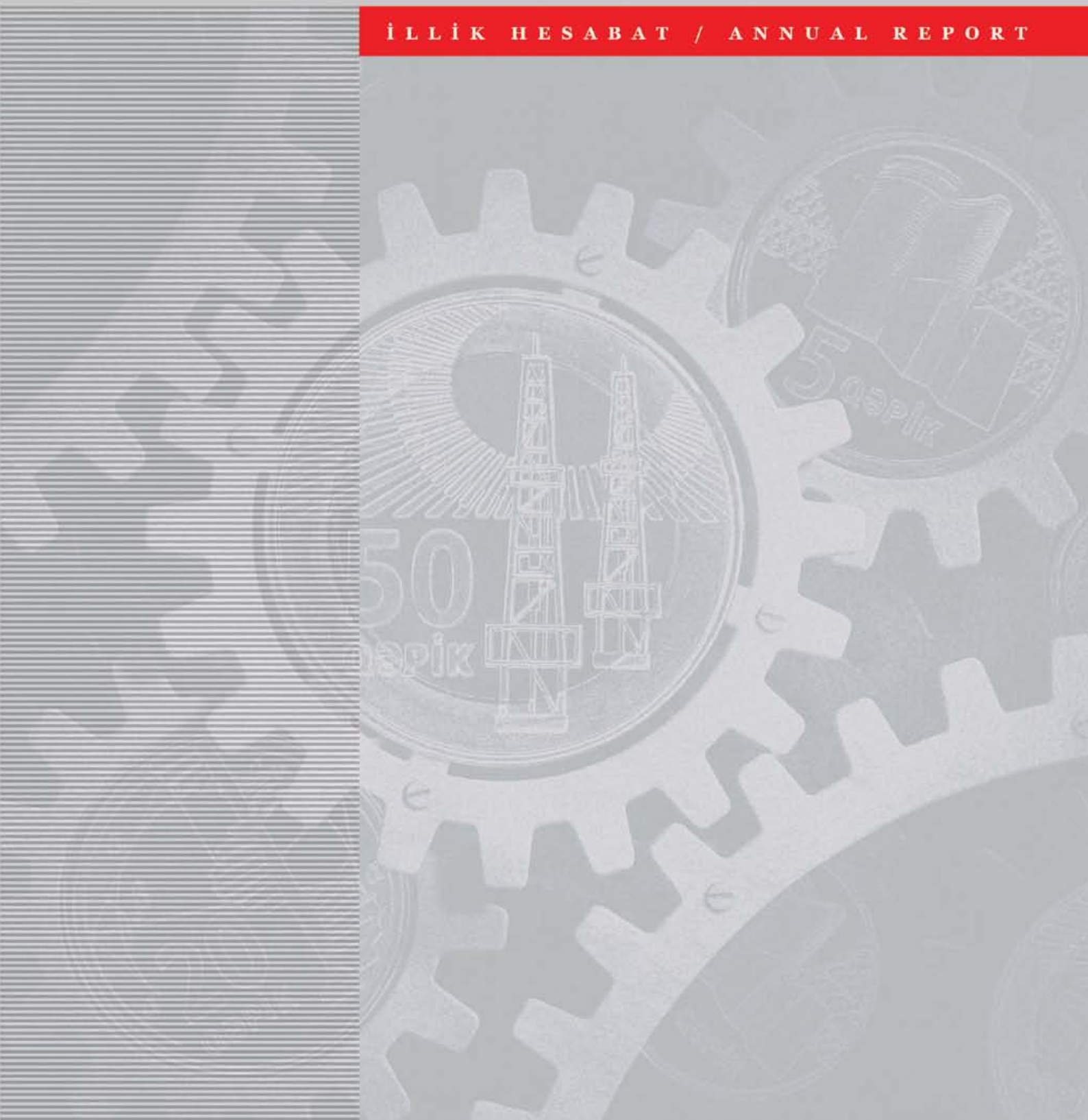


 XalqBank

UĞURLA BİRLİKDƏYİK!

2013

İLLİK HESABAT / ANNUAL REPORT



MÜNDƏRİCAT

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Asim Məmmədli,
Müşahidə Şurasının Sədri
Asim Mammadli,
Chairman of the Supervisory Board

Hörmətli səhmdarlar, müştərilər və tərəfdaşlar!

İcazənizlə, diqqətinizə Xalq Bankın 2013-cü ilin hesabatını təqdim edirəm. 2013-cü il ölkəmizin, eləcə də Bankımızın inkişaf tarixində olduqca əlamətdar bir dönmə oldu.

Dünya iqtisadiyyatı üçün mürəkkəb keçən 2013-cü ildə dövlət rəhbərliyinin həyata keçirdiyi iqtisadi siyasətin sayəsində ölkəmiz bütün sahələrdə inkişaf templəri göstərməkdə davam etmişdir. İl ərzində Ümumi Daxili Məhsulun artımı 6 faiz təşkil etmişdir. Xüsusən də bu artımın ölkənin qeyri-neft sektorunda müşahidə olunan böyük inkişafın fonunda baş verməsi olduqca sevindiricidir. 2013-cü ildə Azərbaycan iqtisadiyyatına yatırılan sərmayələr 28,0 milyard ABŞ dolları təşkil etmişdir ki, bu da müstəqil Respublikamızın tarixində ən yüksək göstəricidir. Bu yatırımların böyük hissəsi daxili, milli sərmayələrdir. İcra edilən böyük investisiyalara baxmayaraq ölkənin valyuta ehtiyatları 2013-cü ildə 50,0 milyard ABŞ dollarına çatmışdır. Ölkə iqtisadiyyatının bütün sahələrində inkişaf və dinamik artım müşahidə olunur. 2013-cü ildə Azərbaycanın xarici dövlət borcu Ümumi Daxili Məhsulun 8 faizini təşkil etmişdir. Təsadüfi deyil ki, Davos Dünya İqtisadi Forumu milli iqtisadiyyatımızı yüksək rəqabətlik qabiliyyətinə görə dünyada 39-cu yerə layiq görmüşdür.

Ötən il ölkəmizin adının həm də kosmik dövlətlər sırasına yazılması ilə yadda qaldı. Artıq fəzada Azərbaycanın öz peyki fəaliyyət göstərir. İlin sonunda isə XXI əsrin müqaviləsi - "Şahdəniz-2" investisiya sazişi bağlanmışdır. Bu, ötən il həyata keçirilən layihələrin bir

Dear shareholders, customers and partners!

We proudly present the report of 2013, year full of success and achievements for Azerbaijan as well as for Xalq Bank.

Though the past 2013 was a difficult year for world economy, in Azerbaijan thanks to the economic policy implemented by the government, development and growth was observed in all sectors of the economy. The Gross Domestic Product in our country rose by 6 percent. It is even more delightful that along with the greater development, this growth is particularly observed in the non-oil sector. Investments in Azerbaijani economy in 2013 reached a historical record amount of investments in our republic and constituted 28,0 billion U.S. dollars which largely comprised by domestic, in other words, national investments. Despite the vast invested amounts, the foreign currency reserves of the country in 2013 followed a new record and reached 50,0 billion U.S. dollars. A large growth and dynamic development is observed in all industries of country's economy. The external debt of Azerbaijan in 2013 amounted to 8% of GDP. It is not a coincidence that our national economy was ranked 39th in the world by the World Economic Forum based on high competitiveness.

Last year, the country was marked by including its name in the list of countries with space presence, as it already operates its own satellite in cosmos. By the end of the year, the XXI century investment agreement Shah Deniz-2 was signed. This is just one part of a number of projects realized last year, and by and large, the 2013

hissəsidir. Ümumilikdə 2013-cü il ölkəmizin tarixində olduqca əhəmiyyətli hadisələrlə zəngin bir il oldu.

2013-cü ildə ümumi iqtisadi və sosial inkişaf ölkəmizin maliyyə sektoruna da öz müsbət təsirini göstərmiş və bank bazarında dinamik artımı şərtləndirmişdir. Bankımız 2013-cü ildə bir çox nailiyyətlərə imza atmışdır. İlk növbədə onu qeyd etməliyəm ki, müsbət işgüzar mühit və peşəkar personalın səyləri nəticəsində inkişafımız bazar üzrə orta artım dinamikasını üstələmişdir. İşgüzar fəallığımız nəticəsində Xalq Bank strateji plana əsasən il ərzində qarşıya qoyulan vəzifələrin öhdəsindən gəlmiş və bir sıra uğurlu nəticələrə nail olmuşdur.

Əlbəttə, seçilmiş strategiyanın doğruluğunun ən bariz göstəricisi ilin maliyyə nəticələridir. 2013-cü ildə Xalq Bank tarixində ilk dəfə əsas maliyyə göstəricilərinə görə Azərbaycanın özəl bankları arasında birinci sıraya yüksəlmişdir.

2013-cü ildə Bankımızın kredit portfeli 1,0 milyard manatı ötdü. Bu isə kredit sektorunda lider mövqələrimizi daha da möhkəmlətdiyimizə dəlalət edir. Hazırda kredit portfelinin böyük hissəsini korporativ müştərilərin kreditləri təşkil edir. Lakin bununla yanaşı biz son illərdə pərakəndə bazarda payımızın artırılması yönündə müxtəlif tədbirlər həyata keçiririk və tədricən bu istiqamətdə mövqələrimizi gücləndiririk. Əvvəlki ildə olduğu kimi 2013-cü ildə də pərakəndə müştərilərin kredit portfelində artım müşahidə olunur.

Ötən il ərzində Bankımızın ölkənin böyük şəhərləri - Lənkəran, Şəmkir və Şirvanda yeni filialları fəaliyyətə başladı, Gəncə filialının yeni binası istifadəyə verildi. Filial şəbəkəsinin, xüsusən də bölgələrdə genişlənməsi, Bankın insanlara yaxın olması, onlara yüksək xidmət və bol çeşiddə məhsul təklif etməsi, bölgələrdə sahibkarlığa dəstək olması daim diqqətimizdədir və bu sahə bizim inkişafımızın əsas strateji istiqamətidir. Qarşıdakı illərdə biz Azərbaycanın bütün şəhərlərində filiallarımızla təmsil olunmağı və yerlərdə əhəliyə öz xidmət və məhsullarımızı təklif etməyi hədəfləyirik.

Bankımızın uğurlarının əsas təkanvericisi - vahid komanda şəklində birləşən əməkdaşlarımızdır və buna

was certainly a year, rich with crucial events in the history of our country.

The country's overall economic and social development in 2013 did positively influence the financial sector and stipulated the dynamic growth of the banking industry. In this sense, the Bank's achievements in 2013 are quite remarkable. First of all, it should be noted that due to a positive working atmosphere, professional personnel and our faithful partners our development rate exceeded the average development dynamic in the market. As a result of our activities, the measures according to the Bank approved strategic development plan were successfully implemented and accomplished results outweighed the forecasted indicators.

Of course, the most obvious indicator that proves the right choice of the selected strategy is the annual financial results. In 2013, the main financial indicators for the first time in the history of the Xalq Bank reached the first place among private banks in Azerbaijan.

The Bank's loan portfolio exceeded one billion in 2013, and further reinforced our leader position in the loan segment. Currently, a large proportion of the loan portfolio is comprised of loans to corporate customers. In addition, we have recently implemented a number of measures in retail banking, and gradually strengthen our position in this regard. As in previous years, the 2013 highlighted an increase in retail banking customers in the loan portfolio.

Over the past year, the Bank established new branches in country's largest cities – Lankaran, Shirvan, Shamkir and delivered the construction of the new branch office building in Ganja. The key direction which remains in the focal point of our attention and constitutes the foundation of our strategy is to expand branch network, particularly in the regions, to be close to people, as well as offer them a range of high quality services and products and support local entrepreneurship. In the coming years, we will be represented in all the cities of Azerbaijan and we aim to offer the services and products to local population there.

One of the main objectives of the Bank's strategy is human capital and investment in our employees. Last



görə də fəaliyyətimizin əsas prinsiplərdən biri insan kapitalına etdiyimiz yatırımlardır. Ötən ildə bu sahədə əhəmiyyətli addımlar atılmışdır. Personalın karyera artımı modeli və inkişaf proqramını təkmilləşdirdik və il ərzində əməkdaşlarımızın peşəkar bilik səviyyəsini yüksəlttik.

Artıq yüksək və müasir texnologiyalar həyatımızın bütün sahələrinə nüfuz edir, istənilən biznesdə vacib rol oynayır, xüsusən də bankçılıqda. Biz hər zaman innovativ həllərə, texniki inkişaf və texnoloji dəstəyə böyük önəm veririk. Arxada qalan illər də göstərir ki, informasiya texnologiyalarına və insan kapitalına etdiyimiz yatırımlar özünü doğruldur və Bankımızın inkişafını labüd edir. Xalq Bankın yerli bazarda aparıcı bankların sırasında olması da bunu təsdiq edir.

Xalq Bankın bütün istiqamətlər üzrə dinamik inkişafı beynəlxalq reyting şirkətlərinin diqqətindən kənar qalmamışdır. Moody's Investors Service beynəlxalq reyting agentliyi Bankımızın uzunmüddətli milli və xarici valyutada olan öhdəliklər reytingini B3-dən B2-yə yüksəltmişdir. Agentlik Bankın E+ sərbəst maliyyə dayanıqlığı və qısamüddətli milli və xarici valyutada olan öhdəliklərini yenidən təsdiqləyib. Aldığımız reytinglər stabil proqnoza malikdirlər.

Uğurlara imza atmaq, hər hansı bir sahənin lideri olmaq işin yarısıdır. Qazanılan mövqeləri qorumaq, onları daha da möhkəmləndirmək, tərəfdaşların etibarını dərinləşdirmək, işgüzar nüfuzu daha da yüksəltmək – budur ən çətin vəzifə, ən böyük amal. Daim inkişaf etmək, təkmilləşmək, bazarın çağırışlarına, müştərinin tələblərinə cavab vermək, həmişə bir addım irəlində olmaq işimizin əsas prinsipləridir.

year, important steps were taken in this field. Model for career growth and staff development program were improved allowing our staff to increase their professional skills level.

To achieve the goals in front of us we rely on high tech operation platforms and highly skilled professionals. The previous years likewise demonstrated that the information technology and human capital investments were justified and are certainly prerequisite for Bank's development. In short period of time, Xalq Bank was transformed into a leading financial institution capable to provide a full spectrum of up to date banking products and services to natural and legal persons.

Xalq Bank's dynamic development in all areas was also noted by international rating agencies. The international rating agency Moody's Investors Service upgraded global long-term local and foreign currency deposit rating to B2 from B3. The agency reaffirmed the bank's E + financial strength and short-term national and international currency deposit rating; received ratings have a stable forecast.

Succeeding in any field or becoming the leader is only half the job. The most challenging task and the main objective are to defend achieved positions, further strengthen the success, deepen the trust with partners and enhance the business reputation. The primary principles for us are based on continuous development, self improvement, meeting the markets and customers expectations and be one step ahead.

Customers' needs and expectations are always the most important thing for us. And that is why during

Müştərilərimizin gözləntiləri, onların istəkləri bizim üçün hər zaman böyük əhəmiyyət kəsb edib. İl ərzində biz xidmətlərimizin təkmilləşdirilməsini, infrastrukturun genişlənməsini, yeni xidmət və məhsulların tətbiqini, xidmət keyfiyyətinin yüksək standartlara uyğunluğunu diqqət mərkəzində saxlamaqla bütün istiqamətlər üzrə inkişaf etdik.

Sosial məsuliyyət müstəvisində gördüyümüz işlər bizim üçün olduqca dəyərlidir. Bankımız yarandığı gündən ölkənin idman və mədəniyyət sahəsinə aktiv dəstək verir, Azərbaycan elmi, ədəbiyyatı və incəsənətinin ölkəmizin hüdudlarından kənarında tanınması istiqamətində tədbirlər həyata keçirir. Ötən il Xalq Əmanəti layihəsi çərçivəsində Mikayıl Müşfiqin "Seçilmiş əsərləri"ni və "Gəncə rəssamları" bədii albomunu geniş ictimaiyyətə təqdim etdik. Bankın "Gəncə" filialının yeni istifadəyə verilmiş binasında rəsm qalereyası açıldıq və Gəncə rəssamlarının əsərlərini sərgilədik.

Ötən il biz davamlı inkişafın möhkəm bünövrəsini qoyduq. Gələcəkdə isə bazarda qazandığımız lider mövqeyini qoruyub saxlamaq üçün bütün gücümüzü səfərbər edəcəyik. Bu, hazırkı rəqabət mühitində heç də asan olmayacaq. Mən əminəm ki, bizim peşəkar kollektivimiz tərəfdaş və müştərilərimizlə birlikdə bu uğura da imza atacaq. 2013-cü ildə Bankımızla birlikdə olan, bizimlə çiyin-çiyinə addımlayan dostlarımız və tərəfdaşlarımıza aramızda olan böyük həqiqi etibar, illərin sınağından çıxmış qarşılıqlı-faydalı işgüzar münasibətlərə görə dərin minnətdarlığımı bildirirəm.

Mən Bankımızın kollektivini xüsusi qeyd etmək istərdim. Onların yüksək işgüzar nüfuzu, peşəkarlığı, dərin bilikləri və işə sadıqlığı sayəsində bugünkü inkişaf mümkün olmuşdur. Onların əməyinin nəticələri ilə Siz Xalq Bankın 2013-cü ilə dair İllik Hesabatında tanış ola bilərsiniz.

Ən xoş arzularla,
Asim Məmmədli

the last year we developed and focused on all directions including service improvement, infrastructure expansion, new services and products introduction, and service quality in compliance with the highest standards.

We are confident that the future of the business constitutes a close bond along with the social welfare and stability of the country, the science and education progress, and important achievements in culture and sports. Xalq Bank considered these facts and actively supported the sport and culture initiatives in the country, as well as carried out a number of events to increase the awareness on Azerbaijani science, literature, and art beyond our borders.

Last year The National Heritage project featured a public presentation of the album by Mikayil Mushvig's Selected Works and Ganja artists art album. The new building of Xalq Bank branch in Ganja hosted an art gallery and artists works from Ganja were demonstrated in the exposition.

Last year, we set a solid foundation for sustainable development, whereas maintaining the achieved leading position in the market remains as our future goal. This will be nothing easy in existing competitive environment, but in joint efforts together with our team of professionals built over the years, reliable partners and customers, we are confident we can achieve it. I would like to express my deep gratitude to everyone who was next to us in 2013, shoulder to shoulder, our friends and partners whom we treat with sincere trust for their endless loyalty and mutually beneficial business relations.

I would like to specifically underpin our most valuable capital - our people. Their high profile qualified reputation, professionalism, deep knowledge and commitment to work made today's development real.

Results of their hard work can be found in the Annual Report 2013.

With best regards,
Asim Məmmədli

İDARƏ HEYƏTİ

EXECUTIVE BOARD



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İdarə Heyətinin Sədri

Elkhan Aghayev
CEO



Xəzər Bağırılı
İdarə Heyəti Sədrinin müavini

Khazar Baghirli
Deputy CEO



Yaşar Nağiyev
İdarə Heyəti Sədrinin müavini

Yashar Naghiyev
Deputy CEO

RƏHBƏRLİK

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Maliyyə idarəsinin rəisi - Baş mühasib

Asadova Tamilla
Financial Director - Chief Accountant



Ramiz Əliyev
Təhlükəsizlik idarəsinin rəisi

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Biznesin inkişafı idarəsinin rəisi

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Vasif Bayramov
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Royam Huseynzadeh
Director of Legal Department



Kərim Quliyev
Risklərin idarə edilməsi idarəsinin rəisi

Karim Guliyev
Director of Risk Management Department



Bəxtiyar Nəsimov
Təsərrüfat idarəsinin rəisi

Bakhtiyar Nasibov
Director of Procurement Department

2013-cü ildə Azərbaycan iqtisadiyyatının ümumi icmalı

General overview of Azerbaijan economy in 2013

2013-cü ildə inkişaf etmiş bəzi dövlətlərdə iqtisadi sabitlik, iqtisadiyyatı keçid dövrünü yaşayan bir çox ölkələrdə isə kiçik artım müşahidə olunmasına baxmayaraq yaxın perspektivdə dünyada iqtisadi-sosial sarsıntıların davam edəcəyi proqnozlaşdırılır. Qlobal iqtisadi inkişafın qarşısında duran problem və risklər mövcud resursları səfərbər etmək, məşğulluq, rəqabət problemlərinin həlli və struktur islahatların keçirilməsini zəruri etdi. Ötən ilin hadisələri iqtisadiyyatın qloballaşması şəraitində iqtisadi siyasətdə həyata keçirilən tədbirlərin bir sıra fəsadlara yol açma biləcəyini nümayiş etdirdi. İnkişaf etmiş ölkələrdə müşahidə olunan qeyri-bərabər artım, makroiqtisadiyyatda atılmış addımlar bazarı formalaşmaqda olan ölkələrdə nizamsız qalxıb-enmələrdən əlavə, həm də iqtisadi siyasətin tənzimlənməsinə mane olurdu.

