


İLLİK HESABAT / ANNUAL REPORT

2011

 **Xalq Bank**  
Uğurla birlikdəyik!



# MÜNDƏRİCAT

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Asim Məmmədli / Asim Mammadli

Müşahidə Şurasının sədri / Chairman of the Supervisory Board

**Biz, il ərzində Bankımızın nizamnamə kapitalını 93%, məcmu kapitalını 91%-dən də çox artırma bildik**

**Hörmətli səhmdarlar, müştərilər və tərəfdaşlar,**

2011-ci il Xalq Bank üçün hadisələrlə zəngin, böyük dəyişikliklər, sürətli və hərtərəfli inkişafı yadda qalan bir dövr oldu. Bu dövrdə Bankın əldə etdiyi nəticələr barədə hesabatı Sizə təqdim etməkdə məqsədimiz Azərbaycan iqtisadiyyatının ayrılmaz hissəsinə çevrilmiş bir maliyyə strukturunun keçdiyi daha bir ildə qazandığı təcrübəni bölüşməkdir. Düşünürəm ki, belə bir mürəkkəb dövrdə Xalq Bankın gördüyü işlər barədə hesabatla tanış olmaq Sizin üçün də maraqlı olacaq.

Ötən il son illərdə davam edən maliyyə böhranının dalğaları bütün dünyada olduğu kimi, ölkəmizdə də hiss olunmaqda idi. Lakin beynəlxalq əmtəə və maliyyə bazarlarında hökm sürən qeyri-müəyyənlik şəraitində Azərbaycan hökuməti müsbət məqamlardan uğurla yararlına bildi. 2011-ci ildə ölkə üzrə Ümumi Daxili Məhsul (ÜDM) 50,0 mlrd. manatı ötdü. Dünya bazarlarında neftin yüksək qiyməti fonunda ölkənin xarici iqtisadi mövqeyi əlverişli oldu, qeyri-neft sektoruna diqqət artırıldı. Strateji valyuta ehtiyatlarının böyüməkdə davam etməsi ölkənin iqtisadi dayanıqlığını daha da yüksəltdi və potensial makroiqtisadi riskləri tam neytrallaşdırma bilən səviyyəyə çatdırdı.

Onu da qeyd edim ki, bütün çətinliklərə

**Dear Shareholders, Customers and Partners,**

2011 will be remembered as an eventful year, one of great change, one of rapid and comprehensive development. Our aim in presenting you the report on the Bank's results and achievements over the year is to share with you the further experience gained by a financial structure which has become a constituent part of Azerbaijan's economy. I think that it will be interesting for you to get acquainted with Xalq Bank's activities during this complex period.

Fall-out from the financial crisis of recent years has been felt in our country as in the rest of the world. But against the background of uncertainty prevailing in international commodity and financial markets the government of Azerbaijan has managed to engineer some benefit from the more positive aspects. In 2011 GDP exceeded AZN 50,0 billion. Within a context of high oil prices on world markets our country's foreign economic position was productive and increased attention was directed to the non-oil sector. Continued growth in strategic currency reserves strengthened economic resilience to a point at which potential macro-economic risks could be neutralized.

I should also note that, despite all

rəğmən, 2011-ci ildə bank sistemi öz artım dinamikasını davam etdirdi, maliyyə sabitliyini qoruya bildi. Bank sahəsində adekvat monetar siyasət həyata keçirildi, bank risklərinin preventiv tənzimlənməsi istiqamətində tədbirlər görüldü. Statistika əsasən, ölkənin bank sektorunun məcmu aktivləri son 8 ildə 14 dəfə artmış, bank aktivlərinin qeyri-neft ÜDM-yə nisbəti isə 65%-ə çatmışdır. Bu isə bank sisteminin ölkə iqtisadiyyatında rolunun durmadan artması və mövqələrinin sabitləşməsinə dəlalət edir. Beynəlxalq aləmdə artan etibar sayəsində Azərbaycan bankları ötən il xarici mənbələrdən 1,0 mlrd. manat vəsait cəlb etdi. Hazırda banklarımızın qarşısında duran əsas məsələlər risklərin idarə olunmasına diqqəti artırmaq və kapitallaşmanı zəruri səviyyədə saxlamaq, problemlə kreditləri minimuma endirməkdən ibarətdir.

Sadaladığım bütün faktorlar 2011-ci ildə Azərbaycanın ən iri özəl banklarından biri olan Xalq Bankın fəaliyyətinin də əsasını təşkil edib. Bank sistemində gözlənilən neqativ faktorlar ciddi nəzarətə alındı, risklərin idarə olunması üzrə tədbirlər həyata keçirildi. Bundan əlavə, Bank korporativ idarəetməni təkmilləşdirdi, infrastrukturunu genişləndirdi, resurs bazasının tarazlaşdırılmasına və daha da gücləndirilməsinə diqqəti artırdı. İl ərzində müasir texnologiyalar tətbiq edildi, müştərilərə yeni maliyyə xidmətləri təklif olundu.

Nəticədə, Xalq Bank ötən ilin yekunlarına görə bütün aparıcı göstəricilər üzrə müsbət nəticələr nümayiş etdirdi. Biz, il ərzində Bankımızın nizamnamə kapitalını 93%, məcmu kapitalını 91%-dən də çox artırma bildik. Bank, nizamnamə kapitalına və məcmu kapitalla görə Azərbaycan bank sisteminin ən böyük banklarından biri oldu və hər iki göstərici üzrə banklar siyahısında ikinci yeri tutdu. İl ərzində kredit portfeli 430,0 milyon manatı ötən Xalq Bank, ili kredit portfelinin həcmində görə ölkə banklarının ilk beşliyində başa vurdu. İlin yekunlarına görə Xalq Bank həmçinin özünün depozit portfelini artırdı və göstəricisi ilə ölkə bankları siyahısında dördüncü yerdə bərqərar oldu.

Yüksək səviyyəli peşakarlardan ibarət kollektivə, qabaqcıl texnologiyalara və innovasiyalara söykənən Bankımız ötən il bir çox aparıcı göstəriciləri üzrə ölkə

the difficulties, the banking system continued to display a growth dynamic and maintained financial stability in 2011. A competent monetary policy was implemented and precautionary measures were taken to achieve a balancing of risk within the banking system. The statistics tell us that total assets in the country's banking sector have increased by 14 times over the past eight years and the ratio of bank assets to non-oil GDP reached 65%. This testifies to the continuously increasing role played by the banking economy in the country's economy as a whole and to the stabilization of its positions. Earning increased trust in the international arena, the banks of Azerbaijan attracted AZN 1,0 billion from foreign sources last year. Currently, the main issues facing our banks require increased attention to risk management, the maintenance of adequate levels of capitalization and the reduction of overdue loans to the minimum.

All of these factors have formed the basis of the work of Xalq Bank - one of the largest private banks in Azerbaijan. The negative factors expected to arise in the banking sector were placed under strict control and measures of risk management were enacted. In addition, the Bank improved its corporate management, expanded its infrastructure and focused increased attention on balancing and further strengthening the resource base. During the past year modern technologies were applied and customers were offered new financial services.

As a result, Xalq Bank achieved positive results in all leading returns last year. We managed a 93% increase in the Bank's shareholder capital and more than 91% in its cumulative capital, holding the second place among local banks for both of values. Xalq Bank, with a loans portfolio exceeding AZN 430,0 million over 2011, completed the year among the country's top five banks by volume of loans. Xalq Bank also increased its deposit portfolio; last year's results placing it third among the country's banks.

Last year our Bank, building upon its highly professional staff, cutting-edge technology and innovation, was one

**We managed a 93% increase in the Bank's shareholder capital and more than 91% in its cumulative capital, holding the second place among local banks for both of values**



bankları sırasında öndə gedənlərdən oldu.

Fəxrlə qeyd etməliyəm ki, mürəkkəb bazar şəraitinə baxmayaraq, il ərzində Bankımız xalis mənfəətini rekord dərəcədə – 92% artırdı və 2011-ci ili Azərbaycanın bank bazarında üç ən gəlirli banklarından biri kimi başa vurdu.

Pərakəndə xidmət bazarında fəaliyyətini aktivləşdirmək niyyətində olan Bankımız ötən il bu istiqamətdə ciddi işlər gördü. İl ərzində Bankın 6 yeni filialı açılmış və müştərilərin ixtiyarına verilmişdir ki, onlardan da beşi regionların payına düşür. Məqsədimiz yeni filiallar vasitəsi ilə xidmətimizi regionlara çatdırmaq, bank məhsullarımızı regionlardakı potensial müştərilərə yaxınlaşdırmaq və təbii ki, Bankımızın müştəri bazasını genişləndirməkdir.

2011-ci ildə müvəffəqiyyətli fəaliyyətimizin nəticəsi göstərdi ki, Bankın nüfuzu durmadan artmaqdadır, dünyanın işgüzar dairələri və bank ictimaiyyəti Xalq Bankın sabit və pozitiv dinamikasını, sürətlə irəliləməsini yüksək dəyərləndirir. Mənim üçün də qürurlu faktıdır ki, Bankımız istər

of the leading banks in the country on many of the principal criteria.

I note with pride that despite the difficult market conditions, our Bank raised its net profit by 92% over the year to a record level – completing 2011 as one of the four leading banks for profit returned.

Xalq Bank, which intends to develop its engagement with the retail services market, did much serious work to this end last year. Six new branches were opened to customers; five of them were in regions. Our aims are to take our services to the regions through new branches, to bring our products closer to potential customers out of Baku and, certainly, to expand the Bank's customer base.

The results of our successful work in 2011 showed that the Bank's influence is growing inexorably and that international business circles and banking communities have a high appreciation of Xalq Bank's stability, its positive dynamic and its rapid growth. I state with pride the fact that our Bank is attracting attention, both

Azərbaycanda, istərsə də ölkə hüdudlarından kənar da ciddi planları və maraqları olan sabit, etibarlı tərəfdaş imici ilə diqqəti cəlb edir. İl ərzində bir sıra beynəlxalq təşkilatlar Xalq Bankın dinamik inkişafını mükafatlarla dəyərləndirdilər.

Hər il olduğu kimi, 2011-ci ildə də sosial-mədəni fəaliyyət Bankın işində önəmli yer tutdu, mədəni dəyərlərimizin gələcək nəsillərə çatdırılması məqsədi ilə başladığımız işi böyük məmnunluqla davam etdirdik. Xalqımızın mədəni irsinin dünyaya tanınması istiqamətində bir sıra əhəmiyyətli layihələr gerçəkləşdirildi. Bankımız gələcəkdə mədəniyyət və idmana qaygısını daha da artırmaq niyyətindədir.

Müşahidə Şurasının adından ötən ilin nəticələrinə yekun vurarkən gələcək strategiyamızdan da danışmaya bilmərəm. Qarşıda gələn ildə də Bankımız kreditlərin sağlamlaşdırılması istiqamətində işini davam edəcək. Bankımız yüksək potensialına inandığı orta biznes və özəl sahibkarlıqla işini aktivləşdirəcək, pərakəndə bankçılıq sahəsində iştirakını artıracaq. Xalq Bank universal, yüksək texnologiyalı, effektiv fəaliyyət göstərən maliyyə institutu olduğunu bütün istiqamətlərdə əməli ilə sübut edəcək. Əvvəlki illərdə olduğu kimi, 2012-ci ildə də Xalq Bank davamlı inkişafı və mövqelərinin möhkəmləndirilməsi üçün əlverişli zəmin yaradacaq. Bütün bunlar yüksək korporativ dəyərlərə xidmət göstərən peşəkar kollektivimizin hər bir əməkdaşının səyi və müştərilər və tərəfdaşlarımızla faydalı əməkdaşlığın nəticəsində mümkün olacaq.

Sonda Müşahidə Şurası adından Bankın inkişafına sərf etdiyi zəhmətinə və məsuliyyətli işinə görə İdarə Heyətinə, sədaqətli müştərilərimizə, bizə etibar edən tərəfdaşlarımıza və peşəkar kollektivimizə dərin təşəkkürümü bildirirəm, onlara can sağlığı, müvəffəqiyyətlər diləyir və gələn il də uğurla birlikdə olmağı arzulayıram.

Hörmətlə,  
Asim Məmmədli

within Azerbaijan and abroad, as a bank of serious intent and interests and as a reliable partner. A number of international organizations recognised Xalq Bank's dynamic growth with awards during the year.

As in previous years, in 2011 too, socio-cultural activities had a prominent place in the Bank's programme and we continued with great pleasure the work that we had begun in order to pass on our cultural values to following generations. A number of important projects were realized aiming to familiarise the world with our people's cultural heritage. Xalq Bank intends to increase its nurturing of culture and sport in the future.

In summarizing the results of the past year, I must speak on behalf of our Supervisory Board about our future strategy. Our Bank will continue its work to keep the quality of loans normalise loans in the forthcoming year. It will energise its work with medium-size businesses and private entrepreneurship – we have great belief in their potential – and increase our participation in the retail banking sector. Xalq Bank will prove that it is an all-round financial institution with high technology and effective practical involvement in all spheres. As will be the case in all previous years, in 2012 too, Xalq Bank will prepare fertile ground for its further development and improved standing. This will all be possible thanks to the efforts of all our professional staff working to the highest corporate values and productive cooperation with our customers and partners.

In conclusion, and on behalf of the Supervisory Board, I would like to express my deepest gratitude for their hard work and responsibility in the development of our Bank to the Executive Board, our loyal customers, partners who trust us and professional staff. I wish them good health and new achievements and hope to be together next year reporting similar success.

Best regards,  
Asim Məmmədli



## İdarə Heyəti/ Executive Board



**Elxan Ağayev**  
İdarə Heyətinin Sədri

**Elkhan Aghayev**  
Chairman of the Executive Board



**Xəzər Bağırılı**  
İdarə Heyəti Sədrinin müavini

**Khazar Baghirli**  
Deputy Chairman of the Executive Board



**Yaşar Nağıyev**  
İdarə Heyəti Sədrinin müavini

**Yashar Naghiyev**  
Deputy Chairman of the Executive Board

## Rəhbərlik/ Management



**Nigar Biləndərli**  
Biznesin İnkişafı idarəsinin rəisi

**Nigar Bilandarli**  
Head of Business Development department



**İlqar Mazanov**  
Təhlükəsizlik idarəsinin rəisi

**İlqar Mazanov**  
Head of Security department



**Elvira Əliyeva**  
İcra Aparatının direktoru

**Elvira Aliyeva**  
Head of Executive office



**Rəyam Hüseynzadə**  
İnzibati-hüquq idarəsinin rəisi

**Royam Huseynzadeh**  
Head of administrative – legal department



**Natella Şahverdiyeva**  
Xəzinədarlıq idarəsinin rəisi

**Natella Shakhverdiyeva**  
Head of Treasury department



**Kəmrən Məcidov**  
Kredit idarəsinin rəisi

**Kamran Majidov**  
Head of Loans department



**Kəmalə Axundova**  
Risklərin İdarə Edilməsi İdarəsinin rəisi

**Kamala Akhundova**  
Head of Risk management department



**Çingiz Məmmədov**  
Daxili Audit idarəsinin rəisi

**Chingiz Mammadov**  
Head of Internal Audit department



**Təmillə Əsədova**  
Maliyyə İdarəsinin rəisi – baş mühasib

**Tamilla Asadova**  
Head of Financial department - chief accountant



**İlqar Mənsimov**  
İnformasiya Texnologiyaları idarəsinin rəisi

**İlqar Mansimov**  
Head of IT department



**Mərfət Məmmədov**  
Əsaslı tikinti idarəsinin rəisi

**Marfat Mammadov**  
Head of Construction department



**Nazim İbrahimov**  
Hesablaşmalar idarəsinin rəisi

**Nazim Ibragimov**  
Head of Clearing and Settlement department



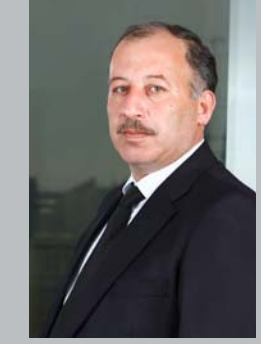
**Vəlif Bəyramov**  
Problemlə Kredidlərlə İş idarəsinin rəisi

**Vasif Bayramov**  
Head of Non Performing Loans department



**Kərim Quliyev**  
Filiallarla İş idarəsinin rəisi

**Kerim Guliyev**  
Head of Branch Management department



**Bəxtiyar Nəsimov**  
Təsərrüfat idarəsinin rəisi

**Bakhtiyar Nasibov**  
Head of Procurement department

# 2011-ci ildə Azərbaycan iqtisadiyyatı və bank sistemi

## Azerbaijan's economy and banking system in 2011

2011-ci il ərzində ölkənin inkişafını xarakterizə edən əsas makroiqtisadi göstərici – Ümumi Daxili Məhsulun istehsalı 0,1 % və ya müqayisəli qiymətlərlə 40,0 mln. manat artaraq 50,1 mlrd. manat təşkil etmişdir

### Makroiqtisadi vəziyyətin xülasəsi

2011-ci il dünya iqtisadiyyatı qeyri-müəyyənlik və ümumi artım templərinin zəifləməsi kimi meyillərlə səciyyələnmişdir. Bir sıra dövlətlərdə borc probleminin kəskinləşməsi, büdcə və maliyyə sahələrində hökm sürən disbalans global maliyyə böhranının fəsadlarının davam etdiyini göstərmiş və iqtisadi dayanıqlığa mənfi təsir göstərmişdir. Bu mürəkkəb proseslər fonunda Azərbaycan iqtisadiyyatı xarici tələtlərə davamlılığını sübut etmiş, ölkədə prioritet amillər kimi iqtisadiyyatın şaxələnməsi və qeyri-neft sektorunun inkişaf etdirilməsi əsas götürülmüşdür. İl ərzində regionların inkişafını təmin edən layihələrin reallaşdırılması davam etmiş, sosial təminat istiqamətində ardıcıl proqramlar həyata keçirilmiş, istehsal və sosial infrastrukturun formalaşdırılması üçün tədbirlər görülmüşdür.

Nəticədə 2011-ci il ərzində ölkənin inkişafını xarakterizə edən əsas makroiqtisadi göstərici – Ümumi Daxili Məhsulun istehsalı 0,1 % və ya müqayisəli qiymətlərlə 40,0 mln. manat artaraq 50,1 mlrd. manat təşkil etmişdir.

Sənaye müəssisələrində çalışanların və sənaye məhsulu istehsalı ilə məşğul olan fiziki şəxslərin sayı nəticəsində

### Review of the macroeconomic situation

In 2011 the world economy was characterized by tendencies towards uncertainty and a weakening of general growth rates. The sharpening debt crisis in certain countries and the prevailing imbalances in budgets and finance indicated the continuing presence of fall-out from the global financial crisis and impacted negatively on economic durability.

Against the background of these complex processes, the Azerbaijan economy has proved its resilience to foreign upheavals; diversification of the economy and development of the non-oil sector are recognised national priorities. During the year the implementation of projects to ensure economic growth in the regions was continued, systematic social security programmes were applied and measures were taken to shape industrial and social infrastructure.

As a result, for 2011 the main macroeconomic indicator showed growth of 0.1%, or AZN 40.0 million, in Gross Domestic Product - to AZN 50.1 billion.

Production from industrial enterprises amounted to AZN 34.5 billion; 5% less than the figure for 2010. There

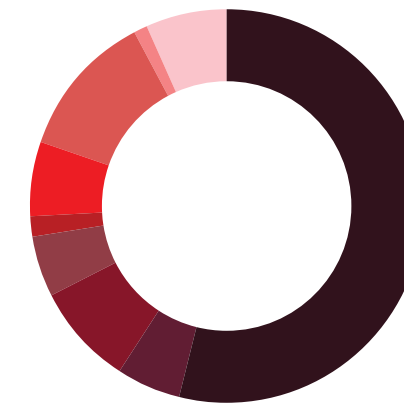
2011-ci ildə 34,5 mlrd. manatlıq məhsul istehsal olunmuşdur ki, bu da 2010-cu ilin göstəricisindən 5% azdır. Qeyri-neft sektorunda əlavə dəyərin 9,4% artımı müşahidə olunmuş, onun ÜDM-də xüsusi çəkisi 48,3 % təşkil etmişdir. Müvafiq olaraq ÜDM-nin 51,7 %-i neft-qaz istehsalı və emalı sahələrinin payına düşmüş və əvvəlki ilə nisbətən 9,3 % azalmışdır. Neft sektorunda azalma müşahidə olunsada, qeyri-neft sənaye bölməsinin əksər sahələrində istehsalın həcmi artmaqda davam etmiş və nəticədə ümumi artım 11% təşkil etmişdir.

Hesabat ilində global əmtəə bazarlarında qiymətlərin artması və məcmu tələbin canlanması şəraitində inflyasiyanın berrəqəmli səviyyədə saxlanması mühüm vəzifələrdən biri olmuşdür. 2011-ci ildə istehlak mallarının qiymətləri və xidmət tarifləri 2010-cu ilə nisbətən artmış və bununla da inflyasiya 7,9 %-ə bərabər olmuşdür. Yaradılan əlavə dəyərin 70%-ə yaxın hissəsi məhsul istehsalı sahələrinin, 30%-i isə xidmət sahələrinin payına düşmüşdür. Əhalinin gəlirləri əvvəlki ilə müqayisədə 19,6 % artaraq 30,6 mlrd. manata, adambaşına düşən məbləği isə 18% artaraq 3383,8 manata çatmışdır.

İl ərzində bütün mənbələrdən əsas kapitəla 12,8 mlrd. manat vəsait yönəldilmişdir ki, bu da əvvəlki ilin göstəricisinə nisbətən 27,3 % artım deməkdir. O cümlədən qeyri-neft sektoruna 9,8 mlrd. və ya bir il öncəkindən 40% çox investisiya yatırılmışdır.

İnformasiya və rabitə müəssisələri tərəfindən əhaliyə, idarə və təşkilatlara 1,2 mlrd. manatlıq və ya 2010-cu ilə müqayisədə 11,8 % çox xidmət göstərilmişdir. İnformasiya və rabitə xidmətlərinin 770 milyon manatı və ya 61,8 %-i mobil rabitənin payına düşmüşdür. Tikinti kompleksində aparılan inşaat işləri üçün bütün maliyyə mənbələrindən 12,8 mlrd. manat məbləğində sərmayədən istifadə edilmişdir. Ölkədə neft hasilatının azalması yük nəqliyyatının göstəricilərinə də mənfi təsir göstərmiş və nəticə olaraq nəqliyyat xidmətlərinin göstərilməsindən yaranmış əlavə dəyərin həcmi əvvəlki ilə nisbətən 0,8% azalmışdır. Ümumilikdə nəqliyyat müəssisələri və avtomobil nəqliyyatı sahəsində fəaliyyət göstərən fiziki

### ÜDM-nin strukturu The structure of GDP



Sənaye 53.9%	Industry
Kənd, meşə təsərrüfatı və balıqçılıq 5.5%	Agriculture forestry and fishing
Tikinti 8.3%	Construction
Nəqliyyat və anbar təsərrüfatı 4.9%	Transportation and storage
İnformasiya və rabitə 1.7%	Information and communication
Məhsula və idxala xalis vergilər 6%	Net taxes from production
Sosial və fərdi xidmətlər 12%	Social and personal services
Turizm və ictimai iadə 1.2%	Tourism and catering
Ticarət və xidmətlər 6.5%	Trade and services

was growth of 9.4% in added value in the non-oil sector, contributing 48.3% of GDP. Correspondingly, 51.7% of GDP came from the production and processing of oil and gas, a reduction of 9.3% on the previous year. Although oil sector production fell, most areas of the non-oil industry sector continued to grow and, as a result, there was overall growth of 11%.

