

# International Bank of Azerbaijan

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**W**hile Azerbaijan has not been as seriously affected by the world economic crisis as many other countries, it has not been entirely immune to its effects, both because of declines in the price of oil, Azerbaijan's major export earner, and of liquidity issues in the country's banking system.

Amid the recent crisis, the Azerbaijani government has been supportive by providing short-term liquidity to a number of banks facing repayments of foreign debt. The Azerbaijani banking system continues to enjoy rapid growth, matched by asset quality improvements. Given that growth has been from a low base, international analysts say credit risks are minimal. Within this unfolding situation, the International Bank of Azerbaijan (IBA) has become an efficient financial institution that now enjoys a leading position in the domestic banking system, and is rightfully recognised internationally as the country's national bank.

IBA holds the highest rating in Azerbaijan from international rating agency Moody's. In April 2009, the bank was awarded World's Best Emerging Market Banks (Azerbaijan) by Global Finance magazine, and Best Bank in the CIS, Central and Eastern Europe by emefinance. In addition, in February 2009, IBA's success was recognised by the Board of Directors of the European Economic Chamber of Trade, Commerce and Industry (EEIG) as the most stable bank in the crisis in the European region.

#### **Strategic role**

According to Moody's, IBA remains the largest and the only state-controlled bank in the country, with a market share of around 40 per cent. The bank enjoys a strategic role and government commitment since it has historically been instrumental in implementing state investment and economic policies, acting as an agent of the government in financing large-scale projects of national importance to Azerbaijan.

As the leading financial institution in the country, IBA plays a key role in facilitating the country's integration into the global economy. As a National Development Bank, IBA contributes significantly to the stability and transparency and continuously strengthens Azerbaijan's banking system and fundamentally supports Azerbaijan's socio-economic development.

The IBA reported total assets of \$4.8 billion for

2008, and shareholders' equity of US\$479.9 million under IFRS at year-end 2008.

The world's financial institutions recognise IBA as the leading bank of the southern Caucasus. It has been a member of SWIFT since 1993, joining of the payments systems of MasterCard International in 1994 and VISA International in 1997. IBA is a co-founder of BICE, BSE and Joint Leasing, and founder and only owner of Azericard and IIC, as well as IBA-Moscow and main shareholder in IBA-Georgia (75 per cent).

It was the first Azerbaijani bank to open offices abroad, setting up the International Bank of Azerbaijan-Moscow in 2002, and a subsidiary bank in Georgia in 2006. It has also had representative offices in London since 2002, Frankfurt since 2005, Luxemburg and Dubai since 2008 and New York since 2009. IBA is also a member of WEF and a co-founder of GGC - Global Growth Companies Society, a WEF initiative.

Although Azerbaijan is not a member of the Financial Action Task Force, it participates in international forums that address the prevention of money laundering. It takes part in the WEF initiative Partnership Against Corruption, and the bank's Chairman is a member of the Advisory Board. Money laundering is a criminal offense in Azerbaijan, and banks are required to establish internal policies and procedures for the detection and prevention of money laundering. Legislation and regulations require banks to adopt know-your-customer policies and maintain records. IBA has established anti-money-laundering policies and procedures, which include the implementation of know-your-customer policies, suspicious activity reporting procedures, and related training programs and manuals. IBA's internal and external auditors review compliance with requirements to prevent money laundering.

#### **Top range of services**

The range and quality of services of the International Bank of Azerbaijan today matches those of European and US banks. According to international experts IBA is more flexible and more attentive to clients than foreign banks operating in Azerbaijan. IBA has a significant share of deposits, but the lowest rates in the country. The bank's share of the credit card market is around 70 per cent. Its clients have a wide choice of cards from VISA International, MasterCard International, and American Express.

## **IBA continues to expand beyond Azerbaijan, notably into the CIS. It has also had a representative office in London since 2002**

IBA has also started to issue its customers with double contact and non-contact interface and dynamic date authenticity (DDA). These cards can be used as conventional bank cards, as well as to receive salary payments, scholarships, payment of utilities, gas station services, trades in trading networks and public caterings, payments of taxes and customs duties, and money transfers from one card to another. The bank has also pioneered the implementation of new 'cash in' type of ATMs and information kiosks.

