

İLLİK HESABAT **2008** ANNUAL REPORT



 **Xalq Bank**
Uğurla birlikdəyik!



MÜNDƏRİCAT

İdarə Heyəti Sədrinin müraciəti
2008-ci ildə Azərbaycanın iqtisadiyyatı və
bankların rolu
Xalq Bankın tarixçəsi
Risklərin idarə edilməsi
Beynəlxalq əlaqələr
Pərakəndə xidmətlər
Korporativ xidmətlər
Xidmət şəbəkəsi
İnsan resursları
İnformasiya Texnologiyaları
Müstəqil auditor rəyi və maliyyə hesabatları
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Asim Məmmədli
İdarə Heyətinin Sədri

Asim Mammadli
Chairman of the Executive Board

Səhmdarların fikrincə, Xalq Bank qarşıdakı bir neçə il ərzində inkişaf etmiş geniş filial şəbəkəsi vasitəsilə müasir, müxtəlif çeşidli və yüksək səviyyəli xidmətlər təklif edən universal maliyyə institutuna çevrilməlidir.

Hörmətli səhmdarlar, müştərilər, tərəfdaşlar!

2008-ci ilin sonunda dörd yaşını qeyd edən Xalq Bankın ilk illik Hesabatını diqqətinizə çatdırıram. Biz Sizləri Bankımızın təkcə 2008-ci il ərzində deyil, fəaliyyət göstərdiyi bütün ötən dövr ərzində əldə etdiyi nailiyyətlər və uğurları barədə məlumatlandırmaq istəyirik. Əslində dörd il Bank üçün bir o qədər də uzun müddət deyil, lakin səhmdarlar və əməkdaşlar üçün tamamilə yeni bir maliyyə qurumunun yaranması və təşəkkül tapması ilə bağlı olan bu dövr uzun və mürəkkəb olmuşdur. Bank kimi tamamilə yeni adla fəaliyyətə başlayan Xalq Bankın qarşısında duran əsas məqsəd qısa müddət ərzində yerli bazarda aparıcı mövqeləri tutmaq idi. Bununla yanaşı biz, ölkənin maliyyə bazarında güclü dövlət banklarının və xarici kapitalın iştirak etdiyi özəl bankların olmasını, bank sektorunda faktiki olaraq aparıcı biznes qurumlarının formalaşdığını və sair amilləri nəzərə alaraq qarşımızda duran hədəfin mürəkkəbliyini tam anlayırdıq.

Buna baxmayaraq, qarşımıza qoyduğumuz məqsədlərə nəzərdə tutduğumuzdan daha tez – 2006-cı ildə nail olduq və həmin il Xalq Bank ölkənin 10 aparıcı bankı sırasına daxil oldu.

Səhmdarların fikrincə, Xalq Bank qarşıdakı bir neçə il ərzində inkişaf etmiş geniş filial şəbəkəsi vasitəsilə müasir, müxtəlif çeşidli və yüksək səviyyəli xidmətlər təklif

Dear shareholders, clients and partners!

It is a great pleasure for me to introduce the first annual report of Xalq Bank that celebrated its four years of activity as of December 2008. Our primary purpose is to provide you with the broad information on bank activity and achievements throughout the year of 2008 as well as the previous years of its activity. Notwithstanding the fact that four years of presence in the market is not such a long period for a banking institution it has been a serious challenge for the shareholders and management of the Bank to establish and organize a well functioning and healthy standing financial institution. The Bank's management had a clearly set target of achieving a leading place within the banking industry of the country throughout a very short period of time. We have been very well aware of the fact that there is a formed group of leading banks in the local financial market as well as the banks with solid state and foreign background of ownership that put huge challenges for achieving our goals set.

Nevertheless we have been able to achieve those goals even ahead of planned time horizon, becoming one of the 10 leading banks in the local financial market by 2006.

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edən universal maliyyə institutuna çevrilməlidir.

Müştəri bazasını formalaşdırarkən biz bildik ki, pərakəndə xidmətlərin satışı üzrə istənilən nəticəni əldə etmək üçün Bank ilk növbədə geniş filial şəbəkəsinə malik olmalıdır. Bunu nəzərə alaraq, ilkin mərhələdə bütün səylər korporativ müştərilərin cəlb olunmasına yönəldi və bu istiqamətdə biz əhəmiyyətli nailiyyətlər əldə etdik. Bu gün Xalq Bank dövlət və özəl sektora mənsub olan iri istehsalçıların da mövcud olduğu çoxsaylı korporativ müştərilərə xidmət göstərir.

Fəaliyyətin ilk iki ili bankın təşəkkülünə, komandasının formalaşmasına, tərəfdaş münasibətlərinin qurulmasına həsr edildi. Bu müddət ərzində qərb ölkələrinin nüfuzlu bankları ilə əlaqələr qurulmuş, Bank beynəlxalq təşkilatlara üzv olmuş, müxtəlif ödəmə sistemlərini tətbiq etmişdir.

Yola saldıığımız 2008-ci il dünyada global iqtisadi böhranın dərinləşməsi şəraitində keçmişdir. Bu böhranın acı fəsadları Azərbaycan iqtisadiyyatından da yan keçməmişdir. Son on ildə dünya iqtisadiyyatına qovuşan Azərbaycan iqtisadiyyatı bu gün bir çox sınaqlardan keçməkdədir.

Lakin Azərbaycan hökumətinin monetar və fiskal siyasətə dair atdığı adekvat addımlar ölkənin maliyyə və makroiqtisadi sabitliyini qoruyub saxlamaqdadır.

Böhranın ciddi şəkildə uzanması və dərinləşməsinə baxmayaraq iqtisadiyyatımızın dinamik inkişafı davam etmiş, ikirəqəmli iqtisadi artım tempi qorunub saxlanmışdır. Buna paralel olaraq əsas iştirakçıları kiçik və orta biznes olan qeyri-neft sektoru sürətlə inkişaf etmişdir və günü-gündən daha da güclənir.

İqtisadiyyatın hazırkı durumu göstərir ki, biznesin istər keyfiyyət, istərsə də kəmiyyət baxımından daim inkişaf etməsi maliyyə bazarında uğurun əsas təminatçısıdır. Bununla əlaqədar, biz Bankın ölkə ərazisində filial şəbəkəsinin genişləndirilməsini davam etdirmək niyyətindəyik.

Hazırda müştərilərimiz Xalq Bankın ölkənin Bakı, Sumqayıt, Zaqatala, Gəncə, Neftçala, Mingəçevir, Yevlax, Cəlilabad və Naxçıvan kimi böyük şəhərlərindəki müvafiq struktur bölmələrinin xidmətlərindən istifadə edə bilirlər. Önümüzdəki 2009-cu ildə biz genişlənmə prosesini davam etdirərək respublikanın rayonlarında

quality service universal Bank with the fairly developed branch network with rich and diversified up-to-date product line to be offered for the customer use.

We knew that to be able to achieve a desired retail customer base we had to establish a widespread branch network. Keeping that in mind we started from the development of our corporate customer base on the initial stage of our growth which proved to be a successful strategy. Today Xalq Bank delivers a full range of banking services to a big number of state and privately owned enterprises.

The first two years were devoted to the organizational issues of the Bank, team building process and establishing partner networks. Throughout this period of time we were able to establish contacts with the top-notch Western financial institutions. Besides it Xalq Bank had acquired membership in a number of organizations and included diverse range of money transfer systems to its product line.

The year of 2008 was remarked with a serious downturn of the world financial system. This contraction in the world business activities and credit squeeze that affected cross-border investments has its impact on Azerbaijani economy which has been integrating to the world economy throughout the past decade.

Preserving financial and the macroeconomic stability was very well understood and adequate steps in the monetary and fiscal policies were undertaken by the Government of Azerbaijan.

Still the double digit economic growth in Azerbaijan was successfully sustained and the required environment for the dynamic growth was provided. At the same time there are signs of non-oil related small and medium size businesses strengthening. We, at Xalq Bank believe that this segment of economy has huge upside potential for further growth and we are committed to continue strengthening our presence within this market segment.

The current situation of the economy shows that the sustainable growth of the businesses is the key determinant of the financial market participants' success. That is why we are committed for further growth and regional spread of our branch network throughout the country.

filiallar, habelə bu il Bakı şəhərində bir neçə filial və şöbə açmağı planlaşdırırıq.

2009-cı ildə biz, bank sektorundakı mövqelərimizi nəinki qoruyub saxlamaq, habelə mövqelərimizi möhkəmlətmək üçün bütün səylərimizi cəmləşdirmək niyyətindəyik. Uzunmüddətli strategiyada biz ölkənin beş aparıcı bankı sırasına daxil olmağı qarşımıza məqsəd qoymuşuq. Biz inamla bu hədəfə doğru irəliləyirik və bu məqsədimizə gələnlə il yetişməyi nəzərdə tuturuq. Lakin məqsədimiz təkə yeni yüksəkliklərə nail olmaq deyil, həmçinin əldə etdiklərimizi daha da gücləndirməkdir. Və bunun üçün biz qarşıdakı illərdə də müştərilərimizə və tərəfdaşlarımıza mükəmməl servis, yüksək effektivliyi təmin edən müasir və ehtiyac duyulan məhsul və xidmətlər təklif etmək niyyətindəyik.

Biz arxaya fəxr ilə, irəliyə inamla baxırıq!

Fəaliyyətimiz haqqında Hesabatı yekunlaşdıraraq qeyd etmək istəyirəm ki, tərəfdaşlarımız, əməkdaşlarımız, müştərilərimiz və səhmdarlarımız kimi inkişafda maraqlı tərəflərin dəstəyi olmadan bugünkü uğurlu nəticələrin əldə edilməsi son dərəcə çətin olardı.

Xalq Bankın İdarə Heyətinin adından göstərdikləri etimad və dəstəyə görə bizimlə əməkdaşlıq edən bütün müştərilərimizə və tərəfdaşlarımıza təşəkkürümü bildirmək istəyirəm. Xüsusilə də Xalq Bankın kollektivinə minnətdarlığımı bildirirəm. Məhz hər bir əməkdaşın yüksək peşəkarlığı və korporativ mədəniyyəti ötən müddət ərzində Bankın inkişafını və maliyyə uğurlarını təmin etmişdir.

Onların əməyinin nəticələri ilə Siz Xalq Bankın 2008-ci ilə dair illik Hesabatında tanış ola bilərsiniz.

As of today our clients may apply to our outlets located in the capital city of Baku as well as in the regional centers such as Sumgayit, Zaqatala, Ganja, Neftchala, Mingəchevir, Yevlax, Jalilabad and Nakhchivan. Throughout the year of 2009 we plan to further continue the expansion process of our branch network in the main regions of the country and also plan to introduce a few more outlets in Baku for the disposal of our customers.

Within the forthcoming year of 2009 we plan not only retain our leading position within the local financial market but also do our best possible to further strengthen it. In the long-term we set ourselves a goal of becoming among five leading financial institutions in Azerbaijan. We are heading towards this goal with high sense of confidence and plan to achieve it within the next year. Nevertheless our goal is not only comprised of achieving new targets set, it is also about retaining and strengthening our past achievements. That is why in the forthcoming years we are committed to continue delivering our first class service and provide for the maximal efficiency of demanded up-to-date banking products.

We look back with pride and look forward with a fair sense of confidence!

In the end of this statement on our activity I would like to emphasize the utmost important role of our partners, colleagues, customers and shareholders in helping us to achieve those challenging goals we have set.

On behalf of the Executive Board of Xalq Bank, I would like to express my deepest gratitude to our partners, customers and colleagues for their trust and support. Special thanks go to the team members of Xalq Bank. It is the high competency, professionalism and corporate culture of every individual employee that predetermined the success of our institution.

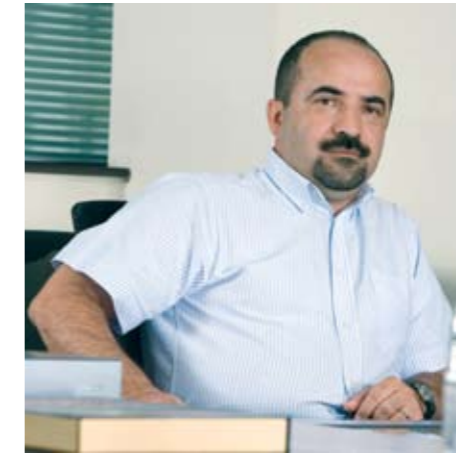
The results of their job contribution on Xalq Bank's performance in 2008 can be found in our Annual Report.

Hörmətlə,
Asim Məmmədli

With best regards,
Asim Mammadli

İDARƏ HEYƏTİNİN ÜZVLƏRİ

EXECUTIVE BOARD



Xəzər Bağırılı
İdarə Heyəti sədrinin müavini

Khazar Baghirli
Deputy Chairman of the Executive Board



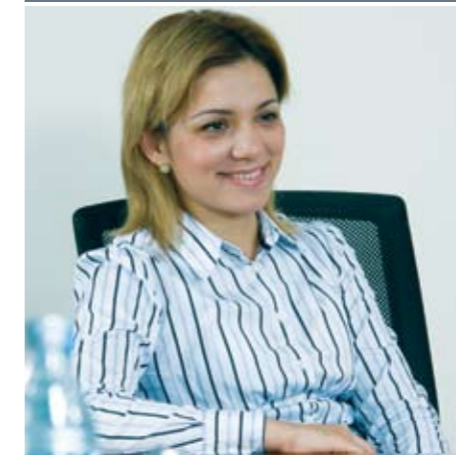
Elxan Ağayev
İdarə Heyəti Sədrinin müavini

Elkhan Aghayev
Deputy Chairman of the Executive Board



Nigar Biləndərli
İdarə Heyətinin üzvü, Biznesin İnkişafı və Filiallarla İş İdarəsinin rəisi

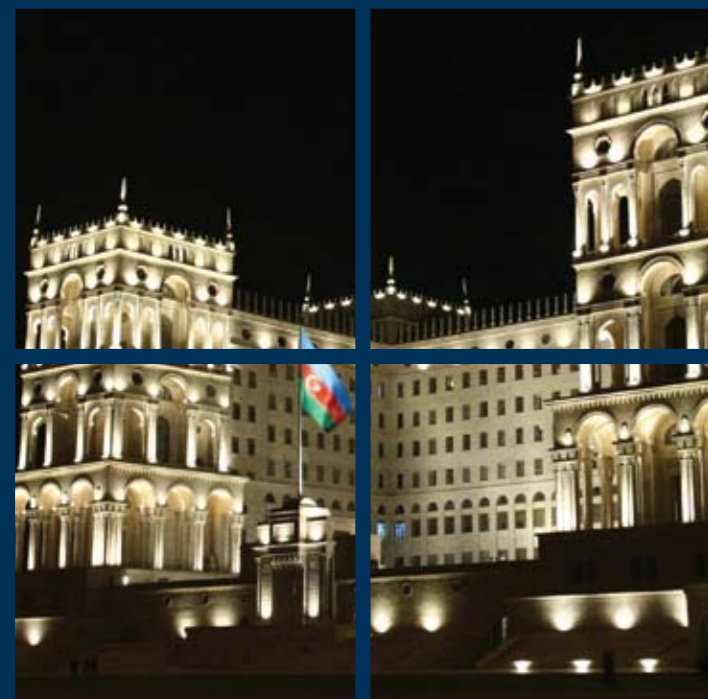
Nigar Bilandarli
Member of the Executive Board,
Head of Business Development and
Branch Management Department



Yaşar Nağıyev
İdarə Heyəti sədrinin müavini

Yashar Nagiyev
Deputy Chairman of the Executive Board





2008-Cİ İLDƏ AZƏRBAYCANIN İQTİSADİYYATI VƏ BANKLARIN ROLU

ECONOMY OF AZERBAIJAN IN 2008 AND THE ROLE OF BANKS

Ölkənin maliyyə institutları tərəfindən fiziki və hüquqi şəxslərə verilən kreditlərin məbləği hesabat ilində 2007-ci illə müqayisədə 46% artaraq 6816,85 mln AZN olmuşdur.

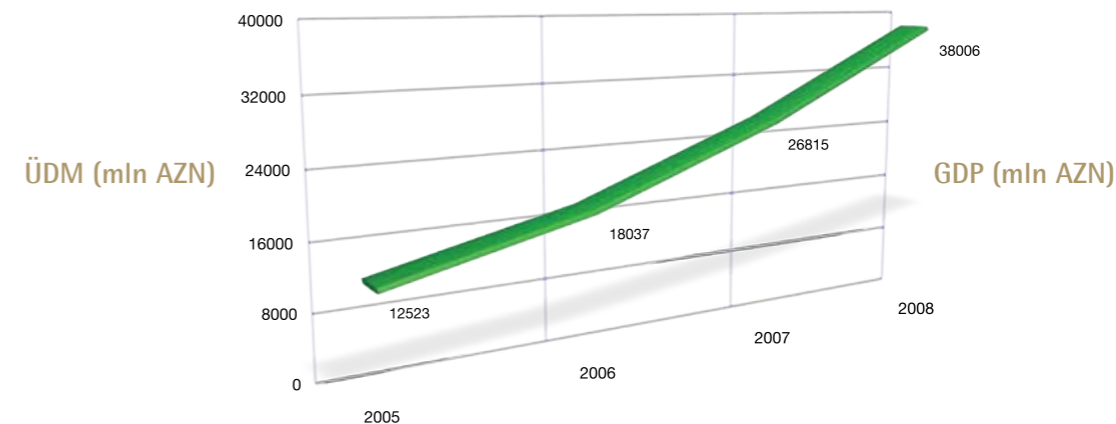
2008-ci il dünya ölkələrinin son bir neçə onilliklərdə ki, üzlaşmədiyi global maliyyə böhranı ilə yadda qaldı. Bu böhranın ilk təsirləri inkişaf etmiş maliyyə bazarlarında müşahidə olundu. İlk mənbə ABŞ-ın maliyyə bazarında sosial ipoteka (sub-prime mortgage loans) adı ilə tanınan segment oldu. Qanunvericilikdə və nəzarətdə müəyyən boşluqlar nəticəsində bu böhranın mənbəyini dərhal çevik və adekvat şəkildə aradan qaldırmaq mümkün olmadı. Nəticədə maliyyə bazarındakı çətinliklər və müflisləşmələr zəncirvari olaraq iqtisadiyyatın digər segmentlərinə keçməyə başladı. Son illər ərzində dünyada artan globalizasiya meyilləri bu böhranın digər ölkələrə daha da tez yayılmasına şərait yaratdı. Bu integrasiyanın səviyyəsindən asılı olaraq ölkələr bir-birinin ardınca böhranla üzlaşmalı oldular.

Bir çox ölkələrin artıq 2008-ci ildə global maliyyə böhranı ilə üzlaşmasına baxmayaraq, Azərbaycanın sosial-iqtisadi həyatında son illər müşahidə olunan sürətli inkişaf yola saldıığımız ildə də davam etmiş, istehsal və xidmət sahələrində qazanılan uğurlar yüksək artım sürətinə malik olmuşdur.

Rəsmi mənbələrin məlumatına əsasən hesabat ili ərzində Azərbaycan Respublikasında istehsal edilmiş ÜDM (Ümumi Daxili Məhsul) əvvəlki illə müqayisədə 10,8 faiz real artımla müşahidə olunmuşdur. ÜDM-in adam başına düşən həcmi isə 4403,9 manat (5467,9 ABŞ dolları) təşkil etmişdir. Yola saldıığımız ildə istehsal olunan ÜDM-in 57,4%-i sənaye, 5,8%-i kənd təsərrüfatı, ovçuluq və meşə təsərrüfatı, 7,6%-i tikinti, 6%-i ticarət və pullu xidmət sahələri, 5,1%-i nəqliyyat, 1,9%-i rabitə sahəsində əldə olunmuşdur. Sevindirici haldır ki, neft sektorunda ÜDM-in istehsalı 7%, qeyri-neft sektorunda isə 15,7% artmışdır.