In this reporting year one of the most important responsibilities was to maintain single-figure inflation in an environment of rising costs in the global commodity market and growing demand. In 2011 consumer goods and service tariffs were higher than in 2010 and inflation stood at 7.9%. 70% of added value came from production, with 30% coming from the service sector. The population's incomes increased by 19.6% to AZN 30.6 billion and per capita income rose 18% to AZN 3383.8.

AZN 12.8 billion was directed to fixed capital from all sources, a rise of 27.3% over the previous year. Further, AZN 9.8 billion, 40% more than the previous year, was invested in the non-oil sector.

Services amounting to AZN 1.2 billion, or 11.8% more than in 2010, were provided to individuals, institutions and organizations by information and communications establishments. Mobile communications accounted for AZN 770 million, or 61.8%, of all information and

For 2011 the main macroeconomic indicator showed growth of 0.1%, or AZN 40.0 million, in Gross Domestic Product - to AZN 50.1 billion



**Ölkənin strateji valyuta ehtiyatları son 8 ildə 22 dəfədən çox artmış və 2011-ci ilin 31 dekabr tarixinə 41,0 mlrd. dollara çataraq ÜDM-nin təqribən 65%-nə bərabər olmuşdur**

şəxslər tərəfindən il ərzində 203,5 mln. ton yük və 1,5 mlrd. nəfər sərnişin daşınmışdır, 2010-cu ilə nisbətən yük daşınması 3,6 %, sərnişin daşınması isə 7,5% artmışdır. Pərakəndə əmtəə dövriyyəsi 10,6 % artaraq 16,4 mln. manat, əhaliyə göstərilən pullu xidmətlər 8 % artaraq 5,3 mln manat təşkil etmişdir.

Hesabat ili ərzində ölkənin xarici ticarət dövriyyəsi 36,3 mlrd. ABŞ dolları təşkil etmişdir ki, bu da əvvəlki ilin analoji göstəricisi ilə müqayisədə təqribən 4% çoxdur. Xarici ticarət dövriyyəsinin strukturunda ixrac 26,6 mlrd. dollara, idxal 9,7 mlrd. dollara bərabər olmuşdur.

Ölkə iqtisadiyyatına il ərzində 3,2 mlrd. dollar xarici investisiyalar yatırılmışdır ki, bu da bir il əvvəlki göstəricidən 3,2% artıqdır. Ölkənin xarici mövqeyinin möhkəmlənməsi nəticəsində 2011-ci ildə strateji valyuta ehtiyatları 36 % artaraq 40,0 mlrd. dolları ötmüşdür.

2011-ci ildə dövlət büdcəsinin gəlirləri 15 700,7 mln. manat, xərcləri – 15 396,0 mln. manat, büdcənin profisiti 304,5 mln. manat təşkil etmişdir. Ölkənin strateji valyuta ehtiyatları son 8 ildə 22 dəfədən çox artmış və 2011-ci ilin 31 dekabr tarixinə 41,0 mlrd. dollara çataraq ÜDM-in təqribən 65%-nə bərabər olmuşdur.

Mərkəzi Bankın rəsmi məlumatına əsasən, 2011-ci il ərzində məzənnənin əhəmiyyətli möhkəmlənməsinin qarşısını almaq və bununla da qeyri-neft sektorunun rəqabət qabiliyyətinə neqativ təsirləri neytrallaşdırmaq üçün Milli Bank tərəfindən bir sıra tədbirlər görülmüşdür ki, nəticədə ötən il manatın ABŞ dollarına qarşı məzənnəsi mülayim temple 1,4% möhkəmlənmişdir.

Hesabat ilində kəsirsiz dövlət büdcəsi, valyuta ehtiyatlarının xarici borcları üstələməsi, qeyri-neft sektoruna diqqətin artması ölkənin inkişafının davamlılığına şərait yaratmışdır. İqtisadiyyatın inkişafı üzrə dövlətin strateji məqsədləri qeyri-neft sektorunun inkişafı hesabına ÜDM-nin iki dəfə artırılması, bu sektorda ÜDM-nin xüsusi çəkisinin 80%-ə çatdırılmasıdır.

#### **Bank sistemi**

2011-ci ildə Azərbaycanın bank sistemi ölkənin maliyyə sisteminin vacib

communication services. AZN 12.8 billion of the capital drawn from all sources of finance were used in construction.

The fall in the country's oil production had a negative impact on the figures for goods transportation; income from transport services fell 0.8% compared to the previous year. In all, 203.5 million tons of goods and 1.5 billion passengers were carried by carriage organisations and vehicular transport; compared to 2010 there was 3.6% growth in goods and 7.5% growth in passenger transport. Retail commodity circulation increased 10.6% to AZN 16.4 million and charged services to the public by 8% to AZN 5.3 million.

During this reporting year, in-country foreign trade turnover amounted to USD 36.3 billion, approximately 4% more than the equivalent figures for the previous year. Within this figure, exports amounted to USD 26.6 million and imports to USD 9.7 million.

USD 3.2 billion of foreign capital was invested in the state economy over the year, 3.2% more than in the previous year. As the country's positions strengthened abroad, strategic currency reserves rose 36% to more than USD 40.0 billion in 2011.

In 2011 state budget income was AZN 15,700.7 million; AZN 15,396.0 million were expended and the budget surplus amounted to AZN 304.5 million. The country's strategic currency reserves have increased by a factor of 22 over the past 8 years, reaching USD 41.0 billion on 31 December 2011 and equalling approximately 65% of GDP.

The Central Bank has stated officially that it has taken many measures to prevent considerable strengthening of market prices, thus neutralising any negative impact on the competitiveness of the non-oil sector. As a result the manat's exchange rate against the US dollar has gradually strengthened 1.4%.

The fact that the state budget is in surplus, the excess of currency reserves over foreign debt and the increased attention to the non-oil sector, created favourable conditions for continuing development in the country during the reporting year. The nation's strategic



hissəsi kimi inkişaf etmiş, banklar qeyri-neft sektorunda iqtisadi aktivliyin yüksəlməsi, makroiqtisadi sabitliyin qorunması şəraitində fəaliyyət göstərmişlər. Bankların göstəricilərində kəskin dəyişikliklər qeydə alınmamış, kredit təşkilatları sabit artım dinamikalarını qoruyub saxlaya bilmişlər.

2012-ci ilin əvvəlinə ölkədə 44 bank, o cümlədən xarici kapitalın iştirakı ilə 23 bank fəaliyyət göstərmişdir. İl ərzində bank sektorunun aktivləri 968 mln. manata, kreditlər 8,6% artaraq ilin sonuna 9 950,3 mln. manata çatmışdır. Ümumilikdə, bank sektorunun məcmu aktivləri son 8 ildə təqribən 14 dəfə artmış, bank aktivlərinin qeyri-neft ÜDM-yə nisbəti 65%-ə çatmışdır.

Hesabat ilində kreditlərin bank sisteminin aktivlərində xüsusi çəkisi 68% olmuşdur. İl ərzində nəzərəcarpacaq artım əsasən inşaat və əmlak sektoruna yönəlmiş kreditlərdə olmuşdur. Vaxtı keçmiş kreditlərin ümumi portfeldə xüsusi çəkisi 6,4% təşkil etmişdir. Kredit portfelinin strukturu

goals for economic growth are to double the non-oil sector's contribution to GDP, raising its share to 80%.

#### **Banking system**

Azerbaijan's banking system developed in 2011 as an important part of the country's financial structure and banks operated within the context of an increasingly economically active non-oil sector and stability in the macro-economy. There were no sharp changes in banking returns and credit organizations maintained stable growth.

44 banks, including 23 banks holding foreign capital, were operating at the beginning of 2012. Bank sector assets rose by AZN 968 million, or 7.3%, to AZN 14,259.2 million over the year and lending increased by 8.6% towards the end of the year, reaching AZN 9,950.3 million. Total bank sector assets have increased by a factor of 14 over the past 8 years; bank assets amount to 65% of non-oil GDP.

Lending was equivalent to 68% of bank

**The country's strategic currency reserves have increased by a factor of 22 over the past 8 years, reaching USD 41.0 billion on 31 December 2011 and equalling approximately 65% of GDP**





**2011-ci il ərzində bankların öhdəlikləri 1,66 mlrd. manat və ya 16,3% artmış və dövrün sonuna 11,83 mlrd. manat təşkil etmişdir**

runda ticarət və xidmət sektoruna kreditlər əvvəlki illərdə olduğu kimi 2011-ci ildə də üstünlük təşkil etmişdir. Banklar tərəfindən 2011-ci ilin sonuna əhaliyə 95,5 mln. manat ipoteka krediti ayrılmışdır, bu məbləğin 77,0 mln. manatı AİF tərəfindən yenidən maliyyələşdirilmişdir.

Bankların əhəliyə, maliyyə və qeyri-maliyyə sektorundan cəlb olunmuş vəsaitlərdən ibarət depozit bazası 23,9% artaraq 9,45 mlrd. manata çatmış və dövrün sonuna cəmi öhdəliklərin 79,8%-ni təşkil etmişdir.

2011-ci il ərzində bankların öhdəlikləri 1,66 mlrd. manat və ya 16,3% artmış və dövrün sonuna 11,83 mlrd. manat təşkil etmişdir. Bankların sabit inkişafı sayəsində öz əmanətlərini banklara etibar edənlərin sayı ilbəil sabit artım nümayiş etdirir. İl ərzində əhəlinin banklarda toplanmış əmanətləri 36% artaraq ilin sonuna 4,12 mlrd. manata çatmışdır.

Bank sistemində son illərdə hökm sürən sabitlik xarici mənbələrdən də vəsaitlərin cəlb edilməsinin

system assets in the reporting year. Most significant growth was observed in lending to the construction and property sectors. Overdue loans equalled 6.4% of the total portfolio. Lending to the trade and service sectors in 2011 was consistent with the position in previous years. Towards the end of 2011, banks had allocated AZN 95.5 million in mortgage loans, AZN 77.0 million being financed by the Azerbaijan Mortgage Fund.

The banks' deposit base, consisting of the resources deposited by individuals, financial and non-financial sectors, rose 23.9% to reach AZN 9.45 billion, comprising 79.8% of total liabilities towards the end of the period.

Banking liabilities increased 16.3%, or AZN 1.66 billion, in 2011, totalling AZN 1183 billion towards the end of the period. In view of the stable growth achieved by the banks the number of the people depositing their savings in banks displays stable growth year on year. Individual deposits in banks increased 36% over the year, to a total

fasiləsizliyini təmin etmişdir. Ötən il banklar tərəfindən 1 mlrd. manat vəsait cəlb edilmişdir və ilin yekununda xarici mənbələrdən cəlb edilmiş vəsaitlər 1,86 mlrd. manat olmaqla cəmi öhdəliklərin 16%-ni təşkil edib.

Hesabat ilində banklarda kapitalın ümumi həcmi il ərzində 17% artaraq 2,43 mlrd. manat təşkil etmişdir, kapitalda xarici sərmayələrin payı ilin sonuna 50,6 mlrd. manata bərabər olmuşdur.

Əhəlinin və maliyyə xidmətlərinə ehtiyacı olan bütün subyektlərin bank xidmətlərinə çıxışını yaxşılaşdırmaq məqsədilə banklar öz filial və şöbələrinin sayını artırmaqda davam etmişlər. İlin sonuna ölkədə cəmi 666 bank filialı və 161 bank şöbəsi fəaliyyət göstərmişdir. İl ərzində 22 yeni filial açılmaqla regional filialların sayı 328 olmuşdur ki, bununla da onlar ümumi filialların 49%-ni təşkil etmişdir.

Ölkədə regionların aktiv kreditləşdirilməsi 2011-ci ildə də davam etmişdir. İlin yekununda regionlara yönəldilmiş kreditlərin ümumi həcmi 10,08 mlrd. manat olmuşdur ki, onun da 90 %-i Bakı və Abşeron iqtisadi rayonunun payına düşmüşdür. Regionlarda kreditlərin böyük hissəsini (64,3%) uzunmüddətli kreditlər təşkil etmişdir.

2011-ci ildə bank sisteminin məcmu kapitalının həcmi 12,7% (241,6 mln. manat) artaraq ilin sonuna 2 139 mln. manat təşkil etmişdir. İl ərzində kapitalın artımının əsas mənbəyini nizamnamə kapitalı təşkil etmişdir. Belə ki, nizamnamə kapitalı 197,5 mln. manat və ya 14,5% artmışdır. 2011-ci ildə bankların mənfəətinin artımı bərpa olmuşdur. 2011-ci il ərzində banklar 141,4 mln. manat xalis mənfəət əldə etmişlər ki, bu da 2010-cu ilin göstəricisindən 17,5% çoxdur.

Hesabat ilində bankların aktivlərinin rentabelliği 1,1%, kapitalın rentabelliği isə 7,8% olmuşdur. 2011-ci il bank sistemində aktivlərin gəlirliyi dinamikasının sabitləşməsi və kapitalın gəlirliyi dinamikasında müəyyən artım ilə xarakterizə olunmuşdur.

of AZN 4.12 billion.

The stability prevailing in the banking system in recent years has also attracted a continuous input of foreign resources. The banks attracted AZN 1.0 billion in resources in the past year and towards the end of the year the total of foreign resources reached AZN 1.86 billion, 16% of total liabilities. Total banking capital rose 17% to AZN 2.43 billion during the reporting year, with foreign capital contributions standing at AZN 50.6 billion towards the end of the year.

In order to improve access for all who need financial services, the banks continue to increase the number of branches and retail divisions. By the end of the year there were 666 branches and 161 retail divisions operating in the country. 22 new branches were opened during the year bringing the number of regional branches to 328, 49% of the total.

Lending continued to develop in the country's regions in 2011. Bank loans totalling AZN 10.08 billion had been made to the regions by the end of the year, 90% going to the Baku and Sumgayit economic region. Most loans issued in the regions (64.3%) are long-term.

Total capital increased by 12.7% (AZN 241.1 million) in 2011 to an end-of-year total of AZN 2.139 billion. The main source of capital growth was charter capital, which showed an increase of AZN 197.5 million, or 14.5%. Growth in banks' profitability was restored in 2011. AZN 141.4 million in overall net profits were recorded, 17.5% higher than the figure for 2010.

Profitability on banking assets was 11% and on capital 7.8% during the reporting year. 2011 was characterized by a stabilization of the profitability dynamic on assets in the banking system and some growth in profitability on capital.

**Banking liabilities increased 16.3%, or AZN 1.66 billion, in 2011, totalling AZN 1183 billion towards the end of the period**

# Xalq Bank: 2011-ci ilin mühüm hadisələri

Xalq Bank: key events of 2011

- Xalq Bank göstərdiyi xidmətlərin Avropa standartlarına uyğun yüksək keyfiyyəti və peşəkarlığına görə Europe Business Assembly (Oksford, Böyük Britaniya) tərəfindən təşkil edilən «European Quality» mükafatına layiq görülüb;
- MDB, Baltiya, Gürcüstan üzrə «İlin Bankı-2010» beynəlxalq müsabiqəsinin «Ölkə daxilində filial şəbəkəsinin inkişafı üzrə lider» nominasiyasında qalib olub;
- «GUAM ölkələrinin Ən Yaxşı Bankları-2010» müsabiqəsinin «Ən dinamik inkişaf edən bank» nominasiyasında qalib olub;
- Bankın Bakıda «Əhmədli», regionlarda Qazax, İsmayilli, Quba, Qusar və Şamaxı şəhərlərində yeni filialları açılıb;

- Xalq Bank FIFA ilə imzalanmış sazişə əsasən 2012-ci ilin əsas idman hadisələrindən biri olacaq futbol üzrə FIFA U-17 qadınlararası Dünya Çempionatının (FIFA U-17 Women's World Cup Azerbaijan 2012) Milli dəstəkçisi seçilib;
- Xalq Bank daha bir təcili pul köçürmə sistemində – «Zolotaya Korona» sistemində qoşulub;
- Xalq Bank Azərikard prosessinq mərkəzi ilə birlikdə müştərilərinə Mobil Bank xidmətinin daha rahat və təkmilləşdirilmiş versiyasını təklif edib;



- Xalq Bank received the 'European Quality' award from Europe Business Assembly (Oxford, Great Britain) for its high quality services to European standards and its professionalism;
- Xalq Bank won in the category 'Country's Leading Branch Network Developer' at the 'Bank of the Year - 2010' international competition for CIS and Baltic countries, and Georgia;
- It won in the category 'Bank with the Most Dynamic Growth' at the 'Best Banks in GUAM Countries' competition;
- The Bank opened new branches in Baku-Ahmadli, in Gazakh, Ismayilli, Guba, Gusar and Shamakha;
- In an agreement signed with FIFA,







• Xalq Bank internetdə istifadə üçün nəzərdə tutulan və internet vasitəsilə ödənişləri təhlükəsiz həyata keçirməyə imkan verən internet kartlarının buraxılışına başlayıb;

• Xalq Bank Golden Pay şirkəti ilə birgə öz veb saytında Bill Pay – yeni onlayn ödəniş xidmətini istifadəyə verib. Bu xidmət vasitəsilə Bankın plastik kart sahibləri kommunal, mobil, internet xidmətlərin onlayn ödəmə imkanı əldə ediblər;

• Xalq Bank müştərilərinə yeni kart məhsulu – özəl dizaynla Dizayn Kart təklif edib;

• Xalq Bank təcili pul köçürmələri sistemlərinin istifadəçiləri üçün «Daha çox köçür, daha çox qazan» aksiyasının keçirilməsinə başlayıb;

• «Xalq Əmanəti» layihəsi çərçivəsində Azərbaycanın Xalq şairi H. Arifin, Xalq rəssamı Xalidə Səfərova və görkəmli rəssam Mahmud Tağıyevin, Xalq rəssamı Maral Rəhmanzadənin həyat və yaradıcılığına həsr olunan nəşrlər geniş oxucu auditoriyasına təqdim edilib, rəssamların əsərlərindən ibarət sərgilər keçirilib.

• “Asya Katılım Bankası” (Türkiyə), Standard Chartered Bank (UK), Raiffeisen (Moskva) bankları ilə müxbir əlaqələr qurulub.

• Bank “Cari qiymətli metal hesabı” üzrə xidmətlərin göstərilməsinə başlayıb.

• Litvanın Forbis şirkəti ilə Forpost bank sisteminin tətbiqinə dair müqavilə imzalanıb.

• Xalq Bankın nizamnamə kapitalı 140,5 mln.AZN məbləğinə qədər artırılıb.

Xalq Bank was selected as a national supporter of the FIFA U-17 Women's World Cup, Azerbaijan 2012 - one of the main sports events of 2012;

• Xalq Bank joined another express money transfer system - Zolotaya Korona;

• Xalq Bank, with the Azericard processing centre, offered its customers a more comfortable and improved Mobile Bank service;

• Xalq Bank launched an issue of Internet cards for making secure internet payments; Xalq Bank, with the Golden Pay Company, launched Bill Pay - new online payment service - on its webpage. This service allows the Bank's cardholders to pay online for utilities, mobile and internet services ;

• Xalq Bank launched a new card product - Design Card - featuring special designs;

• Xalq Bank started its 'Transfer More, Earn More' initiative for customers using money transfer systems;

• A number of books were presented to a wide readership as part of the Bank's 'National Heritage' project. They were dedicated to the lives and works of Azerbaijan People's Poet Hussein Arif, People's Artist Khalida Safarova, outstanding artist Mahmud Taghiyev and People's Artist Maral Rahmazade. Exhibitions were also held of the artists' works.

• Correspondent relations were established with 'Asya Katılım Bankası' (Turkey), Standard Chartered Bank (UK) and Raiffeisen Bank (Moscow);

• The Bank launched its 'Precious Metal Current Account' service;

• Xalq Bank signed a contract with the Lithuanian Forbis Company to use its FORPOST banking system

• Xalq Bank's shareholder capital has been increased to AZN 140.5 million.





# Xalq Bankın 2011-ci ildə fəaliyyətinin ümumi yekunları və bank bazarında mövqeyi

Overall results for Xalq Bank in 2011: activity and position in the domestic banking market



**il ərzində kredit portfelini 430,3 mln. manata çatdıran Bank, kreditlərə görə ölkə bankları sırasında dördüncü yerdə bərqərar olmuşdur**

2011-ci il ölkənin digər bankları kimi, Xalq Bank üçün də fəaliyyətinin əhəmiyyətli və nisbətən mürəkkəb dövrü olmuşdur. Hesabat ili Bank üçün hadisələrlə zəngin olmuş, ciddi nailiyyətlərlə və Bankın ümumi inkişafı baxımdan mühüm nəticələrlə yadda qalmışdır. Bank, 2011-ci il fəaliyyətinin bir çox istiqamətlərində müsbət göstəricilərlə başa vurmuş, 2011-ci ilin ölkənin lider bankları siyahısında olmuşdur.

2011-ci ildə Bankın aktivləri 704 mln. manata ötmüşdür. Aktivlərinin həcminə görə Xalq Bank ölkə bankları sırasında üçüncü yerdə olmuşdur. Bir il əvvəlki göstəricilərlə müqayisədə aktivlərin artım dinamikası 11%-i ötmüşdür.

Kredit portfelinin həcminə görə də Xalq Bank ilk liderlər siyahısında olmuşdur. İl ərzində kredit portfelini 430,3 mln. manata çatdıran Bank, kreditlərə görə ölkə bankları sırasında dördüncü yerdə bərqərar olmuşdur.

2011-ci ildə Bank, maliyyə böhranının təzadlarını nəzərə alaraq daha konservativ kredit siyasəti həyata keçirmişdir. Kredit layihələrinin kəmiyyəti deyil, keyfiyyəti üstün tutulmuşdur. Nəticədə kreditləşmə ilə bağlı bütün keyfiyyət göstəriciləri yaxşılaşmışdır. Eyni zamanda, 2011-ci ildə sahibkarlığın yaşadığı müvəqqəti çətinliklər biznesin fəallığına və kredit götürmək qabiliyyətinə təsir etmişdir.

2011-ci ildə hüquqi şəxslərə ayrılan

2011 has been an important, if rather complicated, period for Xalq Bank' as with other of the country's banks. The reporting year was replete with events and significant achievements for the Bank and is remembered for important results in overall growth. The Bank ended 2011 with positive figures in many areas of its work and confirmed its position among the country's leading banks in 2012.

