Texnikabank OJSC

Financial Statement

30 June 2009

Report of the Management Board

Dear customers, shareholders, colleagues and friends of TechnikaBank OJSC!

As a successful transition stage, first half of 2009 became a landmark in the history of our national economy, banking sector and Texnikabank given that we have achieved good results and managed to justify expectations of our clients and partners. Overall, we can describe this period as a test period for the economy of Azerbaijan, above all the banking sector.

Amid economic recession across the world, Azerbaijan saw Gross Domestic Product surge to AZN48 billion at the year-end 2008 and our country became second among the CIS members. Consequently, these economic upswings ensure defficiency of the banking sector and justified its multi-year credibility by evidencing the fact that sustainable development of Azerbaijan's banking sector does not depend on temporary trends.

From this perspective, Texnikabank had far heavier responsibility during first half of 2009 because Texnikabank, as one of the leading banks in the country, gave its contributions to the future development of banking sector by maintaining its longstanding consistent growth.

We have achieved the targets we had set and posted significantly high results in terms of all banking indicators. Texnikabank managed to make use of all possible factors to further consolidate its leading position.

I am proud to note that Texnikabank's reliability and performance efficiency was internationally rated and affirmed last year when Moody's Investors Service assigned B2/NP/E+ and Fitch assigned B-/B/D/E 5 ratings to Texnikabank.

Furthermore, Texnikabank made great strides towards the improvement of risk management in first half of 2009. Under an agreement of cooperation with a Turkish company, we launched activities to re-evaluate risk management programme and bring risk management practice in line with the international standards.

At the same time, we cooperated with a prestigious and experienced software maker of Switzerland in the procurement of new banking software with a view of enabling the introduction of new products as well as the improvement of existing customer services. In parallel, we carried out stress-testing to gauge financial stability of the market and market position of the bank in order to minimize the impact of possible financial market fluctuations on the bank. Stress-testing is considered as one of the most effective analytical means in risk management.

In conclusion, I would like to thank everyone who has contributed to the bank's accomplishments and hope that this year will continue along with new achievements. I look forward for yet another memorable year with higher heights conquered.

Yours faithfully,

Samir Huseynov
Chairman of the Board

Statement of the Management's responsibilities

The Management of Texnikabank OJSC (Bank) is responsible for the preparation of the financial statements of the Bank.

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Bank as of 30 June 2009 and the results of its operations and cash flows as of 30 June 2009.

The financial statements are prepared in accordance with International Financial Reporting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The management of Texnikabank OJSC are responsible for the maintenance of a proper accounting system, safeguarding the Group's assets, and prevention and detection of fraud and other irregularities in the Bank. They are also responsible for operating the Bank in compliance with the Law on Banks, regulations of the Central Bank of Azerbaijan and other legislations of the Republic of Azerbaijan applicable to credit institutions.

On behalf of the Bank's management,

Samir Huseynov
Chairman of the Board

Balance Sheet

ASSETS	AZN	EURO
Cash and cash equivalents	54 156	47 568
Mandatory cash balances with the CBA	762	669
Due from other banks and financ.institutions	17 724	15 568
Loans and advances to customers	328 638	288 659
Investment securities available for sale	2 538	2 229
Other assets	7 791	6 843
Deferred tax asset		0
Investment property	253	222
Premises, equipment and intangible assets	37 357	32 812
Total assets	**449 219**	**394 571**

LIABILITIES	AZN	EURO
Due to other banks	80 906	71 064
Customer accounts	141 058	123 898
Debt securities in issue	11 133	9 779
Other borrowed funds	150 694	132 362
Other liabilities	5 882	5 166
Defered tax liabilities	1 363	1 197
Total liabilities	**391 036**	**343 466**

Shareholder Equity	AZN	EURO
Share premium	3 464	3 043
Share capital	26 912	23 638
Revalution reserve for premises and investments	2 679	2 353
Retained earnings	25 128	22 071
Total shareholder equity	**58 183**	**51 105**
Total liabilities and shareholders equity/(deficit)	**449 219**	**394 571**

