



NEW ERA OF AZERBAIJAN CAPITAL MARKETS: DEBT INSTRUMENTS

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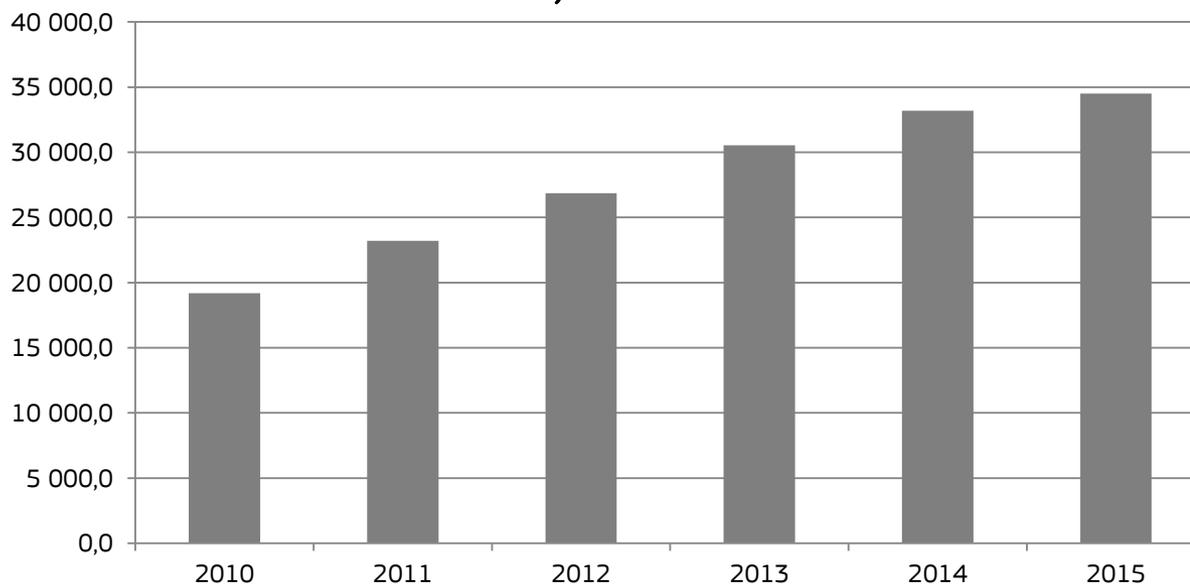
XIII CIS and Baltic Region Bond Congress,
Tbilisi, Georgia, June 16-17, 2016

Azerbaijan

- Territory: 86,600 km²
- Capital: Baku
- Population: more than 9.6 million
- GDP 2014: 54.4 billion AZN, 101.1% growth rate
- Inflation: 10.5%



