OPEN JOINT STOCK BANK
BANK OF BAKU

Financial Statements
For the Year Ended 31 December 2006

and Independent Auditors' Report

OPEN JOINT STOCK BANK
BANK OF BAKU

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 financial statements of Open Joint Stock Bank Bank of Baku (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank at 31 December 2006, 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 financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank 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 Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2006 were authorized for issue on 22 May 2007 by the Management Board.

On behalf of the Management Board

Chairman	**Chief Accountant**
22 May 2007	22 May 2007

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management Board of the Open Joint Stock Bank Bank of Baku:

We have audited the accompanying financial statements of Open Joint Stock Bank Bank of Baku, which comprise the balance sheet as at 31 December 2006, and the income statement, statements of changes in equity and cash flows for the year then ended, 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Deloitte.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Open Joint Stock Bank Bank of Baku as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

As discussed in Note 4 to the financial statements the balance sheet as at 31 December 2005 and the statement of changes in equity for the year then ended have been restated.

Deloitte & Touche.

22 May 2007

OPEN JOINT STOCK BANK
BANK OF BAKU

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006
(in New Azerbaijan Manats and in thousands, except for earnings per share which is in Manats)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
Interest income	5, 29	8,630	5,859
Interest expense	5, 29	(2,756)	(1,709)
NET INTEREST INCOME BEFORE PROVISION/(RECOVERY OF PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		5,874	4,150
(Provision)/recovery of provision for impairment losses on interest bearing assets	6	(862)	639
NET INTEREST INCOME		5,012	4,789
Net gain/(loss) on foreign exchange operations	7	521	(2)
Fee and commission income	8, 29	2,535	2,108
Fee and commission expense	8	(699)	(481)
Dividends received	9	14	12
Other income	10	128	118
NET NON-INTEREST INCOME		2,499	1,755
OPERATING INCOME		7,511	6,544
OPERATING EXPENSES	11, 29	(3,944)	(2,560)
OPERATING PROFIT		3,567	3,984
(Provision)/recovery of provision for impairment losses on other transactions	6	(17)	11
Recovery of provision for guarantees and other commitments	6	-	24
PROFIT BEFORE INCOME TAX		3,550	4,019
Income tax expense	12	(758)	(1,006)
NET PROFIT		2,792	3,013
EARNINGS PER SHARE			
Basic (AZN)	13	0.821	1.024

On behalf of the Management Board

Chairman

22 May 2007

Chief Accountant

22 May 2007

The notes on pages 9 to 47 form an integral part of these financial statements. The Independent Auditors' Report is on page 2 to 3.

OPEN JOINT STOCK BANK
BANK OF BAKU

BALANCE SHEET
AS AT 31 DECEMBER 2006
(in New Azerbaijan Manats and in thousands)

	Notes	31 December 2006	31 December 2005 (restated)
ASSETS:			
Cash and balances with the National Bank of Azerbaijan	14	9,827	5,020
Due from banks	15	4,430	14,467
Loans to customers	16, 29	46,574	26,245
Investments available-for-sale	17	5,179	3,631
Property and equipment	18	4,206	4,325
Intangible assets	19	125	132
Non-current assets held-for-sale	20	541	-
Other assets	21	310	165
TOTAL ASSETS		71,192	53,985
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and other credit institutions	22	12,234	6,568
Customer accounts	23, 29	41,781	33,536
Debt securities issued	24	3,103	-
Current income tax liabilities	12	270	662
Deferred income tax liabilities	12	404	554
Other liabilities	25, 29	428	1,029
Total liabilities		58,220	42,349
EQUITY:			
Share capital	26	6,800	6,800
Revaluation reserve		1,658	1,732
Retained earnings		4,514	3,104
Total equity		12,972	11,636
TOTAL LIABILITIES AND EQUITY		71,192	53,985

On behalf of the Management Board

Chairman

22 May 2007

Chief Accountant

22 May 2007

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OPEN JOINT STOCK BANK
BANK OF BAKU

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
(in New Azerbaijan Manats and in thousands)

	Share capital	Fixed assets revaluation reserve	Share premium	Retained earnings	Total equity
31 December 2004	5,194	-	2	1,862	7,058
Share capital movement	1,606	-	(2)	-	1,604
Fixed assets revaluation	-	2,279	-	-	2,279
Amortization of revaluation gain		(59)	-	59	-
Dividends	-	-	-	(1,830)	(1,830)
Net profit	-	-	-	3,013	3,013
31 December 2005 as previously reported	6,800	2,220	-	3,104	12,124
Restatement (Note 4)	-	(488)	-	-	(488)
31 December 2005 as restated	6,800	1,732	-	3,104	11,636
Amortization of revaluation gain, net of deferred tax	-	(74)	-	97	23
Dividends	-	-	-	(1,479)	(1,479)
Net profit	-	-	-	2,792	2,792
31 December 2006	6,800	1,658		4,514	12,972

On behalf of the Management Board

Chairman

22 May 2007

Chief Accountant

22 May 2007

The notes on pages 9 to 47 form an integral part of these financial statements. The Independent Auditors' Report is on page 2 to 3.