In 2011 the assets of the Bank exceeded AZN 704.0 million, taking Xalq Bank to 3-rd place among the country's banks on this criterion. Growth in assets exceeded 11%.

Xalq Bank is on the leader board for the size of its loans portfolio. The Bank's loan portfolio amounted to AZN 430.3 million during the year, this puts it in fourth place among the country's leading lending banks.

The Bank adopted a more conservative loans policy in 2011 in view of the problems arising from the financial crisis. Emphasis was placed on the quality, rather than the quantity, of loans projects. As a result there was improvement in all quality indicators in respect of lending. At the same time the temporary difficulties confronting entrepreneurship affected business activity and lending capacity.

Loans to corporate customers were

kreditlər bir il öncəki müvafiq göstəricidən 11% az olmuşdur. Bankın ümumi kredit portfelini bir il əvvəlki göstərici ilə müqayisədə 8, % azalmışdır. Hüquqi şəxslərin depozit portfelini isə 2010-cu ildəki göstərici ilə müqayisədə 36% və ya 72,8 mln. manat azalmışdır.

2011-ci il ərzində Bank nizamnamə kapitalını 93% artırmış və ilin sonuna Xalq Bankın nizamnamə kapitalı 140,5 mln. manata çatmışdır. Bank istər nizamnamə kapitalının artım dinamikasına, istərsə də yekun göstəricisinə görə Azərbaycan bank sisteminin ən böyük banklarından biri olmuş və hər iki göstərici üzrə banklar siyahısında ikinci yeri tutmuşdur. Bankın məcmu kapitalı 2012-ci ilin əvvəlinə 170, 7 mln. manata çatmışdır. Məcmu kapital hesabat ili ərzində 97% artmış, Bankı bank bazarında ikinci yerə çıxarmışdır.

İlin sonuna Bankın öhdəlikləri 533 mln. manat təşkil etmişdir. Depozit portfelini hesablanmış faizlər də daxil olmaqla ilin sonuna 436,1 mln. manata ötmüşdür. Əmanətlərinə görə Xalq Bank banklar renkinə görə də liderlər sırasında olmuşdur ki, bu da Bankın sabit inkişafının, dayanıqlı müsbət göstəricilər nümayiş etdirməsinin nəticəsidir. Əhəlinin etibarını qazanmış Bank, depozit portfelinə görə ölkə bankları siyahısında dördüncü yerdə bərqərar olmuşdur. Xalq Bankın cəlb etdiyi depozitlərin həcmi ölkə banklarının depozit bazasının 6,4%-ni təşkil etmişdir. İl ərzində qiymətli kağızlara yatırımlar

down 11% on the previous year. The Bank's total loans portfolio decreased by 8% compared with last year's. And the corporate customers' deposit portfolio was 36%, or AZN 72.8 million, lower than in 2010.

The Bank increased its shareholder capital by 93% to a total of AZN 140.5 million at the end of the year. The Bank is one of the largest in Azerbaijan for both growth in shareholder capital and its overall figures; it took second place on both of these indicators. The Bank's total capital stood at AZN 170.7 million at the beginning of 2012. Cumulative capital also increased by 97% in the reporting year, taking the Bank to second place in the rankings.

The Bank's liabilities amounted to AZN 533.0 million at the end of the year. Including the interest calculated on its deposit portfolio, these liabilities exceeded AZN 436.1 million at the end of the year. Xalq Bank was once again on the front row of banks for deposits: a consequence of stable growth and enduring positive returns. Having earned people's trust, its deposit portfolio ranked fourth in the country, representing 6.4% of all bank deposits. Investments in securities also increased during the year. The Bank invested over AZN 9.3 million in securities in the reporting year. Xalq Bank led the field for growth in securities investments.

**The Bank's loan portfolio amounted to AZN 430.3 million during the year, this puts it in fourth place among the country's leading lending banks.**



da artırılmışdır. Hesabat dövründə Bank qiymətli kağızlara 9,3 mln. manatdan çox vəsait yatırmışdır. Qiymətli kağızlara yatırılan sərmayələrin artım dinamikasına görə Xalq Bank banklar sırasında birinci olmuşdur.

Pərakəndə müştərilərlə iş aktivləşdirilmiş və bu, yekun göstəricilərdə özünü göstərmişdir. 2011-ci il ərzində Bank pərakəndə müştərilərinin sayını 43%, pərakəndə müştərilərin əmanətinin həcmi isə 13% artırmışdır. İlin sonuna pərakəndə müştərilərin kredit portfelində də 12,8% yüksəlmə qeydə alınmışdır. Bankın xidmət göstərdiyi fərdi müştərilərin sayı 2011-ci ilin sonuna 20748 nəfər təşkil etmişdir. Əvvəlki ilə müqayisədə fərdi müştərilərin sayı 43% artmışdır. Hesabat ilində Xalq Bank 1279 korporativ müştəri hesabına xidmət göstərmişdir ki, bu da bi il əvvəlki rəqəmlərlə müqayisədə 30% artım deməkdir.

2011-ci ildə Bankın gəlirləri 64,5 mln. manatı ötmüş, xərcləri isə 40,0 mln. manat olmuşdur. İlin sonuna xalis mənfəət 24,4 mln. manatdan çox olmuşdur ki, bu da Bankın bank bazarında ən gəlirli banklardan biri kimi dördüncü yerdə olmasına gətirib çıxarmışdır. İl ərzində Bankın gəlirlərinin artımı 22% ötmüşdür. Dünya maliyyə bazarında durğunluğa rəğmən yüksək gəlirliliklə işləməsi Bankın düzgün strategiya qurmasına və qarşıya qoyulmuş planlara doğru əməl etməsinə dəlalət edir. İlin sonuna kapitalın adekvatlığı 33% təşkil etmişdir.

Pərakəndə biznes strategiyasının



Greater dynamism in work with retail customers was reflected in final results. In 2011 the Bank attracted 43% more retail customers and increased the volume of retail deposits by 13%. The end of the year showed 12.8% growth in loans portfolios for retail customers. At the end of 2011 the Bank had served 20748 individual customers, which represented an increase of 43% on the previous year. Xalq Bank operated with 1,279 corporate customers in the report year, which also represented an increase of 30%. In addition to the standard services, customers were offered the most up-to-date banking facilities.

The Bank's income in 2011 exceeded AZN 64.5 million and its expenditure was AZN 40.0 million. Net profit at the end of the year was in excess of AZN 24.4 million, the third highest in the banking market and over the year profit return exceeded 22%. This high operating profit, achieved despite the stagnation in the world financial markets, confirms the correctness of its strategy and adherence to future planning. The Bank's capital adequacy ratio was 33% at the end of the year.

While broadening its retail business strategy, Xalq Bank devoted special attention to expanding its branch network. Accelerating its regional activities, it continued to extend its network of new regional branches. The Bank opened six new branches over



genişləndirilməsi ilə əlaqədar, hesabat ili ərzində Xalq Bank filial şəbəkəsinin genişlənməsinə xüsusi diqqət yetirmişdir. Regional fəaliyyətini sürətləndirən Bank, şəbəkəsinə əsasən yeni regional filiallar sayəsində artırmağa davam etmişdir. Hesabat ili ərzində Bankın 6 yeni filialı açılmışdır ki, onlardan yalnız biri Bakıda istifadəyə verilmişdir, digərləri isə Qazax, İsmayilli, Quba, Qusar və Şamaxı şəhərlərində fəaliyyətə başlamışdır. Bununla da Bankın filial şəbəkəsi 18 filialdan və 1 şöbədən ibarət olmuşdur.

İl ərzində Bankın uğurlu fəaliyyəti beynəlxalq ictimaiyyətin diqqətindən yayınmamış, Xalq Bank bir sıra əhəmiyyətli mükafatlara layiq görülmüşdür. İl ərzində bir sıra yeni xidmət və məhsullar tətbiq edilmiş, təklif olunan məhsulların sayı artırılmaqla yanaşı xidmətin keyfiyyətinə də xüsusi diqqət yetirilmişdir. Bank mərkətin fəaliyyətini və insan resurslarının idarə olunması işini təkmilləşdirilmiş, informasiya texnologiyalarının inkişaf etdirilməsi sahəsində ciddi irəliləyişlər nümayiş etdirmiş, risklərin idarə olunmasını sərbəstləşdirmişdir. İl ərzində Bank sosial-mədəni fəaliyyətini aktivləşdirmiş, idmana dəstək layihəsinə qoşulmuşdur.

the reporting year, only one of them in Baku. The others began operations in Gazakh, Ismayilli, Guba, Gusar and Shemakha. Thus the Bank's branch network has 18 branches and 1 retail division.

The success of the Bank's activities was a focus of public attention during the year and Xalq Bank was honoured with a number of important awards. It implemented many new services and products during the year and as well as increasing the range of products offered, quality of service also received attention. It improved its marketing work and human resource management, demonstrated serious progress in developing information technology and strengthened further its risk management work. During the year the Bank invigorated its socio-cultural activities even further and joined the project supporting sport.



## Pərakəndə xidmətlər

### Retail services

Hesabat ilində Xalq Bank pərakəndə xidmətlər bazarının fəal iştirakçılardan olmuş, fiziki şəxslərə təklif olunan xidmətlərin spektrini daha da genişləndirmişdir.

2011-ci ildə Xalq Bank tərəfindən əhaliyə hesablaşma-kassa xidmətləri, əmanətlərin qəbulu, təcili pul köçürmələri, müxtəlif plastik kartlar, qızıl külçələrinin alqı-satqısı, depozit seyflərin icarəsi və digər müxtəlif bank xidmətləri təklif edilib. Pərakəndə xidmətlər sahəsində ardıcıl siyasətin nəticəsi kimi ötən il Xalq Bank bu istiqamətdə göstəricilərini yaxşılaşdırmaqda davam etmişdir.

Pərakəndə biznes sahəsində sistemli və əlaqələndirilmiş fəaliyyət, müştərilərin tələblərinin öyrənilməsi və onların ehtiyaclarına vaxtında cavab verilməsi nəticəsində Banka yeni əmanətçilərin axını xeyli artmışdır. Nəticədə 2011-ci il ərzində Bank pərakəndə müştərilərinin sayını 6 320 nəfər və ya 43 % artıraraq onların sayını 20 748 nəfərə çatdırmışdır.

İl ərzində pərakəndə müştərilərin əmanətləri 307,3 mln. manatı ötmüşdür ki, bu da bir il əvvəlki rəqəmlərlə müqayisədə 36,4 mln. manatdan çox və ya 13% artım deməkdir. İlin sonuna pərakəndə müştərilərin kredit portfeli təqribən 53 mln. manata çatmışdır. 2010-cu ilin eyni göstəricisi ilə müqayisədə fiziki şəxslərin kredit

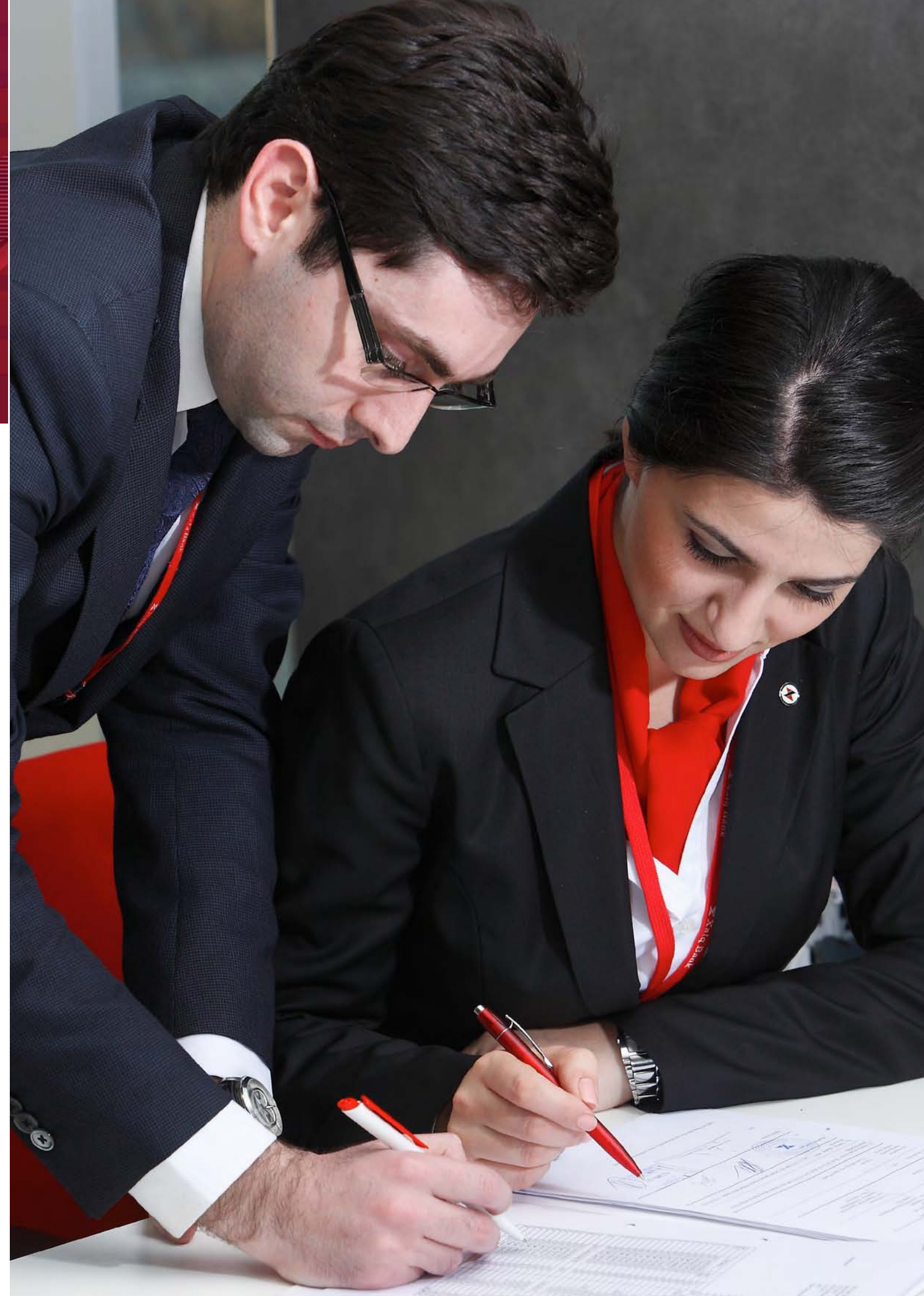
For the last year Xalq Bank was a dynamic participant in the retail services market and extended its range of services.

In 2011 Xalq Bank offered its customers various bank services such as cash-settlement services saving deposits, money transfers, a variety of plastic cards, the purchase and sale of gold bars and renting safe deposit boxes among others. The result of a consistent retail services policy was a continuation of improved figures in this area over the year.

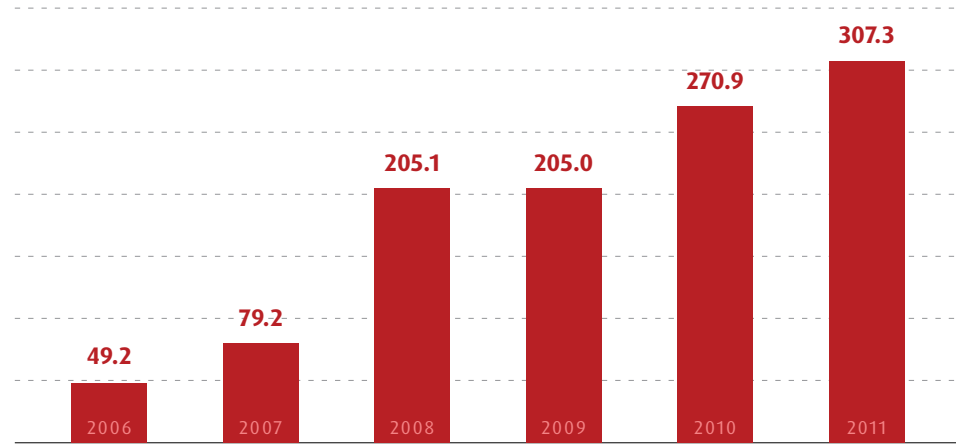
Systematic and coordinated work in its retail business, studies of customer demands and timely responsiveness led to a greater inflow of new depositors. The Bank attracted 6,320 (43%) more retail customers, ending with a total of 20,748 in 2011.

Deposits by retail customers exceeded AZN 307.3 million over the year, an increase of AZN 36.4 million on the previous year, about 13% growth. The loans portfolio for retail customers totalled approximately AZN 53 million towards the end of the year. Compared to the year 2010, there was growth of AZN 6 million, or 12.8%, in the loans portfolio for individuals.

The main element in the retail loans portfolio towards the end of the year was the share in mortgage loans issued by the Azerbaijan Mortgage Fund – 41.4%. Total







#### Pərakəndə müştəri əmanətlərinin son 6 ildə dinamikası (mln. AZN)

The dynamics of retail customer deposits over the last 6 years (million AZN)

portfelində 6,0 mln. manat və ya 12,8 % yüksəlmə qeydə alınmışdır.

İlin sonuna pərakəndə müştərilərin kredit portfelinin strukturunda əsas hissə Azərbaycan İpoteka Fondu tərəfindən verilən ipoteka kreditlərinin payına düşmüşdür – 41,4 %. Cəmi AİF xətti ilə Xalq Bank tərəfindən verilən kreditlər 2011-ci ildə 21,8 mln. manata çatmış və əvvəlki illə müqayisədə artım 32,7% və ya 5,4 mln. manat olmuşdur.

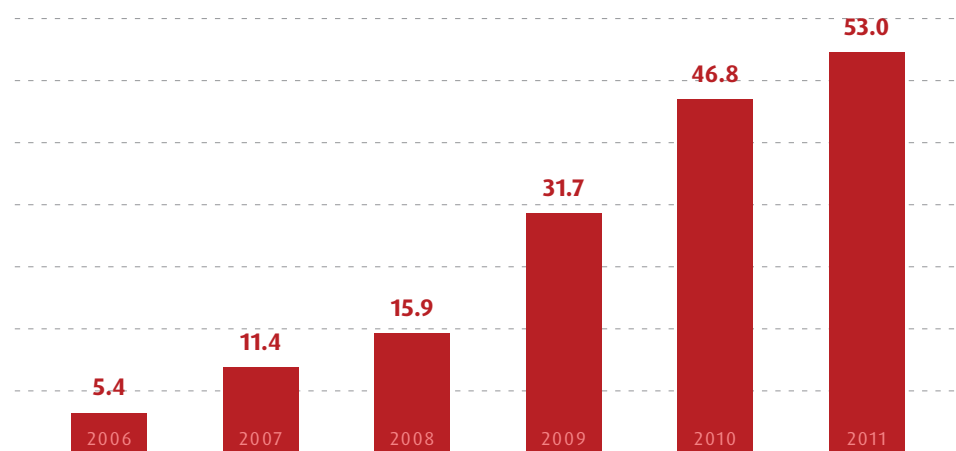
Pərakəndə müştərilər üzrə il ərzində toplanmış kredit portfelində təqribən 8,0 mln. manat avtokreditlərin, 7,7 mln. manat ipoteka kreditlərinin, 1,1 mln. manat istehlak kreditlərinin, 0,6 mln manat kredit kartlarının payına düşmüşdür.

Bankda Western Union, Contact, Migom, PrivatMoney, Xpress Money, Bıstraya Poçta, Zolotaya Korona sistemləri vasitəsi ilə 200-dən artıq ölkəyə pul köçürmələri həyata keçirilmişdir. Sonuncuya – Zolota-

loans issues by Xalq Bank through the Azerbaijan Mortgage Fund reached AZN 21.8 million in 2011, a growth of 32.7%, or AZN 5.4 million, over the previous year's figures.

Over the year, the loans portfolio for retail customers issued AZN 8.0 million for vehicle loans, AZN 7.7 million for mortgage loans, AZN 1.1 million for consumer credit and AZN 0.6 million for credit cards.

Money transfers were made to more than 200 countries through such systems as Western Union, Contact, Migom, PrivatMoney, Xpress Money, Bıstraya Poçta and Zolotaya Korona. The Bank joined the latest system – Zolotaya Korona – in 2011. The encouraging 'Transfer More, Earn More' campaign to attract retail clients and increase the circulation of money transfer services was launched in the reporting year and as part of the campaign customers using the Bank's



#### Pərakəndə müştərilərin kredit portfeli üzrə son 5 ilin dinamikası (mln. AZN)

The dynamics of loans portfolios for retail customers over the last 5 years (million AZN)

ya Korona pul köçürmə sisteminə Bank, 2011-ci ildə qoşulmuşdur. Hesabat ilində pərakəndə müştəriləri cəlb etmək və pul köçürmələri xidmətinin dövrüylərini artırmaq məqsədi ilə həvəsləndirici «Daha çox köçür, daha çox qazan» aksiyasının keçirilməsinə başlanmışdır və həmin aksiya çərçivəsində Bankın təcili pul köçürmələri sistemlərindən istifadə edən müştərilərə mobil operatorların danışıq kartları hədiyyə edilmişdir.

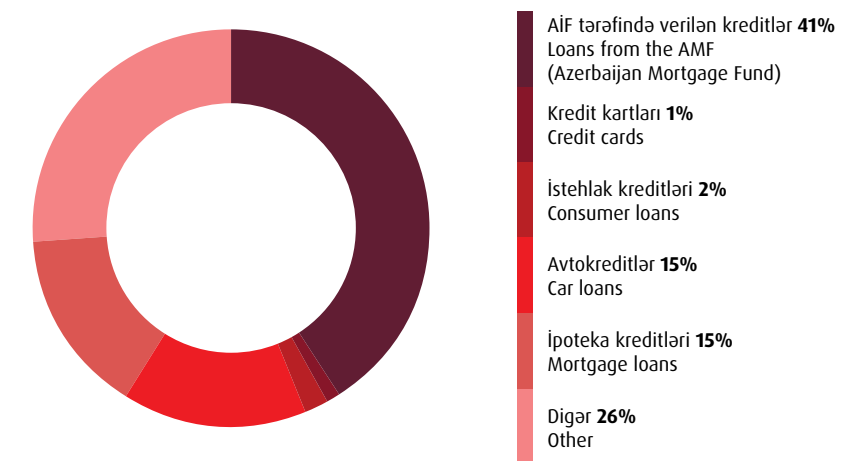
Əhaliyə xidmət səviyyəsini yaxşılaşdırmaq və müasir bank məhsulları ilə təmin etmək məqsədi

ilə Xalq Bank plastik kartlar bazasında fəallığını davam etdirmiş, kart sahiblərinə hərtərəfli xidmət göstərmək üçün bankomat və POS-terminal şəbəkəsini genişləndirmişdir. Bundan əlavə, müştərilərə Mobil Bank xidmətinin daha rahat və təkmilləşdirilmiş versiyasını təklif edilmiş, yalnız İnternetdə istifadə üçün nəzərdə tutulan və İnternet vasitəsilə ödənişləri təhlükəsiz həyata keçirməyə imkan verən İnternet kartlarının buraxılışına başlanmışdır. Həmçinin Bankın veb saytında Bill Pay – yeni onlayn ödəniş xidməti istifadəyə verilmişdir. Bu xidmət vasitəsilə Bankın plastik kart sahibləri kommunal, mobil, İnternet xidmətlərinin haqlarının onlayn ödəmək imkanı əldə etmişlər. Habelə 2011-ci ildə Bank müştərilərinə yeni kart məhsulu – fərdi dizaynla Dizayn Kart təklif etmişdir. Bu məhsulun digərlərindən fərqi ondadır ki, müştəri kartın dizaynını öz zövqünə uyğun seçir. Dizayn Kart-ın tətbiqi üçün xüsusi [www.dizaynkart.az](http://www.dizaynkart.az) veb saytı işə salınmışdır.