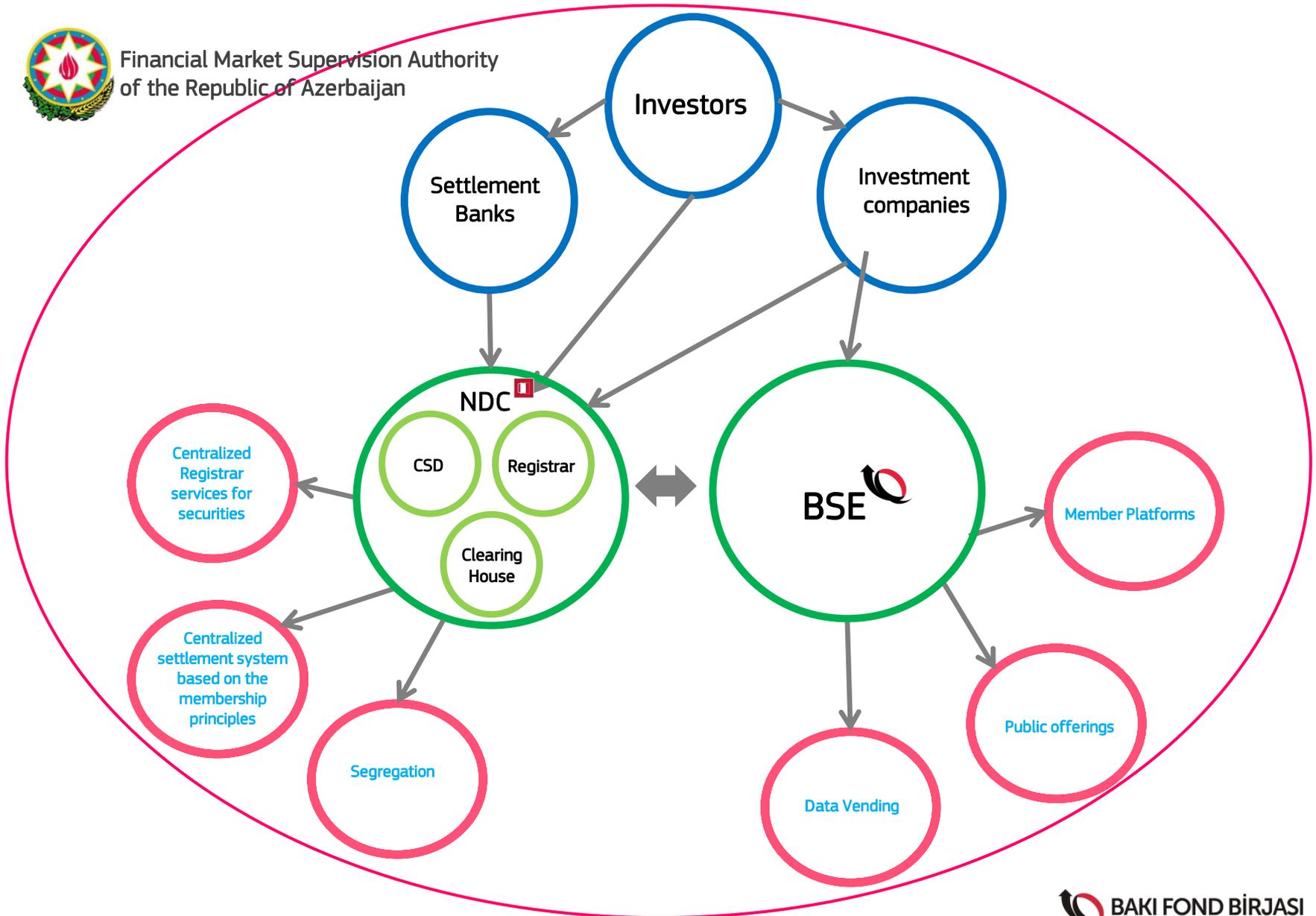
Non-oil GDP, mln. AZN



Capital Market Structure



Financial Market Supervision Authority
of the Republic of Azerbaijan



Centralized Trading, Post-Trading and Surveillance platform



- Trading system based on (based on KRX EXTURE platform)
- Broker system (web based)
- Central Depository, Clearing, Settlement and Registrar System
- Market Surveillance System (based on KRX Total Market Surveillance Platform)

Development: KRX/KOSCOM

Launching date: 17.02.2016

The development of the Capital Market infrastructure in Azerbaijan is based on the Government Programme for the "Development of the Capital Markets in Azerbaijan for the 2011-2020 years", 2011.

The strategic aim is to build modern and effective capital markets based on the best international standards, in such important areas as:

-  Centralised delivery-versus-payment settlement
-  Single market for the securities and financial instrument trading
-  Harmonisation of the trading and post-trading activities

Market strategy covers institutional development, modernization of the infrastructure, stimulating the supply and demand in the market, enhancing the liquidity and integration to the other markets.

The Baku Stock Exchange

- Established in 2000
- 5 Members
- 6 Markets
- 8,5 billion turnover, 25% of the non-oil GDP (2015)