OPEN JOINT STOCK BANK
BANK OF BAKU

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006
(in New Azerbaijan Manats and in thousands)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes		3,550	4,019
Adjustments for:			
Provision/(recovery of provision) for impairment losses on interest bearing assets		862	(639)
Recovery of provision for impairment losses on other transactions		17	(11)
Provision/(recovery of provision) for off-balance sheet and other commitments		-	(24)
Unrealized (gain)/loss and amortization of discounts on securities		(21)	10
Net unrealized loss arising from changes in foreign currency exchange rates		92	209
Amortization of discount on issued securities		103	-
Dividend income		(14)	(12)
Depreciation and amortisation		486	332
Change in interest accruals, net		233	112
Loss/(gain) on fixed assets disposal		30	(1)
Other income		-	(8)
Cash flow from operating activities before changes in operating assets and liabilities		5,338	3,987
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of Azerbaijan		(2,261)	(1,448)
Loans and advances to banks		1,914	1,274
Loans and advances to customers		(22,264)	(8,474)
Other assets		(171)	(87)
Increase/(decrease) in operating liabilities:			
Deposits from banks and other credit institutions		5,602	(2,347)
Customer accounts		9,478	13,533
Other liabilities		(765)	1,067
Cash inflow from operating activities before income taxes		(3,129)	7,505
Income tax paid		(1,277)	(374)
Net cash (outflow)/inflow from operating activities		(4,406)	7,131
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed and intangible assets		(956)	(887)
Proceeds on sale of fixed assets		25	1
Purchase of available-for-sale securities, net		(1,532)	(3,048)
Dividends received		14	12
Net cash outflow from investing activities		(2,449)	(3,922)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)
(in Azerbaijan Manats and in thousands)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital increase		-	1,606
Proceeds from debt securities issued		3,000	-
Dividends paid		(1,313)	(1,830)
Net cash inflow/(outflow) from financing activities		1,687	(224)
Effect of foreign exchange rates		(166)	(209)
NET (DECREASE)/INCREASEIN CASH AND CASH EQUIVALENTS		(5,334)	2,776
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	14	11,941	9,165
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14	6,607	11,941

Interest paid and received by the Bank in cash during the year ended 31 December 2006 amounted to AZN 2,553 thousand and AZN 8,248 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2005 amounted to AZN 1,517 thousand and AZN 5,790 thousand, respectively.

On behalf of the Management Board

Chairman

22 May 2007

Chief Accountant

22 May 2007

The notes on pages 9 to 47 form an integral part of these financial statements. The Independent Auditors' Report is on page 2 to 3.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

1. ORGANISATION

On 18 February 2005 Open Joint Stock Commercial Bank "Bank of Baku" ("Bank of Baku") and Closed Joint Stock Commercial Bank "Ilkbank" ("Ilkbank") combined and formed a new bank under the name Open Joint Stock Commercial Bank Bank of Baku ("the Bank"). The Bank received from the NBA a new banking license number 247. The share capital of the Bank was formed in equal amounts by both Bank of Baku and Ilkbank. The Bank is a legal successor of both banks. The address of the Bank's registered office is 42 Ataturk Avenue, Baku, AZ1069, Azerbaijan. The Bank changed its name from Open Joint Stock Commercial Bank "Bank of Baku" to Open Joint Stock Bank "Bank of Baku" in 15 May 2006. The Bank is regulated by the National Bank of Azerbaijan (the "NBA"). The Bank's principal business activities are commercial and retail banking operations.

Bank of Baku was an open joint stock bank established on 14 February 1994 as the commercial bank "Tugai". Ilkbank was a closed joint-stock commercial bank, which was incorporated in the Republic of Azerbaijan in 1991.

The Head Office of the Bank is providing a full range of commercial and retail banking operations. As at 31 December 2006 the Bank had 9 branches and 3 service divisions in Azerbaijan.

As at 31 December 2006 the shareholding structure of the Bank was as follows:

	31 December 2006 %
NAB Holding	40.000
Azpetrol Neft Shirketi LLC	28.890
Mr. R. Aliyev	11.215
Mr. E. Isayev	10.000
Azinvest LLC	9.895
	100.000

The ultimate shareholders of NAB Holding are Nader Mohaghegh Oromi, Bahram Mohaghegh Oromi, Shahram Mohaghegh Oromi; of Azpetrol Neft Shirketi LLC is Mammadov Ibrahim Ismail ogli.

On 19 October 2005, Mr. R. Aliyev, one of the shareholders of the Bank, was detained by the Government Authorities and a legal case has been launched against him subsequently. There have been no court hearings as at the date of the issue of these financial statements. Mr. Aliyev's detention does not relate to his ownership in or dealings with the Bank. Consequently, the Ministry of Taxes of the Azerbaijan Republic and the National Bank of the Azerbaijan Republic have conducted independent audits of the Bank's operations. These audits completed in February of 2006 and did not reveal any instances of unlawful conduct in the Bank's operations. During the course of these events the Bank, without any disruptions, had maintained its normal course of business.

Mr. R Aliyev owns 21.11% (11.2% of direct ownership and 9.9% through Azinvest LLC) of the share capital of the Bank.

These financial statements were authorized for issue by the Management Board on 22 May 2007.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank 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 financial statements are presented in thousands of New Azerbaijan Manats ("AZN"), unless otherwise indicated. These financial statements have been prepared on accrual basis and under the historical cost conversion, except for the measurement at fair value of certain financial instruments and revaluation of certain properties according to International Accounting Standard ("IAS") No. 16 "Property, Plant and Equipment".

The Bank maintains its accounting records in accordance with Azerbaijan law, which in majority complies with IFRS. These financial statements have been prepared from the Azerbaijan statutory accounting records and have been adjusted to conform with IFRS.

Key assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

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

	31 December 2006	31 December 2005
Loans to customers	46,574	26,245
Investments available-for-sale	5,179	3,631

Loans to customers and investments available-for-sale are measured at amortized cost/cost less allowance for impairment losses. The estimation of allowance for impairment losses involves an exercise of judgment. It is impracticable to assess the extent of the possible effects of key assumptions or other sources of uncertainty on these balances at the balance sheet date.

Functional currency

The functional currency of these financial statements is the New Azerbaijan Manat ("AZN").

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales 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 the trade date and the 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 the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Azerbaijan with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), except for margin deposits for operations with plastic cards, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the National Bank of the Republic of Azerbaijan is not included as a cash equivalent due to restrictions on its availability (Note 14).

Due from banks

In the normal course of business, the Bank maintains advances or 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. Those that do not have fixed maturities are accounted for under the effective interest method based on expected 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 granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. 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 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.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses in the case of the uncollectibility of loans and advances, including the repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect the amounts due to the Bank and after the Bank has sold all available collateral. In accordance with the statutory legislation, loans may only be written off with the approval of the Supervisory Board.