Xalq Bank əhalinin bütün təbəqələrinin tələblərinə uyğun müxtəlif məhsul və xidmətlərin göstərilməsini inkişafının öncül istiqamətlərindən biri hesab edir. Əhalinin müxtəlif qruplarının fəaliyyətini və mümkün tələblərini nəzərə alaraq, mütəmadi yeni məhsullar təklif edərək, Bank müştərilərinin sayını durmadan artırmaqdadır. Bankın 2012-ci ildə əsas inkişaf istiqamətlərindən biri yeni məhsul və xidmətlərin təklif olunması vasitəsilə fiziki şəxslər olan müştərilərlə fəal işin davam etdirilməsidir. Gələcəkdə də fərdi müştərilərə göstərilən xidmətlərin spektrinin genişləndirilməsi, müştərilər qarşısında götürülmüş öhdəliklərin yüksək səviyyədə yerinə yetirilməsi, rəqabət qabiliyyətli xidmət şərtlərinin təklif edilməsi nəzərdə tutulur.

#### Pərakəndə müştərilərin kredit portfelinin strukturu

The structure of the retail loans portfolio



rapid money transfer systems were given mobile operators' phone cards

In order to improve the level of service to individual customers and to supply them with modern banking products, Xalq Bank continued its work in the plastic cards market and enlarged its ATM and POS-terminal network to meet fully the needs of card holders. Further, customers were offered a more comfortable and improved Mobile Bank service and internet cards allowing secure online payments were issued. Also on the Bank's webpage, a new online payment service – Bill Pay was launched. Using this service Xalq Bank cardholders can pay online for utilities, mobile phone, TV, insurance, internet and other services. Further, a new card product – Design Card – with personal designs was offered to customers in 2011. The outstanding feature of this product is that the customer can select a card design to suit his own taste. The Bank introduced a special web site on which customers can customise their card with any image or photo.

Xalq Bank regards the provisions of products and services that respond to demand from all sections of society as one of its principal directions of development. The Bank continually raises its customer base by reviewing the activity and potential demand from various groups of people and consistently offering new products. The future is expected to see an expanded spectrum of services on offer to individual customers, a high level of responsibility towards them and competitive service conditions.

## Korporativ xidmətlər

### Corporate services

Hesabat ilində Bank, fəaliyyətinin əsasını təşkil edən korporativ biznesi əhəmiyyətli dərəcədə möhkəmləndirmişdir. Bankın daim genişlənən filial şəbəkəsi və beynəlxalq əlaqələri korporativ müştərilərə xidmət göstərmək üçün əlverişli şərait yaratmışdır. Əvvəlki illərdə olduğu kimi, 2011-ci ildə də korporativ müştərilərlə uzunmüddətli əməkdaşlıq münasibətlərinin yaradılması, informasiya açıqlığı, müştərilərin maraqlarının müdafiə edən məsləhətlərin təklif edilməsi korporativ müştərilərlə əsas iş prinsipi kimi həyata keçirilmişdir.

Hesabat ilində Xalq Bank 1 279 korporativ müştəri hesabına xidmət göstərmişdir. Müştərilərə kassa-hesablaşma xidmətləri, plastik kartlarla əməliyyatlar, kreditlər, sənədli əməliyyatlar, depozitlərin qəbulu, valyuta əməliyyatları, korporativ bank kartları və inkassasiya xidmətləri və s. xidmətlər təklif olunmuşdur.

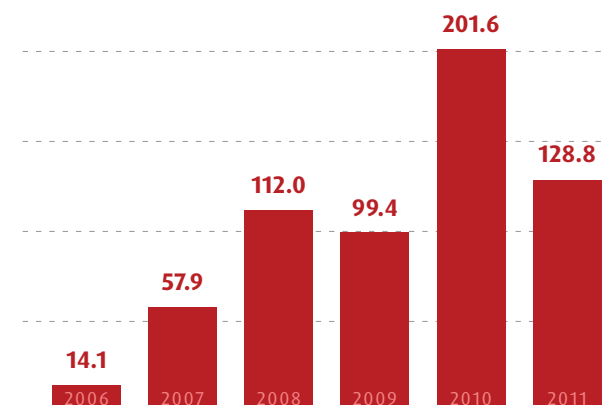
Xalq Bankın iri korporativ müştəriləri sırasında yanacaq-energetika, sənaye və tikinti, xidmət və ticarət, nəqliyyat və mobil rabitə, maliyyə, sığorta və digər sahələri təmsil edən ən böyük şirkətlər yer almışdır. Şirkətlər öz sahələrinin aparıcı strukturlarıdır və onlara xidmət göstərmək üçün bankdan dinamiklik, yüksək keyfiyyət, müasir maliyyə xidmətlərinə malik olmaq tələb olunur.

2011-ci ildə iqtisadiyyatda davam edən inkişaf tempinin sürətinin zəifləməsi

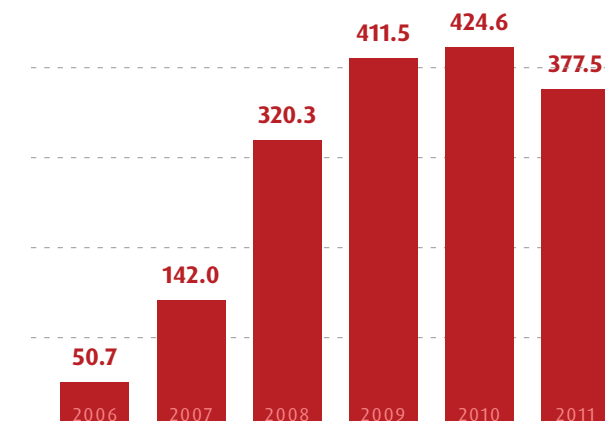
During the reporting year the Bank significantly strengthened the corporate business which basic activity is the foundation of its operations. The continuously expanding network of branches and the Bank's international relations provide advantageous conditions for servicing corporate clients. Establishing long-term collaborative relations with corporate customers, ensuring clarity of information exchange and offering advice aligned with customers' interests were the principles guiding the Bank's work with corporate clients in 2011, as in previous years.

Xalq Bank served 1,279 corporate customers over the year; offering them cash-settlement and salary and business cards, business loans, documentary operations and guarantees, diverse deposits, foreign currency operations etc. The largest companies, representing energy and fuel, industry and construction, trade and services, transportation and mobile communications, finance, insurance and other sectors are among Xalq Bank's major corporate clients. These companies are market leaders and it takes dynamism, high quality and cutting edge financial services to fulfil their requirements.

The economic slow-down did not leave entrepreneurship untouched in 2011. Against the background of continuing financial crisis entrepreneurs engaged



**Korporativ müştərilərin depozit portfelini (mln AZN)**  
Corporate client deposits (million AZN)



**Korporativ müştərilərin kredit portfelini (mln. AZN)**  
Corporate client loans (million AZN)

ölkədə sahibkarlıq fəaliyyətinə də təsirsiz ötürülməmişdir. Davam edən maliyyə böhranı fonunda sahibkarlar risklərini daha ciddi dəyərləndirməyə, əlavə kredit riskinə daha ehtiyatla yanaşmağa və öz depozitlərindəki vəsaitləri sərmayə kimi istifadə etməyə davam etmişlər. Eyni zamanda Xalq Bank kredit portfelinin sağlamlaşdırmasını əsas tutaraq riskli kreditlərini minimuma endirmiş, hüquqi şəxslərin biznes imkanlarına qarşı dəyərləndirmə meyarlarını sərtləşdirmişdir.

Nəticədə 2011-ci ildə Bankın hüquqi şəxslər üzrə kredit portfelini əvvəlki ilə nisbətən azalmışdır. Hesabat ilində hüquqi şəxslərə ayrılan kreditlər 377,5 mln. manat olmuşdur ki, bu da bir il öncəki müvafiq göstəricidən 11% və ya 47,2 mln. manat azdır. Hüquqi şəxslərin depozit portfelinin artım dinamikasında da azalma qeydə alınmışdır. 2010-cu ildəki göstərici ilə müqayisədə 2011-ci ildə hüquqi şəxslərin depozit portfelini 36% və ya 72,8 mln. manat azalmışdır.

Korporativ bank xidmətləri bazarında lider mövqeyinin qorunması və daha da möhkəmləndirilməsi üçün xidmətlərin beynəlxalq standartlar səviyyəsinə çatdırılması, müştərilərin artan tələbatına maksimal dərəcədə cavab verilməsi, Bankın məhsul və xidmətlərinin çeşidinin daha da genişləndirilməsi, satış kanallarının səmərəliliyinin artırılması 2012-ci ildə də diqqət mərkəzində olacaqdır.

in serious assessment of risk; they were more cautious in considering further loans and the use of deposited resources as capital. At the same time Xalq Bank reduced risky lending to the minimum and toughened its evaluation criteria for proposals from businesses, safeguarding stability in the loans portfolio.

As a result, the Bank's business loans portfolio was reduced in 2011. Business lending during the reporting year amounted to AZN 377.5 million, 11% or AZN 47.2 million less than the figures for the previous year. A reduction in the growth dynamic of business deposits was also observed. Compared with 2010, business deposits were lower by 36% or AZN 72.8 million.

Raising services to international standards by keeping and strengthening its leading position in the market for corporate banking services, responding maximally to customers' increasing demands, expanding the Bank's range of products and services even further and raising the productivity of sales channels will be the focuses of attention in 2012.



# Marketing fəaliyyəti

## Marketing activity

**Xalq Bankın təşəbbüsü və maliyyə dəstəyi ilə 2010-cu ildən start götürən «Xalq Əmanəti» sosial-mədəni layihəsi 2011-ci ildə uğurla davam etmişdir.**

Marketing fəaliyyəti Xalq Bankın ümumi inkişaf strategiyasında mühüm yer tutur. 2011-ci ildə Bankın marketing fəaliyyətinin əsas istiqamətləri bank bazarı üzrə məlumatlar toplamaq, bazarın konyukturasını öyrənmək, analitik sxemlər əsasında planlar hazırlamaq, bank xidmətlərinə olan potensial tələbatı yaxından öyrənmək olmuşdur. Eyni zamanda, Xalq Bank brendinin mövqelərinin gücləndirilməsi, tanınılığının artırılması, ölkədə və xaricdə müsbət imicin formalaşdırılması marketing fəaliyyətinin əsas məqsədlərindən biri olmuşdur.

Hesabat ilində Bankın marketing komandası yeni məhsulların işlənməsi, mövcud müştərilərin saxlanması və yenilərinin cəlb olunması uğrunda fəaliyyətini davam etmişdir. Marketing mütəxəssislərinin birbaşa iştirakı ilə bir sıra yeni xidmətlər istifadəyə verilmiş, yeni məhsullar işlənilmiş, mövcud xidmətlərin keyfiyyəti daha da yaxşılaşdırılmışdır. İl ərzində «Zolotaya Korona» təcili pul köçürmələri sistemi, Priority Pass beynəlxalq xidmət kartları, Dizayn Kart, İnternet Kart kimi kartlar, Golden Pay şirkətinin Agent Pay və Bill Pay ödəniş sistemləri tətbiq olunmuşdur. Dizayn Kart-ın tətbiqi üçün xüsusi [www.dizaynkart.az](http://www.dizaynkart.az) veb saytı işə salınmışdır. Saytda məhsul barədə ətraflı məlumat almaqla yanaşı, müştərilər öz şəklini və ya digər şəkli yerləşdirməklə istənilən dizaynda kart sifariş vermək imkanı əldə etmişlər. Hesabat ilində sürətli pul köçürmələri üzrə

Marketing activities are an important part of Xalq Bank's general strategy for growth and development. The main strands of the Bank's marketing in 2011 were to collect information on the banking market, to study the market situation, to make plans based on analysis and to closely examine the potential demand for banking services. In addition, other targets of marketing activity strengthened the Xalq Bank brand, raising its profile and creating a positive image both domestically and abroad.

In the reporting year the Bank's marketing team continued to process new products, retaining current customers and attracting new ones. Marketing specialists were involved in the launching of a number of new services, new products were processed and the quality of existing services was improved. The Zolotaya Korona express money transfer system; Priority Pass international service cards; Design Card and Internet card; Agent Pay and Bill Pay payment systems were all implemented during the reporting year. A special web page [www.dizaynkart.az](http://www.dizaynkart.az) was launched for the application of Design Card, as well as receiving detailed information about the product; customers were offered the opportunity to order cards with any design. In order to stimulate the use of money transfers, the 'The more you send, the

xidmətləri stimullaşdırmaq məqsədilə "Daha çox köçür, daha çox qazan!" kampaniyasına start verilmişdir. Kampaniya çərçivəsində pul köçürməsinə həyata keçirən hər bir müştəri hədiyyə olaraq mobil operatorların danışıq kartlarını qazanmışdır.

Yeni xidmət və məhsulların tətbiqi kommunikativ PR və reklam tədbirləri ilə müşayiət edilmişdir. Dizayn Kart, İnternet Kart məhsullarının reklamı və tanınması üçün "Sənin bənzərsiz kartın", "İnternetdə təhlükəsiz alış-veriş" kampaniyaları reallaşdırılmışdır. Bill Pay ödəmə sisteminin tanınması və reklamı üçün "Yüz ödənişin bir ünvanı", sürətli pul köçürmələrinə

more you earn!' campaign was launched in the reporting year. All customers transferring money through the campaign were given phone cards from mobile operators as gifts.

The application of new services and products was accompanied by informative PR and advertising promotion. 'Your Unique Card' and 'Secure Online Shopping' were launched in order to promote Design Card and Internet Card. The campaigns 'A Single Address for Hundred Payments' to introduce and promote the Bill Pay payment system and 'The more you send, the more you earn!' to attract







müştərilərin cəlb edilməsi üçün «Daha çox köçür, daha çox qazan» kampaniyaları keçirilmişdir. Avtokredit məhsullarının dövriyyəsinə artırmaq məqsədi ilə «Avtomobil al, hissə-hissə ödə» kampaniyası reallaşdırılmışdır. Kommunikasiya kanalları kimi küçə reklamları və internet saytlarda reklam əsas götürülmüşdür. Müştəriləri məlumatlandırmaq məqsədilə Bankın müxtəlif məhsulları üzrə informasiya bukletləri, broşurlar çap edilmişdir. Paralel olaraq PR tədbirlər keçirilmiş, KİV-də məlumatlar yerləşdirilmiş. İctimai əlaqələr xidməti il ərzində korporativ nəşrlərin çapını, Bankın illik Hesabatının hazırlanmasını həyata keçirmiş, korporativ tədbirlərin təşkilatçılığını reallaşdırılmış, «İlin MDB, Baltik, Gürcüstan Bankı - 2010» və «Ən yaxşı GUAM Bankı -2010» tədbirlərində Bankın iştirakını təşkil etmişdir.

2011-ci ildə Bankın imicinin yaxşılaşdırılması və brendin daha da məşhurlaşdırılması istiqamətində bir sıra layihələr reallaşdırılmışdır. Xalq Bankın təşəbbüsü və maliyyə dəstəyi ilə 2010-cu ildən start götürən «Xalq Əmanəti» sosial-mədəni layihəsi 2011-ci ildə uğurla davam etmişdir. Layihə çərçivəsində Azərbaycanın görkəmli ədəbiyyat, incəsənət və elm xadimlərinin əsərləri, yaradıcılıq və folklor nümunələri çap edilir. 2011-ci ildə bu istiqamətdə Xalq rəssamları Xalidə Səfərova və Maral Rəhmanzadə, görkəmli Azərbaycan rəssamı Mahmud Tağıyevin və Xalq şairi Hüseyn Arifin yaradıcılığına müraciət edilib.

Layihəyə reklam və PR dəstəyi vermək üçün müxtəlif reklam daşıyıcılarında reklamlar yerləşdirilmişdir. Layihə çərçivəsində buraxılmış kitablar ali və orta təhsil müəssisələrinə, uşaq evlərinə və kitabxanalara, fondlara, dövlət müəssisələrinə, Azərbaycandakı xarici səfirliklərə və konsulluqlara, eyni zamanda xaricdə fəaliyyət göstərən ölkəmizin nümayəndəliklərinə paylanmışdır.

Bankın imicinin müəyyənləşdirilməsi, qurulması və möhkəmləndirilməsi istiqamətində daha bir layihəyə 2011-ci ildə start verilmişdir. Bu, 2012-ci ilin əsas idman hadisələrindən biri olacaq futbol üzrə FIFA U-17 qadınlararası Dünya Çempionatına (FIFA U-17 Women's World Cup Azerbaijan 2012) Xalq Bankın sponsorluq etməsidir. Respublika və beynəlxalq səviyyədə idman tədbirlərinin dəstəklənməsi Xalq Bankın öz fəaliyyətində əsas götürdüyü sosial məsuliyyət prinsipləri əsasında həyata keçirilir.

more customers to express money transfers were also initiated. The 'Buy a Car and Pay Part by Part' campaign was launched in order to increase the use of vehicle loan schemes. Outdoor and web advertisements were selected as the main channels of communication. Information flyers and brochures about Bank's products were printed for customers' information. At the same time PR events were organized, press-releases were issued. Annual Report was prepared and organization of corporate events and the Bank's participation in events like the 'CIS, Baltic and Georgian Bank of the Year-2010' and 'Best GUAM Bank - 2010' were carried out.

A number of projects to enhance the image of the Bank and to publicise the brand were conducted in 2011. The 'National Heritage' socio-cultural project, which began in 2010 at the initiative and with financial support from Xalq Bank, continued successfully in 2011. The works of prominent Azerbaijani writers, artists and scientists, creative works and folklore were introduced as part of the project. In 2011 the works of People's Artists Maral Rahmanzade and Khalida Safarova, the prominent Azerbaijani artist Mahmud Taghiyev and People's Poet Hussein Arif were adopted.

The project was promoted and given PR support via advertisements placed with various advertising media. The albums produced by the projects were distributed to higher and secondary educational institutions, orphanages and libraries, foundations, state organizations and foreign embassies and consulates in Azerbaijan, as well as to international partners and Azerbaijan's diplomatic missions abroad.

Another project helping to define, build and strengthen the Bank's image was launched in 2011. This was Xalq Bank's principal sponsorship of the FIFA U-17 Women's World Cup - Azerbaijan 2012 - the most important sporting event for us when Azerbaijan for the first time in its history was selected as a host country. Supporting sports events at national and international level is undertaken according to the principles of social responsibility that Xalq Bank has accepted as the main character of its activity.

**The 'National Heritage' socio-cultural project, which began in 2010 at the initiative and with financial support from Xalq Bank, continued successfully in 2011**



## Filial şəbəkəsi

### Branch network

Pərakəndə bank bazarının aktiv iştirakçısı olmağı hədəfləyən Xalq Bank ötən il filial şəbəkəsinin genişləndirilməsinə xüsusi önəm vermişdir. Filial şəbəkəsinin genişləndirərkən Xalq Bankın əsas strategiyası ölkənin ilk növbədə fəal biznes bölgələrini əhatə etmək, yerli sahibkarlığın inkişafında iştirak etmək və yeni müştərilər cəlb etməkdir. Yeni filiallar açılarkən öncədən regionlarda yerli sosial-iqtisadi vəziyyət yaxından öyrənilir, regionun özəl xüsusiyyətləri analiz edilir, perspektivlər müəyyənləşdirilir.

Bölgələrdə fəaliyyətin genişləndirilməsi, bank xidmətlərini potensial təbəqələrə təklif edilməsi Xalq Bankın müştərilərinə daha da yaxınlaşması, regional müştəri bazasını artırılması deməkdir. Yeni filiallar həmçinin Bankın xidmət və məhsullarını paytaxtdan uzaq şəhərlərdə paylanmasına, Bank üzrə məcmu göstəricidə filialların xüsusi çəkisinin artırılmasına təkan verir. Bütün bunlar öz növbəsində, Bankın rəqabət qabiliyyətini artırır, yeni müştərilərin cəlb edilməsinə xidmət göstərir.

Hesabat ilində filial şəbəkəsinin genişləndirilməsi istiqamətində ciddi nailiyyətlər əldə edilmişdir. 2011-ci il ərzində Bankın 6 yeni filialı açılmış və müştərilərin ixtiyarına verilmişdir. İl ərzində Bakıda «Əhmədli», regionlarda Qazax, İsmayilli, Quba, Qusar və Şamaxı şəhərlərində yeni filiallar fəaliyyətə başlamışdır. Nəticədə Bankın filial şəbəkəsi

Xalq Bank, which aims to be an active participant in the retail bank market, accorded special importance to expanding its branch network last year. Its central strategy in this endeavour is to seize business potential of regional market to participate in the development of local entrepreneurship and to attract new customers. In opening new branches, the local socio-economic situation in the region is closely researched, the specific characteristics of the region are analyzed and prospects defined.

Extending operations in the regions means bringing Xalq Bank closer to its customers, as well as bringing its banking services closer to promising sections of the population and expanding the regional customer base. New branches also promote the distribution of the Bank's products and services to cities far from the capital, thereby increasing the significance of branches in the total Bank's total returns. In their turn these initiatives increase the Bank's competitiveness and serve to attract new customers.

Significant advances towards extending the branch network were made in the reporting year. Six new branches were opened to customers in 2011. Branches commenced operations in Ahmadli - Baku district and the cities of Gazakh, Ismayilli, Guba, Gusar and Shamakha

18 filialdan və 1 şöbədən ibarət olmuşdur. Bütün filiallarda Bankın xidmət və məhsullarının tam formada tətbiq olunmasına xüsusi diqqət yetirilmişdir. Filial şəbəkəsinin genişləndirilməsi 2012-ci ildə də davam etdiriləcək və bu da Bankın adına uyğun olaraq əhalinin böyük qisminə xidmət göstərməsinə şərait yaradacaq.

in the regions during the year. The Bank's network of branches now consists of 18 branches and 1 division. Special attention was given to the full application of all products and services in all branches. Extension of the branch network will continue in 2012 and this will facilitate the servicing of a major section of the population in the name of Xalq Bank.