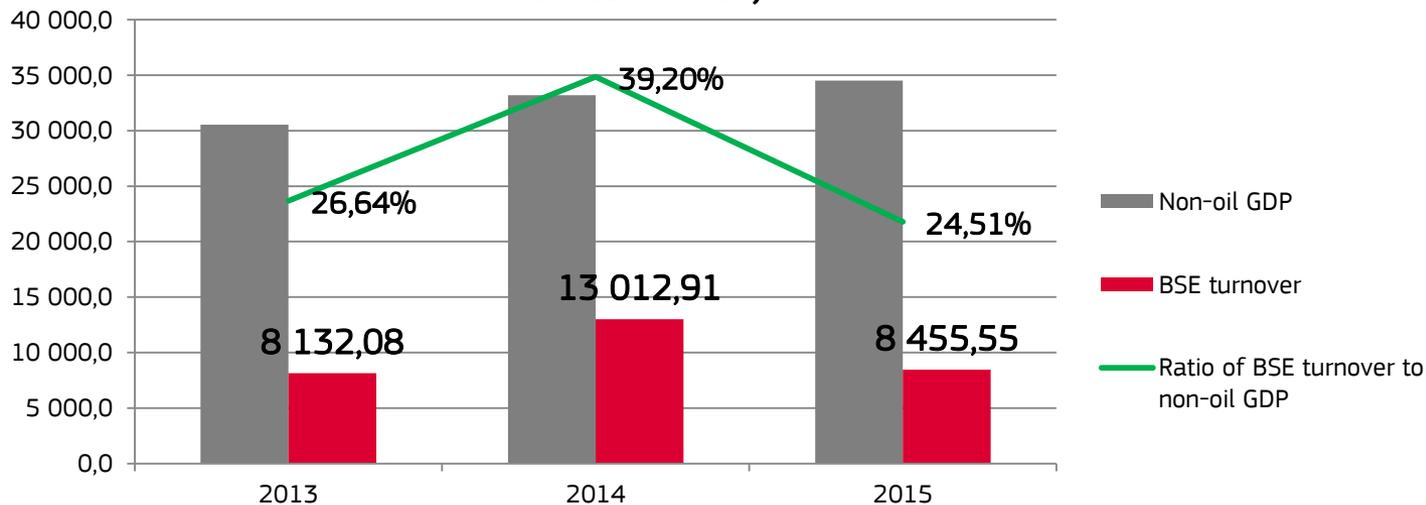
Trading at BSE

- Totally Automated Electronic Trading System
- Direct connectivity to the Clearing & Settlement system
- Real time Clearing & Trade/Settlement Reporting possibility
- Settlement based on the DVP, t+0 and t+1 principles
- Trades are 100% guaranteed via the pre-blocking algorithm and warranty mechanisms by NDC
- Sophisticated Rules and Regulations

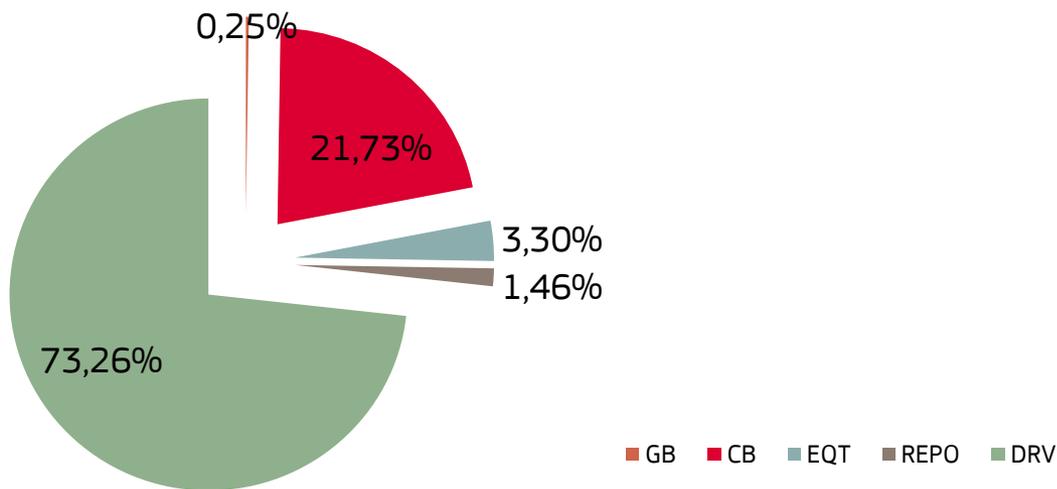
- Government Bonds and Bills Market
- Corporate Bonds Market
- Equity Market
- CBA Repo Market
- Interbank Repo Market
- Derivatives Market (FX and Commodities)

BSE Markets

BSE turnover, mln. AZN



Instrument share in 2015 exchange turnover



Listing at BSE Bond Market

Key Requirements

Premium Market

- No bankruptcy for 1 year prior to the listing application
- At least 1 year of operating history
- Net Assets: at least 2.5 Million AZN
- Financial statements must be prepared in accordance with IFRS and audited
- Issued bonds/issuers should receive an investment grade

Standard Market

- No bankruptcy for 1 year prior to the listing application
- At least 1 year of operating history
- Positive income for at least one of the past 3 years
- Net Assets: at least 0.5 Million AZN
- Financial statements must be prepared in accordance with local accounting standards and audited by independent auditor

Alternative Market

- No specific requirements

Listing Advisory Program

The program that developed to assist companies to raise capital via the Azerbaijan Capital Market.

