

 Xalq Bank
Uğurla birlikdəyik!

İ l l i k H e s a b a t

2009

A n n u a l R e p o r t

MÜNDƏRİCAT

İdarə Heyəti Sədrinin müraciəti
2009-cu ildə Azərbaycanın iqtisadiyyatı və bankların rolu
2009-cu ilin əsas hadisələri
Pərakəndə xidmətlər
Korporativ xidmətlər
Kredit siyasəti
Marketinq fəaliyyəti
Filial şəbəkəsi
İnsan resurslarının idarə edilməsi
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Asim Məmmədli
İdarə Heyətinin Sədri

Asim Mammadli
Chairman of the Executive Board



Hörmətli xanımlar və cənablar!

2009-cu il Xalq Bank üçün çox vacib il olaraq tarixə qovuşdu. Hesabata keçməzdən əvvəl istərdim ötən 2009-cu ilə bir daha nəzər salmaq və birgə fəaliyyətimizi dəyərləndirək. Ölkəmizin bank bazarında beşillik fəaliyyətinə diqqət yetirərsək, tam cəsarətlə söyləyə bilərik ki, Xalq Bank Azərbaycanın ən dinamik inkişaf edən bankıdır.

Ölkəmizin bank sektorunun tam formalaşdığı zaman ilk addımlarını atan Bankımız bu gün səhmdarlarımız, tərəfdaşlarımız, müştərilərimizin dərin inam və etimadı, eləcə də böyük Xalq Bank ailəsinin üzvlərinin gərgin əməyi və peşəkərliliyi sayəsində Azərbaycanın ən qabaqcıl bankları sırasındadır. Biz ilk gündən qarşımızda duran vəzifələrin miqyasını və çətinliyini dərk edirdik. Dəyişikliklərə hazır olmağımız, strategiyamızı cari şəraitə uyğunlaşdırmaq bacardığımız, fəaliyyətimizi daim təkmilləşdirmək istəyimiz bizi stabil inkişaf tempolarını qorumağa imkan vermişdir. Bu işlərin yekununda əsas həcmi göstəricilərimiz dəfələrlə artmış, böhran zamanı ayanı surətdə nümayiş etdirdiyimiz yüksək səviyyəli maliyyə dayanıqlığımız isə nəticədə bank xidmətləri bazarında mövqələrimizin daha da möhkəmlənməsinə yol açmışdır. Bu gün Bankımız həm ölkədə, həm də xaricdə etibarlı tərəfdaş və sabit maliyyə institutu kimi tanınır və əlaqələrini gündən günə genişləndirir.

Bizim uğurlar ölkəmizin bütün sahələrdə əldə etdiyi tərəqqi və inkişafın bariz göstəricisi, məntiqli nəticəsidir.

2009-cu il dövlətimizin iqtisadi qüdrətinin, idarəetmə qabiliyyətinin səviyyəsinin qiymətləndirilməsi baxımından əlamətdar bir il kimi tariximizə daxil olmuşdur. Əlverişsiz xarici mühit faktorlarına baxmayaraq ölkə yüksək iqtisadi artım nümayiş etdirdi. Ölkə Prezidenti

Ölkəmizin bank bazarında beşillik fəaliyyətinə diqqət yetirərsək, tam cəsarətlə söyləyə bilərik ki, Xalq Bank Azərbaycanın ən dinamik inkişaf edən bankıdır.

Ladies and gentlemen,

2009 was a very important historic year for Xalq Bank. Before moving on to the report, I would like to briefly focus on the past 2009 and assess our joint performance. If we take a look at the performance of the banking sector in Azerbaijan during the past five years, we can confidently state that Xalq Bank is the most dynamically growing bank in the country.

Our Bank took its first steps when the banking business was completely formed in the country. Thanks to the strong faith and confidence demonstrated by our shareholders, partners and customers, as well as due to the intensive labour contribution and professionalism of the large Xalq Bank family, today our Bank is among the most progressive banks in Azerbaijan. We grasped the scale and complexity of our tasks as of the first day we started. Our preparedness for changes, ability to adjust our strategy to current conditions, and the willingness to constantly improve our performance enabled us to maintain the stable and sustainable development pace. Owing to these qualities, our main performance indicators increased by many times. High level financial resilience that we practically demonstrated during the crisis period paved the way for furthering of our positions in the banking services market. Presently, our Bank is expanding its cooperation on a daily basis and it is known as a reliable partner and a stable financial institution both in the country and abroad.

Our successes are vivid representations and logical conclusion of the progress and prosperity that our country achieved in all spheres.

cənab İlham Əliyevin göstərişləri əsasında həyata keçirilən düşünülmüş, qətiyyətli və çəvik iqtisadi siyasət hesabına ölkəmiz böhranın mənfəət təsirlərini uğurla dəf etməyə nail oldu. Bütün sosial proqramlar və tədbirlər fasiləsiz icra olunmuş, qarşıya qoyulmuş vəzifələr öz həllini tapmış və global böhran ilə baxmayaraq yüksək iqtisadi artım nail olmuşdur.

Xalq Bank olaraq, biz də 2009-cu ildə bir çox uğurlara imza atdıq. Uzunmüddətli perspektivdə ölkənin beş apancı bankı sırasına daxil olmağı qarşımıza məqsəd qoymağımıza baxmayaraq, ötən bir il ərzində nəinki bu beşilliyə daxil olduq, mövqələrimizi möhkəmləndirərək bir sıra göstəricilərə görə daha yüksək pillələrdə qərarlaşdıq. Aktivlərin həcminə görə Bankımız lider beşlikdə, dördüncü, depozit və kredit portfellərinin həcminə görə ikinci, məcmu kapitalın həcminə görə üçüncü mövqedə qərarlaşıb. Bank 2009-cu ili beşillik fəaliyyəti ərzində rekord həcmdə mənfəətlə başa vuraraq bank sektorunun liderləri arasında üçüncü yərə sahib oldu.

Hesabat ili ərzində Biz həm korporativ, həm də fiziki şəxslərin hesabına müştəri bazasını əhəmiyyətli dərəcədə genişləndirməyə müvəffəq olmuşuq. Bankımızın korporativ müştəriləri arasında böyük neft, tikinti şirkətləri, sənaye və dövlət müəssisələri, ticarət və nəqliyyat strukturları, mobil operatorlar və kiçik biznes subyektləri yer almışdır.

Təqdim edilən xidmətlərin keyfiyyətinin daim artırılması, yeni məhsulların tətbiqi və müştəri xidmətinin səviyyəsinin yüksəldilməsi fəaliyyətimizin əsas istiqamətlərindən biridir. Biz 2009-cu ildə məhsul çeşidini genişləndirdik, mövcud prosedurların təkmilləşdirilməsi sahəsində intensiv iş apardıq, eləcə də müştəri xidmətinin optimallaşdırılması, riskləri daha yaxşı idarə edilməsi sahəsində yeni texnologiyaların tətbiqini artırdıq.

The year 2009 was a significant period for our country's history, during which our state expanded its economic power and the quality of governance. Despite the disadvantageous foreign environment factors, the country achieved a rapid-paced economic growth. Thanks to the well-thought, firm and prompt economic policies led by the President of the country, Mr. İlham Aliyev, our country was able to repel the negative affects of the crisis. All social programs and activities were incessantly implemented, identified responsibilities were carried out and despite the global economic crisis high level economic growth was achieved.

As Xalq Bank we achieved a number of successes during 2009. We not only achieved becoming one of Top-5 banks in the country during the past year, which we identified as our long term goal, we further strengthened our positions and attained higher qualities on a number of indicators among these banks. In terms of the volume of our active assets, our Bank ranks the fourth among the five leading banks. In addition, Xalq Bank ranks the second for the volume of deposit and loan portfolio and the third for the amount of sum capital. During 2009 Xalq Bank attained the record high amount of profit during the five years of its performance and attained the third place among the leaders of the banking sector.

During the reporting year, we also achieved significant expansion of our customer base among both corporate customers and individuals. Our corporate customers include large oil and construction companies, industrial and state enterprises, trade and transportation entities, mobile operators and small enterprises. Our main priority is to constantly increase the quality of our services, application of new products and the level of customer services. During 2009 we increased the variety of our products, intensively worked on improvement of existing procedures and augmented application of new technologies in the area of optimizing customer services and better risk management.

If we take a look at the performance of the banking sector in Azerbaijan during the past five years, we can confidently state that Xalq Bank is the most dynamically growing Bank in the country.

2009-cu ildə Bankımız ən vacib və böyük layihələrindən birini gerçəkləşdirdi - müasir halleri özündə birləşdirən, Bankın fəaliyyətinin tam avtomatlaşdırılmasını təmin edən, texniki təchizatı və xidmət zonasına görə Baş ofisini istifadəyə verdi. Hayata keçirilən bu layihə iş prosesində vaxt itkisinin azalması və xidmət səviyyəsinin artmasına şərait yaratdı. Xidmət sahələrinin genişləndirilməsi müştəri zonasının əhəmiyyətli dərəcədə böyüməsinə, təqdim edilən xidmətlərin, eləcə də kadrların sayının artmasına təkan verdi.

Bakı şəhərində "Neftçilər" və "Baş" filiallarını istifadəyə verməklə biz müştərilərimizə daha da yaxın olduq və xidmətlərimizlə onların məmnunluğunu qazanmağa çalışdıq. Ölkə ərazisində filial şəbəkəsinin və iştrak ərazilərinin genişləndirilməsini davam etdirmək niyyətindəyik. Hazırda müştərilərimiz ölkənin bütün böyük şəhərində Xalq Bankın müvafiq struktur bölmələrinin xidmətlərindən istifadə edirlər. Xalq Bank bu gün kadrların peşəkərliliyi, xidmət standartları, güvənlik səviyyəsi, imkan genişliyi, filial və nümayəndəlik əraziləri və təqdim etdiyi bank məhsullarının çeşidi baxımından dayanıqlı, etibarlı və müştərəqqi bankdır.

Uğur qazanıb bank sektorunun liderlərdən biri olmaq - işin yansıdır. Bizim üçün ən başlıca məqsəd - nailiyyətlərimizlə kifayətlənməkdir. Biznesdə müsbət reputasiyanın və müştərilərin etibarının qazanılması uzunmüddətli bir prosesdir və uğurlu inkişafın təminatı olan bu amillər bizim üçün ən vacib aktivdir. Qarşıda bizi mövqələrimizin möhkəmləndirilməsi, tərəfdaş və müştərilərimizin etibarının doğrulması istiqamətində uğurla həyata keçməsi böyük səy və əzmkarlıq tələb edən irimiqyaslı işlər gözləyir.

Fürsətdən istifadə edib Bankın İdarə Heyəti adından bütün səhmdarlarımıza, tərəfdaş və müştərilərimizə inam və dəstəyə görə dərin minnətdarlığımı bildirirəm, bizi birləşdirən Xalq Bankın 5 illik yubileyi münasibəti ilə təbrik edirəm və uğurlarımızın davamlı olmasını arzulayıram! Bankımızın yaranması və inkişafı yolunda bilik, bacarıq, istedad və gücünü əsirgəməyən əməkdaşlarımıza təşəkkür edirəm.

Hörmətlə,
Asim Məmmədli

Biznesdə müsbət
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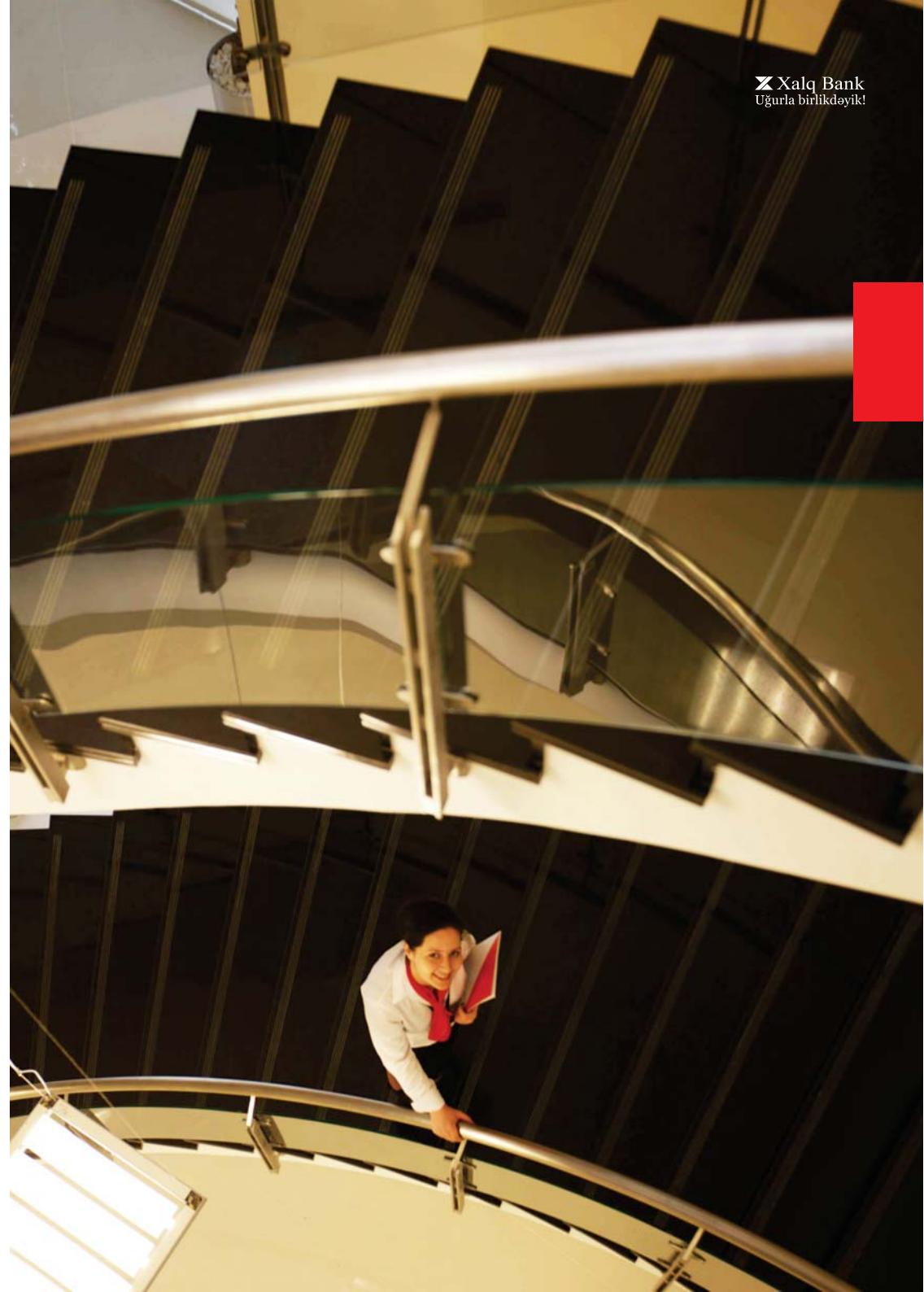
In 2009 Xalq Bank realized one of its most important and large projects – we moved to the new Head office premises in Baku. This office is equipped with the modern solutions and ensures full automation of the Bank's operations. Completion of this project allowed for mitigating the time loss and improving the quality of services delivered. Consequently, broadening of service areas facilitated significant expansion of the customer zone, as well as the increasing of offered services and the number of staff.

By opening "Neftçilər" and "Bash" branch offices in Baku, we became closer to our customers and tried to gain their satisfaction with our services. We intend to expand our branch network within the country. Currently, our customers benefit from the services provided by our regional branches in all major cities of the country. Xalq Bank has proved to be a reliable, trustworthy, and a progressive bank in terms of the professionalism of its staff, service standards, and level of reliability, range of opportunities, coverage of affiliates, and the variety of bank services it offers.

It is half of the work to become one of the leaders of the banking sector through achievements. The main objective for us is not to be self-content with our achievements. It takes a long time to gain a positive reputation in business and to earn customer trust. These factors constitute the most important values for us for achieving successes. We are expecting large-scale projects coupled with momentous initiatives and persistence for strengthening of our positions and realizing the confidence of our partners and customers.

Using this opportunity, I would like to express our deepest gratitude for our shareholders, partners and customers for their confidence and support on behalf of the Executive Board of our Bank. I would like to congratulate all on the fifth anniversary of Xalq Bank, which unites all of us together and wish for the continuation of our successes. I thank our colleagues who have shared their knowledge, talents, and strength for the establishment and development of the Bank.