Allowance for impairment losses

The Bank establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between the carrying amount 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, for financial assets which are carried at amortized cost. 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, the previously recognized impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the allowance for impairment losses is 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.

The determination of the allowance for 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. Allowances 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 the allowance for impairment losses is charged to the income statement and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the balance sheet. Factors that the Bank 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 Bank may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

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 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 income statement.

The Bank uses quoted market prices to determine the fair value for the Bank's investments available-for-sale. If such quotes do not exist, management use appropriate valuation techniques. 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. 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 Bank uses that technique. Dividends received are included in dividend income in the 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 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 income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the income statement.

Non-current assets held-for-sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use. Such sale transaction shall be principally completed within one year from the date of classification of an asset as held-for-sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the income statement as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost 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:

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

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets 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.

Buildings held by the Bank are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of buildings is credited to the fixed assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for 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 Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the 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.

A deferred tax liability arising on revaluation of buildings is recognized at the time subsequent to the period when revaluation was made since the effect of revaluation on accounting and taxable profit was not significant in the period when the revaluation was made.

Azerbaijan also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the income statement.

Deposits from banks and customers

Deposits from banks and customers are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent bonds issued by the Bank. They are accounted for according to the same principles used for customer and bank deposits.

Provisions

Provisions are recognized when the Bank 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.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank 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 and letters of credit 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 or letter of credit issued.

Share capital

Share capital is recognized at cost. External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

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

Retirement and other benefit obligations

In accordance with the requirements of the Azeri legislation, the Bank withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. In addition such pension system provides for the calculation of current payments by the employer as a percentage of current total disbursements to staff. 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 Bank 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 Bank 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 the effective interest rate 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.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

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.

Interest income also includes income earned on investments in securities. Other income is credited to the income statement when the related transactions are completed.

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 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 income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

Foreign currency translation

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

Rates of exchange

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2006	31 December 2005
AZN/1 US Dollar	0.8714	0.9186
AZN/1 Euro	1.1471	1.0918
AZN/1 GBP	1.7113	1.5858
AZN/1 RUR	0.0331	0.0319

The Azerbaijani Manat was denominated on 1 January 2006 and, from that date, AZM 5 thousand equals 1 New Azerbaijani Manat ("AZN").

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank 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 Bank does not offset the transferred asset and the associated liability.

Adoption of new standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years. The following standards were adopted in 2006:

The IASB's amendment to IAS 39, 'Financial Guarantee Contracts', published in August 2005, amended IAS 39 and IFRS 4. The amendment defines a financial guarantee contract and requires such contracts to be recorded initially at fair value and subsequently at higher of the provision determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less amortisation. The amendment, effective for annual periods beginning on or after 1 January 2006, had no material effect on the Bank.

At the date of authorization of these financial statements, the following Standards and Interpretations applicable to the Bank were issued but not yet effective:

The IASB issued IFRS 7 'Financial Instruments: Disclosures' in August 2005. The standard replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure provisions in IAS 32. IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of qualitative and quantitative information about exposure to risks arising from financial instruments. The standard is effective for annual periods beginning on or after 1 January 2007.

In August 2005, the IASB issued an amendment, 'Capital Disclosures', to IAS 1 'Presentation of Financial Statements'. It requires disclosures about an entity's capital and the way it is managed. This amendment is also effective for annual periods beginning on or after 1 January 2007.

The IFRIC issued interpretation IFRIC 9 'Reassessment of Embedded Derivatives' in March 2006. Entities are required to assess financial instruments for the existence of embedded derivatives; this interpretation prohibits subsequent reassessment unless there is a change of terms that significantly changes the terms of the financial instrument. The interpretation is effective for accounting periods starting on or after 1 June 2006.

The IASB issued IFRS 8 'Operating Segments' in December 2006. This will replace IAS 14 'Segment Reporting' for accounting periods beginning on or after 1 January 2009. IFRS 8 requires entities to report segment information as reported to management and reconcile it to the financial statements.

Management of the Bank is currently assessing the impact of the adoption of these new and revised Standards and Interpretations in future periods.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

4. RESTATEMENT

Subsequent to the issue of the 2005 financial statements, the Bank's management determined that in accordance with IAS 12 "Income taxes" the amount of revaluation gain recognized by the Bank in 2005 in respect of land and buildings in amount of AZN 2,279 thousand should be considered as a temporary difference and for the amount of AZN 488 thousand the deferred income tax liability should be recognized as at 31 December 2005.

5. NET INTEREST INCOME

	Year ended 31 December 2006	Year ended 31 December 2005
Interest income		
Interest on loans to customers	7,820	5,310
Interest on due from banks	411	396
Interest on debt securities	396	153
Other interest income	3	-
Total interest income	**8,630**	**5,859**
Interest expense		
Interest on customer accounts	2,099	1,307
Interest on due to banks and other credit institutions	549	388
Interest on debt securities issued	108	14
Total interest expense	**2,756**	**1,709**
Net interest income before provision for impairment losses on interest bearing assets	**5,874**	**4,150**

6. ALLOWANCE FOR IMPAIRMENT LOSSES

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

	Due from banks	Loans to customers	Investments available-for-sale	Total
31 December 2004	389	830	-	1,219
Recovery of allowance	(389)	(250)	-	(639)
Write-off of assets	-	(55)	-	(55)
31 December 2005	**-**	**525**	**-**	**525**
Provision	9	848	5	862
Write-off of assets	-	(46)	-	(46)
31 December 2006	**9**	**1,327**	**5**	**1,341**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

Increase in loan loss allowances does not relate to the deterioration of the loan portfolio and is explained with more conservative approach of the Bank related to provisioning of loans to customers on portfolio basis as at 31 December 2006.