The past year of 2008 was remarked by the influence of unseen for the past decades global economic crisis. The major financial markets became the first ones hit by the crisis that emerged from the sub-prime mortgages back in 2007 in the U.S. Gaps in the regulation, delayed support for the first hit businesses and the frustration of the legislative and regulatory powers has led to the deepening of the financial crunch and creeping it into other sectors of the economy. The unprecedented globalization of the financial markets during the past decades allowed for the smooth transfer of the crisis from one national market into another. Overall, depending on the degree of economic integration different markets started joining the "club" of countries hit by the downturn. Notwithstanding this fact, it is plausible to admit that the economy of Azerbaijan continued its rapid expansion throughout the year of 2008 that was reflected in the improved welfare of the population and the industry growth rates.

As per official statistical data the GDP (Gross Domestic Product) of Azerbaijani economy showed annual real growth rate of 10.8%. The per capita annual income reached 4,403.90 AZN (5,467.90 USD). The overall GDP growth is the result of the growth observed in the following segments of economy: 57.4% in industrial production, 5.8% in agriculture, hunting and forestry, 7.6% in construction, 6% in trade and services industry, 5.1% in transportation, 1.9% in telecom. The oil industry GDP growth rate accounts for 7%, whereas the non-oil sector GDP growth rate constitutes 15.7%.





2008-ci ildə Azərbaycanın iqtisadiyyatı və Bankların rolu

Economy of Azerbaijan in 2008 and the role of banks

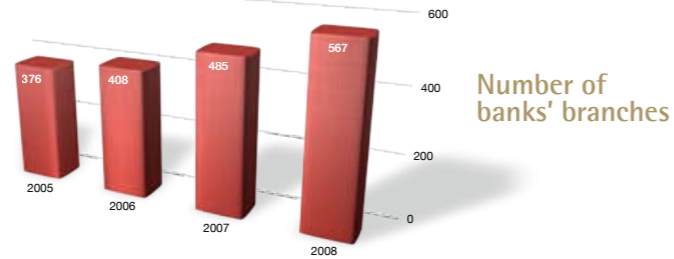
Azərbaycanın ÜDM-nin yüksək artım tempi ölkənin bank sektorunun da sürətli inkişafına öz təsirini göstərmişdir. Xüsusilə də sosial sahələrdə nəzərə çarpan irəliləyişlər və qeyri-neft sektorunun inkişaf etdirilməsi ölkə banklarının əldə etdiyi iqtisadi nailiyyətlərə öz töhfəsini vermişdir. Qeyd edilən sahələrin banklarla birbaşa maliyyə-təsərrüfat əlaqələrinin olması sonda iri həcmli əmanətlərin cəlb edilməsi və sığortalanması, girov əməliyyatlarının aparılması işinin təkmilləşdirilməsi və müştərilərlə yeni əməkdaşlıq üsullarının tətbiqinə şüvqələndirmişdir.

Bank sektorundakı inkişaf bütün əsas göstəricilərin dinamikasında öz əksini tapmışdır. 2008-ci ilin sonunda Azərbaycanda 46 kommersiya bankı və 94 qeyri-bank kredit təşkilatı, bankların 567 və bank olmayan kredit təşkilatlarının 64 filialı fəaliyyət göstərmişdir.

The rapid GDP growth rate of Azerbaijan has also influenced the growth rates observed within the banking industry. Thus, considering the utmost important role of banks in the development of non-oil and social areas, the attraction of deposits to banks and their insurance, improvements in handling of collateral related transactions, and application of attractive methods is an important indicator of qualitative development. The growth of banking business is reflected in the trends of major indicators.

As of the year end of 2008 there were 46 commercial banks with 567 branches present in the market along with 94 non-bank financial institutions with 64 branches across the country.

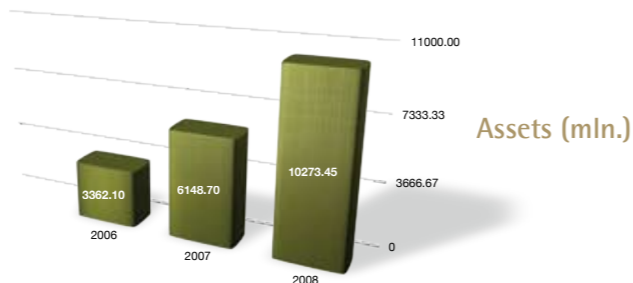
Bankların filiallarının sayı



Bank sisteminin 2008-ci ildə aktivləri ötən illə müqayisədə 67% artaraq 10273.45 mln AZN, bankların kapitalı isə 66% artaraq 1704.87 mln AZN təşkil etmişdir.

The total asset value of banks represents annual growth of 67% and reached 10,273.45 mln AZN by the end of 2008. Whereas the total equity of the banks shows annual growth rate of 66% and reached 1,704.87 mln AZN.

Aktivlər (mln.)

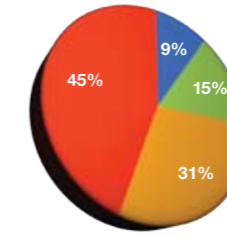


Bankların aktivlərinin həcmninin ÜDM-ə nisbətinin 2008-ci ilin yekunlarına əsasən 27% təşkil etməsi, bank sektorunun inkişaf etmiş ölkələrin bank sektorları ilə müqayisədə inkişaf potensialının yüksək olduğunu göstərir. Maliyyə institutları tərəfindən ölkənin fiziki və hüquqi şəxslərinə verilən kreditlərin məbləği hesabat ilində 2007-ci illə müqayisədə 46% artaraq 6816.85 mln AZN olmuşdur.

The 27% ratio of total bank assets to the GDP for 2008 represents high upside potential for further growth of banks compared to their peers in the developed western financial markets. The total amount of loans issued for the corporate and retail customers in 2008 has grown up by 46% in comparison to what it was in 2007 and constitutes 6,816.85 mln AZN as of the year end 2008.

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Kreditlər (mln AZN)



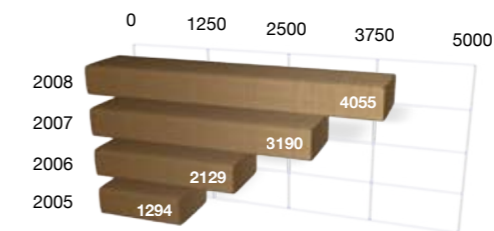
Credits (mln AZN)

● 2005 ● 2006 ● 2007 ● 2008

Ölkənin banklarında müştəri depozitləri 2008-ci ilin nəticələrinə görə 27% artaraq 4055.09 mln AZN təşkil etmişdir ki, bu məbləğin də 38%-i tələbli depozitlər, 62% isə müddətli depozitlərin payına düşür.

The annual growth of deposits accounts for 27% reaching 4055.09 mln AZN as of the year end 2008 out of which 38% stands for demand deposits and 62% for term deposits.

Depozitlər (mln AZN)



Deposits (mln AZN)

Ölkənin maliyyə-bank sektorunda həyata keçirilən islahatlar qəbul edilən hüquqi-normativ aktlar və beynəlxalq standartlar əsas götürülməklə həyata keçirilmiş və bu da banklar arasında rəqabətin gücləndirilməsinə və əhalinin bank xidmətlərinə çıxış imkanlarının artmasına səbəb olmuşdur.

Dünyadakı pessimist statistik məlumatların fonunda bu inkişaf göstəricilərinin və artım templərinin bir qədər azalma ehtimalı var. Dərinləşən və müddəti uzanan iqtisadi böhran keçən dövrlər ərzində dünya iqtisadiyyatı ilə uğurlu inteqrasiya edən Azərbaycan iqtisadiyyatını ciddi sınaqlar qarşısında qoyur.

Dünyada cərəyan edən iqtisadi tənəzzülün fəsadları bilavasitə regional bazarlarda artıq öz ciddi təsirini göstərməkdədir. Böhran səbəbindən azalan ticarət dövriyyəsi və tələbat, ixrac edən sahələrdən də yan keçmir. Eyni zamanda dünya bazarında neftin qiymətinin kəskin düşməsi, xaricdə çalışan Azərbaycan vətəndaşları tərəfindən vətənə edilən köçürmələrin azalması və beynəlxalq maliyyələşdirmənin kəskin azalması bir çox iqtisadi göstəricilərə öz ciddi təsirini göstərməkdədir.

Lakin, ölkə rəhbərliyi zamanında çevik və adekvat monetar, fiskal və qanunvericilik siyasətindən səmərəli istifadə edərək bu cür narahatçılığa son qoymuş və ölkənin daxilində maliyyə sabitliyini qoruyub saxlaya bilmişdir.

The reforms that take place in the financial market of the country are within the compliance to legislation and address the current developments in international standards of conduct of business. This leads to further creation of competitive environment among banks and allows for better penetration of banking services into the population of the country.

The spectacular performance of major financial indicators from the past activities is gloomed up by the shade of the published worldwide statistical data. The deepening and prolonged economic downturn is raising some key concerns and challenges for the economy of Azerbaijan that has been integrating itself to the world economic system throughout the past decade.

The feasible and direct affects of the contraction in the world economy have reached its peak in the regional markets. The slump in the world demand and trade has affected the major export related industries of the country as well as the region. The drop in the oil prices on the worldwide markets, the squeeze in the cross border credit flow and the drop in the financial remittances from the citizens residing abroad, has added to the impediments of the growth rates of key financial indicators of Azerbaijan.

The prudent, timely and adequate measures undertaken by the government of Azerbaijan allow for the stable flow of business affairs within the country and shore up the fuss arising from the speculative actions. Specifically, within a short period of time adequate adjustments to the monetary, fiscal and legislative policies were adopted that allowed for the enhancement of investor and business confidence in Azerbaijan.

XALQ BANKIN TARİXÇƏSİ

HISTORY OF XALQ BANK

2008

DEKABR DECEMBER	Rusiyanın Russlavbankı ilə müxbir əlaqələr yaradıldı "Gəncə" filialı açıldı Bank "MIGOM" pul köçürmələri sistemində qoşuldu	Opening of correspondent account with Russlavbank, Russia Opening of "Ganja" branch Xalq Bank joins "MIGOM" money transfers system
NOYABR NOVEMBER	Bakıda "Mərkəz" filialı açıldı	Opening of "Central" branch in Baku
SENTYABR SEPTEMBER	Xalq Bank yeni xidmət növü - qızıl külçələrin satışına başladı	New service for retail customers – trading of golden bars is launched
MAY	"Yevlax" filialı açıldı "Cəlilabad" filialı açıldı Yeni əmanət növü "Proqres" tətbiq olundu	Opening of "Yevlakh" branch Opening of "Jalilabad" branch New "Progress" deposit is launched
APREL APRIL	Xalq Bank əmanətçiləri arasında "EURO 2008 – Futbol üzrə Avropa çempionatı" uduş kampaniyasına başladı Xalq Bank Adidas şirkəti ilə birlikdə "Güzaştədən yararlanın!" aksiyasını keçirdi	Xalq Bank launches new promotional campaign "EURO 2008" among its customers Xalq Bank and Adidas launches joint campaign "Enjoy the Discounts!"
FEVRAL FEBRUARY	Xalq Bank Bakı şəhərinin mərkəzində iki yeni şöbəsini açdı Xalq Bank Visa İnternational ödəniş sisteminin üzvlüyünü əldə etdi	Two retail offices of Xalq Bank opened in the city center of Baku Xalq Bank becomes a member of Visa International

2007

DEKABR DECEMBER	"Mingəçevir" filialı açıldı	Opening of "Mingchevir" branch
SENTYABR SEPTEMBER	Xalq Bank Avropa İqtisadiyyat, Ticarət, Sahibkarlıq və Sənaye Palatasının üzvü oldu Xalq Bank, Kapital Bankın 20% səhmlərini alaraq, səhmdarların sırasına daxil oldu	Membership of European Economic Chamber of Trade, Commerce and Industry (EEIG) Bank becomes a shareholder of Kapital Bank, having bought 20% of its shares
AUGUST AUGUST	"Neftçala" filialı açıldı	Opening of "Neftchala" branch
İYUL JULY	Xalq Bank Əmanətlərin Sığortalanması Fondunun (ƏSF) üzvü oldu	Bank becomes a member of Deposit Insurance Fund of Azerbaijan
İYUN JUNE	Xalq Bankın nizamnamə kapitalı 53.55 mln. AZN məbləğinə qədər artırıldı	Share capital of Xalq Bank is increased up to 53.55 mln. AZN
MAY	"Naxçıvan" şöbəsi açıldı	Opening of "Nakhchivan" division
YANVAR JANUARY	Avstriyanın Raiffeisen Bankında müxbir hesab açıldı Xalq Bankın nizamnamə kapitalı 36.25 mln. AZN məbləğinə qədər artırıldı	Opening of correspondent account with Raiffeisen Bank, Austria Share capital of Xalq Bank is increased up to 36.25 mln. AZN

2006

DEKABR DECEMBER	Xalq Bankı tərəfindən yaradılan Nar Mobile (Azerfon) operatorunun xidmətlərinin ödənilməsi sistemi tətbiq olundu	Xalq Bank develops and implements system for Nar Mobile (Azerfon) services payment
OKTYABR OCTOBER	Cari ilin ilk üç rübünün fəaliyyətinin nəticələrinə görə Xalq Bank ölkənin on aparıcı bankı sırasına daxil oldu	With regard to its financial results Xalq Bank is placed among Top-10 banks of the country
İYUL JULY	Dərc olunan məlumatlara əsasən Xalq Bank 2006-cı ildə ölkənin ən fəal inkişaf edən bankı elan olundu	According to published statistics Xalq Bank is the most dynamic developing bank of the country in 2006
İYUN JUNE	Xalq Bank MasterCard International beynəlxalq ödəniş sisteminin üzvlüyünü əldə etdi	Bank becomes an associate member of MasterCard International
MAY	Yeni "İpoteka əmanəti" tətbiq olundu	New "Mortgage deposit" is launched
APREL APRIL	"Sumqayıt" filialı açıldı	Opening of "Sumgayit" branch



Xalq Bankın tarixəsi

History of Xalq Bank

MART MARCH	Azərbaycan Respublikası İpoteka Fondunun hesabına birinci ipoteka krediti verildi Zaqatala şəhərində Bankın ilk filialı açıldı	The first mortgage loan of State Mortgage Program is issued Opening of the first branch of Xalq Bank - "Zagatala" branch
FEVRAL FEBRUARY	Yeni əmanət növü - "Uşaq yığım əmanəti" tətbiq edildi Xalq Bank Azərbaycan İpoteka Fondunun müvəkkil banklar siyahısına daxil edildi	Launching of new "Child's" deposit Xalq Bank is been chosen as an agent of Azerbaijan State Mortgage Fund
YANVAR JANUARY	Rusiyanın Əmanət Bankı ilə müxbir əlaqələr quruldu	Opening of correspondent account with Sberbank, Russia
2005		
DEKABR DECEMBER	Nyu-Yorkdakı American Express bankında müxbir hesab açıldı Deloitte Et Touche şirkəti Bankın beynəlxalq auditoru seçildi "Uğurla birlikdəyik!" şüarı altında bankın geniş əhatəli imic reklam kampaniyası başlandı Avropa otelində bankın bir illik fəaliyyətinə həsr olunmuş təntənəli mərasim keçirildi	Establishing of correspondent relations with American Express Bank, New York Deloitte Et Touche company becomes an official international auditor of Xalq Bank Under the motto "Successfully together!" Xalq Bank launched the advertising campaign Xalq Bank celebrates the First Annual Anniversary in Europe Hotel
NOYABR NOVEMBER	Bank ilk dəfə olaraq cari ayı mənfəətlə bitirdi	The monthly activity of the Bank for the first time shows the profit
OKTYABR OCTOBER	Xalq Bank Amerikanın Azərbaycandakı Ticarət Palatasının üzvlüyünü əldə etdi	Joining American Chamber of Commerce in Azerbaijan
SENTYABR SEPTEMBER	Bank lokal plastik kartların buraxılmasına başladı Bankın Baş ofisində ilk bankomat quraşdırıldı Bank Western Union sürətli pul köçürmələri sistemə qoşuldu	Launching of local cards issuance The first ATM is installed at the Head Office Connection to Western Union express money transfer system
İYUN JUNE	Rusiyanın İmpeks Bankında müxbir hesab açıldı Bank "Bistraya Poçta" sürətli pul köçürmələri sistemə qoşuldu Bank SWIFT şirkətinin üzvlüyünü aldı Bank Azərbaycan-Rusiya İşgüzar Əməkdaşlıq palatasına daxil oldu Almaniyanın Dresdner Bankında müxbir hesab açıldı	Opening the correspondent account with Impex Bank, Russia Joins to "Bistraya Pochta" express money transfer system Becomes a member of SWIFT Joining the Azerbaijan-Russia business chamber Establishing of correspondent relations with Dresdner Bank, Frankfurt
MART MARCH	Bank Azərbaycan Banklar Assosiasiyasının üzvlüyünü əldə etdi	Bank becomes a member of Azerbaijan Banks Association

2004		
DEKABR DECEMBER	Bank Azərbaycan Respublikası Milli Bankında qeydiyyatdan keçdi (27 dekabr 2004-cü il tarixli 246 sayılı Lisenziya)	Bank is registered at National Bank of Azerbaijan (License number 246 issued on Dec 27, 2004)



RİSKLƏRİN İDARƏ EDİLMƏSİ

RISK MANAGEMENT



Risklərin idarə edilməsi

Risk management

Xalq Bank bank nəzarəti üzrə Bazel Komitəsinin tövsiyələri əsasında hazırlanmış və əsaslandırılmış şəkildə Bankın qəbul etdiyi bütün risklərin azaldılması məqsədi ilə onların aşkarlanmasını, ölçülməsini və nəzarətin aparılmasını təmin edən risklərin idarə edilməsi sistemini yaradıb və hazırda ondan müvəffəqiyyətlə istifadə edir.

Risklərin idarə edilməsi Bankın aktivlərinin və passivlərinin idarə edilməsi siyasətinin həyata keçirilməsində, habelə müvafiq hesabatlılığın və nəzarət sisteminin təşkil edilməsində mühüm rol oynayır. Risklərin ölçülməsi Azərbaycan Respublikası Milli Bankının tələbləri ilə bərabər risklərin idarə edilməsi üzrə beynəlxalq standartlara (Bazel II) əsasən müvafiq metodikalar, göstərici və alətlərdən istifadə edilməklə həyata keçirilir.

Son bir neçə il ərzində Xalq Bank öz daxili nəzarət sistemlərinin, xüsusilə də risklərin idarə edilməsi prosesinin inkişafı və gücləndirilməsini davam etdirmişdir. Xalq Bank bank nəzarəti üzrə Bazel Komitəsinin tövsiyələri əsasında hazırlanmış və əsaslandırılmış şəkildə Bankın qəbul etdiyi bütün risklərin azaldılması məqsədi ilə onların aşkarlanmasını, ölçülməsini və nəzarətin aparılmasını təmin edən risklərin idarə edilməsi sistemini yaradıb və hazırda ondan müvəffəqiyyətlə istifadə edir.

Bankın risklərin idarə edilməsi sistemi artan meyli regional ekspansiya və bank məhsullarının, xüsusilə də pərakəndə məhsulların diversifikasiyası nəzərə alınaraq daima təkmilləşdirilir. Risklərin idarə edilməsi sistemini yaradarkən Xalq Bankın rəhbər tutduğu əsas prinsip – səhmdarların və əmanətçilərin vəsaitlərinin təhlükəsizliyinin təmin edilməsi və hətta belə bir təhlükəsizliyin gəlir əldə edilməsindən öndə olmasıdır. Risklərin idarə edilməsində Xalq Bankın məqsədi və vəzifəsi biznes fəaliyyəti üzrə məhdudiyyətlərin müəyyən edilməsi vasitəsilə əsaslandırılmamış risklərin qarşısının alınmasından ibarətdir.