Sincerely,
Asim Mammadli



İDARƏ HEYƏTİ
EXECUTIVE BOARD



Xəzər Bağırılı
İdarə Heyəti Sədri



Elxan Ağayev
İdarə Heyəti Sədri



Nigar Biləndərli
İdarə Heyəti üzvü,
Biznesin İnkişafı və
Filiillərlə İş İdarəsinin rəisi



Yaşar Nağıyev
İdarə Heyəti Sədri



Kamal Tahirli
İdarə Heyəti Sədri

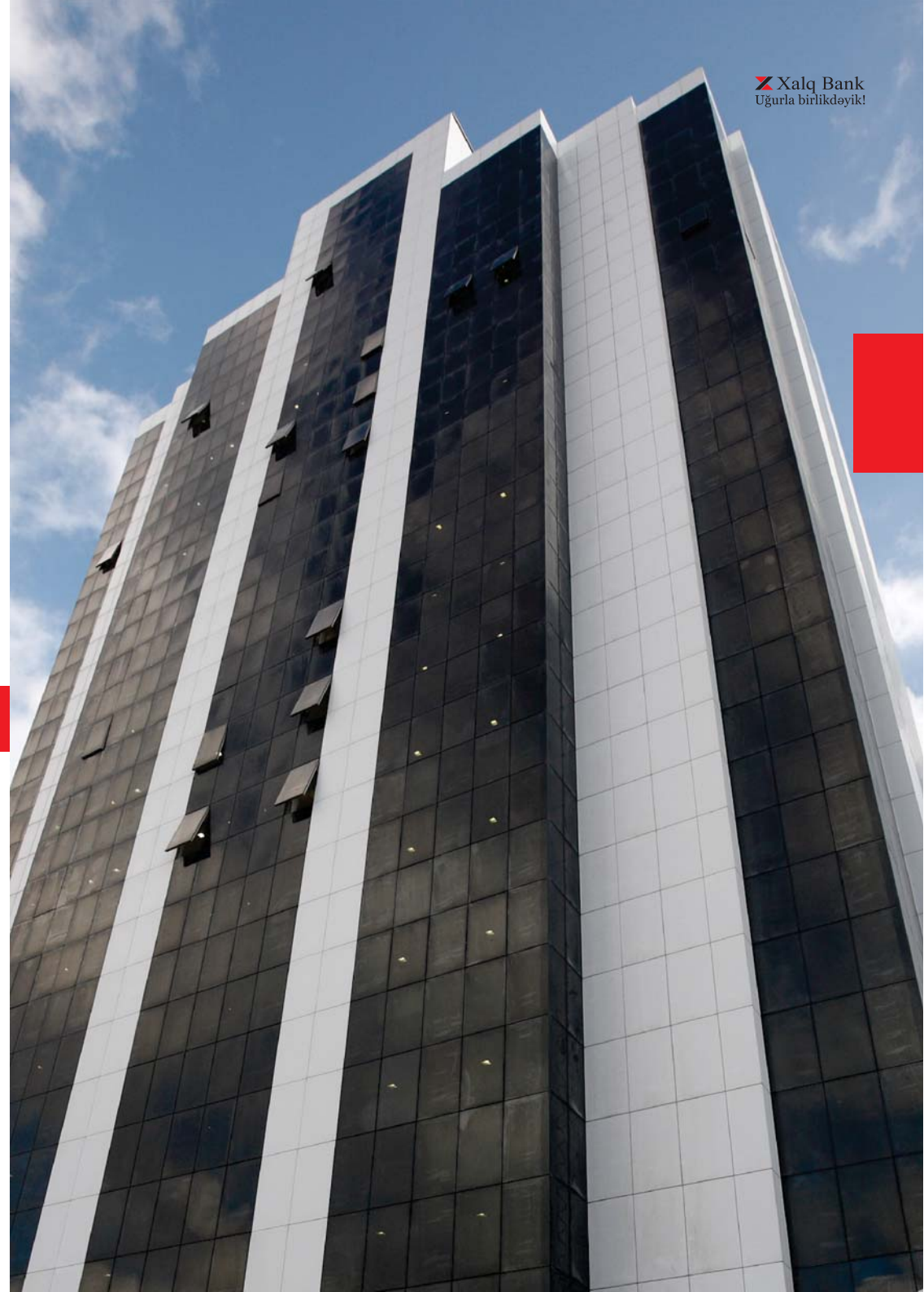
Khazar Baghirli
Deputy Chairman of the
Executive Board

Elkhan Aghayev
Deputy Chairman of the
Executive Board

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

Yashar Naghiyev
Deputy Chairman of the
Executive Board

Kamal Tahirli
Deputy Chairman of the
Executive Board



RƏHBƏRLİK

MANAGEMENT

Kamran Sərdarov
Kredit idarəsinin rəisi



Kamran Sardarov
Head of Loans department

Natella Şahverdiyeva
Xəzinədarlıq idarəsinin rəisi



Natella Shakhverdiyeva
Head of Treasury department

İlqar Mazanov
Təhlükəsizlik idarəsinin rəisi



İlqar Mazanov
Head of Security department

Tamilla Əsədova
Maliyyə idarəsinin Rəisi - baş mühasib



Tamilla Asadova
Head of Financial department - chief accountant

İlqar Mənsimov
İnformasiya Texnologiyalar idarəsinin rəisi



İlqar Mansimov
Head of IT department

Elvira Əliyeva
İcra Aparatının direktoru



Elvira Aliyeva
Head of Executive office

Mərfət Məmmədov
Təsərrüfat idarəsinin rəisi



Mərfət Məmmədov
Head of Procurement department

Kəmalə Axundova
Risklərin İdarə Edilməsi idarəsinin rəisi



Kəmalə Axundova
Head of Risk management department

Röyam Hüseynzadə
İnzibati-hüquq idarəsinin rəisi



Röyam Hüseynzadə
Head of administrative - legal department



Nazim İbrahimov
Hesablaşmalar idarəsinin reisi

Nazim İbragimov
Head of Clearing and Settlements department

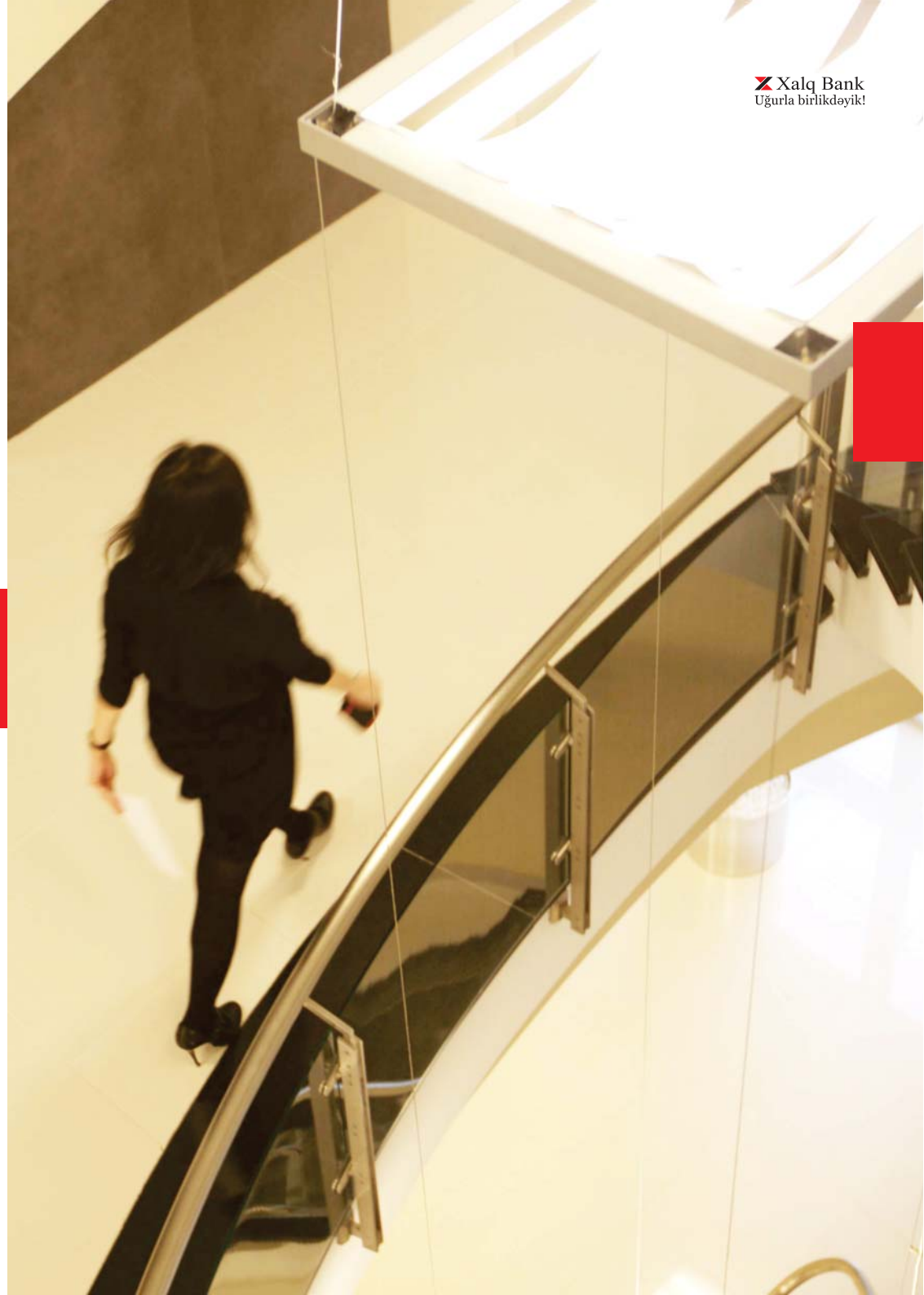
Vasif Bayramov
Problemlı Kredıterle İş idarəsinin reisi

Vasif Bayramov
Head of Non Performing Loans department



Çingiz Məmmədov
Daxili audit idarəsinin reisi

Chingiz Mammadov
Head of Internal Audit department



2009-CU İLDƏ AZƏRBAYCANIN İQTİSADİYYATI VƏ BANKLARIN ROLU

ECONOMY OF AZERBAIJAN IN 2009 AND THE ROLE OF BANKS

2009-cu ildə dərinləşən global böhran şəraitində ölkə nəinki böhranın fəsadlarını dəf etdi, həm də əhəmiyyətli iqtisadi artım nümayiş etdirə bildi.

2009-cu ildə dərinləşən global böhran şəraitində ölkə nəinki böhranın fəsadlarını dəf etdi, həm də əhəmiyyətli iqtisadi artım nümayiş etdirə bildi.

ÜDM-un artımı 9,3%, onun adambaşına düşən göstəricisi isə 7,9% təşkil etməklə 3917 AZN həddinə çatdı. Ölkədə orta əmək haqqı 6,8% artaraq 298 AZN təşkil etdi. Hesabat ili ərzində ölkədə sənaye istehsalı 8,6%, kənd təsərrüfatı istehsalı 3,5% artdı, respublikanın iqtisadiyyatına investisiyanın həcmi isə təxminən 9,2 milyard ABŞ dolları təşkil etdi ki, bunun da 7,3 milyardı daxili investisiyaların payına düşür. Əhəlinin real gəlirləri 6% artdı. Ölkədə inflyasiyanın səviyyəsi 2008-ci ilin 16%-lik göstəricisi ilə müqayisədə cəmi 1,5% təşkil etdi, yoxsulluğun səviyyəsi isə 13,2%-dən 11%-ə endi. 2009-cu ildə təxminən 74 min yeni iş yerləri açıldı. 2009-cu ildə 2008-ci ilə müqayisədə sosial müdafiə və sosial təminatın maliyyələşdirilməsi üzrə xərclər 24,6%, təhsil üzrə 17,2%, səhiyyə üzrə 16,2%, mədəniyyət, incəsənət, informasiya, fiziki tərbiyə üzrə 12,9%, aqrar sahə və ətraf mühitin mühafizəsi üzrə 38,5% artdı.

2009-cu ildə büdcədən dövlət proqramları, layihələr və sosial öhdəliklərin həyata keçirilməsinə 2,903 milyard AZN sərf edildi.

Dövlət Sosial Müdafiə Fondunun gəlirləri 1,6 milyard AZN təşkil etmişdir ki, bu göstərici 2008-ci ilin nəticəsindən 14,7% çoxdur.

Hesabat dövrü ərzində dövlət büdcəsindən Azərbaycan investisiya şirkətinin (AİŞ) kapitallaşdırılmasına daha 70 milyon AZN yönəldildi, 2100 sahibkarlıq subyektinə isə 130 mln. AZN dəyərində güzəştli kreditlər təqdim edildi ki, bu da əvvəlki ilə müqayisədə 1,5 dəfə çoxdur. Güzəştli kreditlər hesabına qeyri-neft sektorunda, əksəriyyəti bölgələrdə olmaqla, 90-dan artıq böyük layihə (o cümlədən, 52 istehsal, emal və infrastruktur), maliyyələşdirildi.

While the world crisis was deepening in 2009, Azerbaijan economy not only avoided recession, but also demonstrated considerably high economic growth.

The GDP made up 9.3% and its per capita index was 7.9%, reaching the level of 3 917 AZN. Average salary income in the country grew by 6.8% reaching 298 AZN. In the report year, industrial production in the country increased by 8.6%, agriculture - 3.5% and the volume of investment to the country economy made up approximately 9.2 bln USD; 7.3 bln USD of these investment was share of domestic investment. Real income of the population increased by 6%. The level of inflation in the country was only 1.5% against 16% in 2008, the level of poverty dropped from 13.2% to 11%. In 2009, around 74 000 new jobs were opened. Compare to 2008 in 2009 expenses on social protection and social security increased by 24.6%, education - 17.2%, healthcare - 16.2%, culture, art, information, physical education - 12.9%, agriculture and environment protection - 38.5%.

2.903 billion AZN was expended from budget in 2009 for implementation of state programs, projects, and social obligations.

Income of the State Social Protection Fund made up 1.6 bln AZN, which is 14.7% more than the same figure in 2008.

In the report period, 70.0 mln AZN was delivered to strengthening capitalization of Azerbaijan Investment Company (AIC) and 130.0 mln AZN of preferential loans were granted to 2100 entrepreneurs, which is 1.5 times greater than in the previous year. Over 90 big projects, (including 52 production, processing, and infrastructure) were financed in non-oil sector at the expense of these loans, major part of which falls to regions.

Azərbaycanın rabitə və informasiya texnologiyaları (RİT) sektorunun gəlir tempi 2009-cu ildə 13,7% təşkil etmişdir. Azərbaycanın RİT sektorunun inkişaf göstəricisi rabitə və informasiya texnologiyaları sənayesinin dünya üzrə artım tempindən 2 dəfə yüksək olmuşdur.

Azərbaycanın uğurları həmçinin beynəlxalq təşkilatların hesabatlarında da öz əksini tapmışdır. "Global rəqabət hesabatında" Azərbaycan 18 pillə irəliləmiş və 133 ölkə arasında 51-ci yeri tutmuşdur. MDB ölkələri arasında isə 1-ci yeri çıxmışdır. Həmçinin Standard&Poors beynəlxalq reyting agentliyi milli iqtisadiyyatın cari vəziyyətini "stabil"-dən "pozitiv"-ə yüksəltməklə qiymətləndirmişdir. Azərbaycan, əksər ölkələrdən fərqli olaraq, öz maliyyə mövqelərinin, bank sisteminin və milli valyuta kursunun stabilliyini qoruyub saxlaya bildi. Böhran şəraitində bəzi inkişaf etmiş dövlətlərin borcları ümumi daxili məhsulun 50-100 faizinə çatmış, milli valyutalar çökmüş, bir çox banklar isə iflasa uğramışlar. Bəzi ölkələr hətta defolt həddinə çatmışdır, məsələn Ermenistanın iqtisadiyyatı 15% tənəzzülə uğramış, milli valyutanın dəyəri isə 20% aşağı düşmüşdür. Latviya və Ukrayna kimi inkişaf etmiş ölkələr də böhranın katastrofik təsirinə məruz qaldılar. Böyük neft, qaz və valyuta ehtiyatlarına malik Rusiya və Qazaxıstan da global böhranın ağır fəsadları ilə üzləşdilər. Bu ölkələrin bank sistemi laxlamış, ehtiyat fonları isə bütünlüklə tükenmişdir.

Global maliyyə böhranının dünya bank sektoruna, eləcə də neft bazasına etdiyi mənfi təsirlər ölkənin makro-iqtisadi sabitliyi və nəticədə milli valyutanın dayanıqlığı üçün müəyyən təhlükələr yaratmış, bank sistemini ciddi risklərə məruz qoymuşdur.

While the world crisis was deepening in 2009, Azerbaijan economy not only avoided recession, but also demonstrated considerably high economic growth.

Income growth rate in communication and information technologies (CIT) sector of Azerbaijan in 2009 made up 13.7%. The index of development of CIT in Azerbaijan exceeded the world growth ICT industry by two times.

Several international organizations mentioned achievements of Azerbaijan in their annual reports. Azerbaijan moved up by 18 points in the "Report on global competition" and held the 51st place among 133 countries, while among the CIS countries it advanced to the 1st place. International rating agency Standard&Poors raised the rating of the modern state of national economy from "stable" to "positive". Unlike many other countries, Azerbaijan was able to maintain stability of its financial positions, banking system and rate of the national currency. Under crisis conditions, debts of some of the developed countries, as well as the countries of the post-soviet area reached 50-100% GDP, their national currencies collapsed and some banks ceased their existence. Some countries such as Armenia even reached the default line where economy fell down by 15% and rate of the national currency fell by 20%. Even well developed countries such as Latvia, Ukraine and etc., were subject to the catastrophic influence of crisis. Strong negative influence was also felt on Russia and Kazakhstan-countries with huge oil, gas, and currency reserves. The banking system of these countries strongly staggered and their reserve funds virtually vanished.

The negative impact of the world financial crisis on banking sector and oil market made serious threats for macro economy stability and national currency strength, the banking system was exposed to serious risks.

Mövcud təhlükələrin qarşısının alınması üçün hökumət bir sıra qabaqlayıcı tədbirlər görmüşdür, ilk növbədə yerli bankların xaricdən maliyyə cəlbəmələrinə Mərkəzi Bank tərəfindən ciddi məhdudiyət qoyuldu. Bunu bir çox ölkələr vaxtında edə bilmədi, nəticədə bu ölkələrin xarici borcları ÜDM-un 50-100 faizindəkə artdı və böhran zamanı borcların qaytarılması kreditör tərəfindən tələb edildi. Azərbaycanda isə bankların xarici borclarının həcmi ÜDM-un 5%-i səviyyəsində dayandırılmışdır. Bu məcburi ehtiyat normalarının tətbiqi sayəsində mümkün oldu.

Bankların depozit portfelinin artmasına bilavasitə təsir edən addım kimi əmanətlərin sığortalanan hissəsinin 5 min AZN-dən 30 min AZN-dək artırılmasını qeyd etmək lazımdır. Bankların kredit siyasətini yumşaltmaq məqsədi ilə Mərkəzi Bank kredit üzrə uçot dərəcəsinə 15%-dən 2%-ə endirdi.

Bütün bu tədbirlər 2009-cu ilin 1-ci rübündə müşahidə olunan gərginliyin aradan qaldırılmasını mümkün etdi.