The movements in allowances for impairment losses on other transactions were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2004	11	24	35
Recovery of allowance	(11)	(24)	(35)
31 December 2005	-	-	-
Provision	17	-	17
31 December 2006	**17**	**-**	**17**

7. NET GAIN/(LOSS) ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2006	Year ended 31 December 2005
Dealing, net	613	207
Translation differences, net	(92)	(209)
Total net gain/(loss) on foreign exchange operations	**521**	**(2)**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2006	Year ended 31 December 2005
Fee and commission income:		
Settlements	759	640
Foreign exchange and securities operations	715	670
Cash operations	600	557
Credit cards operations	420	220
Documentary operations	33	15
Other	8	6
Total fee and commission income	**2,535**	**2,108**
Fee and commission expense:		
Bank cards services	294	265
Cash operations	137	65
Correspondent bank services	111	64
Documentary operations	28	23
Foreign currency and securities operations	44	15
Other	85	49
Total fee and commission expense	**699**	**481**

9. DIVIDENDS RECEIVED

For the year ended 31 December 2006 and 2005 the Bank received dividend income amounting to AZN 14 thousand and AZN 12 thousand respectively.

10. OTHER INCOME

	Year ended 31 December 2006	Year ended 31 December 2005
Fines and penalties received	128	117
Income from sale of property	-	1
Total other income	**128**	**118**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

11. OPERATING EXPENSES

	Year ended 31 December 2006	Year ended 31 December 2005
Staff costs	2,108	1,470
Depreciation and amortization	486	332
Advertising	472	129
Operating and finance lease	264	142
Stationery	125	80
Fixed assets maintenance (buildings, intangibles, etc.)	78	69
Legal fees	70	12
Professional services	69	105
Communications	59	38
Taxes, other than income tax	55	35
Security	46	31
Occupancy costs	36	34
Loss from fixed assets disposal	30	0
Business trip expenses	19	11
Insurance	9	9
Membership fee	7	6
Entertainment	2	5
Other expenses	9	52
Total operating expenses	**3,944**	**2,560**

12. INCOME TAXES

The Bank provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Azerbaijan statutory tax regulations that differ from International Financial Reporting Standards. The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses.

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 2006 and 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

Temporary differences as at 31 December 2006 and 31 December 2005 comprise:

	31 December 2006	31 December 2005 (restated)
Deferred assets:		
Loans to customers	495	-
Fixed and intangible assets	199	10
Other assets	17	-
Other liabilities	33	25
Total deferred assets	**744**	**35**
Deferred liabilities:		
Loans to banks	-	(6)
Loans to customers	(237)	(197)
Investments available-for-sale	(98)	(72)
Fixed assets	(1,597)	(2,280)
Non-current assets available-for-sale	(517)	-
Provisions for credit lines and guarantees	(132)	-
Total deferred liabilities	**(2,581)**	**(2,555)**
Net deferred liabilities	(1,837)	(2,520)
Deferred tax liabilities at the statutory rate of 22%	**(404)**	**(554)**

Relationships between tax expenses and accounting profit for the year ended 31 December 2006 and for the year ended 31 December 2005 are explained as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
Profit before income taxes	**3,550**	**4,019**
Statutory tax rate	22%	24%
Theoretical tax at the statutory tax rate	781	965
Tax effect of permanent differences	(23)	61
Effect of changes in income tax rates	-	(20)
Income tax expense	**758**	**1,006**
Current income tax expense	885	929
Deferred income tax (credit)/expense recognized in income statement	(127)	77
Income tax expense	**758**	**1,006**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

	31 December 2006	31 December 2005 (restated)
Deferred income tax (assets)/liabilities		
At beginning of the year	554	(11)
(Decrease)/increase in the deferred income tax charge for the year	(127)	77
(Decrease)/increase in the deferred income tax liability recognised through the equity	(23)	488
At end of the year	**404**	**554**

Income tax liabilities consist of the following:

	31 December 2006	31 December 2005 (restated)
Current income tax liability	270	662
Deferred income tax liability	404	554
Income tax liabilities	**674**	**1,216**

13. EARNINGS PER SHARE

	Year ended 31 December 2006	Year ended 31 December 2005
Profit:		
Net profit for the year	2,792	3,013
Weighted average number of ordinary shares for basic earnings per share	3,400,000	2,943,629
Earnings per share – basic AZN	**0.821**	**1.024**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

14. CASH AND BALANCES WITH THE NATIONAL BANK OF AZERBAIJAN

	31 December 2006	31 December 2005
Cash on hand	4,832	1,571
Balances with the NBA	4,995	3,449
Total cash and balances with the NBA	**9,827**	**5,020**

The balances with National Bank of the Republic of Azerbaijan as at 31 December 2006 and 2005 include AZN 4,561 thousand and AZN 2,300 thousand, respectively, which represents the permanent minimum reserve deposits required by the NBA. The Bank is required to maintain the reserve balance at the NBA at all times.

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

	31 December 2006	31 December 2005
Cash and balances with the National Bank of Azerbaijan	9,827	5,020
Advances to banks in OECD countries excluding restricted deposits	1,341	9,221
	11,168	14,241
Less minimum reserve deposit with the National Bank of Azerbaijan	(4,561)	(2,300)
Total cash and cash equivalents	**6,607**	**11,941**

15. DUE FROM BANKS

	31 December 2006	31 December 2005
Loans to and deposits with other banks	2,948	3,388
Correspondent accounts with other banks	1,491	11,079
	4,439	14,467
Less allowance for impairment losses	(9)	-
Total due from banks	**4,430**	**14,467**

Movements in allowances for impairment losses on balances due from banks for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

Included in due from banks is accrued interest in the amount of AZN 38 thousand and AZN 51 thousand as at 31 December 2006 and 2005, respectively.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

As at 31 December 2006 and 2005 included in above is cash collateral with Dresdner Bank AG, Germany totalling AZN 2,442 thousand and AZN 2,406 thousand respectively, which the Bank is obliged to maintain for the whole lifetime of the credit facility provided by the counterparty.

