

State registration with the	Approved by
Ministry of Justice of Azerbaijan Republic	Resolution of May 25, 2001 by the Management Board of the Central Bank of Azerbaijan Republic
Registration No. 2697 June 11, 2001	Protocol No. 20
Minister _____ F.F. Mammadov	Governor of the Management Board _____ E.S. Rustamov

**REGULATIONS
ON
EQUITY INVESTMENTS (ACQUISITION OF SHARES)
IN OTHER LEGAL ENTITIES BY CREDIT INSTITUTIONS**

(as amended on April 15, 2010)

1. General provisions

- 1.1. These Regulations have been developed in accordance with the Laws of Azerbaijan Republic «On the Central Bank of Azerbaijan Republic» and «On banks», and applies to all commercial (joint-stock commercial) banks and local branch offices of foreign banks (hereinafter referred to as banks) operating in Azerbaijan Republic.
- 1.2. These Regulations identify the terms and limits of equity investments (acquisition of shares) in other legal entities for banks.
- 1.3. As equity investments of banks in other legal entities are associated with high risks and may result in losses, such equity investments shall be subject to certain limitations.

2. Limitations on equity investments

- 2.1. Unless as otherwise provided in paragraph 2.3 hereof, direct or indirect equity investments of banks in other legal entities shall not exceed the following limits:
 - (a) equity investment in one legal entity shall not exceed 10 percent of the bank's own funds;
 - (b) total equity investment in other legal entities shall not exceed 40 percent of the bank's own funds.
- 2.2. For the purposes hereof, *own funds* shall mean the «total capital after deductions», as defined in the Central Bank's regulations.
- 2.3. Limitations imposed under paragraph 2.1 above shall not apply to shares (equities) repossessed by the bank in satisfaction of debts, providing that the portion of such shares (equities) in excess of the limit shall be disposed of within two years from the date of repossession. If the bank intends to keep shares (equities) in excess of the limit for more than two years, it shall obtain an appropriate approval from the Central Bank, indicating the reasons for such intention. Any bank that keeps shares (equities) in excess of the limit longer than permitted shall not include such excessive amounts of shares (equities) when calculating the normative requirements.

3. Equity investment procedures and reporting of banks

- 3.1. Each bank acquiring an equity investment in other legal entities shall have in place appropriate written procedures. Such procedures shall be subject to approval by the bank's Supervisory Board and Management Board and shall identify:
 - types and selection procedures of bank investments, form, economic sectors and country-wise distribution of the entity invested in;
 - authorized investment decision-makers and maximum limits established for persons responsible for investments;
 - accounting and reporting procedures.
- 3.2. Banks investing in the equity of other legal entities shall have sufficiently detailed and accurate information about such entities and shall possess appropriate expertise necessary to assess and monitor their operations. Such information should enable the Supervisory Board and Management Board to maintain records and control at an appropriate level and take necessary actions. Reports submitted to the bank's management shall, at a minimum, specify the entity's market position, classification, par value and market value of the equity investment, dates equity investment was acquired and is expected to be paid-in.
- 3.3. Banks shall, no later than within 5 business days of the month following the reporting

month's end, report the names of the legal entities where they acquired an equity investment, the book value and the market value (if available) of such investment, the date the investment was made and the date it is expected to be paid-in, in the format attached hereto (Annex 1), to the Central Bank of Azerbaijan Republic.

As these Regulations take effect, paragraph 8 of the Central Bank's Regulation No.2, of May 21, 1997, «On supervision of credit institutions», shall become void and null.

These Regulations shall take effect on July 1, 2001.

to the
REGULATIONS
ON EQUITY INVESTMENTS (ACQUISITION OF SHARES)
IN OTHER LEGAL ENTITIES BY CREDIT INSTITUTIONS

Name of bank _____

As of « _____ » _____ 200 _____

Equity Investment in Other Legal Entities Report

	Name of legal entity	Book value of equity investment	Market value of equity investment (if such investments are traded on market)	Date of investment	Anticipated pay-in date of investment	Notes (indicate if investment is taken in satisfaction of debt)*
1	2	3	4	5	6	7**
1						
2						
.						
n						
	Total			XXX	XXX	

* If the equity investment is taken in satisfaction of debt, its book value (from col. 3) must be specified.

** The amount in col. 7 may be below or equal to the amount in col. 3.

Chairman of the Management Board
Chief accountant

(full name)
(full name)

Corporate Seal