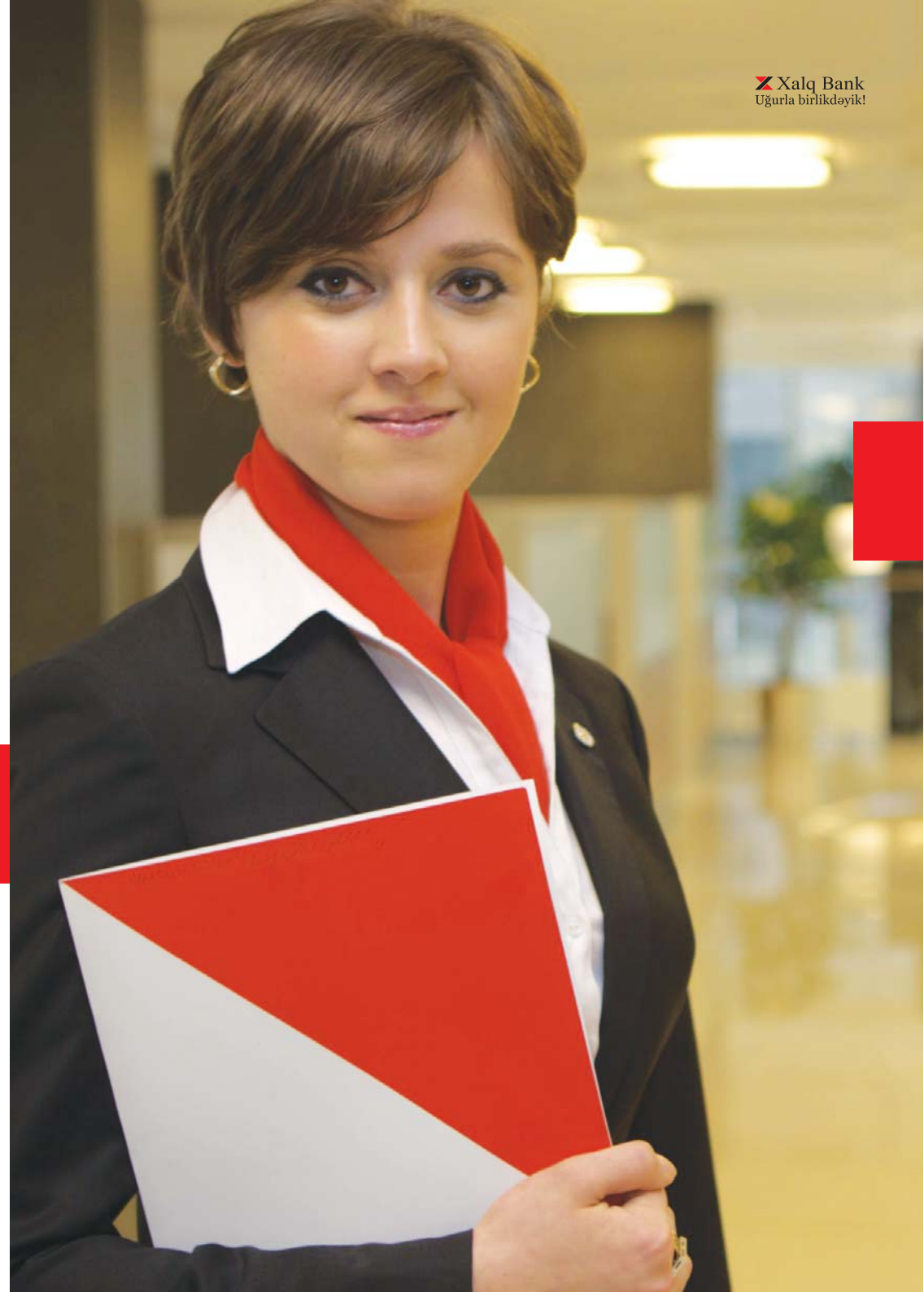
Ümumilikdə 2009-cu il ərzində bank aktivləri 14%, kreditlər 17%, əmanətlər 23%, bankların kapitalı isə 18% artmışdır.

To prevent the existing threats, the government took preventive measures. The first step imposed by the Central Bank was restriction on external borrowings that many countries weren't able to do in time and faced with increase of foreign debts by 50-100% of GDP because of demand these money by debtors. Adoption of compulsory provision allocation implemented by Central Bank halted such borrowings of local banks at the level of 5% of GDP.

Another step enabled to growth of deposit portfolio was increase of insured part of deposit amount from 5 000 to 30 000 AZN, which potentially influencing the growth of deposit portfolio of banks. Reduction of discount rate of the Central Bank on loans from 15% to 2% allowed banks to revise their credit policy and offer more flexible efforts.

All these activities helped to defuse tensions observed in the 1st quarter of 2009. In general, during the year the banking assets increased by 14%, loans - 17%, deposits - by 23%, the capital of banks - by 18%.

Əksər MDB ölkələrindən fərqli olaraq Azərbaycan manatı öz mövqeyini qoruyub saxlamış və aparıcı dünya valyutalarına nisbətdə sabit qala bilmişdir.



2009-CU İLİN ƏSAS HADİSƏLƏRİ

HIGHLIGHTS OF 2009 YEAR

YANVAR

- Bank Migom sürətli pul köçürmələri sistemində qoşuldu

FEVRAL

- Ukraynanın Privatbankında Xalq Bankın müxbir hesabı açıldı

MART

- Xalq Bank Sahibkarlara Kömək Milli Fondunun (SKMF) səlahiyyətli kredit təşkilatı kimi qəbul edildi

MAY

- Bank Contact sürətli pul köçürmələri sistemində qoşuldu

İYUN

- Bank Bakıda daha bir filial - "Neftçilər" filialını açdı
- Bank PrivatMoney sürətli pul köçürmələri sistemində qoşuldu

İYUL

- Müasir bank xidmətlərindən biri olan SMS-məlumatlandırma xidməti tətbiq edildi
- Xalq Bank Visa International beynəlxalq ödəniş sisteminin plastik kartlarının buraxılışına başladı

AVQUST

- Xalq Bank KÖMİS - kommunal xidmətlərin mərkəzləşdirilmiş ödəniş sistemində qoşuldu

JANUARY

- Connecting to MIGOM express money transfer system

FEBRUARY

- Establishing of correspondent relations with Privatbank, Ukraine

MARCH

- Xalq Bank was chosen as an agent of the National Fund of Support to Entrepreneurs

MAY

- The Bank joins to CONTACT express money transfer system

JUNE

- Opening of new branch in Baku - "Neftçilər"
- Connecting to PrivatMoney express money transfer system

JULY

- New service to cardholders - SMS banking - was launched
- Issuing of Visa cards was started

AUGUST

- Joining a centralized system of the Central Bank on utilities payment (KÖMİS)



SENTYABR

- Xalq Bankın yeni korporativ saytı işə başladı

OKTYABR

- Azərbaycan Respublikasının Qiymətli Kağızlar üzrə Dövlət Komitəsi Xalq Bankın 100% törəmə müəssisəsi olan "Xalq Kapital" MMC-yə lisenziya verdi

DEKABR

- Bankın 5 yaşı tamam oldu
- Bankın Baş ofisi yeni müasir binaya köçdü
- Bankın Bakıda yeni "Baş" filialı işə başladı

SEPTEMBER

- New version of corporate web site was launched

OCTOBER

- State Committee of Securities issued a license for Xalq Kapital, which is 100% a subsidiary company of Xalq Bank

DECEMBER

- The Bank celebrated its 5th anniversary
- Head Office of the Bank moved to the new building
- "Baş"branch - new branch in Baku started to serve customers

PƏRAKƏNDƏ XİDMƏTLƏR

RETAIL SERVICES



Pərəkəndə biznesin davamlı inkişafı Bankın 2009-cu il üçün prioritet vəzifələrindən biri olmuşdur. Bank müştəri bazasını genişləndirməkdə davam etdi və 2009-cu ilin sonuna müştərilərin sayı 31.4% artaraq, 13 805 nəfər təşkil etmişdir. Onlardan 73% hesablaşma və depozit məhsullarının istifadəçiləri, 27% i kredit müştəriləri olmuşdur. Bankın 5 illik fəaliyyəti ərzində müştəri bazasının stabil artımı müştərilərə göstərilən xidmətin yüksək keyfiyyəti, rəqabətə davamlı məhsullar xətti və "Xalq Bank" brendinin qazandığı dərin etimadın nəticəsidir.

Further development of the retail business was one of the main issues in 2009. The Bank continued to enhance its client base, which increased by 31.4% and at the end of 2009 made up 13 805 individuals. The main part of these customers - 73% - the clients using settlement and deposit products, while 27% of total - clients using credit products. High-quality service, competitive product line and the level of confidence gained to the Bank brand was resulted by stable growing of customer base during the whole 5 years.

Bank müştərilərin fərdi istək və tələbatlarına uyğun olaraq, müxtəlif növ depozit məhsulları təklif edir. Şərtlərin əlverişli və çevik olması əmanətləri Xalq Bankın müştəriləri üçün sərfəli və cəlbedici edir.

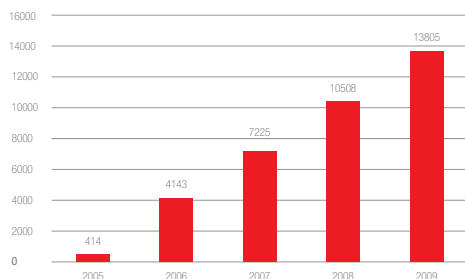
2009-cu ilin yekunlarına əsasən Bank fərdi müştərilərdən cəlb etdiyi vəsaitlərin həcminə görə ölkə bankları arasında 2-ci yeri tutur. 2009-cu ilin sonuna olan məlumata görə ümumi depozit portfelinin həcmi 204,3 mln AZN təşkil etmişdir.

According to the results in 2009, the Bank holds the 2nd place regarding the volume of private clients' deposits. The overall deposit portfolio at the end of 2009 amounted to 204.3 mln AZN.

According to customers needs the Bank developed different types of deposits. Affordable and flexible terms of each of the deposits make them advantageous and beneficial for customers.

PƏRAKƏNDƏ MÜŞTƏRİLƏRİN SAYI

NUMBER OF RETAIL CUSTOMERS



FİZİKİ ŞƏXSLƏRİN ƏMANƏTLƏRİNİN CƏLB EDİLMƏSİ

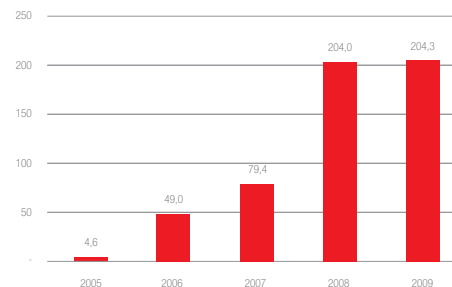
Bank müştərilərin fərdi istək və tələbatlarına uyğun olaraq, müxtəlif növ depozit məhsulları təklif edir. Gəlirlilik və əmanətlərə təqdim olunan əlavə xidmətlərin uzlaşması cəlb olunan vəsaitlərin davamlı artımına şərait yaradır. Şərtlərin əlverişli və çevik olması əmanətləri Xalq Bankın müştəriləri üçün sərfəli və cəlbedici edir.

ATTRACTION OF DEPOSITS

According to customers needs the Bank developed different types of deposits. Combination of profitability of deposits and extra services and advantages included in terms and conditions offered to depositors allow Xalq Bank constantly increase volume of attracted funds. Affordable and flexible terms of each of the deposits make them advantageous and beneficial for customers.

PƏRAKƏNDƏ MÜŞTƏRİLƏRİN ƏMANƏTLƏRİ (MLN AZN)

DEPOSITS OF RETAIL CUSTOMERS (MLN AZN)



PƏRAKƏNDƏ KREDİTLƏŞDİRMƏ

2009-cu ildə fiziki şəxslərin fəal kreditləşdirilməsi işi davam etdirilmişdir. 2009-cu ildə Xalq Bank fərdi müştərilərə 31,5 mln AZN həcmində kreditlər vermişdir ki, bu da 2008-ci ilin analoji göstəricisindən 96.9% çoxdur.

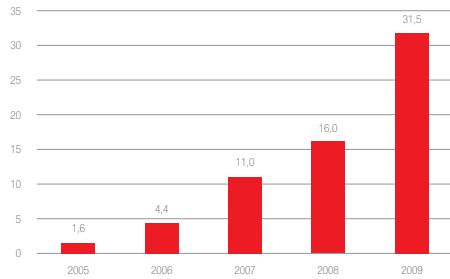
Bunlardan 35% istehlak kreditləri, 33% AİF tərəfindən verilən kreditlər, 20% - ipoteka kreditləri, 4% - avtokreditlər, 1% - kredit kartları, 7% - digər növ kredit məhsulları.

LENDING

This year the Bank continued active participation in lending operations. Thereby, in comparison with 2008 the volume of loans issued to private clients increased by 96.9% and amounted to 31.5 mln AZN.

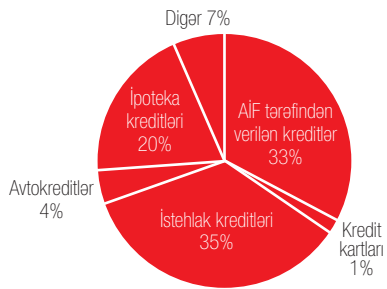
Share of consumer loans made up 35% of total portfolio, while mortgage loans on State Programme - 33%, mortgage loans - 20%, car loans - 4%, credit cards - 1%, other loans - 7%.

PƏRAKƏNDƏ MÜŞTƏRİLƏRİN KREDIT PORTFELİ (MLN AZN)

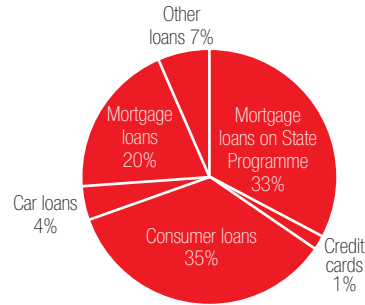


CREDIT PORTFOLIO OF RETAIL CUSTOMERS (MLN AZN)

PƏRAKƏNDƏ MÜŞTƏRİLƏRİN KREDIT PORTFELİNİN STRUKTURU



STRUCTURE OF THE CREDIT PORTFOLIO OF RETAIL CUSTOMERS



PLASTİK KARTLAR

Bank MasterCard International beynəlxalq ödəniş sisteminin üzvüdür və bu sistemin debet və kredit kartlarını dövrüyyəyə buraxır. 2009-cu ildə Bank həm də Visa International beynəlxalq ödəniş sisteminin çip plastik kartlarının buraxılışına başlamışdır. 2009-cu ilin sonuna emissiya edilmiş kartların ümumi sayı 12 000-ə çatmışdır.

2009-cu ildə Bankın kart sahibləri üçün kart hesabında vəsaitlərin istənilən hərəkəti barədə dərhal məlumat verən və bununla da kartdakı vəsaitlərin əlavə təhlükəsizliyini təmin edən yeni xidmət olan SMS ilə məlumatlandırma sistemi tətbiq edilmişdir. Buraxılan kartların sayını artırmaqla paralel, Xalq Bank həm paytaxtda və həm də regionlarda bankomat şəbəkəsini genişləndirməkdədir. 2009-cu ildə bankomatların sayı, 31-ə çatmışdır.

PLASTIC CARDS

The Bank holds membership of MasterCard and Visa systems and since 2007 issued products of MasterCard. In 2009 the Bank started issuing of Visa chip cards. The total number of cards emitted by the end of 2009 reached 12 000.

In 2009, a new service - SMS notification was introduced for card holders. It enables clients to get instant information on any movement of funds on card account, thus ensuring additional security of funds. With increase of card issuance Xalq Bank expands its ATM network both in the capital and regions of the country. The number of ATM reached 31 in 2009.

2009-cu ildə Bank
AMB tərəfindən
tətbiq edilən
KÖMİS sistemi
vasitəsilə
kommunal
xidmətlərə görə
ödənişləri qəbul
etməyə
başlamışdır.

QIZIL KÜLÇƏLƏR

2009-cu ildə iqtisadi böhranın daha da dərinləşməsi sərmayədarların ənənəvi qoruyucu aləti olan qızıl öz mövqelərini gücləndirmək istəyini stimullaşdırmışdır. Bunun nəticəsində dünyada qızıl sərmayə yatırımları təxminən 6 dəfə artmış və onun bir unsiya üçün nominal dəyəri 1200 ABŞ dolları haddini keçmişdir.

Bazar tendensiyalarını nəzərə alaraq, Xalq Bank, öz pərəkəndə müştərilərinə müxtəlif çəkili 999.9 əyarlı qızıl külçələrinin alqı-satqısı üzrə xidmətlər təklif etmişdir. Eyni zamanda müştərilərə həm də depozit seyfələrində qiymətli metalların saxlanılması üzrə əlavə xidmətlər təqdim olunmuşdur.

DEPOZIT SEYFLƏRİ

Hal-hazırda Bankın 10 ofisində 8-i fərdi seyfələrlə təchiz edilmişdir. Bankın müştəriləri istənilən müddətə müxtəlif ölçülü fərdi seyfələr icarəyə götürə bilərlər. Bankın əməliyyat müddəti ərzində müştərinin öz seyfəsinə maneəsiz daxil olma təmin edilir.

PUL KÖÇÜRMƏLƏRİ

2009-cu ildə Bank daha 3 təcili pul köçürmə sistemləri - Contact, Migom və PrivatMoney ilə əməkdaşlığa başlamışdır. Beləliklə, hazırda müştərilərimiz artıq 6 təcili pul köçürmə sistemindən istifadə edə bilərlər - Western Union, Быстрая Почта, Xpress Money, Contact, Migom, PrivatMoney.

Həmin sistemlər müştərilərə sərfəli tariflərlə bir neçə dəqiqə ərzində dünyanın istənilən nöqtəsinə köçürməni həyata keçirməyə imkan verir.

KOMMUNAL XİDMƏTLƏR

2009-cu ildə Bank AMB tərəfindən tətbiq edilən KÖMİS (kütləvi ödənişlərin mərkəzləşdirilmiş məlumat sistemi) sistemi vasitəsilə kommunal xidmətlərə görə ödənişləri qəbul etməyə başlamışdır. Bu sistem həm qeydiyyatın sadəliyini, ödənişin bildiriş əsasında və ya avans yolu ilə həyata keçirilməsi və həm də bütün əvvəlki ödənişlərə baxmağın mümkünlüyünə görə müştərilər üçün əlverişlidir. Hal-hazırda KÖMİS-in vasitəsilə işıq, qaz və su xidmətlərini ödəmək olar.

GOLD BARS

Deepening of the world economic crisis in 2009 stimulated investors' desire to build-up their position in gold as a traditional protection tool. As a result, worldwide investment in gold grew by approximately six times, while its par value exceeded \$1200 per ounce.

Taking into account market trends, Xalq Bank, among few other banks, offered its customers purchase and sale of 999.9 standard gold bars with various weights. The clients were also provided with additional services on safety deposition of precious metals in deposit safes.

DEPOSIT SAFES

Today 8 out of 10 Bank branches offer to its customers to use deposit safes. Clients may rent these safes of various sizes on for any term. A client is provided with unobstructed access to the deposit box during the whole operational day.