Bütün sadalanan neqativ amillərə baxmayaraq Azərbaycan iqtisadiyyatı 2013-cü ildə xarici təhlükə və mənfi təsirlərə qarşı dayanıqlıq göstərmiş və nəticədə yüksək iqtisadi inkişafa və sosial rifahın artımına nail olmuşdur. Hökumətin hesabatına əsasən 2013-cü ildə Ümumi Daxili Məhsulun (ÜDM) həcmi əvvəlki ilə müqayisədə 5,8%, yaxud rəqəmlə ifadə etsək 3,7 milyard manat artaraq 57,7 milyard manat təşkil etmişdir. Adambaşına düşən ÜDM həcmi isə 4,4% artaraq 6 207 manata (\$7 958) çatıb. 2014-cü ilin

Although 2013 was noted by the economic stability in some developed countries and small growth in many countries with transit economy, short-term forecasts indicate the continuing socio-economic shattering in the world. Problems and risks facing the global economic development necessitated the mobilisation of existing resources, resolution of employment, competition problems and implementation of structural reforms. Last year events demonstrated that actions taken in economic policy in the conditions of economic globalization could result in a number of complications. Irregular growth observed in developed countries, measures taken in macro-economy resulted in uncontrolled growth and decline in countries with emerging market, as well as hindered the regulation of the economic policy.

Irrespective of all mentioned negative factors Azerbaijan economy withstood the external threats and adverse impacts in 2013 and, as a result, achieved high economic development and increased social welfare. According to the government reports the Gross Domestic Product (GDP) in 2013 increased by 5.8% or 3.7 billion manats as compared to the previous year and reached 57.7 billion manats. The amount of GDP per capita has increased by 4.4% reaching 6 207 manats (\$7 958). At the beginning of 2014



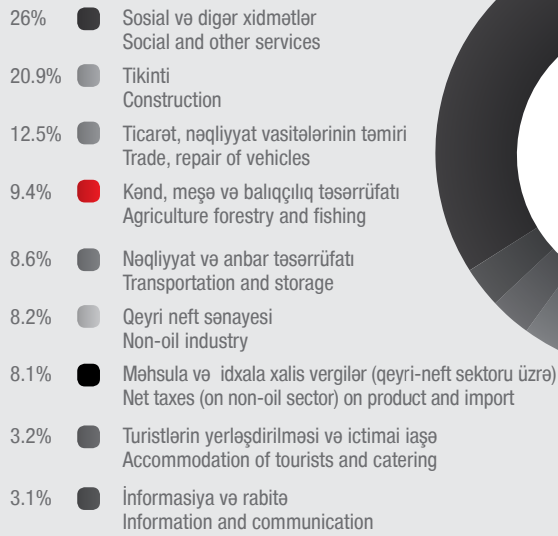
əvvəlində Azərbaycan Respublikasının xarici dövlət borcu 4,75 milyard manat, xarici dövlət borcunun ÜDM-yə olan nisbəti 8,2% təşkil etmiş və bu sahədə bir çox inkişaf etmiş və inkişaf etməkdə olan ölkələri qabaqlamışdır.

Qeyri-neft sektorunun inkişafına yönələn tədbirlər nəticəsində iqtisadiyyatın bu istiqamətində il ərzində 9,8% artım əldə edilmişdir. Hesabat dövründə qeyri-neft sektorunda 32,6 milyard manat həcmində əlavə dəyər yaradılmışdır. İstehsal olunmuş məhsulların dəyəri 4,8% artaraq 6,8 milyard manata bərabər olmuşdur.

İqtisadiyyatın inkişafı, müxtəlif infrastruktur və sosial layihələrin gerçəkləşməsinə 2013-cü ildə 22,0 milyard manat sərf olunmuşdur. İqtisadiyyatın neft sektoruna 5,6 milyard manat yönəldilmişdisə, qeyri-neft sektoruna qoyulmuş sərmayə 16,3 milyard manat təşkil etmişdir. Bu yatırımların 62,4%-i daxili resurslar hesabına formalaşmışdır. 2012-ci ilə nisbətə ölkə iqtisadiyyatına yatırılmış investisiyaların həcmi 8,7% artmışdır. Son on ildə ölkə iqtisadiyyatının inkişafına 127,5 milyard manat (\$155,6 milyard) sərmayə qoyulmuşdur.

2014-cü ilin yanvar ayının 1-nə olan məlumata görə iqtisadiyyatda maddə ilə çalışan işçilərin sayı 1,51 milyon nəfər təşkil etmişdir. Dövlət Statistika Komitəsinin məlumatına görə onlardan 900,2 min nəfəri iqtisadiyyatın dövlət sektorunda, 609,9 min nəfəri isə özəl sektorda fəaliyyət göstərmişdir. İşsizliyin tam aradan qaldırılmasına yönələn tədbirlər nəticəsində 2013-cü ildə 110 min iş yeri açılmışdır. Bunlardan 80 mini daimi iş yerləridir. İşsizliyin səviyyəsi 5,3%-dək enmişdir. Ötən ilin yanvar-dekabr aylarında ölkə iqtisadiyyatında maddə ilə çalışan işçilərin orta aylıq nominal əmək haqqı 423,0 manat

ÜDM-nin strukturunda qeyri-neft sektorunun sahələr üzrə payı
The structure of GDP related to non-oil sector



the capital export national debt of the Republic of Azerbaijan was 4.75 billion manats with the national debt to GDP ratio constituting 8.2%, which was ahead of many developed and developing countries.

As a result of measures taken for development of non-oil sector, this sector of economy has gained 9.8% growth during the year. The non-oil sector has generated 32.6 billion manats added value during the reporting period. The amount of manufactured products has increased by 4.8% reaching 6.8 billion manats.

The amount spent for development of economy, implementation of various infrastructure and social projects in 2013 was 22.0 billion manats. The investment in oil sector of economy was 5.6 billion manats, while the investment in non-oil sector constituted 16.3 billion manats. 62.4% of these investments were on the account of internal resources. The volume of investments in the state

olmuşdur. İqtisadiyyatın mədənçixarma sənayesində, maliyyə və sığorta fəaliyyətində, informasiya və rabitədə, peşə, elmi və texniki fəaliyyət sahəsində, tikintidə, inzibati və yardımçı xidmətlərin göstərilməsi sahəsində orta aylıq nominal əmək haqqı daha yüksək olmuşdur.

2013-cü ildə inflyasiyanın səviyyəsi 2,4% təşkil etdiyi halda, əhalinin nominal pul gəlirləri 8% artaraq 37,6 milyard manata çatmışdır. Gəlirin adambaşına düşən həcmi 4 039,6 manata bərabər olmuşdur. Bu isə ötənlik göstəricidən 6,6% çoxdur. Bu il həm də vətəndaşların keçmiş SSRI Əmanət Bankında qalan əmanətlərinin qaytarılması prosesi

economy compare to 2012 increased by 8.7%. Total amount of investments in the development of the economy for the last ten years was 127.5 billion manats (\$155.6 billion).

According to the data of January 1, 2014, the number of hired workers in the economy was 1.51 million people. According to the State Statistic Committee data, 900.2 thousand of them worked in the government sector and 609.9 thousand in the private sector of the economy. As a result of actions taken for elimination of unemployment 110 thousand new job places were opened in 2013; 80 thousand of them are permanent jobs. The level of unemployment was reduced to 5.3%. In January-December of the last year the average nominal salary of hired workers in the country was 423.0 manats. The average nominal salary of workers engaged in extraction industry, finance and insurance, information and communication, professional, scientific and technical fields, construction, administration and auxiliary services was higher.

While the level of inflation in 2013 was 2.4%, the nominal money income of the population has increased by 8% reaching 37.6 billion manats. The income per capita was 4 039.6 manats, which is 6.6% higher as compared to last year. This year the reimbursement of deposits of citizens placed in the former USSR Saving Bank was also successfully completed. Individual lump-sum payments in the amount of 597.0 million manats were made on 1.623 million deposit accounts.

The development of entrepreneurship was under constant control of the state throughout the year. Entrepreneurs received concessional loans in the amount of 275.0 million manats during the reporting period.

As per the data at the year-end, significant growth is observed in all sectors of the economy. The achieved growth was 4.8% in production of food industry, 21% in production of construction materials, 27.3% in machinery and equipment industry, 19.5% in chemical industry, 1.5% in metallurgy, 28.8% in car industry, 5.9% in furniture manufacturing, 32.8% in printing industry.



2013-cü ildə inflyasiyanın səviyyəsi 2,4% təşkil etdiyi halda, əhalinin nominal pul gəlirləri 8% artaraq 37,6 milyard manata çatmışdır

uğurla başa çatdırılmışdır. 1,623 milyon əmanət hesabı üzrə 597,0 milyon manat həcmində fərdi birdəfəlik ödəmələr həyata keçirilmişdir.

İl ərzində sahibkarlığın inkişafı daim dövlətin diqqət mərkəzində olmuşdur. Hesabat dövründə sahibkarlığa 275,0 milyon manat həcmində güzəştli kreditlər verilmişdir.

İlin sonuna olan məlumatlara görə iqtisadiyyatın bütün sahələri üzrə əhəmiyyətli artım müşahidə olunur. Yeyinti sənayesi məhsullarının istehsalında 4,8%, inşaat materialları istehsalında 21%, maşın və avadanlıq sənayesində 27,3%, kimya sənayesində 19,5%, metallurjiya sahəsində 1,5%, avtomobil sənayesində 28,8%, mebel istehsalında 5,9%, poliqrafiya sahəsində 32,8% artıma nail olunmuşdur.

Hesabat dövrü ərzində Azərbaycan dünyanın 149 ölkəsi ilə ticarət əməliyyatları həyata keçirmişdir. Bu ölkələrlə ümumi xarici ticarətin dövrüyyəsi 34,7 milyard ABŞ dolları təşkil etmişdir. İl ərzində məhsulların ixracı 23,9 milyard, idxalı isə 10,8 milyard ABŞ dollarına bərabər olmuşdur. Əmtəə dövriyyəsində müşahidə olunan müsbət saldo 13,27 milyard ABŞ dolları həcmində olmuşdur. Dövr ərzində ən iri idxalçı ölkə İtaliya, ixracatçı ölkə Rusiya olmuşdur.

2013-cü ildə Azərbaycanın İnformasiya-Kommunikasiya Texnologiyaları (İKT) sahəsində müşahidə olunan artım tempi (14%) bu sahənin dünya üzrə inkişaf tempini 2 dəfə üstələmişdir. Bu sahənin gəlirləri il ərzində 1,632 milyard manat təşkil etmişdir. İKT sektoruna hesabat dövründə 202,2 milyon manat sərmayə qoyulmuşdur. Ölkəmiz ilk telekommunikasiya peykini orbitə göndərmişdir. Hazırda "Azerspace-1" peyki vasitəsilə 60-dan çox yerli və xarici kanalın yayımı təşkil olunur.

Ümumilikdə 2013-cü ili Azərbaycan iqtisadiyyatı üçün növbəti uğurlu il saymaq olar. Ölkə iqtisadiyyatının hərtərəfli inkişafı dünya birliyində böyük nüfuz sahibi olan beynəlxalq qurumların tərtib etdikləri hesabat və reyting cədvəllərində öz əksini tapır. Ölkəmiz ənənəvi olaraq bu cür beynəlxalq reyting cədvəllərində ilk sıralarda qərarlaşır. Dünya İqtisadi Forumu iqtisadiyyatların rəqabət qabiliyyətliliyinə görə Azərbaycanı MDB məkanında birinci yerə layiq görür. Bu gün regional güc mərkəzi qismində qəbul olunan ölkəmiz Cənubi Qafqaz iqtisadiyyatının 80%-nə sahibdir. İqtisadiyyatın şaxələnməsi, dərinləşməsi, irimiqyaslı regional, infrastruktur layihələrinin icrası, özəl sektorun genişləndirilməsi, regionların inkişafı və digər sahələrdə mühüm uğurlar seçilən siyasi, iqtisadi, sosial kursun doğruluğunu bir daha sübut edir. Bu uğurların dünyada tanınması, qəbul edilməsi və yüksək qiymətləndirilməsinin bariz göstəricisi isə "Standard & Poor's" beynəlxalq reyting agentliyinin Azərbaycan iqtisadiyyatının mövcud durumunu "Stabil"dən "Pozitiv"ə yüksəltməsidir.

During the reporting period Azerbaijan conducted trade transactions with 149 countries. Total foreign trade turnover with these countries was 34.7 billion US dollars. During the year the total export amounted to 23.9 billion US dollars and the amount of import constituted 10.8 billion US dollars. Positive balance in commodity turnover was 13.27 billion US dollars. During this period Italy was the biggest importing country and Russia - the biggest exporting country.

The growth rate observed in Information-Communication Technologies (ICT) sector of Azerbaijan in 2013 (14%) was twice as much as the development rate in the world. The income of this sector was 1.632 billion manats a year. During the reporting period 202.2 million manats investment was placed in ICT sector. Our country has launched the first telecommunication satellite. At present "Azerspace-1" satellite transmits more than 60 local and foreign channels.

Overall, 2013 can be considered as a next successful year for Azerbaijan economy. The balanced growth of the economy is reflected in the rating tables prepared by the international organizations highly reputable in the world. Azerbaijan is among the leaders in various reports and rating tables. For example, our country is traditionally on the top of the rating tables reflecting the international economic development. The World Economic Forum places Azerbaijan in the first among CIS countries as per the competitiveness of economy. Today our country accepted as a regional powerful centre and holds 80% of the South Caucasian economy. Diversification, enhancement of economy, execution of large scale regional, infrastructure projects, expansion of private sector, development of regions and important successes in other sectors prove once more the correctness of the selected political, economical and social direction. The obvious indicator of acknowledgement, acceptance and appreciation of these successes in the world is rising of the present status of Azerbaijan economy from "Stable" to "Positive" by "Standard & Poor's" international rating agency.



While the level of inflation in 2013 was 2.4%, the nominal money income of the population has increased by 8% reaching 37.6 billion manats

Azərbaycanın Bank sektoru 2013-cü ildə

The banking system of Azerbaijan in 2013



AR Mərkəzi Bankının
1 yanvar 2014-cü
il tarixinə olan
məlumatına görə
bankların ümumi
öhdəlikləri 12,6%
artaraq 16,997
milyard manat təşkil
etmişdir

2013-cü ildə Azərbaycanın bank sektoru öz dinamik inkişafını davam etdirdi. İl ərzində bank sistemi maliyyə dayanıqlığı, aktivlərin keyfiyyəti, likvidlik, gəlirlilik və bir sıra digər göstəricilər baxımından daha da möhkəmləndi. Kapitalın adekvatlığı tələb olunan 12%-lik göstəricidən daha yüksək – 17,6%-i təşkil etdi.

Mərkəzi Bankın sərəncamında olan valyuta ehtiyatlarının həcmi ötən illə müqayisədə 2,46 milyard manat (21%) artaraq 14,152 milyard manat təşkil etdi. 2013-cü il həm də sektorun kapitalizasiyasının artım prosesləri və tənzimləyici tərəfindən bankların kredit əməliyyatlarına nəzarətin güclənməsi ilə əlamətdar oldu. İl ərzində maliyyə xidmətlərindən istifadə xeyli genişlənmiş və bu xidmətlərin böyük hissəsini əvvəlki illərdə olduğu kimi kredit əməliyyatları təşkil etmişdir. Ümumilikdə ilin yekununa görə ölkədə 43 bank fəaliyyət göstərmişdir. Hesabat dövründə 50 yeni filiolla genişlənən bank sektorunun aktivləri 3,855 milyard manat (23,3%) artaraq 20,185 milyard manat təşkil etmişdir.

AR Mərkəzi Bankının 1 yanvar 2014-cü il tarixinə olan məlumatına görə bankların ümumi öhdəlikləri 12,6% artaraq 16,997 milyard manat təşkil etmişdir. Qeyd etmək lazımdır ki, bu artım əsasən daxili bazarın vəsaitləri hesabına baş vermişdir. Belə ki, hüquqi və fiziki şəxslərin bank depozitlərinin ümumi həcmi 2013-cü ilin müvafiq göstəricisinə nisbətən 25% artaraq 12,476

In 2013 Azerbaijani sector continued its dynamic development. During the year, the banking system was strengthened by a number of indicators including financial stability of the banking system, asset quality, liquidity, profitability. The capital adequacy reached 17.6% exceeding the required 12%.

The volume of foreign currency reserves held by the Central Bank increased by 2.46 billion manats (21%) compared to the last year and reached 14.152 billion manats. Capitalization growth in 2013 as well as control of the regulator over credit transactions of the banks have been marked this year. During the year the expansion of financial services as in previous years rose and the majority of these services were credit operations. A total of 43 banks are operating in the country based on yearly results. During the reporting period, 50 new branches accompanied the expansion of the banking sector assets, by an increase of 3.855 billion manats (23.3%) and reaching an amount of 20.185 billion manats.

According to the Central Bank of Azerbaijan Republic as of January 1, 2014, banks' total liabilities increased by 12.6% to 16.997 billion manats. It should be noted that this increase occurred mainly at the expense of the domestic market funds. Thus, the total volume of bank deposits of individual and legal persons increased by



milyard manat təşkil etmişdir. Bu məbləğin 51%-i (6,411 milyard) milli valyutada olan əmanətlərdir. Manat əmanətlərinin 2,327 milyard manat həcmində olan hissəsi tələbli, qalan 4,084 milyard manat həcmində hissəsi isə müddətli əmanətlərdir. Xarici valyutada olan əmanətlərin həcmi 6,065 milyard manat təşkil edib. Depozit portfelinin tərkibində fiziki şəxslərin əmanətləri ötən illə müqayisədə 25,1% artaraq 6,396 milyard manat həddinə çatıb. 2013-cü ildə ölkə əhalisi banklarda əmanət yerləşdirərkən daha çox milli valyutaya üstünlük vermişdir. Belə ki, fiziki şəxslərin əmanətlərinin 60%-dən çoxu məhz manat əmanətləridir. Bu da öz növbəsində ölkə əhalisinin milli valyutaya olan dərin inamına dələlət edir.

25% compared to the total volume of 2013 with 12.476 billion manats respectively. 51% (6.411 billion) of this amount are deposits in the national currency. 2.327 billion manats of national currency deposits are deposits on demand and the rest 4.084 billion manats are on term basis. Foreign currency deposits are 6.065 billion manats. Deposits by individuals within the deposit portfolio grew by 25.1% compared to the last year and reached 6.396 billion manats. The country's population in 2013 gave preference to the national currency when placed saving deposits in banks, as individuals' deposits in manat amounted to 60% of the total deposits, and this in turn demonstrates the profound trust in the national currency.



According to the Central Bank of Azerbaijan Republic as of January 1, 2014, banks' total liabilities increased by 12,6% to 16,997 billion manats



Mərkəzi Bankın məlumatına görə Azərbaycan bankları hesabat dövründə 14,490 milyon manat həcmində kredit vermişlər

Bank sektorunun aktivlərinin 2013-cü ildə müşahidə olunan artımının başlıca səbəbi qeyri-neft sektorunda iqtisadi canlanma və nəticə etibarilə kreditlərə olan tələbin artması ilə bağlıdır. İl ərzində Azərbaycan bankları ölkə iqtisadiyyatının kreditləşməsinə 26% artırmışdır. Mərkəzi Bankın məlumatına görə Azərbaycan bankları hesabat dövründə 14,49 milyard manat həcmində kredit vermişlər. Kredit portfelinə hüquqi şəxslərə verilmiş kreditlərin payı 61,4%, yaxud 7,913 milyard manat təşkil etmişdir. Ev təsərrüfatlarına verilən kreditlərin həcmi 5,794 milyard manatı ötmüşdür. Daşınmaz əmlakın tikintisi və alınması üçün fiziki şəxslərə verilən kreditlərin həcmi 891,0

The main reason for the growth of assets in the banking sector in 2013 is an increase observed in the non-oil sector and eventually economic recovery in the demand for loans increased as well. During the year, the banks' lending to the economy of the country has increased by 26%. According to the Central Bank information the banks issued loans for 14.49 billion manats during the reporting period. The credit portfolio of legal persons featured 61.4% share of the loan portfolio or 7.913 billion manats. An amount exceeding 5.794 billion manats in the volume of loans belongs to household segment. Real estate and construction loans to individuals reached 891,0 million



milyon manat həddinə çatmışdır. Kredit portfelinə vaxtı keçmiş kreditlərin payı 2012-ci ilin sonuna olan göstərici (6,2%) ilə müqayisədə 1% azalaraq 5,2% təşkil etmişdir. Ötən il ümumi kredit portfelinin strukturu xeyli dəyişmişdir. Bu dövrdə milli valyutada olan kreditlərin artım (29,5%) dinamikası xarici valyutada olan kreditlərin artım (3,5%) dinamikasını 8,5 dəfə üstələmişdir. Nəticədə kredit portfelinin strukturunda milli valyutada verilən kreditlərin payı 71%-ə çatmışdır.