Risk management plays an important role in the management policies of the Bank's assets and liabilities as well as in the facilitation of respective reporting and monitoring systems. Xalq Bank has established and maintains a risk management system developed on the basis of the recommendations of the National Bank of Azerbaijan and in accordance with the international standards on Risk management (Basel II).

For the last few years Xalq Bank continuously developed and upgraded its internal monitoring systems especially in the area of risk management processes. For the purposes of Bank's risk mitigation, their monitoring, detection and measurement the Bank at present fully exploits a risk management system prepared in accordance with the Basel Committee recommendations on the Bank supervision.

Xalq Bank's risk management system is constantly upgraded and improved given the growing regional expansion and diversification of banking products, especially retail products. The principal consideration of Xalq Bank in developing the risk management system: protection of shareholders' and depositors' funds prevails over income generation.

For the purposes of Bank's risk mitigation, their monitoring, detection and measurement the Bank at present fully exploits a risk management system prepared in accordance with the Basel Committee recommendations on the Bank supervision.

Bu da aşağıda qeyd edilən şərtlərin hesabına həyata keçirilir:

- Risk səviyyəsinin qiymətləndirilməsi metodikasının formalaşdırılması;
- Risk səviyyəsinin qiymətləndirilməsi və monitorinq texnologiyasının yaradılması;
- Hər bir biznesin və müəssisənin, o cümlədən bütövlükdə bankın risklərinin səviyyəsinin idarə edilməsi texnologiyasının yaradılması;
- Risk menecmentinin parametrlərinin yerinə yetirilməsi üzrə nəzarət sisteminin yaradılması və dəstəklənməsi.

Kredit riski

Kreditləşdirmə bankın əsas gəlir mənbəyidir. Məhz buna görə də Bank kredit riskinin müəyyənəndirilməsi, qiymətləndirilməsi və idarə edilməsi proseduralarına xüsusi diqqət yetirir. Bu işin əsas istiqamətləri Bankın İdarə Heyəti tərəfindən təsdiq edilmiş "Kredit siyasəti"ndə əks olunur. Bankın Kredit siyasətinin məqsədləri arasında kredit portfelinin keyfiyyətinin müvafiq səviyyədə saxlanmasına, eləcə də Bankın etibarlı və maliyyə baxımından dayanıqlı müştərilər dairəsinin genişləndirilməsinə xüsusi əhəmiyyət verilir.

Bank kreditləşdirmə məsələləri üzrə qərarların qəbul edilməsi üçün aşağıdakı kollegial orqanları yaradaraq, onların fəaliyyətini təmin edir: baş ofisin Böyük və Kiçik kredit komitələri və kreditləşdirmə ilə bağlı qərarları qəbul edən filial komitələri. Bu sistem üzrə səlahiyyətlərin bölgüsü isə kredit ərizələrinə qısa müddətdə baxılmasına şərait yaradır, ardıcıl olaraq bu sahədə mükəmməl qərarların qəbul edilməsini və eyni zamanda vahid meyarlara əməl edilməsini təmin edir. Müştərinin maliyyə çətinlikləri ilə üzləşdiyini erkən mərhələdə aşkar etmək və bankın maraqlarının qorunması üçün tədbir görmək məqsədi ilə kreditlərin keyfiyyətinə və vaxtında qaytarılmasına daim nəzarət olunur. Kredit portfelinin artımı Bank üçün qəbulolunmaz risklərin qarşısının alınmasını nəzərə almaqla tənzimlənir.

The objective of Xalq Bank's risk management is to prevent assumption of any unjustified risk by setting limitations and restrictions for business activities by, among others:

- Developing a risk level assessment methodology;
- Developing a risk level assessment and monitoring technique;
- Developing a risk level management technique for each business and the Bank as a whole;
- Developing and supporting the risk management compliance control system.

Credit risk

Lending is the principal income generating activity of the Bank. Therefore, the Bank pays particular attention to credit risk identification, assessment and management procedures. The main areas of this activity are defined in the Lending Policy approved by the Bank's Executive Board. Among the goals and objectives of the Bank's Lending Policy higher priority is given to maintaining a proper level of quality of the loan portfolio and expanding the number of reliable and financially sound customers of the Bank.

Bank has established and maintains collective lending decision-making bodies, the Upper and Lower Credit Committees of the head offices and branch office committees for lending related decision-making. This system of division of authorities allows for prompt decision review and decision making on loan applications, while also providing reassurance as to uniform single criteria and consistent quality of lending decisions made.

In order to detect at an early stage that a customer is experiencing financial difficulties and to take measures to protect the Bank's best interests, loan quality and recoverability are monitored on a regular basis. Growth of the loan portfolio is monitored and controlled in such a manner that helps the Bank to avoid unacceptable degree of risk exposure.



BEYNƏLXALQ ƏLAQƏLƏR

INTERNATIONAL RELATIONS

Xalq Bank müxtəlif beynəlxalq şirkətlərlə və təşkilatlarla əlaqəsini genişləndirir və möhkəmləndirir.

Xarici banklarla və beynəlxalq təşkilatlarla əməkdaşlıq istənilən bankın müvəffəqiyyətlə fəaliyyət göstərməsinə zəmin yaradır. Bunu nəzərə alaraq, fəaliyyətinə başladığı andan etibarən Xalq Bank beynəlxalq münasibətlərin inkişaf etdirilməsinə xüsusi əhəmiyyət verir. Bankın strategiyası dünyanın aparıcı maliyyə təşkilatları ilə beynəlxalq əlaqələrin genişləndirilməsinə yönəldilir ki, bu da öz növbəsində müştərilərə bank əməliyyatları üzrə yüksək dərəcədə əlverişli şərtlər və tariflər təklif etməyə imkan verir.

Hal-hazırda Xalq Bankın əsas tərəf müqabilləri sırasına Standard Chartered Bank (Nyu York), Standard Chartered Bank (Tokio), Standard Chartered Bank (Frankfurt), Raiffeisen CentralBank (Vyana), Dresdner Bank (Frankfurt), Rusiyanın Əmanət Bankı, Raiffeisen Moskva Bankı, Bank Stolichniy Kredit və Russlavbank daxildir.

Kart xidmətləri sahəsində uğurlu strateji fəaliyyət nəticəsində Xalq Bank 2006-cı ildən etibarən MasterCard International ödəniş sisteminin üzvlüyünü almışdır. 2008-ci ildən isə Visa International ödəniş sisteminin beynəlxalq üzvlüyünü əldə edərək, müştərilərə müxtəlif çeşidli plastik kartları təklif etmək imkanını qazanıb.

Ticarətin maliyyələşdirilməsi və sənədli əməliyyatların aparılması məqsədi ilə Xalq Bankla Avstriyanın Raiffeisen CentralBank-ı arasında "Kredit xəttinin açılması haqqında" Müqavilənin bağlanması Bankın beynəlxalq münasibətlərinin inkişafında böyük nailiyyət hesab edilə bilər. Ötən dövr ərzində Xalq Bankın sənədli əməliyyatlarının dövriyyəsi təxminən 40.0 mln ABŞ dolları təşkil etmişdir.

Növbəti ildə xarici tərəfdaşlar şəbəkəsinin daha da genişləndirilməsi planlaşdırılır. Yeni tərəf müqabilinin seçilməsində əməkdaşlığın iqtisadi əsaslandırılması, tərəfdaş bankların beynəlxalq reytingləri və xidmətlərin göstərilməsinə kompleks yanaşma əsas meyarlar sayılır.

Xalq Bankın xarici iqtisadi münasibətlərinin əsas xüsusiyyətləri Bankın beynəlxalq və regional təşkilatlara daxil olmasıdır. Bu baxımdan Bankın Amerika Ticarət Palatasına (AmCham), Azərbaycan-Rusiya İşgüzar Palatasına və Avropa İqtisadiyyat, Ticarət, Sahibkarlıq və Sənaye Palatasına (EETG) üzvlüyü onun müxtəlif assosiasiyalarda aktiv iştirakının göstəricisidir.

Beləliklə, Xalq Bank müxtəlif beynəlxalq şirkətlərlə və təşkilatlarla əlaqəsini genişləndirir və möhkəmləndirir.

Cooperation with foreign banks and international institutions would enable any bank to operate successfully. Hence, starting from its first days of establishment Xalq Bank has assigned particular importance to building and developing international relations. The Bank's strategy aims at enhancing international contacts and relations with the world's leading financial institutions, which, in turn, enables the Bank to offer its customers the possibly favorable terms and rates for the transactions.

Today Xalq Bank's main partners are Standard Chartered Bank (New York), Standard Chartered Bank (Tokyo), Standard Chartered Bank AG (Frankfurt), Raiffeisen CentralBank (Vienna), Dresdner Bank (Frankfurt), Sberbank (Moscow), Raiffeisen Bank (Moscow), Stolichniy Kredit Bank (Moscow) and Russlavbank (Moscow).

As a result of successful operations in plastic cards business Xalq Bank was granted membership from the MasterCard International Payment system back in 2006. Later in 2008 membership with Visa International Payment system was attained and allowed for further delivery of a diverse range of plastic cards to its customers.

Another important indicator of a successful development in the international relations of the Bank is the agreement on "Opening of credit line facility" with Raiffeisen CentralBank (Austria) on behalf of Xalq Bank that should allow for the conduct of trade finance and documentary operations of the Bank. The turnover from the documentary operations at Xalq Bank throughout 2008 approximates to 40.0 mln USD.

The Bank is planning further expansion of the network of foreign partners in the next year. In this view, the principal selection criteria for new partners includes the cost effectiveness implications relating to the proposed account, international ratings of partner banks and integrated approach in service delivery.

An important characteristic of Xalq Bank's foreign economic relations lies in acquisition of memberships with international and regional organizations. In this regard, the Bank's membership with the American Chamber of Commerce (AmCham), Azerbaijan-Russian Chamber of Business, and with the European Economic, Trade, Business and Industrial Chamber (EETG) indicates of its active involvement with a variety of institutions.

Thus, Xalq Bank seeks to further promote and enhance its relations with different international companies and institutions.

Xalq Bank seeks to further promote and enhance its relations with different international companies and institutions.



PƏRAKƏNDƏ XİDMƏTLƏR

RETAIL SERVICES

Əmanətlər

Pərakəndə biznesin əsas istiqamətlərindən biri əhalidən pul vəsaitlərinin cəlb edilməsi və əmanətlər üzrə faizlərin ödənilməsidir. Xalq Bank hər müştərinin tələblərini maksimal dərəcədə ödəyən müxtəlif növ depozit əmanətlərini təklif edir. Hər əmanətin əlverişli və çevik şərtləri onları Bankın müştəriləri üçün sərfəli edir. Əmanətlərin gəlirli olması ilə yanaşı, əmanətçilərə Bankın digər xidmətlərinin göstərilməsi, cəlb olunmuş vəsaitin davamlı olaraq artmasına imkan yaradır.

Hesabat ilində Bank tərəfindən yeni depozit məhsulu – "Proqres" – işlənilib hazırlanmış və müştərilərə təqdim edilmişdir. "Proqres" əmanəti üzrə faizlərin yüksək olması müştərilərin vəsaitlərinin müntəzəm olaraq artırılmasına imkan yaradır.

2008-ci ilin sonuna qədər Xalq Bankın fiziki şəxslər üzrə depozit əmanətlərinin ümumi portfeli 204.04 mln manat təşkil etmiş və cəlb olunmuş vəsaitin həcminə görə Bank ölkənin beş aparıcı bankı sırasına daxil olmuşdur.

Xalq Bank 2007-ci ildə yaradılmış Əmanətlərin Sığortalanması Fonduna daxil olan ilk banklardan biridir.

İpoteka kreditləri

Azərbaycan İpoteka Fondunun üzvü olaraq Xalq Bank Dövlət İpoteka Programında fəal iştirak edir və Azərbaycan vətəndaşlarına ipoteka kreditləri verir. Ümumiyyətlə proqram çərçivəsində cəmi 4.54 mln manat həcmində 117 ipoteka krediti verilib.

Həmin proqram üçün xüsusi olaraq ipoteka kreditinin potensial borcalanları üçün nəzərdə tutulmuş İpoteka əmanəti hazırlanaraq tətbiq olunub. Əmanətin şərtləri müştəriyə mənzil almaq məqsədilə ilkin ödəniş üçün vəsait yığmaq və bank tərəfindən ipoteka kreditinin verilməsində güzəşt almaq imkanını yaradır.

Plastik kartlar

MasterCard International beynəlxalq ödəniş sisteminin üzvü olaraq Xalq Bank, həmin sistemin debit və kredit kartlarını buraxır. 2008-ci ildə Visa International beynəlxalq ödəniş sisteminin də üzvlüyünün əldə edilməsi mövcud olan bank xidmətləri çeşidinin artırılmasına müsbət təsir göstərmişdir.

Ötən il Bank plastik kartlardan istifadə infrastrukturunu da əhəmiyyətli dərəcədə genişləndirmiş, infrastrukturun əsas tərkib hissələri olan bankomatların sayını 21-ə çatdıraraq, xeyli artırmışdır. 2008-ci ilin sonuna emisiya edilmiş kartların sayı 11 500 təşkil edib.

2008-ci ildə Xalq Bankın Adidas şirkəti ilə birlikdə keçirdiyi "Güzəştədən yararlanın!" aksiyası çərçivəsində Bankın kartı ilə Adidas mağazasında mal alan müştərilər 10% həcmində endirim əldə etmişdir.

Kart sahiblərinin rahatlığı üçün Xalq Bank daim ölkənin həm paytaxtında, həm də regionlarında bankomatlar şəbəkəsini genişləndirir.

Qızıl külçələr

Xalq Bankın 2008-ci ildə tətbiq etdiyi yeni xidmətlər sırasında ən yüksək, 999,9 ayarlı qızıl külçələrin alınması və satılması xidmətidə olmuşdur. Bankın müştəriləri 5, 10, 20, 50, 100, 250, 500 qramlıq qızıl külçələri ala

Deposits

One of the main aspects of retail business assumes attraction of funding from the population and paying interest income on those funds. Xalq Bank offers its customers various types of deposits that are specifically designed to meet the customer needs in a most efficient way. Favorable and flexible terms associated with each of deposit make them affordable and attractive for the Bank customers. The combination of yield and supplementary services provided to customers support and facilitate the continuous growth of deposits.

Within the period reviewed herein the new "Progress" deposit product was introduced for the customers. High interest income on this deposit allows for the steady growth of the customer funds.

As of the year end of 2008 the total portfolio of individual customer deposits constituted 204.04 mln AZN which ranks Xalq Bank among Top Five Banks in the country.

Xalq Bank was among the first banks to join the Deposit Insurance Fund established in 2007.

Mortgage lending

Being an agent of the Azerbaijani Mortgage Fund, Xalq Bank has been actively involved in the State Mortgage Program by extending mortgage loans to Azerbaijani residents. Overall 117 loans for a total amount of 4.54 million AZN were granted under the Program.

Under the Program, the Bank specifically designed and introduced the Mortgage Deposit product to be provided to prospective mortgage borrowers. Terms of this deposit enable the customer to save funds to make a down-payment for the apartment and to be entitled to discounts and privileges when taking a mortgage loan from the Bank.

Plastic cards

Xalq Bank, as a member of MasterCard International, issues various types of cards of this system. Issued cards include both debit and credit cards. Acquisition of membership from Visa International payment system in 2008 added up for the diversity of plastic card products offered by the Bank.

During the last year a serious steps on plastic card infrastructure building have been undertaken. The key element of this infrastructure – ATM network, has been seriously increased in number and reached 21. As of the year end of 2008, cards issued totaled to about 11 500 pieces.

The year of 2008 can also be remarked by the marketing campaign "Enjoy the discounts!" held together with Adidas outlet in Baku. The cardholders of Xalq Bank could benefit from 10% discounts offered to them by making any purchase in the shops under Adidas brand name.

For convenience of cardholders Xalq Bank continuously expands its ATM network, both in the capital city and the regions of the country.

Golden bars

Handling of transactions with the purchase and sale of



Pərakəndə xidmətlər

Retail services

bilər. Xalq Bank həmçinin satılmış qızıl külçələrin satın alınmasını həyata keçirir. Qızıl külçələrin daha təhlükəsiz saxlanması üçün Bank müştərilərə müxtəlif ölçülü depozit seyfləri təklif edir.

Xalq Bank Azərbaycanda qızıl ilə əməliyyat aparan 3 bankdan biridir.

Pul köçürmələri

Xalq Bankın əhali arasında ən çox tələb olunan xidmətlərindən biri sürətli pul köçürmələridir. 2008-ci ildə Xalq Bank "Migom" sistemindən istifadə etməyə başlayaraq, pul köçürmələrinin çeşidini genişləndirdi. Hal-hazırda Bankda Western Union, Bistraya Poçta, Xpress Money və Migom sistemləri işə salınmışdır. Yeni sistemlərin işə salınması, habelə Bankın filial infrastrukturunun artırılması hesabına 2008-ci ildə həyata keçirilən pul köçürmələrinin həcmi 9.0 mln ABŞ dollarına yaxın olmuşdur.

Yol çekləri

Xalq Bank pərakəndə xidmət və məhsulların çeşidini davamlı artıraraq, nağd pula ən rahat və etibarlı alternativ sayılan tanınmış American Express yol çeklərinin alınması üzrə xidməti təklif edir.

Kreditləşmə

Xalq Bankın təklif etdiyi geniş spektrli kreditlər müştərilərin borc vəsaitlərinə olan tələbatını ödəməyə xidmət edir. Bankın kredit siyasətinə uyğun olaraq müştərilərlə qarşılıqlı əlverişli şərtlər əsasında münasibətlərin qurulması, hər bir müştəriyə fərdi yanaşma, eləcə də kreditlərin sərfəli faiz dərəcələri və operativliyi müştərilərin tələblərini ödəməyə imkan verir.

2008-ci ildə fiziki şəxslərin fəal kreditləşməsi davam etmiş və onlara verilmiş kreditlərin ümumi həcmi bir neçə dəfə artaraq 17.68 mln manat təşkil etmişdir. Xalq Bankın müştəriləri arasında ən populyar kredit məhsulları avtonəqliyyat vasitələrinin kreditləşməsi və istehlak kreditləridir.

Depozit seyfləri

Xalq Bank müştərilərinə sənədlərin və qiymətli əşyaların təhlükəsizliyini təmin etmək məqsədilə müxtəlif həcmli depozit seyflərini təklif edir.

999.9 probe golden bars was among the new products offered by Xalq Bank in 2008. The Bank introduced its customers the 5, 10, 20, 50, 100, 250, 500 grams of golden bars for sale. Xalq Bank also provides for the buy back of the previously sold bars. For the purposes of secure storage of the golden bars the Bank offers its safe keeping facilities of diverse dimensions.

Xalq Bank is among three banks that conduct operations with gold in Azerbaijan.

Money transfers

Express money transfers constitute one of the most demanded Xalq Bank's services by the population. By joining "Migom" system in 2008, Xalq Bank was able to broaden its range of money transfer services. Currently the Bank employs Western Union, Bistraya Poçta, Express Money and Migom money transfer systems. The emergence of new systems and branch infrastructure of the Bank allowed for the money transfer transactions turnover reach the value of about 9.0 million AZN in 2008.

Travelers cheques

Seeking to enhance the range of retail services and products, Xalq Bank provides for purchase of American Express travel checks, which are recognized to be the most convenient and safe alternative of cash.

Loans

The large spectrum of Bank's loan products allows for the satisfaction of those customers of Bank that short of funding resources. In compliance with the credit policy of the Bank, the Bank offers mutually attractive terms for the loans as well as facilitates individual approach to each customer providing for the affordable interest rates and operational decision making process to satisfy the customer needs.

In 2008 the Bank continued its active lending to individuals. This was reflected in a further growth of loan portfolio for individuals that reached the total value of 17.68 million AZN as of the year end of 2008. The most popular loan products among Xalq Bank's clients are the car loans and consumer loans.