MONEY TRANSFERS

We are continually developing convenient and customized solutions for consumers in a variety of regions.

In addition to present systems, in 2009 the Bank started cooperation with three more money transfer systems. Thereby, for customers' convenience there is a wide range of express money transfer systems including Western Union, Bistraya Pochta, Xpress Money, Contact, Migom, PrivatMoney. The main advantage of these systems is that transfer is available within minutes at location convenient to the receiver.

UTILITIES

In 2009, the Bank started to accept payments for utilities through KÖMİS (utilities) (Centralized System of Information on Mass Payments) system introduced by the Central Bank of Azerbaijan. This system is very convenient to use for client and allows to make payments in advance and post-payments, as well as control all the previous payments.

In 2009, the Bank started to accept payments for utilities through KÖMİS system introduced by the Central Bank of Azerbaijan.

KORPORATİV XİDMƏTLƏR

CORPORATE SERVICES



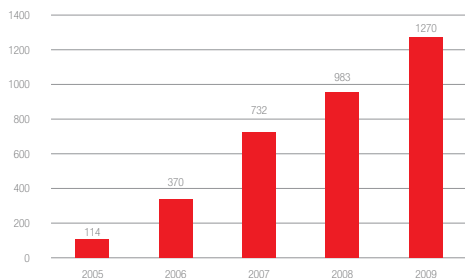
2009-cu ildə müştərilərlə iş sahəsində korporativ istiqamətin inkişaf prosesi davam etdirilmişdir. Əvvəlki illərdə olduğu kimi, hesabat ilində də Bank öz korporativ müştəri bazasının qorunması, eləcə də say və keyfiyyət baxımından inkişaf etdirilməsi prosesini həyata keçirmişdir. Bu proses zamanı müştəri bazasının strukturunda xüsusi ilə böyük və maliyyə durumu sabit olan təşkilatların payının artırılması diqqət mərkəzində idi. Görülən tədbirlər nəticəsində keçən il ərzində Bankın xidmət göstərdiyi hüquqi şəxslər və fərdi sahibkarların sayı 29,2% artaraq 1270-ə çatmışdır.

Development of active cooperation with corporate customers was continued in 2009. As in the previous years, the Bank realized the process of maintaining quantitative and qualitative development of its corporate client base in 2009, paying a special attention to increasing the share of large and financially sustainable organizations in its structure. Hereby, over the last year the number of legal entities and individual entrepreneurs serviced by the Bank increased by 29.2% and reached 1270.

Korporativ müştərilərə xidmət portfeli Bankın fəaliyyətə başladığı gündən formalaşmış və bu günə qədər də təkmilləşməkdədir.

KORPORATİV MÜŞTƏRİLƏRİN SAYI

NUMBER OF CORPORATE CLIENTS



Bankımızın korporativ müştəriləri arasında iri neft, tikinti şirkətləri, sənaye və dövlət müəssisələri, ticarət və nəqliyyat strukturları, mobil operatorlar və kiçik biznes subyektləri yer almışdır.

At the moment the customer base includes huge oil and construction companies, trade and transport structures, industrial and state enterprises, mobile operators and small business entities.

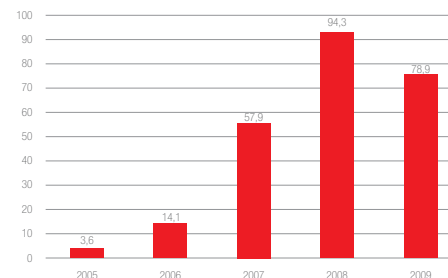
Korporativ müştərilərə xidmət portfeli Bankın fəaliyyətə başladığı gündən formalaşmış və bu günə qədər də təkmilləşməkdədir. 2009-cu ildə Bank korporativ müştərilərinə hesablaşma-kassa xidməti, müxtəlif növ depozitlər, kredit məhsulları, korporativ və əmək haqqı kartları, ekvayrinq, beynəlxalq ticarət əməliyyatlarının

The portfolio of services provided to customers shaped and improved since the beginning of Bank activity. In 2009, the Bank offered a full range of services like cash management services, FOREX dealings, various types of deposits and loans, business and salary cards,

maliyyələşdirilməsi kimi universal bank xidmətlərini təklif etmişdir. 2009-cu ilin sonuna hüquqi şəxslərin pul ehtiyatlarının həcmi 78,9 mln AZN olmuşdur. Hüquqi şəxslərin ümumi kredit portfeli 26% artaraq 434,5 mln AZN təşkil etmişdir.

acquiring, financing of the international trade operations and etc. The volume of customer funds of legal entities made up 78.9 mln AZN by the end of 2009. Total corporate customers' credit portfolio increased by 26% and reached 434.5 mln AZN.

KORPORATİV MÜŞTƏRİLƏRİN ƏMANƏTLƏRİ (MLN AZN) DEPOSITS OF CORPORATE CUSTOMERS



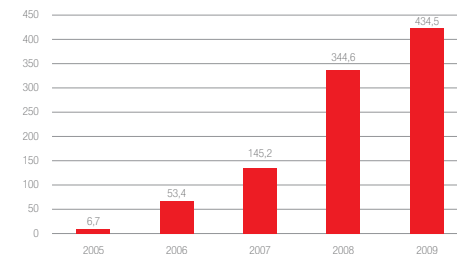
Xalq Bank əmək haqqı kartlarından istifadə edən korporativ müştərilərin böyük bazasına malikdir. Bu layihələr üçün Bank beynəlxalq ödəniş sistemlərinin Maestro/Visa Electron kartlarını təklif edir. Nümayəndəlik, ezamiyyə və əlavə xərclərə nəzarət üçün korporativ müştərilərə MC Business/Visa Business kartları təklif edilir.

Xalq Bank has a solid base of clients using salary and business cards. For these projects, the Bank offers Visa and MasterCard payment cards on favourable terms.

Korporativ biznesin mühüm istiqamətlərindən biri korporativ müştərilərin xarici iqtisadi fəaliyyətinin maliyyələşdirilməsidir. Bank xarici ticarət əməliyyatlarının həyata keçirilməsində geniş spektrli məsləhətçi xidmətlər göstərir, müxtəlif şərt və müddətli sənədləri strukturlaşdırır, sənədi akkreditivlər, bank zəmanətləri, sənədi inkasso kimi istənilən ixrac-idxal əməliyyatları üzərində işləyir. Müştərilərin tələblərinin tədqiq və təmin edilməsi əsasında məhsul çeşidinin təkmilləşdirilməsi, əlverişli tarif və faiz siyasəti, eləcə də, göstərilən xidmətlərin keyfiyyətinin artırılması hesabına müştərilərlə qarşılıqlı-faydalı əlaqələrin qurulması gələcək inkişaf dövrü üçün Bankın əsas strateji vəzifələrindən biridir.

One of the most important services for corporate customers is financing of international trade operations. While serving these operations the Bank provides customers with consulting services; structures transactions with different terms and conditions, offers export-import operations such as letter of credits, bank guarantees and documentary collection. Interaction with clients based on surveying and meeting their needs and demands, while at the same time improving product line, reasonable tariff and interest rate policy, as well as enhancement of quality of services rendered are among the main strategic goals of the Bank activity for coming years.

KORPORATİV MÜŞTƏRİLƏRİN KREDİT PORTFELİ (MLN AZN) CREDIT PORTFOLIO OF CORPORATE CUSTOMERS



The portfolio of services provided to customers shaped and improved since the beginning of Bank activity.

KREDİT SİYASƏTİ

CREDIT POLICY



Kreditləşdirmə sahəsində Bankın əsas vəzifəsi kredit risklərinin minimuma endirilməsi və diversifikasiyası hesabına keyfiyyətli və yüksək gəlirli kredit portfelinin artırılmasıdır. Kredit fəaliyyəti Bankın prioritet istiqamətlərindən biridir, çünki Bankın strateji inkişaf planları və əsas gəlirlərin əldə edilməsi kredit əməliyyatlarının həcmünün artırılması ilə bilavasitə bağlıdır.

Qlobal maliyyə böhranının təsiri ilə əlaqədar Bankın kredit siyasətinə bəzi düzəlişlər edilsə də, Bank 2009-cu ildə də öz kredit portfelini artırmaqda davam etdi.

Belə ki, verilmiş kreditlərin həcmi 28,7% artmış və 2009-cu ilin sonunda 464,0 mln AZN təşkil etmişdir.

Kredit portfelinin 94%-i və ya 434,5 mln AZN hüquqi şəxslərin maliyyələşdirilməsinə sərf edilmişdir ki, bunun da 20% (93,0 mln AZN-i) - dövlət sektoru müəssisələrinin, 74% (341,5 mln AZN-i) - özəl sektor müəssisələrinin payına düşmüşdür.

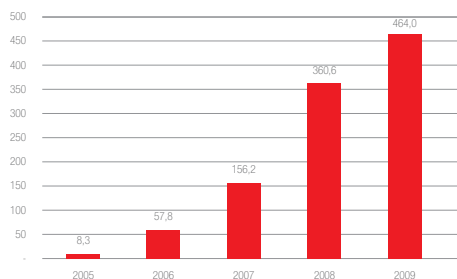
Primary task of the Bank in the area of credit financing is the enhancement of high-quality and high-yield loan portfolio based on minimization and diversification of credit risks. The credit activity of the Bank relates to priority trends, since strategic developmental plan of the Bank and generation of major incomes is connected with growth of loans operations' volume.

In spite of the fact that due to the world financial crisis we made some changes to credit policy of the Bank, nevertheless, in 2009 credit portfolio showed its stable growth. Thereby, the volume of issued loans increased by 28.7% and at the end of 2009 equaled to 464.0 mln AZN.

94% (434.5 mln AZN) of the total credit portfolio was issued to legal entities, 20% (93.0 mln AZN) of which delivered to government enterprises and 74% (341.5 mln AZN) - to the private sector.

Kreditləşdirmə sahəsində Bankın əsas vəzifəsi kredit risklərinin minimuma endirilməsi və diversifikasiyası hesabına keyfiyyətli və yüksək gəlirli kredit portfelinin artırılmasıdır.

KREDİT PORTFELİNİN DİNAMİKASI (MLN AZN)

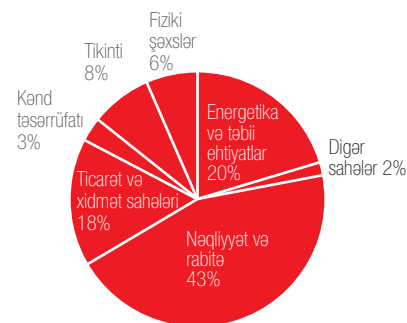


GROWTH OF CREDIT PORTFOLIO OVER THE YEARS (MLN AZN)

Kredit siyasətinin hüquqi şəxslər seqmentində prioritet olaraq iqtisadiyyatın real sektorunun böyük və orta müəssisələri, eləcə də səmərəli fəaliyyət göstərən kiçik müəssisələrlə qarşılıqlı əlaqələrin inkişafı durur.

During cooperation with legal entities we followed our priority in the credit policy to provide loans not only to large and medium companies, but also to efficient small enterprises.

KREDİT PORTFELİNİN STRUKTURU (İQTİSADİYYATIN SAHƏLƏRİ ÜZRƏ)



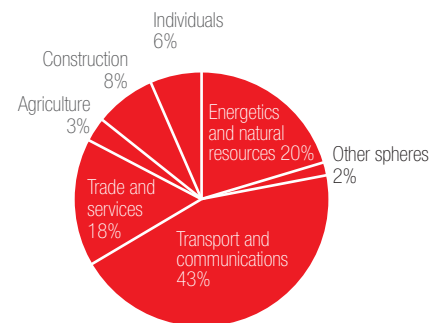
Borc götürənin biznesinin səmərəliliyi və maliyyələşdirilən layihənin gəlirliliyi kreditləşdirmə qərarını şərtləndirən əsas amillər olaraq qalmışdır.

2009-cu ilin sonuna Bankın kredit portfelində fiziki şəxslərə verilmiş kreditlərin məbləği 29,5 mln AZN təşkil etmişdir. Bu məbləğin 12,9 mln AZN-i istehlak kreditləri (il ərzində artım 138,1 %); 10,3 mln AZN-i ipoteka kreditlərinin payına düşmüşdür.

Hüquqi status və kredit məbləğindən asılı olmayaraq hər potensial borc götürənlə bağlı, hərərfəli təhlillər həyata keçirildi. Yekun qərar Bankın Kredit Komitəsi tərəfindən qəbul edildi.

Bankın mütəxəssisləri tərəfindən kredit portfelinin cari vəziyyətinin monitorinqi, kreditlərin verilməsi və ödənilməsi, eləcə də keçmiş və gələcək dövrlərin faiz dərəcələri, gəlirləri ilə əlaqədar göstəricilərin dinamikası və dəyişikliklərinin qiymətləndirilməsi həyata keçirilmişdir.

STRUCTURE OF CREDIT PORTFOLIO ACCORDING TO SPHERES OF ECONOMY



Key factors defining issue of credit to borrower remain efficiency of borrower's business and profitability of the financed project.

The amount of credits granted to physical entities in the credit portfolio of the Bank by the end of 2009 made up 29.5 mln AZN, of which 12.9 mln AZN was delivered on consumer credits (annual growth 138.1%); 10.3 mln AZN - on mortgage loan (annual growth 59.6%). Every potential borrower was thoroughly analysed regardless of his legal status and requested amount. The final decision about issuing or non issuing loan was made by Credit Committee of the Bank.

Loan officers constantly monitor credit portfolio, repayment of every issued loan; evaluate interest rate of past and future periods and evolution of expected income and if necessary make corrections.

Primary task of the Bank in the area of credit financing is the enhancement of high-quality and high-yield loan portfolio based on minimization and diversification of credit risks.

KREDİT PORTFELİNİN İDARƏ EDİLMƏSİ SAHƏSİNDƏ QARŞIDA DURAN VƏZİFƏLƏR AŞAĞIDAKILARDIR:

- CARİ İQTİSADI PROSESLƏRƏ MÜVAFIQ OLARAQ KREDİT SİYASƏTİNİN UYGUNLAŞDIRILMASI
- MÜŞTƏRİLƏRİN KREDİT REYTINGİNİN YARADILMASI
- KREDİT PORTFELİNİN DİVERSİFİKASIYASI
- KREDİTLƏRİN VERİLMƏSİNİN PRIORİTET İSTİQAMƏTLƏRİNİN MÜƏYYƏNLƏŞDİRİLMƏSİ
- PROSEDURALARIN TƏKMİLLƏŞDİRİLMƏSİ
- PROBLEMLİ KREDİTLƏRİN ÜMUMİ KREDİT PORTFELİNDƏ MINİMAL SƏVİYYƏDƏ SAXLANILMASI
- BANKIN KREDİT PORTFELİNİN TƏKRAR QIYMƏTLƏNDİRİLMƏSİ
- KREDİT BİZNESİNİN TƏŞKİLATI STRUKTURUNUN TƏKMİLLƏŞDİRİLMƏSİ
- KREDİT RİSKLƏRİNİN AZALDILMASI VƏ İQTİSADİYYATIN MÜHÜM SAHƏLƏRİNİN KREDİTLƏŞDİRİLMƏSİ
- İQTİSADİYYATIN SAHƏLƏRİ ÜZRƏ DAXİLİ LİMİTLƏRİN MÜƏYYƏNLƏŞDİRİLMƏSİ
- FİLİALLAR VƏ İSTEHLAKÇI QRUPLAR ÜÇÜN LİMİTLƏRİN AŞKARLANMASI VƏ ONLARIN MÜTƏMADI OPTİMALLAŞDIRILMASI

THE MAIN TASKS OF CONTROLLING CREDIT PORTFOLIO ARE:

- COMPLIANCE OF CREDIT POLICY WITH CURRENT ECONOMICAL PROCESSES
- IMPLEMENTATION OF CREDIT RATING OF CLIENTS
- DIVERSIFICATION OF THE CREDIT PORTFOLIO
- DEFINITION OF THE PRIORITY DIRECTIONS OF ISSUING LOANS
- IMPROVEMENT OF PROCEDURAL NORMS
- MAINTAINING PROBLEM CREDITS AT THE MINIMUM LEVEL IN OVERALL CREDIT PORTFOLIO
- REAPPRAISAL OF THE CREDIT PORTFOLIO OF THE BANK
- IMPROVEMENT OF ORGANIZATIONAL STRUCTURE OF LOAN BUSINESS
- MAXIMUM REDUCTION OF CREDIT RISKS AND FINANCING OF IMPORTANT FIELDS OF ECONOMY
- DEFINITION OF INTERNAL LIMITS ON EVERY FIELD OF ECONOMY
- IDENTIFICATION OF LIMITS FOR BRANCHES AND CONSUMER GROUPS AND THEIR OPTIMIZATION



MARKETİNG FƏALİYYƏTİ

MARKETING ACTIVITY



Marketing fəaliyyətinin əsas fəaliyyət istiqamətlərinə PR kommunikasiya və reklam tədbirlərinin paralel müşayiəti ilə bazarın təhlili, yeni məhsulların yaradılması, onların tələbata daim uyğunlaşdırılması məqsədi ilə müştərilərin tələblərinin öyrənilməsi daxildir.

2009-cu ildə marketing fəaliyyəti məhsul çeşidinin genişləndirilməsi və inkişaf istiqamətində işi davam etdirmişdir. Visa plastik kartları, Migom, Contact, PrivatMoney təcili pul köçürmələri sistemləri, SMS-məlumatlandırma, KÖMİS - kommunal xidmətlərin ödəniş sistemi kimi yeni məhsullar və xidmətlər təbiiq edilmişdir.

2009-cu ilə Bankın imicinin inkişaf etdirilməsi sahəsində bir sıra layihələr həyata keçirilmişdir. "Xalq Bank. Uğurla birlikdəyik" imic reklam layihəsi çərçivəsində keçirilən "Xalq Bank. Uğur düsturu" reklam kampaniyasının "Bankın uğuru onun müştərilərlə birliyindən ibarətdir" şüarı translyasiya edilərək, konsepsiyası inkişaf etdirilmişdir. Əvvəlki illərdə olduğu kimi, 2009-cu ildə də Bankın məhsul və xidmətlərinin fəal inkişaf etdirilməsinə ciddi diqqət yetirilmişdir. "Xalq Bankın plastik kartları" və "Ən tanınmış kart" reklam kampaniyaları Bankın plastik kartlarının təbliğ edilməsinə; "Avropa qızılı indi Xalq Bankda. Açıq satışda" kampaniyası qızıl külçələrin satışını stimullaşdırmağa; "Uşağ yığım əmanəti. Övladlarınızın arzularını gerçəkləşsən deyər" kampaniyası yığım əmanətinin inkişaf etdirilməsinə yönəldilmişdir.