IBA's internet banking system allows clients to access their accounts, receive account reports for any date, and track their balance from home or the office.

IBA is continually working to introduce the latest banking technology, and to provide modern financial services. IBA's productivity, coupled with its sustainable development, are highly valued at home as well as internationally. Over the last decade, PriceWaterhouseCoopers' annual audit evaluation reports show impressive financial results.

The bank has also been successful in establishing credit lines through international financial institutions such as Commerzbank, Societe Generale, JBIC, Bayerische Landesnabk, AKA, BankGesellschaftBerlin, Credit Suisse, UBS, and Sumitomo Mitsui Banking Corporation, opened through guarantees of export and import agencies such as USEXIM, Euler-Hermes, COFACE, SACE, and other leading entities. Using these lines, local companies are able to purchase new technologies at relatively low interest rates. IBA's international reputation is reflected by its ability to access syndicated credits without state guarantees from such giants as Citigroup, Commerzbank, BNP Paribas, Sumitomo Mitsui Banking Corporation, and Rabobank, to name but a few.

### **International presence**

IBA continues to expand beyond Azerbaijan, notably into the CIS. The IBA's Moscow branch was opened during the state visit of Heydar Aliyev to Russia in January 2002. It was Heydar Aliyev who insisted on the opening of the affiliated bank in the record-breaking time of one month. IBA-Moscow is the first foreign bank in Russia from within the CIS. In 2004 IBA-Moscow opened its affiliate in Saint Petersburg, along with more branches in Moscow. It has also established offices in Yekaterinburg, in Sverdlovsk province. Within the next few years IBA-Moscow intends to continue building up its network of affiliates by opening several new offices in the largest regional centres of Moscow and its province.

IBA-Georgia is a resident bank of the Republic of Georgia founded with 100 per cent foreign capital on February 7, 2007. The authorised share capital of the bank was more than US\$7 million. The bank provides a diversified range of banking services and

finance to corporate and individual clients. Along with implementing investment and credit activities in the state sector, IBA is a leader in servicing private businesses. Its network of 'financial supermarkets', the head office, 36 affiliates, and around 90 branches and mini-offices throughout the country offer a wide range of banking operations.

The International Insurance Company, founded and owned entirely by IBA since April 2002, provides all types of insurance and has transformed the national insurance market. IIC also offers reinsurance to other insurance companies in Azerbaijan, which was previously considered the prerogative of foreign reinsurance companies because of the lack of a strong insurer in the local market.

IBA cooperates with international financial organisations and the world's largest banks. Most of the projects in the non-petroleum sector of the country have been financed via credit lines provided by these entities without state guarantees. By maintaining financial stability over recent years IBA has strengthened its position in the banking sector. Through the implementation of its mission statement, the bank has contributed to the stability of the Azeri banking system, and actively promotes the dynamic development of the country's non-oil sector, and notably in agriculture.

Within the agricultural sector, cotton production has been a key employment and export vehicle. In 2007, IBA secured, managed, and implemented a plan worth more than US\$50 million to transform cotton cultivation and production that includes the first introduction of drip-irrigation to the region's agricultural sector. It involved the reorganisation of farming inputs, the introduction of state-of-the-art farming technologies and other methods for making cotton agriculture sustainable and profitable. The positive impact has encouraged other sustainable development agricultural projects in the region, including hazelnut production, under BakFem supplied to Germany, the leading export of Azerbaijan after oil, fertilisers and future plans for bio-fuel production. Traditional high-quality tobacco production is also adopting drip irrigation and sustainable farming.

This project provides seasonal and permanent jobs for more than 6,000 farming enterprises and for more than 600 specialists within the company. The project has allowed the transference of 42,000 hectares of land back to use, of which 40,000 hectares are owned by private farming enterprises, while more than 2,000 hectares are in the company's ownership. The application of cutting-edge technologies and equipment has enabled farmers and the business community to resolve the issues of increasing the industry's profitability, cutting down on pollution of ground water and of the Caspian Sea, while reclaiming derelict lands and reducing the amount of water consumed for irrigation. **F**