Safe-keeping deposit boxes

Deposit boxes of various size and dimensions are available to our customers for safe storage of documents and precious items that constitute value for the customers.



KORPORATİV XİDMƏTLƏR

CORPORATE SERVICES



Xalq Bankın korporativ müştərilər üçün nəzərdə tutulmuş xidmətləri nəticədə müştərilərlə uzunmüddətli qarşılıqlı tərəfdaşlıq münasibətlərinin qurulmasına imkan yaradır.

Bank, özünün bütün fəaliyyət sahələrini inkişaf etdirmək məqsədilə korporativ müştərilərə göstərilən xidmətləri daim genişləndirir. Bu da, öz növbəsində, korporativ biznesin inkişafı üçün yeni imkanlar yaradır. Bankda hüquqi şəxslərə və fərdi sahibkarlara hesablaşma-kassa əməliyyatları, kreditlərin verilməsi, korporativ və əmək haqqı kartları, ekvayriinq, eləcə də xarici ticarət əməliyyatlarının aparılması və məsləhətlərin verilməsi kimi xidmətlər göstərilir. Bank 1000-dən çox hüquqi şəxs və fərdi sahibkardan ibarət korporativ müştərilər bazasına və onlara müvafiq xidmətlərin göstərilməsi sahəsində geniş iş təcrübəsinə malikdir. Bankın korporativ müştərilər bazası özündə iri neft, tikinti, nəqliyyat, istehsalat, xidmət, enerji, telekommunikasiya şirkətlərini birləşdirir.

Bankın korporativ müştəriləri mal və avadanlığın, kənd təsərrüfatı texnikasının alınması, dövriyyə vəsaitlərinin bərpası, artırılması və istehsalatın genişləndirilməsi, tikinti, ticarət və xidmət fəaliyyətinin həyata keçirilməsi məqsədilə kreditlər ala bilər, eləcə də bərpa olunan və olunmayan kredit xətləri, bank zəmanətləri kimi xidmətlərdən istifadə edə bilərlər.

Biznesin kreditləşməsi Bankın fəaliyyətinin əsas istiqamətlərindən biri olub, iqtisadi inkişafın aparıcı hissəsi hesab olunur. Xalq Bank müxtəlif biznes sahələrində fəaliyyət göstərən iri təşkilat və müəssisələrə müxtəlif həcmli biznes kreditləri təklif edir. Bank iqtisadiyyatın aparıcı sahələrinin kreditörlerinden biri olaraq, ölkədə sahibkarlıq mühitinin formalaşması ilə əlaqədar iri korporativ müştərilərlə bərabər kiçik və orta sahibkarlıq təmsilçilərinin maliyyə ehtiyaclarının qarşılmasına, eləcə də biznesin maliyyələşdirilməsinə də geniş yer ayırır. 2008-ci ildə iri korporativ müştərilərə, həmçinin kiçik və orta biznesin inkişafına ayrılan kreditlərin həcmi 360.65 mln AZN təşkil etmişdir. Bunlardan 24.5% ticarət və xidmət, 60.5% sənaye, 13% tikinti, 0.5% kənd təsərrüfatı 1.5% isə digər sektorlara verilmiş kreditlərin payına düşür. Bununla da Xalq Bank sənaye və xidmət sahəsində öz iştirak payını daha da artırır.

Xalq Bankın korporativ müştərilər üçün nəzərdə tutulmuş xidmətləri nəticədə müştərilərlə uzunmüddətli

Striving for development in all areas of its operations Xalq Bank seeks to regularly expand the range of services it offers to its corporate customers. This, in turn, serves as an opportunity for corporate business development. The Bank provides legal entities and individuals with cash settlements services, lending, corporate and salary cards, acquiring as well as foreign trade finance operations and advisory services. The Bank has an extensive experience of dealing with a customer base that is comprised of over 1000 legal entities and sole proprietorships. The Bank's corporate customer base includes large oil, construction, transport, production, service, energy and telecommunications companies.

The Bank's corporate customers have available to them loans as well as revolving and non-revolving credit lines, bank guarantees for the acquisition of goods and equipment, agricultural machinery, acquisition of working assets and expansion of production, and for the uses of construction, trade and service activities.

Lending to businesses, as a major area of the Bank's operations, constitutes an important element of economic growth. Xalq Bank offers business loans of various scopes to large-scale companies and enterprises operating in different areas of business. As a creditor of the leading economic sectors, the Bank also pays a great deal of attention to providing a favorable business environment in the country by meeting financial needs of small and medium enterprises besides large customers. In 2008, the loan portfolio allocated on large scale as well as on the small and medium sized customers reached 360.65 mln AZN. The composition of this portfolio is structured as follows: 24.5% accounts for trade and services sector, 60.5% to industrial production, 13% construction industry, 0.5% agriculture, 1.5% allocated to other sectors of economy. Thus, Xalq Bank further expands its presence in the industrial production and services sector.

Deposits proposed to Xalq Bank's corporate customers offer broad benefits and are distinguished with long-term and mutual partnership relations with the Bank's

Deposits proposed to Xalq Bank's corporate customers offer broad benefits and are distinguished with long-term and mutual partnership relations with the Bank's customers.

qarşılıqlı tərəfdaşlıq münasibətlərinin qurulmasına imkan yaradır. Belə ki, hüquqi şəxslər və fərdi sahibkarlardan əmanətlərin qəbulu Bank üçün strateji əhəmiyyət kəsb edir. 2008-ci ildə korporativ müştərilərin depozit portfeli 94.27 mln AZN təşkil etmişdir ki, bu göstərici keçən ilin müvafiq dövrü ilə müqayisədə bir neçə dəfə çoxdur.

Xalq Bank həyata keçirdiyi əmək haqqı layihələri ilə əlaqədar olaraq xüsusi məhsul – adi və əmək haqqı kartlarının xüsusiyyətlərini özündə birləşdirən Maestro elektron kartını hazırlamışdır. Maestro əmək haqqı kartlarından istifadə edən müştərilərimiz iri sığorta, neft sənayesi, istehsalat şirkətləridir. 2008-ci ilin sonunda Bank artıq 10 000-ə yaxın əmək haqqı kartı emissiya etmişdir.

Əmək haqqı kartlarından əlavə Bank həmçinin işçilərin məzuniyyət və təsərrüfat xərclərinə nəzarət etmək və pul vəsaitlərindən istifadəni optimallaşdırmaq imkanı verən MC Business korporativ kartlarını təklif edir.

Beynəlxalq əlaqələrin və dünyanın aparıcı maliyyə institutları ilə əməkdaşlığın ildən-ilə genişlənməsi nəticəsində Xalq Bank sənədli əməliyyatların maliyyələşdirilməsi sahəsində öz mövqeyini nəzərə çarpacaq dərəcədə möhkəmləndirmişdir. 2008-ci ilin sonuna qədər Bank 4.0 mln ABŞ dolları məbləğindən artıq zəmanət, 23.7 mln ABŞ dolları və 15.3 mln avro məbləğində akkreditiv əməliyyatlarını həyata keçirmişdir. Bank korporativ müştərilərə xarici ticarət əməliyyatlarının həyata keçirilməsi zamanı bir sıra məsləhət xidmətlərinin göstərilməsi, müxtəlif şərtlərlə müxtəlif müddətli razılaşmaların təşkil edilməsi, sənədli akkreditivlər və inkasso, bank zəmanətləri kimi istənilən növ idxal-ixrac əməliyyatlarının həyata keçirilməsini təklif edir.

Korporativ biznesin inkişafı, hüquqi şəxslərə və fərdi sahibkarlara göstərilən xidmətlər çeşidinin artırılması, müştərilərin tələblərinin qarşılınması, keyfiyyətli və müasir xidmətlərin təklif edilməsi, eləcə də yeni müştərilərin cəlb edilməsi Xalq Bankın fəaliyyət strategiyalarından biridir. Bu fəaliyyətin həyata keçirilməsi məqsədilə Bank mövcud xidmətləri təkmilləşdirməyi, gələcəkdə yeni məhsullar təklif etməyi, həm Azərbaycanda, həm də beynəlxalq aləmdə mövqeyini möhkəmləndirməyi planlaşdırır.

customers. Thus, attracting corporate and sole proprietorship deposits is of strategic importance for the Bank. In 2008, the corporate customer deposit portfolio amounted to 94.27 mln AZN, which exceeds the last year's level by several times.

Xalq Bank, in line with the salary projects it implements, has issued a "Maestro" electronic card that combines the characteristics of ordinary and salary cards. Customers that use the "Maestro" salary cards are personnel of large insurance, oil and production companies. As of the end of 2008, the Bank has issued about 10 000 salary cards.

In addition to salary cards, the Bank also offers the MC Business corporate card that allows for more optimized cash fund uses by controlling employee business trip and operational expenditures of the office.

As a result of the yearly expansion of international relations and partnerships with the world's leading financial institutions Xalq Bank has managed to considerably strengthen its position in funding of documentary operations. As of the year end of 2008, the Bank conducted more than 4.0 mln USD worth of guarantees and 23.7 mln USD and 15.3 mln EUR worth of L/C transactions. The Bank, while conducting foreign trade transactions with corporate customers, offers a range of advisory services, arranges agreements on different terms and conditions, and provides letters of credit and cash collection services, bank guarantee services relating to imports and exports activities.

The further development of corporate business, increasing the range of services offered to legal entities and entrepreneurs, meeting customer demands, offering high quality and state-of-the-art services as well as attracting new customers is one of the strategic objectives for Xalq Bank. To be able to realize this objective the Bank commits itself to improving the existing services, offering new products in the future to enhance its presence both in and outside Azerbaijan.



XİDMƏT ŞƏBƏKƏSİ

BRANCH NETWORK

Xalq Bank müştərilərə daha geniş çeşiddə xidmətlər təklif etmək, xidmətin keyfiyyətini artırmaq və bununla da müştərilərin məmnun qalmasını təmin etmək məqsədilə filial şəbəkəsini genişləndirir. Belə bir addımın atılması bank sektorunda xidmətlərin tədricən yüksək səviyyəyə çatdırılması və Xalq Bankın da bu prosesin önündə getməsi ilə əlaqədardır.

Bankın yeni filial və şöbələri, əsasən, bank xidmətlərinə tələbat olan və yüksək sürətlə inkişaf edən regionlarda yaradılır. Açılan yeni filial və şöbələrdə fiziki və hüquqi şəxslərə qabaqcıl bank texnologiyalarından və müasir texnoloji modulardan istifadə edərək, bütün növ bank məhsulları və xidmətləri, o cümlədən əmanətlərin qəbulu, kreditlərin verilməsi, plastik kartların buraxılması, regionlararası və beynəlxalq pul köçürmələri üzrə əməliyyatlar, kommunal ödənişlərin qəbulu, kassa hesablaşma xidməti və s. bu kimi bank xidmətləri göstərilir.

Azərbaycanın paytaxtını və bütün regionlarını əhatə etmək Xalq Bankının strateji inkişaf planının vacib hissəsidir. Belə ki, müştəri bazasının artımı, xidmətin keyfiyyətinin yüksəldilməsi və xidmətin potensial müştərilərin cəmləşdiyi yerlərə yaxınlaşdırılması məqsədi ilə filial şəbəkəsinin genişləndirilməsi Xalq Bankın strateji inkişaf planına tamamilə uyğun gəlir. Bankın uğurlu fəaliyyətinin məntiqi davamı olaraq 2008-ci ildə Bakı, Gəncə, Yevlax və Cəlilabad şəhərlərində yeni filiallar açılmışdır. Beləliklə, 2008-ci ilin sonuna Xalq Bankın Bakıda, Gəncədə, Sumqayıtda, Yevlaxda, Cəlilabadda, Neftçalada, Zaqatalada, Mingəçevirdə və Naxçıvanda 8 filialı və 2 şöbəsi fəaliyyət göstərir. Bütün filiallar Bankın korporativ üslubuna cavab verən xüsusi dizaynda tikilmiş və ən müasir avadanlıq və proqram təminatı ilə təchiz olunmuşdur.

Bank xidmətinin effektivliyini artırmaq və müştəri bazasının genişləndirilməsi məqsədilə 2009-cü ildə Bakıda, İsmayıllıda, Dəvəçidə, Xaçmazda və Lənkəranda da yeni filialların və şöbələrin açılması nəzərdə tutulub. Bizim məqsədimiz ölkənin hər yerində, müştərilərin xidmətində olan və əhaliyə keyfiyyətli bank xidmətlərinin göstərilməsini təmin edən geniş filial şəbəkəsi yaratmaqdır.

Ölkə daxilində filial şəbəkəsinin genişləndirilməsi ilə yanaşı, Bankın strateji planlarına həmçinin, beynəlxalq maliyyə bazarlarına çıxmaq da daxildir. Bu məqsədlə Xalq Bankın yaxın gələcəkdə Rusiya Federasiyası, Ukrayna, həmçinin ABŞ, Avropa və Asiya ölkələrində nümayəndəliklərinin açılması planlaşdırılır.

The Bank is taking actions to expand its branch office network with an aim of ensuring better customer satisfaction by broadening the range, and improving the quality of its services. Addressing the quality increase in the banking market Xalq Bank is taking the above mentioned steps to stay on the front lines of those changes.

The Bank presents new branch offices and service outlets primarily in those regions that have a high demand for banking services and experience a rapid growth. The newly opened branch offices and service outlets offer all kinds of bank products and services, which includes opening of saving accounts, issuing loans and credit cards, inter-regional and international money transfers, utility payments, cash settlements and other banking services to both retail and corporate clients while employing the state-of-the-art banking technologies and modern technological modules.

Xalq Bank seeks to provide coverage for the capital city and all regions of Azerbaijan as a part of its strategic development plan. Another part of its strategic development plan, Xalq Bank seeks to expand the Bank's customer base, improve the quality of its services and provide better access to its services in areas of greater concentration of potential customers. As an entailment of its successful operations, the Bank opened new branch offices in Baku, Ganja, Yevlakh and Jalilabad in 2008. Thus, as of the end of 2008 Xalq Bank has 8 branch offices and 2 operating divisions in Baku, Ganja, Sumgayit, Yevlakh, Jalilabad, Neftchala, Zagatala, Mingchevir and Nakhchivan. All branch offices are designed and built after Xalq Bank's specific corporate fashion and are equipped with the state-of-the-art hardware and software.

The Bank is committed to open new branch offices and divisions in Baku, Ismayilly, Devechi, Khachmaz and Lenkoran in 2009 in order to improve the effectiveness of its banking services and expand the customer base. Our overall goal is to create a broad branch office network virtually throughout the country that would serve customers and ensure delivery of high quality banking services to the general public.

In addition to expanding the domestic branch office network the Bank also seeks to enter international financial markets as part of its strategic plans. To this end, Xalq Bank is planning to set up offices in the Russian Federation, Ukraine as well as the USA, European and Asian countries in the nearest future.



Xidmət şəbəkəsi

Branches network

Baş ofis

AZ1025, Bakı, Babək pr., 1145.
Tel.: +994 (12) 496 81 52/53/54
Faks: +994 (12) 496 81 57

«Mərkəz» filialı

AZ1010, Bakı şəh., 28 May küç., 17
Tel.: (99412) 4933881
Faks: (99412) 4938336
Kod: 503585

"Sumqayıt" filialı

AZ5000, Sumqayıt, 5 mkrn, S. Vurğun küç., 16/132
Tel.: +994 (018) 642 41 20
Faks: +994(018) 642 39 02

"Zaqatala" filialı

AZ6200, Zaqatala, Nizami küç., 7
Tel./Faks: +994 (174) 5 66 79

"Neftçala" filialı

AZ4700, Neftçala, 20 Yanvar küç., 18a
Tel.: +994 (153) 2 30 58
Faks: +994 (153) 2 30 59

«Cəlilabad» filialı

AZ1500, Cəlilabad şəh., H.Əliyev pr-ti, 142A
Tel.: (994 114) 35605
Faks:(994 114) 35607
Kod: 502445

«Yevlax» filialı

AZ6600, Yevlax şəh., H.Əliyev küç., 47A
Tel.: (994 153) 23058
Faks: (994 153) 23059
Kod: 502519

"Mingəçevir" filialı

AZ4500, Mingəçevir, M.F.Axundov küç., 15/16a
Tel./Faks: +994 (147) 4 27 83, 4 06 54

"Gəncə" filialı

AZ2000, Əttarlar küç., 137
Tel.: (994 22) 523485
Faks: (994 22) 523486
Kod: 504023

"Naxçıvan" şöbəsi

AZ8500, Naxçıvan, H. Əliyev küç., 5
Tel./Faks: +994 (136) 40 01 21

«Xəzri» şöbəsi

Salyan şossesi, Şıxov çimərliyi
"Ramada Bakı" oteli
Tel.: (994 12) 491 7303
Faks: (994 12) 491 7313

Head Office

1145, Babək ave., AZ1025, Bakı, Azerbaijan
Tel: +994(12) 496 81 52/53/54
Fax: +994(12) 496 81 57

«Merkez» branch

17, 28 May str., AZ1010, Bakı
Tel: (99412) 4933881
Fax: (99412) 4938336
Code 503585

"Sumgayit" branch

16/132, S. Vurgun str., 5 mikrodist., AZ5000, Sumgayit
Tel: +994(018) 642 41 20
Fax: +994(018) 642 39 02

"Zagatala" branch

7, Nizami str., AZ6200, Zagatala
Tel/Fax: +994(174) 5 66 79

"Neftchala" branch

18a, 20 Yanvar str., AZ4700, Neftchala
Tel: +994(153) 2 30 58
Fax: +994(153) 2 30 59

«Jalilabad» branch

142A, H.Aliyev ave., AZ1500, Jalilabad
Tel: (994 114) 35605
Fax:(994 114) 35607
Code: 502445

«Yevlax» branch

47A, H.Aliyev str., AZ6600, Yevlax
Tel: (994 153) 23058
Fax: (994 153) 23059
Code: 502519

"Mingechevir" branch

15/16a, M.F.Axundov str., AZ4500, Mingechevir
Tel: +994(147) 4 27 83, 4 06 54

"Ganja" branch

137, Attarlar str., AZ2000, Ganja
Tel: (994 22) 523485
Fax: (994 22) 523486
Code: 504023

"Nakhchivan" division

5, H.Aliyev str., AZ8500, Nakhchivan
Tel/Fax: +994 (136) 40 01 21

«Xazri» division

Salyan highway, Shikhov beach
Hotel "Ramada Bakı"
Tel: (994 12) 491 7303
Fax: (994 12) 491 7313



İNSAN RESURSLARI

HR POLICY



İnsan resursları

HR policy

Xalq Bankın kadr siyasətinin mühüm tərəflərindən biri də əməkdaşların motivasiyasıdır. Bank, əməkdaşlarını əmək haqqının indeksasiyası, pulsuz tibbi sığorta, güzəştli kreditləşmə və digər bu kimi sosial paketlərlə təmin edir.

Xalq Bankın kadr siyasəti peşəkar işçiləri cəlb etməklə Bankın biznes və institusional məqsədlərinin həyata keçirilməsini təmin edən vahid komanda yaratmaqdan ibarətdir. Məhz bu siyasətin uğurlu nəticəsi olaraq, biznesin effektiv idarə edilməsi və kollektivin səmərəli fəaliyyəti Xalq Bankı Azərbaycanın aparıcı bankları sırasına daxil etmişdir. Bu uğurun əsas səbəbi əməkdaşların işə məsuliyyətlə yanaşması və onların peşəkarlığıdır.

