TechnikaBank OJSC

Audited Consolidated Financial Statements
for year ended 31 December 2009

Report of the Management Board

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

For TechnikaBank the year of 2009 was a successful and productive year despite the tough times around the world markets. We have achieved determined goals and obtained expected results in all of the directions.

By the end of 2009 assets of TechnikaBank grew by 2.2% and total equity by 13.6%. Growth of direct indicators proving increasing loyalty of the customers to the bank was higher. By the end of year the bank's net profit after tax was AZN 9 million. Generally, during the year our bank was in top four of the banking sector in terms of main indicators.

In year 2009 TechnikaBank established its own card processing center called TechCard which allows to serve the clients faster and reduce the expenses.

Our activity directed at increase of branch number what is most important in the bank's development strategy also continued. As of the year ended 31 December 2009 TechnikaBank had 36 branches and 5 service outlets well diversified throughout the country.

We are still committed to expansion of borders in all activity directions, maintenance of stable and reliable bank image, strengthening of our status as a bank with positive image in international market, continuing our activities as the strongest universal bank in Azerbaijan in future. We are anticipating opening the bank's representative offices in the countries such as Great Britain, Turkey and Russia in upcoming years. We are confident in further achievements relying on our experienced staff on one hand and loyal customers and partners on the other hand.

In conclusion, I would like to thank everyone who has contributed to the bank's accomplishments and hope that upcoming year will stay in our memory with more important 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 TechnikaBank OJSC (Bank) is responsible for the preparation of the consolidated financial statements of the Bank and its subsidiaries (the Group).

The consolidated financial statements are prepared in accordance with the source documents and present fairly the financial position of the Group as of 31 December 2009 and the results of its operations and cash flows for the year ended 31 December 2009.

The consolidated 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 TechnikaBank 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 Group. They are also responsible for operating the Bank in compliance with the Law on Banks, regulations of the Central Bank of Azerbaijan and other legislation of the Republic of Azerbaijan applicable to credit institutions.

On behalf of the Bank's management,

Samir Huseynov
Chairman of the Board

20 June 2010

CONSOLIDATED BALANCE SHEET

Assets	31 December 2008		31 December 2009	
	AZN	EURO	AZN	EURO
Cash and cash equivalents	49 392	55 769	47 897	55 292
Mandatory cash balances with the CBA	9 933	11 215	837	966
Due from other banks	15 504	17 506	6 980	8 058
Loans and advances to customers	318 704	359 849	342 509	395 392
Investment securities available for sale	550	621	609	703
Other securities			2 336	2 697
Investment properties	253	286	1 181	1 363
Premises, equipment and intangible assets	36 747	41 491	39 111	45 150
Intangible assets	1 251	1 413	2 628	3 034
Other financial assets	1 849	2 088	3 340	3 856
Other assets	4 040	4 562	2 778	3 207
Total assets	**438 223**	**494 798**	**450 206**	**519 717**
Liabilities				
Due to other banks	7 557	8 533	28 826	33 277
Customer accounts	174 603	197 144	189 812	219 119
Debt securities in issue	31 271	35 308	10 906	12 590
Term borrowings from other banks and financial institutions	99 739	112 615	157 007	181 249
Current income tax liability	861	972	-	-
Deferred income tax liability	1 363	1 539	971	1 121
Other financial liabilities	4 007	4 524	1 916	2 212
Other liabilities	195	220	2 173	2 509
Total liabilities	**389 364**	**439 631**	**391 611**	**452 076**
Equity				
Share capital	26 912	30 386	41 712	48 152
Share premium	3 464	3 911	3 464	3 999
Retained earnings	2 589	2 923	3 143	3 628
Revaluation reserve for premises	90	102	149	172
Revaluation reserve for investment available for sale	15 804	17 844	10 127	11 691
Total equity	**48 859**	**55 167**	**58 595**	**67 642**
Total liabilities and equity	**438 223**	**494 798**	**450 206**	**519 717**

*figures are indicated in thousands

Samir Huseynov
Chairman of the Board

CONSOLIDATED INCOME STATEMENT

*figures are indicated in thousands	31 December 2008		31 December 2009	
	AZN	EURO	AZN	EURO
Interest income	53 217	60 087	53 716	62 010
Interest expense	-29 171	-32 937	-27 527	-31 777
Net interest income	**24 046**	**27 150**	**26 189**	**30 233**
Provision for loan impairment	-14 669	-16 563	-9 584	-11 064
Provision of impairment of due from other banks	-550	-621	-1 778	-2 053
Net interest income after provision for loan impairment	**8 827**	**9 967**	**14 827**	**17 116**
Fee and commission income	14 787	16 696	10 504	12 126
Fee and commission expense	-1 961	-2 214	-2 355	-2 719
Gains less losses from trading in foreign currencies	19	21	854	986
Gain on revaluation of investment properties	-	-	111	128
Loss on revaluation of premises	-	-	-2 388	-2 757
Foreign exchange translation gains less losses	3 905	4 409	648	748
Insurance premiums written	1 329	1 501	926	1 069
Reinsurance premiums ceded	-243	-274	-87	-100
Decrease/(Increase) of provision for unearned premiums	-351	-396	278	321
(Decrease)/increase of reinsurer's share of provision for unearned premiums	368	416	-89	-103
Claims incurred	-358	-404	-262	-302
Provision for losses on credit related commitments	-	-	-176	-203
Other operating income	466	526	41	47
Administrative and other operating expenses	-12 594	-14 220	-14 333	-16 546
Profit before tax	**16 075**	**18 150**	**8 499**	**9 811**
Income tax credit/(expense)	-3 971	-4 484	544	628
Profit for the year	**12 104**	**13 667**	**9 043**	**10 439**
Other comprehensive income:				
Available-for-sale investments:				
- Gains less losses arising during the year	90	102	59	68
- Reclassification adjustments for gains less losses included in profit or loss	-	-	-	-
Revaluation of premises and equipment	-	-	793	915
Income tax recorded directly in other comprehensive income	-	-	(159)	-184
Other comprehensive income for the year	**90**	**102**	**693**	**800**
Total comprehensive income for the year	**12 194**	**13 768**	**9 736**	**11 239**
Earnings per share for profit attributable to the equity holders of the Group, basic and diluted	**0.450**	**0.508**	**0.217**	**0.250**