Hesabat dövründə banklar bölgələrin kreditləşməsinə davam etdirmişdir. Nəticədə bölgələrə kredit qoyuluşları 2012-ci ilə müqayisədə 30% artaraq

manats. The share of overdue loans in the loan portfolio in the end of 2012 was 6.2% compared with a decrease of 1% and reached 5.2% respectively. The structure of the loan portfolio has changed significantly in the past year. During this period, the growth in the national currency loans (29.5 %) outweighed the dynamics of growth in foreign currency loans (3.5%) for 8.5 times. As a result, the share of loans in the local currency loan portfolio reached 71%.

During this period banks continued lending to the regions. As a result, the credit growth in the regions increased by 30% compared to 2012 and exceeded

2,1 milyard manatı ötmüşdü. Burada da manatla verilən kreditlər xarici valyuta ilə verilən kreditləri üstələmişdir. Bölgələrdə uzunmüddətli kreditlər portfelinin əsas hissəsini (75%) təşkil etmişdir.

Ümumilikdə ilin maliyyə göstəricilərini yüksək qiymətləndirmək olar. Bank sektorunun 2013-cü ildə əldə etdiyi mənfəət 341,25 milyon manat təşkil etmişdir. Vergi və dividendlər ödənildikdən sonra bankların xalis mənfəəti 267,57 milyon manata çatmışdır.

Fəaliyyət göstərən 43 bankdan 2013-cü ildə 39 bank mənfəətlə, 4-ü isə zərərlə işləmişdir. 2012-ci ilin yekunları ilə müqayisədə ötən il 6 bank mənfəətə nail ola bilmişdir.

Aktivlərin keyfiyyətinin yüksəlməsi və kreditlər üzrə ehtiyatlara ayırmaların həcmnin azalması nəticəsində kapitalın gəlirliliyi (ROE) 2012-ci illə müqayisədə əhəmiyyətli şəkildə artaraq 11,7%-ə çatmışdır. Bank aktivlərinin gəlirliliyi (ROA) il ərzində kiçik də olsa, artım nümayiş etdirərək 1,5% təşkil etmişdir.

2013-cü ildə bank sektorunun ümumi məcmu kapitalının həcmi 854,0 milyon manat (33%) artaraq 3,427 milyard manata çatmış, nizamnamə kapitalı isə 2,610 milyard manat təşkil etmişdir.

2013-cü ildə ölkənin bank sektorunun kapitallaşması 2012-ci ilin nəticələri ilə müqayisədə 32,4% artaraq 3,39 milyard manata çatmışdır.

Hesabat dövründə ölkə bankları 4,73 milyonu debet, 942 mini kredit kartı olmaqla ümumilikdə 5,673 milyon aktiv ödəniş kartlarına xidmət göstərmişdir. Əvvəlki illə müqayisədə kartların sayı 13,3% artmışdır. Plastik kartların sayının artırılması ilə yanaşı xidmət infrastrukturunun, ATM və POS-terminallar şəbəkələrinin genişlənməsi labüddür. Bu istiqamətdə görülən tədbirlər nəticəsində ölkə ərazisində bankomatların sayı 7% artırılaraq 2 422-yə çatdırılıb. Bankomatlarla yanaşı müştərilərə 33 285 POS-terminal xidmət göstərir. İlin yekunlarına görə ödəniş kartları ilə bankomat və POS-terminal vasitəsi ilə həyata keçirilən əməliyyatların sayı 7,196 milyon, dövriyyəsi 1,149 milyard manat təşkil etmişdir.

2.1 billion manats. The loans granted in national currency were higher than foreign currency loans here likewise.

In general, the financial indicators of the year can be appreciated in value. The profit gained by the banking sector in 2013 was 341.25 million manats. The net profit of the banks after payment of taxes and dividends reached 267.57 million manats.

In 2013, 39 out of 43 active banks operated with profit, while 4 banks operated with loss. As compared to the results of 2012, last year 6 banks gained profit.

As compared to 2012 return on equity (ROE) of the banks considerably increased, reaching 11.7% due to increase in asset quality and decrease of the volume of loan provisions. During the year the return on assets (ROA) demonstrated though small, but 1.5% of growth.

In 2013 the volume of aggregate equity of the banking sector increased by 854.0 million manats (33%) reaching 3.427 billion manats, while the authorized capital constituted 2.610 billion manats.

In 2013 the capitalization of the banking sector increased by 32.4% as compared to the results of 2012 and reached 3.39 billion manats.

During the accounting year banks of the country issued 5.673 million active payment cards in total: 4.73 million debit cards and 942 thousand credit cards. As compared to the previous year, the number of cards has increased by 13.3%. Expansion of the service infrastructure including, ATM and POS terminal networks will also effect in growth of card issuing. As a result of the measures taken in 2013, number of ATM over the country has been increased by 7% reaching 2.422. In addition to ATM 33.285 POS terminals serve the customers. According to the year-end results the number of card transactions via ATM and POS was 7.196 million and the turnover made by cards equalled to 1.149 billion manats.



According to the Central Bank information, the banks issued loans for 14.49 billion manats during the reporting period

ÜMUMİ MƏLUMAT

Tam adı	AÇIQ SƏHMDAR CƏMIYYƏTİ "XALQ BANKI"
Qısa adı	XALQ BANK
Yaranma tarixi	27 dekabr 2004-cü il
Lisensiya	Azərbaycan Respublikası Mərkəzi Bankı tərəfindən verilmiş 27 dekabr 2004-cü il tarixli 246 sayılı lisenziya
Hüquqi ünvanı	Azərbaycan, Bakı şəh., AZ1065, İnşaatçılar pr-ti, 22L, məh.494
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Məlumat mərkəzi	(012) 138
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URL	www.xalqbank.az
Beynəlxalq reyting	Moody's: B2/E+/NP (Stable outlook for long term ratings)
Üzvlük	VISA International MasterCard International Əmanətlərin Sığortalanması Fondu Bakı Fond Birjası Bakı Banklararası Valyuta Birjası Sahibkarlığa Kömək Milli Fondu Azərbaycan İpoteka Fondu SWIFT Real Vaxt Rejimində Banklararası Hesablaşmalar Sistemi (AZİPS) Xırda Ödənişlər üzrə Hesablaşma Kliring Sistemi (XÖHKS) Azərbaycan Banklar Assosiasiyası Azərbaycanda Amerikanın Ticarət Palatası Azərbaycan-Rusiya İşgüzar Palatası
İşçilərin sayı, o cümlədən	520
Baş ofisdə	201
Filiallarda	319
Filiallar	24
ATM	41
Ticarət məntəqələri	118



GENERAL DETAILS

Full name	OPEN JOINT-STOCK COMPANY XALQ BANK
Short name	XALQ BANK
Date of establishment	27 December 2004
License	General license of the Central Bank of Azerbaijan N 246 Issued on 27 December 2004
Address	22 L, Inshaatchilar ave, Baku, AZ1065, Azerbaijan
Telephone	(+99412) 4044343
Fax	(+99412) 4044334
Call center	(012) 138
E-mail	mail@xalqbank.az
URL	www.xalqbank.az
International rating	Moody's: B2/E+/NP (Stable outlook for long term ratings)
Membership	VISA International MasterCard International Azerbaijan Deposit Insurance Fund Baku Stock Exchange Baku Interbank Currency Exchange The National Entrepreneurship Support Fund Azerbaijan Mortgage Fund SWIFT The Large-value Payment System (AZIPS) The Retail Payment System (XÖHKS) Azerbaijan Banks Association American Chamber of Commerce in Azerbaijan Azerbaijan-Russia Business Chamber
Staff, including	520
Head office	201
Branches	319
Branches	24
ATM's	41
Merchants	118

Xalq Bankın bank bazarında mövqeyi

Market position of Xalq Bank

Xalq Bank aktivlərinin həcminə görə 2013-cü ilin sonuna olan göstəricilərə əsasən, ölkənin ən böyük özəl kommersiya universal bankıdır (ümumi sıralamada ikinci). Bank demək olar ki, bank bazarının bütün əsas segmentlərində stabil olaraq lider mövqelərdə qərarlaşıb. Xalq Bank geniş filial şəbəkəsinə malikdir və ölkənin fəal inkişaf edən bütün iqtisadi zonalarında təmsil olunur. Bank tətbiq etdiyi yüksək biznes texnologiyaları, böyük maliyyə imkanları, geniş korporativ müştəri bazası, effektiv idarəetmə və peşəkar menecmenti ilə səciyyələndirilir.

Bankın kapitalizasiya səviyyəsi, kapitalın keyfiyyəti və ehtiyat bazası yüksək qiymətləndirilir. Aktivlərinin keyfiyyəti yüksək olmaqla yanaşı, Xalq Bank həm də gəlirlilik baxımından yaxşı nəticələrə nail olmuşdur. Bank likvidlik dərəcəsinə görə bank sektorunun liderləri sırasındadır.

Beynəlxalq reyting

2013-cü ildə Moody's Investors Service beynəlxalq reyting agentliyi Xalq Bankın uzunmüddətli milli və xarici valyutada olan öhdəliklər reytingini B3-dən B2-dək yüksəltmiş və Bankın E+ sərbəst maliyyə dayanıqlığı (BFSR) və B3 Not Prime qısamüddətli milli və xarici valyutada olan öhdəliklərini yenidən təsdiqləmişdir. Qeyd olunan reytinglər stabil proqnoza malikdirlər.

According to the financial results of 2013, Xalq Bank is the largest private commercial bank in terms of assets (second in the overall ranking). The Bank, in almost all the major segments of the banking market is in a stable leading position. Xalq Bank has wide branch network, representing in all economic zones of the country. Bank is distinguished by high technology applied to the Bank's business, its financial capabilities and extensive corporate customer base and efficient and professional management.

The Bank's capitalization level, the quality of capital and resource base is highly evaluated. In addition to high quality assets, profitability of the Bank also promoted its to the leading positions in the market. Another strong criteria of the Bank successful activity is its high liquidity.

International rating

In 2010 Xalq Bank launched cooperation with the international rating agency Moody's and received its first rating «B3». 2013 year was marked by a significant event, as Moody's upgraded Xalq Bank's rating from «B3» to «B2», E+ bank financial strength rating (BFSR). This fact testifies to the Bank's reliability and stability and will unquestionably strengthen Xalq Bank's position both in local market and internationally as well as will allow increasing shareholder value. Moody's notes that the upgrade reflects reevaluation



Xalq Bank rəqəmlərlə

	2011	2012	2013
	Mln AZN	Mln AZN	Mln AZN
Aktivlər, o cümlədən			
Fiziki şəxslərin kreditləri	52,0	98,1	132,9
Hüquqi şəxslərin kreditləri	400,3	565,9	863,9
Cəmi aktivlər	715,2	854,6	1282,0
Öhdəliklər, o cümlədən			
Fiziki şəxslərin vəsaitləri	306,5	405,5	599,0
Hüquqi şəxslərin vəsaitləri	113,5	118,2	249,8
Cəmi öhdəliklər	533,3	652,8	1065,1
Ümumi kapital	181,9	201,8	216,9
Nizamnamə kapitalı	140,5	169,1	183,7
Ümumi gəlirlər	63,7	68,8	78,5
Faiz gəlirləri	59,0	60,9	77,2
Digər gəlirlər	4,7	7,9	1,3
Ümumi xərclər	38,0	54,2	64,4
Faiz xərcləri	25,6	26,3	32,7
Qeyri-faiz xərcləri	12,4	27,9	31,7
Xalis mənfəət	25,7	14,6	14,0

Xalq Bank in figures

	2011	2012	2013
	Mln AZN	Mln AZN	Mln AZN
Assets, including			
Individual customers loans	52.0	98.1	132.9
Corporate customers loans	400.3	565.9	863.9
Total assets	715.2	854.6	1282.0
Liabilities, including			
Individual customers funds	306.5	405.5	599.0
Corporate customers funds	113.5	118.2	249.8
Total liabilities	533.3	652.8	1065.1
Total capital	181.9	201.8	216.9
Shareholder capital	140.5	169.1	183.7
Total incomes	63.7	68.8	78.5
Interest incomes	59.0	60.9	77.2
Other incomes	4.7	7.9	1.3
Total expenses	38.0	54.2	64.4
Interest expenses	25.6	26.3	32.7
Other expenses	12.4	27.9	31.7
Net profit	25.7	14.6	14.0

Bankın perspektivlərini dəyərləndirən Moody's təhlilçiləri bəyan ediblər ki, pozitiv proqnoz Bankın bazarda mövqelərinin möhkəmlənməsi, aktivlərin keyfiyyəti, yüksək kapitallaşma səviyyəsi kimi amillərə əsaslanır və qarşıdakı 12-18 ay ərzində Bankın maliyyə resurslarının diversifikasiyası, aktivlərin yüksək keyfiyyəti, gəlirlilik və kapitallaşma reytingə daha da pozitiv təsir göstərə bilər.

Aktivlər

Xalq Bankın ümumi aktivləri 2013-cü ildə 50% artaraq 1,282 milyard manat təşkil etmişdir. İlin yekunlarına əsasən Bank, aktivlərinin həcminə görə özəl banklar arasında birinci mövqedə qərarlaşıb. Bankın aktivlərinin artım dinamikası respublikanın bank sektoru üzrə ən yüksək göstəricilərdən biridir və Bankın uğurlu fəaliyyətini bariz nümayiş etdirir.

Hesabat dövründə ölkənin bank sektoru üzrə ümumi aktivlərin tərkibində Xalq Bankın payı 6,3% təşkil etmişdir.

Passivlər

Bankın passivlərinin strukturunda depozitlərin payı 79,4% təşkil edir. Ötən il müştəri əmanətlərinin həcmi 62% artaraq 848,8 milyon manat təşkil etmişdir. Bu göstəriciyə görə Xalq Bank ölkənin özəl bankları arasında birinci yerə yüksəlmişdir. İl ərzində depozit portfelinin artım sürəti müştərilərin Banka olan dərin etibar və etimadına, eləcə də Bankın bu istiqamətdə uğurlu fəaliyyətinə dəlalət edir.

Kapital

Hesabat ilində Xalq Bankın ümumi kapitalı 7,5% artaraq 216,9 milyon manat həddini keçmişdir. 2014-cü ilin əvvəlinə Bankın nizamnamə kapitalı 183,7 milyon manat təşkil etmişdir ki, bu nəticələrə görə də Xalq Bank ölkənin maliyyə sektorunun liderləri sırasındadır.

Mənfəət

Xalq Bankın gəlirləri 14% artaraq 2013-cü ilin yekunlarına əsasən 78,5 milyon manat təşkil etmişdir. Bankın xərcləri 2013-cü ildə 64,4 milyon manat olmuşdur. Xalq Bank 2013-cü ili balans mənfəəti 17,8 milyon manat və xalis mənfəəti 14,0 milyon manat ilə başa çatdırdı.

of the Bank's rating based on its strengths, capitalization, assets quality and good relations with customers, as well as further improvement of certain indicators. According to Moody's, Xalq Bank strengthened its position as the strongest private bank in Azerbaijan. The upgrade was a logical result of almost 10 years of work by a team of professionals of Xalq Bank, a professional approach to risk management and focus on quality of customer service and technology development.

Assets

The total assets of Xalq Bank increased by 50% and amounted to 1.282 billion manats in 2013. According to the annual results, the Bank was ranked first among private banks of the country in terms of assets. The assets growth dynamics of Xalq Bank in the banking sector is one of the highest which clearly demonstrates the Bank's successful activity.

During the reporting period, Xalq Bank's share in the total assets of the banking sector was 6.3 %.

Liabilities

The share of deposits in the Bank's total liabilities equaled to 79.4%. Last year customer deposits increased by 62% and amounted to 848.8 million manats. According to this indicator, Xalq Bank was ranked first among the country's private banks. During the last year, the Bank's deposit portfolio growth rate highlighted the deep trust and confidence of customers, as well as justified the successful activities in this direction.

Capital

The total capital of Xalq Bank increased by 7.5% and surpassed 216.9 million manats in the reporting year. As of the January, 2014 the shareholder funds reached 183.7 million manats, which justified Xalq Bank's leading position among local banks.

Profit

In 2013 Xalq Bank's incomes rose by 14% and amounted to 78.5 million manats. The Bank's expenses in 2013 were 64.4 million manats. Xalq Bank finished the year with the EBIT for 17.8 million manats, while the net profit was 14.0 million manats.

Korporativ biznes

Corporate Business

Son illər müştərilərinin arasında fiziki şəxslərin sayının dinamik artmasına baxmayaraq korporativ müştərilərə xidmət Xalq Bankın əsas fəaliyyət istiqaməti olaraq qalmaqdadır. Hesabat ilində Bank universallaşma istiqamətində iri şirkət və təşkilatlar, eləcə də orta korporativ müştərilərdən ibarət müştəri seqmentlərinin bazar tələblərinə yönəlik tədbirlər həyata keçirmişdir. İl ərzində Bank iqtisadiyyatın ənənəvi sahələrində öz mövqeyini möhkəmləndirməklə yanaşı, həm də yeni seqmentlərdə fəaliyyət göstərən şirkətləri də müştəri qismində cəlb etmişdir.

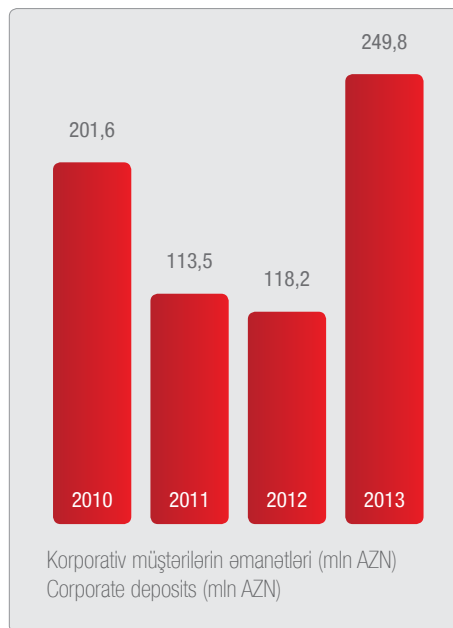
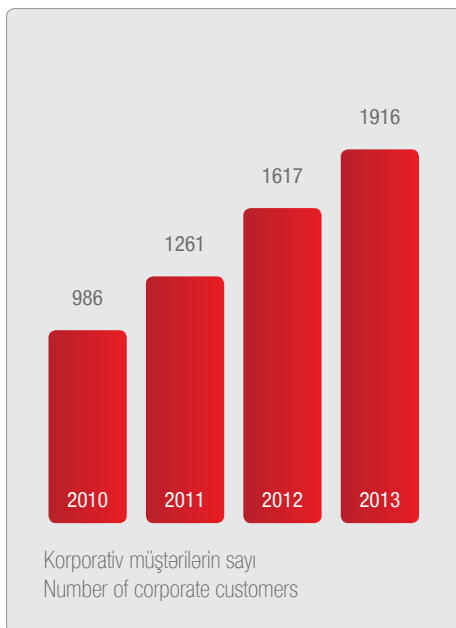
Təqdim edilən xidmətlərin sayının artırılması və servisin keyfiyyətinin yüksəldilməsi istiqamətində görülən tədbirlər Bankın müştəri bazasının böyüməsinə səbəb

Regardless the recent dynamic of increase of individual customers, Xalq Bank continues to prioritize service to corporate customers. In the reporting year, the Bank implemented a series of actions focusing on the segments of customers composed of large companies and organizations, as well as medium corporate clients. During the year, the Bank not only reinforced its position in the traditional areas of the economy, but also engaged companies operating in new segments as customers.

The measures undertaken to elevate the number of offered products and polish service quality contributed to the increase of the customer portfolio, which as a result allowed Xalq Bank to seize the



Bank bazarında Xalq Bankın kreditlər üzrə bazar payı 2013-cü ildə 3,3 % artaraq 10,9% təşkil etmişdir





The Bank's share of loans in the local banking market in 2013 increased by 3.3% and comprised 10.9%.

olmuşdur ki, bu da öz növbəsində Xalq Banka ölkənin özəl bankları arasında aparıcı mövqə tutmağa imkan vermişdir. Ötən il ərzində Bankın xidmət göstərdiyi korporativ müştərilərin sayı 49,8% artaraq 1 916 nəfər təşkil etmişdir.