Consultancy services to the Companies free of charge

- Financial reporting
- Legal
- Corporate governance
- Capital raising
- Market participation

Support from the idea to enter the capital market until the public issue and after it

- Provision of trainings and seminars
- Analyzing the capital needs of the Companies
- Provision of Consultancy services
- Preparing the Company to Enter the Market
- Managing a public issue
- Supporting the post issue process

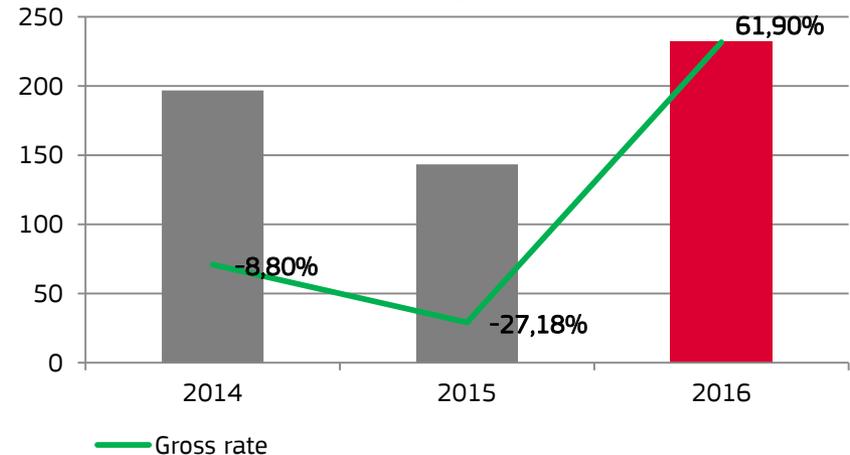
Partners:



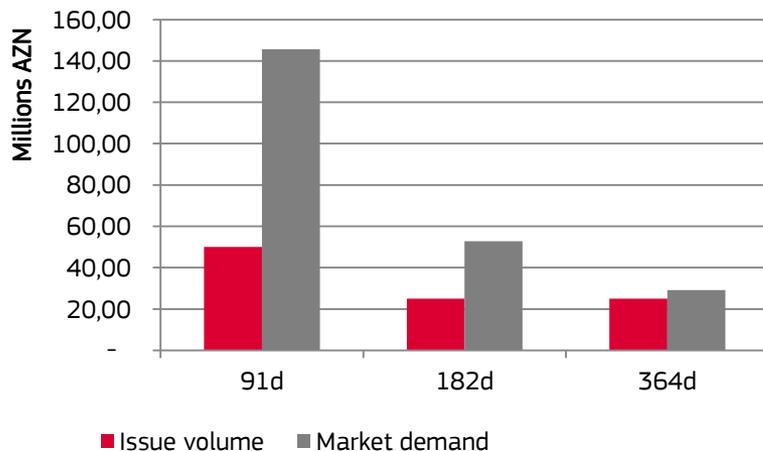
Government Bonds Market

- Issuer: Ministry of Finance of Republic of Azerbaijan
- Currency: AZN and USD
- Turnover period: 3m, 6m, 1y, 2y, 3y
- Placement: CETA Auction Board (BSE)
- Secondary market: CETA Continuous Trading Board (BSE)
- Settlement: t+1
- Market capitalization 01/06/16: 232 mln. AZN

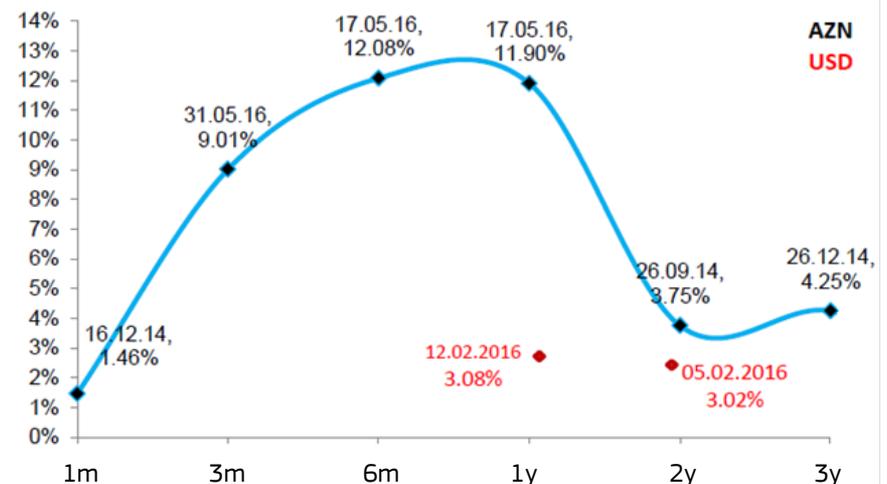
Market capitalization as of June 1, mln. AZN



