internal committees, their key objectives and composition;

14.6.7. significant changes in bank's management and organizational structure;

14.6.8. key principles of the remuneration policy;

14.6.9. information on the external auditor, who audited bank's recent fiscal year;

14.6.10. total amount of related party (individuals and legal entities) transactions and the ratio of this amount to bank's aggregate capital;

14.6.11. shares, issued by the bank (type, state registration number, nominal value and shareholder rights);

14.6.12. other investment securities issued by the bank (type, nominal value, maturity, profitability, rights of securities holder);

14.6.13. bank's dividend policy;

14.6.14. bank branches/departments and representative offices (name, address, activity types, date of launch and contact requisites);

14.6.15. bank subsidiaries (name, activity directions);

14.6.16. shareholders, who have relevant participation share in bank capital under the requirements of the legislation on securities and their participation share.

14.7. The data, disclosed on the structure and adequacy of the bank capital shall include:

14.7.1. amount of the aggregate capital;

14.7.2. amount and components of bank's Tier I and Tier II capital;

14.7.3. deductions from bank's aggregate capital;

14.7.4. volume of risk weighed assets per risk degree;

14.7.5. adequacy of the aggregate and Tier I capital, as well as bank's actual indicators, compared to the requirements set in normative acts of the CBA of legal nature on leverage ratios.

14.8. Data, disclosed on management of significant risks, the bank is exposed to, shall include:

14.8.1. bank's risk management policy;

14.8.2. amount and share in the lending portfolio of overdue loans;

14.8.3. total non-standard loans, their amount and share in the lending portfolio per sub-category (when disclosing information on overdue and non-standard loans, definitions issued for those loans in the CBA Regulations on Assets Classification and Loan Loss Provisioning shall be used);

14.8.4. amount and ratio to the lending portfolio of general and special reserves;

- 14.8.5. total off-balance sheet liabilities and their amount per type;
 - 14.8.6. regional geographic segregation of loans, including overdue loans;
 - 14.8.7. economic sectoral segregation of loans, including overdue loans;
 - 14.8.8. amount and ratio to the aggregate capital of large loans;
 - 14.8.9. classification on sensitivity to the interest rate risk;
 - 14.8.10. classification of assets and liabilities with fixed and flexible interest rates;
 - 14.8.11. bank's separate and aggregate open currency position per key currency, indicating key foreign currency, used in operations and prudential norms on the open currency position;
 - 14.8.12. list, as well as brief explanation of instruments (hedge instruments) used to prevent foreign currency related risks;
 - 14.8.13. maturity of assets and liabilities per currency (national and foreign).
- 14.9. Each bank, other than the data protected by the law, may disclose other data on its performance, it finds significant.
- 14.10. Disclosed data shall be placed on the bank's website. Bank's financial statements shall be maintained on the bank's website within three years upon the date of placement, while other data – at least within six months. Disclosed data should be accompanied with the date, they are placed on the website. Those data may be additionally placed on other mass media facilities. Those data should be directly delivered to data users based upon their inquiries without any charges.
- 14.11. Financial statements and other disclosed data should be signed by the Chairman of the Management Board and the chief accountant (head of the financial service).
- 14.12. A notice on disclosed data shall be placed in administrative buildings of each bank, including in branches and departments on a visible place. The notice shall include information on the person, designated to respond to inquiries, related to disclosed data (his/her 1st and last names, phone number, e-mail addresses).
- 14.13. Data shall be disclosed in the following periods:
- 14.13.1. general information on the bank and its performance, as well as risks it is exposed to – not less than once a year; in case of key changes to these data – not less than once a half year;
 - 14.13.2. data on the structure and adequacy of the bank capital – not less than once a quarter, within the first month of the next quarter.

15. Ethic conduct

Each bank shall establish behavioral rules for its employees with the Ethic Conduct Code, which should at least address employee's conduct during and after business hours, avoidance of corruption, prevention of legalization of criminally obtained funds and other property and financing of terrorism, employment with other institutions and maintenance of managerial positions, attitude to the bank property, protection of confidentiality and the rule of law.