# İnformasiya Texnologiyaları

## Information technology

Hesabat ilində Bankda yeni Avtomatlaşdırılmış Bank Sistemi proqram təminatının seçilməsi, struktur, avadanlıq və digər texniki tələblərin müəyyənəşdirilməsi və həmçinin bu avadanlıqların alınıb quraşdırılması mərhələsi başa çatdırılmışdır. Yeni sistemin tətbiqində məqsəd xidmət səviyyəsinin yüksəldilməsi, yeni məhsulların yaradılmasında çevikliyin artırılması, informasiya təhlükəsizliyinin daha yüksək səviyyədə təmin olunması, əməliyyatların effektivliyinin artırılması, risklərin idarə olunması sisteminin təkmilləşdirilməsi, əməliyyat risklərinin minimuma endirilməsi olmuşdur.

İnformasiya Texnologiyaları (İT) İdarəsi tərəfindən yeni Bank proqramına olan texniki tələblər – məhsuldarlıq, genişlənmək imkanları, sistem tələbləri, texniki arxitektura, təhlükəsizlik və etibarlılıq, proqram təminatının digər sistemlərlə inteqrasiya imkanlarının olması kimi funksional tələblər hazırlanmış və bu texniki tələblər yeni bank proqram təminatının seçilməsində nəzərə alınmışdır. Həmçinin yeni bank proqramı üçün avadanlıqlar seçilərkən, Bank proqram təminatının funksionallığını təmin edən və gələcəkdə inkişaf etdirilmə, yüksək etibarlılıq, məhsuldar və geniş kommunikasiya imkanları olan yeni avadanlıqlara əsaslanan bir sistemin qurulması və fasiləsiz iş rejiminin təmin olunması əsas götürülmüşdür. Şəbəkə təhlükəsizliyi ilə bağlı bir sıra təkmilləşdirilmə və standartlaşdırılma işləri aparılmışdır.

The Bank selected new banking software during the reporting year; the structure, equipment and other technical requirements were assessed, and the purchase and installation of equipment has been started. The new system is designed to improve the level of service, improve response times in creating new products, raise the level of information security, increase operational effectiveness, improve the risk management system and reduce operational risks to the minimum.

IT Department prepared the technical requirements for the new banking software including functional prerequisites such as productivity, opportunities for growth, system demands, technical architecture, security and reliability and compatibility with other systems and these requirements were considered in choosing the new software. Other important criteria used in selecting the equipment for the new software demanded the construction of a system that would provide functionality and expandability in the future, that would be highly reliable and productive with extensive functions for communication and that would maintain an uninterrupted work schedule. A number of improvements and standardizations were implemented in network security. The main responsibilities of the Bank's IT department for 2012 are to complete successfully the application of the

2012-ci ildə Bankın İT idarəsinin qarşısında duran əsas məsələlər yeni Avtomatlaşdırılmış Bank Sisteminin tətbiqinin müvəffəqiyyətlə başa çatdırılması, Ehtiyat Mərkəzinin yaradılması, texnologiyalarla bağlı yeni məhsul və xidmətlərin tətbiqi, yeni avadanlıqlar və sistemlər sayəsində bir çox biznes proseslərinin mərkəzləşdirməsi və avtomatlaşdırılmasıdır. Eyni zamanda Service Desk proqramının tətbiqi nəzərdə tutulur ki, bu proqram istifadəçilərə təklif olunan xidmətin keyfiyyətini artırmağa, onların müraciətlərinin qeydiyyatını aparmağa, şikayətlərin icrasına daha effektiv nəzarət etməyə imkan yaradacaq. Bütün bunlar ümumilikdə şöbələrin iş məhsuldarlığının dəyərləndirilməsinə xidmət göstərəcək.

new system, create a back-up centre, apply new technological products and services, and centralise and automate many of the business processes with new equipment and systems. It is also intended to introduce the Service Desk program, which will allow users to improve the quality of services offered, register their communications and control the processing of complaints more effectively. Together these measures will serve to evaluate departmental productivity. Applying virtualisation programs in the Bank within the next three years will help to speedily automate, centralise and resolve a number of everyday



Virtuallaşdırma proqramlarının yaxın 3 ildə Bankda tətbiq edilməsi bir sıra gündəlik yaranan problemlərin qısa zaman ərzində həll edilməsinə, avtomatlaşdırılmasına və mərkəzləşdirilməsinə öz töhfəsini verəcək. İT təkmilləşdirilməsi məqsədi ilə 2012-ci ildə elektron sənəd dövriyyəsinin və elektron imzanın tətbiqi, ən qabaqcıl bankçılıq texnologiyalarının tətbiq edilməsi, yeni bank xidmətləri və İnternet Bank, Mobil Bank, avtomatlaşdırılmış bank köşkləri kimi müasir texnoloji vasitələrlə xidmətlərin təklif edilməsi nəzərdə tutulur. Şəbəkə təhlükəsizliyi ilə bağlı bir sıra təkmilləşdirilmə və standartlaşdırılma işlərinin aparılması Bankın xidmət keyfiyyətinin artırılmasına xidmət göstərəcək.

problems. In order to improve IT in 2012, it is intended to introduce electronic document circulation and electronic signatures, apply cutting-edge banking technology, and offer services through modern technological applications like Internet Banking, Mobile Bank and automated banking points. A number of improvements to and standardisations of network security will raise the Bank's service quality.



# İnsan resursları

## Human resources management

**Bankda çalışanlardan 318 nəfəri və ya 75%-i bilavasitə bank işi ilə məşğuldur və ali məktəblərin məzunlarıdır. İşçilərdən 291-i kişi (cəmi işçilərin 68%), 135 nəfəri isə qadınlar olmuşdur**

Bank işçi heyətini özünün gələcək uğurlarının təminatçısı olan intellektual kapital kimi qiymətləndirir. 2011-ci ildə iş intensivliyinin xeyli dərəcədə artması, yeni bank texnologiyalarının tətbiqi insan amilini ön plana çəkmişdir. Xalq Bankın strateji məqsədlərinə nail olmaq üçün ən vacib amillərdən biri kadr potensialını artırmaq, Bankın inkişafında işçilərin fəal iştirakının təmin etmək, iş keyfiyyətinin yüksəlməsinə nail olmaqdır ki, 2011-ci ildə Bankın bu istiqamətdə yüksək nailiyyətlər əldə etmişdir.

2012-ci ilin 1 yanvar tarixinə Bankda 426 nəfər işçi çalışmışdır. İl ərzində 82 yeni kadr işə götürülmüş, 40 nəfər işdən azad edilmişdir. Bankın kadr siyasətinin əsas istiqamətlərindən biri işçi heyətinin peşəkarlıq səviyyəsinin yüksəldilməsidir ki, bunun üçün il ərzində seminar və treyninqlərə 86 işçi göndərilmişdir. Onlardan 65-i ölkə daxilində, 21-i isə xarici ölkələrdə treyninq keçməklə yeni təcrübə qazanmış, beynəlxalq səviyyədə müasir bank texnologiyalarını öyrənərək Bankda tətbiq edilməsində iştirak etmişlər.

Xalq Bank işə gənc mütəxəssislərin cəlb edilməsi, həmçinin Bankın işçi heyətinin inkişaf və hazırlığı üzrə fəaliyyətini 2011-ci ildə daha da genişləndirmişdir. Bu istiqamətdə Bank ali təhsil müəssisələri ilə ötən il sıx əməkdaşlıq etmişdir.

Bankda çalışanlardan 318 nəfəri və ya 75 % bilavasitə bank işi ilə məşğuldur

The Bank regards its employees as the intellectual capital to guarantee future success. The increased intensity of work and the application of new banking technology in 2011 brought the human factor to the forefront. The most important factors in attaining Xalq Bank's strategic goals are raising cadre potential, continuing staff participation in the Bank's development and improved quality of work; the Bank made important advances in these areas in 2011.

426 people were working in the Bank on 1 January 2012. Over the year 82 people were hired and 40 people were dismissed. One of the main thrusts of the Bank's staffing policy is to raise the level of employee professionalism and 86 members of staff were sent to seminars and training during the year. 65 were trained in-country and 25 were trained abroad to gain experience.

Xalq Bank expanded its programme of involving young specialists, as well as working on the growth and preparation of its staff. The Bank has worked in collaboration with higher educational institutions to this end since last year.

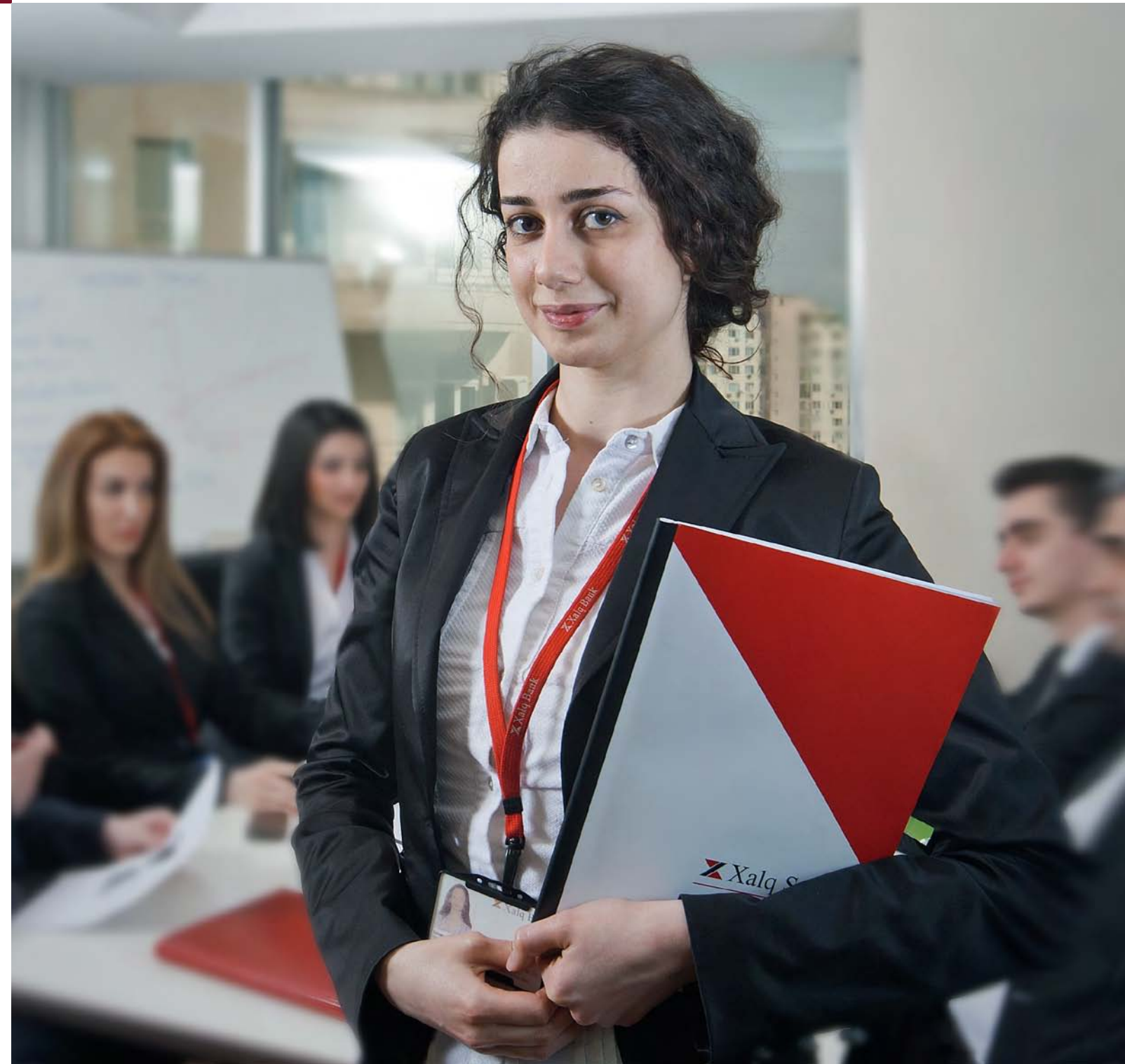
318, or 75%, of the Bank's employees are directly engaged in banking activity and graduates of higher educational institutions. 291 employees (68% of employees) are men and 135 are

və ali təhsil məzunlarıdır. İşçilərdən 291-i kişi (cəmi işçilərin 68%), 135 nəfəri isə qadınlar olmuşdur. Bankın işçi heyətində 20-30 yaş arası gənclər üstünlük təşkil etmişdir. Hesabat ilində Bankda çalışanların təqribən 50%-i və ya 216 nəfəri 20-30 yaşlı gənclər, 126 nəfəri 30-40 yaş, 63 nəfəri 40-50 yaş, 21 nəfəri isə 50-60 yaş arasında olan peşəkarlar olmuşdur. Bank stajı 10 ildən yuxarı olan işçilər 19 nəfər, 5 ildən 10 ilə qədər olanlar 86, 5 ilədək olanlarsa 321 nəfər təşkil etmişdir.

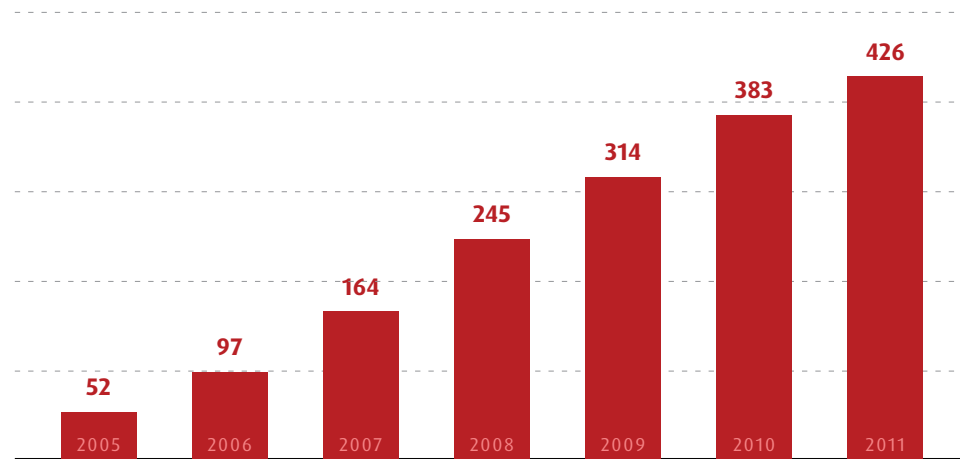
Hesabat ili ərzində korporativ mədəniyyətin formalaşdırılması, kollektivdə komanda ruhunun və birliyin möhkəmləndirilməsi üçün bir sıra birgə

women. Young people aged 20-30 form the largest age group among the Bank's staff. During the reporting year 216 people, or some 50% of employees, were in that age group, there were 126 people aged 30-40, 63 were 40-50 and 21 were between 50 and 60 years old. 19 employees had more than 10 years' service, 85 had served from 5 to 10 years and 321 had been with the bank for fewer than 5 years.

In the reporting year there were a number of social initiatives to develop a corporate culture and strengthen team spirit and unity among the staff. In the now traditional corporate







#### İşçi sayının illər üzrə artım qrafiki

Graph showing growth in staff numbers over the years

318, or 75%, of the Bank's employees are directly engaged in banking activity and graduates of higher educational institutions. 291 employees (68% of employees) are men and 135 are women

sosial tədbirləri həyata keçirilmişdir

Ənənəyə çevrilmiş korporativ Yeni il tədbirində 2011-ci ilin fəaliyyətinin nəticələrinə görə "2011-ci ilin dəyərli işçisi", "2011-ci ilin ən punktual işçisi", "2011-ci ilin filial direktoru" nominasiyalarında qalibləri xatirə lövhəcikləri və qiymətli hədiyyələrlə təltif edilmişlər.

Kadrların idarə olunması istiqamətində Bankın strateji inkişaf planına uyğun məqsədyönlü fəaliyyəti qarşıdakı illərdə də davam etdiriləcək. 2012-ci ildə Bankın kadrların idarə olunması bölməsi qarşısında duran əsas məsələlər struktur bölmə rəhbərlərinin idarəçilik fəaliyyəti üzrə standartların tərtibatı, müxtəlif dərəcəli rəhbər vəzifələrinin kadr ehtiyatının formalaşdırılması, işçi heyətinə tələbat planının yaradılması, işçi heyəti ilə əməkdaşlıq barədə normativ sənədlərinin hazırlanmasıdır.

İşçilərin peşəkar keyfiyyətlərinin inkişaf etdirilməsi üçün müasir metodların axtarışı davam etdiriləcək, Bankın tədris mərkəzində məsafəli təhsil sisteminin tətbiqinə start veriləcək. Gənc və perspektivli kadrların Banka cəlb olunması istiqamətində planlaşdırılan işlər sırasında ali təhsil müəssisələri ilə əməkdaşlığın davam etdirilməsi, universitetlərdə "karyera günlərinin" və görüşlərin keçirilməsi, Bankda istehsalat və diplomqabağı təcrübələrin keçirilməsi üçün müsabiqələrin təşkil edilməsi, ali təhsil müəssisələrinin müsabiqə əsasında seçilmiş tələbələrini üçün təqaüd ayrılması proqramının hazırlanması nəzərdə tutulub.

New Year event, the winners in the categories 'Most Valuable Employee of 2011', 'Most Punctual Employee of 2011' and 'Most professional Branch Director of 2011' were awarded commemorative plaques and valuable gifts.

Focused work on the Bank's strategic development plan for human resource management will continue in the coming years. The main issues for the Bank's human resource management department in 2012 will be the organisation of standards for the administrative work of sectoral department heads, the development of personnel resources for leading posts at various levels, planning targets for staff, and the preparation of regulatory documentation on staff cooperation.

Research into modern methods of developing professional qualities among staff will continue and a system of distance learning will be introduced in the Bank's training centre. Measures planned to attract promising young people to the Bank include continued collaboration with higher educational institutions, arranging 'career days' and meetings in the universities, organizing competitions in workplace and pre-diploma work experience in the Bank, as well as preparing competitive scholarship programmes for students of higher educational institutions.

## Sosial-mədəni fəaliyyət

### Socio-cultural activity

Sosial-mədəni fəaliyyət Xalq Bankın ümumi fəaliyyətinin ayrılmaz hissəsinə çevrilmişdir. Sosial-mədəni layihələr nəzərdən keçirilərkən, Bank ilk növbədə uzun perspektivli və gələcək nəsillər üçün də əhəmiyyət kəsb edən layihələrə üstünlük verir.

Belə layihələrdən biri Bankın təşəbbüsü və maliyyə dəstəyi ilə 2010-cu ildən başlayan verdiyi Xalq Əmanəti layihəsidir. "Xalq Əmanəti" – mədəniyyət layihəsi Azərbaycanın mədəni irsinin qorunub gələcək nəsillərə ötürülməsi, mənəvi dəyərlərimizin dünyaya tanıtılması məqsədi daşıyır. Bu layihə çərçivəsində Azərbaycanın görkəmli ədəbiyyat, incəsənət və elm xadimlərinin əsərləri, eləcə də folklor nümunələri nəfis tərtibatda nəşr olunub sənətsevərlərin ixtiyarına verilir. Layihənin ilk buraxılışı Azərbaycanın Xalq rəssamı Böyükağa Mirzəzadəyə, ikinci nəşri isə Xalq Şairi Məmməd Araza həsr olunmuşdur. Hər iki kitab öz yüksək bədii dəyəri və nəfis poliqrafik tərtibatı ilə geniş oxucu auditoriyası tərəfindən rəğbətlə qarşılanmışdır. "Xalq Əmanəti" seriyasından olan kitablar satışa çıxarılmadan yalnız pulsuz əsaslarla hədiyyə olaraq paylanılır. Nəşrlər ölkənin ali və orta təhsil müəssisələrinə, uşaq evləri və kitabxanalara, müxtəlif fondlara, dövlət müəssisələrinə, xarici ölkələrin Azərbaycandakı və Azərbaycanın xaricdə fəaliyyət göstərən səfirlik və konsulluqlarına, eləcə də sənətsevərlərə hədiyyə edilir. "Xalq Əmanəti" layihəsi xalqımızın mədəni irsinin qorunub gələcək nəsillərə

Socio-cultural activities are an inseparable part of Xalq Bank's work. When considering these activities, priority is given to promising projects with some importance for future generations. One example is the 'National Heritage' project, begun upon the initiative and with financial support from the Bank in 2010. This cultural project is aimed at preserving the cultural heritage of Azerbaijan, forwarding it to future generations and introducing our moral values to the world. Within the project, works by prominent exponents of literature, art and science in Azerbaijan, as well as examples of folklore, have been published in finely designed formats and presented to art lovers. The project's first edition was devoted to People's Artist of Azerbaijan Boyukagha Mirzazade; the second was dedicated to People's Poet Mammad Araz. Both books have been greeted with approval by a wide readership for their high artistic value and fine print design. Books from the 'National Heritage' series are not offered for sale, but are distributed free of charge. The publications are presented to the country's higher and secondary educational institutions, orphanages and libraries, various foundations, state organizations, embassies and consulates in Azerbaijan and to Azerbaijan's embassies and consulates abroad, as well as to those who appreciate art. The 'National Heritage' project is Xalq Bank's small contribution to the preservation of our people's cultural heritage and its passing to following





ötürülməsi işinə Xalq Bankın kiçik bir töhfəsidir.

Bu istiqamətdə uğurlu fəaliyyət 2011-ci ildə də davam etmişdir.

Hesabat ili mart ayının 11-də Xalq Bankın təşəbbüsü və maliyyə dəstəyi ilə həyata keçirilən "Xalq Əmanəti" layihəsi çərçivəsində dövlət mükafatı laureatı, Azərbaycanın Xalq rəssamı, "Şöhrət" ordenli Maral Rəhmanzadənin (1916-2008) əsərlərindən ibarət sərginin açılışı və rəssamın yaradıcılığını əks etdirən bədii albomun təqdimat mərasimi keçirilmişdir.

2011-ci ildə "Xalq Əmanəti" layihəsi çərçivəsində Bank, Azərbaycan sənətsevərlərini sevindirməkdə davam edərək dördüncü nəşrini Azərbaycanın Xalq şairi Hüseyn Arifin (1924-1992) yaradıcılığına həsr etmişdir. Sentyabr ayında baş tutan təqdimat mərasimində şairin seçilmiş şeirlərindən ibarət yüksək tərtibatlı kitab oxuculara çatdırılmışdır.

"Xalq Əmanəti" layihəsinin beşinci nəşri Xalq rəssamı Xalidə Səfərova və görkəmli Azərbaycan rəssamı Mahmud Tağıyevin həyat və yaradıcılığına həsr olunmuşdur. Oktyabr ayının 28-də Xalidə Səfərova və Mahmud Tağıyevin əsərlərindən ibarət sərginin açılışı və sənətkarların yaradıcılığını əks etdirən "Rəngkarlıq və qrafika" bədii albomun təqdimat mərasimi keçirilmişdir. Xalq Bank sosial-mədəni fəaliyyətini qarşıdan gələn illərdə də davam etdirmək niyyətindədir. Sponsorluq və xeyriyyəçilik, həmçinin mədəniyyət aləminə dəstək verilməsi Bankın imicinin pozitivləşdirilməsinə xidmət edir, onun maliyyə dayanıqlığını və sabit inkişafına xidmət göstərir.

generations.