Korporativ kreditləşmə

Biznesin kreditləşməsi Bankın fəaliyyətinin prioritet istiqamətlərindən biri olaraq qalır. Məhz bu sahədə inkişaf potensialı üçün imkanlar daha bariz müşahidə olunur. İl ərzində kredit portfelinin inkişaf dinamikası da bu mülahizəni təsdiqləyir. Bank diversifikasiyalı kreditləşmə strategiyasına sadıq qalaraq 2013-cü ildə sənaye, qeyri-istehsal, xidmət, informasiya, rabitə və ticarət daxil olmaqla iqtisadiyyatın ən müxtəlif sahələrini maliyyələşdirmişdir. 2013-cü ilin yekunlarına görə korporativ müştərilərin kredit portfelini 2012-ci ilə nisbətən 52,7% artaraq 863,9 milyon manat təşkil etmişdir. Bankın kredit portfelində korporativ müştərilərin payı isə 86,5% olmuşdur.

Bank bazarında Xalq Bankın kreditlər üzrə bazar payı 2013-cü ildə 3,3% artaraq, 10,9% təşkil etmişdir.

Korporativ müştərilərdən cəlb olunmuş vəsaitlər

Yola saldıığımız ildə korporativ passivlər portfelini əhəmiyyətli dərəcədə artmışdır. 2013-cü ilin sonuna hüquqi şəxslərdən cəlb olunan vəsaitlər əvvəlki ilin göstəricilərinə

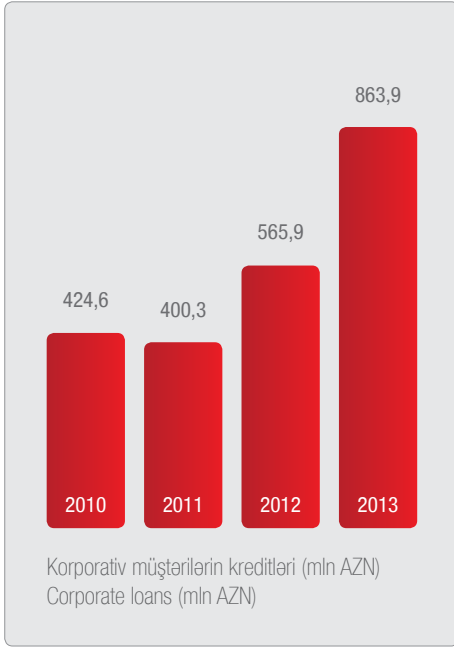
leading position among country's private banks. Over the past year the number of corporate customers of the Bank has increased for 49.8% and constituted 1916.

Corporate loans

Business loans remain a priority among the Bank's operations. The opportunities for potential development are particularly obvious in this field. Thus, the development dynamics of the loan portfolio throughout the year has also testified to this conclusion. By adhering to diversified loan strategy in 2013 the Bank has financed various areas of the economy including manufacturing, production, service, communication, trade and others. According to the results of 2013, the corporate customers' loan portfolio has increased by 52.7% and reached 863.9 million manats in comparison with figures from 2012. The Bank's corporate clients' portfolio share amounted to 86.5%. The Bank's share of loans in the local banking market in 2013 increased by 3.3% and comprised 10.9%.

Deposits of corporate customers

Last year, the corporate liabilities portfolio increased significantly, whereas the funds collected from legal entities by the end of 2013 doubled the previous year's figures and reached 249.8 million manats. The dynamic increase of the



40.05%	Sənaye Industrial sector
30.92%	Tikinti sahəsi Construction
15.97%	Digər qeyri-istehsal və xidmət sahələri Other non-industrial and service sector
7.46%	İnformasiya və Rabitə Information and telecommunication
2.97%	Kənd təsərrüfatı Agriculture
2.36%	Ticarət Commerce
0.26%	Nəqliyyat Transport
0.01%	Mərkəzi və bələdiyyə idarəetmə orqanlarına Central and municipal governments

Kredit portfeli sahələr üzrə
Credit portfolio across different areas

nisbətdə iki dəfə artaraq 249,8 milyon manat təşkil etmişdir. Maliyyə göstəricilərinin dinamik artımı müştəri bazasının nəzərəcarpacaq şəkildə genişlənməsi ilə müşayiət olunub. Biznesin miqyasının genişlənməsi korporativ müştərilərin əməliyyatları üzrə gəlirlərin əhəmiyyətli artımını şərtləndirib. Bu nəticələr bank sektoru üzrə orta göstəriciləri üstələyir və müştəri-şirkətlərin Banka dərin inamını, möhkəm etibarını nümayiş etdirir.

Sənədli əməliyyatlar

Bankımızın ticarətin maliyyələşdirilməsi sahəsində əldə etdiyi nəticələr xüsusi diqqətə layiqdir – bu sahədə əməliyyatların həcmi təxminən 1,5 dəfə artmışdı. Biz əminik ki, gələcəkdə də müştərilərimizin müxtəlif mal və avadanlıqların idxalı üzrə ticari əməliyyatlar zamanı Xalq Bank etibarlı tərəfdaş qismində çıxış edəcək. Burada vacib olan, müştərilərə ticari əməliyyatlar üzrə daha sərfəli və çevik şərtlər təklif edən birinci dərəcəli müxtəlif bankların mövcudluğudur.

2013-cü il ərzində akkreditivlər və beynəlxalq zəmanətlər üzrə sövdələşmələrin həcmi hesabatın nəticələrinə görə əvvəlki illə müqayisədə 1,5 dəfə artaraq təxminən 60,0 milyon ABŞ dollar təşkil etmişdir.

Bank iqtisadiyyatın bütün sahələri üzrə iri korporativ müştərilərə ticarətin maliyyələşdirilməsi üzrə xidmət göstərməkdə davam etmişdir. Hesabat ilində ticarətin maliyyələşdirilməsi sahəsində

financial indicators was followed by a substantial enlargement of the customer database. The expansion of the scope of the business stipulated an increase of profit from corporate customers operations. These results outweigh the average indicators in the bank sector and display a profound trust and solid confidence of the corporate customers towards the Bank.

Documentary transactions

Xalq Bank's accomplishments in trade finance are attention worthy, as volumes in this field increased by 1.5 times. We are confident that Xalq Bank will continue to be a reliable partner for our customers in their future commercial transaction with various imports of goods and equipment. Partnership of top-notch correspondent banks capable to provide favorable and flexible terms to clients for their trade transactions play a pivotal role in this case. The volume for international guarantees and letters of credit increased as per report results and constituted 60.0 million USD with a 1.5 time increase. Bank continued to finance large corporate customers' trade operations in all areas of the economy. During the reporting year, leading industries in financed trade were trade and construction. In addition in 2013 year documentary transactions portfolio was expanded due to new clients dealing with distribution business.

ticarət və tikinti sahələrində fəaliyyət göstərən şirkətlər ön sıralarda olmuşdur.

2013-cü ildə sənədli əməliyyatların portfeli distribusiyaya ilə məşğul olan yeni müştərilərimizin hesabına artmışdır.

Əmək haqqı və korporativ kartlar

2013-cü ildə Xalq Bank maaş kartları layihələri çərçivəsində korporativ müştərilərlə fəal əməkdaşlığını sürdürmüşdür. Hesabat dövrü ərzində Bank müxtəlif müəssisə və təşkilatların əməkdaşları üçün 5000-dək kart buraxmışdır. Maaş kartları üzrə əməliyyatların dövrüyyəsi il ərzində 43% artaraq 60,0 milyon manata çatmışdır. Bankın ATM şəbəkələrinin birləşdirilməsi haqda "Paşa Bank"la imzalanmış sənəd əsasən maaş kartlarının sahibləri ölkə üzrə 50-dən çox bankomatdan güzəştli istifadə etmək imkanı qazanmışlar.

Son illər Xalq Bankın Visa və MasterCard Business korporativ kartları geniş populyarlıq qazanır. Bu kartlardan əsasən işgüzar səfərlər zamanı istifadə olunmasını nəzərə alaraq ezamiyyətlər zamanı zəruri olan məhsullardan ibarət xüsusi paket yaradılmışdır. Bu paketə kredit kartı, dünyanın bütün hava limanlarının VIP-zallarına giriş izni verən Priority Pass kartı, İnternet Bank, SMS-məlumatlandırma xidmətləri daxildir. Bu kartlara tələb böyüyür və 2013-cü ildə korporativ kartlar üzrə əməliyyatların ümumi dövrüyyəsi 2 dəfədən çox artmışdır.

Korporativ sahənin inkişaf perspektivləri

Əldə edilən uğurların səbəbi doğru seçilmiş inkişaf strategiyası ilə bağlıdır. Bu strategiyaya əsasən Bank təkə kreditləşmə deyil, tranzaksiya biznesi - biznes proseslərinin idarəedilməsini asanlaşdırıcı xidmətlərin, eləcə də hesablaşma-kassa xidmətləri üzərində fokuslaşır. Korporativ sektorda Xalq Bank əlverişli xidmətləri, sərfəli tarifləri ilə seçilir və müştərilər üçün rahat maliyyə müəssisəsi olaraq tanınır. Bu sahədə bizim strategiyamız yeni texnologiyaların tətbiqi, müştərilərlə çevik münasibətlər və iş adamları üçün rahat xidmət və məhsulların təklifinə əsaslanır. 2014-cü ildə korporativ müştərilərlə münasibətlərdə uzunmüddətli tərəfdaşlığın əsaslarının möhkəmləndirilməsi prioritet seçilib. Xalq Bank kiçik sahibkarlardan böyük biznes strukturlarınadək bütün müştərilər üçün rahat və əlverişli universal bank və etibarlı tərəfdaş qismində inkişafını davam etdirəcək.

Salary and business cards

In 2013, Xalq Bank continued its salary cards' projects with corporate customers. In the reporting year the Bank issued more than 5000 salary cards. Volume of transactions made with salary cards increased by 43% and reached more than 60.0 million manats.

ATM alliance with Pasha Bank gave a chance to salary cardholders of both of banks to benefit from use of the joint ATM network numbering more than 50 ATMs across the country.

Last years, Xalq Bank also succeeded in issuing of Visa and MasterCard Business cards which become very popular among corporate customers. These cards are mainly used for business trips and that is why we prepared customized packages of products which can be useful during a trip. Owners of these packages may benefit from MC/Visa credit cards, Priority Pass, allowing access to VIP-lounges in airports all over the world, Internet Banking, SMS-notification services. Doubled volume turnover made by these cards in 2013 confirms their growing demand.

Prospects for the corporate business development

The rationale for accomplished success of Xalq Bank is explained by the right choice of the development strategy, in other words the Bank tried not to focus only on lending transactions, but reinforced its business transactions via facilitating business process management services, as well as cash management services. Xalq Bank is a reputable Bank among the corporate businesses known for its affordable services, competitive rates and professional consulting services for customers. Our strategy in this field is established on our network expansion, agile customer service and offering of convenient service and products to corporate customers. The chosen priority for 2014 is to strengthen existing and establishment of new long-term partnership relationships with corporate clients. Xalq Bank will continue to develop its brand as a reliable partner and comprehensive Bank with convenient service to all customers from small to large businesses.

Pərakəndə biznes

Retail Business

2013-cü ildə Xalq Bank pərakəndə bazarda xeyli uğurlara imza atmışdır. Ötən il qarşıda duran vəzifələr – fəal müştərilərin sayının artırılması, Bankın riteyl şəbəkəsinin genişləndirilməsi, fiziki şəxslərin yerləşdirdiyi tələbli əmanətlərin həcmnin çoxalması və kredit portfelinin artırılmasından ibarət olmuşdur. Sadalanan istiqamətlər üzrə qarşıya qoyulan nəticələri əldə etməyə müvəffəq olmuşuq.

Ümumilikdə fiziki şəxslərin bank bazarı üçün 2013-cü il olduqca ciddi müsbət dinamika ilə əlamətdar olmuşdur. Əhalinin kreditləşməsi, əsasən ipoteka, istehlak və nağd kreditlər, kredit kartları istiqamətləri inkişaf dövrünü yaşamışdır.

Kreditləşmə üçün Bank fiziki şəxslərdən cəlb etdiyi vəsaitlərdən aktiv, eyni zamanda səmərəli istifadə etmişdir. İl ərzində istehlak kreditləri portfelinin artımı 44% təşkil etmişdir.

Ötən il həlli vacib olan vəzifələrdən biri Bankın fərdi müştərilərinin sayının artırılması idi. Bu yöndə də müsbət nəticələrə nail olunmuşdur. Belə ki, 2013-cü il ərzində müştəri bazası iki dəfədən çox artaraq təxminən 45,0 min həddinə çatmışdır.

Həmçinin filialların fəaliyyətinin effektivliyi, təklif olunan xidmət və məhsulların keyfiyyəti və müştərilərin rahatlığı daim diqqət mərkəzində olmuşdur. Xalq Bank hesabat dövründə brendin geniş tanınmasını təmin etmək və satış həcmnin artırılması məqsədi ilə müxtəlif aksiya və kampaniyalar keçirmiş, müştərilərə xidmət göstərən əməkdaşlar

In 2013 the Bank has achieved considerable success in the retail market. The main objectives set for the last year were to enhance the number of active clients, to expand the Bank's branch network, to increase volume of demand deposits placed by individuals and to enlarge the loan portfolio. We managed to achieve the set results on the above mentioned directions.

In general, the banking market of individuals was distinguished by a very positive dynamics in 2013. Loans to individuals, particularly, mortgage, consumer and cash loans, credit cards were the developing directions.

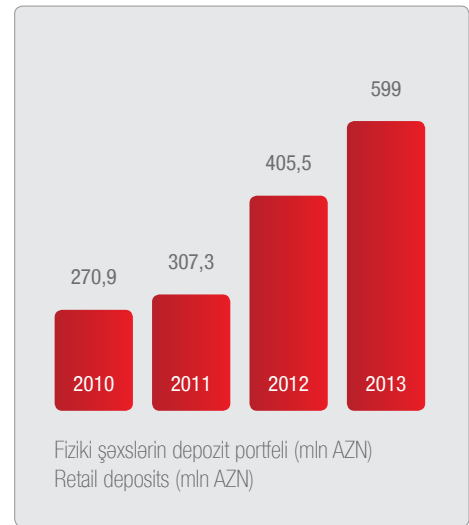
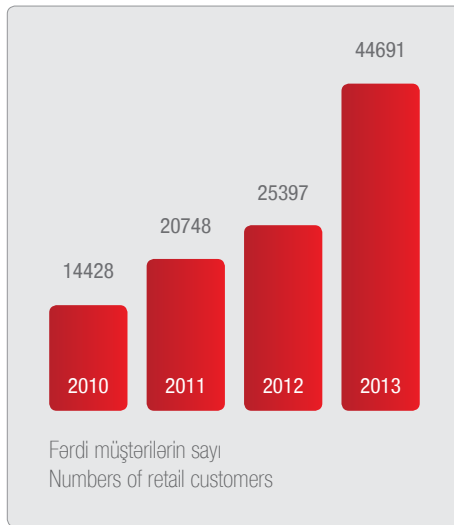
The Bank actively and effectively used the funds attracted from individuals for loan issuing. During the year consumer loan portfolio increased by 44%.

One of the important tasks for the Bank to be resolved the last year was to increase the number of private customers. The Bank achieved positive results in the issue as well by increasing the customer base more than twice reaching the level of almost 45.0 thousands.

In addition, the efficiency of branch activity, quality of offered services and products and convenience of customers have been always in the focus of attention. In order to improve the brand awareness and increase of sales volume in the reporting period, Xalq Bank held various promoting campaigns, organized trainings for the front office employees, implemented several new products



2013-cü ildə Bankın xidmət etdiyi fiziki şəxslərin sayı artaraq hesabat dövrünün sonuna 44 691 müştəri təşkil etmişdir



By the end of the reporting period the number of individuals served by the Bank reached 44 691 clients

üçün treyninqlər təşkil etmiş, elektron və mobil xidmətlər də daxil olmaqla bir sıra yeni məhsullar tətbiq etmiş, cari xidmət və məhsulları isə təkmilləşdirmişdir.

2013-cü ildə Bankın xidmət etdiyi fiziki şəxslərin sayı artaraq hesabat dövrünün sonuna 44 691 müştəri təşkil etmişdir. Bank müştərilərə tam spektr bank məhsulları, o cümlədən əmanətlərin qəbulu, kreditləşmə, hesablaşma-kassa xidmətləri, depozit seyfələrinin icarəsi, plastik kartlar, təcili pul köçürmələri və onlayn xidmətləri təqdim edir.

Kreditləşmə

Fərdi şəxslərin kreditləşməsi Xalq Bankın biznes inkişafı strategiyasının əsas istiqamətlərindən biridir və bu sahəyə böyük əhəmiyyət verilir.

2013-cü il ərzində fərdi müştərilərə verilən kreditlərin həcmi 34,8 milyon manat artaraq, 2014-cü ilin yanvar ayının 1-nə 132,9 milyon manat təşkil etmişdir (ümumi kredit portfelinin 13%-i). Xalq

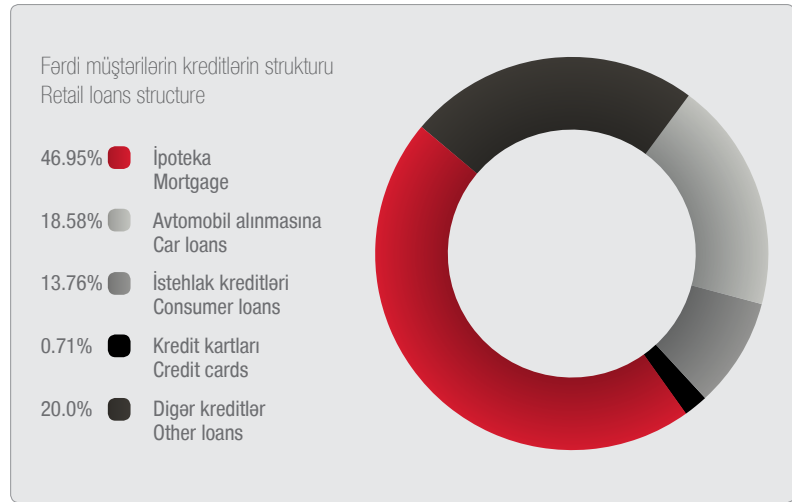
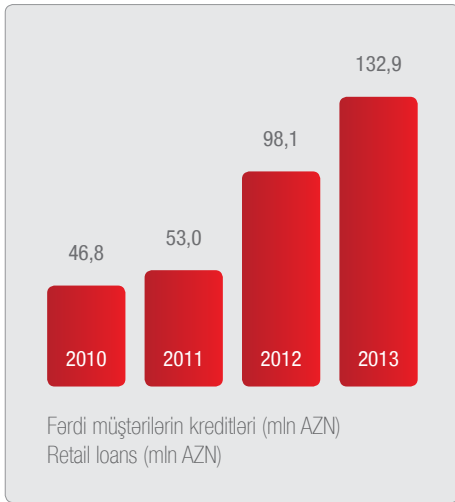
including mobile and e-services, and modified some existing ones.

By the end of the reporting period the number of individuals served by the Bank reached 44 691 clients. The Bank provides its customers with a wide range of bank products including saving deposits, cash and settlement services, safe deposit boxes, plastic cards, money transfers and online services.

Lending

Loans to individuals are one of the main directions of the Bank's business development strategy and this area is of great significance.

The amount of loans issued to individual customers has increased by 34.8 million manats during 2013 and reached 132.9 million manats by the 1st January 2014 (13% of the total loan portfolio). Xalq Bank offers various consumer lending programs to meet demand and requirements of different targets of population.



Bank istehlak kreditləşməsinin müxtəlif proqramlarını təklif edir ki, bu da öz növbəsində əhaliyə tələbatını və digər zəruri ehtiyaclarını qarşılamağa imkan verir. Bank tərəfindən fiziki şəxslərə verilmiş kreditlərin tərkibində istehlak kreditlərinin həcmi 18,27 milyon manat (fiziki şəxslərə verilmiş məcmu kreditlərin təxminən 13,76%), avtomobil kreditlərinin həcmi 24,7 milyon manat (fiziki şəxslərə verilmiş məcmu kreditlərin 18,58%) təşkil etmişdir. Bank ipoteka kreditləşməsi sahəsində fəallığını daha da artırmışdır. Dövlət ipoteka proqramından əlavə olaraq Bank öz vəsaitləri hesabına, olduqca əlverişli şərtlərlə ipoteka kreditləri təklif edir. Hesabat ili ərzində ipoteka kreditlərinin həcmi 62,4 milyon manat (fiziki şəxslərə verilmiş məcmu kreditlərin 46,95%) təşkil etmişdir.