Kommunikasiya kanalları qismində çöl reklamları və veb-reklam seçilmişdir. Müştərilərin məlumatlandırılması üçün Bankın müxtəlif xidmətlərinə aid informasiya bukletləri buraxılmışdır.

2009-cu ildə İctimaiyyətə Əlaqələr şöbəsinin fəaliyyəti əvvəlki illərdə olduğu kimi, kütləvi informasiya vasitələri ilə əməkdaşlıq, bank

Marketing fəaliyyətinin əsas fəaliyyət istiqamətlərinə PR kommunikasiya və reklam tədbirlərinin paralel müşayiəti ilə bazarın təhlili, yeni məhsulların yaradılması, onların tələbata daim uyğunlaşdırılması məqsədi ilə müştərilərin tələblərinin öyrənilməsi daxildir.

The main activities of marketing of Xalq Bank are market analysis, new products introduction and their adaptation to customers' needs and demands as well as public relations and advertisement actions.

In 2009, the marketing team continued its activity on expansion and promotion of product line. New products and services like as Visa cards, Migom, Contact, Privat Money express money transfer systems, SMS-notification, KÖMİS (utilities), Bakcell and B&BTv payment system were launched.

Focus on support and promoting of corporate image of the Bank through advertisement was also an important part of activity in 2009. In this regard we launched the campaign "Xalq Bank. Formula for success", held under the motto "Xalq Bank. Successfully together!" which developed the concept of the Bank's slogan- "Our success is in unity with our clients". As in the previous years, in 2009 we carried out promotion of retail products of the Bank and introduced several campaigns such as "Enjoy your shopping with Xalq Bank cards" and "MasterCard. The well-known card" intended to promote plastic cards of the Bank; another one "European gold from Xalq Bank. Everybody can get it", describing sale of gold bars; "Childish deposit. To realize dreams of your children" – aimed to promotion of deposit product.

Outdoor and web advertisement have been chosen as a main communication channels as well as different promotion materials have been issued for customers.

Following activity in previous years the PR division went on cooperation with mass-media, analysis of the industry and key market events, issuing and placement of the most important information about the Bank and materials supporting the corporate image.

sahəsi və bazarın əsas hadisələrinin təhlili, press-reizlərin, Bankın imicinə dəstək materiallarının hazırlanmasından ibarət olmuşdur.

Marketing komandası ilə birlikdə, ictimaiyyətə əlaqələr şöbəsi reklam kampaniyalarının işlənilməsi və həyata keçirilməsində, korporativ nəşrlərin, illik hesabatın hazırlanması və buraxılışında, korporativ tədbirlərin təşkilində iştirak etmişdir.

2009-cu ilin sonunda Xalq Bankın yeni müasir çoxmərtəbəli Baş ofisinin brendləşməsi başa çatdırılmış və Bankın 5 illik yubileyi ilə əlaqədə marketing tədbirləri keçirilmişdir, regional filiallarda Bankın xidmətlərinin irəliləməsinə yönəlmiş reklam tədbirləri keçirilmişdir.

2009-cu ilə Bankın korporativ saytının yeni versiyası istifadəyə verilmişdir. Mütəxəssislərimiz saytı hazırlayan veb-master qrupu ilə birlikdə yeni texnologiyalar əsasında müasir vizual tərtibatda, təkmilləşdirilmiş funksionallı və geniş məzmunlu yeni İnternet-resursu yaratmışlar. Beləliklə, Bankın saytı təkcə Bank və onun fəaliyyəti, məhsulları və xidmətləri haqqında informasiya təqdim etməklə deyil, həm də əks-əlaqəli interaktiv xidmətlər, fərqli kalkulyatorlar, kredit alınması üçün rahat onlayn arıza sistemləri vasitəsilə mühüm maliyyə qərarlarının qəbul edilməsinə kömək etməklə, Bankın satış kanallarının birinə çevrilmişdir.

Branding of the new Head office of Xalq Bank had been completed at the end of 2009 and at the same time marketing arrangements devoted to 5th anniversary of the Bank had been held.

In 2009 we launched updated version of corporate web site. This project was implemented by Bank's specialists together with web-developers created a new Internet-resource based on new technologies in modern visual design with improved functional possibilities and rich content.

So, the Bank's website became one of the key communication channel with clients, providing not only information about the Bank, its products and services, but also helping to select necessary financial solutions by means of interactive services, various calculators, and convenient on-line application systems for different retail products.

The main activities of marketing of Xalq Bank are market analysis, new products introduction and their adaptation to customers' needs and demands as well as public relations and advertisement actions.

Bankın əməliyyat şəbəkəsinin genişləndirilməsi və yeni cəlbedici bazarlara çıxışı inkişaf strategiyasının istiqamətlərindən biridir.

2009-cu ildə Bakıda Xalq Bankın daha iki yeni filialı fəaliyyətə başladı. Beləliklə, 2009-cu ilin sonunda Bankın filial şəbəkəsi artıq Bakı, Sumqayıt, Zaqatala, Neftçala, Cəlilabad, Yevlax, Mingəçevir, Gəncə və Naxçıvan şəhərlərində 10 filial və 2 şöbəni əhatə edirdi.

Xidmət və məhsullar paketinin formalaşdırılması zamanı bu və ya digər regionun səciyyəvi xüsusiyyətləri, əhəlinin müxtəlif kateqoriyalarının tələbləri və s. amillər nəzərə alınır.

Xidmətlərin çeşidini genişləndirərək, Bank təqdim etdiyi məhsulların keyfiyyətinin yüksəldilməsi istiqamətində intensiv fəaliyyət göstərir. Bankın filialları fəaliyyətin avtomatlaşdırılması üçün müasir texniki avadanlıqla və qabaqcıl texnologiyalarla təchiz edilmişlər ki, bu da vaxt itkisinin əhəmiyyətli dərəcədə azalmasına və müştərilərə göstərilən xidmətin keyfiyyətinin artırılmasına imkan verir.

Bankın regionlarda inkişaf strategiyası filial şəbəkəsinin və xidmət məntəqələrinin inkişafı prosesində balanslı və rəşional yanaşmanı rəhbər tutur. Paralel olaraq, Bank yeni filiallarının açılması üçün yüksək iqtisadi potensiala malik rayonları tədqiq edir. Yaxın gələcəkdə Lankəran, İsmayıllı, Davaçı, Şəki, Şəmkir, Bərdə, Şamaxı, Neftçala, Quba, Qusar, Qazax və İmişliyə mərhələli şəkildə yeni filialların açılması planlaşdırılır.

Expansion of branch network of Xalq Bank and access to new attractive markets is one of the main objectives of Bank's activity.

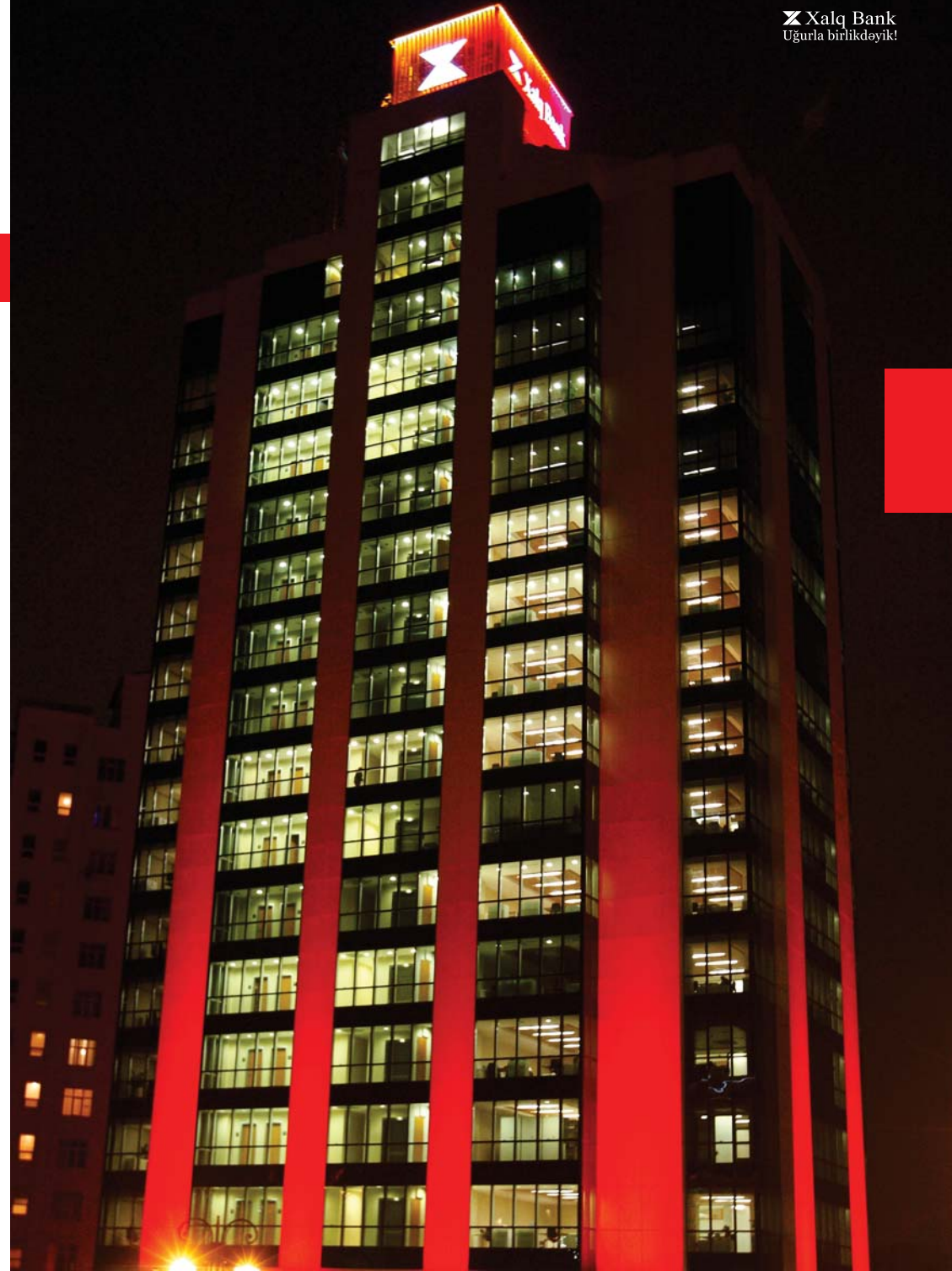
In 2009, Xalq Bank opened two new branch offices in Baku and thereby by the end of 2009, the branch network of Baku included 10 branches and 2 service points in Baku, Sumqayıt, Zagatala, Neftchala, Jalilabad, Yevlakh, Mingachevir, Ganja, and Nakhchivan.

When forming package of products and services for customers of this branch, we take into account features of the region, living standards of different targets of population, their needs and demands.

We constantly increase range of products and improve quality of services provided to customers. The branch offices are supplied with modern equipment and advanced technologies which allow to reduce serving time and increase quality of services.

The strategy of developing regional branches network of the Bank assumes a balanced and rational approach. At the same time, selection of branch location based on economic potential of the region and opportunities to gain some market share and benefits. In coming years the network of Xalq Bank will cover Lankaran, Ismailli, Davachi, Shaki, Shamkir, Barda, Shamakhi, Naftalan, Guba, Gusar, Qazax, Imishli.

Bankın əməliyyat şəbəkəsinin genişləndirilməsi və yeni cəlbedici bazarlara çıxışı inkişaf strategiyasının istiqamətlərindən biridir.



İNSAN RESURSLARININ İDARƏ EDİLMƏSİ

HR MANAGEMENT



MÜTƏXƏSSİSLƏRİN SEÇİLMƏSİ VƏ YERLƏŞDİRİLMƏSİ

İşçi heyətinin seçilməsi və yerləşdirilməsi sahəsində kadr siyasətinin məqsədi Bank fəaliyyətinin bütün istiqamətlərini yüksək ixtisaslı işçilərlə vaxtında təmin etməkdən ibarətdir. Vəqant vəzifələrə işçi qəbulu zamanı Bank mütəxəssislərin daxili və xarici seçiminin uyğunlaşdırılmasını rəhbər tutur. İlk növbədə kadrların seçimi bankın öz əməkdaşları sırasından aparılır. Bank gələcək layihələr üçün kadr ehtiyatının formalaşdırılması məqsədilə gənc mütəxəssislərin cəlb edilməsi sahəsində fəal iş aparır. Bank ali təhsil müəssisələri ilə iş əlaqələrini dəstəkləyir və ali məktəb tələbələri üçün keçirilən karyera forumlarında müəmmədli iştirak edir.

Ötən il Bank əməkdaşlarının sayı 314 nəfər təşkil etmişdir. Bunlardan 254 nəfəri ali təhsil, 17 nəfəri orta ixtisas təhsilinə malikdirlər. 2009-cu ildə 92 nəfər işə qəbul edilmişdir.

SELECTION AND PLACEMENT OF SPECIALISTS

The main goal of applied personnel policy of the Bank in selection and hire of staff is timely provision with high-qualified employees at all level of the Bank structure. When recruiting people, the Bank follows to compliance with external and internal requirements. In the first instance selection of personnel is made out of existing employees at the same time to build potential reserves for coming projects the Bank attracts young specialists. Xalq Bank cooperates with Universities and actively participates in forums and fairs held for students.

In 2009 year 92 new employees have joined Xalq Bank family and thereby the total number of Xalq Bank's staff has made up 314 persons. 254 employees hold university degree, 17 have specialized secondary education.

İlk növbədə kadrların seçimi bankın öz əməkdaşları sırasından aparılır.

İşçilərin orta yaş həddi 32-dir.

Bank sahəsində iş təcrübəsinə malik olan işçilər: 1-5 il - 82%, 5-10 il -13%, 10 il və daha artıq - 5%.

İŞÇİLƏRİN TƏLİMİ VƏ İNKİŞAF ETDİRİLMƏSİ

Bankxaric təlim sisteminin inkişafı təhsil tədbirləri bazarının müntəzəm monitorinqi vasitəsilə təmin edilir.

2009-cu ildə Bankın əməkdaşları üçün respublikada və xaricdə aparıcı təhsil mərkəzlərinin təlim tədbirləri, bank və ixtisaslaşdırılmış konfranslar təşkil edilmiş və orada əməkdaşlarımızın iştirakı təmin olunmuşdur.

2010-cu ildə Banka məxsus Tədris mərkəzinin yaradılması üzrə işlərə start verəcək, burada mütəxəssislərin yetişdirilməsi işi ilə yanaşı, əməkdaşların peşə biliyi və vərdişlərinin artırılması üzrə intensiv tədbirlər keçiriləcək.

PERSONALIN QIYMƏTLƏNDİRİLMƏSİ VƏ ƏMƏYİN ÖDƏNİLMƏSİ

Bank öz əməkdaşları üçün əməyin bazar şərtlərinin qorunmasına çalışır və personalın maddi mükafatlandırma (əmək haqqının indeksləşdirilməsi, pulsuz tibbi sığorta, güzəştli kreditləşdirmə, müxtəlif mükafatlandırmalar və s.) sistemini diversifikasiya edir. İşçilərin ixtisas səviyyəsinə xüsusi diqqət yetirilir, personalın qiymətləndirilməsi üzrə iş aparılır.

In the first instance selection of personnel is made out of existing employees at the same time to build potential reserves for coming projects the Bank attracts young specialists.

The personnel of Xalq Bank is quite young, the average age of employees is 32 years.

Share of employees with banking experience from 1 to 5 years - 82%, from 5 to 10 years - 13%, and more than 10 years - 5% of the staff

EDUCATION AND DEVELOPMENT PROGRAMS

The system of external education of the Bank is provided through systematic monitoring of education market.

In 2009, Xalq Bank employees attended several banking and financial conferences, participated in seminars and trainings organized by leading local and foreign education centers and partners.

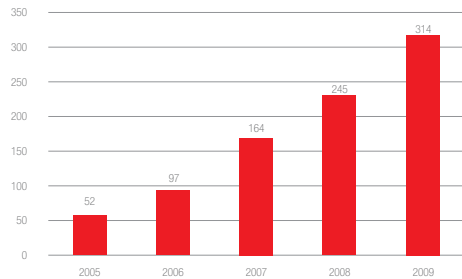
In 2010, the Bank will start establishing in-house Education Center where along with the initial trainings for young specialists, we are planning to launch advanced training to upgrade professional skills and knowledge of experienced personnel.

EVALUATION AND LABOR REMUNERATION

The Bank strives to keep competitive labor conditions and diversify the system of remuneration and provision for its staff (indexation of salary, free health insurance, concessional lending, premium etc).

ƏMƏKDAŞLARIN SAYI

NUMBER OF EMPLOYEES



2010-cu ildə personalın peşəkar bilik və bacarıqlarının müəmmadi qiymətləndirilməsi sisteminin tətbiqi planlaşdırılır, bu sistem əsasında kadr ehtiyatı müəyyənləşdiriləcək, təlim proqramları formalaşdırılacaq və hər əməkdaş üçün havaslandırma sistemləri müəyyən ediləcək.