Placement of AZN TBills in 2016



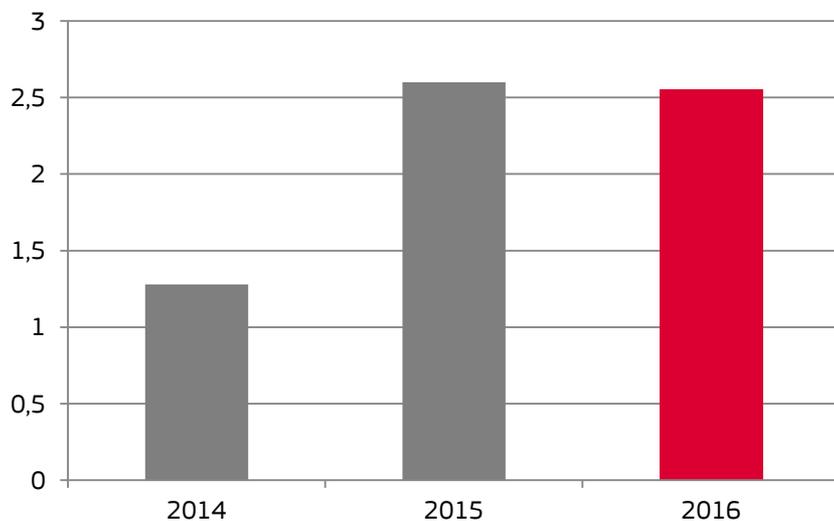
Yield curve



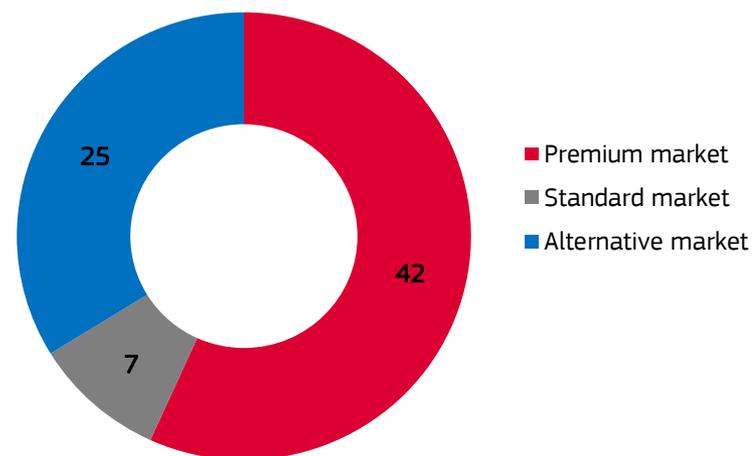
Corporate Bonds Market

- AZN bonds: average interest rate 11.75% (3~15%)
- USD bonds: average interest rate 13.4% (1.05%~15%)
- Turnover period: 1~10 years
- Market liquidity: Market-makers