Həmçinin fiziki şəxslərin kredit portfelinin yüksək keyfiyyətini qeyd etmək lazımdır: 2014-cü ilin əvvəlinə olan məlumata görə fiziki şəxslərin kredit portfelində olan problemlə kreditlərin payı 4,07% təşkil etmişdir.

Fiziki şəxslərin depozit portfeli

Cari ildə müddətli depozitlərin həcmi 2012-ci ilin analoji göstəricisi ilə müqayisədə 48% artaraq ilin sonunda 599,0 milyon manat təşkil etmişdir. Fiziki şəxslərin depozit portfelinin həcminə görə Xalq Bank ölkənin bank sektorunda ikinci mövqeyə yiyələnib. Mütəxəssislərimiz yeni əmanətçiləri cəlb etmək üçün depozit məhsullarının çeşidini genişləndirmək, onların əlverişliliyinin, müştəri üçün cazibədarlığının artırılması istiqamətində daim çalışırlar. Əmanətçilərimiz öz

18.27 million manats (13.76%) of total loans issued to individuals relates to consumer loans; 24.7 million manats (18.58%) is a share of car loans.

The Bank has increased its activity in the mortgage loan sector, implementing in addition to the State Mortgage Program, its own mortgage product with the most advantageous conditions. The mortgage portfolio of Xalq Bank equalled to 62.4 million manats, almost 46.95% of the total loan portfolio of individual customers.

The other key note should be mentioned here is the high quality of the loans issued to individuals. As of the beginning of 2014 NPLs made only 4.07% of the total portfolio.

Saving deposits

In 2013 saving deposits has grown by 48% compared to 2012 and reached 599.0 million manats at the end of the year.

Xalq Bank holds the second place in the banking sector of the country according to the deposit portfolio of individuals. Our specialists constantly work on expansion of deposit product range, the improvement of their suitability and attractiveness for the customers in order to attract new depositors. We present different types of deposits starting from 3 months term with very flexible conditions, allowing customers to add amount over the term and collecting accrued interest on convenient for holder time. In addition, deposits owners are offered a free credit card on very advantageous conditions. Xalq Bank is an authorized agent of the State Deposit Insurance Fund; deposits placed by

istəklərinə uyğun olaraq əmanətlərini üç aydan başlayaraq müxtəlif müddətlərə rəsmiləşdirə, hesablanmış faizləri isə onlara rahat olan şərtlərlə götürə bilərlər. Əlavə olaraq əmanət sahiblərinə çox sərfəli şərtlərlə kredit kartı təqdim olunur. Xalq Bank Dövlət Əmanətlərin Sığortalanması Fondunun müvəkkilidir və yerləşdirilən əmanətlər Fondun şərtlərinə uyğun sığortalanır.

Plastik kartlar

Xalq Bank VISA International və MasterCard International beynəlxalq ödəniş sistemlərinin üzvüdür. Ümumilikdə hesabat ilinin sonuna Bank tərəfindən 9,0 minə yaxın bank kartı buraxılmış, əhəlinin istifadəsində olan aktiv kartların sayı isə 13,0 minə yaxındır. Hesabat

customers of Xalq Bank are guaranteed by the government.

Plastic cards

Xalq Bank is a member of Visa International and MasterCard International payment systems. In general, during the year, the Bank issued approximately 9.0 thousand cards; total number of the active cards used by Xalq Bank's customers equaled to about 13.0 thousand. During the accounting year the Bank paid special attention to the improvement of functionality of cards' infrastructure. So, our cardholders can make payments for mobile services, utilities, internet and cable TV providers, insurance and others using branch and ATM network covering almost the country, as well as via Mobile Banking and Internet Banking.



ilində Bank plastik kartlardan istifadə infrastrukturunun funksionallığının artırılmasına xüsusi diqqət yetirmişdir. Belə ki, paytaxt və bölgələri əhatə edən filial və bankomat şəbəkələri, habelə "Mobil Bank" və "İnternet Bank" sistemləri vasitəsilə müştərilərimiz mobil rabitə operatorlarının, internet və kabel televiziyası xidmətləri provayderlərinin, şəhər telefonları, kommunal və sığorta xidmətlərindən istifadə haqlarını ödəyə bilərlər.

Xalq Bank bank kartları sahiblərinə "Card to Card" (bir bank kartından digərinə təcili pul köçürmələri), "Cash by Code" (kart sahibi olmayan şəxslərə kart vasitəsilə pul köçürmələri), "Cash to Any Card" (banka gəlmədən və kart

The Bank launched service facilities for cardholders like Card-to-Card (instant money transfer from one bank card to another), Cash-by-Code (money transfer to non-cardholder customer), Cash-to-Any-Card (cash to any card via ATM without card itself), SMS-notification (instant message about details of card transactions to cardholder mobile). To expand services via ATM Xalq Bank started developing Cash-In ATM network, allowing customers to support bank card account regardless of the Bank operating mode.

As in previous year, the Bank actively participated in marketing campaigns organized by VISA and MasterCard and other partners intended to stimulate issuing of cards and growth of non-cash transactions'

olmadan Cash-In tipli bankomat vasitəsilə istənilən kart hesabına nağd pul mədaxil etmək imkanı), "SMS xəbərdarlıq" (bank kartı üzrə aparılan bütün əməliyyatlar haqqında sms-məlumatların kart sahibinin mobil telefonuna göndərilməsi) kimi xidmətlər təklif etmişdir. Bu xidmətlərin rahatlığının təmin edilməsi üçün "Cash-In" tipli bankomat şəbəkəsinin formalaşdırılmasına başlanılıb. Adı bankomatlardan fərqli olaraq bu avadanlıq müştərinin kart hesabına nağd vəsaitlər daxil etməyə imkan verir.

Əvvəlki illərdə olduğu kimi Bank kart emissiyasını stimullaşdırmaq və nağdsız əməliyyatların dövrüyəsini artırmaq, eləcə də müştərilərin loyallığını yüksəltmək məqsədi ilə VISA və MasterCard beynəlxalq ödəniş sistemləri və digər tərəfdaşların təşkil etdiyi marketing kampaniyalarında fəal iştirak etmişdir.

Onlayn ödənişlər

Pərakəndə biznesin daha bir vacib olan istiqamətlərindən biri – elektron xidmət və məhsulların tətbiqi və təkmilləşdirilməsinə yönəlib. Bu sahədə əsas məqsədimiz müştərilərimiz üçün müasir, rahat və təhlükəsiz xidmət və məhsulların yaradılmasıdır.

Bu gün Xalq Bankın müştəriləri Mobil Bank, İnternet Bank və Bill Pay onlayn ödəmə sistemi vasitəsi ilə müxtəlif kommunal və digər ödənişləri həyata keçirə bilərlər. 2013-cü il ərzində müştərilər üçün müxtəlif stimullaşdırıcı lotereyalar, hədiyyəli aksiyalar keçirilmişdir ki, nəticədə ödənişlərin həcmi bir neçə dəfə artmış, onlayn xidmətlərin istifadəçilərinin sayı isə 1000 nəfəri ötmüşdür.

Elektron bankçılığın bütün kanalları vasitəsilə xidmətlərin ödəniş həcminin müsbət artım tendensiyası ilk növbədə zamanın və müasir müştərinin tələbi əsasında tətbiq edilən yüksək texnoloji, rahat və təhlükəsiz servislər sayəsində mümkün olmuşdur. Əvvəlki illərdən fərqli olaraq 2013-cü ildə bu sahə müntəzəm olaraq inkişaf etdirilir və əməliyyatların sayı, eləcə də dövrüyə baxımından stabil artım müşahidə olunur.

Hesabat ilində Bank, öz iş rejimindən asılı olmayan və müştərilərə öz

turnover, as well as increase of customer loyalty.

Online payments

Another important direction of the retail business is implementation and improvement of e-services. Our main objective is to create modern, flexible and secured area allowing customers to be served comfortably regardless of the Bank operating mode.

Today our customers can make utilities and other payments using Mobile Bank, Internet Bank and Bill Pay systems. The last year we launched several promo campaigns, including lottery and auctions, resulted in a several-fold increased turnover; the number of online service users passed 1,000.



Positive growth trend of sales volume via different channels was first of all due to highly technological, convenient and safe services offered by demand of modern customers. Unlike the previous years this area has been steadily developing in 2013 and stable growth is being observed in the number of transactions, as well as in the turnover.

During the accounting year the Bank started implementation of a fully functional Internet Banking module independent of the Bank's work regime and allowing customers to fulfil all banking operations. The internet banking service catalogue will include both international and domestic money transfer transactions, opening and replenishment of savings deposits,

hesablarını idarə etməkdə məhdudiyət qoymayan, tam funksional İnternet Bank modulunun tətbiqinə başladı.

İnternet Bankın xidmətlər kataloquna həm ölkə xaricinə, həm də ölkə daxilinə həyata keçirilən pul köçürmələri üzrə əməliyyatlar daxil olacaq. İnternet Bank vasitəsi ilə müştərilərimiz üçün yeni əmanət hesabı açmaq, mövcud əmanəti artırmaq, plastik kart sifariş etmək, kredit ödəmək, yeni kredit üçün sifariş ərizəsi vermək mümkündür.

Həmçinin müxtəlif mobil əlavələrin yaradılması müştərilərə fərqli cihazlarda faydalı məlumatları interaktiv formada qəbul etmək və rahat şəkildə Bankın xidmətlərindən yararlanmaq imkanı yaradacaq.

Bizim söylərimiz uzaqdan xidmət etmənin təkə funksionallığa görə deyil, həm də müştərilərin xidmətlərimizdən istifadə edərkən dərin məmnunluq qazanmasına yönəlib.

Pərakəndə biznesin inkişaf perspektivləri

Pərakəndə satışların nəticələri bu sahədə olan böyük potensialdan xəbər verir. Qarşıdakı ildə bizim əsas vəzifələrimiz müştəri bazasının genişləndirilməsi, onların segmentləşdirilməsi, müştəri segmentlərinin tələblərinə uyğun yeni məhsulların yaradılmasından ibarət olacaq. Alternativ satış kanallarının artırılması, yeni texnologiyaların tətbiqi məsələləri böyük önəm daşıyacaq.

2014-cü ildə fiziki şəxslərin kreditləşməsinə xüsusi diqqət yetiriləcək. Bizim proqnozlarımıza görə bu segmentdə bazarın aktiv inkişafı davam edəcək, və biz bu sahədə yüksək nəticələr əldə etməkdə qərarlıyıq.

Kros-satışların genişlənməsi, eləcə də təqdim olunan xidmətin keyfiyyətinin artırılması pərakəndə biznesin inkişafının mühüm amilləridir.

2014-cü ildə Xalq Bank qarşıya qoyulan vəzifələrin həlli yolunda kompleks tədbirlər həyata keçirilməklə uğur qazanmağa çalışacaq.

ordering plastic card, application for new and repayment of existing loans etc.

Another direction which we intend to develop is the creation of mobile applications; the customers will enable to use our services via mobiles in a more convenient mode.

Our efforts are directed to ensure not only the functionality of the remote services, but also the profound satisfaction of the customers using our services. Comfort and convenience are the main criteria motivating the customers to connect the Bank via a mobile. For the Bank the most important things in these services are high-tech and secured platforms and modern and flexible interfaces.

Prospects of retail business

The results of retail sales indicate the great potential in this sector. Our main tasks in the forthcoming years will be increase of customer base, clients' segmentation and launching new products in accordance with market demand. Implementation of alternative sales channels and new technologies will be of high importance.

In 2014 special focus will be on loans to individuals. According to our forecast active development of this niche of the market will continue and we intend to enhance our market share.

Expansion of cross selling as well as improvement of quality of provided services are the key indicators of the retail business development.

In 2014 Xalq Bank will endeavour to successfully implement the comprehensive measures in a planned manner in order to achieve the set goals.

Personalın inkişafı

Staff policy

Yarandığı gündən daim inkişaf edən və yeni uğurlara imza atan Xalq Bankın əldə etdiyi nailiyyətləri düzgün biznes strategiyasının məntiqi nəticəsidir. Həyata keçirilən uğurlu siyasətin kontekstində kadrların seçilməsi, hazırlanması və idarə edilməsi böyük önəm daşıyır.

Belə ki, işə qəbul prosesi, savadlı kadrların seçilməsi və onların düzgün yerləşdirilməsi işi təkmilləşdirilmişdir. Bundan əlavə, Bank əməkdaşlarının peşəkarlıq səviyyəsinin daim artırılması məsələləri 2013-cü ildə də kadr siyasətinin əsas istiqamətlərindən biri olmuşdur.

Ümumilikdə 2013-cü ildə Bankda 520 nəfər işçi, o cümlədən, 201 nəfər Baş ofisdə, 319 nəfər işə filiallarda çalışırdı.

Həmişə olduğu kimi Xalq Bank bu il də işə gənc mütəxəssislərin cəlb edilməsinə üstünlük vermiş və 2013-cü il ərzində işə qəbul edilmiş yeni işçilərin 85%-ni 35 yaşa qədər olan gənclər təşkil etmişdir. Ümumilikdə isə Bankda çalışan mütəxəssislərin 236 nəfəri 20-30 yaş, 157 nəfəri 30-40 yaş, 92 nəfəri 40-50 yaş dərəcəsində, 35 nəfəri isə 50 yaşdan yuxarı olanlardır.

Onu da qeyd etmək istərdik ki, Bank kollektivinin 407 nəfəri, yəni 78%-i birbaşa bank işi ilə məşğul olan ali təhsilli mütəxəssislərdir.

Bank stajı 10 ildən yuxarı olan əməkdaşların sayı 20 nəfər, 5 ildən 10 ilədək 82 nəfər, 5 ilədək olanlar isə 358 nəfər təşkil edir.

Achievements of Xalq Bank that has been developing and gaining new successes since the day of its establishment is the logical outcome of a sound business strategy. Selection, training and management of the personnel in the context of successful policy being implemented are of great importance. So, the employment process, selection of educated personnel and their correct placement has been improved. In addition, continuous improvement of proficiency level of the Bank personnel and other similar issues has been one of the main directions of the staff policy this year.

In general in 2013 the Bank had 520 employees - 201 in the Head Office and 319 in branches.

This year Xalq Bank prioritised the attraction of young talented specialists as well and 85% of new employees hired in 2013 were the young people at the age below 35. In general, 236 employees of the Bank are 20-30 years old, 157 employees are 30-40 years old, 92 employees are 40-50 years old and 35 employees are above 50 years old people.

Another important factor should be mentioned here is that 407, i.e. 78% of the Bank staff and all employees directly involved in banking operations are Ms Degree specialists.

The banking experience of the Bank personnel is as follows: 20 employees have more than 10 years experience, 82 employees - from 5 to 10 years and 358

Öz inkişaf dinamikası ilə fərqlənən Xalq Bank bu iş ili ərzində də əməkdaşlarının bilik səviyyəsinin yüksəldilməsi, onların daim inkişaf edən və dəyişən cəmiyyətlə ayaqlaşma bilmələri üçün müxtəlif konfranslarda, treyning və seminarlarda, forum və sərgilərdə iştirakını təmin etmişdir. İstər ölkə daxilində, istərsə də ölkə xaricində bir il ərzində bir sıra təhsil müəssisəsi ilə əməkdaşlıq edərək yüksək nailiyyətlər əldə etmişik. İl ərzində əməkdaşlıq etdiyimiz mötəbər təhsil mərkəzləri sırasında aşağıdakıları qeyd etmək olar:

- MSB Events
- Adam Smith Conferences
- Fleming Europe Conferences
- Moscow Business School
- Biznes Format
- Moody's Corporation
- Deloitte Eğitim Hizmetleri Şti. Ltd.
- Oxford Training
- AcademyTech
- Prometheus Consultant Group
- Cisco Live
- The P-World

Bankın işçiləri yuxarıda adıçəkilən mərkəzlərdə yiyələndikləri biliklərdən səmərəli istifadə etmələri və öz işlərində tətbiq etmələri Bankın inkişafında özünü açıq-aşkar göstərməkdədir.

Həmişə olduğu kimi Bankın kadr siyasəti növbəti illər ərzində də daim inkişaf etdiriləcək və təkmilləşdiriləcəkdir.

employees - up to 5 years of banking experience.

Xalq Bank, which is distinguished by its development dynamics, ensured the participation of its employees in various conferences, trainings and workshops, forums and exhibitions in order to improve their level of knowledge so that they could keep pace with continuously developing and changing society. We have achieved high results by cooperating with a number of educational institutions both in the country and abroad. The following are examples of the educational centres we have cooperated during the year:

- MSB Events
- Adam Smith Conferences
- Fleming Europe Conferences
- Moscow Business School
- Business Format
- Moody's Corporation
- Deloitte Eğitim Hizmetleri Şti. Ltd.
- Oxford Training
- AcademyTech
- Prometheus Consultant Group
- Cisco Live
- The P-World

Development of the Bank is the clear indication that the employees of the Bank efficiently use and apply the knowledge gained in above mentioned centres.

The Bank will continue development and improvement the staff policy in the following years.



İnfrastrukturun genişləndirilməsi

Expansion of infrastructure

2013-cü ildə Xalq Bank filial satış şəbəkəsinin aktiv genişlənməsini davam etdirdi. Hesabat dövrü ərzində daha 3 regional filialın açılması ilə filial şəbəkəsinə daxil olan satış nöqtələrinin sayını 24-ə çatdırdı. Bu filiallardan 6-sı paytaxtda, 18-i isə bölgələrdə fəaliyyət göstərir.

Qəbul edilmiş strategiyaya əsasən Bank gələcəkdə də satış şəbəkəsini genişləndirmək və ölkə üzrə filialların sayını artırmaq niyyətindədir. Hər hansı bir bölgədə filialın açılması haqda qərar verilmədən bu rayonun təbii özəllikləri, əhalinin məşğulluğu, iqtisadi resursları və inkişaf potensialı nəzərə alınır. Bankın əhəmiyyətli bazar payı paytaxtda cəmləşsə də, satış şəbəkəsi əsasən regional filialları hesabına genişlənməkdədir.

Xalq Bank böyük vəsaitlərin yatırıldığı, tikinti-inşaat işlərinin geniş vüsət aldığı, yeni biznes strukturlarının inkişaf etdiyi bölgələrdə öz əməliyyatlarını ciddi şəkildə artırmaqda qərarlıdır. Bankın bütün filialları ən müasir bank texnologiyaları ilə təchiz olunub. Müştərilərə müxtəlif segmentlərə hesablanmış geniş çeşiddə məhsul və xidmətlər təklif olunur.

2013-cü ildən müştərilərə göstərilən xidmətin keyfiyyət səviyyəsinin yüksəldilməsi məqsədilə filiallarda müasir növbə təşkili sistemi qurulmağa başlanmışdır. Hazırda bankın 6 filialı bu sahənin dünyada tanınmış lideri olan Q-matic sisteminin ən son versiyası ilə təchiz olunub. Bu sistemin üstünlüyü təkcə müştəri axınının təşkilində deyil, həm də hər bir əməkdaşın iş keyfiyyətini

In 2013 Xalq Bank continued active expansion of the branch sales network. By opening three more regional branches during the reporting year the total number of sales points reached 24 branches, with 6 of them operating in Baku and 18 in regions.

As per accepted strategy the Bank plans to expand the sales network further and to increase the number of branches in the country. Natural peculiarities, employment status of population, economic resources and development potential of a region are considered when making a decision to open a branch in any region. Although the most important market of the Bank is the capital city, the sales network mainly expands on the account of regional branches.

Xalq Bank has serious intentions to expand its operations in regions where large investments are being made, construction works are extensively performed and new business structures are developed. All branches of the Bank are equipped with the latest banking technologies. Customers are offered wide variety of products and services aimed at various segments.