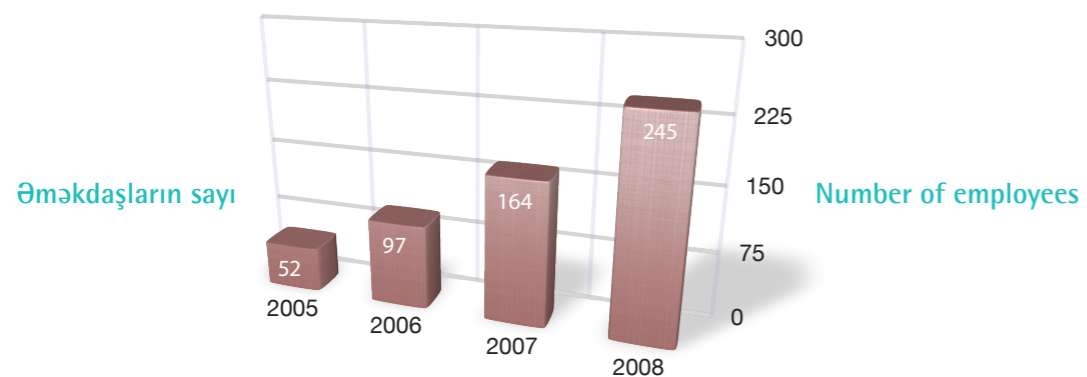
Bankın inkişafının əsas hərəkətverici qüvvəsi onun insan resursları və bu resurslardan səmərəli istifadəsidir. Bu baxımdan əmək kollektivinin ümumi həcminin ötən ilə nisbətən 49% artaraq 245 nəfərə çatması 2008-ci ildə Bankın fəaliyyətinin daha da genişlənməsinin bariz nümunəsidir.

Bununla yanaşı əməkdaşlarımızın uzun müddət bank sektorunda çalışması (işçilərin 48%-nin 1-5 il arasında, 11%-nin 6-10 və daha çox illər arasında bank təcrübəsi var) və nisbətən gənc olması (orta yaş həddi 32-dir, o cümlədən əməkdaşların 60%-i 20-30 yaş arasındadır) personalın qarşısına qoyulmuş strateji hədəflərə nail olmaqda müstəsna rol oynayır.

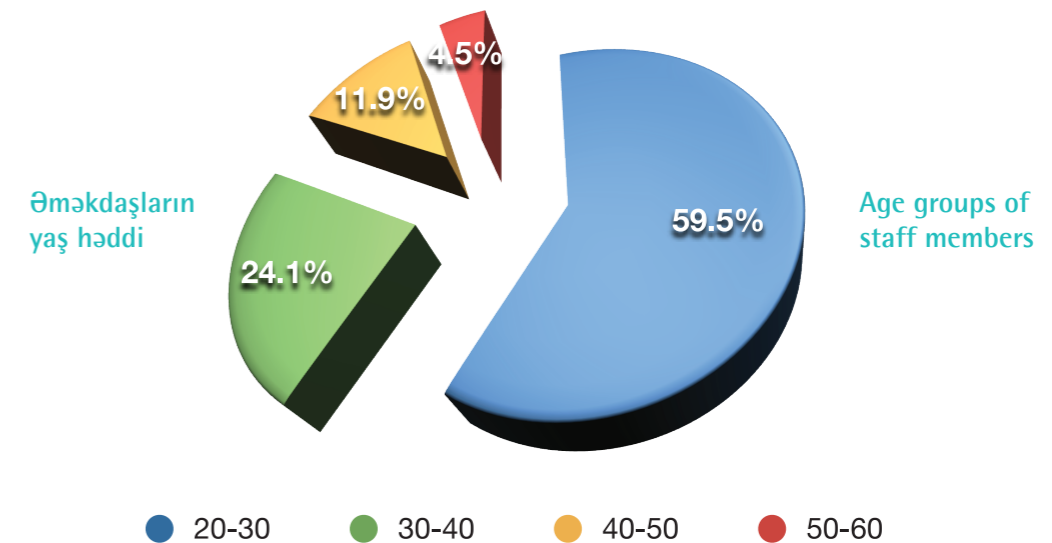
The Human Resource policy of Xalq Bank aims at building a strong team to be able to achieve the Bank's business and institutional goals by recruiting professionals. Being a success attributable to this policy, effective management of business and efficient operation of the personnel enabled Xalq Bank to become one of the leading banks in Azerbaijan.

The principal force driving the Bank's development is its human resources and effective use of these resources. In this view, a 49% increase in personnel, thus reaching a total number of 245 in 2008, indicates the furtherance of the Bank's development.

In addition, the fact that 48% of the Bank's personnel have banking experience ranging from 1 to 5 years, 11% have experience from 6 to 10 and more years, with average age of 32 as well as 60% of personnel ranging from 20 to 30 years of age plays an important role in achieving the strategic goals set forth to the personnel.



Another important aspect of Xalq Bank's staff policy is motivation. The Bank offers its employees salary indexation, free medical insurance, discounted lending and other social arrangements.



Bankın strateji maliyyə hədəflərinə çatması ilk növbədə işçi heyətindən, o cümlədən menecmentdən, onun peşəkarlığı və təşəbbüskarlığından asılıdır. Buna görə də Bankda biznes strategiyasına uyğun olaraq əməkdaşların bilik və bacarıqlarının artırılmasına xüsusi diqqət yetirilmiş və bu məqsədlə Bankın əməkdaşları bir sıra təlim və seminarlarda iştirak etmişlər.

Xalq Bankın öz əməkdaşları üçün yaratdığı iş şəraiti və imkanlar mühüm əhəmiyyət kəsb edir. Bankda yaranan vakant yerlərə işçilərin cəlb edilməsi zamanı ilk növbədə Bankın daxili resurslarından istifadə olunmasına xüsusi diqqət yetirilir. Bu da öz növbəsində işçilərdə təşəbbüskarlığı, yüksək peşəkarlıq səviyyəsini və korporativ mədəniyyət keyfiyyətlərini inkişaf etdirir.

Xalq Bankın kadr siyasətinin mühüm tərəflərindən biri də əməkdaşların motivasiyasıdır. Bank, əməkdaşları üçün əmək haqqının indeksasiyası, pulsuz tibbi sığorta, güzəştli kreditləşmə və bu kimi bir sıra digər sosial tədbirləri həyata keçirir.

Beləliklə, Xalq Bankda insan resurslarının idarə edilməsi və kadr siyasəti uğurla həyata keçirilmiş və 2008-ci ildə bu sahədə önəm daşıyan istiqamətlər daha da inkişaf etdirilmişdir.

Ability to accomplish the Bank's strategic financial goals depends primarily on the personnel, including the management, its professionalism and expertise. In this view, the Bank has been paying special attention to improving the personnel's skills and knowledge in accordance with the Business Strategy. To this end, the Bank's staff members attended a number of internal and external training courses and seminars.

The working environment and capacities provided by Xalq Bank for its personnel are crucial. When there is a job opening at the Bank, priority is given to the use of the Bank's internal human resources. This also helps promote the qualities of initiative, strive for high level of professionalism and corporate culture in staff members.

Another important aspect of Xalq Bank's staff policy is a motivation. The Bank offers its employees a salary indexation, free medical insurance, discounted lending and other social arrangements.

Thus, the Bank has been able to successfully implement its human resource management and staffing priorities and further develop in 2008.

Elmi-texniki tərəqqinin ən son nailiyyətlərinə əsaslanmaqla müasir informasiya texnologiyalarının tətbiqinin genişləndirilməsi 2008-ci ildə Bankın qarşısında duran prioritet vəzifələrdən birinə çevrilmişdir.

Yeni informasiya texnologiyalarının tətbiqinin əsas məqsədi müasir informasiya texnologiyalarından istifadə etməklə Bankın təklif etdiyi xidmətlərin keyfiyyətini yüksəltmək, yeni xidmət növlərini yaratmaq və bütün müştərilərə yüksək səviyyəli xidmət təklif etməkdir. Məhz bu baxımdan yeni informasiya texnologiyalarının tətbiqi Xalq Bankın yüksəlişini təmin edən mühüm göstəricilərdən biridir. Elmi-texniki tərəqqinin ən son nailiyyətlərinə əsaslanmaqla müasir informasiya texnologiyalarının tətbiqinin genişləndirilməsi 2008-ci ildə Bankın qarşısında duran prioritet vəzifələrdən birinə çevrilmişdir. Bu tədbirlər aşağıdakı istiqamətlər üzrə həyata keçirilir:

- Ən müasir texnologiyaların tətbiqi;
- Lisenziyalaşdırılmış proqram təminatının alınması və tətbiqi;
- Texniki təminat və ixtisaslı mütəxəssislərin cəlb edilməsi.

Xalq Bank bazarda artan rəqabəti, digər tərəfdən isə informasiya təhlükəsizliyinin və ümumiyyətlə Bankın bütün fəaliyyətinin təhlükəsizliyinin təmin edilməsini nəzərə alaraq, bu sahədə daima yeni texnologiyaların araşdırılması və tətbiq edilməsini həyata keçirir.

2008-ci ildə Bankda istifadə üçün sadə və çevik İT-infrastruktur hesab edilən Verilənlərin Mərkəzi İdarə edilməsi Sistemi və informasiyanın təhlükəsiz saxlanılmasını həyata keçirən "Citrix" (Presentation server və Thin-client) uğurla tətbiq edilmişdir. Bundan əlavə Bankda "R-Style Softlab" şirkətinin istehsalı olan təhlükəsiz və funksional işləmə mexanizmi ilə fərqlənən yeni RS-Loans 5.1 modulu tətbiq olunmuşdur. Yeni modul hesabına kreditlər üzrə effektiv monitorinqin aparılması, müxtəlif növ hesabatların hazırlanması həyata keçirilir. Tətbiq olunan modul Bankın fiziki və hüquqi şəxslərin kreditləşdirilməsi üzrə əməliyyatlarının avtomatlaşdırılmasını təmin edir, insan amilinin sistemə təsirini azaldır ki, bu da öz növbəsində Bankın risklərinin qarşısının alınmasına müsbət təsir göstərir. 2008-ci ildə Xalq Bank həmçinin yeni RS-Retail 5.1 modulunu da uğurla tətbiq etmişdir. Tətbiq olunan yeni sistem Bankın pərəkəndə biznesinin inkişaf etdirilməsində, xüsusilə fiziki şəxslərə göstərilən xidmətlərin keyfiyyətinin və çeşidinin çoxaldılmasında və eləcə də göstərilən xidmətlərdən müştərilərin məmnunluq səviyyəsinin artmasında müstəsna rol oynayır. Bankın avtomatlaşdırma sisteminin təkmilləşdirilməsi məqsədilə hesabat ilində RS-Bank V5.1/V6 modulu da uğurla tətbiq olunmuşdur. Bu modul Bankın hüquqi şəxs qismindəki müştəriləri üçün daha da keyfiyyətli hesablaşma-kassa əməliyyatlarının aparılmasına xidmət göstərir.

The introduction and employment of new latest state-of-the-art information technologies has the objective of improving the quality of banking services, developing and promoting new products and services and ensuring highest quality of service provision to all customers. In this regard, implementation of new Information Technologies is one of the principal factors affecting and supporting the growth of Xalq Bank. Expanded application of the information technologies based on the latest scientific developments has become a priority task for the Bank in 2008. These activities have the following objectives:

- Application of the latest state-of-the-art technologies
- Procurement and application of licensed software
- Ensure technical support, engage qualified professionals

In 2008, the Bank successfully implemented a central database management system considered as a user-friendly and flexible, efficient IT infrastructure and Citrix technology (Presentation server and Thin-client) that ensures secure storage of information. In addition to that a new RS-Loans 5.1 module was installed in the bank that is a secure and functional product of "R-Style Softlab". This module allows for better monitoring and control of the loan portfolio. The application for this module allowed for better loan automation process and reduced the potential human factor effects on the system which adds value for the risk reduction efforts of the Bank. Another RS-Retail 5.1 module was successfully installed in the Bank in 2008. This module allowed for better quality of service and more diverse product range delivered to the Bank's retail customers and played an exceptional role in improvement of the client satisfaction. Moreover, another module was introduced for the purposes of improving the automation system within the Bank. This module is RS-Bank V5.1/V6 which aims to deliver Cash and Settlements services to the corporate customers of the bank.

The establishment and successful handling of the Azerfon Payment System center of Azerfon (owners of "Nar Mobile" trademark), at Xalq Bank is considered to be a major accomplishment. Under this project, Azerfon's payment outlet, Xalq Bank's branch offices and divisions as well as 31 banks operating in Azerbaijan have joined

İNFORMASIYA TEXNOLOGİYALARI

INFORMATION TECHNOLOGY



İnformasiya
Texnologiyaları

Information
Technologies

Expanded application of the information technologies based on the latest scientific developments has become a priority task for the Bank in 2008.

Azərbaycanda yeni nəsil texnologiyaları tətbiq edən "Nar Mobile" əmtəə nişanlı "Azerfon" şirkətinin "Azerfon Payment System" hesablaşma mərkəzinin məhz Xalq Bankda açılması və uğurla tətbiq olunması əldə olunan mühüm nəticələrdən biri kimi qeyd oluna bilər. Bu layihə çərçivəsində Azerfonun ödəmə nöqtələri, Xalq Bankın filial və şöbələri, həmçinin Azərbaycanda fəaliyyət göstərən 31 bank və onların 363 filial və şöbələri bu hesablaşma mərkəzinə qoşularaq ödəmələri bu mərkəz vasitəsilə aparır. Bu layihə ilə əlaqədar olaraq Bankda həmçinin xüsusi "HelpDesk" sistemi də qurulmuşdur ki, bu, sistemdə baş verən problemləri həll edir, banklara gündəlik hesabatlar göndərir və bütün ödəmə nöqtələri üçün "qaynar xətt" təşkil edir. Həyata keçirilən bu iri layihə Bankın qarşısına qoyduğu strateji hədəflərə çatmasında vacib rol oynamışdır.

Bankda Microsoft, Oracle, Cisco, SWIFT, R-Style kimi şirkətlərin sertifikatlarını qazanmış mütəxəssislərin çalışması yeni İnformasiya Texnologiyalarının tətbiqində ən mühüm faktorlardan biridir. Bankın kadr siyasətinə uyğun olaraq İT İdarəsinin əməkdaşları texniki biliklərini və peşəkarlıq səviyyələrini artırmaq məqsədi ilə müxtəlif təlimlərə cəlb edilmişdir. Beləliklə, Bankın inkişafında yeni informasiya texnologiyalarının tətbiqi daha da artmış və görülməli işlər 2009-cu ildə bu sahənin təkmilləşməsinə yönəldilmişdir.

the system and make payments through this center. In connection to this, the Bank also set up a Help Desk system, which addresses any problems that may arise in the System, compiles and distributes daily reports to banks and serves as a hotline for all payment outlets. This large-scale project made a substantial contribution to the accomplishment of the Bank's strategic goals and targets.

At Xalq Bank our specialists from IT Department are provided with all the necessary conditions for them to participate on various professionally related trainings, courses and seminars. Our experts constantly participate on the lectures and seminars organized by Oracle, Cisco, SWIFT, R-Style and Microsoft that helps to contribute significantly to the implementation of new information technologies.

Thus, the Bank has further expanded the application of new Information Technologies and continues to pursue the goal of improving this particular line of business in 2009.



ÜMUMİ MƏLUMATLAR

GENERAL DETAILS





Ümumi Məlumatlar

General Details

Adı: Açıq Səhmdar Cəmiyyəti "Xalq" Bankı
Qısaldılmış adı: Xalq Bank
Qeydiyyat: N1104-A1-414 Azərbaycan
Respublikası Ədliyyə Nazirliyi
Rəsmi ünvan: 1145, Babək pr, AZ1025, Bakı şəh.,
Azərbaycan Respublikası
VÖEN: 2000296061
Kod: 505055
SWIFT: HAJCAZ22
Tel.: +994 (12) 496 81 52/53/54
Faks: +994 (12) 496 81 57
Teleks: 142400 XALG AI
E-poçt: mail@xalqbank.az
URL: www.xalqbank.az
Beynəlxalq
auditor: BDO International

Fəaliyyətə

başladığı tarix: 24 Dekabr 2004-cü il
Lisenzia: Azərbaycan Respublikası Milli Bankı
tərəfindən verilmiş 27 Dekabr 2004-cü
il tarixli, 246 sayılı lisenziya.

Filialların sayı: 8
Şöbələrin sayı: 2
İşçilərin sayı: 245

Peşəkar və ictimai təşkilatlara üzvlük:

- Xırda ödənişlər üzrə hesablaşmalar və kliring sistemi (XÖHKS)
- Real vaxt rejimində banklararası hesablaşmalar sistemi (AZİPS)
- SWIFT
- MasterCard International
- VISA International
- Western Union, Xpress Money, Bistraya Poçta və Migom təcili pul köçürmələri sistemləri
- Azericard milli ödəniş sistemi
- Azərbaycan İpoteka Fondu
- Azərbaycan Əmanətlərin Sığortalanması Fondu
- Bakı Banklararası Valyuta Birjası
- Azərbaycan Banklar Assosiyasiyası
- Azərbaycan-Rusiya İşguzar Əməkdaşlıq Palatası
- Amerikanın Azərbaycanda Ticarət Palatası (AM-CHAM)
- Avropa İqtisadiyyat, Ticarət, Sahibkarlıq və Sənaye palatası (EEIG)

Əsas maliyyə göstəriciləri:

Aktivlər: 403,70 mln.manat
Kreditlər: 360,64 mln.manat
Əmanətlər: 319,77 mln.manat
Nizamnamə
kapitalı: 53,55 mln.manat

Name: Open Joint-Stock Company Xalq
Bank
Short name: Xalq Bank
Registration: 1104-A1-414 of Ministry of Justice
of Azerbaijan
Official address: 1145, Babek ave, AZ1025, Baku,
Azerbaijan
Tax ID: 2000296061
Code: 505055
SWIFT: HAJCAZ22
Tel: 994 (12) 496 81 52/53/54
Fax: 994 (12) 496 81 57
Telex: 142400 XALG AI
Email: mail@xalqbank.az
URL: www.xalqbank.az
Independent
auditor: BDO International
**Date of
establishment:** December 24, 2004
Licence: N246 issued by National Bank of
Azerbaijan Republic on December
27th, 2004.
Branches: 8
Retail divisions: 2
Staff: 245

Membership with professional and non- professional organizations:

- Settlements and clearing system for small value payments (XÖHKS)
- Interbank real time settlements system (AZİPS)
- SWIFT
- MasterCard International
- VISA International
- Money transfers systems (Western Union, Express Money, Bistraya Pochta, Migom)
- Azericard national payment system
- Azerbaijan Mortgage Fund
- Deposits Insurance Fund
- Baku Interbank Currency Exchange
- Azerbaijan Banks Association
- Azerbaijan-Russian Chamber of Business Cooperation
- American Trade Chamber in Azerbaijan (AMCHAM)
- European Chamber of economy, trade, entrepreneurship and industry (EEIG)

Key financial indicators:

Assets: 403.70 mln.AZN
Loans: 360.64 mln.AZN
Deposits: 319,77 mln.AZN
Statutory capital: 53,55 mln.AZN

OPEN JOINT STOCK COMPANY XALQ BANK

INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008



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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 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 2008, 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 2008 were authorized for issue on 15 April 2009 by the Management Board.

Approved for issue and signed on behalf of the Management Board on 15 April 2009.

Chairman
Mr. Asim Mammadli



Acting Chief Accountant
Mrs. Tamilla Asadova



BDO Invest Riga
Auditorfirma

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Xalq Bank, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statements of changes in equity and cash flows for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

Norēķinu Konts nr. LV76UNLA0001003469481. A/S "SEB Latvijas Unibanka", Vecrigas filiāle, Rīga.
Kods UNLALV2X. Reģ. nr. 000303577. PVN kods LV-40003035771.