As at 31 December 2006 and 2005 the Bank had loans and advances to 2 banks which individually exceeded 10% of the Bank's equity.

As at 31 December 2006 and 2005 maximum credit risk exposure of due from banks amounted to AZN 4,439 and AZN 14,467 thousand, respectively.

16. LOANS TO CUSTOMERS

	31 December 2006	31 December 2005
Originated loans	47,901	26,770
Less allowance for impairment losses	(1,327)	(525)
Total loans to customers	**46,574**	**26,245**

As at 31 December 2006 and 2005 accrued interest income included in loans to customers amounted to AZN 521 thousand and AZN 278 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

	31 December 2006	31 December 2005
Loans collateralized by equipment	20,313	8,390
Loans collateralized by real estate	15,036	11,027
Loans collateralized by salary	5,502	-
Loans collateralized by insurance policies	2,813	2,738
Loans collateralized by deposits and precious metals	1,913	35
Loans collateralized by inventories	449	-
Loans collateralized by goods in turnover	146	606
Loans collateralized by corporate guarantees	120	646
Loans collateralized by bank guarantees	19	362
Loans collateralized by other collateral	246	1,340
Unsecured loans	17	1,101
Total loans to customers	**46,574**	**26,245**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

	31 December 2006	31 December 2005
Analysis by industry		
Individuals	30,947	14,134
Trade and services	10,983	7,081
Manufacturing	1,273	3,044
Agriculture	880	546
Construction	16	565
Other	2,475	875
Total loans to customers	**46,574**	**26,245**

As at 31 December 2006 and 2005 maximum credit risk exposure of loans to customers amounted to AZN 47,901 and AZN 26,770 thousand, respectively.

17. INVESTMENTS AVAILABLE–FOR-SALE

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005
Debt securities				
National Bank of the Republic of Azerbaijan	13.96%	4,775	11.31%	3,348
Ministry of Finance of Azerbaijan Republic	11.99%	153	12.47%	200
OJSC Bank Standard	10.32%	109	-	-
Total debt securities		**5,037**		**3,548**

	Share %	31 December 2006	Share %	31 December 2005
Equity investments				
CJSC "Baku Stock Exchange"	5.56%	60	5.56%	60
International Bank of Azerbaijan JSCB	0.04%	47	0.09%	23
"Milli Kart" Ltd	1.00%	40	-	-
		147		83
Less allowance for impairment losses		(5)		-
Total equity investments		**142**		**83**
Total investments available-for-sale		**5,179**		**3,631**

As at 31 December 2006 and 2005 accrued interest income included in debt securities amounted to AZN 31 thousand and AZN 10 thousand, respectively.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

18. PROPERTY AND EQUIPMENT

	Land	Buildings	Computers	Furniture and equipment	Vehicles	Other fixed assets	Fixed assets in progress	Total
At cost								
31 December 2005	169	3,820	517	790	103	9	105	5,513
Additions	-	72	208	316	1	-	317	914
Transfers	(169)	(213)	-	-	-	-	(422)	(804)
Disposals	-	-	(1)	(34)	(15)	(1)	-	(51)
31 December 2006	-	3,679	724	1,072	89	8	-	5,572
Accumulated depreciation								
31 December 2005	-	567	263	299	55	4	-	1,188
Charge for the year	-	162	122	163	19	1	-	467
Transfers	-	(263)	-	-	-	-	-	(263)
Eliminated on disposals	-	-	-	(14)	(11)	(1)	-	(26)
31 December 2006	-	466	385	448	63	4	-	1,366
Net book value								
31 December 2006	**-**	**3,213**	**339**	**624**	**26**	**4**	**-**	**4,206**
31 December 2005	**169**	**3,253**	**254**	**491**	**48**	**5**	**105**	**4,325**

As at 30 June 2005 the Bank revalued its buildings and associated land area. The revalued amount amounted to AZN 3,527 thousand which approximated the fair value of buildings and associated land area.

In 2006 the land and building of the former Ilkbank with the net book value of AZN 541 thousand were transferred to non-current assets held-for-sale (Note 20).

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

19. INTANGIBLE ASSETS

	Software & licenses
At cost	
31 December 2005	185
Additions	42
Disposals	(35)
31 December 2006	192
Accumulated amortization	
31 December 2005	53
Charge for the year	19
Eliminated on disposals	(5)
31 December 2006	67
Net book value	
31 December 2006	**125**
Net book value	
31 December 2005	**132**

20. NON-CURRENT ASSETS HELD FOR SALE

In December 2006 the Assets and Liabilities Management Committee of the Bank made a decision to dispose of the land and building of the former Ilkbank, a building with total area of 772 square meters located in Baku, Aga Neymatulla street 63/65. Following this decision the Bank initiated a plan and implemented actions to locate a buyer to complete the sale within twelve months from the date of the decision. The Bank started the process of active marketing the property and negotiating terms of the sale with potential buyers. As at 31 December 2006 the carrying amount of the asset was AZN 541 thousand.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

21. OTHER ASSETS

	31 December 2006	31 December 2005
Unsettled payments on plastic cards operations and money transfers	265	129
Prepayments and receivables	45	36
Other	17	-
	327	165
Less allowance for impairment losses	(17)	-
Total other assets	**310**	**165**

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

22. DUE TO BANKS AND OTHER CREDIT INSTITUTIONS

	31 December 2006	31 December 2005
Loans from banks and credit institutions	11,973	6,545
Deposits of banks	224	-
Correspondent accounts of other banks	37	23
Total due to banks and other credit institutions	**12,234**	**6,568**

As at 31 December 2006 and 2005 accrued interest expenses included in due to banks amounted to AZN 112 thousand and AZN 26 thousand, respectively.