As from 2013 the branches are being equipped with modern queue management system in order to improve the level of service quality. At present 6 branches of the Bank are equipped with the latest version of the world famous Q-matic system. The advantage of this system is not only in the organization of

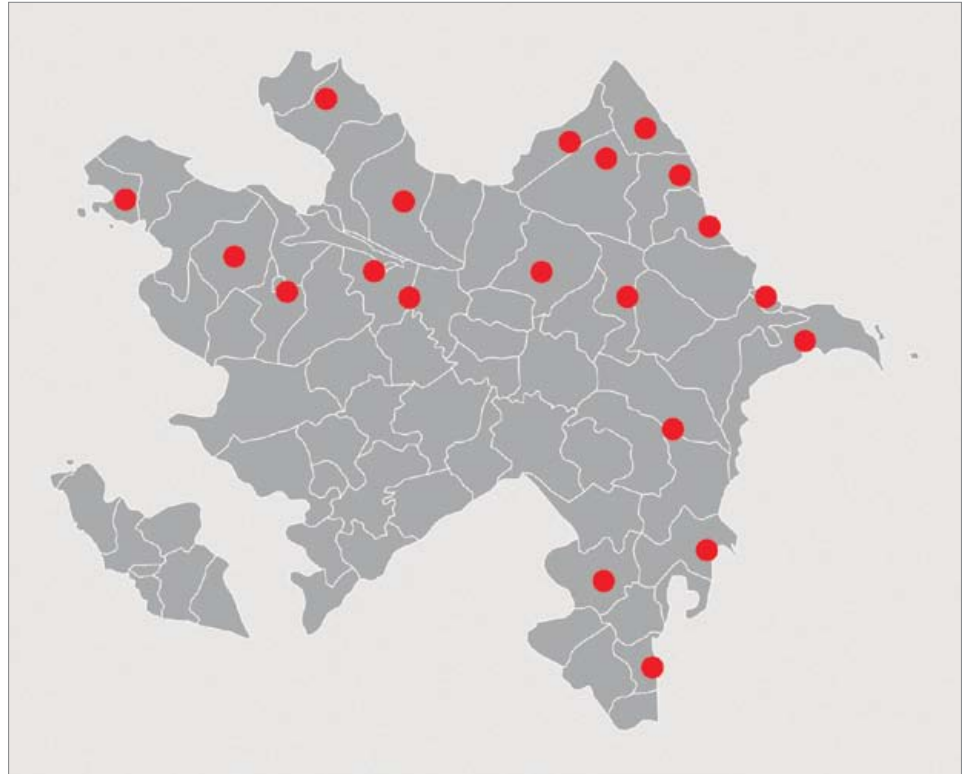
qiyimləndirmək və filialın satışlarını təhlil etmək imkanı verən məlumat bazasının mövcudluğundadır.

Bankın müştərilərə yaxınlığının əsas şərtlərindən biri bankomat şəbəkəsinin genişləndirilməsidir. Bununla bağlı 2013-cü ildə Xalq Bank bankomat şəbəkəsinin genişləndirilməsi və optimizasiyası istiqamətində tədbirlərini davam etdirmişdir. Cash-in tipli daha müasir bankomatların quraşdırılmasına başlanmışdır. Əlavə olaraq Bankın filiallarında müxtəlif xidmətlərin provayderlərinin xeyrinə nağd vəsaitlər və kart vasitəsilə kiçik ödənişləri həyata keçirmək imkanı verən ödəniş terminalları fəaliyyətə başlamışdır. İl ərzində ticarət məntəqələrinin sayının artırılması yönündə işlər davam etdirilmişdir. Cari ildə Bank müştərilərimizə üstünlüklər təqdim edəcək ticarət tərəfdaşları şəbəkəsinin yaradılmasında qətiyyətli addımlar atacaq.

customer flow, but also in availability of the database enabling to assess the work efficiency quality of each employee and to analyse the sales of branch.

One of the main conditions of affinity of the Bank to the customer is the expansion of the ATM network. In this regard Xalq Bank continued the measures on expansion and optimization of the ATM network in 2013. The Bank started installation of more modern cash-in type ATM's. In addition, the branches of the Bank are equipped with payment terminals accepting to make small payments to various service providers using cash or cards. The works on increasing the number of merchants has been continued throughout the year. This year the Bank will take determined steps in establishment of merchants' network that will give advantages to the Bank's cardholders.

Xalq Bankın filiallar şəbəkəsi
Branch network of Xalq Bank



Xalq Kapital

Xalq Capital

Azərbaycanda qiymətli kağızlar bazarının son illərdə sürətli və dinamik inkişafı bu maliyyə sektorunu seçilən iqtisadi əhəmiyyətli sahələrdən biri hesab etməyə əsas vermişdir. Qiymətli kağızlar bazarının fəaliyyətinin tənzimlənməsində aparılan islahatlar bu sahədə inkişafa şərait yaratmışdır. Xüsusilə bazarda alqı-satqı əqdlərinin həyata keçirilməsi üçün yeni proqramların, yeni prosedur və qaydaların hazırlanaraq tətbiqi bazarın daha etibarlı formada fəaliyyətinə müsbət təsir göstərmişdir.

Xalq Bankın törəmə şirkəti olan Xalq Kapital 23 sentyabr 2013-cü il tarixdə qiymətli kağızlar bazarında öz fəaliyyətini bərpa etdikdən sonra broker və diler xidmətlərini göstərməyə davam etdi.

2013-cü ildə 3 aylıq fəaliyyəti dövründə şirkət broker xidməti üzrə müştəriləri üçün Mərkəzi Bankla Repo/Əks repo, Maliyyə Nazirliyinin və AR İpoteka Fondunun istiqrazları üzrə alqı-satqı əqdləri həyata keçirmişdir. Həmin müddət ərzində qeyd edilən əməliyyatlar üzrə dövriyyə 1,4 milyard manat təşkil etmişdir.

Xalq Kapital 2014-cü ildə qiymətli kağızlar bazarında fəaliyyətinin genişləndirilməsi məqsədilə bir neçə istiqamətdə tədbirlər görməkdədir. Yaxın illərdə şirkətin müştəri bazasının artırılması, korporativ qiymətli kağızlar bazarında yeni emissiyalar, səhmlərin yerləşdirməsi və alqı-satqı dövriyyəsinin genişləndirilməsi kimi əməliyyatların həyata keçirilməsi nəzərdə tutulub. Bununla Xalq Kapital ölkənin aparıcı broker şirkətləri arasında öz mövqeyini daha da möhkəmlətmək niyyətindədir.

The rapid and dynamic development of Azerbaijan's securities market in recent years has allowed to consider this area of the financial industry as one of the most important. Reforms carried out for regulations of activity of the securities' market have established a very favorable conditions for its growth and development. Particularly, implementation of new software, revision of existing and development of new rules and procedures have a positive impact on sustainable growth of the market and increase in its trustworthiness.

In September 2013, Xalq Bank restored the activity of its subsidiary company Xalq Kapital and continued to deliver broker services in the Stock Exchange Market.

During the last three months of 2013 Xalq Kapital provided broker service to customers and carried out purchase and sale transactions of the Central Bank's Repo/Reverse repo, the Ministry of Finance and the State Mortgage Fund bonds. The turnover for this period amounted to about 1.5 billion manats.

In 2014 Xalq Kapital plans to develop its activity in several areas in order to expand its activity in securities market. For the coming years, the Company will priorities its activity on growth of customer base, new issuing in the corporate securities market, increase of purchase/sale turnover and placement of shares.

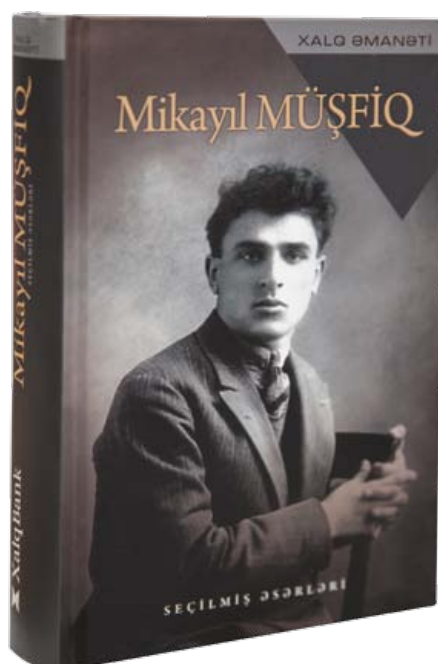
The other important intention of the Company is to keep its position among the leading brokers in the local market.

Xalq Əmanəti layihəsi

The National Heritage Project

2013-cü il Xalq Əmanəti layihəsi üçün olduqca uğurlu və məhsuldar keçmiş, il ərzində iki kitab nəşr edilmişdir. 4 iyun tarixdə Azərbaycan xalqının böyük şairi Mikayıl Müşfiqin "Seçilmiş əsərləri"nin təqdimat mərasimi böyük təntənə ilə keçirilmişdir. Kitab şairin 105-ci ildönümü ərəfəsində geniş ictimaiyyətə təqdim olunmuş və Mikayıl Müşfiq poeziyasının pərəstişkarlarına böyük hədiyyə olmuşdur.

Xalq Əmanəti layihəsinin paytaxtdan regionlara çıxması yaradıcı kollektivin və ümumilikdə Xalq Bankın növbəti nailiyyətidir. Azərbaycanın qədim şəhəri olan Gəncə həmişə incəsənətin avanqardında irəliləyib.



The 2013 was very successful and productive year for the National Heritage project - two edition were issued during the year. In June presentation of "Selected works" of one of the best Azerbaijani poet Mikayil Mushfig was held with great solemnity. The Album was dedicated to 105th birth anniversary of the great poet and become a wonderful gift for poetry lovers.

Another great achievement of Xalq Bank and its creative teamwork is spread of the project from the capital of the country to regions. One of the most ancient and beautiful Azerbaijani city Ganja was always in the forefront of art. The ninth edition of the Project "Painters of Ganja. Painting, sculpture, graphics." was dedicated to the life and creativity of the five great Masters who lived and created in Nizami's homeland-painters Rza Mammadov (1918-1994), Khalida Safarova (1926-2005), Gennadiy Brijatyuk (1935-2008), Fazil Aliyev (1947-1993) and sculptor Gorkhmaz Sujaddinov.

On September 18th the album was presented to the public and art exposition of selected works was held in Ganja Branch of the Bank.

Our books under the National Heritage brand were displayed at a variety of book expositions. Thousands of people have approached our stand with a big gratitude at the III International Book Exposition organized by the Ministry of Culture and Tourism of Azerbaijan in September and dedicated to the 90th





Xalida Səfərova
Süsenlər, 1965, kətan, yağlı boya,
129x86 sm

Khalida Safarova
The Irises, 1965, oil on canvas,
129x86 cm

Gennadi Brijatyuk
Kompozisiya, 1970-ci illər, kətan,
yağlı boya, 86x72 sm

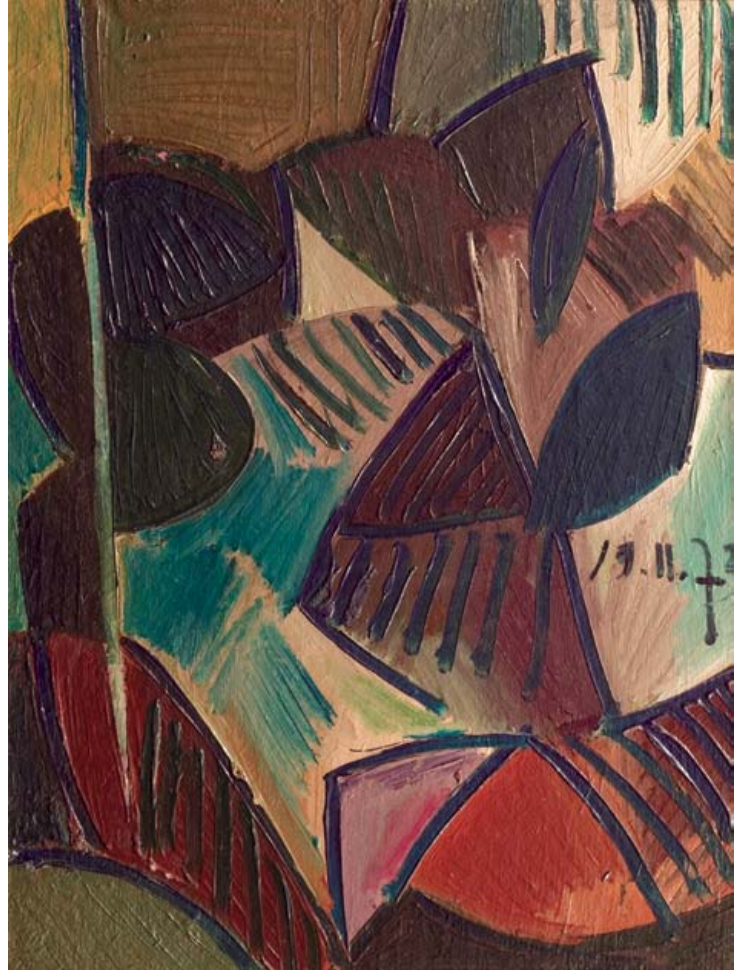
Gennady Brijatyuk
Composition, 1970s, oil on
canvas, 86x72 cm

Fazil Əliyev
Etüd, 1970-ci illərin əvvəli, kağız,
sanqına, 86x62 sm

Fazil Aliyev
Sketch, early 1970s, sanguine on
paper, 86x62 cm

Fazil Əliyev
Kompozisiya, 1973, kətan, yağlı
boya, 50x38 sm

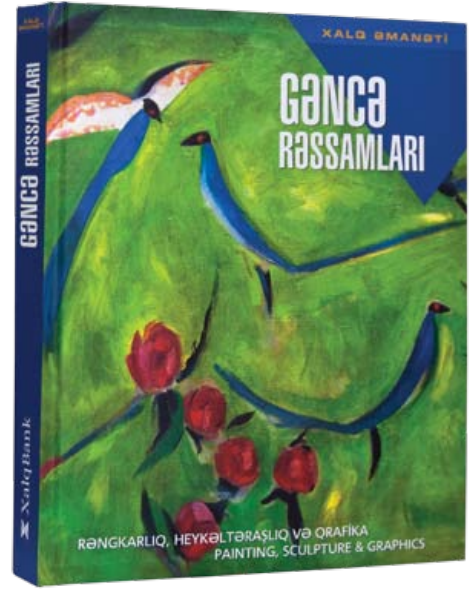
Fazil Aliyev
Composition, 1973, oil on canvas,
50x38 cm



Layihə çərçivəsində hazırlanmış sayca doqquzuncu nəşr - "Gəncə rəssamları. Rəngkarlıq, heykəltəraşlıq və qrafika" bədii albomu Nizami yurdunda yaşayıb-yaratmış 5 sənətkarın - rəssamlar Rza Məmmədov (1918-1994), Xalidə Səfərova (1926-2005), Gennadiy Brijatyuk (1935-2008), Fazil Əliyev (1947-1993) və heykəltəraş Qorxmaz Sücəddinovun həyat və yaradıcılığına həsr olunub. Sentyabr ayının 18-də Gəncə şəhərində "Gəncə rəssamları. Rəngkarlıq, heykəltəraşlıq və qrafika" bədii albomu ictimaiyyətə təqdim olunmuş və filialda təşkil edilmiş bədii qalereyada albomda yer almış sənətkarların əsərləri sərgilənmişdir.

Xalq Əmanəti brendi altında kitablarımız müxtəlif kitab sərgilərində nümayiş etdirilir. Sentyabr ayında Mədəniyyət və Turizm Nazirliyinin Ümummilli lider H.Əliyevin 90-illik yubileyinə həsr olunmuş III Beynəlxalq Kitab sərgisində quraşdırılan stendimizi minlərlə insan ziyarət etmiş, nəşrlərimizlə bağlı təşəkkürlərini bildirmişlər. Nəşrlərimiz ictimaiyyət tərəfindən böyük rəğbətlə qarşılanır.

İl ərzində dünyanın böyük kitabxanalarından "Azərbaycan sikkələri" toplusu ilə bağlı minnətdarlıq məktubları almışıq.



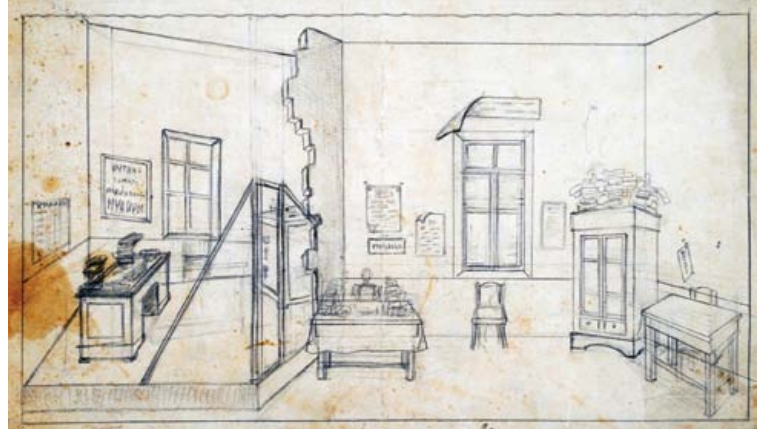
birth anniversary of the National Leader Haydar Aliyev. Our editions are sincerely welcomed by the public. During the year we received many appreciation letters for "Coins of Azerbaijan" issued in 2012 under the project and sent to the world's largest libraries.

Qorxmaz Sücəddinov

Kişi fiquru, 2002-2003, tunc, 31x40x21 sm

Gorkhmaz Sudzhaddinov

Figure of a Man, 2002-2003, bronze, 31x40x21 cm



Rza Məmmədov

Altay Məmmədovun "Həmyerlilər" pyesinin tamaşasına eskiz, kağız, karandaş, 30x42 sm

Rza Məmmədov

Sketch for the play "Countrymen" based on the play of Altay Məmmədov, pencil on paper, 30x42 cm



OPEN JOINT STOCK COMPANY XALQ BANK

INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL
STATEMENTS

31 DECEMBER 2013

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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 2013, 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:

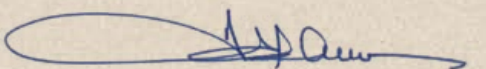
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing 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:

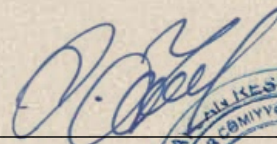
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial 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.

The consolidated financial statements for the year ended 31 December 2013 were authorized for issue on 31 March 2014 by the Management Board.

Approved for issue and signed on behalf of the Management Board on 31 March 2014.

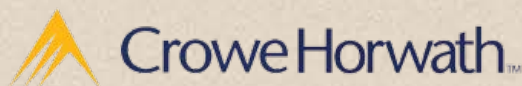


Chairman
Mr. Elkhon Aghayev



Chief Accountant
Mrs. Tamilla Asadova





INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Open Joint Stock Company Xalq Bank

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Xalq Bank and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated 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 present fairly, in all material respects, the financial position of Open Joint Stock Company Xalq Bank and its subsidiary as at 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

31 March 2014

A handwritten signature in blue ink, appearing to read "Samir Asadullayev", written over a horizontal line.

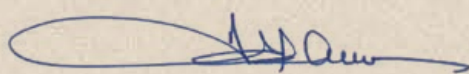
Director
Samir Asadullayev
Certified auditor

A handwritten signature in blue ink, appearing to read "Juris Baltgailis", written over a horizontal line.

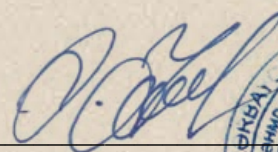
Juris Baltgailis, Dr.oec
Liaison Partner

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Interest income	4	77,118,762	60,916,353
Interest expense	4	(32,763,626)	(26,284,123)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		44,355,136	34,632,230
(Provision) / recovery of provision for impairment losses on interest bearing assets	5	(3,656,444)	(3,496,337)
NET INTEREST INCOME		40,698,692	31,135,893
Net gain on foreign exchange operations	7	1,879,695	1,382,230
Net gain / (loss) on gold operations	6	(6,098,453)	1,691,031
Fee and commission income	8	4,909,466	4,491,737
Fee and commission expense	8	(658,052)	(630,389)
Gain / (loss) on revaluation of investment property	17	316,712	184,300
Other income		841,447	481,448
NET NON-INTEREST INCOME		1,190,815	7,600,357
OPERATING INCOME		41,889,507	38,736,250
OPERATING EXPENSES	9	(24,427,778)	(20,932,979)
OPERATING PROFIT		17,461,729	17,803,271
Recovery of provision for impairment losses on guarantees and other commitments	5	(3,450,308)	(28,643)
PROFIT BEFORE INCOME TAX		14,011,421	17,774,628
Income tax (expense) / benefit	10	(3,157,427)	(3,299,281)
NET PROFIT FOR THE YEAR		10,853,994	14,475,347
Net profit for the year attributable to:			
Equity holders of the parent		10,842,891	14,469,682
Non-controlling interest		11,103	5,665
		10,853,994	14,475,347
EARNINGS PER SHARE			
Basic and diluted (AZN)	11	2.987	3.986

Approved for issue and signed on behalf of the Management Board on 31 March 2014.