Work in this direction continued successfully in 2011.

On 11 March of the reporting year, an exhibition of works by recipient of the Order of Glory, State Award laureate and People's Artist of Azerbaijan Maral Rahmanzade (1916-2008) and a ceremony to present an album of the artist's works were held upon the initiative and with financial support from Xalq Bank, as part of the 'National Heritage' project.

In 2011 the Bank continued to please lovers of the arts in Azerbaijan by devoting its fourth publication to the work of People's Poet Hussein Arif (1924-1992) within the project 'National Heritage'. A selection of the writer's poems in a book of high quality design was introduced to readers at a presentation ceremony in September.

The fifth publication from the 'National Heritage' project was dedicated to the life and work of People's Artist Khalida Safarova and prominent Azerbaijani artist Mahmud Taghiyev. The opening of an exhibition of works by Khalida Safarova and Mahmud Taghiyev and the presentation of the album 'Painting and Graphic Art' took place on 28 October.

Xalq Bank intends to continue its socio-cultural activities in the coming years. Sponsorship and charity, as well as support for the world of culture, help to develop a positive image for the Bank and contribute to its financial resilience and stable development.





# Ümumi məlumat

## General details



**Adı:** Açıq Səhmdar Cəmiyyəti "Xalq" Bankı

**Qısaldılmış adı:** Xalq Bank

**Fəaliyyətə başladığı tarix:** 24 Dekabr, 2004-cü il

**Dövlət qeydiyyatı:** 2000296061, Azərbaycan Respublikası Ədliyyə Nazirliyi

**Lisensiya:**

Azərbaycan Respublikası Milli Bankı tərəfindən verilmiş 27 Dekabr 2004-cü il tarixli, 246 sayılı lisenziya

**Faktiki ünvan:** AZ1006, İnşaatçılar pr.,22L,Bakı şəh., Azərbaycan

**Hüquqi ünvan:** AZ1025, Babək pr., 1145, Bakı şəh., Azərbaycan

**VÖEN:** 2000296061

**Kod:** 505055

**SWIFT:** HAJCAZ22

**Tel.:** +994 (12) 404 43 43

**Faks:** +994 (12) 404 43 34

**Teleks:** 142400 XALG AI

**E-poçt:** mail@xalqbank.az

**URL:** www.xalqbank.az

**Beynəlxalq auditor:** Donoway Assurance Ltd, Member of Crowe Horwath International

**Filialların sayı:** 18

**Şöbələrin sayı:** 1

**İşçilərin sayı:** 426

Əsas maliyyə göstəriciləri (31.12.2011-ci il tarixinə):

**Aktivlər:** 704,0 mln AZN

**Kreditlər:** 430,3 mln AZN

**Əmanətlər:** 436,1 mln AZN

**Xalis mənfəət:** 24,4 mln AZN

**Nizamnamə kapitalı:** 140,5 mln AZN

**Name:** Open Joint-Stock Company Xalq Bank

**Short name:** Xalq Bank

**Date of establishment:** December 24, 2004

**State registration:** 2000296061, Ministry of Justice of Azerbaijan

**Licence:**

N246 issued by National Bank of Azerbaijan Republic on December 27th, 2004

**Head Office address:** 22L, Inshaatchilar Ave., AZ1006, Baku, Azerbaijan

**Legal address:** 1145, Babek Ave., AZ1025, Baku, Azerbaijan

**Tax ID:** 2000296061

**Code:** 505055

**SWIFT:** HAJCAZ22

**Tel:** 994 (12) 404 43 43

**Fax:** 994 (12) 404 43 34

**Telex:** 142400 XALG AI

**E-mail:** mail@xalqbank.az

**URL:** www.xalqbank.az

**Independent auditor:** Donoway Assurance Ltd, Member of Crowe Horwath International

**Branches:** 18

**Retail divisions:** 1

**Staff:** 426

Key financial indicators (as of 31.12.2011):

**Assets:** 704.0 mln. AZN

**Loans:** 430.3 mln. AZN

**Deposits:** 436.1 mln. AZN

**Net profit:** 24.4 mln. AZN

**Shareholders capital:** 140.5 mln AZN



OPEN JOINT STOCK COMPANY  
XALQ BANK

INDEPENDENT AUDITORS' REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Open Joint Stock Company Xalq Bank (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2011, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

**IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS, MANAGEMENT IS RESPONSIBLE FOR:**

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

**MANAGEMENT IS ALSO RESPONSIBLE FOR:**

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Open Joint Stock Company Xalq Bank

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Xalq Bank set out on pages 3 to 49 of the accompanying annual report, which comprise the statement of financial position as of 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

**MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Open Joint Stock Company Xalq Bank as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011**  
(IN AZERBAIJAN MANATS)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Interest income	4	59,044,253	47,385,669
Interest expense	4	(25,654,486)	(22,280,750)
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		33,389,767	25,104,919
(Provision) / recovery of provision for impairment losses on interest bearing assets	5	3,015,800	(3,986,677)
<b>NET INTEREST INCOME</b>		36,405,567	21,118,242
Net gain on foreign exchange operations	7	1,622,777	772,932
Net (loss) / gain on gold operations	6	(661,399)	1,371,437
Fee and commission income	8	3,675,301	2,934,315
Fee and commission expense	8	(362,554)	(273,095)
Gain / (loss) on revaluation of investment property	17	58,254	200,352
Other income		82,397	633,914
<b>NET NON-INTEREST INCOME</b>		4,414,776	5,639,855
<b>OPERATING INCOME</b>		40,820,343	26,758,097
<b>OPERATING EXPENSES</b>	9	(16,027,574)	(12,592,313)
<b>OPERATING PROFIT</b>		24,792,769	14,165,784
Recovery of provision for impairment losses on guarantees and other commitments		(894,762)	-
<b>PROFIT BEFORE INCOME TAX</b>		23,898,007	14,165,784
Income tax (expense) / benefit	10	503,461	(669,345)
<b>NET PROFIT FOR THE YEAR</b>		24,401,468	13,496,439
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		24,401,468	13,496,439
Attributable to:		24,400,643	13,484,070
Equity holders of the parent		825	12,369
Non-controlling interest		24,401,468	13,496,439
<b>EARNINGS PER SHARE</b>			
<i>Basic and diluted (AZN)</i>	11	11.305	6.295

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**  
(IN AZERBAIJAN MANATS)

	Notes	31 December 2011	31 December 2010
<b>ASSETS</b>			
Cash and cash equivalents	12	209,976,863	126,229,976
Gold		8,764,013	8,642,082
Due from banks	13	16,519,775	3,142,161
Loans to customers	14	430,257,961	471,456,772
Investments available-for-sale	15	9,628,301	1,202,449
Property and equipment	16	15,541,209	12,834,687
Investment property	17	6,190,500	6,132,246
Intangible assets	16	363,797	640,382
Deferred income tax asset	10	594,405	90,944
Other assets	18	6,195,819	1,812,126
<b>TOTAL ASSETS</b>		704,032,643	632,183,825
<b>LIABILITIES</b>			
Due to banks and government agencies	19	93,896,662	67,745,113
Customer accounts	20	436,131,416	472,461,571
Provision for impairment losses on other operations		894,762	-
Current income tax liability		-	532,996
Other liabilities	21	2,002,867	4,207,846
<b>TOTAL LIABILITIES</b>		532,925,707	544,947,526
<b>EQUITY</b>			
Share capital	22	140,492,610	72,828,000
Retained earnings		30,449,260	14,244,058
Non-controlling interest		165,066	164,241
<b>TOTAL EQUITY</b>		171,106,936	87,236,299
<b>TOTAL LIABILITIES AND EQUITY</b>		704,032,643	632,183,825



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011  
(IN AZERBAIJAN MANATS)**

	Share capital	Retained earnings / (Accumulated deficit)	Non-controlling interest	Total equity
31 December 2009	53,550,000	21,909,947	151,872	75,611,819
Capitalization of net profit for the year 2009 to share capital	19,278,000	(19,278,000)	-	-
Tax on capitalized profit of 2009	-	(1,871,959)	-	(1,871,959)
Total comprehensive income for the year	-	13,484,070	12,369	13,496,439
31 December 2010	72,828,000	14,244,058	164,241	87,236,299
Share capital increase	67,664,610	(10,067,400)	-	57,597,210
Reversal of tax on capitalisation	-	1,871,959	-	1,871,959
Total comprehensive income for the year	-	24,400,643	825	24,401,468
31 December 2011	140,492,610	30,449,260	165,066	171,106,936

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011  
(IN AZERBAIJAN MANATS)**

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		23,898,007	14,165,784
Adjustments for:			
Provision / (recovery of provision) for impairment losses on interest bearing assets	5	(3,015,800)	3,986,677
Recovery of provision for guarantees and other commitments		894,762	-
Net unrealized (gain) / loss arising from changes in foreign currency exchange rates		(103,472)	(249,723)
Depreciation and amortization	16	2,047,191	1,678,239
(Gain) / loss on revaluation of investment property	17	(58,254)	(200,352)
Loss / (gain) on disposal of property and equipment		(983)	(237,017)
Loss / (gain) on disposal of intangible assets		227,799	-
Change in interest accruals, net		1,662,633	(1,180,047)
Cash flows from operating activities before changes in operating assets and liabilities		25,551,883	17,963,561
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of Azerbaijan Republic		(10,131,316)	(364,211)
Gold		(121,931)	(3,412,082)
Due from banks		(210,355)	(535,582)
Loans to customers		42,350,398	(30,814,843)
Other assets		(4,386,861)	953,442
Increase/(decrease) in operating liabilities:			
Due to banks and government agencies		26,112,779	(38,688,100)
Customer accounts		(36,174,009)	167,895,696
Other liabilities		(333,018)	828,875
Cash inflow from operating activities before taxation		42,657,570	113,826,756
Income tax paid		(532,996)	(4,503)
Net cash inflow from operating activities		42,124,574	113,822,253
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets	16	(4,719,768)	(6,859,314)
Proceeds on disposal of property and equipment		15,824	940,466
Purchase of investments available-for-sale		(8,338,913)	(1,146,785)
Net cash outflow from investing activities		(13,042,857)	(7,065,633)

The accompanying notes on pages 8 to 49 form an integral part of these consolidated financial statements



**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issue of ordinary share capital		57,597,210	-
Net cash inflow from financing activities		57,597,210	-
Effect of foreign exchange rate changes on cash and cash equivalents		103,473	249,723
NET INCREASE IN CASH AND CASH EQUIVALENTS		86,782,400	107,006,343
CASH AND CASH EQUIVALENTS, beginning of year		126,769,030	19,762,687
CASH AND CASH EQUIVALENTS, end of year	12	213,551,430	126,769,030

Interest paid and received by the Group in cash during the year ended 31 December 2011 amounted to AZN 25,771,869 and AZN 60,824,264, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2010 amounted to AZN 22,005,452 and AZN 45,930,324, respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**  
**(IN AZERBAIJAN MANATS)**

**1. BACKGROUND**

Xalq Bank is a joint stock company which was established on 24 December 2004 in accordance with establishment agreement and was registered by the Central Bank of Azerbaijan Republic on 27 December 2004. The address of its registered office is 1145 Babek Avenue, Baku, AZ 1025, Azerbaijan. The Bank is regulated by the Central Bank of Azerbaijan Republic (the "CBAR") and conducts its business under the general banking license number 246. The Bank had 18 branches in Azerbaijan as at 31 December 2011. The Bank's primary business consists of commercial activities, trading with foreign currencies, originating loans and guarantees.

The number of employees of the Bank at 31 December 2011 and 2010 was 425 and 384, respectively.

The Bank is a parent company of a banking group (the "Group") which consists of the following enterprises consolidated in the financial statements:

Name	Country of operation	The Bank ownership interest/ voting rights		Type of operation
		2011	2010	
Xalq Kapital LLC	The Republic of Azerbaijan	100 %	100%	Securities market transactions
Baki Ayaqqabi -2 OJSC	The Republic of Azerbaijan	97.27%	97.27%	Dormant

"Xalq Kapital" LLC is a limited liability company registered in the Republic of Azerbaijan on 17 August 2007. The company's principal activity is operations with securities, broker and dealer operations.

"Baki Ayaqqabi -2" OJSC is a Joint Stock Company registered in the Republic of Azerbaijan in December 1980. The Company's principal activity had been the manufacture of footwear. The Company has not been functioning since June 1999. The Group has acquired the controlling interest in the Company's capital with the primary purpose of using it as investment property. The Group's management is still uncertain of the detailed plans regarding the Company.

As at 31 December 2011 and 2010 the following shareholders owned the issued shares of the Bank:

	31 December 2011	31 December 2010
	Ownership interest, %	Ownership interest, %
Ideal Biznes Ko LLC	50.00	50.00
Yevro Standart LLC	33.85	33.85
Avangard-1 LLC	16.15	16.15
<b>Total</b>	<b>100</b>	<b>100</b>

The ultimate controlling party of the Group is L.Aliyeva.

These consolidated financial statements were authorized for issue by the Management Board on 12 March 2012.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**2. BASIS OF PRESENTATION**

**Accounting basis**

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements are presented in Azerbaijan Manats ("AZN") unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of investment property at revalued amounts according to International Accounting Standard ("IAS") No. 40 "Investment Property".

The Group maintains its accounting records in accordance with Azerbaijan law. These consolidated financial statements have been prepared based on the Azerbaijani statutory accounting records and have been adjusted to conform with IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

**Key assumptions**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts. Such estimates and assumptions are based on the information available to the Group's management as of the date of the consolidated financial statements. Therefore, actual results could differ from those estimates and assumptions. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include:

	31 December 2011	31 December 2010
Loans to customers	430,257,961	471,456,772
Investments available for sale	9,628,301	1,202,449
Property and equipment	15,541,209	12,834,687
Investment Property	6,190,500	6,132,246

Loans to customers are measured at amortized cost less allowance for impairment losses. The estimation of allowances for impairments involves the exercise of significant judgment. The Group estimates allowances for impairment with the objective of maintaining balance sheet provisions at a level believed by management to be sufficient to absorb losses incurred in the Bank's loan portfolio. The calculation of provisions on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by the application of management judgment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

The Group considers accounting estimates related to provisions for loans key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses (as reflected in the provisions) and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future income statement and its statement of financial position. The Group's assumptions about estimated losses are based on past performance, past customer behaviour, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Investments available-for-sale are measured at fair value less impairment losses. The estimation of impairment losses involves the exercise of significant management judgment. The accounting policy for the impairment of financial instruments is discussed in Note 3 below.

**Functional currency**

Items included in the financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The reporting currency of the financial statements is the Azerbaijan Manats ("AZN").

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition. The minority interest is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent. The equity attributable to equity holders of the parent and net income attributable to minority shareholders' interests are shown separately in the consolidated statement of financial position and income statement, respectively.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

The difference, if any, between the carrying amount of minority interest and the amount received on its purchase is recognized in equity attributable to the equity holders of the parent.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)  
(IN AZERBAIJAN MANATS)**

**Investments in associates**

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Investments in associates are carried in the consolidated statement of financial position at cost as adjusted for goodwill and for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognized.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the consolidated income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**Goodwill**

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the fair value of assets, liabilities and contingent liabilities of a subsidiary as at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measure at cost less any accumulated impairment losses.

The Group tests goodwill for impairment at least annually. An impairment loss recognized for goodwill is not reversed in a subsequent period.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

- (a) Reassesses the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) Recognizes immediately in profit or loss any excess remaining after that reassessment.

On disposal of an investment, the amount of goodwill attributable is included in the determination of financial result from disposal.

**Recognition and measurement of financial instruments**

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)  
(IN AZERBAIJAN MANATS)**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the Central Bank of Azerbaijan Republic with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Cooperation and Development ("OECD"). For the purposes of determining cash flows, the minimum reserve deposit required by the Central Bank of Azerbaijan Republic is not included as a cash equivalent due to restrictions on its availability (Note 12).

**Gold**

Assets and liabilities denominated in gold are translated at the current rate computed based on the Central Bank rate effective at the date. Changes in the bid prices are recorded in net gain on operations with gold.

**Fiduciary activities**

The Group provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts operational risks relating to these activities, whereas the Group's customers bear the credit and market risks associated with such operations.

**Due from banks**

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method, and are carried net of any allowance for impairment losses. Those that do not have fixed maturities are stated at amortized cost based on expected dates of maturity. Amounts due from credit institutions are carried net of any allowance for impairment losses.

**Loans to customers**

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans to customers granted by the Group with fixed maturities are initially recognized at fair value plus related transaction costs, directly attributable to the acquisition or creation of qualifying financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

The Group will take possession of any collateral held as security when a customer defaults on repayments of the loan and the loan cannot be renegotiated. The Group will engage a third party to dispose of the collateral on their behalf in the open market.

**Factoring Assets**

Factoring assets are non-derivative assets with determinable payments. These assets are initially recognized at fair value and any costs directly related to creation of qualifying financial assets.

Where the fair value of consideration given does not equal the fair value of the factoring asset the difference between the fair value of consideration given and the fair value of the asset is recognized as a loss on initial recognition of the asset and included in the consolidated income statement according to nature of these losses. Subsequently, factoring assets are carried at amortized cost using the effective interest method and are carried net of any allowance for impairment losses.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Write-off of loans and advances**

Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

**Allowance for impairment losses**

*Assets carried at amortized cost*

The Group accounts for impairment losses of financial assets that are not carried at fair value when there is objective evidence that a financial asset or group of financial assets is impaired. The impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. Such impairment losses are not reversed unless if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as recoveries, in which case the previously recognized impairment loss is reversed by adjusting an allowance account.

For financial assets carried at cost the impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the consolidated income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss were recognized in the consolidated income statement.

The determination of impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in impairment losses is charged to profit either through allowance account (financial assets that are carried at amortized cost) or direct write-off (financial assets carried at cost). The total of the impairment losses is deducted in arriving at assets as shown in the consolidated statement of financial position. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses which are substantial relative for impairment losses, it is the judgment of management that the impairment losses are adequate to absorb losses incurred on risk assets, at the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

**Investments available-for-sale**

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the consolidated income statement, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other applicable methods. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. Dividends received are included in dividend income in the consolidated income statement.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated income statement for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the consolidated income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the consolidated income statement.

**Investment properties**

Investment property comprises land or buildings, which are held in order to earn rentals or for capital appreciation or both, and which are not occupied by the companies in the Group or otherwise held for sale. Property held under operating lease is classified as investment property if, and only if, it meets the definition of an investment property. Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the property. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections. Changes in the fair value of investment property are recorded in the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Premises, equipment and intangible assets**

Property, equipment and intangible assets are carried at historical cost (except for buildings, which are stated at revalued amounts) less accumulated depreciation and amortization and any recognized impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and amortization of intangible assets is charged on their historical cost and is designed to write off assets over their useful lives. It is calculated on a straight line basis at the following annual rates:

Building	5%
Furniture and equipment	25%
Computers	25%
Vehicles	25%
Other equipment	20%
Intangible assets	10%

The carrying amounts of property, equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. Impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount of the assets does not differ materially from that which would be determined using fair values at the reporting date.

**Market value of property is assessed using three methods:**

- The comparable sales method which involves analysis of market sales prices for similar real estate property;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The cost method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Any revaluation increase arising on the revaluation of property is credited to the property, plant and equipment and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense in the consolidated income statement, in which case the increase is credited to the consolidated income statements to the extent of the decrease previously charged. A decrease in carrying amount of an asset arising on the revaluation is charged as an expense to the income statement to the extent that it exceeds the balance, if any, held in the property, plant and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the consolidated income statement. Upon the retirement or sale of buildings, the attributable revaluation surplus is transferred to retained earnings.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Taxation**

Income tax expense comprises current and deferred taxation. Income tax expense for the current period is determined on the basis of the taxable profit received in the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is reported using the balance sheet liability method and represents income tax assets and liabilities on the temporary difference between the carrying value of assets and liabilities and the respective tax accounting data used to arrive at the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the respective deferred tax assets can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that a related tax benefit will be realized sufficient for full or partial recovery of the asset.

Deferred tax assets and liabilities are offset by the Group with the resulting difference reported in the financial statements if:

- The Group has a legally enforceable right to set off the current tax assets and current tax liabilities; and
- Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxpayer.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**Due to banks and customer accounts**

Due to banks and customer accounts are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

**Contingencies**

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

**Financial guarantee contracts issued**

Financial guarantee contracts issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts issued.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)  
(IN AZERBAIJAN MANATS)**

**Share capital**

Share capital is recognized at cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 "Events after the reporting period" ("IAS 10") and disclosed accordingly.

**Retirement and other benefit obligations**

In accordance with the requirements of the legislation of the Republic of Azerbaijan, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the state pension fund. The Group does not have any pension arrangements separate from the state pension system of Azerbaijan, which requires current contributions by employer calculated as a percentage of current gross salary payments. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

**Recognition of income and expense**

Interest income and expense are recognized on an accrual basis using effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interests earned on assets at fair value are classified within interest income.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated income statement over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Azerbaijan Manats at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

**Rates of exchange**

The exchange rates at the year end used by the Group in the preparation of the consolidated financial statements are as follows:

31 December 2011	31 December 2010
USD 1 = AZN 0.7865	USD 1 = AZN 0.7979
EUR 1 = AZN 1.0178	EUR 1 = AZN 1.0560
GBP 1 = AZN 1.2123	GBP 1 = AZN 1.2377
RUR 1 = AZN 0.0245	RUR 1 = AZN 0.0263

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)  
(IN AZERBAIJAN MANATS)**

**Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose, revenue, results are ten per cent or more of all the segments are reported separately. No geographical segments of the Group have been reported separately within these consolidated financial statements as all operations are conducted within Azerbaijan.

**Offset of financial assets and liabilities**

Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

**Adoption of new or revised standards and interpretations and new accounting pronouncements**

**Certain new IFRSs became effective for the Group from 1 January 2011. Listed below are those new or amended standards or interpretations which are relevant to the Group's operations and the nature of their impact on the Group's accounting policies.**

*IAS 24 "Related party disclosures" (Revised)* The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted.

*Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues* In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

*IFRS 9 "Financial Instruments"* In November 2009 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. Entities may adopt the first phase for reporting periods ending on or after 31 December 2009. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income.

*IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"* IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED) (IN AZERBAIJAN MANATS)

*Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2012 or later periods and which are relevant to the Group but not early adopted by the Group.*

**IFRS 9 Financial Instruments.** In November 2009 and 2010 the IASB issued the first phase of IFRS 9 Financial Instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2015. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial instruments. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities designated at fair value through profit or loss using fair value option IFRS 9 requires the amount of change in fair value attributable to changes in credit risk to be presented in other comprehensive income.