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 as at 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

As disclosed in Note 4 the accompanying financial statements have been restated

"BDO Invest Riga" JSC
Certified auditors Commercial Company
Licence No. 112

D.Tunst
International Liaison Partner

A.Putniņš
The responsible certified auditor
Certificate No.123

Riga, Latvia
April 15, 2009

CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2008 (IN AZERBAIJAN MANATS)

	Notes	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
ASSETS				
Cash and cash equivalents	14	24,419,977	22,001,735	22,095,998
Gold		1,382,282	-	-
Due from banks	15	7,831,765	12,933,271	12,932,941
Loans to customers	16	336,211,511	153,391,038	153,391,038
Factoring	17	-	3,360,340	3,360,340
Investments available-for-sale	18	42,586	42,851	1,633,115
Investments in associates	19	-	5,100,000	5,100,000
Property and equipment	20	6,320,414	5,497,923	5,497,923
Investment property	21	6,038,186	5,313,604	-
Intangible assets	20	343,725	330,083	330,083
Deferred income tax asset	12	52,843	35,793	35,793
Other assets	22	<u>894,918</u>	<u>1,017,225</u>	<u>1,035,890</u>
TOTAL ASSETS		383,538,207	209,023,863	205,413,121
LIABILITIES				
Due to banks and government agencies	23	6,698,660	11,526,578	11,526,578
Customer accounts	24	317,084,329	137,779,099	137,874,415
Provision for impairment losses on other operations	7	137,424	231,954	231,954
Current income tax liability		41,201	230,102	208,849
Other liabilities	25	<u>1,201,186</u>	<u>1,165,086</u>	<u>851,382</u>
TOTAL LIABILITIES		325,162,800	150,932,819	150,693,178
EQUITY				
Share capital	26	53,550,000	53,550,000	53,550,000
Retained earnings		4,689,744	4,404,890	1,169,943
Non-controlling interest		<u>135,663</u>	<u>136,154</u>	=
TOTAL EQUITY		58,375,407	58,091,044	54,719,943
TOTAL LIABILITIES AND EQUITY		383,538,207	209,023,863	205,413,121

Approved for issue and signed on behalf of the Management Board on 15 April 2009.

Chairman
Mr. Asim Mammadli



Acting Chief Accountant
Mrs. Tamilla Asadova

The accompanying notes on pages 9 to 55 form an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (IN AZERBAIJAN MANATS)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007 as restated	Year ended 31 December 2007 as previously reported
Interest income	6	41,233,775	17,304,312	17,304,312
Interest expense	6	<u>(21,292,259)</u>	<u>(7,776,800)</u>	<u>(7,776,800)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		19,941,516	9,527,512	9,527,512
Provision for impairment losses on interest bearing assets	7	<u>(18,537,357)</u>	<u>(4,967,100)</u>	<u>(4,967,100)</u>
NET INTEREST INCOME		1,404,159	4,560,412	4,560,412
Net gain/(loss) on sale of investments in associates	19	151,200	-	-
Net gain/(loss) on foreign exchange operations	9	3,072,255	(58,491)	(58,491)
Net gain/(loss) on gold operations	8	32,245	-	-
Fee and commission income	10	2,663,781	1,908,649	1,908,753
Fee and commission expense	10	<u>(328,921)</u>	<u>(277,540)</u>	<u>(277,482)</u>
Gain on revaluation of investment property	21	724,582	-	-
Negative Goodwill	5	-	3,475,597	-
Other income		<u>41,009</u>	<u>27,323</u>	<u>22,676</u>
NET NON-INTEREST INCOME		6,356,151	5,075,538	1,595,456
OPERATING INCOME		7,760,310	9,635,950	6,155,868
OPERATING EXPENSES	11	<u>(7,331,799)</u>	<u>(3,675,668)</u>	<u>(3,445,761)</u>
OPERATING PROFIT/(LOSS)		428,511	5,960,282	2,710,107
Provision for impairment losses on guarantees and other commitments	7	<u>94,530</u>	<u>(231,954)</u>	<u>(231,954)</u>
PROFIT/(LOSS) BEFORE INCOME TAX		523,041	5,728,328	2,478,153
Income tax expense	12	<u>(238,678)</u>	<u>(194,309)</u>	<u>(173,056)</u>
NET PROFIT/(LOSS)		284,363	5,534,019	2,305,097
Attributable to:				
Equity holders of the parent		284,854	5,540,044	2,305,097
Non-controlling interest		<u>(491)</u>	<u>(6,025)</u>	-
		<u>284,363</u>	<u>5,534,019</u>	<u>2,305,097</u>
EARNINGS / (LOSS) PER SHARE				
Basic and diluted (AZN)	13	0.133	2.986	1.243

Approved for issue and signed on behalf of the Management Board on 15 April 2009.

Chairman
Mr. Asim Mammadli



Acting Chief Accountant
Mrs. Tamilla Asadova

The accompanying notes on pages 9 to 55 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008
(IN AZERBAIJAN MANATS)

	Share capital	(Accumulated deficit)/retained earnings	Non-controlling interest	Total equity
31 December 2005	6,250,000	(263,859)	-	5,986,141
Share capital increase	3,750,000	-	-	3,750,000
Net Profit / (Loss)	-	(871,295)	-	(871,295)
31 December 2006	10,000,000	(1,135,154)	-	8,864,846
Share capital increase	43,550,000	-	-	43,550,000
Non-controlling interest on acquisition date	-	-	142,179	142,179
Net profit / (loss)	-	5,540,044	(6,025)	5,534,019
31 December 2007 as restated	53,550,000	4,404,890	136,154	58,091,044
Share capital increase	-	-	-	-
Net Profit / (Loss)	-	284,854	(491)	284,363
31 December 2008	<u>53,550,000</u>	<u>4,689,744</u>	<u>135,663</u>	<u>58,375,407</u>

Approved for issue and signed on behalf of the Management Board on 15 April 2009.

Chairman
Mr. Asim Mammadli



Acting Chief Accountant
Mrs. Tamilla Asadova

The accompanying notes on pages 9 to 55 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008
(IN AZERBAIJAN MANATS)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007 as restated	Year ended 31 December 2007 as previously reported
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before income tax		523,041	5,728,328	2,478,153
Adjustments for:				
Provision for impairment losses on interest bearing assets	7	18,537,357	4,967,100	4,967,100
Provision for guarantees and other commitments	7	(94,530)	231,954	231,954
Net unrealized loss / (gain) arising from changes in foreign currency exchange rates		(1,858,104)	341,450	341,450
Negative Goodwill	5	-	(3,475,597)	-
Depreciation and amortization	20	1,088,461	671,760	671,760
Gain on revaluation of investment property	21	(724,582)	-	-
Loss / (gain) on disposal of property and equipment		6,887	-	-
Loss / (gain) on disposal of intangible assets		18,761	(4,908)	(4,908)
Change in interest accruals, net		<u>3,720,613</u>	<u>(3,676,837)</u>	<u>(3,804,664)</u>
Cash flows from operating activities before changes in operating assets and liabilities		21,217,904	4,783,250	4,880,845
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Minimum reserve deposit with the National Bank of the Republic of Azerbaijan		(1,601,832)	(7,394,869)	(7,394,869)
Gold		(1,382,282)	-	-
Due from banks		(1,047,981)	(2,087,991)	(2,119,729)
Loans to customers		(204,414,098)	(98,382,859)	(98,416,724)
Factoring		3,163,989	(3,360,340)	(3,228,561)
Other assets		122,307	(552,232)	(483,308)
Increase/(decrease) in operating liabilities:				
Due to banks and government agencies		(4,733,651)	8,177,044	8,358,175
Customer accounts		178,769,329	74,283,840	74,084,675
Other liabilities		<u>36,100</u>	<u>996,079</u>	<u>800,804</u>
Cash (outflow)/inflow from operating activities before taxation		<u>(9,870,215)</u>	<u>(23,538,078)</u>	<u>(23,518,692)</u>
Income tax paid		<u>(444,630)</u>	-	-
Net cash outflow from operating activities		<u>(10,314,845)</u>	<u>(23,538,078)</u>	<u>(23,518,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, equipment and intangible assets	20	(1,950,242)	(3,446,321)	(3,598,747)
Proceeds on disposal of property and equipment		-	27,839	27,839
Acquisition of subsidiary, net of cash acquired		-	(1,590,264)	-
Sale / (purchase) of investments available-for-sale		265	(224)	(1,590,264)
Sale / (purchase) of investments in associates	19	<u>5,100,000</u>	<u>(5,100,000)</u>	<u>(5,100,000)</u>
Net cash inflow / (outflow) from investing activities		<u>3,150,023</u>	<u>(10,108,970)</u>	<u>(10,261,172)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)
(IN AZERBAIJAN MANATS)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007 as restated	Year ended 31 December 2007 as previously reported
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary share capital		-	43,550,000	43,550,000
Net cash inflow from financing activities		-	43,550,000	43,550,000
Effect of foreign exchange rate changes on cash and cash equivalents		1,858,104	(341,450)	(114,371)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(5,306,718)	9,561,502	9,655,765
CASH AND CASH EQUIVALENTS, beginning of year		15,534,536	5,973,034	5,973,034
CASH AND CASH EQUIVALENTS, end of year	14	10,227,818	15,534,536	15,628,799

Interest paid and received by the Group in cash during the year ended 31 December 2008 amounted to AZN 20,850,626 and AZN 44,512,754, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2007 amounted to AZN 7,373,229 and AZN 13,096,077, respectively.

Approved for issue and signed on behalf of the Management Board on 15 April 2009.

Chairman
Mr. Asim Mammadli



Acting Chief Accountant
Mrs. Tamilla Asadova

The accompanying notes on pages 9 to 55 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008
(IN AZERBAIJAN MANATS)

1. Background

Xalq Bank (the "Bank") is a joint stock company which was established on 24 December 2004 in accordance with establishment agreement and was registered by the National Bank of Azerbaijan on 27 December 2004. The address of its registered office is 1145 Babek Avenue, Baku, AZ 1025, Azerbaijan. The Bank is regulated by the National Bank of Azerbaijan (the "NBA") and conducts its business under the general banking license number 246. The Bank had 8 branches in Azerbaijan as at 31 December 2008. 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 2008 and 2007 was 250 and 163, respectively.

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

The Bank ownership interest / voting rights, %

Name	Country of operation	2008	2007	Type of operation
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 2008 and 2007 the following shareholders owned the issued shares of the Bank:

	31 December 2008	31 December 2007
	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 15 April 2009.

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 buildings at revalued amounts according to International Accounting Standard ("IAS") No. 16 "Property, Plant and Equipment".

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 balance sheet 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 2008	31 December 2007 as restated	31 December 2007 as previously reported
Loans to customers	336,211,511	153,391,038	153,391,038
Factoring	-	3,360,340	3,360,340
Investments available for sale	42,586	42,851	1,633,115
Investments in associates	-	5,100,000	5,100,000
Property and equipment	6,320,414	5,497,923	5,497,923
Investment Property	6,038,186	5,313,604	-

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 balance sheet. The Group's assumptions about estimated losses are based on past performance, past customer behavior, 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 balance sheet 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 balance sheet 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 balance sheet 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 National Bank of the Republic of Azerbaijan 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 National Bank of the Republic of Azerbaijan is not included as a cash equivalent due to restrictions on its availability (Note 14).

Gold

Assets and liabilities denominated in gold are translated at the current rate computed based on the National 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 balance sheet. 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 balance sheet 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	5%
Furniture and equipment	25%
Computers	25%
Vehicles	25%
Other equipment	20%
Intangible assets	10%

The carrying amounts of property, equipment and intangible assets are reviewed at each balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated balance sheet 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 balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("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 balance sheet 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 yearend used by the Group in the preparation of the consolidated financial statements are as follows:

31 December 2008	31 December 2007
USD 1 = AZN 0.8010	USD 1 = AZN 0.8453
EUR 1 = AZN 1.1292	EUR 1 = AZN 1.2450
GBP 1 = AZN 1.1621	GBP 1 = AZN 1.6876
RUR 1 = AZN 0.0272	RUR 1 = AZN 0.0346

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 balance sheet 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 2008. Listed below are those new or amended standards or interpretations which are relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

IAS 39, 'Financial instruments: Recognition and measurement' and IFRS 7, 'Financial instruments: Disclosures' on the 'Reclassification of financial assets' (Effective for annual periods beginning or after 1 July 2008) – This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. Given the urgency of the issue, due process was suspended and there was no comment period. Amendment confirms that any reclassifications made on or after 1 November 2008 should take effect only from the date of the reclassification and may not be backdated. The amendment does not have an impact on the Group's and the Bank's financial statements as no reclassification was made by the Group and the Bank in the reporting year.

IFRIC 11, 'IFRS 2 (effective for annual periods beginning on or after 1 March 2007) – Group and treasury share transactions'. This interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have a significant impact on the Group's and the Bank's financial statements.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2009 or later periods and which are relevant to the Group but not early adopted by the Group.

IAS 1, 'Presentation of financial statements' (revised September 2007; effective for annual periods beginning on or after 1 January 2009) – The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to impact the presentation of its financial statements but to have no impact on the recognition or measurement of specified transactions and balances.

IAS 27, 'Consolidated and separate financial statements' (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group and the Bank is currently assessing the impact of the amended standard on its financial statements.

IFRS 3, 'Business combinations' (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its financial statements.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest rate method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on the financial statements. The Group does not expect the amendments to have any material effect on the 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 balance sheet 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 25,542,526 and AZN 6,940,597 as at 31 December 2008 and 2007.

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 balance sheet 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 2008 and 2007:

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Available-for-sale investments	42,586	42,851	1,633,115

4. Prior Period Adjustments

In 2008 the Group management discovered errors in the financial statements for the year ended 31 December 2007. In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", the correction of the errors was made retrospectively. Comparative amounts were restated and corrections were applied to earliest prior period presented.

The Group's management determined that the consolidated accounts of the Group as of 31 December 2007 lacked the elimination of the bank account balance of 95,317 AZN of "Xalq Kapital" LLC within the Parent's customer accounts in compliance with IAS 27 "Consolidated and Separate Financial Statements".

The Group's management also considered that the acquisition of 97.27% ownership interest in the "Baki Ayaqqabi -2" OJSC during the year ended 31 December 2007 should be accounted for in accordance with IFRS 3 "Business Combinations" and consolidated as at 31 December 2007 as required by IAS 27 "Consolidated and Separate Financial Statements".

The Group's management discovered that the Group's profit tax expense for the year ended 31 December 2007 had been understated by AZN 21,253. In this connection relevant corrections have been made to the prior year income tax expense, income tax liability balances and relevant note disclosures.

5. Business Combination

In 2007 the Group acquired in a step acquisition the controlling interest in share capital of "Baki Ayaqqabi -2" OJSC. The Group acquired 67.26% of the acquiree's shares on 26 January 2007 and 30.01% of the acquiree's shares on 14 March 2007.

The consideration paid by the Group was based on the results of the revaluation as of the dates of acquisition of the acquiree's Property, plant and equipment carried by the independent appraiser and internal appraisal of the acquiree's business taken as a whole. However, in accordance with IFRS 3 "Business combinations", the Group must account for acquisitions based on fair values of all identifiable assets acquired and liabilities and contingent liabilities assumed. Moreover, since the acquiree had no financial statements available as of the dates of the acquisition as mentioned above, the Group accounted for the business combination based on the IFRS balance sheets and income statements of the acquiree as of 1 January 2007.

These two different approaches can lead to differences in the recognition of the excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost ("negative goodwill") immediately in the consolidated income statement for the year ended 31 December 2007.

The details of the assets and liabilities acquired and negative goodwill arising is as follows:

	IFRS carrying amount immediately before business combination		Attributed fair value
	January acquisition 67.26%	March acquisition 30.01%	
Investment property	5,313,604	5,313,604	5,313,604
Cash and cash equivalents	2	2	2
Other liabilities	(105,567)	(105,567)	(105,567)
Fair value of net assets of subsidiary			5,208,039
Fair value of acquired interest in subsidiary			5,065,860
Excess of net assets over consideration paid (negative goodwill)			(3,475,597)
Total purchase consideration			1,590,263
Less: Cash and cash equivalents of subsidiary acquired			(2)
Inflow of cash and cash equivalents on acquisition			1,590,261

6. Net Interest Income

	Year ended 31 December 2008	Year ended 31 December 2007
Interest income comprises		
interest income on assets recorded at amortized cost:		
- interest income on assets that have been written down as a result of an impairment loss	38,592,077	11,500,272
- interest income on unimpaired assets	2,641,698	5,804,040
Total Interest income	41,233,775	17,304,312
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	40,656,278	16,540,196
Interest on due from banks	396,649	601,146
Interest on factoring	102,778	93,573
Interest on debt securities	78,070	68,095
Interest on other operations	—	1,302
Total interest income on financial assets recorded at amortized cost	41,233,775	17,304,312
Interest expense comprises:		
Interest on customer accounts	20,919,285	7,436,549
Interest on due to banks and government agencies	372,974	340,251
Total interest expense on financial assets recorded at amortized cost	21,292,259	7,776,800
Net interest income before provision for impairment losses on interest bearing assets	19,941,516	9,527,512

7. Allowance For Impairment Losses, Other Provisions

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

	Loans to customers	Factoring	Total
31 December 2006	2,038,069	-	2,038,069
(Recovery of provision)/provision	4,902,528	64,572	4,967,100
31 December 2007	6,940,597	64,572	7,005,169
(Recovery of provision)/provision	18,601,929	(64,572)	18,537,357
31 December 2008	25,542,526	—	25,542,526

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

	Guarantees and other commitments
31 December 2006	-
Provision	231,954
31 December 2007	231,954
Recovery of provision	(94,530)
31 December 2008	137,424

8. Net Gain/(Loss) on Gold Operations

Net gain/(loss) on gold operations comprise:

	Year ended 31 December 2008	Year ended 31 December 2007
Net gain/(loss) on gold operations	42,892	-
Translation difference on gold	(10,647)	—
Total net gain/(loss) on gold operations	32,245	—

9. Net Gain/(Loss) on Foreign Exchange Operations

Net gain/(loss) on foreign exchange operations comprise:

	Year ended 31 December 2008	Year ended 31 December 2007
Dealing differences, net	1,214,151	282,959
Translation differences, net	<u>1,858,104</u>	<u>(341,450)</u>
Total net gain/(loss) on foreign exchange operations	<u>3,072,255</u>	<u>(58,491)</u>

10. Fee and Commission Income and Expense

Fee and commission income and expense comprise:

	Year ended 31 December 2008	Year ended 31 December 2007 as restated	Year ended 31 December 2007 as previously reported
Fee and commission income:			
Cash operations	933,104	685,977	686,003
Foreign exchange operations	722,456	496,619	496,623
Settlements	653,954	368,532	368,552
Plastic cards operations	206,102	144,970	145,024
Guarantee letters	124,704	184,600	184,600
Letters of credit	21,042	27,175	27,175
Other	<u>2,419</u>	<u>776</u>	<u>776</u>
Total fee and commission income	<u>2,663,781</u>	<u>1,908,649</u>	<u>1,908,753</u>
Fee and commission expense:			
Plastic cards operations	172,522	115,462	115,462
Settlements	126,187	109,848	109,790
Cash operations	21,914	28,986	28,986
Foreign exchange operations	2,420	3,786	3,786
Documentary operations	-	9,726	9,727
Other	<u>5,878</u>	<u>9,732</u>	<u>9,731</u>
Total fee and commission expense	<u>328,921</u>	<u>277,540</u>	<u>277,482</u>

11. Operating Expenses

Operating expenses comprise:

	Year ended 31 December 2008	Year ended 31 December 2007 as restated	Year ended 31 December 2007 as previously reported
Staff costs	3,022,870	1,415,624	1,367,861
Depreciation and amortization	1,088,461	671,761	671,760
Advertising and marketing expenses	756,362	221,819	221,819
Payments to the Deposit Insurance Fund of the Republic of Azerbaijan	655,128	167,042	167,042
Communications	366,352	273,896	273,257
Operating leases	289,229	7,274	7,274
Security expenses	237,836	58,026	58,026
Professional services fees	111,950	135,350	135,350
Stationery expenses	101,264	106,710	106,624
Transportation and business trip expenses	117,807	80,217	79,274
Repairs and maintenance expenses	96,333	92,804	92,777
Taxes, other than income tax	86,031	58,374	55,317
Entertainment	79,259	45,028	45,028
Membership fees	52,893	29,184	29,184
Insurance	45,342	12,753	12,753
Loss on disposal of property, equipment and intangible assets	25,649	-	-
Utilities	38,871	30,868	20,784
Other expenses	<u>160,162</u>	<u>268,938</u>	<u>101,631</u>
Total operating expenses	<u>7,331,799</u>	<u>3,675,668</u>	<u>3,445,761</u>

12. 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 22%.