Chairman
Mr. Elkhon Aghayev

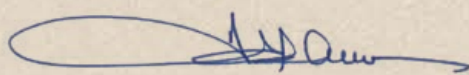


Chief Accountant
Mrs. Tamilla Asadova

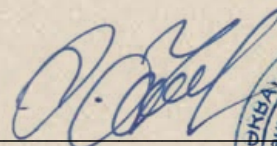


	Notes	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	12	83,808,518	58,847,518
Gold		6,831,161	9,375,906
Due from banks	13	42,880,958	14,997,838
Loans to customers	14	986,012,005	651,604,038
Investments available-for-sale	15	55,213,861	18,013,560
Property and equipment	16	75,522,590	73,846,828
Investment property	17	6,691,512	6,374,800
Intangible assets	16	1,927,592	627,640
Deferred income tax asset	10	1,003,798	439,806
Other assets	18	6,060,292	5,284,325
TOTAL ASSETS		1,265,952,287	839,412,259
LIABILITIES			
Due to banks and government agencies	19	195,331,124	112,230,829
Customer accounts	20	864,199,638	537,631,950
Provision for impairment losses on other operations	5	4,373,713	923,405
Current income tax liability		1,344,482	-
Other liabilities	21	4,267,053	3,043,792
TOTAL LIABILITIES		1,069,516,010	653,829,976
EQUITY			
Share capital	22	183,693,180	169,099,374
Retained earnings		12,561,263	16,312,178
Non-controlling interest		181,834	170,731
TOTAL EQUITY		196,436,277	185,582,283
TOTAL LIABILITIES AND EQUITY		1,265,952,287	839,412,259

Approved for issue and signed on behalf of the Management Board on 31 March 2014.



Chairman
Mr. Elkhan Aghayev

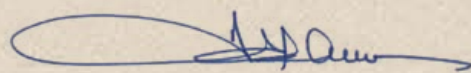


Chief Accountant
Mrs. Tamilla Asadova

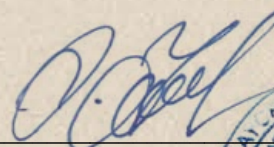


	Share capital	Retained earnings / (Accumulated deficit)	Non- controlling interest	Total equity
31 December 2011	140,492,610	30,449,260	165,066	171,106,936
Share capital increase	28,606,764	(28,606,764)	-	-
Total income for the year	-	14,469,682	5,665	14,475,347
31 December 2012	169,099,374	16,312,178	170,731	185,582,283
Share capital increase	14,593,806	(14,593,806)	-	-
Total income for the year	-	10,842,891	11,103	10,853,994
31 December 2013	183,693,180	12,561,263	181,834	196,436,277

Approved for issue and signed on behalf of the Management Board on 31 March 2014.



Chairman
Mr. Elkhan Aghayev



Chief Accountant
Mrs. Tamilla Asadova



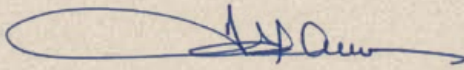
	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		14,011,421	17,774,628
Adjustments for:			
Provision / (recovery of provision) for impairment losses on interest bearing assets	5	3,656,444	3,496,337
Recovery of provision for guarantees and other commitments		3,450,308	28,643
Net unrealized (gain) / loss arising from changes in foreign currency exchange rates		(144,091)	(195,681)
Depreciation and amortization	16	4,978,682	4,501,099
Gain on revaluation of investment property	17	(316,712)	(184,300)
Gain on disposal of property and equipment		(203,853)	(9,671)
Loss / (gain) on disposal of intangible assets		2,341	-
Change in interest accruals, net		(6,002,662)	(12,882,890)
Cash flows from operating activities before changes in operating assets and liabilities		19,431,878	12,528,165
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of Azerbaijan Republic		(4,135,460)	(5,162,496)
Gold		2,544,745	(611,893)
Due from banks		(7,594,038)	(22,874)
Loans to customers		(332,480,236)	(211,983,532)
Other assets		(776,545)	911,122
Increase/(decrease) in operating liabilities:			
Due to banks and government agencies		83,030,899	18,346,909
Customer accounts		326,231,330	101,427,179
Other liabilities		1,223,261	1,040,925
Cash inflow / (outflow) from operating activities before taxation		87,475,834	(83,526,495)
Income tax paid		(2,376,937)	(3,144,682)
Net cash inflow / (outflow) from operating activities		85,098,897	(86,671,177)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	16	(8,021,502)	(63,352,393)
Proceeds on disposal of property and equipment		268,618	291,504
Purchase of investments available-for-sale		(36,354,093)	(8,321,045)
Net cash outflow from investing activities		(44,106,977)	(71,381,934)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		-	-
Net cash inflow from financing activities		-	-
Effect of foreign exchange rate changes on cash and cash equivalents		144,091	195,681
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		41,136,011	(157,857,430)
CASH AND CASH EQUIVALENTS, beginning of year		55,694,000	213,551,430
CASH AND CASH EQUIVALENTS, end of year	12	96,830,011	55,694,000

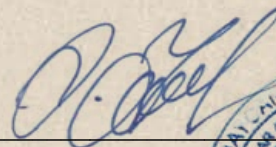
Interest paid and received by the Group in cash during the year ended 31 December 2013 amounted to AZN 32,357,872 and AZN 70,710,345, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2012 amounted to AZN 26,223,508 and AZN 47,972,853, respectively.

Approved for issue and signed on behalf of the Management Board on 31 March 2014.



Chairman
Mr. Elkhan Aghayev



Chief Accountant
Mrs. Tamilla Asadova



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 24 branches in Azerbaijan as at 31 December 2013. 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 2013 and 2012 was 518 and 461, 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
		2013	2012	
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 2013 and 2012 the following shareholders owned the issued shares of the Bank:

	31 December 2013	31 December 2012
	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
Total	100	100

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

These consolidated financial statements were authorized for issue by the Management Board on 31 March 2014.

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 2013	31 December 2012
Loans to customers	986,012,005	651,604,038
Investments available for sale	55,213,861	18,013,560
Property and equipment	75,522,590	73,846,828
Investment Property	6,691,512	6,374,800

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.

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.

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.

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.

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.

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.

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	3.3%
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.

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.

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 2013	31 December 2012
USD 1 = AZN 0.7845	USD 1 = AZN 0.7850
EUR 1 = AZN 1.0780	EUR 1 = AZN 1.0377
GBP 1 = AZN 1.2927	GBP 1 = AZN 1.2694
RUR 1 = AZN 0.0241	RUR 1 = AZN 0.0258

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 2013. 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.

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.

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.

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. 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. The adoption of the IFRS 13 had no 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.

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 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.

The above mentioned new or amended standards and interpretations effective from 1 January 2013 did not have a material impact on the accounting policies, financial position or performance of the Group.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2014 or later periods and which are relevant to the Group but not early adopted by the Group.

IFRS 9 Financial Instruments. IFRS 9, as issued, reflects the first phases of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments become effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 32 Presentation — Offsetting Financial Assets and Financial liabilities: These amendments clarify the meaning of “currently has a legally enforceable right to set off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 Financial Instrument: Recognition and Measurement. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have an impact on its financial statements as the Group does not apply hedge accounting according to IFRS.

Recoverable amount disclosures for non financial assets – Amendments to IAS 36 Impairment of Assets (issued in May 2013). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. These amendments are effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period.

Defined benefit plans: Employee contributions – Amendments to IAS 19 Employee Benefits (issued in November 2013). The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. These amendments are effective for annual periods beginning 1 July 2014.

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.

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 30,586,436 and AZN 26,669,992 as at 31 December 2013 and 2012.

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 2013 and 2012:

	31 December 2013	31 December 2012
Investments available-for-sale	55,213,861	18,013,560

4. NET INTEREST INCOME

Net interest income comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income comprises		
Interest on loans to customers	75,871,083	59,496,925
Interest on debt securities	565,277	900,110
Interest on guarantees	482,251	419,185
Interest on due from banks	74,959	86,016
Interest on other operations	125,192	14,117
Total interest income on financial assets recorded at amortized cost	77,118,762	60,916,353
Interest expense comprises:		
Interest on customer accounts	28,116,279	23,779,860
Interest on due to banks and government agencies	4,647,347	2,504,263
Total interest expense on financial assets recorded at amortized cost	32,763,626	26,284,123
Net interest income before provision for impairment losses on interest bearing assets	44,355,136	34,632,230

5. ALLOWANCE FOR IMPAIRMENT LOSSES

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

	Due from banks	Loans to customers	Total
31 December 2011	-	23,473,655	23,473,655
Provision	300,000	3,196,337	3,496,337
31 December 2012	300,000	26,669,992	26,969,992
(Recovery of provision)/provision	(260,000)	3,916,444	3,656,444
31 December 2013	40,000	30,586,436	30,626,436

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

	Guarantees and other commitments
31 December 2011	894,762
Provision	28,643
31 December 2012	923,405
Provision	3,450,308
31 December 2013	4,373,713

6. NET (LOSS) / GAIN ON GOLD OPERATIONS

Net (loss) /gain on gold operations comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Net gain on gold operations	720	37,427
Translation difference on gold	(6,099,173)	1,653,604
Total net (loss) / gain on gold operations	(6,098,453)	1,691,031

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Dealing differences, net	1,735,604	1,186,549
Translation differences, net	144,091	195,681
Total net gain on foreign exchange operations	1,879,695	1,382,230

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Fee and commission income:		
Cash operations	1,339,364	1,167,039
Foreign exchange operations	860,038	675,195
Factoring	855,851	1,207,471
Settlements	739,085	949,315
Plastic cards operations	635,650	437,655
Letters of credit	325,309	15,131
Guarantee letters	13,973	38,358
Other	140,196	1,573
Total fee and commission income	4,909,466	4,491,737
Fee and commission expense:		
Plastic cards operations	352,456	276,405
Settlements	189,296	174,300
Cash operations	45,390	85,284
Letters of credit	26,522	11,628
Guarantee letters	6,183	28,566
Other	38,205	54,206
Total fee and commission expense	658,052	630,389

9. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Staff costs	11,289,523	8,665,689
Depreciation and amortization	4,978,678	4,501,101
Payments to the Deposit Insurance Fund of the Republic of Azerbaijan	2,199,358	1,931,365
Security expenses	1,050,873	901,218
Operating leases	954,983	759,366
Taxes, other than income tax	692,621	430,764
Advertising and marketing expenses	507,043	527,822
Insurance	440,110	420,175
Communications	379,335	420,815
Entertainment	346,405	769,347
Repairs and maintenance expenses	333,333	249,580
Transportation and business trip expenses	269,490	219,350
Stationery expenses	225,407	261,162
Professional services fees	213,511	197,923
Utilities	199,953	220,662
Membership fees	34,591	16,250
Loss on disposal of property, equipment and intangible assets	13,299	-
Other expenses	299,265	440,390
Total operating expenses	24,427,778	20,932,979

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 2013 and 2012 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 2013 and 2012 comprise:

	31 December 2013	31 December 2012
Deductible temporary differences:		
Allowance for losses on loans to customers	7,187,847	2,822,976
Amortization	265,953	263,258
Gold	252,140	-
Due from banks	-	200,000
Other liabilities	1,359,620	955,025
Total deductible temporary differences	9,065,560	4,241,259
Taxable temporary differences:		
Depreciation	(4,046,568)	(2,042,227)
Provision reversal on off balance items	-	-
Total deductible temporary differences	(4,046,568)	(2,042,227)
Net deferred deductible temporary differences	5,018,992	2,199,032
Net deferred tax asset at the statutory tax rate (20%)	1,003,798	439,806
Net deferred tax asset	1,003,798	439,806

Relationships between tax expenses and accounting profit for the years ended 31 December 2013 and 2012 are explained as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit before income tax	14,011,421	17,774,628
Tax at the statutory tax rate of 20%	2,802,284	3,554,926
Tax effect of permanent differences	355,143	(255,645)
Income tax expense / (benefit)	3,157,427	3,299,281
Current income tax expense	3,721,419	3,144,682
Deferred income tax expense / (benefit)	(563,992)	154,599
Income tax expense / (benefit)	3,157,427	3,299,281

	31 December 2013	31 December 2012
Deferred income tax assets		
Beginning of the period	439,806	594,405
Change in the income tax assets for the period charged to profit	563,992	(154,599)
End of the period	1,003,798	439,806

11. EARNINGS PER SHARE

The earnings per share are calculated as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit:		
Net profit for the year	10,842,891	14,469,682
Weighted average number of ordinary shares for basic earnings per share	3,630,300	3,630,300
Earnings per share – basic and diluted (AZN)	2.987	3.986

12. CASH AND CASH EQUIVALENTS

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

	31 December 2013	31 December 2012
Cash on hand	33,206,883	19,718,312
Balances with the Central Bank of Azerbaijan Republic	50,601,635	39,129,206
Total cash and balances with the Central Bank of Azerbaijan Republic	<u>83,808,518</u>	<u>58,847,518</u>

The balances with the CBAR as at 31 December 2013 and 2012 include AZN 21,113,627 and AZN 16,978,167, 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:

	31 December 2013	31 December 2012
Cash and balances with the Central Bank of Azerbaijan Republic	83,808,518	58,847,518
Due from banks in OECD countries	35,928,153	14,016,974
	119,736,671	72,864,492
Less minimum reserve deposit with the Central Bank of Azerbaijan Republic	(21,113,627)	(16,978,167)
Less restricted deposit in OECD countries	(1,793,033)	(192,325)
Total cash and cash equivalents	<u>96,830,011</u>	<u>55,694,000</u>

13. DUE FROM BANKS

Due from banks comprise:

	31 December 2013	31 December 2012
Loans and time deposits with other banks	2,000,208	1,021,597
Correspondent accounts with other banks	39,119,872	14,076,066
Restricted deposits	1,800,878	200,175
	42,920,958	15,297,838
Less: allowance for impairment losses	(40,000)	(300,000)
Total due from banks	<u>42,880,958</u>	<u>14,997,838</u>

As at 31 December 2013 and 2012 accrued interest income included in due from banks amounted to AZN 208 and AZN 21,597, respectively.

Movements in allowances for impairment losses on balances due from banks for the years ended 31 December 2013 and 2012 are disclosed in Note 5.

As at 31 December 2013 and 2012 the maximum credit risk exposure of due from banks amounted to AZN 42,880,958 and AZN 14,997,838, respectively.

As at 31 December 2013 and 2012 the Bank had restricted deposits blocked in support of guarantees issued and plastic cards operations and money transfers totaling AZN 1,800,878 and AZN 200,175, respectively.

14. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2013	31 December 2012
Loans to customers	1,016,598,441	678,274,030
Less allowance for impairment losses	(30,586,436)	(26,669,992)
Total loans to customers	<u>986,012,005</u>	<u>651,604,038</u>

As at 31 December 2013 and 2012 accrued interest income included in loans to customers amounted to AZN 19,831,279 and AZN 14,247,104, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2013 and 2012 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:

	31 December 2013	31 December 2012
Loans collateralized by real estate	320,178,265	210,615,594
Loans collateralized by cash	290,012,524	2,774,882
Loans collateralized by guarantees	166,858,114	149,881,787
Loans collateralized by equipment	64,185,642	77,236,377
Loans collateralized by vehicles	28,298,218	27,270,460
Loans collateralized by trade receivable	26,826,574	89,976,236
Loans collateralized by shares of other entities	2,506,464	2,387,494
Unsecured loans	117,732,640	118,131,200
	1,016,598,441	678,274,030
Less allowance for impairment losses	(30,586,436)	(26,669,992)
Total loans to customers	<u>986,012,005</u>	<u>651,604,038</u>

Analysis by industry	31 December 2013	31 December 2012
Construction	311,822,014	87,490,853
Energy	217,301,903	216,345,034
Individuals	139,925,378	103,571,683
Mining	135,365,475	114,610,000
Manufacturing	100,010,819	48,812,206
Transportation and communication	65,209,718	82,339,839
Agriculture	21,934,182	11,197,234
Trading	1,199,872	506,930
Other	23,829,080	13,400,251
	1,016,598,441	678,274,030
Less allowance for impairment losses	(30,586,436)	(26,669,992)
Total loans to customers	986,012,005	651,604,038

Loans to individuals comprise the following products:

	31 December 2013	31 December 2012
Mortgage loans	62,714,888	51,835,995
Consumer loans	45,791,379	27,308,658
Car loans	24,934,015	19,103,766
Business loans	5,520,372	4,755,988
Plastic cards	964,724	567,276
	139,925,378	103,571,683
Less allowance for impairment losses	(8,058,181)	(6,291,149)
Total loans to customers	131,867,197	97,280,534

As at 31 December 2013 and 2012 the Bank granted 8 and 4 loans totaling AZN 602,030,870 and AZN 359,010,672, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2013 and 2012 the maximum credit risk exposure of loans to customers amounted to AZN 986,012,005 and AZN 651,604,038, respectively.

As at 31 December 2013 and 2012 loans to customers included loans in amount of AZN 47,872,248 and AZN 120,385,211, respectively, whose terms have been renegotiated. Otherwise these loans would be past due or impaired.

As at 31 December 2013 and 2012 loans to customers included loans in amount of AZN 632,253,533 and AZN 517,910,465, respectively, that were individually determined to be impaired.

As at 31 December 2013 and 2012 60% and 57% of total amount of loans to customers are given to 8 and 5 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.

15. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	31 December 2013	31 December 2012
Debt securities	55,036,392	17,836,184
Equity securities	<u>177,469</u>	<u>177,376</u>
Total investments available-for-sale	<u>55,213,861</u>	<u>18,013,560</u>

As at 31 December 2013 and 2012 accrued interest income included in investments available for sale amounted to AZN 1,010,392 and AZN 164,184, respectively.

Equity securities	Share %	31 December 2013	Share %	31 December 2012
Baku Stock Exchange	5	135,000	5	135,000
Millikart LTD	1	40,000	1	40,000
SWIFT SCRL		<u>2,469</u>		<u>2,376</u>
Total equity securities		<u>177,469</u>		<u>177,376</u>

Debt securities	Nominal interest rate	31 December 2013	Nominal Interest rate	31 December 2012
Notes issued by Azerbaijan Mortgage Fund	3.13	55,036,392	3.01	17,836,184
Total debt securities		<u>55,036,392</u>		<u>17,836,184</u>

16. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

	Land	Buildings	Computers	Vehicles	Furniture & Equipment	Other Equipment	Construction in progress	Total Premises & Equipment	Intangible Assets	Total
Cost at 31 December 2011	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
Additions	-	60,008,553	238,690	1,112,504	490,300	65,137	1,096,771	63,011,955	340,438	63,352,393
Disposals	-	(42,141)	-	(667,318)	-	-	-	(709,459)	-	(709,459)
Transfers	-	(558,727)	1,573	-	1,178,052	53,868	(674,766)	-	-	-
Cost at 31 December 2012	886,332	67,572,761	3,090,027	3,114,649	7,191,118	780,680	1,639,960	84,275,527	959,446	85,234,973
Additions	-	36,119	131,480	1,465,390	589,303	97,525	4,143,189	6,463,006	1,558,496	8,021,502
Disposals	-	(7,541)	(63,917)	(508,596)	(37,355)	-	(195)	(617,604)	(2,600)	(620,204)
Transfers	-	3,720,042	10,903	-	706,153	39,021	(4,476,119)	-	-	-
Cost at 31 December 2013	886,332	71,321,381	3,168,493	4,071,443	8,449,219	917,226	1,306,835	90,120,929	2,515,342	92,636,271
Accumulated Depreciation at 31 December 2011	-	(601,672)	(1,349,196)	(1,712,050)	(2,575,544)	(193,360)	-	(6,431,822)	(255,211)	(6,687,033)
Charge for the year	-	(2,159,647)	(455,773)	(470,630)	(1,241,319)	(97,135)	-	(4,424,504)	(76,595)	(4,501,099)
Disposals	-	-	-	427,627	-	-	-	427,627	-	427,627
Transfers	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 31 December 2012	-	(2,761,319)	(1,804,969)	(1,755,053)	(3,816,863)	(290,495)	-	(10,428,699)	(331,806)	(10,760,505)
Charge for the year	-	(2,206,281)	(468,785)	(603,234)	(1,332,367)	(111,812)	-	(4,722,479)	(256,203)	(4,978,682)
Disposals	-	-	63,097	454,452	35,290	-	-	552,839	259	553,098
Transfers	-	-	-	-	(100)	100	-	-	-	-
Accumulated Depreciation at 31 December 2013	-	(4,967,600)	(2,210,657)	(1,903,835)	(5,114,040)	(402,207)	-	(14,598,339)	(587,750)	(15,186,089)
NBV at 31 December 2012	886,332	64,811,442	1,285,058	1,359,596	3,374,255	490,185	1,639,960	73,846,828	627,640	74,474,468
NBV at 31 December 2013	886,332	66,353,781	957,836	2,167,608	3,335,179	515,019	1,306,835	75,522,590	1,927,592	77,450,182

17. INVESTMENT PROPERTIES

Investment properties comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Investment property at fair value at beginning of the year	6,374,800	6,190,500
Fair value gains / (loss)	316,712	184,300
Investment properties at end of the year	6,691,512	6,374,800

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 2013 was determined on 30 December 2013 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 2013	31 December 2012
Settlements on money transfers	1,620,453	461,324
Prepayments for purchase of property and equipment	1,550,027	407,773
Collateral repossessed	1,120,321	934,581
Deferred expenses	717,267	786,405
Prepayments and receivables on other transactions	605,754	162,679
Prepaid operating taxes	262,777	871,275
Prepaid operating leases	156,035	173,534
Prepayments for purchases of intangible assets	15,533	1,478,676
Accrued interest on other operations	7,500	8,078
Other	4,625	-
Total other assets	6,060,292	5,284,325

19. DUE TO BANKS AND GOVERNMENT AGENCIES

Due to banks and government agencies comprise:

	31 December 2013	31 December 2012
Amount due to the National Fund for Support of Entrepreneurship	59,542,701	28,318,805
Loans from Banks	39,225,000	-
Amount due to Azerbaijan Mortgage Fund	38,312,321	32,683,302
Amount due to State Oil Company of Azerbaijan Republic	28,482,875	20,826,702
Loans from the CBAR	25,450,000	25,850,000
Correspondent accounts of other banks	4,017,158	3,950,580
Amount due to the National Depository Center	301,069	601,440
Total due to banks and government agencies	195,331,124	112,230,829

As at 31 December 2013 and 2012 accrued interest expense included in due to banks and government agencies amounted to AZN 215,621 and AZN 146,225, respectively.

20. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2013	31 December 2012
Time deposits	547,139,696	379,136,600
Repayable on demand	317,059,942	158,495,350
Total customer accounts	<u>864,199,638</u>	<u>537,631,950</u>

As at 31 December 2013 and 2012 accrued interest expense included in customer accounts amounted to AZN 1,222,293 and AZN 885,935, respectively.

As at 31 December 2013 and 2012 customer accounts amounting to AZN 577,395,176 and AZN 326,338,106 were due to 9 and 10 customers representing a significant concentration, being approximately 67% and 61%, respectively.

	31 December 2013	31 December 2012
Individuals	600,130,240	406,551,253
Investing	166,992,136	46,130,413
Insurance	35,643,589	34,444,032
Trade	14,931,759	35,604,192
Construction	13,830,931	6,904,515
Energy	10,338,165	422,816
Transport and communication	9,672,962	4,266,287
Entertainment	8,405,070	-
Manufacturing	1,750,491	1,911,549
Financing	1,665,158	672,871
Agriculture	104,213	4,505
Other	734,924	719,517
Total customer accounts	<u>864,199,638</u>	<u>537,631,950</u>

21. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2013	31 December 2012
Payables to the employees	1,157,191	837,915
Settlements on money transfers and plastic cards	975,746	442,912
Taxes other than income tax	902,644	616,717
Payables to the Deposit Insurance Fund	601,957	500,840
Deferred revenue	349,627	272,119
Accrued expenses	94,107	263,442
Professional fees payable	39,530	39,530
Payables to the State Social Protection Fund	-	948
Other	146,251	69,369
Total other liabilities	<u>4,267,053</u>	<u>3,043,792</u>

22. SHARE CAPITAL

As of 31 December 2013 and 2012 the Group's shareholders' authorized, issued and fully paid capital amounted to AZN 183,693,180 and AZN 169,099,374, respectively and comprised 3,630,300 and 3,630,300 ordinary shares with a par value of AZN 50.60 and AZN 46.58, respectively. Each share entitles one vote to the shareholder.

During 2013 and 2012 share capital of the Group was increased by AZN 14,593,806 and AZN 28,606,764, respectively.

During 2013 and 2012 par value of ordinary shares of the Group was increased by AZN 4.02 and AZN 7.88, 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 4,373,713 and AZN 923,405 as at 31 December 2013 and 2012, respectively.

As at 31 December 2013 and 2012, the nominal or contract amounts and the risk amounts were:

	31 December 2013		31 December 2012	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	44,394,077	44,394,077	29,397,502	29,397,502
Letters of credit and other transaction related contingent obligations	8,300,072	4,150,036	5,061,240	2,530,620
Commitments on credits and unused credit lines	45,260,204	22,630,102	32,079,312	16,039,656
Total contingent liabilities and credit commitments	97,954,353	71,174,215	66,538,054	47,967,778

Capital commitments – The Group had no material commitments for capital expenditures outstanding as at 31 December 2013.

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 2013 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.

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 2013 and 2012 with related parties:

	31 December 2013		31 December 2012	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers		1,016,598,441		678,274,030
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		-	
- key management personnel of the entity	72,897		126,340	
Allowance for impairment losses		(30,586,436)		(26,669,992)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		-	
- key management personnel of the entity	(2,131)		(2,527)	
Customer accounts		864,199,638		537,631,950
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	72,346,751		89,293,942	
- key management personnel of the entity	270,084		-	

	Year ended 31 December 2013		Year ended 31 December 2012	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
short-term employee benefits	453,644	11,289,523	384,498	8,665,689

Included in the consolidated income statement for the years ended 31 December 2013 and 2012 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income		77,118,762		60,916,353
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		34,681	
- key management personnel of the entity	19,371		81,331	
Interest expense		(32,763,626)		(26,284,123)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	(3,638,866)		(4,033,610)	
- key management personnel of the entity	(11,807)		(24,190)	
Fee and commission income		4,909,466		4,491,737
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	66,985		30,059	
- key management personnel of the entity	-		13,991	
Other income		841,447		481,448
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	366,519		312,200	
Operating expense		(24,427,778)		(20,932,979)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	(457,963)		(495,982)	

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.

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 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	83,808,518	83,808,518	58,847,518	58,847,518
Due from banks	42,880,958	42,880,958	14,997,838	14,997,838
Due to banks and government agencies	195,331,124	195,331,124	112,230,829	112,230,829
Customer accounts	864,199,638	864,199,638	537,631,950	537,631,950

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 2013 and 2012 the cost of them was 177,469 and AZN 177,376, 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 (12%) and tier 1 capital (6%) 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 2013 the Group’s total capital amount for Capital Adequacy purposes was AZN 194,508,685 and tier 1 capital amount was AZN 194,508,685 with ratios of 16% and 16%, respectively.

As at 31 December 2012 the Group’s total capital amount for Capital Adequacy purposes was AZN 184,954,637 and tier 1 capital amount was AZN 184,954,637 with ratios of 23% and 23%, 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 2013 and 2012 the Group was in compliance with the minimum capital requirements imposed by the CBAR.

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 2012.

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.

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.

31 December 2013

	Maximum exposure	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Due from banks	42,880,958	42,880,958	-	42,880,958
Loans to customers	986,012,005	986,012,005	868,296,385	117,715,620
Investments available-for-sale	55,213,861	55,213,861	-	55,213,861

31 December 2012

	Maximum exposure	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Due from banks	14,997,838	14,997,838	-	14,997,838
Loans to customers	651,604,038	651,604,038	533,472,838	118,131,200
Investments available-for-sale	18,013,560	18,013,560	-	18,013,560

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:

31 December 2013

	AAA	AA	A	BBB	< BBB	Not rated	Total
Due from banks	-	35,928,153	-	-	4,976,177	1,976,628	42,880,958
Loans to customers	-	-	-	-	-	986,012,005	986,012,005
Investments available-for-sale	-	-	-	-	-	55,213,861	55,213,861

31 December 2012

	AAA	AA	A	BBB	< BBB	Not rated	Total
Due from banks	-	14,016,974	-	-	254,233	726,631	14,997,838
Loans to customers	-	-	-	-	-	651,604,038	651,604,038
Investments available-for-sale	-	-	-	-	-	18,013,560	18,013,560

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.

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 2013	
	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	42,880,958	-	-	-	-	-	42,880,958
Loans to customers	335,756,301	-	-	-	-	650,255,704	986,012,005
Investments available-for-sale	55,213,861	-	-	-	-	-	55,213,861

	Financial assets past due but not impaired					31 December 2012	
	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	14,997,838	-	-	-	-	-	14,997,838
Loans to customers	123,421,437	-	-	-	-	528,182,601	651,604,038
Investments available-for-sale	18,013,560	-	-	-	-	-	18,013,560

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 2013 Total
ASSETS				
Cash and cash equivalents	83,808,518	-	-	83,808,518
Gold	6,831,161	-	-	6,831,161
Due from banks	6,638,296	314,509	35,928,153	42,880,958
Loans to customers	986,012,005	-	-	986,012,005
Investments available for sale	55,211,392	-	2,469	55,213,861
Property and equipment	75,522,590	-	-	75,522,590
Investment property	6,691,512	-	-	6,691,512
Intangible assets	1,927,592	-	-	1,927,592
Deferred income tax asset	1,003,798	-	-	1,003,798
Other assets	6,022,990	13,622	23,680	6,060,292
TOTAL ASSETS	1,229,669,854	328,131	35,954,302	1,265,952,287
LIABILITIES				
Due to banks and government agencies	195,331,124	-	-	195,331,124
Customer accounts	864,199,638	-	-	864,199,638
Provision for impairment losses on other operations	4,373,713	-	-	4,373,713
Current income tax liability	1,344,482	-	-	1,344,482
Other liabilities	4,266,491	235	327	4,267,053
TOTAL LIABILITIES	1,069,515,448	235	327	1,069,516,010
NET POSITION	160,154,406	327,896	35,953,975	

	The Republic of Azerbaijan	CIS countries	OECD countries	31 December 2012 Total
ASSETS				
Cash and cash equivalents	58,847,518	-	-	58,847,518
Gold	9,375,906	-	-	9,375,906
Due from banks	762,553	218,311	14,016,974	14,997,838
Loans to customers	651,604,038	-	-	651,604,038
Investments available-for-sale	18,011,184	-	2,376	18,013,560
Property and equipment	73,846,828	-	-	73,846,828
Investment property	6,374,800	-	-	6,374,800
Intangible assets	627,640	-	-	627,640
Deferred income tax asset	439,806	-	-	439,806
Other assets	4,035,720	29,431	1,219,174	5,284,325
TOTAL ASSETS	823,925,993	247,742	15,238,524	839,412,259
LIABILITIES				
Due to banks and government agencies	112,230,829	-	-	112,230,829
Customer accounts	537,631,950	-	-	537,631,950
Provision for impairment losses on other operations	923,405	-	-	923,405
Other liabilities	3,007,588	3,934	32,270	3,043,792
TOTAL LIABILITIES	653,793,772	3,934	32,270	653,829,976
NET POSITION	170,132,221	243,808	15,206,254	

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.

	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	31 December 2013 Total
ASSETS								
Due from banks	12,00%	-	-	1,960,000	-	-	-	1,960,000
Loans to customers	7,48%	27,056,431	9,995,251	243,318,408	533,606,224	152,204,412	-	966,180,726
Investments available for sale	3,13%	-	49,011,000	-	-	5,015,000	-	54,026,000
Total interest bearing assets at fixed rates		27,056,431	9,995,251	245,278,408	533,606,224	152,204,412	-	968,140,726
Total interest bearing assets		27,056,431	9,995,251	245,278,408	533,606,224	152,204,412	-	968,140,726
Cash and cash equivalents		62,694,891	-	-	-	-	21,113,627	83,808,518
Gold		6,831,161	-	-	-	-	-	6,831,161
Due from banks		39,120,080	-	-	-	-	1,800,878	40,920,958
Loans to customers		6,802,683	-	-	-	-	13,028,596	19,831,279
Investments available for sale		-	926,030	84,362	-	-	177,469	1,187,861
Other assets		1,627,953	721,892	-	1,120,321	-	-	3,470,166
		144,133,199	11,643,173	245,362,770	534,726,545	152,204,412	36,120,570	1,124,190,669
LIABILITIES								
Due to banks and government agencies	3,15%	-	100,548	72,106,104	44,146,702	74,744,991	-	191,098,345
Customer accounts	4,71%	23,736,878	166,521,242	102,996,104	252,789,163	-	-	546,043,387
Total interest bearing liabilities at fixed rates		23,736,878	166,621,790	175,102,208	296,935,865	74,744,991	-	737,141,732
Total interest bearing liabilities		23,736,878	166,621,790	175,102,208	296,935,865	74,744,991	-	737,141,732
Due to banks and government agencies		4,232,779	-	-	-	-	-	4,232,779
Customer accounts		263,989,869	-	-	-	-	54,166,382	318,156,251
Current income tax liability		-	1,344,482	-	-	-	-	1,344,482
Other liabilities		1,671,810	942,174	1,653,069	-	-	-	4,267,053
Guarantees issued and similar commitments		150,775	38,598,275	5,625,027	20,000	-	-	44,394,077
Letters of credit and other transaction related contingent obligations		2,917,773	280,067	4,603,182	499,050	-	-	8,300,072
Commitments on credits and unused credit lines		1,987,367	9,010,825	6,440,182	18,392,022	9,429,810	-	45,260,206
		298,687,251	216,797,613	193,423,668	315,846,937	84,174,801	54,166,382	1,163,096,652
Liquidity gap		(154,554,052)	(205,154,440)	51,939,102	218,879,608	68,029,611		
Interest sensitivity gap for fixed rate instruments		3,319,553	(156,626,539)	70,176,200	236,670,359	77,459,421		
Interest sensitivity gap		3,319,553	(156,626,539)	70,176,200	236,670,359	77,459,421		
Cumulative interest sensitivity gap		3,319,553	(153,306,986)	(83,130,786)	153,539,573	230,998,994		

	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	31 December 2012 Total
ASSETS								
Due from banks	0.03%	9,002	-	-	-	-	-	9,002
Loans to customers	9.95%	19,567,040	18,368,758	169,545,002	321,876,725	107,999,413	-	637,356,938
Investments available-for-sale	3.01%	-	-	-	996,000	16,676,000	-	17,672,000
Total interest bearing assets at fixed rates		19,576,042	18,368,758	169,545,002	321,876,725	107,999,413	-	637,365,940
Total interest bearing assets		19,576,042	18,368,758	169,545,002	321,876,725	107,999,413	-	637,365,940
Cash and cash equivalents		41,869,351	-	-	-	-	16,978,167	58,847,518
Gold		9,375,906	-	-	-	-	-	9,375,906
Due from banks		14,088,660	-	-	-	-	900,176	14,988,836
Loans to customers		6,642,733	-	-	-	-	7,604,367	14,247,100
Investments available-for-sale		164,184	-	-	-	-	177,376	341,560
Other assets		469,402	-	-	-	-	-	469,402
		92,186,278	18,368,758	169,545,002	321,876,725	107,999,413	25,660,086	735,636,262
LIABILITIES								
Due to banks and government agencies	3.01%	237,148	1,611,887	48,645,709	27,209,760	30,429,521	-	108,134,025
Customer accounts	6.40%	14,486,726	55,886,916	99,649,428	208,442,298	-	-	378,465,368
Total interest bearing liabilities at fixed rates		14,723,874	57,498,803	148,295,137	235,652,058	30,429,521	-	486,599,393
Total interest bearing liabilities		14,723,874	57,498,803	148,295,137	235,652,058	30,429,521	-	486,599,393
Due to banks and government agencies		4,096,804	-	-	-	-	-	4,096,804
Customer accounts		159,166,582	-	-	-	-	-	159,166,582
Other liabilities		1,867,577	29,568	927,349	-	-	-	2,824,494
Guarantees issued and similar commitments		1,875,749	1,638,229	25,431,996	451,528	-	-	29,397,502
Letters of credit and other transaction related contingent obligations		249,190	4,812,050	-	-	-	-	5,061,240
Commitments on credits and unused credit lines		9,940,125	-	2,320,791	14,250,639	5,567,757	-	32,079,312
		191,919,901	63,978,650	176,975,273	250,354,225	35,997,278	-	719,225,327
Liquidity gap		(99,733,623)	(45,609,892)	(7,430,271)	71,522,500	72,002,135		
Interest sensitivity gap for fixed rate instruments		4,852,168	(39,130,045)	21,249,865	86,224,667	77,569,892		
Interest sensitivity gap		4,852,168	(39,130,045)	21,249,865	86,224,667	77,569,892		
Cumulative interest sensitivity gap		4,852,168	(34,277,877)	(13,028,012)	73,196,655	150,766,547		

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 2013.

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 2013		As at 31 December 2012	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Due from banks	19,600	(19,600)	90	(90)
Loans to customers	9,661,807	(9,661,807)	6,373,569	(6,373,569)
Investments available-for-sale	540,260	(540,260)	176,720	(176,720)
Liabilities:				
Due to banks and government agencies	(1,910,983)	1,910,983	(1,081,340)	1,081,340
Customer accounts	(5,460,434)	5,460,434	(3,784,654)	3,784,654
Net impact on profit before tax	2,850,250	(2,850,250)	1,684,385	(1,684,385)

Impact on shareholders' equity:

	As at 31 December 2013		As at 31 December 2012	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Due from banks	19,600	(19,600)	90	(90)
Loans to customers	9,661,807	(9,661,807)	6,373,569	(6,373,569)
Investments available-for-sale	540,260	(540,260)	176,720	(176,720)
Liabilities:				
Due to banks and government agencies	(1,910,983)	1,910,983	(1,081,340)	1,081,340
Customer accounts	(5,460,434)	5,460,434	(3,784,654)	3,784,654
Net impact on profit before tax	2,850,250	(2,850,250)	1,684,385	(1,684,385)

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 2013 Total
ASSETS					
Cash and cash equivalents	62,916,374	5,823,745	15,065,568	2,831	83,808,518
Gold	6,831,161	-	-	-	6,831,161
Due from banks	11,297,629	13,419,662	17,893,037	270,630	42,880,958
Loans to customers	726,624,874	259,156,985	230,146	-	986,012,005
Investments available for sale	55,211,392	-	2,469	-	55,213,861
Property and equipment	75,522,590	-	-	-	75,522,590
Investment property	6,691,512	-	-	-	6,691,512
Intangible assets	1,927,592	-	-	-	1,927,592
Deferred income tax asset	1,003,798	-	-	-	1,003,798
Other assets	5,455,334	527,789	73,508	3,661	6,060,292
TOTAL ASSETS	953,482,256	278,928,181	33,264,728	277,122	1,265,952,287
LIABILITIES					
Due to banks and government agencies	123,606,091	71,709,773	15,260	-	195,331,124
Customer accounts	623,944,405	206,449,362	33,788,195	17,676	864,199,638
Provision for impairment losses on other operations	4,373,713	-	-	-	4,373,713
Current income tax liability	1,344,482	-	-	-	1,344,482
Other liabilities	3,537,515	594,579	125,379	9,580	4,267,053
TOTAL LIABILITIES	756,806,206	278,753,714	33,928,834	27,256	1,069,516,010
OPEN BALANCE SHEET POSITION	196,676,050	174,467	(664,106)	249,866	

	AZN	USD	EUR	Other currency	31 December 2012 Total
ASSETS					
Cash and cash equivalents	47,573,687	9,453,481	1,814,555	5,795	58,847,518
Gold	9,375,906	-	-	-	9,375,906
Due from banks	13,472,746	713,949	636,585	174,558	14,997,838
Loans to customers	422,782,445	227,756,525	1,065,068	-	651,604,038
Investments available-for-sale	18,011,184	-	2,376	-	18,013,560
Property and equipment	73,846,828	-	-	-	73,846,828
Investment property	6,374,800	-	-	-	6,374,800
Intangible assets	627,640	-	-	-	627,640
Deferred income tax asset	439,806	-	-	-	439,806
Other assets	5,096,587	163,253	6,302	18,183	5,284,325
TOTAL ASSETS	597,601,629	238,087,208	3,524,886	198,536	839,412,259
LIABILITIES					
Due to banks and government agencies	87,452,893	24,775,997	1,939	-	112,230,829
Customer accounts	278,156,066	254,355,505	5,116,335	4,044	537,631,950
Provision for impairment losses on other operations	923,405	-	-	-	923,405
Other liabilities	2,609,427	382,565	50,808	992	3,043,792
TOTAL LIABILITIES	369,141,791	279,514,067	5,169,082	5,036	653,829,976
OPEN CURRENCY POSITION	228,459,838	(41,426,859)	(1,644,196)	193,500	

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 2013		As at 31 December 2012	
	AZN / USD +10%	AZN / USD -10%	AZN / USD +10%	AZN / USD -10%
Impact on profit or loss	(17,447)	17,447	4,142,686	(4,142,686)

	As at 31 December 2013		As at 31 December 2012	
	AZN / EURO +10%	AZN / EURO -10%	AZN / EURO +10%	AZN / EURO -10%
Impact on profit or loss	66,411	(66,411)	164,420	(164,420)

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.