**IFRS 10 Consolidated Financial Statements.** IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

**IFRS 11 Joint Arrangements.** IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

**IFRS 12 Disclosure of Interests in Other Entities.** IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of the standard will require new disclosures to be made in the financial statements of the Group but will have no impact on its financial position or performance.

**IFRS 13 Fair Value Measurement.** IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Group's assets and liabilities accounted for at fair value.

**IAS 27 Separate Financial Statements (as revised in 2011).** As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

**IAS 28 Investments in Associates and Joint Ventures (as revised in 2011).** IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED) (IN AZERBAIJAN MANATS)

**Amendments to IAS 19 Employee Benefits.** The IASB has published amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013, which proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs.

**Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income.** The amendments to IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012, change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. These amendments will change presentation in the statement of comprehensive income but will have no effect on the financial position and performance.

**Deferred tax: Recovery of underlying assets – Amendment to IAS 12** (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). IAS 12 has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

**Disclosures – Transfers of Financial Assets – Amendments to IFRS 7** (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

Described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

### Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

### Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Azerbaijan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The carrying amount of the allowance for impairment of loans to customers is AZN 23,473,655 and AZN 26,511,641 as at 31 December 2011 and 2010.

**Valuation of Financial Instruments**

Financial instruments that are classified as available for sale. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its consolidated statement of financial position as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group's reported net income. The carrying amount of the financial instruments at fair value is as follows as at 31 December 2011 and 2010:

	31 December 2011	31 December 2010
Investments available-for-sale	9,628,301	1,202,449

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**4. NET INTEREST INCOME**

	Year ended 31 December 2011	Year ended 31 December 2010
<b>Interest income comprises</b>		
Interest income on assets recorded at amortized cost:		
- interest income on assets that have been written down as a result of an impairment loss	49,768,170	40,430,363
- interest income on unimpaired assets	9,276,083	6,955,306
<b>Total Interest income</b>	<b>59,044,253</b>	<b>47,385,669</b>
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	58,783,945	47,288,251
Interest on due from banks	108,594	2,631
Interest on debt securities	95,140	21,482
Interest on guarantees	52,335	73,305
Interest on other operations	4,239	-
Total interest income on financial assets recorded at amortized cost	59,044,253	47,385,669
<b>Interest expense comprises:</b>		
Interest on customer accounts	23,598,077	20,166,948
Interest on due to banks and government agencies	2,056,409	2,113,802
Total interest expense on financial assets recorded at amortized cost	25,654,486	22,280,750
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>33,389,767</b>	<b>25,104,919</b>

**5. ALLOWANCE FOR IMPAIRMENT LOSSES**

The movements in allowance for impairment losses on interest earning assets were as follows:

	<b>Loans to customers</b>
<b>31 December 2009</b>	<b>22,556,144</b>
Additional provision	3,986,677
Write-off of assets	(31,180)
<b>31 December 2010</b>	<b>26,511,641</b>
Recovery of provision	(3,015,800)
Write-off of assets	(22,186)
<b>31 December 2011</b>	<b>23,473,655</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

The movements in provision for impairment losses on guarantees and other commitments were as follows:

	<b>Guarantees and other commitments</b>
<b>31 December 2010</b>	
Provision	894,762
<b>31 December 2011</b>	<b>894,762</b>

**6. NET (LOSS) / GAIN ON GOLD OPERATIONS**

Net (loss) / gain on gold operations comprise:

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
Net loss on gold operations	334,746	(313,563)
Translation difference on gold	(996,145)	1,685,000
<b>Total net (loss) / gain on gold operations</b>	<b>(661,399)</b>	<b>1,371,437</b>

**7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS**

Net gain on foreign exchange operations comprise:

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
Dealing differences, net	1,519,305	523,209
Translation differences, net	103,472	249,723
<b>Total net gain on foreign exchange operations</b>	<b>1,622,777</b>	<b>772,932</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**8. FEE AND COMMISSION INCOME AND EXPENSE**

Fee and commission income and expense comprise:

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
<b>Fee and commission income:</b>		
Cash operations	1,235,386	1,040,963
Foreign exchange operations	983,844	712,269
Settlements	827,019	738,743
Plastic cards operations	385,075	292,267
Guarantee letters	237,121	142,389
Letters of credit	4,454	355
Other	2,402	7,329
<b>Total fee and commission income</b>	<b>3,675,301</b>	<b>2,934,315</b>
<b>Fee and commission expense:</b>		
Plastic cards operations	178,291	123,560
Settlements	144,320	135,843
Cash operations	34,310	10,767
Guarantee letters	2,001	807
Letters of credit	954	355
Foreign exchange operations	630	402
Other	2,048	1,361
<b>Total fee and commission expense</b>	<b>362,554</b>	<b>273,095</b>

**9. OPERATING EXPENSES**

Operating expenses comprise:

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
Staff costs	7,721,793	6,259,385
Depreciation and amortization	2,047,190	1,678,239
Payments to the Deposit Insurance Fund of the Republic of Azerbaijan	1,370,549	1,073,360
Operating leases	747,668	665,847
Security expenses	659,052	512,179
Communications	454,771	399,810
Advertising and marketing expenses	410,427	268,224
Entertainment	410,067	411,401
Loss on disposal of property, equipment and intangible assets	357,286	23,053
Insurance	312,822	200,500
Professional services fees	246,644	137,960
Stationery expenses	198,877	219,121
Transportation and business trip expenses	197,318	166,630
Utilities	179,992	192,073
Repairs and maintenance expenses	166,512	175,443
Taxes, other than income tax	122,456	91,922
Membership fees	16,670	16,250
Other expenses	407,480	100,916
<b>Total operating expenses</b>	<b>16,027,574</b>	<b>12,592,313</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**10. INCOME TAXES**

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income. The statutory income tax rate is 20%.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at 31 December 2011 and 2010 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2011 and 2010 comprise:

	31 December 2011	31 December 2010
<b>Deductible temporary differences:</b>		
Allowance for losses on loans to customers	2,816,186	-
Amortization	284,530	32,956
Loans origination fee	77,008	-
Depreciation	-	421,765
<b>Total deductible temporary differences</b>	<b>3,177,724</b>	<b>454,721</b>
<b>Taxable temporary differences:</b>		
Provision reversal on off balance items	(154,240)	-
Depreciation	(51,459)	-
<b>Total deductible temporary differences</b>	<b>(205,699)</b>	<b>-</b>
Net deferred deductible temporary differences	2,972,025	454,721
Net deferred tax asset at the statutory tax rate (20%)	594,405	90,944
<b>Net deferred tax asset</b>	<b>594,405</b>	<b>90,944</b>

Relationships between tax expenses and accounting profit for the years ended 31 December 2011 and 2010 are explained as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
<b>Profit before income tax</b>	<b>23,898,007</b>	<b>14,165,784</b>
Tax at the statutory tax rate of 20%	4,779,601	2,833,157
Tax effect of permanent differences	104,203	138,865
Effect of tax exemption in the result of capitalization of net profit	(5387,265)	(2,302,677)
<b>Income tax (benefit) / expense</b>	<b>(503,461)</b>	<b>669,345</b>
Current income tax expense	-	537,499
Deferred income tax (benefit) / expense	(503,461)	131,846
<b>Income tax (benefit) / expense</b>	<b>(503,461)</b>	<b>669,345</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

On 14 November 2008, a new law "On Stimulation of Increasing the capitalization of Banks, Insurance and Reinsurance companies" was enacted. According to the Law the profit tax rates for banks, insurance and reinsurance companies is reduced to 0% for three fiscal years from 1 January 2009, where all profits are retained within the business. The management of the Bank decided to take advantage of the new law in the year 2011 and capitalize the full amount of the Bank's profit for the reporting year and part of the retained earnings as at 1 January 2011. The Bank's management believes that the permanent taxable difference between financial and tax results is fully covered by the amount of profit directed to capitalization and makes the Bank fully exempt from the current income tax liability for the reporting year in accordance with the law. Taking into consideration that the law will be in force for three year period, the management of the Bank estimated the deferred tax effect on the temporary differences that are probable to realize subsequent to the 3 year period.

	31 December 2011	31 December 2010
<b>Deferred income tax assets</b>		
Beginning of the period	90,944	222,790
Change in the income tax assets for the period charged to profit	503,461	(131,846)
<b>End of the period</b>	<b>594,405</b>	<b>90,944</b>

**11. EARNINGS PER SHARE**

The earnings per share are calculated as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
<b>Profit:</b>		
Net profit for the year	24,400,643	13,484,070
Weighted average number of ordinary shares for basic earnings per share	2,158,310	2,142,000
<b>Earnings per share – basic and diluted (AZN)</b>	<b>11.305</b>	<b>6.295</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**12. CASH AND CASH EQUIVALENTS**

Cash and balances with the Central Bank of Azerbaijan Republic comprise:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Cash on hand	46,128,502	17,494,125
Balances with the Central Bank of Azerbaijan Republic	<u>163,848,361</u>	<u>108,735,851</u>
<b>Total cash and balances with the Central Bank of Azerbaijan Republic</b>	<b><u>209,976,863</u></b>	<b><u>126,229,976</u></b>

The balances with the CBAR as at 31 December 2011 and 2010 include AZN 11,815,671 and AZN 1,684,355, respectively, which represent the minimum reserve deposits required by the CBAR. The Bank is entitled to use all funds on its correspondent account provided that average daily balance for 30 days period will be eventually higher than required mandatory reserve.

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Cash and balances with the Central Bank of Azerbaijan Republic	209,976,863	126,229,976
Due from banks in OECD countries	<u>16,291,361</u>	<u>2,349,754</u>
	226,268,224	128,579,730
Less minimum reserve deposit with the Central Bank of Azerbaijan Republic	(11,815,671)	(1,684,355)
Less restricted deposit in OECD countries	<u>(901,123)</u>	<u>(126,345)</u>
<b>Total cash and cash equivalents</b>	<b><u>213,551,430</u></b>	<b><u>126,769,030</u></b>

**13. DUE FROM BANKS**

Due from banks comprise:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Loans and time deposits with other banks	11,801,308	500,389
Correspondent accounts with other banks	3,801,614	2,499,469
Restricted deposits	<u>916,853</u>	<u>142,303</u>
<b>Total due from banks</b>	<b><u>16,519,775</u></b>	<b><u>3,142,161</u></b>

As at 31 December 2011 and 2010 accrued interest income included in due from banks amounted to AZN 819 and AZN 389, respectively.

As at 31 December 2011 and 2010 the maximum credit risk exposure of due from banks amounted to AZN 16,519,775 and AZN 3,142,161, respectively.

As at 31 December 2011 and 2010 the Bank had restricted deposits blocked in support of guarantees issued and plastic cards operations and money transfers totaling AZN 916,853 and AZN 142,303, respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**14. LOANS TO CUSTOMERS**

Loans to customers comprise:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Loans to customers	453,731,616	497,968,413
Less allowance for impairment losses	<u>(23,473,655)</u>	<u>(26,511,641)</u>
<b>Total loans to customers</b>	<b><u>430,257,961</u></b>	<b><u>471,456,772</u></b>

As at 31 December 2011 and 2010 accrued interest income included in loans to customers amounted to AZN 1,388,222 and AZN 3,252,436, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2011 and 2010 are disclosed in Note 5.

The table below summarizes the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Loans collateralized by real estate	141,171,152	155,961,012
Loans collateralized by guarantees	134,995,652	53,972,168
Loans collateralized by equipment	123,717,200	167,003,120
Loans collateralized by vehicles	14,846,859	18,544,925
Loans collateralized by shares of other entities	2,165,494	2,182,801
Loans collateralized by cash	1,758,984	5,151,932
Loans collateralized by tractors	1,665,815	1,681,862
Loans collateralized by inventories	-	76,173
Loans collateralized by other collateral	-	203
Unsecured loans	<u>33,410,460</u>	<u>93,394,217</u>
	453,731,616	497,968,413
Less allowance for impairment losses	<u>(23,473,655)</u>	<u>(26,511,641)</u>
<b>Total loans to customers</b>	<b><u>430,257,961</u></b>	<b><u>471,456,772</u></b>

**Analysis by industry**

	<b>31 December 2011</b>	<b>31 December 2010</b>
Transportation and communication	128,166,280	197,910,680
Energy	87,426,769	98,834,716
Construction	79,996,097	106,347,406
Individuals	57,833,250	50,283,752
Agriculture	23,712,750	19,218,523
Manufacturing	13,067,370	17,292,712
Trading	565,491	4,683,541
Other	<u>62,963,609</u>	<u>3,397,083</u>
	453,731,616	497,968,413
Less allowance for impairment losses	<u>(23,473,655)</u>	<u>(26,511,641)</u>
<b>Total loans to customers</b>	<b><u>430,257,961</u></b>	<b><u>471,456,772</u></b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

Loans to individuals comprise the following products:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Mortgage loans	21,887,831	16,464,615
Consumer loans	21,874,160	20,021,269
Car loans	8,061,010	7,320,666
Business loans	5,425,058	5,683,415
Plastic cards	585,191	793,787
	<u>57,833,250</u>	<u>50,283,752</u>
Less allowance for impairment losses	<u>(5,046,831)</u>	<u>(3,472,130)</u>
<b>Total loans to customers</b>	<b><u>52,786,419</u></b>	<b><u>46,811,622</u></b>

As at 31 December 2011 and 2010 the Bank granted 4 and 11 loans totaling AZN 209,454,914 and AZN 368,219,354, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2011 and 2010 the maximum credit risk exposure of loans to customers amounted to AZN 430,257,961 and AZN 471,456,772, respectively.

As at 31 December 2011 and 2010 loans to customers included loans in amount of AZN 23,656,647 and AZN 60,183,649, respectively, whose terms have been renegotiated. Otherwise these loans would be past due or impaired.

As at 31 December 2011 and 2010 loans to customers included loans in amount of AZN 359,493,206 and AZN 396,458,925, respectively, that were individually determined to be impaired.

As at 31 December 2011 and 2010 59% and 71% of total amount of loans to customers are given to 8 and 9 entities, respectively.

A significant amount of loans (100% of loans to customers) is granted to companies operating in the Republic of Azerbaijan, which represents significant geographical concentration in one region.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**15. INVESTMENTS AVAILABLE-FOR-SALE**

Investments available-for-sale comprise:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Equity securities	177,331	177,418
Debt securities	<u>9,450,970</u>	<u>1,025,031</u>
<b>Total investments available-for-sale</b>	<b><u>9,628,301</u></b>	<b><u>1,202,449</u></b>

As at 31 December 2011 and 2010 accrued interest income included in investments available for sale amounted to AZN 99,970 and AZN 13,031, respectively.

	<b>Share %</b>	<b>31 December 2011</b>	<b>Share %</b>	<b>31 December 2010</b>
<b>Equity securities</b>				
Baku Stock Exchange		135,000		135,000
Millikart LTD	5	40,000	5	40,000
SWIFT SCRL	1	<u>2,331</u>	1	<u>2,418</u>
<b>Total equity securities</b>		<b><u>177,331</u></b>		<b><u>177,418</u></b>

	<b>Nominal interest rate</b>	<b>31 December 2011</b>	<b>Nominal Interest rate</b>	<b>31 December 2010</b>
<b>Debt securities</b>				
Notes issued by Azerbaijan Mortgage Fund	3.00	<u>9,450,970</u>	3.25	<u>1,025,031</u>
<b>Total debt securities</b>		<b><u>9,450,970</u></b>		<b><u>1,025,031</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED) (IN AZERBAIJAN MANATS)

## 16. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

	Land	Buildings	Computers	Vehicles	Furniture & Equipment	Other Equipment	Construction in progress	Total Premises & Equipment	Intangible Assets	Total
<b>Cost at 31 December 2009</b>	322,044	3,332,935	1,127,656	1,783,210	3,275,512	128,579	2,190,967	12,160,903	482,795	12,643,698
Additions	557,064	17,220	1,179,658	364,730	1,689,132	422,429	2,246,289	6,476,522	382,792	6,859,314
Disposals	-	(899,750)	(86,551)	(52,977)	(271,984)	(6,418)	-	(1,317,680)	-	(1,317,680)
Transfers	(99,064)	811,982	(7,034)	-	42,982	44,905	(796,603)	(2,832)	2,832	-
<b>Cost at 31 December 2010</b>	780,044	3,262,387	2,213,729	2,094,963	4,735,642	589,495	3,640,653	17,316,913	868,419	18,185,332
Additions	106,288	1,736,050	653,574	601,500	649,921	71,489	879,740	4,698,562	21,206	4,719,768
Disposals	-	-	(6,887)	(27,000)	(8,139)	-	(418)	(42,444)	(270,617)	(313,061)
Transfers	-	3,166,639	(10,652)	-	145,342	691	(3,302,020)	-	-	-
<b>Cost at 31 December 2011</b>	886,332	8,165,076	2,849,764	2,669,463	5,522,766	661,675	1,217,955	21,973,031	619,008	22,592,039
<b>Accumulated Depreciation at 31 December 2009</b>	-	(492,753)	(596,542)	(986,004)	(1,368,772)	(53,212)	-	(3,497,283)	(148,972)	(3,646,255)
Charge for the year	-	(158,028)	(398,993)	(382,953)	(601,703)	(58,380)	-	(1,600,057)	(78,182)	(1,678,239)
Disposals	-	259,756	52,569	48,416	247,239	6,251	-	614,231	-	614,231
Transfers	-	-	14,692	-	(2,963)	(10,846)	-	883	(883)	-
<b>Accumulated Depreciation at 31 December 2010</b>	-	(391,025)	(928,274)	(1,320,541)	(1,726,199)	(116,187)	-	(4,482,226)	(228,037)	(4,710,263)
Charge for the year	-	(210,712)	(433,952)	(410,050)	(845,293)	(77,192)	-	(1,977,199)	(69,992)	(2,047,191)
Disposals	-	-	6,802	18,541	2,260	-	-	27,603	42,818	70,421
Transfers	-	65	6,228	-	(6,312)	19	-	-	-	-
<b>Accumulated Depreciation at 31 December 2011</b>	-	(601,672)	(1,349,196)	(1,712,050)	(2,575,544)	(193,360)	-	(6,431,822)	(255,211)	(6,687,033)
<b>NBV at 31 December 2010</b>	780,044	2,871,362	1,285,455	774,422	3,009,443	473,308	3,640,653	12,834,687	640,382	13,475,069
<b>NBV at 31 December 2011</b>	886,332	7,563,404	1,500,568	957,413	2,947,222	468,315	1,217,955	15,541,209	363,797	15,905,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)  
(IN AZERBAIJAN MANATS)

## 17. INVESTMENT PROPERTIES

Investment properties comprise:

	Year ended 31 December 2011	Year ended 31 December 2010
Investment property at fair value at beginning of the year	6,132,246	5,931,894
Fair value gains / (loss)	58,254	200,352
<b>Investment properties at end of the year</b>	<b>6,190,500</b>	<b>6,132,246</b>

Details of valuation of investment property:

The Group holds its investment property for the purposes of capital appreciation and possible future rental out to third parties. The fair value of investment property as at 31 December 2011 was determined on 29 December 2011 by AIS Azintellektservice, who holds a recognized professional qualification. The basis used for the appraisal was market value.

## 18. OTHER ASSETS

Other assets comprise:

	31 December 2011	31 December 2010
Prepaid operating taxes	3,264,938	43,883
Prepayments for purchases of intangible assets	1,327,421	22,685
Deferred expenses	1,145,236	613,639
Collateral repossessed	275,230	-
Settlements on money transfers	124,680	601,953
Prepayments for purchase of property and equipment	40,614	289,179
Prepayments and receivables on other transactions	9,250	229,168
Accrued interest on other operations	8,450	11,619
<b>Total other assets</b>	<b>6,195,819</b>	<b>1,812,126</b>

## 19. DUE TO BANKS AND GOVERNMENT AGENCIES

Due to banks and government agencies comprise:

	31 December 2011	31 December 2010
Amount due to the National Fund for Support of Entrepreneurship	26,987,452	22,477,517
Loans from the CBAR	25,850,000	25,851,111
Amount due to Azerbaijan Mortgage Fund	19,751,590	14,104,509
Amount due to State Oil Company of Azerbaijan Republic	15,757,528	-
Correspondent accounts of other banks	3,945,753	4,006,959
Amount due to the National Depository Center	1,604,339	1,305,017
<b>Total due to banks and government agencies</b>	<b>93,896,662</b>	<b>67,745,113</b>

As at 31 December 2011 and 2010 accrued interest expense included in due to banks and government agencies amounted to AZN 158,966 and AZN 120,196, respectively.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**20. CUSTOMER ACCOUNTS**

Customer accounts comprise:

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
Time deposits	342,784,576	311,093,660
Repayable on demand	93,346,840	161,367,911
<b>Total customer accounts</b>	<b>436,131,416</b>	<b>472,461,571</b>

As at 31 December 2011 and 2010 accrued interest expense included in customer accounts amounted to AZN 812,580 and AZN 968,732, respectively.

As at 31 December 2011 and 2010 customer accounts amounting to AZN 296,532,287 and AZN 264,344,625 were due to 8 and 9 customers representing a significant concentration, being approximately 68% and 56%, respectively.

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
Individuals	307,301,191	270,870,622
Trade	64,788,173	69,304,195
Insurance	32,939,746	25,966,988
Construction	13,617,444	633,942
Transport and communication	10,883,035	2,756,660
Manufacturing	6,149,468	100,264,623
Energy	267,599	1,270,056
Agriculture	16,867	698,048
Other	167,893	696,437
<b>Total customer accounts</b>	<b>436,131,416</b>	<b>472,461,571</b>

**21. OTHER LIABILITIES**

Other liabilities comprise:

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
Payables to the employees	471,039	296,446
Payables to the Deposit Insurance Fund	322,788	308,045
Deferred revenue	254,505	185,134
Taxes other than income tax	242,802	2,069,762
Accrued expenses	208,202	214,666
Settlements on money transfers and plastic cards	189,348	972,173
Professional fees payable	52,971	56,720
Payables to the State Social Protection Fund	279	17,164
Other	260,933	87,736
<b>Total other liabilities</b>	<b>2,002,867</b>	<b>4,207,846</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**22. SHARE CAPITAL**

As of 31 December 2011 and 2010 the Group's shareholders' authorized, issued and fully paid capital amounted to AZN 140,492,610 and AZN 72,828,000, respectively and comprised 3,630,300 and 2,142,000 ordinary shares with a par value of AZN 38.70 and AZN 34.00, respectively. Each share entitles one vote to the shareholder.

During 2011 and 2010 share capital of the Group was increased by AZN 67,664,610 and AZN 19,278,000, respectively.

During 2011 and 2010 par value of ordinary shares of the Group was increased by AZN 4.70 and AZN 9.00, respectively.

**23. FINANCIAL COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

Provision for losses on contingent liabilities amounted to AZN 894,762 and nil as at 31 December 2011 and 2010, respectively.