*amounts are expressed in thousands

Samir Huseynov
Chairman of the Executive Board

Income Statement

	AZN	EURO
Interest income	27 985	24 581
Interest expense	15 005	13 180
Net interest income	**12 979**	**11 400**
Provision for loan impairment	2 131	1 872
Net interest income after provision for loan impairment	**10 848**	**9 528**
Gains less losses from trading in foreign currencies	(84)	(74)
Foreign exchange translation gains less losses/(losses less gains)	785	690
Fee and commission income	4 673	4 105
Fee and commission expense	1 048	921
Other operating income	6	5
Operating income	**15 180**	**13 333**
Administrative and other operating expenses	6 412	5 632
Gains arising from a change in fair value of investment property	200	176
Profit/(loss) before tax	**8 968**	**7 877**
Income tax expense		
Net profit/(loss)	**8 968**	**7 877**

*amounts are expressed in thousands

Samir Huseynov
Chairman of the Executive Board

Changes in Equity

	Share capital		Share premium		Revaluation reserve		Retained earnings		Total	
	AZN	EURO	AZN	EURO	AZN	EURO	AZN	EURO	AZN	EURO
31 December 2006	**11 912**	**10 384**	**3 808**	**3 320**	**944**	**823**	**3 836**	**3 344**	**20 500**	**17 871**
Premises and investments:										
- Realised revaluation reserve	-	-	-		1 725	1 504	224	195	**1 949**	**1 699**
Profit for the year	9 312	8 118	-		-	-	2 141	1 866	**11 453**	**9 984**
Share issue	5 688	4 959	(344)	(300)	-	-	(3 780)	(3 295)	**1 564**	**1 363**
31December 2007	**26 912**	**21 616**	**3 464**	**2 782**	**2 669**	**2 144**	**2 421**	**1 945**	**35 466**	**28 487**
Premises and investments:										
- Realised revaluation reserve					9	7	63	51	**72**	**58**
Profit for the year							13 676	10 985	**13 676**	**10 985**
Share issue										
31 December 2008	**26 912**	**23 833**	**3 464**	**3 068**	**2 678**	**2 372**	**16 160**	**14 311**	**49 214**	**43 583**
Premises and investments:										
- Realised revaluation reserve									**-**	
Profit for the year							8 969	7 943	**8 969**	**7 943**
Share issue										
30 June 2009	**26 912**	**23 638**	**3 464**	**3 043**	**2 678**	**2 352**	**24 652**	**21 653**	**58 183**	**51 105**

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Samir Huseynov
Chairman of the Executive Board

Cash Flow

CASH FLOW STATEMENT	AZN	EURO
Interest received	29 466	25 882
Interest paid	(13 663)	(12 001)
Fees and commissions received	4 674	4 105
Fees and commissions paid	(1 048)	(921)
Dividend earnings	200	176
Income received from trading in foreign currencies	(84)	(74)
Other operating income received	7	5,8
Staff costs paid	(2 999)	(2 634)
Administrative and other operating expenses paid	(1 839)	(1 616)
Income tax paid	-	-
CF from operations bef change in operating assets and liabilities	**14 712**	**12 922**
Changes in operating assets & liabilities		
Net increase in mandatory cash balances with the NBA	9 171	8 056
Net increase in due from other banks	(2 310)	(2 029)
Net increase in loans and advances to customers	(14 802)	(13 002)
Net decrease/(increase) in other assets	(4 622)	(4 060)
Net decrease/(increase) in other financial assets	(218)	(191)
Net (decrease)/increase in due to other banks	(21 379)	(18 779)
Net increase in customer accounts	(8 611)	(7 564)
Net increase(decrease) in current tax liability	(646)	(567)
Net (decrease)/increase in other liabilities	-	-
Net (decrease)/increase other financial liabilities	4 444	3 903
Cash flows from operating activities	**(24 261)**	**(21 310)**
Cash flow from investing activities		
Acquisition of Investment properties for sale	-	-
Proceeds from sale of investment securities available for sale	(200)	(176)
Acquisition of premises and equipment and intangible assets	(1 862)	(1 636)
		-
Net cash used in investing activity	**(2 063)**	**(1 812)**
Cash flow from financing activities		
Net (decrease)/increase in term borrowings from other banks and financial institutions	50 587	44 433
Net (decrease)/increase in debt securities in issue	(19 987)	(17 556)
Issue and sale of ordinary shares	-	-
Share premium	-	-
Net cash used in fiancing activities	**30 600**	**26 877**

Effect of exchange rate changes on cash & cash equiv.	699	614
Net increase/(decrease) in cash & cash equiv.	**4 974**	**4 369**
Cash & cash equivalents at the beginning of year	**49 181**	**43 198**
Cash & cash equivalents at the end of year	**54 156**	**47 567**

*amounts are expressed in thousands

Samir Huseynov
Chairman of the Executive Board