As at 31 December 2006 and 2005 the Bank received loans and advances from 3 banks and financial institutions which individually exceeded 10% of the Bank's equity.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

Included in loans from banks and credit institutions are the following loans received from government agencies and foreign credit institutions:

	31 December 2006	31 December 2005
European Bank for Reconstruction and Development	4,422	1,837
National Fund for Entrepreneurship Development	3,071	1,456
German-Azerbaijan Fund	2,294	2,006
Azerbaijan Mortgage Fund	31	-
Total loans from government agencies and foreign credit institutions	**9,818**	**5,299**

The remaining AZN 2,155 thousand includes loans from local commercial banks and the National Bank of Azerbaijan.

23. CUSTOMER ACCOUNTS

	31 December 2006	31 December 2005
Time deposits	26,018	11,881
Repayable on demand	15,763	21,655
Total customer accounts	**41,781**	**33,536**

As at 31 December 2006 and 2005 accrued interest expenses included in customers accounts amounted to AZN 254 thousand and AZN 240 thousand, respectively.

Analysis of customer accounts by industry:

	31 December 2006	31 December 2005
Individuals	26,798	12,850
Energy	6,903	161
Production	2,455	39
Trade and services	1,671	1,521
Transport and communication	330	12,153
Construction	161	701
Public organizations	121	-
Agriculture	2	2
Other	3,340	6,109
Total customer accounts	**41,781**	**33,536**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

24. DEBT SECURITIES ISSUED

	Maturity date month/year	Annual coupon rate %	31 December 2006	31 December 2005
Manat-denominated bonds	Jul-08	14.00%	2,095	-
Manat-denominated bonds	Nov-08	14.00%	1,008	-
Total debt securities issued			**3,103**	-

As at 31 December 2006 accrued interest expense included in debt securities issued amounted to AZN 103 thousand.

25. OTHER LIABILITIES

	31 December 2006	31 December 2005
Dividends payable	166	-
Payments on the course of settlement	149	922
Taxes payable other than income tax	79	98
Accrued expenses	34	4
Other	-	5
Total other liabilities	**428**	**1,029**

26. SHARE CAPITAL

As at 31 December 2006 and 2005 the Bank's authorized and paid share capital comprised of ordinary shares amounting to AZN 6,800 thousand.

On 18 February 2005 Bank of Baku and Ilkbank combined and formed a new bank under the name Open JSCB Bank of Baku ("the Bank"). The combination has been made on an equal basis where the former Bank of Baku and Ilkbank have 50% each in the share capital of the new bank.

As at 31 December 2006 and 2005 share capital consisted of 3,400,000 ordinary shares with par value of AZN 2 each. All shares are ranked equally and carry one vote.

In 2006 and 2005 the Bank declared dividends of AZN 1,479 thousand and AZN 1,830 thousand for 2005 and 2004 financial years, respectively, on ordinary shares.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

27. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Bank 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 balance sheet.

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

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 31 December 2006 and 2005, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2006		**31 December 2005**	
	Nominal Amount	**Risk Weighted Amount**	**Nominal Amount**	**Risk Weighted Amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	3,441	3,441	885	885
Letters of credit and other transaction related contingent obligations	2,396	-	623	-
Commitments on credits and unused credit lines	3,184	-	2,795	178
Total contingent liabilities and credit commitments	**9,021**	**3,441**	**4,303**	**1,063**

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

Capital commitments – The Bank had no material commitments for capital expenditure outstanding as at 31 December 2006.

Operating Leases - The Bank's future minimum rental payments under non-cancellable operating leases of the office building in effect as at 31 December 2006 and 2005 are presented in the table below.

	31 December 2006	31 December 2005
Not later than 1 year	-	40
Total operating leases	-	**40**

Legal proceedings – From time to time and in the normal course of business, claims against the Bank 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 financial statements. As of the date of approval of these financial statements no legal case is pending against the Bank.

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 Bank may be assessed additional taxes, penalties and interest. The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Azerbaijan. As at 31 December 2006 and 2005, the Bank 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 Bank's principal business activities are within Azerbaijan. Laws and regulations affecting the business environment in Azerbaijan are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

28. SUBSEQUENT EVENTS

On 23 January 2007 the Bank declared dividends of AZN 917 thousand for 2006 financial year.

29. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) Associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank (also non-executive directors and close members of the families of such individuals);

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank;

(f) Parties with joint control over the Bank.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties:

	31 December 2006		31 December 2005	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers	31	47,901	1	26,770
- key management personnel of the entity	31		1	
Allowance for impairment losses	1	1,327	-	525
- key management personnel of the entity	1		-	
Customer accounts	391	41,781	880	33,536
- shareholders and entities in which a substantial interest is owned by shareholders of the Bank	382		531	
- key management personnel of the entity	9		349	
Other liabilities	167	428	-	1,029
- shareholders and entities in which a substantial interest is owned by shareholders of the Bank	166		-	
- key management personnel of the entity	1		-	
Guarantees given	30	3,441	-	885
- key management personnel of the entity	30		-	

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

	Year ended 31 December 2006		Year ended 31 December 2005	
	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	322	2,108	341	1,470

Included in the profit and loss account for the years ended 31 December 2006 and 2005 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2006		Year ended 31 December 2005	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	2	8,630	3	5,859
- key management personnel of the entity	2		3	
Interest expense	9	2,756	127	1,709
- shareholders and entities in which a substantial interest is owned by shareholders of the Bank	1		-	
- key management personnel of the entity	8		127	
Provision/(recovery of provision) for impairment losses	1	862	-	(639)
- key management personnel of the entity	1		-	
Commission income	3	2,535	36	2,108
- shareholders and entities in which a substantial interest is owned by shareholders of the Bank	3		36	
Operating expense	164	3,944	130	2,560
- shareholders and entities in which a substantial interest is owned by shareholders of the Bank	164		130	

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is 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. As no readily available published price quotations in an active market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Bank as at 31 December 2005 is presented below:

	31 December 2006		31 December 2005	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with the National Bank of the Azerbaijan Republic	9,827	9,827	5,020	5,020
Due from banks	4,430	4,430	14,467	14,467
Due to banks	12,234	12,234	6,568	6,568
Customer accounts	41,781	41,781	33,536	33,536
Debt securities issued	3,103	3,103	-	-

The fair value of loans to customers can not 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 available-for-sale securities and debt securities issued can not be measured reliably since these shares and bonds are not publicly traded and the range of reasonable fair value estimates is significant.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

31. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank 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 Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	Description of position
0%	Cash and balances with the National Bank of Azerbaijan
0%	State debt securities in Azerbaijani Manats
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

The Bank's actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual Amount	For Capital Adequacy purposes	Ratio For Capital Adequacy purposes	Minimum Required Ratio
As at 31 December 2006				
Total capital	12,972	12,972	23.08%	8%
Tier 1 capital	11,314	11,314	20.13%	4%
As at 31 December 2005 (restated)				
Total capital	11,636	11,636	24.41%	8%
Tier 1 capital	9,904	9,904	21.48%	4%

32. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks follows.

The Bank manages the following risks:

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

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. The Assets and Liabilities Committee ("ALCO") controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimisation.

The Assets and Liabilities Committee sets limits and the Supervisory Board approves on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The ALCO also manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest margin. The Risk Management Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank.

	31 December 2006			31 December 2005		
	AZN	**USD**	**Other currencies**	**AZN**	**USD**	**Other currencies**
ASSETS						
Due from banks	-	13.46%	2.95%	-	2.87%	2.14%
Loans to customers	17.55%	22.61%	-	20.06%	21.79%	26.00%
Investments available-for-sale	13.82%	-	-	11.38%	-	-
LIABILITIES						
Due to banks and credit institutions	2.49%	11.10%	7.30%	4.29%	8.42%	5.72%
Customer accounts	13.27%	13.13%	9.94%	10.20%	11.63%	10.18%
Debt securities issued	14.00%	-	-	-	-	-

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

The analysis of the interest rate and the liquidity risks on balance sheet transactions is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2006 Total
ASSETS								
Due from banks	295	171	2,442	-	-	-	31	2,939
Loans to customers	1,062	2,503	19,859	22,823	216	111	-	46,574
Investments available-for-sale	4,877	160	-	-	-	-	142	5,179
Total interest bearing assets	6,234	2,834	22,301	22,823	216	111	173	54,692
Cash and balances with the NBA	5,266	-	-	-	-	-	4,561	9,827
Due from banks	1,491	-	-	-	-	-	-	1,491
Property and equipment	-	-	-	-	-	-	4,206	4,206
Intangible assets	-	-	-	-	-	-	125	125
Non-current assets held for sale	-	-	541	-	-	-	-	541
Other assets	310	-	-	-	-	-	-	310
TOTAL ASSETS	**13,301**	**2,834**	**22,842**	**22,823**	**216**	**111**	**9,065**	**71,192**
LIABILITIES								
Due to banks and other credit institutions	882	300	1,097	9,887	31	-	-	12,197
Customer accounts	850	4,695	15,186	7,645	17	-	26	28,419
Debt securities issued	95	8	-	3,000	-	-	-	3,103
Total interest bearing liabilities	1,827	5,003	16,283	20,532	48	-	26	43,719
Due to banks and other credit institutions	37	-	-	-	-	-	-	37
Customer accounts	13,362	-	-	-	-	-	-	13,362
Current income tax liabilities	270	-	-		-	-	-	270
Deferred income tax liabilities	-	-	404	-	-	-	-	404
Other liabilities	428	-	-	-	-	-	-	428
TOTAL LIABILITIES	**15,924**	**5,003**	**16,687**	**20,532**	**48**	**-**	**26**	**58,220**
Liquidity gap	(2,623)	(2,169)	6,155	2,291	168			
Interest sensitivity gap	4,407	(2,169)	6,018	2,291	168			
Cumulative interest sensitivity gap	**4,407**	**2,238**	**8,256**	**10,547**	**10,715**			
Cumulative interest sensitivity gap as a percentage of total assets	**6%**	**3%**	**12%**	**15%**	**15%**			

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2005 (restated) Total
ASSETS								
Due from banks	9,305	-	3,364	-	-	-	6	12,675
Loans to customers	430	1,677	13,586	10,533	-	19	-	26,245
Investments available-for-sale	3,548	-	-	-	-	-	83	3,631
Total interest bearing assets	13,283	1,677	16,950	10,533	-	19	89	42,551
Cash and balances with the NBA	2,720	-	-	-	-	-	2,300	5,020
Due from banks	1,764	-	-	-	-	-	28	1,792
Property and equipment	-	-	-	-	-	-	4,325	4,325
Intangible assets	-	-	-	-	-	-	132	132
Other assets	165	-	-	-	-	-	-	165
TOTAL ASSETS	17,932	1,677	16,950	10,533	-	19	6,874	53,985
LIABILITIES								
Due to banks and other credit institutions	945	-	300	5,300	-	-	-	6,545
Customer accounts	680	1,212	5,885	4,074	11	-	-	11,862
Total interest bearing liabilities	1,625	1,212	6,185	9,374	11	-	-	18,407
Due to banks and other credit institutions	23	-	-	-	-	-	-	23
Customer accounts	21,674	-	-	-	-	-	-	21,674
Current income tax liability	-	662	-	-	-	-	-	662
Deferred income tax liability	-	-	554	-	-	-	-	554
Other liabilities	986	-	43	-	-	-	-	1,029
TOTAL LIABILITIES	24,308	1,874	6,782	9,374	11	-	-	42,349
Liquidity gap	(6,376)	(197)	10,168	1,159	(11)			
Interest sensitivity gap	11,658	465	10,765	1,159	(11)			
Cumulative interest sensitivity gap	11,658	12,123	22,888	24,047	24,036			
Cumulative interest sensitivity gap as a percentage of total assets	22%	22%	42%	45%	45%			

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Bank's liquidity and its susceptibility to fluctuations in interest rates and exchange rates.