Market capitalization as of June 1, bln. AZN

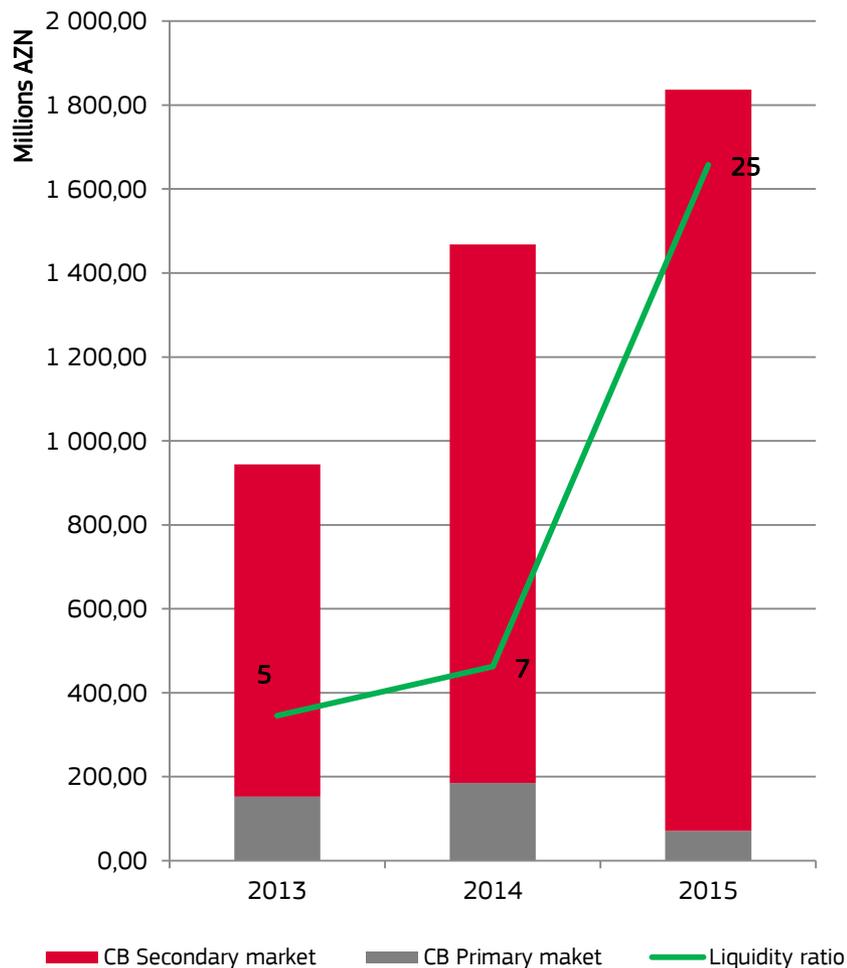


Listed bonds by market segments

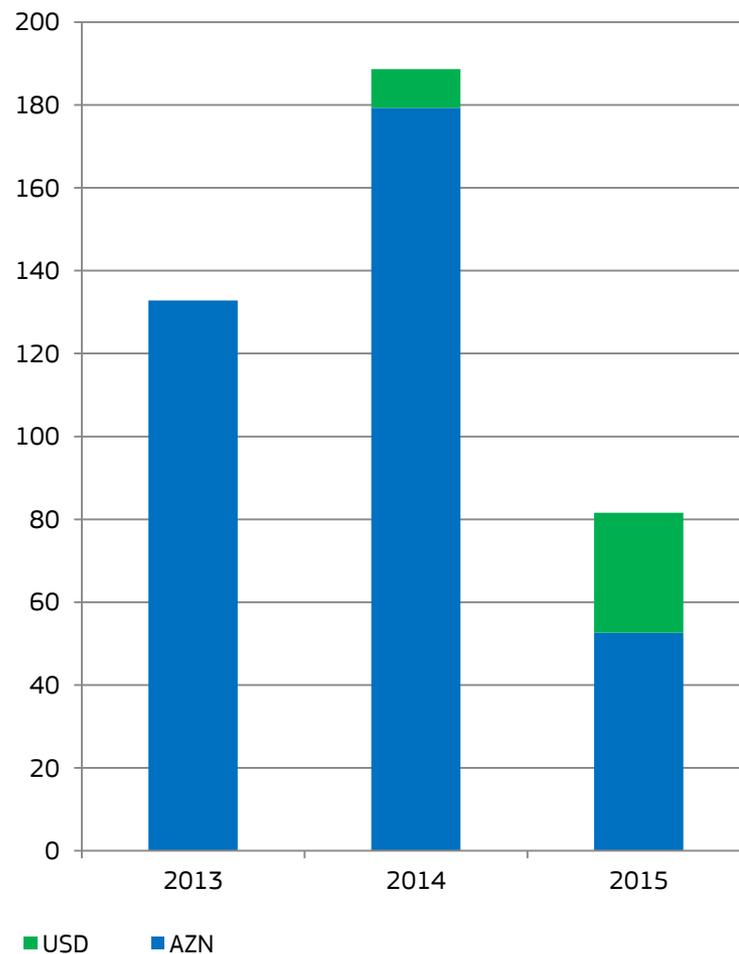


Corporate Bonds Market

Market Liquidity*



New C-bond issues, mln. AZN*



*SGC bonds are excluded from calculations

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OF EUROPE
BAKU
17-18-19 JUNE

The speed is higher
in the Land of Fire

17-19 June 2016



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Thank you!

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