DAXİLİ KOMMUNİKASIYA VƏ KORPORATİV TƏDBİRLƏR

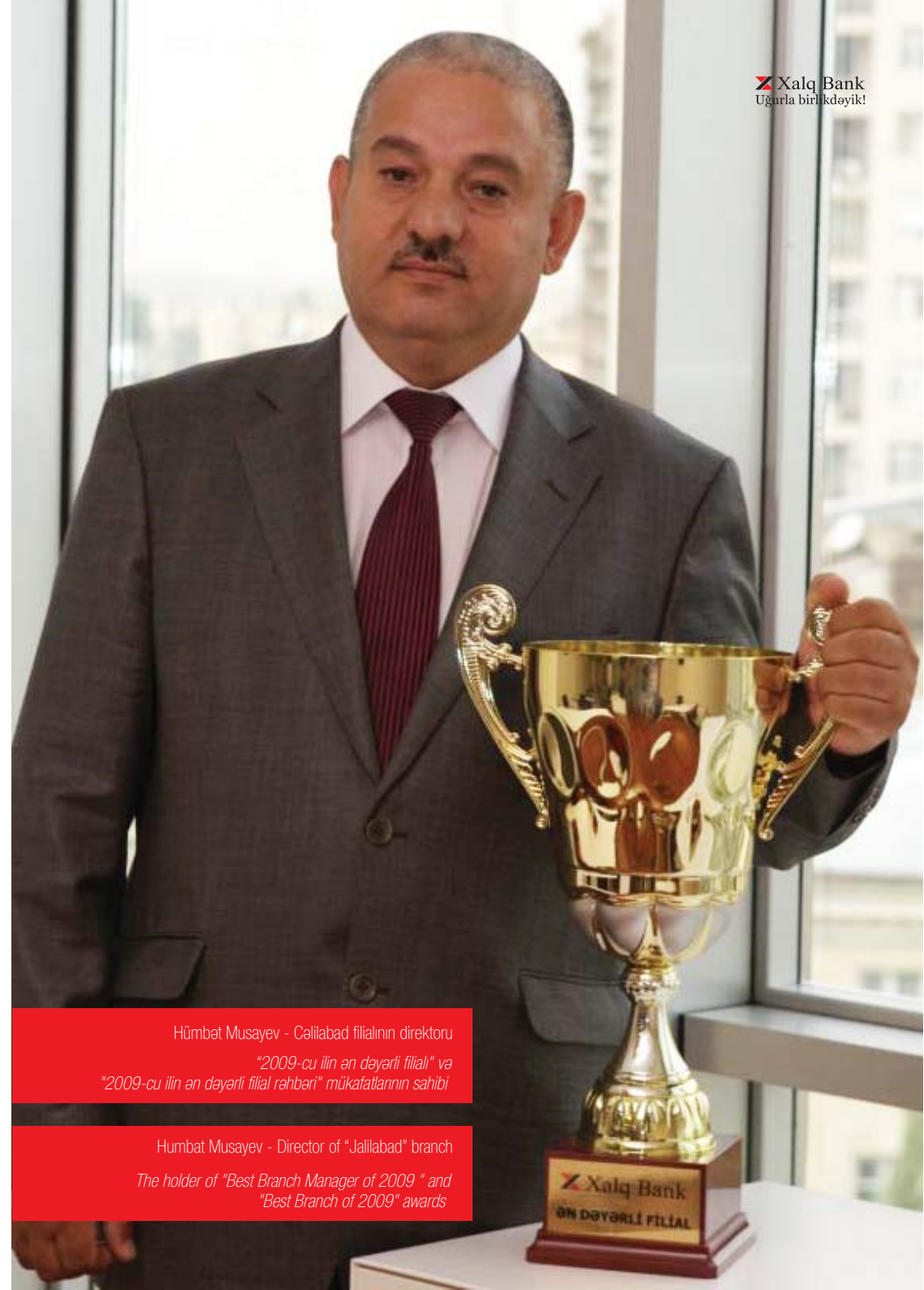
Ənənəyə çevrilmiş korporativ yeni il tədbirində 2009-cu ilin fəaliyyətinin nəticələrinə görə "2009-cu ilin dəyərli işçisi", "2009-cu ilin ən dəyərli filial" və "2009-cu ilin ən dəyərli filial rəhbəri" nominasiyalarının qalibləri xatirə lövhəcikləri və qiymətli hədiyyələrlə təltif edilmişlər.

At Xalq Bank we pay an important attention to professional level of employees and develop special actions on personnel evaluation. In 2010 we are planning to implement the system of regular appraisal of employees' professional skills and knowledge, and these results will be used for introducing Personal career development plan for every employee, including training programs and motivation system.

INTERNAL COMMUNICATIONS AND CORPORATE EVENTS

During the celebration of New Year party that already has become a tradition, according to results of 2009 year activity, winners of "Best Employee of 2009", "Best Branch of 2009" and "Best Branch Manager of 2009" nominations were defined and awarded with honour and gifts.

At Xalq Bank we pay an important attention to professional level of employees and develop special actions on personnel evaluation.



Hümbət Musayev - Cəlilabad filialının direktoru
"2009-cu ilin ən dəyərli filialı" və
"2009-cu ilin ən dəyərli filial rəhbəri" mükafatlarının sahibi

Humbat Musayev - Director of "Jalilabad" branch
The holder of "Best Branch Manager of 2009" and
"Best Branch of 2009" awards



2009-cu ildə Xalq Bankın Baş Ofisinin yeni binaya köçməsi ilə bağlı, informasiya texnologiyaları infrastrukturunun müasir texnologiyalar əsasında təkmilləşdirilməsi və yenilənməsi nəzərdə tutulmuşdur və bu zaman 4 konsepsiya: yeni texnologiyalar, təhlükəsizlik, fasiləsiz iş rejiminin təmin olunması və gələcəkdə strukturun genişləndirmə imkanları əsas götürülmüşdür. IT avadanlıq, program təminatı, korporativ şəbəkə və ümumilikdə filiallar da daxil olmaqla bütün infrastrukturun minimal xərclərlə modernləşdirilməsi və optimallaşdırılması, yeni texnologiyaların və məhsulların tətbiqi həyata keçirilmişdir.

Mövcud IT infrastrukturunun yenidən qurulması zamanı dünyanın IT sahəsində lider olan qabaqcıl istehsalçıların müasir avadanlıqlarından, həmçinin yeni nəsil program təminatlarından istifadə edilmişdir. Bankın ərazi üzrə bölüşdürülmüş mühafizə edilən şəbəkə və korporativ telefoniyası sistemləri üçün Cisco Systems-in şəbəkə və informasiya təhlükəsizliyi avadanlıqları, Server və Data Mərkəzi üçün isə IBM şirkətinin X seriyasından olan server avadanlıqları seçilmişdir.

Yüksək etibarlı və məhsuldar Data Mərkəzi üçün avadanlıqlar və program təminatı seçilərkən, Bankın program təminatının funksionallığını təmin edən və gələcəkdə inkişaf etdirilmə imkanı olan yüksək etibarlı bir sistemin qurulması əsas götürülmüşdür və yeni texnologiya - virtualizasiya tətbiqi edilmişdir. Virtualizasiya üçün yeni nəsil program təminatı olan "VMware Infrastructure" program təminatı istifadə edilmişdir.

Virtualizasiyanın tətbiqinin əsas üstünlükləri:

SERVLƏRİN BİRLƏŞDİRİLMƏSİ VƏ İNFRASTRUKTURUN OPTİMALLAŞDIRILMASI

Virtualizasiya nəticəsində resursların daha effektiv istifadəsinə nail olmaq olur, çünki virtuallaşdırmanın tətbiqi bütün resursları bir vahid kimi birləşdirməyə imkan verir və "bir serverdə bir program təminatı" köhnəmiş modelini aradan qaldırır;

In connection with movement to a new building of the Head Office of Xalq Bank in 2009, it is anticipated to improve and update IT infrastructure based on modern technologies and to this end, the following 4 concepts: new technologies, security, provision of non-stop operating mode, and opportunities of structural expansion in future were taken as a basis.

Modernization and optimization by minimum costs of the whole infrastructure, including IT equipment, software, corporate network, and branch offices in general, was carried out and new technologies and products were introduced.

Modern equipment and also new generation of software by leading manufactures of the world in IT area were used when rearranging the current IT infrastructure. Cisco Systems's network, information security equipments and X series server equipment of IBM company for Server and Data Center were selected for protected network and corporate telephone systems that were divided over the territory of the Bank.

While selecting equipment and software for highly reliable and productive Data Center, building a reliable system ensuring software functionality of the Bank and having potential for future development was taken as a basis and new technology-virtualization was introduced. "VMware Infrastructure" was used as a new generation software for Virtualization.

Here are the main advantages of virtualization:

CONSOLIDATION OF SERVERS AND INFRASTRUCTURE OPTIMIZATION

As a result of virtualization, it is possible to make a more effective use of resources, since introduction of virtualization facilitates consolidation of all resources as a single unit and eliminates the outdated model of "one software in one server";

4 konsepsiya: yeni texnologiyalar, təhlükəsizlik, fasiləsiz iş rejiminin təmin olunması və gələcəkdə strukturun genişləndirmə imkanları əsas götürülmüşdür.

FİZİKİ İNFRASTRUKTURA ÇƏKİLƏN XƏRCLƏRİN AZALDIRILMASI

Virtualizasiya serverlərin sayının və onlarla əlaqəli olan IT avadanlıqlarının sayının azaldılmasına imkan yaradır. Bunun nəticəsində həm xidmət, həm də elektrik və soyutma sahəsində tələb olunan maddi resurslara tələbat azalır və bu da IT xərclərinin azaldılması deməkdir;

SİSTEMİN ÇEVİKLİYİNİN VƏ MÜTƏHƏRİKLİYİNİN ARTIRILMASI

Virtualizasiya IT infrastrukturunun idarə edilməsinə yeni metod təklif edir və IT administratorlara, onların qarşısına qoyulmuş vəzifələrin həyata keçirilməsinə daha az vaxt sərf etməyə imkan yaradır;

FASILƏSİZ İŞ REJİMİNİN TƏMİN EDİLMƏSİ

Əhtiyat sürət çıxarma və virtual mühitün bütöv və tam şəkildə köçürülməsini fasiləsiz vaxt rejimində həyata keçirməklə, kritik hallarda sistemin tez bir zamanda bərpasına nail olmaq. Baş ofisdə IP-telefoniyası korporativ şəbəkə abonentlərinin telefon və video əlaqələrinin qurulmasının idarə olunmasını, Banka daxil olan zənglərin emalına həyata keçirən IP-telefoniyasının ərazi üzrə bölüşdürülməsi sistemi qurulmuşdur.

Bunlardan əlavə 2009-cu ildə aşağıdakı işlər görülmüşdür:

- Bakcell və BBTV şirkətlərinin xidmətlərinin ödəmə sisteminin yaradılması və mövcud Azerfon ödəmə sisteminin təkmilləşdirilməsi;
- Yeni sürətli pul köçürmələri sistemlərinin tətbiqi, o cümlədən Contact, Migom, PrivatMoney;
- AR Mərkəzi Bankının tətbiqi etdiyi KÖMİS-ə qoşulması;
- Filial şəbəkəsinin və müştəri dairəsinin genişlənməsi ilə əlaqədar olaraq, müştərilərlə Bank arasında əlaqənin daha keyfiyyətli və çevik olmasını təmin etmək üçün, mövcud filiallararası xətlərin fiber optik kəmərlə əvəz edilməsi və sürətin 10Mb/s qaldırılması layihəsinə başlanılmışdır.

4 concepts: new technologies, security, provision of non-stop operating mode, and opportunities of structural expansion in future were taken as a basis.

REDUCTION OF EXPENSES ON PHYSICAL INFRASTRUCTURE

Virtualization makes possible to reduce the number of servers and IT equipment associated with them. As a result, demand on material resources required for service, electricity, and cooling diminishes which means reduction in IT costs;

ENHANCEMENT OF FLEXIBILITY AND MOBILITY OF THE SYSTEM

Virtualization offers a new method of controlling IT infrastructure and makes it possible to waste less time on discharging of duties by IT administrators;

ENSURING NON-STOP OPERATING MODE

By carrying out reserve copying and full and complete relocation of the virtual environment in non-stop operating mode to achieve restoration of the system in critical circumstances as soon as possible. A system of distribution of IP-telephony over the whole Bank was set up, which controls phone and video connections of corporate network subscribers including all branches in Baku as well as in regions and processing all incoming and outgoing calls of the Bank.

Besides, the following works were accomplished in 2009:

- Making of payment systems of Bakcell and BBTV company services and modernization of the existing Azerfon payment system;
- Connection to international money transfer systems, including Contact, Migom, PrivatMoney;
- Introduction of KÖMİS (utilities payment system) applied by the Central Bank of Azerbaijan;
- In connection with expansion of branch network and scope of clients and to ensure a high-quality and flexible connection between the clients and the Bank, a project of replacement of existing inter-branch lines with fiberoptic cables which allows to increase the speed up to 10Mb/s was launched.

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XALQ BANKINDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, 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 2009, 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 2009 were authorized for issue on 04 March 2010 by the Management Board.

Approved for issue and signed on behalf of the Management Board on 04 March 2010.

Chairman
Mr. Asim Mammadov



Acting Chief Accountant
Mrs. Tamilla Asadova

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Xalq Bank, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statements of changes in equity and cash flows for the year ended 31 December 2009, 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.

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 2009, 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" JSC
Certified Auditors Commercial Company
Licence No. 112

D. Tunsts
International Liaison Partner

Riga, Latvia
04 March 2010



CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

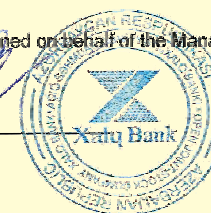
	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	5	37,369,613	41,233,775
Interest expense	5	<u>(17,355,773)</u>	<u>(21,292,259)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		20,013,840	19,941,516
Recovery of provision / (provision) for impairment losses on interest bearing assets	6	<u>2,981,845</u>	<u>(18,537,357)</u>
NET INTEREST INCOME		<u>22,995,685</u>	<u>1,404,159</u>
Net gain on sale of investments in associates		-	151,200
Net gain on foreign exchange operations	8	341,257	3,072,255
Net (loss) / gain on gold operations	7	(23,475)	32,245
Fee and commission income	9	3,095,184	2,663,781
Fee and commission expense	9	(344,777)	(328,921)
(Loss) / gain on revaluation of investment property	18	(106,292)	724,582
Other income		<u>69,442</u>	<u>41,009</u>
NET NON-INTEREST INCOME		<u>3,031,339</u>	<u>6,356,151</u>
OPERATING INCOME		26,027,024	7,760,310
OPERATING EXPENSES	10	<u>(9,097,983)</u>	<u>(7,331,799)</u>
OPERATING PROFIT		16,929,041	428,511
Recovery of provision for impairment losses on guarantees and other commitments	6	<u>137,424</u>	<u>94,530</u>
PROFIT BEFORE INCOME TAX		17,066,465	523,041
Income tax benefit / (expense)	11	<u>169,947</u>	<u>(238,678)</u>
NET PROFIT		<u>17,236,412</u>	<u>284,363</u>
Attributable to:			
Equity holders of the parent		17,239,984	265,073
Non-controlling interest		<u>(3,572)</u>	<u>19,290</u>
		<u>17,236,412</u>	<u>284,363</u>
EARNINGS PER SHARE			
Basic and diluted (AZN)	12	<u>8,049</u>	<u>0.124</u>

Approved for issue and signed on behalf of the Management Board on 04 March 2010.

Chairman
Mr. Asim MammadovActing Chief Accountant
Mrs. Tamilla Asadova

	Notes	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	13	18,298,937	24,419,977
Gold		5,230,000	1,382,282
Due from banks	14	3,166,674	7,831,765
Loans to customers	15	443,197,140	336,211,511
Investments available-for-sale	16	42,633	42,586
Property and equipment	17	8,663,620	6,320,414
Investment property	18	5,931,894	6,038,186
Intangible assets	17	333,823	343,725
Deferred income tax asset	11	222,790	52,843
Other assets	19	<u>2,755,110</u>	<u>894,918</u>
TOTAL ASSETS		<u>487,842,621</u>	<u>383,538,207</u>
LIABILITIES			
Due to banks and government agencies	20	106,348,730	6,698,660
Customer accounts	21	304,375,060	317,084,329
Provision for impairment losses on other operations	6	-	137,424
Current income tax liability		-	41,201
Other liabilities	22	<u>1,507,012</u>	<u>1,201,186</u>
TOTAL LIABILITIES		<u>412,230,802</u>	<u>325,162,800</u>
EQUITY			
Share capital	23	53,550,000	53,550,000
Retained earnings		21,909,947	4,669,963
Non-controlling interest		<u>151,872</u>	<u>155,444</u>
TOTAL EQUITY		<u>75,611,819</u>	<u>58,375,407</u>
TOTAL LIABILITIES AND EQUITY		<u>487,842,621</u>	<u>383,538,207</u>

Approved for issue and signed on behalf of the Management Board on 04 March 2010.

Chairman
Mr. Asim MammadovActing Chief Accountant
Mrs. Tamilla Asadova

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

	Share capital	Retained earnings / (Accumulated deficit)	Non-controlling interest	Total equity
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	53,550,000	4,404,890	136,154	58,091,044
Net Profit	-	265,073	19,290	284,363
31 December 2008	53,550,000	4,669,963	155,444	58,375,407
Net Profit / (Loss)	-	17,239,984	(3,572)	17,236,412
31 December 2009	53,550,000	21,909,947	151,872	75,611,819

Approved for issue and signed on behalf of the Management Board on 04 March 2010.

Chairman
Mr. Asim Mammadov



Acting Chief Accountant
Mrs. Tamilla Asadova

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		17,066,465	523,041
Adjustments for:			
(Recovery of provision) / provision for impairment losses on interest bearing assets	6	(2,981,845)	18,537,357
Recovery of provision for guarantees and other commitments	6	(137,424)	(94,530)
Net unrealized loss / (gain) arising from changes in foreign currency exchange rates		415,429	(1,858,104)
Depreciation and amortization	17	1,291,966	1,088,461
Loss / (gain) on revaluation of investment property	18	106,292	(724,582)
(Gain) / loss on disposal of property and equipment		(70)	6,887
Loss on disposal of intangible assets		-	18,761
Change in interest accruals, net		(946,793)	3,720,613
Cash flows from operating activities before changes in operating assets and liabilities		14,814,020	21,217,904
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of Azerbaijan Republic		13,813,742	(1,601,832)
Gold		(3,847,718)	(1,382,282)
Due from banks		6,507,257	(1,047,981)
Loans to customers		(103,350,292)	(204,414,098)
Factoring		-	3,163,989
Other assets		(1,860,191)	122,307
Increase/(decrease) in operating liabilities:			
Due to banks and government agencies		99,631,251	(4,733,651)
Customer accounts		(12,397,149)	178,769,329
Other liabilities		305,826	36,100
Cash inflow / (outflow) from operating activities before taxation		13,616,746	(9,870,215)
Income tax paid		(41,201)	(444,630)
Net cash inflow / (outflow) from operating activities		13,575,545	(10,314,845)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	17	(3,625,401)	(1,950,242)
Proceeds on disposal of property and equipment		201	-
(Purchase) / sale of investments available-for-sale		(47)	265
Sale of investments in associates		-	5,100,000
Net cash (outflow) / inflow from investing activities		(3,625,247)	3,150,023

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		-	-
Net cash (outflow) / inflow from financing activities		-	-
Effect of foreign exchange rate changes on cash and cash equivalents		(415,429)	1,858,104
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		9,534,869	(5,306,718)
CASH AND CASH EQUIVALENTS, beginning of year		10,227,818	15,534,536
CASH AND CASH EQUIVALENTS, end of year	13	19,762,687	10,227,818

Interest paid and received by the Group in cash during the year ended 31 December 2009 amounted to AZN 17,649,073 and AZN 36,714,959, respectively.