Samir Huseynov
Chairman of the Board

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*figures indicated in thousands	Share capital		Share premium		Other reserves		Retained earnings		Total equity	
	AZN	**EURO**	**AZN**	**EURO**	**AZN**	**EURO**	**AZN**	**EURO**	**AZN**	**EURO**
Total comprehensive income for 2008	-	-	-	-	90	102	12 104	13 667	12 194	13 768
Transfer to retained earnings	-	-	-	-	-80	-90	80	90	-	-
Balance at 31 December 2008	**26 912**	**30 386**	**3 464**	**3 911**	**2 679**	**3 025**	**15 804**	**17 844**	**48 859**	**55 167**
Total comprehensive income for 2009	-	-	-	-	693	800	9 043	10 439	9 736	11 239
Transfer to retained earnings	-	-	-	-	-80	-92	80	92	-	-
Share issue	148	171	-	-	-	-	-148	-171	-	-
Balance at 31 December 2009	**41 712**	**48 152**	**3 464**	**3 999**	**3 292**	**3 800**	**10 127**	**11 691**	**58 595**	**67 642**

Samir Huseynov
Chairman of the Board

CONSOLIDATED STATEMENT OF CASH FLOWS

*figures indicated in thousands	31 December 2008		31 December 2009	
Cash flows from operating activities	**AZN**	**EURO**	**AZN**	**EURO**
Interest received	47 234	53 332	40 941	47 262
Interest paid	-27 843	-31 438	-28 142	-32 487
Fees and commissions received	14 787	16 696	9 835	11 354
Fees and commissions paid	-1 961	-2 214	-2 355	-2 719
Insurance premium received	1 226	1 384	846	977
Reinsurance premium ceded	-243	-274	-87	-100
Insurance claims paid	-358	-404	-262	-302
Income received from trading in foreign currencies	19	21	854	986
Other operating income received	466	526	41	47
Staff costs paid	-574	-648	-6 361	-7 343
Administrative and other operating expenses	-4 759	-5 373	-4 105	-4 739
Income tax paid	-4 942	-5 580	-861	-994
Cash flows from operating activities before changes in operating assets and liabilities	**19 767**	**22 319**	**10 344**	**11 941**
Changes in operating assets and liabilities				
Net decrease/(increase) in mandatory cash balances with the CBAR	-152	-172	9 096	10 500
Net decrease in due from other banks	9 736	10 993	7 266	8 388
Net increase in loans and advances to customers	-	-	-22 078	-25 487
Net increase in other investment securities	-90 697	-102 406	-2 336	-2 697
Net (increase)/decrease in other financial assets	551	622	-742	-857
Net decrease/(increase) in other assets	-2 361	-2 666	716	827
Net (decrease)/increase in due to other banks and financial institutions	22 138	24 996	-46 625	-53 824
Net decrease in liabilities to customers under brokerage agreements	-10 793	-12 186	-	-
Net increase/(decrease) in customer accounts	-20 897	-23 595	1 497	1 728
Net (decrease)/increase in other financial liabilities	283	320	-2 363	-2 728
Net increase/(decrease) in other liabilities	-633	-715	519	599
Net cash used in operating activities	**-71 879**	**-81 159**	**-31 233**	**-36 055**
Cash flows from investing activities				
Acquisition of premises and equipment and intangible assets	-19 654	-22 191	-9 491	-10 956
Acquisition of investment properties	-108	-122	-	-
Net cash used in investing activities	**-19 762**	**-22 313**	**-9 491**	**-10 956**
Cash flows from financing activities				
Proceeds from term borrowings from other banks and financial institutions	67 366	76 063	122 071	140 919

Repayment of term borrowings from other banks and financial institutions	-658	-743	-64 288	-74 214
Proceeds from debt securities in issue	275	311	-	
Repayment of debt securities in issue	-1 664	-1 879	-19 137	-22 092
Net cash provided from financing activities	**86 622**	**97 805**	**38 646**	**44 613**
Effect of exchange rate changes on cash and cash equivalents	**1 184**	**1 337**	**583**	**673**
Net decrease in cash and cash equivalents	**-3 835**	**-4 330**	**-1 495**	**-1 726**
Cash and cash equivalents at the beginning of the year	53 227	60 099	49 392	57 018
Cash and cash equivalents at the end of the year	**49 392**	**55 769**	**47 897**	**55 292**

Samir Huseynov
Chairman of the Board