As at 31 December 2011 and 2010, the nominal or contract amounts and the risk amounts were:

	31 December 2011		31 December 2010	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
<b>Contingent liabilities and credit commitments</b>				
Guarantees issued and similar commitments	35,206,329	35,206,329	7,382,578	7,382,578
Letters of credit and other transaction related contingent obligations	1,460,551	730,276	-	-
Commitments on credits and unused credit lines	8,274,982	4,137,491	20,148,786	10,074,393
<b>Total contingent liabilities and credit commitments</b>	<b>44,941,862</b>	<b>40,074,096</b>	<b>27,531,364</b>	<b>17,456,971</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Capital commitments** – The Group had no material commitments for capital expenditures outstanding as at 31 December 2011.

**Legal proceedings** - From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

The Group is receiving claims from individual customers with respect to certain commissions withheld by the Group for loan agreements service. Management is of the opinion that such claims would not have adverse consequences for the Group, and is in the process of establishing procedures on disclosing additional information in loan agreements in compliance with the CBAR instruction.

**Taxes** - Azerbaijan commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. Tax years remain open to review by the tax authorities for three years. Management believes that the Group has already made all tax payments that are due, and therefore no provisions have been made in these consolidated financial statements for any potential liabilities.

**Pensions and retirement plans** - Employees receive pension benefits from the Republic of Azerbaijan in accordance with the laws and regulations of the country. As at 31 December 2011 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

**Operating environment** - The Group's principal business activities are within Azerbaijan. Laws and regulations affecting the business environment in Azerbaijan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**24. TRANSACTIONS WITH RELATED PARTIES**

Related parties or transactions with related parties in the Group, as defined by IAS 24 "Related party disclosures", represent:

- Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives them significant influence over the Group; and that have joint control over the Group;
- Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- Members of key management personnel of the Group or its parent;
- Close members of the family of any individuals referred to in (a) or (c);
- Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding as at 31 December 2011 and 2010 with related parties:

	31 December 2011		31 December 2010	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers		453,731,616		497,968,413
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		7,000,000	
- key management personnel of the entity	98,810		195,730	
Allowance for impairment losses		(23,473,655)		(26,511,641)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		(140,000)	
- key management personnel of the entity	(1,976)		(3,915)	
Customer accounts		436,131,416		472,461,571
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	83,708,524		83,958,556	
- key management personnel of the entity	-		-	
Guarantees issued		35,206,329		7,382,578
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		2,275	



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

	Year ended 31 December 2011		Year ended 31 December 2010	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Key management personnel compensation:</b>				
short-term employee benefits	481,415	7,721,793	413,156	6,259,385

Included in the consolidated income statement for the years ended 31 December 2011 and 2010 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2011		Year ended 31 December 2010	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income		59,044,253		47,385,669
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	513,333		1,260,000	
- key management personnel of the entity	7,614		8,320	
Interest expense		(25,654,486)		(22,280,750)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	(4,586,533)		(4,979,233)	
- key management personnel of the entity	(38,156)		(21,407)	
Fee and commission income		3,675,301		2,934,315
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	30,414		35,053	
- key management personnel of the entity	11,274		10,905	
Other income		71,411		642,551
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	35,475		40,475	
Operating expense		(16,027,574)		(12,592,313)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	(239,273)		(207,455)	

**25. SEGMENT REPORTING**

The Group's activity is sufficiently integrated and primarily relates to the banking sector. Accordingly, for purposes of IAS 14 "Segment reporting" the Group is accounted for as a single segment. The Group's assets are located in the Republic of Azerbaijan and major parts of its revenue and net profit arrives from operations in the Republic of Azerbaijan. The Group's operations include transactions with banks, legal entities and individuals. Data on other transaction balances and their results are provided in the respective notes to the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	209,976,863	209,976,863	126,229,976	126,229,976
Due from banks	16,519,775	16,519,775	3,142,161	3,142,161
Due to banks and government agencies	93,896,662	93,896,662	67,754,113	67,754,113
Customer accounts	436,131,416	436,131,416	472,461,571	472,461,571

The fair value of loans to customers cannot be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

The fair value of equity securities included in investments available-for-sale cannot be measured reliably. As at 31 December 2011 and 2010 the cost of them was 177,331 and AZN 177,418, respectively. Since these shares are not publicly traded and the range of reasonable fair value estimates is significant, it is not possible to estimate their fair value.

**27. REGULATORY MATTERS**

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basel Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Weighting	Description of position
0%	Cash and cash equivalents
20%	Nostro in OECD
100%	Nostro in NON-OECD
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Other assets
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Guarantees

As at 31 December 2011 the Group's total capital amount for Capital Adequacy purposes was AZN 170,743,136 and tier 1 capital amount was AZN 170,743,136 with ratios of 33% and 33%, respectively.

As at 31 December 2010 the Group's total capital amount for Capital Adequacy purposes was AZN 86,595,917 and tier 1 capital amount was AZN 86,595,917 with ratios of 17% and 17%, respectively.

In addition, the Group has to maintain a statutory capital adequacy ratio based on the Central Bank of Azerbaijan Republic requirements. During the years ended 31 December 2011 and 2010 the Group was in compliance with the minimum capital requirements imposed by the CBAR.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**28. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged from 2010.

**29. RISK MANAGEMENT POLICIES**

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows. The Group manages the following risks:

**Credit risk**

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the experts of Credit Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved monthly (quarterly) by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Maximum Exposure**

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks. The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	Maximum exposure	Net exposure after offset	Collateral Pledged	31 December 2011 Net exposure after offset and collateral
Due from banks	16,519,775	16,519,775	-	16,519,775
Loans to customers	430,257,961	430,257,961	396,847,501	33,410,460
Investments available-for-sale	9,628,301	9,628,301	-	9,628,301

	Maximum exposure	Net exposure after offset	Collateral Pledged	31 December 2010 Net exposure after offset and collateral
Due from banks	3,142,161	3,142,161	-	3,142,161
Loans to customers	471,456,772	471,456,772	378,062,554	93,394,218
Investments available-for-sale	1,202,449	1,202,449	-	1,202,449

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group:

	AAA	AA	A	BBB	< BBB	Not rated	31 December 2011 Total
Due from banks	-	16,291,361	-	-	226,448	1,966	16,519,775
Loans to customers	-	-	-	-	-	430,257,961	430,257,961
Investments available-for-sale	-	-	-	-	-	9,628,301	9,628,301

	AAA	AA	A	BBB	< BBB	Not rated	31 December 2010 Total
Due from banks	-	2,349,755	-	-	290,270	502,136	3,142,161
Loans to customers	-	-	-	-	-	471,456,772	471,456,772
Investments available-for-sale	-	-	-	-	-	1,202,449	1,202,449

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Azerbaijan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached. The Group enters into numerous transactions where the counterparties are not rated by international rating agencies.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

Rating model

The Group has developed internal rating model, which allow it to determine the rating of counterparties. The rating of corporate borrower is based on an analysis of the financial ratios of the borrower, and an analysis of the market and industry sector, in which the borrower operates. The model also takes into consideration various qualitative factors, such as management efficiency and borrower's market share.

The application of the internal rating model results in a standardized approach in the analysis of corporate borrowers and provides a quantitative assessment of the creditworthiness of a borrower that does not have a rating from an international rating agency. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Group revises the model when deficiencies are identified.

The Group applies internal rating methodologies to specific corporate loans and groups of retail and small business loans, which incorporate various underlying master scales that are different from that used by international rating agencies. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans to customers per the statement of financial position. As such, more detailed information is not being presented.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Financial assets past due but not impaired					31 December 2011	
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total
Due from banks	16,519,775	-	-	-	-	-	16,519,775
Loans to customers	69,508,010	-	-	-	-	360,749,951	430,257,961
Investments available-for-sale	9,628,301	-	-	-	-	-	9,628,301

	Financial assets past due but not impaired					31 December 2010	
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total
Due from banks	3,142,161	-	-	-	-	-	3,142,161
Loans to customers	72,064,455	-	-	-	-	399,392,317	471,456,772
Investments available-for-sale	1,202,449	-	-	-	-	-	1,202,449

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

Geographical concentration

The Assets and Liabilities Management Committee exercises control over the risk in the legislation and regulatory arena and assess its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Azerbaijan. The Group's Management Board sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

The geographical concentration of assets and liabilities is set out below:

	The Republic of Azerbaijan	CIS countries	OECD countries	31 December 2011 Total
<b>ASSETS</b>				
Cash and cash equivalents	209,976,863	-	-	209,976,863
Gold	8,764,013	-	-	8,764,013
Due from banks	141,440	86,974	16,291,361	16,519,775
Loans to customers	430,257,961	-	-	430,257,961
Investments available-for-sale	9,625,970	-	2,331	9,628,301
Property and equipment	15,541,209	-	-	15,541,209
Investment property	6,190,500	-	-	6,190,500
Intangible assets	363,797	-	-	363,797
Deferred income tax asset	594,405	-	-	594,405
Other assets	5,654,232	11,749	529,838	6,195,819
<b>TOTAL ASSETS</b>	<b>687,110,390</b>	<b>98,723</b>	<b>16,823,530</b>	<b>704,032,643</b>
<b>LIABILITIES</b>				
Due to banks and government agencies	93,896,662	-	-	93,896,662
Customer accounts	436,131,416	-	-	436,131,416
Provision for impairment losses on other operations	894,762	-	-	894,762
Other liabilities	1,951,572	8,777	42,518	2,002,867
<b>TOTAL LIABILITIES</b>	<b>532,874,412</b>	<b>8,777</b>	<b>42,518</b>	<b>532,925,707</b>
<b>NET POSITION</b>	<b>154,235,978</b>	<b>89,946</b>	<b>16,781,012</b>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

	The Republic of Azerbaijan	CIS countries	OECD countries	31 December 2011 Total
<b>ASSETS</b>				
Cash and cash equivalents	126,229,976	-	-	126,229,976
Gold	8,642,082	-	-	8,642,082
Due from banks	664,145	128,261	2,349,755	3,142,161
Loans to customers	471,456,772	-	-	471,456,772
Investments available-for-sale	1,200,031	-	2,418	1,202,449
Property and equipment	12,834,687	-	-	12,834,687
Investment property	6,132,246	-	-	6,132,246
Intangible assets	640,382	-	-	640,382
Deferred income tax asset	90,944	-	-	90,944
Other assets	1,805,348	-	6,778	1,812,126
<b>TOTAL ASSETS</b>	<b>629,696,613</b>	<b>128,261</b>	<b>2,358,951</b>	<b>632,183,825</b>
<b>LIABILITIES</b>				
Due to banks and government agencies	67,745,113	-	-	67,745,113
Customer accounts	472,461,571	-	-	472,461,571
Current income tax liability	532,996	-	-	532,996
Other liabilities	4,070,538	173	137,135	4,207,846
<b>TOTAL LIABILITIES</b>	<b>544,810,218</b>	<b>173</b>	<b>137,135</b>	<b>544,947,526</b>
<b>NET POSITION</b>	<b>84,886,395</b>	<b>128,088</b>	<b>2,221,816</b>	

**Liquidity risk**

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Group performs daily monitoring of expected future cash flows on clients' and banking operations, which is a part of the assets/liabilities management process. The Assets and Liabilities Management Committee sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

An analysis of the liquidity and interest rate risks is presented in the following table. The tables have been drawn up to detail:

(i) The remaining contractual maturity of non-derivative financial liabilities based on the undiscounted cash flows of financial liabilities (both interest and principal cash flows) based on the earliest date on which the Group can be required to pay, and

(ii) The expected maturity for non-derivative financial assets based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total 31 December 2011
<b>ASSETS</b>								
Due from banks	0,21%	1,254,286	-	-	-	-	-	1,254,286
Loans to customers	11,26%	97,970	33,383,176	128,941,408	144,267,323	106,029,163	16,150,699	428,869,739
Investments available-for-sale	3,03%	-	-	-	-	9,351,000	-	9,351,000
Total interest bearing assets at fixed rates		1,352,256	33,383,176	128,941,408	144,267,323	115,380,163	16,150,699	439,475,025
Total interest bearing assets		1,352,256	33,383,176	128,941,408	144,267,323	115,380,163	16,150,699	439,475,025
Cash and cashequivalents		198,161,192	-	-	-	-	11,815,671	209,976,863
Gold		8,764,013	-	-	-	-	-	8,764,013
Due from banks		14,348,636	-	-	-	-	916,853	15,265,489
Loans to customers		1,360,224	-	-	-	-	27,998	1,388,222
Investments available-for-sale		99,970	-	-	-	-	177,331	277,301
Other assets		1,168,162	-	-	3,153,929	-	35,407	4,357,498
		<b>225,254,453</b>	<b>33,383,176</b>	<b>128,941,408</b>	<b>147,421,252</b>	<b>115,380,163</b>	<b>29,123,959</b>	<b>679,504,411</b>
<b>LIABILITIES</b>								
Due to banks and government agencies	2,64%	476,855	2,211,377	28,805,622	41,467,249	16,830,840	-	89,791,943
Customer accounts	6,73%	17,210,143	27,232,371	118,219,224	179,426,453	-	-	342,088,191
Total interest bearing liabilities at fixed rates		17,686,998	29,443,748	147,024,846	220,893,702	16,830,840	-	431,880,134
Total interest bearing liabilities		17,686,998	29,443,748	147,024,846	220,893,702	16,830,840	-	431,880,134
Due to banks and government agencies		4,104,719	-	-	-	-	-	4,104,719
Customer accounts		94,043,225	-	-	-	-	-	94,043,225
Other liabilities		2,438,688	159,258	-	469,925	66,642	23,410	3,157,923
Guarantees issued and similar commitments		1,007,500	2,324,799	30,903,469	970,561	-	-	35,206,329
Letters of credit and other transaction related contingent obligations		-	-	1,460,551	-	-	-	1,460,551
Commitments on credits and unused credit lines		3,748,264	-	1,924,266	1,613,171	989,281	-	8,274,982
		<b>123,029,394</b>	<b>31,927,805</b>	<b>181,313,132</b>	<b>223,947,359</b>	<b>17,886,763</b>	<b>23,410</b>	<b>578,127,863</b>
Liquidity gap		102,225,059	1,455,371	(52,371,724)	(76,526,107)	97,493,400		
Interest sensitivity gap for fixed rate instruments		(16,334,742)	3,939,428	(18,083,438)	(76,626,379)	98,594,323		
Interest sensitivity gap		(16,334,742)	3,939,428	(18,083,438)	(76,626,379)	98,549,323		
<b>Cumulative interest sensitivity gap</b>		<b>(16,334,742)</b>	<b>(12,395,314)</b>	<b>(30,478,752)</b>	<b>(107,105,131)</b>	<b>(8,555,808)</b>		



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
(IN AZERBAIJAN MANATS)

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total 31 December 2010
<b>ASSETS</b>								
Due from banks	8,00%	353,960	1,349,823	-	-	-	-	1,703,783
Loans to customers	11,43%	798,254	81,302,031	90,252,656	261,478,089	17,197,595	17,175,713	468,204,338
Investments available-for-sale	3,25%	-	-	-	1,025,031	-	-	1,025,031
Total interest bearing assets at fixed rates		1,152,214	82,651,854	90,252,656	262,503,120	17,197,595	17,175,713	470,933,152
Total interest bearing assets		1,152,214	82,651,854	90,252,656	262,503,120	17,197,595	17,175,713	470,933,152
Cash and cash equivalents		124,545,621	-	-	-	-	1,684,355	126,229,976
Gold		8,642,082	-	-	-	-	-	8,642,082
Due from banks		1,296,075	-	-	-	-	142,303	1,438,378
Loans to customers		3,178,627	-	-	-	-	73,807	3,252,434
Investments available-for-sale		-	-	-	-	-	177,418	177,418
Other assets		613,599	-	-	-	-	-	613,599
		<b>139,428,218</b>	<b>82,651,854</b>	<b>90,252,656</b>	<b>262,503,120</b>	<b>17,197,595</b>	<b>19,253,596</b>	<b>611,287,039</b>
<b>LIABILITIES</b>								
Due to banks and government agencies	2,00%	200,000	91,534	1,815,887	46,686,878	12,462,559	-	61,256,858
Customer accounts	7,99%	15,037,002	126,856,831	88,300,486	80,401,652	-	-	310,595,971
Total interest bearing liabilities at fixed rates		15,237,002	126,948,365	90,116,373	127,088,530	12,462,559	-	371,852,829
Total interest bearing liabilities		15,237,002	126,948,365	90,116,373	127,088,530	12,462,559	-	371,852,829
Due to banks and government agencies		6,488,255	-	-	-	-	-	6,488,255
Customer accounts		161,865,600	-	-	-	-	-	161,865,600
Current income tax liability		-	532,996	-	-	-	-	532,996
Other liabilities		1,497,267	271,687	296,799	-	-	85,000	2,150,753
Guarantees issued and similar commitments		1,220,000	852,600	4,769,160	540,818	-	-	7,382,578
Commitments on credits and unused credit lines		8,885,355	-	2,421,779	8,841,652	-	-	20,148,786
		<b>195,193,479</b>	<b>128,605,648</b>	<b>97,604,111</b>	<b>136,471,000</b>	<b>12,462,559</b>	<b>85,000</b>	<b>570,421,797</b>
Liquidity gap		(55,765,261)	(45,953,794)	(7,351,455)	126,032,120	4,735,036		
Interest sensitivity gap for fixed rate instruments		(14,084,788)	(44,296,511)	136,283	135,414,590	4,735,036		
Interest sensitivity gap		(14,084,788)	(44,296,511)	136,283	135,414,590	4,735,036		
<b>Cumulative interest sensitivity gap</b>		<b>(14,084,788)</b>	<b>(58,381,299)</b>	<b>(58,245,016)</b>	<b>77,169,574</b>	<b>81,904,610</b>		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
(IN AZERBAIJAN MANATS)

**Market Risk**

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2011.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

**Interest rate risk**

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax:

	As at 31 December 2011		As at 31 December 2010	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
<b>Assets:</b>				
Due from banks	12,543	(12,543)	17,038	(17,038)
Loans to customers	4,288,697	(4,288,697)	4,682,043	(4,682,043)
Investments available-for-sale	93,510	(93,510)	10,250	(10,250)
<b>Liabilities:</b>				
Due to banks and government agencies	(897,919)	897,919	(612,569)	612,569
Customer accounts	(3,420,882)	3,420,882	(3,105,960)	3,105,960
<b>Net impact on profit before tax</b>	<b>75,949</b>	<b>(75,949)</b>	<b>990,802</b>	<b>(990,802)</b>

Impact on shareholders' equity:

	As at 31 December 2011		As at 31 December 2010	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
<b>Assets:</b>				
Due from banks	12,543	(12,543)	17,038	(17,038)
Loans to customers	4,288,697	(4,288,697)	4,682,043	(4,682,043)
Investments available-for-sale	93,510	(93,510)	10,250	(10,250)
<b>Liabilities:</b>				
Due to banks and government agencies	(897,919)	897,919	(612,569)	612,569
Customer accounts	(3,420,882)	3,420,882	(3,105,960)	3,105,960
<b>Net impact on profit before tax</b>	<b>75,949</b>	<b>(75,949)</b>	<b>990,802</b>	<b>(990,802)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Currency risk**

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Management Board sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the CBAR. The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	AZN	USD	EUR	Other currency	31 December 2011 Total
<b>ASSETS</b>					
Cash and cash equivalents	184,201,439	23,584,717	2,190,707	-	209,976,863
Gold	8,764,013	-	-	-	8,764,013
Due from banks	11,800,490	1,974,106	2,550,717	194,462	16,519,775
Loans to customers	214,083,881	215,672,832	501,248	-	430,257,961
Investments available-for-sale	9,625,970	-	2,331	-	9,628,301
Property and equipment	15,541,209	-	-	-	15,541,209
Investment property	6,190,500	-	-	-	6,190,500
Intangible assets	363,797	-	-	-	363,797
Deferred income tax asset	594,405	-	-	-	594,405
Other assets	5,608,345	76,418	508,900	2,156	6,195,819
<b>TOTAL ASSETS</b>	<b>456,774,049</b>	<b>241,308,073</b>	<b>5,753,903</b>	<b>196,618</b>	<b>704,032,643</b>
<b>LIABILITIES</b>					
Due to banks and government agencies	74,193,382	19,702,760	520	-	93,896,662
Customer accounts	220,314,519	205,471,272	10,343,896	1,729	436,131,416
Provision for impairment losses on other operations	894,762	-	-	-	894,762
Other liabilities	1,455,349	523,443	23,611	464	2,002,867
<b>TOTAL LIABILITIES</b>	<b>296,858,012</b>	<b>225,697,475</b>	<b>10,368,027</b>	<b>2,193</b>	<b>532,925,707</b>
<b>OPEN CURRENCY POSITION</b>	<b>159,916,037</b>	<b>15,610,598</b>	<b>(4,614,124)</b>	<b>194,425</b>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

	AZN	USD	EUR	Other currency	31 December 2010 Total
<b>ASSETS</b>					
Cash and cash equivalents	120,514,883	4,117,000	1,598,093	-	126,229,976
Gold	8,642,082	-	-	-	8,642,082
Due from banks	500,389	1,943,387	690,972	7,413	3,142,161
Loans to customers	278,851,564	192,338,236	266,972	-	471,456,772
Investments available-for-sale	1,200,031	-	2,418	-	1,202,449
Property and equipment	12,834,687	-	-	-	12,834,687
Investment property	6,132,246	-	-	-	6,132,246
Intangible assets	640,382	-	-	-	640,382
Deferred income tax asset	90,944	-	-	-	90,944
Other assets	1,675,535	134,420	2,171	-	1,812,126
<b>TOTAL ASSETS</b>	<b>431,082,743</b>	<b>198,533,043</b>	<b>2,560,626</b>	<b>7,413</b>	<b>632,183,825</b>
<b>LIABILITIES</b>					
Due to banks and government agencies	63,738,154	4,004,187	2,772	-	67,745,113
Customer accounts	268,281,588	195,114,026	9,064,768	1,189	472,461,571
Current income tax liabilities	532,996	-	-	-	532,996
Other liabilities	3,813,301	273,947	120,538	60	4,207,846
<b>TOTAL LIABILITIES</b>	<b>336,366,039</b>	<b>199,392,160</b>	<b>9,188,078</b>	<b>1,249</b>	<b>544,947,526</b>
<b>OPEN CURRENCY POSITION</b>	<b>94,716,704</b>	<b>(859,117)</b>	<b>(6,627,452)</b>	<b>6,164</b>	

**Currency risk sensitivity**

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and Euro against the AZN. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 31 December 2011		As at 31 December 2010	
	AZN / USD +10%	AZN / USD -10%	AZN / USD -10%	AZN / USD +10%
Impact on profit or loss	(1,561,060)	1,561,060	85,912	(85,912)
	As at 31 December 2011		As at 31 December 2010	
	AZN / USD +10%	AZN / USD -10%	AZN / USD -10%	AZN / USD +10%
Impact on profit or loss	461,413	(461,413)	662,745	(662,745)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**  
**(IN AZERBAIJAN MANATS)**

**Limitations of sensitivity analysis**

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.