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 2008 and 2007 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

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Temporary differences as at 31 December 2008 and 2007 comprise:

	31 December 2008	31 December 2007
Deductible temporary differences:		
Allowance for losses on loans to customers	884,302	-
Loans origination fee	61,931	61,121
Amortization	1,260	-
Depreciation	-	790,227
Accrued interest on deposits	-	4,744
Total deductible temporary differences	947,493	856,092
Taxable temporary differences:		
Provision reversal on off balance items	(505,815)	(580,096)
Depreciation	(201,481)	-
Amortization	-	(482)
Provision reversal for loans to banks	-	(112,817)
Total taxable temporary differences	(707,296)	(693,395)
Net deferred deductible temporary differences	240,197	162,697
Net deferred tax asset at the statutory tax rate (22%)	52,843	35,793
Less: deferred tax assets not recognized	-	-
Net deferred tax asset	52,843	35,793

Relationships between tax expenses and accounting profit for the years ended 31 December 2008 and 2007 are explained as follows:

	Year ended 31 December 2008	Year ended 31 December 2007 as restated	Year ended 31 December 2007 as previously reported
Profit/(loss) before income tax	523,041	5,728,328	2,478,153
Tax at the statutory tax rate	115,069	1,260,232	545,194
Tax effect of permanent differences	123,609	(928,495)	(234,710)
Losses not recognized	-	(137,428)	(137,428)
Income tax expense	238,678	194,309	173,056
Current income tax expense	255,728	230,102	208,849
Provision for deferred income tax assets	(17,050)	(35,793)	(35,793)
Income tax expense	238,678	194,309	173,056

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	31 December 2008	31 December 2007
Deferred income tax assets		
Beginning of the period	35,793	-
Change in the income tax assets for the period charged to profit	17,050	35,793
End of the period	52,843	35,793

13. Earnings Per Share

The earnings per share are calculated as follows:

	Year ended 31 December 2008	Year ended 31 December 2007 as restated	Year ended 31 December 2007 as previously reported
Profit / (loss):			
Net profit/(loss) for the year	284,854	5,540,044	2,305,097
Weighted average number of ordinary shares for basic earnings per share	2,142,000	1,855,129	1,855,129
Earnings/(loss) per share – basic and diluted (AZN)	0.133	2.986	1.243

14. Cash and Cash Equivalents

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

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Cash on hand	5,700,350	3,513,814	3,608,077
Balances with the National Bank of the Republic of Azerbaijan	18,719,627	18,487,921	18,487,921
Total cash and balances with the National Bank of the Republic of Azerbaijan	24,419,977	22,001,735	22,095,998

The balances with the NBA as at 31 December 2008 and 2007 include AZN 15,133,886 and AZN 13,532,054, respectively, which represent the minimum reserve deposits required by the NBA. The Bank is entitled to use all funds on its correspondent account provided that average daily balance for 15 days period will be eventually higher than required mandatory reserve.

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

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Cash and balances with the National Bank of the Republic of Azerbaijan	24,419,977	22,001,735	22,095,998
Due from banks in OECD countries	4,561,841	7,064,855	7,064,855
	28,981,818	29,066,590	29,160,853
Less minimum reserve deposit with the National Bank of the Republic of Azerbaijan	(15,133,886)	(13,532,054)	(13,532,054)
Less restricted deposit in OECD countries	(3,620,114)	-	-
Total cash and cash equivalents	10,227,818	15,534,536	15,628,799

15. Due from Banks

Due from banks comprise:

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Correspondent accounts with other banks	4,174,805	7,230,548	7,230,219
Loans and time deposits with other banks	-	5,667,220	5,667,219
Restricted deposits	3,656,960	35,503	35,503
Total due from banks	7,831,765	12,933,271	12,932,941

As at 31 December 2008 and 2007 accrued interest income included in due from banks amounted to nil and AZN 26,360, respectively.

As at 31 December 2008 and 2007 the maximum credit risk exposure of due from banks amounted to AZN 7,831,765 and AZN 12,932,271, respectively.

As at 31 December 2008 and 2007 the Bank had restricted deposits blocked in support of guarantees issued and plastic cards operations and money transfers totaling AZN 3,659,960 and AZN 35,503, respectively. As at 31 December 2008 the amount of blocked deposits was for guarantees issued to two customers of the Bank which represent significant risk concentration.

16. Loans to Customers

Loans to customers comprise:

	31 December 2008	31 December 2007
Loans to customers	361,754,037	160,331,635
Less allowance for impairment losses	(25,542,526)	(6,940,597)
Total loans to customers	336,211,511	153,391,038

As at 31 December 2008 and 2007 accrued interest income included in loans to customers amounted to AZN 1,167,476 and AZN 4,223,744, respectively.

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Movements in allowances for impairment losses for the years ended 31 December 2008 and 2007 are disclosed in Note 7.

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

	31 December 2008	31 December 2007
Loans collateralized by real estate	33,300,813	18,061,910
Loans collateralized by vehicles	4,007,580	3,871,447
Loans collateralized by guarantees	2,237,751	223,557
Loans collateralized by tractors	1,764,378	1,392,535
Loans collateralized by cash	1,521,334	39,738,439
Loans collateralized by shares of other entities	601,839	100,571
Loans collateralized by equipment	-	10,326,138
Loans collateralized by inventories	-	82,552
Loans collateralized by other collateral	56,839	18,284,696
Unsecured loans	318,263,503	68,249,790
	361,754,037	160,331,635
Less allowance for impairment losses	(25,542,526)	(6,940,597)
Total loans to customers	336,211,511	153,391,038

Analysis by industry

	31 December 2008	31 December 2007
Transportation and communication	156,550,269	71,435,174
Trading	86,020,497	48,699,264
Manufacturing	62,277,347	7,482,722
Construction	36,866,827	3,970,921
Individuals	18,667,316	11,673,895
Agriculture	1,328,669	789,163
Energy	-	11,656,206
Other	43,112	4,624,290

	361,754,037	160,331,635
Less allowance for impairment losses	(25,542,526)	(6,940,597)
Total loans to customers	336,211,511	153,391,038
Less allowance for impairment losses	(25,542,526)	(6,940,597)
Total loans to customers	336,211,511	153,391,038

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Loans to individuals comprise the following products:

	31 December 2008	31 December 2007
Consumer loans	11,276,461	2,364,038
Mortgage loans	4,181,894	4,460,038
Car loans	1,867,486	2,559,575
Business loans	1,000,134	2,180,784
Plastic cards	341,341	109,460
	18,667,316	11,673,895
Less allowance for impairment losses	(2,792,983)	(302,394)
Total loans to customers	15,874,333	11,371,501

As at 31 December 2008 and 2007 the Bank granted 7 and 12 loans totaling AZN 318,718,335 and AZN 99,198,000, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2008 and 2007 the maximum credit risk exposure of loans to customers amounted to AZN 336,211,511 and AZN 153,391,038, respectively.

As at 31 December 2008 and 2007 loans to customers included loans in amount of AZN 13,606,966 and AZN 36,696,647, respectively, whose terms have been renegotiated. Otherwise these loans would be past due or impaired.

As at 31 December 2008 and 2007 loans to customers included loans in amount of AZN 318,288,786 and AZN 120,311,966, respectively, that were individually determined to be impaired.

As at 31 December 2008 and 2007 83% and 62% of total amount of loans to customers are given to 4 and 6 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.

17. Factoring

Factoring comprises:

	31 December 2008	31 December 2007
Factoring operations with the customers	-	3,424,912
Less allowance for impairment losses	-	(64,572)
Total factoring	-	3,360,340

As at 31 December 2008 and 2007 accrued interest income included in factoring amounted to nil and AZN 196,351, respectively. Movements in allowances for impairment losses for the years ended 31 December 2008 and 2007 are disclosed in Note 7.

As at 31 December 2008 and 2007 the maximum credit risk exposure of factoring amounted to nil and AZN 3,360,340, respectively.

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As at 31 December 2008 and 2007 factoring included amount of nil and AZN 3,424,912, respectively, that was individually determined to be impaired. As at 31 December 2007 this amount was unsecured.

As at 31 December 2007 100% of factoring amount is given to 1 entity. As at 31 December 2007, 100% of the factoring amount relates to company operating in the Republic of Azerbaijan, which represents significant geographical concentration in one region.

18. Investments Available-for-Sale

Investments available-for-sale comprise:

	31 December 2008	Share %	31 December 2007 as restated	Share %	31 December 2007 as previously reported	
Equity securities						
Millikart LTD	1	40,000	1	40,000	1	40,000
SWIFT SCRL		2,586		2,851		2,851
Baki-Ayaqqabi 2 OJSC		-		-	97.27	1,590,264
Total equity securities		42,586		42,851		1,633,115

19. Investments In Associates

The following enterprises were recorded in the consolidated financial statements using the cost method:

	31 December 2008		31 December 2007	
	Ownership interest	Carrying value	Ownership interest	Carrying value
Kapital Bank OJSC		-	20	5,100,000
Total investments in associates		-		5,100,000

In December 2008 the Group's investment into the share capital of Kapital Bank was sold for 5,251,200 AZN. Income from sales of the investment totalled 151,200 AZN.

20. 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 2006	-	1,273,681	369,624	652,348	960,592	32,524	120,570	3,409,339	302,306	3,711,645
Additions	-	478,973	207,247	400,008	689,212	36,891	1,539,795	3,352,126	94,195	3,446,321
Disposals	-	-	(431)	(46,853)	-	-	-	(47,284)	-	(47,284)
Transfers	20,044	396,868	(2,042)	-	138,525	(357)	(553,038)	-	-	-
Cost at 31 December 2007	20,044	2,149,522	574,398	1,005,503	1,788,329	69,058	1,107,327	6,714,181	396,501	7,110,682
Additions	-	-	328,657	560,862	754,125	23,303	208,156	1,875,103	75,139	1,950,242
Disposals	-	-	(4,014)	-	(7,931)	(2,556)	-	(14,501)	(26,059)	(40,560)
Transfers	-	1,158,383	-	-	-	-	(1,158,383)	-	-	-
Cost at 31 December 2008	20,044	3,307,905	899,041	1,566,365	2,534,523	89,805	157,100	8,574,783	445,581	9,020,364
Accumulated Depreciation at 31 December 2006	-	(131,862)	(103,909)	(187,933)	(168,866)	(9,200)	-	(601,770)	(33,499)	(635,269)
Charge for the year	-	(71,714)	(116,033)	(199,677)	(241,416)	(10,001)	-	(638,841)	(32,919)	(671,760)
Disposals	-	-	-	24,353	-	-	-	24,353	-	24,353
Transfers	-	-	1,170	-	(1,170)	-	-	-	-	-
Accumulated Depreciation at 31 December 2007	-	(203,576)	(218,772)	(363,257)	(411,452)	(19,201)	-	(1,216,258)	(66,418)	(1,282,676)
Charge for the year	-	(123,179)	(183,823)	(290,287)	(434,280)	(14,156)	-	(1,045,725)	(42,736)	(1,088,461)
Disposals	-	-	2,113	-	4,245	1,256	-	7,614	7,298	14,912
Transfers	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 31 December 2008	-	(326,755)	(400,482)	(653,544)	(841,487)	(32,101)	-	(2,254,369)	(101,856)	(2,356,225)
NBV at 31 December 2007	20,044	1,945,946	355,626	642,246	1,376,877	49,857	1,107,327	5,497,923	330,083	5,828,006
NBV at 31 December 2008	20,044	2,981,150	498,559	912,821	1,693,036	57,704	157,100	6,320,414	343,725	6,664,139

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	31 December 2008	31 December 2007
Investment property at fair value at 1 January	5,313,604	-
Additions through business combinations	-	5,313,604
Fair value gains	724,582	-
Investment properties at 31 December	6,038,186	5,313,604

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 2008 was determined on 26 March 2009 by AIS Azintellektservice, who holds a recognized professional qualification. The basis used for the appraisal was market value.

22. Other Assets

Other assets comprise:

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Prepayments and receivables on other transactions	382,261	41,332	59,997
Prepayments for purchase of property and equipment	181,740	174,849	174,849
Deferred expenses	163,009	452,275	452,275
Prepaid operating taxes	124,397	-	-
Accrued interests on letters of credit	29,246	127,826	127,826
Prepayments for purchases of intangible assets	8,230	216,159	216,159
Settlements on money transfers	6,035	4,784	4,784
Total other assets	894,918	1,017,225	1,035,890

23. Due to Banks and Government Agencies

Due to banks and government agencies comprise:

	31 December 2008	31 December 2007
Amount due to Azerbaijan Mortgage Fund	3,703,882	2,968,651
Loans from banks	1,988,463	1,784,480
Loans from the NBA	1,000,000	-
Correspondent accounts of other banks	6,315	6,773,447
Total due to banks and government agencies	6,698,660	11,526,578

As at 31 December 2008 and 2007 accrued interest expense included in due to banks and government agencies amounted to AZN 16,893 and AZN 111,161, respectively.

As at 31 December 2008 the loan from the National Bank of the Republic of Azerbaijan was secured by the pledge of the Bank's real estate belonging to one of the Bank's customers and pledged to the Bank as collateral for a loan issued to this customer (valued in the amount of AZN 2,000,000).

24. Customer Accounts

Customer accounts comprise:

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Time deposits	227,314,307	86,677,365	86,677,365
Repayable on demand	<u>89,770,022</u>	<u>51,101,734</u>	<u>51,197,050</u>
Total customer accounts	<u>317,084,329</u>	<u>137,779,099</u>	<u>137,874,415</u>

As at 31 December 2008 and 2007 accrued interest expense included in customer accounts amounted to AZN 1,090,037 and AZN 554,136, respectively.

As at 31 December 2008 and 2007 customer accounts amounting to AZN 162,457,628 and AZN 55,234,054 were due to 7 and 9 customers representing a significant concentration, being approximately 51% and 40%, respectively.

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Individuals	205,055,921	79,924,095	79,924,095
Trade	75,144,690	12,588,857	12,684,173
Insurance	17,924,853	11,738,042	11,738,042
Transport and communication	14,603,836	23,057,093	23,057,093
Construction	2,223,449	9,096,589	9,096,589
Energy	1,553,711	1,173,129	1,173,129
Manufacturing	424,890	198,970	198,970
Agriculture	137,607	-	-
Other	<u>15,372</u>	<u>2,324</u>	<u>2,324</u>
Total customer accounts	<u>317,084,329</u>	<u>137,779,099</u>	<u>137,874,415</u>

25. Other Liabilities

Other liabilities comprise:

	31 December 2008	31 December 2007 as restated	31 December 2007 as previously reported
Taxes other than income tax	330,935	323,326	35,598
Settlements on money transfers and plastic cards	241,524	444,643	444,643
Accrued expenses	204,636	40,350	33,416
Payables to the employees	177,228	21,136	19,449
Payables to the Deposit Insurance Fund	166,915	97,393	97,393
Professional fees payable	51,966	73,160	73,160
Payables to the State Social Protection Fund	17,136	51,896	34,541
Deferred revenue	2,000	102,778	102,778
Other	<u>8,846</u>	<u>10,404</u>	<u>10,404</u>
Total other liabilities	<u>1,201,186</u>	<u>1,165,086</u>	<u>851,382</u>

26. Share Capital

As of 31 December 2007 the Group's shareholders' authorized, issued and fully paid capital amounted to AZN 53,550,000 and comprised 2,142,000 ordinary shares with a par value of AZN 25. Each share entitles one vote to the shareholder.

During 2007 shareholders' capital of the Group was increased by AZN 43,550,000.

27. 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 balance sheet.

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 137,424 and AZN 231,954 as at 31 December 2008 and 2007, respectively.

As at 31 December 2008 and 2007, the nominal or contract amounts and the risk amounts were:

	31 December 2008		31 December 2007	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	6,904,420	6,904,420	13,766,047	13,766,047
Letters of credit and other transaction related contingent obligations	12,427,840	6,213,920	11,700,770	5,850,385
Commitments on credits and unused credit lines	9,621,090	4,810,545	6,101,389	2,773,391
Total contingent liabilities and credit commitments	28,953,350	17,928,885	31,568,206	22,389,823

Capital commitments – The Group had no material commitments for capital expenditures outstanding as at 31 December 2008.

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 NBA 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 2007 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.

28. 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 2008 and 2007 with related parties:

	31 December 2008		31 December 2007 as restated		31 December 2007 as previously restated	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers		361,754,037		160,331,635		160,331,635
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	6,000,000		2,100,000		2,100,000	
- key management personnel of the entity	817,335		75,312		75,312	
Allowance for impairment losses		(25,542,526)		(6,940,597)		(6,940,597)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	(120,000)		(126,000)		(126,000)	
- key management personnel of the entity	(29,897)		(4,818)		(4,818)	
Investments in associates		-		5,100,000		5,100,000
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		5,100,000		5,100,000	
Customer accounts		317,084,329		137,779,099		137,874,415
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	5,675,044		11,135,623		11,135,623	
- key management personnel of the entity	458,797		3,965,082		3,965,082	
Guarantees issued		6,904,420		13,766,047		13,766,047
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	2,403,000		445,271		445,271	
Unused loan commitments		9,621,090		11,700,770		11,700,770
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	-		26,858		26,858	

	31 December 2008		31 December 2007 as restated		31 December 2007 as previously restated	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Key management personnel compensation:						
short-term employee benefits	280,955	3,022,870	244,342	1,415,624	244,342	1,367,861

Included in the consolidated income statement for the years ended 31 December 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	31 December 2008		31 December 2007 as restated		31 December 2007 as previously restated	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Interest income		41,233,775		17,304,312		17,304,312
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	810,000		237,667		237,667	
- key management personnel of the entity	37,956		9,797		9,797	
Interest expense		(21,292,259)		(7,776,800)		(7,776,800)
- shareholders and entities in which a substantial interest is owned by shareholders of the Group			(939,635)		(939,635)	
- key management personnel of the entity	(89,161)		(336,619)		(336,619)	
Fee and commission income		2,663,781		1,908,649		1,908,753
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	1,000		66,733		66,733	
- key management personnel of the entity	47,390		206		206	
Other income		41,009		27,323		22,676
- shareholders and entities in which a substantial interest is owned by shareholders of the Group	87		12,000		12,000	
Operating expense		(7,331,799)		(3,675,668)		(3,445,761)
- key management personnel of the entity	-		(244,342)		(244,342)	

29. 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.

30. 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 balance sheet of the Group is presented below:

	31 December 2008		31 December 2007 as restated		31 December 2007 as previously restated	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	24,419,977	24,419,977	22,001,735	22,001,735	22,095,998	22,095,998
Due from banks	7,831,765	7,831,765	12,933,271	12,933,271	12,932,941	12,932,941
Investments in associates	-	-	5,100,000	5,100,000	5,100,000	5,100,000
Due to banks and government agencies	6,698,660	6,698,660	11,526,578	11,526,578	11,526,578	11,526,578
Customer accounts	317,084,329	317,084,329	137,779,099	137,779,099	137,874,415	137,874,415

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 2008 and 2007 the cost of them was 42 586 and AZN 42,851, 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.

31.Regulatory Matters

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

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

Weighting	Description
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 2008 the Group's total capital amount for Capital Adequacy purposes was AZN 58,031,682 and tier 1 capital amount was AZN 58,031,682 with ratios of 16% and 16%, respectively.