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 Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Assets and Liabilities Committee sets limits on the level of exposure by currencies and in total. These limits also comply with the minimum requirements of the NBA.

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

	AZN	**USD** 1 USD= AZN 0.8714	**EUR** 1 EUR= AZN 1.1471	**Other currencies**	**31 December 2006 Total**
ASSETS					
Cash and balances with the NBA	5,067	4,678	59	23	9,827
Due from banks	-	1,893	2,500	37	4,430
Loans to customers	25,048	21,526	-	-	46,574
Investments available-for-sale	5,179	-	-	-	5,179
Property and equipment	4,206	-	-	-	4,206
Intangible assets	125	-	-	-	125
Non-current assets held for sale	541	-	-	-	541
Other assets	35	261	14	-	310
TOTAL ASSETS	**40,201**	**28,358**	**2,573**	**60**	**71,192**
LIABILITIES					
Due to banks and other credit institutions	3,626	6,313	2,295	-	12,234
Customer accounts	16,068	25,108	588	17	41,781
Debt securities issued	3,103	-	-	-	3,103
Current income tax liabilities	270	-	-	-	270
Deferred income tax liabilities	404	-	-	-	404
Other liabilities	340	64	24	-	428
TOTAL LIABILITIES	**23,811**	**31,485**	**2,907**	**17**	**58,220**
OPEN POSITION	**16,390**	**(3,127)**	**(334)**	**43**	

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

	AZN	**USD** 1 USD= AZN 0.9186	**EUR** 1 EUR= AZN 1.092	**Other currencies**	**31 December 2005 (restated) Total**
ASSETS					
Cash and balances with the NBA	2,591	2,367	58	4	5,020
Due from banks	-	11,379	3,069	19	14,467
Loans to customers	9,167	17,077	1	-	26,245
Investments available-for-sale	3,631	-	-	-	3,631
Property and equipment	4,325	-	-	-	4,325
Intangible assets	132	-	-	-	132
Other assets	37	19	109	-	165
TOTAL ASSETS	**19,883**	**30,842**	**3,237**	**23**	**53,985**
LIABILITIES					
Due to banks and other credit institutions	2,675	1,887	2,006	-	6,568
Customer accounts	5,620	26,936	973	7	33,536
Current income tax liabilities	662	-	-	-	662
Deferred income tax liabilities	554	-	-	-	554
Other liabilities	201	826	2	-	1,029
TOTAL LIABILITIES	**9,712**	**29,649**	**2,981**	**7**	**42,349**
OPEN POSITION	**10,171**	**1,193**	**256**	**16**	

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Bank manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Bank is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

Credit risk

The Bank 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.

The Credit Committee and the Risk Management Committee perform risk management and monitoring within set limits of authority. Before the Credit Committee makes any approvals, it analyses all cases on credit appraisal (borrower's financial statements, loan amount and maturity, proposed collateral, etc.). The Head of Credit Department and Branch Credit Divisions perform daily risk management.

The Bank structures the level of credit risk and undertakes it by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry (and geographical) segments. The Assets and Liabilities Committee approves limits on the level of credit risk by a borrower and a product (by industry sector, by region) regularly. The exposure to any one borrower is further restricted by sub-limits covering on and off-balance sheet exposures, which are set by the Risk Management Committee. Loans above certain limits are approved by the Supervisory Board. Actual exposures against limits are monitored daily.

In the case of most loans, the Bank obtains collateral, as well as corporate and personal guarantees but a significant portion is real estate. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

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 Bank 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 Bank 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, sufficiency of collateral and current monitoring. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Geographical concentration

The ALCO exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Republic of Azerbaijan. The ALCO 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:

	Azerbaijan	CIS countries	OECD countries	Other non-OECD countries	31 December 2006 Total
ASSETS					
Cash and balances with the	9,749	-	78	-	9,827
Due from banks	531	78	3,821	-	4,430
Loans to customers	46,574	-	-	-	46,574
Investments available-for-sale	5,179	-	-	-	5,179
Property and equipment	4,206	-	-	-	4,206
Intangible assets	125	-	-	-	125
Non-current assets held for sale	541	-	-	-	541
Other assets	44	266	-	-	310
TOTAL ASSETS	**66,949**	**344**	**3,899**	**-**	**71,192**
LIABILITIES					
Due to banks and other credit	4,537	-	6,826	871	12,234
Customer accounts	33,511	94	5,555	2,621	41,781
Debt securities issued	-	3,103	-	-	3,103
Current income tax liabilities	270	-	-	-	270
Deferred income tax liabilities	404	-	-	-	404
Other liabilities	428	-	-	-	428
TOTAL LIABILITIES	**39,150**	**3,197**	**12,381**	**3,492**	**58,220**
NET POSITION	**27,799**	**(2,853)**	**(8,482)**	**(3,492)**	

(in New Azerbaijan Manats and in thousands, unless otherwise indicated)

The geographical concentration of assets and liabilities is set out below:

	Azerbaijan	**CIS countries**	**OECD countries**	**31 December 2005 (restated) Total**
ASSETS				
Cash and balances with the NBA	5,020	-	-	5,020
Due from banks	2,151	19	12,297	14,467
Loans to customers	26,245	-	-	26,245
Investments available-for-sale	3,631	-	-	3,631
Property and equipment	4,325	-	-	4,325
Intangible assets	132	-	-	132
Other assets	165	-	-	165
TOTAL ASSETS	**41,669**	**19**	**12,297**	**53,985**
LIABILITIES				
Due to banks and other credit institutions	4,731	-	1,837	6,568
Customer accounts	33,536	-	-	33,536
Current income tax liability	662	-	-	662
Deferred income tax liability	554	-	-	554
Other liabilities	1,029	-	-	1,029
TOTAL LIABILITIES	**40,512**	**-**	**1,837**	**42,349**
NET POSITION	**1,157**	**19**	**10,460**	