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.

Approved for issue and signed on behalf of the Management Board on 04 March 2010.

Chairman
Mr. Asim Mammadov



Acting Chief Accountant
Mrs. Tamilla Asadova

1. BACKGROUND

Xalq Bank is a joint stock company which was established on 24 December 2004 in accordance with establishment agreement and was registered by the Central Bank of Azerbaijan Republic on 27 December 2004. The address of its registered office is 11 45 Babek Avenue, Baku, AZ 1025, Azerbaijan. The Bank is regulated by the Central Bank of Azerbaijan Republic (the "CBAR") and conducts its business under the general banking license number 246. The Bank had 10 branches in Azerbaijan as at 31 December 2009. 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 2009 and 2008 was 315 and 250, respectively.

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

Name	Country of operation	The Bank ownership interest/ voting rights		Type of operation
		2009	2008	
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 2009 and 2008 the following shareholders owned the issued shares of the Bank:

	31 December 2009	31 December 2008
	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 04 March 2010.

2. BASIS OF PRESENTATION

ACCOUNTING BASIS

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

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

KEY ASSUMPTIONS

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

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

	31 December 2009	31 December 2008
Loans to customers	443,197,140	336,211,511
Investments available for sale	42,633	42,586
Property and equipment	8,663,620	6,320,414
Investment Property	5,931,894	6,038,186

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

The Group considers accounting estimates related to provisions for loans key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses (as reflected in the provisions) and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future income statement and its statement of financial position. The Group's assumptions about estimated losses are based on past performance, past customer 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 statement of financial position and income statement, respectively.

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

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

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

INVESTMENTS IN ASSOCIATES

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

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

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

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

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

GOODWILL

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

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

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

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

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

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the Central Bank of Azerbaijan Republic with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Cooperation and Development ("OECD"). For the purposes of determining cash flows, the minimum reserve deposit required by the Central Bank of Azerbaijan Republic is not included as a cash equivalent due to restrictions on its availability (Note 13).

GOLD

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

FIDUCIARY ACTIVITIES

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

DUE FROM BANKS

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

LOANS TO CUSTOMERS

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

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

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

FACTORING ASSETS

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

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

WRITE-OFF OF LOANS AND ADVANCES

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

ALLOWANCE FOR IMPAIRMENT LOSSES

Assets carried at amortized cost

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

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

Available-for-sale financial assets

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

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

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

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

PROVISIONS

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

INVESTMENTS AVAILABLE-FOR-SALE

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

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

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

INVESTMENT PROPERTIES

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

PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

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

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

Market value of property is assessed using three methods:

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

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

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

TAXATION

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

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

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

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

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

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

DUE TO BANKS AND CUSTOMER ACCOUNTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

CONTINGENCIES

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

FINANCIAL GUARANTEE CONTRACTS ISSUED

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

SHARE CAPITAL

Share capital is recognized at cost.

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

RETIREMENT AND OTHER BENEFIT OBLIGATIONS

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

RECOGNITION OF INCOME AND EXPENSE

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

FOREIGN CURRENCY TRANSLATION

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

RATES OF EXCHANGE

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

31 December 2009	31 December 2008
USD 1 = AZN 0.8031	USD 1 = AZN 0.8010
EUR 1 = AZN 1.1499	EUR 1 = AZN 1.1292
GBP 1 = AZN 1.2759	GBP 1 = AZN 1.1621
RUR 1 = AZN 0.0266	RUR 1 = AZN 0.0272

SEGMENT REPORTING

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

OFFSET OF FINANCIAL ASSETS AND LIABILITIES

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

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS

Certain new IFRSs became effective for the Group from 1 January 2009. 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.

Amendments to IFRS 7, 'Financial instruments: (Effective for annual periods beginning or after 1 January 2009) – Disclosures' The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

IAS 1 (revised), 'Presentation of financial statements': (Effective for annual periods beginning or after 1 January 2009) – A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2010 or later periods and which are relevant to the Group but not early adopted by the Group.

IFRS 1 and IAS 27, 'Cost of an investment in a subsidiary, jointly-controlled entity or associate' (Effective for annual periods beginning on or after 1 July 2009) - The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.

IFRS 3, 'Business combinations' (Effective for annual periods beginning on or after 1 July 2009) - The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IAS 27, 'Consolidated and separate financial statements' (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 will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.

IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items' (Effective for annual periods beginning on or after 1 July 2009) - The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements.

IFRIC 17, 'Distribution to non-cash assets to owners' (Effective for annual periods beginning on or after 1 July 2009) - IFRIC 17 was issued in November 2008. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognized when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The application of IFRIC 17 has no impact on the financial statements of the Group.

IFRIC 18, 'Transfers of assets from customers' (Effective for annual periods beginning on or after 1 July 2009) - IFRIC 18 was issued in January 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. The Group is not impacted by applying IFRIC 18.

Improvements to IFRS 'Improvements to IFRS' were issued in May 2008 (endorsed by the EU on 23 January 2009) and April 2009 (not yet endorsed). They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

IFRS 9, 'Financial instruments part 1: Classification and measurement' (Effective for annual periods beginning on or after 1 July 2009) - IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

The Group did not early-adopt new or amended standards in 2009.

AREAS OF SIGNIFICANT MANAGEMENT JUDGMENT AND SOURCES OF ESTIMATION UNCERTAINTY

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

ALLOWANCE FOR IMPAIRMENT OF LOANS AND RECEIVABLES

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

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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 22,556,144 and AZN 25,542,526 as at 31 December 2009 and 2008.

VALUATION OF FINANCIAL INSTRUMENTS

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

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

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group's reported net income. The carrying amount of the financial instruments at fair value is as follows as at 31 December 2009 and 2008:

	31 December 2009	31 December 2008
Investments available-for-sale	42,633	42,586

4. PRIOR PERIOD ADJUSTMENTS

In 2009 the Group management discovered error in the consolidated financial statements for the year ended 31 December 2008 relating to the presentation of non-controlling interest in the Group's consolidated statement of financial position and the consolidated income statement. The following tables represent the amounts of non-controlling interests before and after the relevant adjustments:

	Year ended 31 December 2008 as restated	Year ended 31 December 2008 as previously reported
NET PROFIT	284,363	284,363
Attributable to:		
Equity holders of the parent	265,073	284,854
Non-controlling interest	19,290	(491)
	284,363	284,363
	31 December 2008 as restated	31 December 2008 as previously reported
EQUITY		
Share capital	53,550,000	53,550,000
Retained earnings	4,669,963	4,689,744
Non-controlling interest	155,444	135,663
TOTAL EQUITY	58,375,407	58,375,407

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5. NET INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
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	29,419,935	38,592,077
- interest income on unimpaired assets	7,949,678	2,641,698
Total Interest income	37,369,613	41,233,775
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	37,045,248	40,425,520
Interest on guarantees	183,077	230,758
Interest on debt securities	95,730	78,070
Interest on due from banks	45,558	396,649
Interest on factoring	-	102,778
Total interest income on financial assets recorded at amortized cost	37,369,613	41,233,775
Interest expense comprises:		
Interest on customer accounts	16,771,339	20,919,285
Interest on due to banks and government agencies	584,434	372,974
Total interest expense on financial assets recorded at amortized cost	17,355,773	21,292,259
Net interest income before provision for impairment losses on interest bearing assets	20,013,840	19,941,516

6. 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 2007	6,940,597	64,572	7,005,169
Provision / (recovery of provision)	18,601,929	(64,572)	18,537,357
31 December 2008	25,542,526	-	25,542,526
Recovery of provision	(2,981,845)	-	(2,981,845)
Write-off of assets	(4,537)	-	(4,537)
31 December 2009	22,556,144	-	22,556,144

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

	Guarantees and other commitments
31 December 2007	231,954
Recovery of provision	(94,530)
31 December 2008	137,424
Recovery of provision	(137,424)
31 December 2009	-

7. NET (LOSS) / GAIN ON GOLD OPERATIONS

Net (loss) / gain on gold operations comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Net (loss) / gain on gold operations	(727,429)	42,892
Translation difference on gold	703,954	(10,647)
Total net (loss) / gain on gold operations	(23,475)	32,245

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Dealing differences, net	756,686	1,214,151
Translation differences, net	(415,429)	1,858,104
Total net gain on foreign exchange operations	341,257	3,072,255

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9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Fee and commission income:		
Foreign exchange operations	1,191,225	722,456
Cash operations	951,104	933,104
Settlements	696,762	653,954
Plastic cards operations	212,969	206,102
Guarantee letters	34,675	124,704
Letters of credit	2,394	21,042
Other	6,055	2,419
Total fee and commission income	3,095,184	2,663,781
Fee and commission expense:		
Plastic cards operations	156,758	172,522
Settlements	138,522	126,187
Cash operations	40,843	21,914
Foreign exchange operations	3,103	2,420
Other	5,551	5,878
Total fee and commission expense	344,777	328,921

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Staff costs	4,294,904	3,022,870
Depreciation and amortization	1,291,966	1,088,461
Payments to the Deposit Insurance Fund of the Republic of Azerbaijan	824,677	655,128
Operating leases	580,356	289,229
Security expenses	382,558	237,836
Communications	371,440	366,352
Advertising and marketing expenses	300,202	756,362
Repairs and maintenance expenses	162,289	96,333
Entertainment	139,640	79,259
Professional services fees	127,865	111,950
Transportation and business trip expenses	121,667	117,807
Stationery expenses	112,623	101,264
Taxes, other than income tax	75,449	86,031
Utilities	60,599	38,871
Insurance	59,853	45,342
Membership fees	18,496	52,893
Loss on disposal of property, equipment and intangible assets	-	25,648
Other expenses	173,399	160,163
Total operating expenses	9,097,983	7,331,799

11. 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 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2009 and 2008 comprise:

	31 December 2009	31 December 2008
Deductible temporary differences:		
Allowance for losses on loans to customers	-	884,302
Loans origination fee	-	61,931
Amortization	41,262	1,260
Depreciation	971,421	-
Total deductible temporary differences	1,012,683	947,493
Taxable temporary differences:		
Provision reversal on off balance items	-	(505,815)
Depreciation	-	(201,481)
Total taxable temporary differences	-	(707,296)
Net deferred deductible temporary differences	1,012,683	240,197
Net deferred tax asset at the statutory tax rate (22%)	222,790	52,843
Net deferred tax asset	222,790	52,843

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Relationships between tax expenses and accounting profit for the years ended 31 December 2009 and 2008 are explained as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit before income tax	17,066,465	523,041
Tax at the statutory tax rate	3,754,622	115,069
Tax effect of permanent differences	66,834	123,609
Effect of tax exemption in the result of capitalization of net profit	(3,991,403)	-
Income tax (benefit) / expense	(169,947)	238,678
Current income tax expense	-	255,728
Provision for deferred income tax assets	(169,947)	(17,050)
Income tax (benefit) / expense	(169,947)	238,678

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

	31 December 2009	31 December 2008
Deferred income tax assets		
Beginning of the period	52,843	35,793
Change in the income tax assets for the period charged to profit	169,947	17,050
End of the period	222,790	52,843

12. EARNINGS PER SHARE

The earnings per share are calculated as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit:		
Net profit for the year	17,239,984	265,073
Weighted average number of ordinary shares for basic earnings per share	2,142,000	2,142,000
Earnings per share – basic and diluted (AZN)	8.049	0.124

13. CASH AND CASH EQUIVALENTS

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

	31 December 2009	31 December 2008
Cash on hand	10,619,953	5,700,350
Balances with the Central Bank of Azerbaijan Republic	7,678,984	18,719,627
Total cash and balances with the Central Bank of Azerbaijan Republic	18,298,937	24,419,977

The balances with the CBAR as at 31 December 2009 and 2008 include AZN 1,320,144 and AZN 15,133,886, respectively, which represent the minimum reserve deposits required by the CBAR. The Bank is entitled to use all funds on its correspondent account provided that average daily balance for 30 days period will be eventually higher than required mandatory reserve.

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

	31 December 2009	31 December 2008
Cash and balances with the Central Bank of Azerbaijan Republic	18,298,937	24,419,977
Due from banks in OECD countries	2,783,894	4,561,841
	21,082,831	28,981,818
Less minimum reserve deposit with the Central Bank of Azerbaijan Republic	(1,320,144)	(15,133,886)
Less restricted deposit in OECD countries	-	(3,620,114)
Total cash and cash equivalents	19,762,687	10,227,818

14. DUE FROM BANKS

Due from banks comprise:

	31 December 2009	31 December 2008
Correspondent accounts with other banks	3,125,716	4,174,805
Restricted deposits	40,958	3,656,960
Total due from banks	3,166,674	7,831,765

As at 31 December 2009 and 2008 the maximum credit risk exposure of due from banks amounted to AZN 3,166,674 and AZN 7,831,765, respectively.

As at 31 December 2009 and 2008 the Bank had restricted deposits blocked in support of guarantees issued and plastic cards operations and money transfers totaling AZN 40,958 and AZN 3,659,960, 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.

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15. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2009	31 December 2008
Loans to customers	465,753,284	361,754,037
Less allowance for impairment losses	<u>(22,556,144)</u>	<u>(25,542,526)</u>
Total loans to customers	<u>443,197,140</u>	<u>336,211,511</u>

As at 31 December 2009 and 2008 accrued interest income included in loans to customers amounted to AZN 1,820,969 and AZN 1,167,476, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2009 and 2008 are disclosed in Note 6.

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

	31 December 2009	31 December 2008
Loans collateralized by equipment	129,429,082	-
Loans collateralized by real estate	95,879,122	33,300,813
Loans collateralized by vehicles	14,846,786	4,007,580
Loans collateralized by guarantees	2,198,462	2,237,751
Loans collateralized by tractors	1,730,146	1,764,378
Loans collateralized by cash	1,098,542	1,521,334
Loans collateralized by shares of other entities	1,013,577	601,839
Loans collateralized by inventories	30,422	-
Loans collateralized by other collateral	184	56,839
Unsecured loans	219,526,961	318,263,503
	465,753,284	361,754,037
Less allowance for impairment losses	<u>(22,556,144)</u>	<u>(25,542,526)</u>
Total loans to customers	<u>443,197,140</u>	<u>336,211,511</u>

	31 December 2009	31 December 2008
Analysis by industry		
Transportation and communication	201,724,504	156,550,269
Energy	122,715,510	-
Construction	61,731,808	36,866,827
Individuals	34,307,143	18,667,316
Manufacturing	16,922,417	62,277,347
Agriculture	12,891,850	1,328,669
Trading	9,593,728	86,020,497
Other	<u>5,866,324</u>	<u>43,112</u>
	465,753,284	361,754,037
Less allowance for impairment losses	<u>(22,556,144)</u>	<u>(25,542,526)</u>
Total loans to customers	<u>443,197,140</u>	<u>336,211,511</u>

Loans to individuals comprise the following products:

	31 December 2009	31 December 2008
Consumer loans	18,301,011	11,276,461
Mortgage loans	10,450,612	4,181,894
Car loans	2,598,161	1,867,486
Business loans	2,490,386	1,000,134
Plastic cards	<u>466,973</u>	<u>341,341</u>
	34,307,143	18,667,316
Less allowance for impairment losses	<u>(2,613,699)</u>	<u>(2,792,983)</u>
Total loans to customers	<u>31,693,444</u>	<u>15,874,333</u>

As at 31 December 2009 and 2008 the Bank granted 11 and 7 loans totaling AZN 381,585,983 and AZN 318,718,335, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2009 and 2008 the maximum credit risk exposure of loans to customers amounted to AZN 443,197,140 and AZN 336,211,511, respectively.

As at 31 December 2009 and 2008 loans to customers included loans in amount of AZN 12,957,609 and AZN 13,606,966, respectively, whose terms have been renegotiated. Otherwise these loans would be past due or impaired.

As at 31 December 2009 and 2008 loans to customers included loans in amount of AZN 345,933,555 and AZN 318,288,786, respectively, that were individually determined to be impaired.

As at 31 December 2009 and 2008 73% and 83% of total amount of loans to customers are given to 6 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.

16. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	Share %	31 December 2009	Share %	31 December 2008
Equity securities				
Millikart LTD	1	40,000	1	40,000
SWIFT SCRL		<u>2,633</u>		<u>2,586</u>
Total equity securities		<u>42,633</u>		<u>42,586</u>

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17. 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 2007	20,044	2,149,522	574,398	1,005,503	1,786,329	69,058	1,107,327	6,274,181	396,501	7,110,682
Additions	-	-	328,657	560,862	754,125	23,303	206,156	1,875,103	75,139	1,950,242
Disposals	-	-	(4,014)	-	(7,931)	(2,556)	(1,158,383)	(14,501)	(26,059)	(40,560)
Transfers	-	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
Additions	980,132	25,030	230,682	216,845	740,989	38,774	1,355,735	3,588,187	37,214	3,625,401
Disposals	-	-	(2,067)	-	-	-	-	(2,067)	-	(2,067)
Cost at 31 December 2009	1,000,176	3,332,935	1,127,656	1,783,210	3,275,512	128,579	1,512,835	12,160,903	482,795	12,643,698
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
Accumulated Depreciation at 31 December 2008	-	(326,755)	(400,482)	(653,544)	(841,487)	(32,101)	-	(2,254,369)	(101,856)	(2,356,225)
Charge for the year	-	(165,988)	(197,996)	(332,460)	(527,285)	(21,111)	-	(1,244,850)	(47,116)	(1,291,966)
Disposals	-	-	1,936	-	-	-	-	1,936	-	1,936
Accumulated Depreciation at 31 December 2009	-	(492,753)	(598,542)	(986,004)	(1,368,772)	(53,212)	-	(3,497,283)	(148,972)	(3,646,255)
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
NBV at 31 December 2009	1,000,176	2,840,182	531,114	797,206	1,906,740	75,367	1,512,835	8,663,620	333,823	8,997,443

18. INVESTMENT PROPERTIES

Investment properties comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Investment property at fair value at beginning of the year	6,038,186	5,313,604
Fair value (loss) / gains	(106,292)	724,582
Investment properties at end of the year	5,931,894	6,038,186

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 2009 was determined on 15 January 2010 by AIS Azintellektservice, who holds a recognized professional qualification. The basis used for the appraisal was market value.