As at 31 December 2007 the Group's total capital amount for Capital Adequacy purposes was AZN 54,719,943 and tier 1 capital amount was AZN 54,719,943 with ratios of 35% and 35%, respectively.

In addition, the Group has to maintain a statutory capital adequacy ratio based on the National Bank of Azerbaijan requirements. During the years ended 31 December 2008 and 2007 the Group was in compliance with the minimum capital requirements imposed by the NBA.

32. 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 2006.

33. 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 2008			
	Maximum exposure	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Due from banks	7,831,765	7,831,765	-	7,831,765
Loans to customers	336,211,511	336,211,511	17,948,008	318,263,503
Factoring	-	-	-	-
Investments available-for-sale	42,586	42,586	-	42,586
				31 December 2007 as restated
	Maximum exposure	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Due from banks	12,933,271	12,933,271	-	12,933,271
Loans to customers	153,391,038	153,391,038	85,141,248	68,249,790
Factoring	3,360,340	3,360,340	-	3,360,340
Investments available-for-sale	42,851	42,851	-	42,851
Investments in associates	5,100,000	5,100,000	-	5,100,000
				31 December 2007 as previously reported
	Maximum exposure	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Due from banks	12,932,941	12,932,941	-	12,932,941
Loans to customers	153,391,038	153,391,038	85,141,248	68,249,790
Factoring	3,360,340	3,360,340	-	3,360,340
Investments available-for-sale	1,633,115	1,633,115	-	1,633,115
Investments in associates	5,100,000	5,100,000	-	5,100,000

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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 2008						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Due from banks	-	4,561,841	-	-	3,268,475	1,449	7,831,765
Loans to customers	-	-	-	-	-	336,211,511	336,211,511
Investments available-for-sale	-	-	-	-	-	42,586	42,586

	31 December 2007 as restated						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Due from banks	-	7,064,855	-	-	5,447,783	420,633	12,933,271
Loans to customers	-	-	-	-	-	153,391,038	153,391,038
Factoring	-	-	-	-	-	3,360,340	3,360,340
Investments available-for-sale	-	-	-	-	-	42,851	42,851
Investments in associates	-	-	-	-	5,100,000	-	5,100,000

	31 December 2007 as previously reported						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Due from banks	-	7,064,855	-	-	5,447,783	420,303	12,932,941
Loans to customers	-	-	-	-	-	153,391,038	153,391,038
Factoring	-	-	-	-	-	3,360,340	3,360,340
Investments available-for-sale	-	-	-	-	-	1,633,115	1,633,115
Investments in associates	-	-	-	-	5,100,000	-	5,100,000

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.

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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 balance sheet. 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 2008	
	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	7,831,765	-	-	-	-	-	7,831,765
Loans to customers	17,922,725	-	-	-	-	318,288,786	336,211,511
Investments available-for-sale	42,586	-	-	-	-	-	42,586

	Financial assets past due but not impaired					31 December 2007 as restated	
	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	12,933,271	-	-	-	-	-	12,933,271
Loans to customers	10,779,202	-	-	-	-	142,611,836	153,391,038
Factoring	-	-	-	-	-	3,360,340	3,360,340
Investments available-for-sale	42,851	-	-	-	-	-	42,851
Investments in associates	5,100,000	-	-	-	-	-	5,100,000

	Financial assets past due but not impaired					31 December 2007 as previously reported	
	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	12,932,941	-	-	-	-	-	12,932,941
Loans to customers	10,779,202	-	-	-	-	142,611,836	153,391,038
Factoring	-	-	-	-	-	3,360,340	3,360,340
Investments available-for-sale	1,633,115	-	-	-	-	-	1,633,115
Investments in associates	5,100,000	-	-	-	-	-	5,100,000

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 2008 Total
ASSETS				
Cash and cash equivalents	24,419,977	-	-	24,419,977
Gold	1,382,282	-	-	1,382,282
Due from banks	3,090,009	179,915	4,561,841	7,831,765
Loans to customers	336,211,511	-	-	336,211,511
Investments available-for-sale	40,000	-	2,586	42,586
Property and equipment	6,320,414	-	-	6,320,414
Investment property	6,038,186	-	-	6,038,186
Intangible assets	343,725	-	-	343,725
Deferred income tax asset	52,843	-	-	52,843
Other assets	<u>878,870</u>	<u>16,048</u>	<u>-</u>	<u>894,918</u>
TOTAL ASSETS	<u>378,777,817</u>	<u>195,963</u>	<u>4,564,427</u>	<u>383,538,207</u>
LIABILITIES				
Due to banks and government agencies	6,697,049	-	1,611	6,698,660
Customer accounts	317,084,329	-	-	317,084,329
Provision for impairment losses on other operations	137,424	-	-	137,424
Current income tax liability	41,201	-	-	41,201
Other liabilities	<u>1,143,887</u>	<u>5,333</u>	<u>51,966</u>	<u>1,201,186</u>
TOTAL LIABILITIES	<u>325,103,890</u>	<u>5,333</u>	<u>53,577</u>	<u>325,162,800</u>
NET POSITION	<u>53,673,927</u>	<u>190,630</u>	<u>4,510,850</u>	

	The Republic of Azerbaijan	CIS countries	OECD countries	Total 31 December 2007 as restated
ASSETS				
Cash and cash equivalents	22,001,735	-	-	22,001,735
Due from banks	5,808,652	59,764	7,064,855	12,933,271
Loans to customers	153,391,038	-	-	153,391,038
Factoring	3,360,340	-	-	3,360,340
Investments available-for-sale	40,000	-	2,851	42,851
Investments in associates	5,100,000	-	-	5,100,000
Property and equipment	5,497,923	-	-	5,497,923
Investment property	5,313,604	-	-	5,313,604
Intangible assets	330,083	-	-	330,083
Deferred income tax asset	35,793	-	-	35,793
Other assets	<u>999,570</u>	<u>15,378</u>	<u>2,277</u>	<u>1,017,225</u>
TOTAL ASSETS	<u>201,878,738</u>	<u>75,142</u>	<u>7,069,983</u>	<u>209,023,863</u>
LIABILITIES				
Due to banks and government agencies	11,522,433	-	4,145	11,526,578
Customer accounts	137,779,099	-	-	137,779,099
Provision for impairment losses on other operations	231,954	-	-	231,954
Current income tax liability	230,102	-	-	230,102
Other liabilities	<u>1,005,993</u>	<u>269</u>	<u>158,824</u>	<u>1,165,086</u>
TOTAL LIABILITIES	<u>150,769,581</u>	<u>269</u>	<u>162,969</u>	<u>150,932,819</u>
NET POSITION	<u>51,109,157</u>	<u>74,873</u>	<u>6,907,014</u>	

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	The Republic of Azerbaijan	CIS countries	OECD countries	Total 31 December 2007 as previously reported
ASSETS				
Cash and cash equivalents	22,095,998	-	-	22,095,998
Due from banks	5,808,322	59,764	7,064,855	12,932,941
Loans to customers	153,391,038	-	-	153,391,038
Factoring	3,360,340	-	-	3,360,340
Investments available-for-sale	1,630,264	-	2,851	1,633,115
Investments in associates	5,100,000	-	-	5,100,000
Property and equipment	5,497,923	-	-	5,497,923
Intangible assets	330,083	-	-	330,083
Deferred income tax asset	35,793	-	-	35,793
Other assets	<u>1,018,235</u>	<u>15,378</u>	<u>2,277</u>	<u>1,035,890</u>
TOTAL ASSETS	198,267,996	75,142	7,069,983	205,413,121
LIABILITIES				
Due to banks and government agencies	11,522,433	-	4,145	11,526,578
Customer accounts	137,874,415	-	-	137,874,415
Provision for impairment losses on other operations	231,954	-	-	231,954
Current income tax liability	208,849	-	-	208,849
Other liabilities	<u>692,289</u>	<u>269</u>	<u>158,824</u>	<u>851,382</u>
TOTAL LIABILITIES	150,529,940	269	162,969	150,693,178
NET POSITION	47,738,056	74,873	6,907,014	

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.

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	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total 31 December 2008
ASSETS								
Due from banks	7.5%	760,950	-	3,620,115	-	-	-	4,381,065
Loans to customers	11.58%	4,604,048	15,334,252	120,713,647	190,227,241	3,885,435	1,446,888	336,211,511
Total interest bearing assets at fixed rates		5,364,998	15,334,252	124,333,762	190,227,241	3,885,435	1,446,888	340,592,576
Total interest bearing assets		5,364,998	15,334,252	124,333,762	190,227,241	3,885,435	1,446,888	340,592,576
Cash and cash equivalents		9,286,091	-	-	-	-	15,133,886	24,419,977
Gold		1,382,282	-	-	-	-	-	1,382,282
Due from banks		3,413,854	36,846	-	-	-	-	3,450,700
Investments available for sale		-	-	-	-	-	42,586	42,586
Other assets		10,338	191,255	693,325	-	-	-	894,918
		19,457,563	15,562,353	125,027,087	190,227,241	3,885,435	16,623,360	370,783,039
LIABILITIES								
Due to banks and government agencies	5.11%	16,894	2,977,701	-	-	3,697,750	-	6,692,345
Customer accounts	8.02%	10,135,161	12,198,992	21,078,000	183,902,155	-	-	227,314,308
Total interest bearing liabilities at fixed rates		10,152,055	15,176,693	21,078,000	183,902,155	3,697,750	-	234,006,653
Total interest bearing liabilities		10,152,055	15,176,693	21,078,000	183,902,155	3,697,750	-	234,006,653
Due to banks and government agencies		6,315	-	-	-	-	-	6,315
Customer accounts		89,770,021	-	-	-	-	-	89,770,021
Current income tax liabilities		-	41,201	-	-	-	-	41,201
Other liabilities		801,246	42,387	46,020	-	-	311,533	1,201,186
Guarantees issued and similar commitments		-	639,500	6,264,920	-	-	-	6,904,420
Letters of credit and other transaction related contingent obligations		-	-	5,187,612	7,240,228	-	-	12,427,840
Commitments on credits and unused credit lines		-	-	-	9,621,090	-	-	9,621,090
		100,729,637	15,899,781	32,576,552	200,763,473	3,697,750	311,533	353,978,726
Liquidity gap		(81,272,074)	(337,428)	92,450,535	(10,536,232)	187,685		
Interest sensitivity gap for fixed rate instruments		(4,787,057)	157,559	103,255,762	6,325,086	187,685		
Interest sensitivity gap		(4,787,057)	157,559	103,255,762	6,325,086	187,685		
Cumulative interest sensitivity gap		(4,787,057)	(4,629,498)	98,626,264	104,951,350	105,139,035		

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	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total 31 December 2008
ASSETS								
Due from banks	12,00%	6,069,562	2,958,164	2,808,087	-	-	-	11,835,813
Loans to customers	18,76%	38,285,300	33,976,876	53,139,624	45,952,876	5,940,272	(6,620,382)	170,674,566
Factoring	5,73%	1,262,155	2,193,258	-	-	-	(64,571)	3,390,842
Total interest bearing assets at fixed rates		45,617,017	39,128,298	55,947,711	45,952,876	5,940,272	(6,684,953)	185,901,221
Total interest bearing assets		45,617,017	39,128,298	55,947,711	45,952,876	5,940,272	(6,684,953)	185,901,221
Cash and cash equivalents		8,563,944	-	-	-	-	13,532,054	22,095,998
Due from banks		-	1,439,913	-	-	-	35,503	1,475,416
Loans to customers		1,280,859	-	-	-	-	(320,215)	960,644
Investments available-for-sale		-	-	-	-	-	1,633,115	1,633,115
Investments in associates		-	-	-	-	-	5,100,000	5,100,000
Other assets		9,467	55,313	-	-	-	-	64,780
		55,471,287	40,623,524	55,947,711	45,952,876	5,940,272	13,295,504	217,231,174
LIABILITIES								
Due to banks and government agencies	2-5%	1,799,270	29,580	133,110	709,920	2,767,663	-	5,439,543
Customer accounts	11,38%	1,603,494	27,962,002	30,650,995	35,879,011	-	-	96,095,502
Total interest bearing liabilities at fixed rates		3,402,764	27,991,582	30,784,105	36,588,931	2,767,663	-	101,535,045
Total interest bearing liabilities		3,402,764	27,991,582	30,784,105	36,588,931	2,767,663	-	101,535,045
Due to banks and government agencies		6,773,447	-	-	-	-	-	6,773,447
Customer accounts		51,197,050	-	-	-	-	-	51,197,050
Current income tax liabilities		-	208,849	-	-	-	-	208,849
Other liabilities		518,071	75,152	121,965	-	-	-	715,188
Guarantees issued and similar commitments		15,224	7,933,692	2,681,231	3,135,900	-	-	13,766,047
Letters of credit and other transaction related contingent obligations		103,086	-	7,109,459	4,488,225	-	-	11,700,770
Commitments on credits and unused credit lines		554,607	-	-	5,546,782	-	-	6,101,389
		62,564,249	36,209,275	40,696,760	49,759,838	2,767,663	-	191,997,785
Liquidity gap		(7,092,962)	4,414,249	15,250,951	(3,806,962)	3,172,609		
Interest sensitivity gap for fixed rate instruments		42,214,253	11,136,716	25,163,606	9,363,945	3,172,609		
Interest sensitivity gap		42,214,253	11,136,716	25,163,606	9,363,945	3,172,609		
Cumulative interest sensitivity gap		42,214,253	53,350,969	78,514,575	87,878,520	91,051,129		

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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 2008.

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 2008		As at 31 December 2007	
	Interest rate	Interest rate	Interest rate	Interest rate
	+1%	-1%	+1%	-1%
Assets:				
Due from banks	43,811	(43,811)	56,409	(56,409)
Loans to customers	3,362,115	(3,362,115)	1,561,079	(1,561,079)
Factoring	-	-	32,286	(32,286)
Liabilities:				
Due to banks and government agencies	(66,923)	66,923	(46,420)	46,420
Customer accounts	(2,273,143)	2,273,143	(859,633)	859,633
Net impact on profit before tax	1,065,860	(1,065,860)	743,721	(743,721)

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Impact on shareholders equity:

	As at 31 December 2008		As at 31 December 2007	
	Interest rate	Interest rate	Interest rate	Interest rate
	+1%	-1%	+1%	-1%
Assets:				
Due from banks	43,811	(43,811)	56,409	(56,409)
Loans to customers	3,362,115	(3,362,115)	1,561,079	(1,561,079)
Factoring	-	-	32,286	(32,286)
Liabilities:				
Due to banks and government agencies	(66,923)	66,923	(46,420)	46,420
Customer accounts	(2,273,143)	2,273,143	(859,633)	859,633
Net impact on profit before tax	1,065,860	(1,065,860)	743,721	(743,721)

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 NBA. The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	AZN	USD	EUR	Other currency	Total 31 December 2008
ASSETS					
Cash and cash equivalents	22,826,295	883,165	710,517	-	24,419,977
Gold	1,382,282	-	-	-	1,382,282
Due from banks	-	4,817,194	47,538	2,967,033	7,831,765
Loans to customers	297,911,040	36,521,008	-	1,779,463	336,211,511
Investments available for sale	40,000	-	2,586	-	42,586
Property and equipment	6,320,414	-	-	-	6,320,414
Investment property	6,038,186	-	-	-	6,038,186
Intangible assets	343,725	-	-	-	343,725
Deferred income tax asset	52,843	-	-	-	52,843
Other assets	874,566	20,352	-	-	894,918
TOTAL ASSETS	335,789,351	42,241,719	760,641	4,746,496	383,538,207
LIABILITIES					
Due to banks and government agencies	4,703,883	14,888	2,188	1,977,701	6,698,660
Customer accounts	289,243,926	20,652,862	4,224,096	2,963,445	317,084,329
Provision for impairment losses on other operations	-	137,424	-	-	137,424
Current income tax liability	41,201	-	-	-	41,201
Other liabilities	1,029,956	112,642	58,588	=	1,201,186
TOTAL LIABILITIES	295,018,966	20,917,816	4,284,872	4,941,146	325,162,800
OPEN BALANCE SHEET POSITION	40,770,385	21,323,903	(3,524,231)	(194,650)	

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	AZN	USD	EUR	Other currency	Total 31 December 2007 as restated
ASSETS					
Cash and cash equivalents	19,179,567	1,690,079	1,132,089	-	22,001,735
Due from banks	400,485	11,356,283	1,092,195	84,308	12,933,271
Loans to customers	149,844,918	1,912,835	32,606	1,600,679	153,391,038
Factoring	2,136,813	1,223,527	-	-	3,360,340
Investments available for sale	40,000	-	2,851	-	42,851
Investments in associates	5,100,000	-	-	-	5,100,000
Property and equipment	5,497,923	-	-	-	5,497,923
Investment property	5,313,604	-	-	-	5,313,604
Intangible assets	330,083	-	-	-	330,083
Deferred income tax asset	35,793	-	-	-	35,793
Other assets	999,593	17,632	=	=	1,017,225
TOTAL ASSETS	188,878,779	16,200,356	2,259,741	1,684,987	209,023,863
LIABILITIES					
Due to banks and government agencies	2,968,652	6,081,296	750,635	1,725,995	11,526,578
Customer accounts	120,196,074	14,340,863	3,242,118	44	137,779,099
Provision for impairment losses on other operations	-	142,189	89,765	-	231,954
Current income tax liability	230,102	-	-	-	230,102
Other liabilities	973,628	167,735	23,723	=	1,165,086
TOTAL LIABILITIES	124,368,456	20,732,083	4,106,241	1,726,039	150,932,819
OPEN BALANCE SHEET POSITION	64,510,323	(4,531,727)	(1,846,500)	(41,052)	

	AZN	USD	EUR	Other currency	Total 31 December 2007 as previously reported
ASSETS					
Cash and cash equivalents	19,273,830	1,690,079	1,132,089	-	22,095,998
Due from banks	400,155	11,356,283	1,092,195	84,308	12,932,941
Loans to customers	149,844,918	1,912,835	32,606	1,600,679	153,391,038
Factoring	2,136,813	1,223,527	-	-	3,360,340
Investments available for sale	1,630,264	-	2,851	-	1,633,115
Investments in associates	5,100,000	-	-	-	5,100,000
Property and equipment	5,497,923	-	-	-	5,497,923
Intangible assets	330,083	-	-	-	330,083
Deferred income tax asset	35,793	-	-	-	35,793
Other assets	1,018,258	17,632	-	-	1,035,890
TOTAL ASSETS	185,268,037	16,200,356	2,259,741	1,684,987	205,413,121
LIABILITIES					
Due to banks and government agencies	2,968,652	6,081,296	750,635	1,725,995	11,526,578
Customer accounts	120,291,390	14,340,863	3,242,118	44	137,874,415
Provision for impairment losses on other operations	231,954	-	-	-	231,954
Current income tax liability	208,849	-	-	-	208,849
Other liabilities	659,924	167,735	23,723	-	851,382
TOTAL LIABILITIES	124,360,769	20,589,894	4,016,476	1,726,039	150,693,178
OPEN BALANCE SHEET POSITION	60,907,268	(4,389,538)	(1,756,735)	(41,052)	

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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 2008		As at 31 December 2007 as restated		As at 31 December 2007 as previously reported	
	AZN/USD +10%	AZN/USD -10%	AZN/USD +10%	AZN/USD -10%	AZN/USD +10%	AZN/USD -10%
Impact on profit or loss	(2,132,390)	2,132,390	453,173	(453,173)	438,954	(438,954)

	As at 31 December 2008		As at 31 December 2007 as restated		As at 31 December 2007 as previously reported	
	AZN/EURO +10%	AZN/EURO -10%	AZN/EURO +10%	AZN/EURO -10%	AZN/EURO +10%	AZN/EURO -10%
Impact on profit or loss	352,423	(352,423)	184,650	(184,650)	175,674	(175,674)

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 balance sheet. 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.