19. OTHER ASSETS

Other assets comprise:

	31 December 2009	31 December 2008
Prepayments for purchase of property and equipment	1,608,972	181,740
Prepayments and receivables on other transactions	511,511	382,261
Deferred expenses	304,450	163,009
Prepaid operating taxes	238,952	124,397
Prepayments for purchases of intangible assets	78,866	8,230
Settlements on money transfers	11,199	6,035
Accrued interests on letters of credit	-	29,246
Accrued interest on other operations	1,160	-
Total other assets	2,755,110	894,918

20. DUE TO BANKS AND GOVERNMENT AGENCIES

Due to banks and government agencies comprise:

	31 December 2009	31 December 2008
Amount due to the Ministry of Finance of Azerbaijan	65,007,222	-
Amount due to the National Fund for Support of Entrepreneurship	16,415,668	-
Loans from the CBAR	16,000,583	1,000,000
Amount due to Azerbaijan Mortgage Fund	4,053,468	3,703,882
Correspondent accounts of other banks	2,012,018	6,315
Loans from banks	1,955,721	1,988,463
Amount due to the National Depository Center	904,050	-
Total due to banks and government agencies	106,348,730	6,698,660

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As at 31 December 2009 and 2008 accrued interest expense included in due to banks and government agencies amounted to AZN 35,713 and AZN 16,893, respectively.

As at 31 December 2009 the loan from the Central Bank of Azerbaijan Republic was secured by the pledge of the Bank's real estates belonging to three of the Bank's customers and pledged to the Bank as collateral for a loans issued to these customer (valued in the total amount of AZN 27,320,000).

21. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2009	31 December 2008
Time deposits	245,191,710	227,314,307
Repayable on demand	<u>59,183,350</u>	<u>89,770,022</u>
Total customer accounts	<u>304,375,060</u>	<u>317,084,329</u>

As at 31 December 2009 and 2008 accrued interest expense included in customer accounts amounted to AZN 777,917 and AZN 1,090,037, respectively.

As at 31 December 2009 and 2008 customer accounts amounting to AZN 206,258,059 and AZN 162,457,628 were due to 7 and 7 customers representing a significant concentration, being approximately 68% and 51%, respectively.

	31 December 2009	31 December 2008
Individuals	205,018,849	205,055,921
Trade	64,566,688	75,144,690
Insurance	22,978,405	17,924,853
Transport and communication	6,164,733	14,603,836
Manufacturing	4,106,154	424,890
Construction	491,955	2,223,449
Agriculture	373,011	137,607
Energy	1,996	1,553,711
Other	673,269	15,372
Total customer accounts	<u>304,375,060</u>	<u>317,084,329</u>

22. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2009	31 December 2008
Settlements on money transfers and plastic cards	379,695	241,524
Taxes other than income tax	309,161	330,935
Payables to the employees	256,080	177,228
Payables to the Deposit Insurance Fund	205,394	166,915
Accrued expenses	159,540	204,636
Deferred revenue	60,244	2,000
Professional fees payable	51,562	51,966
Payables to the State Social Protection Fund	17,136	17,136
Other	<u>68,200</u>	<u>8,846</u>
Total other liabilities	<u>1,507,012</u>	<u>1,201,186</u>

23. SHARE CAPITAL

As of 31 December 2009 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.

24. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

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

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

Provision for losses on contingent liabilities amounted to nil and AZN 137,424 as at 31 December 2009 and 2008, respectively.

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As at 31 December 2009 and 2008, the nominal or contract amounts and the risk amounts were:

	31 December 2009		31 December 2008	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	11,455,843	11,455,843	6,904,420	6,904,420
Letters of credit and other transaction related contingent obligations	-	-	12,427,840	6,213,920
Commitments on credits and unused credit lines	16,390,298	8,195,149	9,621,090	4,810,545
Total contingent liabilities and credit commitments	27,846,141	19,650,992	28,953,350	17,928,885

Capital commitments - The Group had no material commitments for capital expenditures outstanding as at 31 December 2009.

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

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

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

Pensions and retirement plans - Employees receive pension benefits from the Republic of Azerbaijan in accordance with the laws and regulations of the country. As at 31 December 2009 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.

25. SUBSEQUENT EVENTS

In January 2010 the premises of Xalq Bank have been moved to the new building acquired by the Group. As of the date of the signing of this consolidated financial statements the purchase of the building has not been officially processed and documented as the Group's management has been expecting the supporting documents from the construction company to recognize the building on the balance sheet. The Group's management expects that the purchase price of the building will approximate its fair value and will be around AZN 65 million.

On February 2010 the Group has opened one branch in Xachmaz. This branch is regulated by the permission of the Central Bank of the Republic of Azerbaijan.

26. 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 2009 and 2008 with related parties:

	31 December 2009		31 December 2008	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers		465,753,285		361,754,037
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	6,000,000		6,000,000	
- <i>key management personnel of the entity</i>	387,960		817,335	
Allowance for impairment losses		(22,556,144)		(25,542,526)
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	(120,000)		(120,000)	
- <i>key management personnel of the entity</i>	(7,759)		(29,897)	
Customer accounts		304,375,060		317,084,329
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	77,286,233		5,675,044	
- <i>key management personnel of the entity</i>	175,646		458,797	
Guarantees issued		11,455,843		6,904,420
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	20,000		2,403,000	

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	Year ended 31 December 2009		Year ended 31 December 2008	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
short-term employee benefits	387,500	4,294,904	280,955	3,022,870

Included in the consolidated income statement for the years ended 31 December 2009 and 2008 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2009		Year ended 31 December 2008	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income		37,369,613		41,233,775
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	1,003,608		810,000	
- <i>key management personnel of the entity</i>	43,173		37,956	
Interest expense		(17,355,773)		(21,292,259)
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	(3,178,688)			
- <i>key management personnel of the entity</i>	(9,804)		(89,161)	
Fee and commission income		3,095,184		2,663,781
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	47,736		1,000	
- <i>key management personnel of the entity</i>	11,805		47,390	
Other income		69,442		41,009
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	40,475		87	
Operating expense		(9,097,983)		(7,331,799)
- <i>shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	(150,043)		-	

27. 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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	31 December 2009		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	18,298,937	18,298,937	24,419,977	24,419,977
Due from banks	3,166,674	3,166,674	7,831,765	7,831,765
Due to banks and government agencies	106,348,730	106,348,730	6,698,660	6,698,660
Customer accounts	304,375,060	304,375,060	317,084,329	317,084,329

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 2009 and 2008 the cost of them was 42,633 and AZN 42,586, 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.

29. REGULATORY MATTERS

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

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

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

As at 31 December 2009 the Group's total capital amount for Capital Adequacy purposes was AZN 75,277,996 and tier 1 capital amount was AZN 75,277,996 with ratios of 16% and 16%, respectively.

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.

In addition, the Group has to maintain a statutory capital adequacy ratio based on the Central Bank of Azerbaijan Republic requirements. During the years ended 31 December 2009 and 2008 the Group was in compliance with the minimum capital requirements imposed by the CBAR.

30. 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 2008.

31. 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.

	Maximum exposure	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
				31 December 2009
Due from banks	3,166,674	3,166,674	-	3,166,674
Loans to customers	443,197,140	443,197,140	223,670,179	219,526,961
Investments available-for-sale	42,633	42,633	-	42,633

	Maximum exposure	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
				31 December 2008
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
Investments available-for-sale	42,586	42,586	-	42,586

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

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

	AAA	AA	A	BBB	< BBB	Not rated	Total
							31 December 2009
Due from banks	-	2,783,894	-	-	365,063	17,717	3,166,674
Loans to customers	-	-	-	-	-	443,197,140	443,197,140
Investments available-for-sale	-	-	-	-	-	42,633	42,633

	AAA	AA	A	BBB	< BBB	Not rated	Total
							31 December 2008
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

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.

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RATING MODEL

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

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

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

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

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

	Financial assets past due but not impaired					31 December 2009	
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total
Due from banks	3,166,674	-	-	-	-	-	3,166,674
Loans to customers	95,473,282	-	-	-	-	347,723,858	443,197,140
Investments available-for-sale	42,633	-	-	-	-	-	42,633

	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

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 2009 Total
ASSETS				
Cash and cash equivalents	18,298,937	-	-	18,298,937
Gold	5,230,000	-	-	5,230,000
Due from banks	287,111	95,669	2,783,894	3,166,674
Loans to customers	443,197,140	-	-	443,197,140
Investments available for sale	40,000	-	2,633	42,633
Property and equipment	8,663,620	-	-	8,663,620
Investment property	5,931,894	-	-	5,931,894
Intangible assets	333,823	-	-	333,823
Deferred income tax asset	222,790	-	-	222,790
Other assets	2,740,010	12,679	2,421	2,755,110
TOTAL ASSETS	484,945,325	108,348	2,788,948	487,842,621
LIABILITIES				
Due to banks and government agencies	106,348,730	-	-	106,348,730
Customer accounts	304,375,060	-	-	304,375,060
Other liabilities	1,459,476	8,229	39,307	1,507,012
TOTAL LIABILITIES	412,183,266	8,229	39,307	412,230,802
NET POSITION	72,762,059	100,119	2,749,641	

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	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	878,870	16,048	-	894,918
TOTAL ASSETS	378,777,817	195,963	4,564,427	383,538,207
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	1,143,887	5,333	51,966	1,201,186
TOTAL LIABILITIES	325,103,890	5,333	53,577	325,162,800
NET POSITION	53,673,927	190,630	4,510,850	

LIQUIDITY RISK

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

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

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

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

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total 31 December 2009
ASSETS								
Loans to customers	10,74%	95,183,090	15,572,634	47,114,924	263,385,639	16,335,901	3,783,983	441,376,171
Total interest bearing assets at fixed rates		95,183,090	15,572,634	47,114,924	263,385,639	16,335,901	3,783,983	441,376,171
Total interest bearing assets		95,183,090	15,572,634	47,114,924	263,385,639	16,335,901	3,783,983	441,376,171
Cash and cash equivalents		16,978,793	-	-	-	-	1,320,144	18,298,937
Gold		5,230,000	-	-	-	-	-	5,230,000
Due from banks		3,125,716	-	-	-	-	40,958	3,166,674
Loans to customers		1,765,346	-	-	-	-	55,623	1,820,969
Investments available for sale		-	-	-	-	-	42,633	42,633
Other assets		435,421	-	-	-	-	-	435,421
		122,718,366	15,572,634	47,114,924	263,385,639	16,335,901	5,243,341	470,370,805
LIABILITIES								
Due to banks and government agencies	1,93%	1,959,377	70,000,000	1,900,000	19,915,000	10,526,622	-	104,300,999
Customer accounts	7,07%	14,986,985	18,589,580	46,536,438	164,217,054	-	-	244,330,057
Total interest bearing liabilities at fixed rates		16,946,362	88,589,580	48,436,438	184,132,054	10,526,622	-	348,631,056
Total interest bearing liabilities		16,946,362	88,589,580	48,436,438	184,132,054	10,526,622	-	348,631,056
Due to banks and government agencies		2,047,731	-	-	-	-	-	2,047,731
Customer accounts		59,845,003	-	-	-	-	200,000	60,045,003
Other liabilities		759,919	86,298	25,632	272,937	-	362,226	1,507,012
Guarantees issued and similar commitments		2,811,000	1,557,000	6,164,645	622,998	-	300,000	11,455,843
Commitments on credits and unused credit lines		3,371,301	680	413,427	9,604,890	-	-	16,390,298
		85,781,316	90,233,758	58,040,142	194,632,879	10,526,622	862,226	440,076,943
Liquidity gap		36,937,050	(74,661,124)	(10,925,218)	68,752,760	5,809,279		
Interest sensitivity gap for fixed rate instruments		78,236,728	(73,016,946)	(1,321,514)	79,253,585	5,809,279		
Interest sensitivity gap		78,236,728	(73,016,946)	(1,321,514)	79,253,585	5,809,279		
Cumulative interest sensitivity gap		78,236,728	75,219,782	3,898,268	83,151,853	88,961,132		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total 31 December 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								
Total interest bearing assets								
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								
Total interest bearing liabilities								
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		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

MARKET RISK

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2009.

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 2009		As at 31 December 2008	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Loans to customers	4,413,762	(4,413,762)	3,362,115	(3,362,115)
Due from banks	-	-	43,811	(43,811)
Liabilities:				
Due to banks and government agencies	(1,043,010)	1,043,010	(66,923)	66,923
Customer accounts	(2,443,301)	2,443,301	(2,273,143)	2,273,143
Net impact on profit before tax	927,451	(927,451)	1,065,860	(1,065,860)

Impact on shareholders equity:

	As at 31 December 2009		As at 31 December 2008	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Loans to customers	4,413,762	(4,413,762)	3,362,115	(3,362,115)
Due from banks	-	-	43,811	(43,811)
Liabilities:				
Due to banks and government agencies	(1,043,010)	1,043,010	(66,923)	66,923
Customer accounts	(2,443,301)	2,443,301	(2,273,143)	2,273,143
Net impact on profit before tax	927,451	(927,451)	1,065,860	(1,065,860)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (IN AZERBAIJAN MANATS)

CURRENCY RISK

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

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

	AZN	USD	EUR	Other currency	31 December 2009 Total
ASSETS					
Cash and cash equivalents	12,580,338	4,056,924	1,661,675	-	18,298,937
Gold	5,230,000	-	-	-	5,230,000
Due from banks	-	2,796,705	268,524	101,445	3,166,674
Loans to customers	280,052,488	160,885,255	318,670	1,940,727	443,197,140
Investments available for sale	40,000	-	2,633	-	42,633
Property and equipment	8,663,620	-	-	-	8,663,620
Investment property	5,931,894	-	-	-	5,931,894
Intangible assets	333,823	-	-	-	333,823
Deferred income tax asset	222,790	-	-	-	222,790
Other assets	2,708,761	43,757	2,592	-	2,755,110
TOTAL ASSETS	315,763,714	167,782,641	2,254,094	2,042,172	487,842,621
LIABILITIES					
Due to banks and government agencies	102,380,991	2,025,697	750	1,941,292	106,348,730
Customer accounts	131,816,674	166,733,361	5,725,697	99,328	304,375,060
Other liabilities	1,287,454	208,411	10,479	668	1,507,012
TOTAL LIABILITIES	235,485,119	168,967,469	5,736,926	2,041,288	412,230,802
OPEN CURRENCY POSITION	80,278,595	(1,184,828)	(3,482,832)	884	

	AZN	USD	EUR	Other currency	31 December 2008 Total
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 CURRENCY POSITION	40,770,385	21,323,903	(3,524,231)	(194,650)	

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 2009		As at 31 December 2008	
	AZN / USD +10%	AZN / USD -10%	AZN / USD +10%	AZN / USD -10%
Impact on profit or loss	118,483	(118,483)	(2,132,390)	2,132,390
	As at 31 December 2009		As at 31 December 2008	
	AZN / EURO +10%	AZN / EURO -10%	AZN / EURO +10%	AZN / EURO -10%
Impact on profit or loss	348,283	(348,283)	352,423	(352,423)

LIMITATIONS OF SENSITIVITY ANALYSIS

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

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

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

ÜMUMİ MƏLUMAT

GENERAL DETAILS

- Adı: Açıq Səhmdar Cəmiyyəti "Xalq" Bankı
- Qısaldılmış adı: Xalq Bank
- Qeydiyyat: N1104-A1-414 Azərbaycan Respublikası Ədliyyə Nazirliyi
- Lisenziya: Azərbaycan Respublikası Milli Bankı tərəfindən verilmiş 27 Dekabr 2004-cü il tarixli, 246 sayılı lisenziya
- Fəaliyyətə başladığı tarix: 24 Dekabr 2004-cü il
- Faktiki ünvan: İnşaatçılar pr-ti, 22L, AZ1006, Bakı şəh., Azərbaycan
- Hüquqi ünvan: AZ1025, Babək pr., 1145, Bakı, Azərbaycan
- VÖEN: 2000296061
- Kod: 505055
- SWIFT: HAJCAZ22
- Tel.: +994 (12) 404 43 43
- Faks: +994 (12) 404 43 34
- Teleks: 142400 XALG AI
- E-poçt: mail@xalqbank.az
- URL: www.xalqbank.az
- Beynəlxalq auditor: BDO International

- Name: Open Joint-Stock Company Xalq Bank
- Short name: Xalq Bank
- Registration: 1104-A1-414, Ministry of Justice of Azerbaijan
- Licence: N246 issued by National Bank of Azerbaijan Republic on December 27th, 2004
- Date of establishment: December 24, 2004
- Actual address: 22L, İnşaatçılar ave., AZ1006, Baku, Azerbaijan
- Legal address: 1145, Babək ave., AZ1025, Baku, Azerbaijan
- Tax ID: 2000296061
- Code: 505055
- SWIFT: HAJCAZ22
- Tel.: +994 (12) 404 43 43
- Fax: +994 (12) 404 43 34
- Teleks: 142400 XALG AI
- E-mail: mail@xalqbank.az
- URL: www.xalqbank.az
- Independent auditor: BDO International



- Filialların sayı: 10
- Şöbələrin sayı: 2
- İşçilərin sayı: 314
- ƏSAS MALİYYƏ GÖSTƏRİCİLƏRİ:
- Aktivlər: 504,264 mln AZN
- Kreditlər: 464,003 mln AZN
- Əmanətlər: 283,248 mln AZN
- Xalis mənfəət: 18,194 mln AZN
- Nizamnamə kapitalı: 53,550 mln AZN

- Branches: 10
- Retail divisions: 2
- Staff: 314
- KEY FINANCIAL INDICATORS:
- Assets: 504.264 mln AZN
- Loans: 464.003 mln AZN
- Deposits: 283.248 mln AZN
- Net profit: 18.194 mln AZN
- Shareholders capital: 53.550 mln AZN