

OPEN JOINT STOCK COMPANY “ATAHOLDING”

Consolidated financial statements
for the year ended December 31, 2011

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders and the Board of Directors of Open Joint Stock Company "AtaHolding"

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "AtaHolding" ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



Emphasis of matter

We draw attention to Note 5 to the consolidated financial statement which describes that the consolidated financial statements as at December 31, 2010 and for the year then ended have been restated. Our opinion is not qualified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2010, were audited by another auditor who expressed opinion on those consolidated financial statements on June 27, 2011. As part of our audit of the 2011 consolidated financial statements, we also audited the adjustments described in Note 5 that were applied to amend the 2010 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2010 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2010 consolidated financial statements taken as a whole.

Deloitte & Touche

October 22, 2012
Baku, the Republic of Azerbaijan

OPEN JOINT STOCK COMPANY "ATAHOLDING"

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011 (in Azerbaijan Manats)

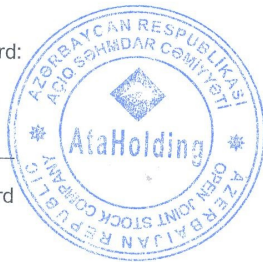
	Notes	Year ended December 31, 2011	Year ended December 31, 2010*
Continuing operations			
Interest income	6,35	20,064,509	19,841,099
Interest expense	6,35	(9,679,771)	(13,181,893)
NET INTEREST INCOME BEFORE RECOVERY OF PROVISION/(PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING FINANCIAL ASSETS		10,384,738	6,659,206
Recovery of provision/(provision) for impairment losses on interest bearing financial assets	7,35	290,505	(1,843,837)
NET INTEREST INCOME		10,675,243	4,815,369
Net gain/(loss) on foreign exchange operations	8	226,442	(18,037)
Fee and commission income	9	3,278,031	3,530,745
Fee and commission expense	9	(1,341,821)	(758,261)
Recovery of provision/(provision) on other operations	7	271,505	(166,159)
Share of loss of associate	10	(1,511,831)	(1,971,227)
Gross insurance premiums earned	35	5,406,088	4,843,778
Premiums ceded to reinsurers		(890,358)	(1,046,147)
Net claims incurred		(2,535,926)	(1,531,145)
Change in insurance reserves, net	11	13,859	(1,566,263)
Operating expenses	12	(15,879,666)	(16,190,656)
Net other income	13	1,248,087	4,208,723
LOSS BEFORE INCOME TAX		(1,040,347)	(5,849,280)
Income tax (expense)/benefit	14	(1,293,949)	555,648
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(2,334,296)	(5,293,632)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	15	(230,090)	215,317
NET LOSS FOR THE YEAR		(2,564,386)	(5,078,315)
OTHER COMPREHENSIVE INCOME:			
Foreign currency translation reserve		130,792	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		130,792	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,433,594)	(5,078,315)
Net (loss)/profit attributable to:			
Owners of the Group		(3,178,917)	(4,867,077)
Non-controlling interest	33	614,531	(211,238)
NET LOSS FOR THE YEAR		(2,564,386)	(5,078,315)
Total comprehensive (loss)/income attributable to:			
Owners of the Group		(3,048,125)	(4,867,077)
Non-controlling interest	33	614,531	(211,238)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,433,594)	(5,078,315)

* As restated, see Note 5.

On behalf of the Management Board:


Mr. Adigozal Agayev
Chairman of the Management Board

October 22, 2012
Baku, the Republic of Azerbaijan




Mr. Zaur Ismailov
Head of Finance Department

October 22, 2012
Baku, the Republic of Azerbaijan

The notes on pages 9-75 form an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "ATAHOLDING"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011 (in Azerbaijan Manats)

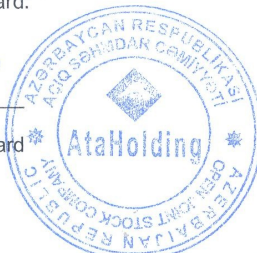
	Notes	December 31, 2011	December 31, 2010*	January 1, 2010*
ASSETS:				
Cash and balances with the Central Bank of the Republic of Azerbaijan	16	19,819,770	13,878,597	13,410,348
Due from banks	17	58,582,852	51,140,683	51,155,104
Loans to customers	18,35	105,375,613	102,250,234	89,406,978
Net investment in finance lease	19	1,902,525	3,250,146	3,589,160
Available-for-sale investments	20	280,000	280,000	280,000
Investments held to maturity	21	38,821,667	23,255,431	17,259,535
Other debt securities	22	1,536,000	17,342,839	17,871,023
Receivables from shareholder	23,35	-	8,173,514	8,173,514
Investments in associate	10	7,413,028	8,924,859	10,887,310
Prepayment for current income tax		-	35,004	-
Deferred income tax assets	14	808,332	1,281,609	681,754
Property, equipment and intangible assets	24	20,536,236	18,189,558	19,948,832
Other assets	25	4,951,221	4,038,325	4,040,221
		<u>260,027,244</u>	<u>252,040,799</u>	<u>236,703,779</u>
Assets classified as held for sale	26	-	2,638,844	3,762,869
TOTAL ASSETS		<u>260,027,244</u>	<u>254,679,643</u>	<u>240,466,648</u>
LIABILITIES AND EQUITY				
LIABILITIES:				
Deposits by customers and banks	27,35	155,801,146	141,921,095	132,048,450
Other borrowed funds	28	38,106,720	39,469,448	37,270,055
Current income tax liabilities		160,902	129,560	435,672
Deferred income tax liabilities	14	70,305	-	122,465
Other liabilities	29,35	5,635,684	5,533,764	5,612,057
		<u>199,774,757</u>	<u>187,053,867</u>	<u>175,488,699</u>
Liabilities directly associated with assets classified as held for sale	26	-	11,195	710,444
Total liabilities		<u>199,774,757</u>	<u>187,065,062</u>	<u>176,199,143</u>
EQUITY:				
Share capital	31	83,900,000	83,900,000	69,789,280
Additional paid-in capital	32	2,746,915	-	-
Foreign currency translation reserve		130,792	-	-
Accumulated deficit		(31,870,559)	(21,072,128)	(10,252,305)
Total equity attributable to owners of the Group		<u>54,907,148</u>	<u>62,827,872</u>	<u>59,536,975</u>
Non-controlling interest	33	5,345,339	4,786,709	4,730,530
Total equity		<u>60,252,487</u>	<u>67,614,581</u>	<u>64,267,505</u>
TOTAL LIABILITIES AND EQUITY		<u>260,027,244</u>	<u>254,679,643</u>	<u>240,466,648</u>

* As restated, see Note 5.

On behalf of the Management Board:


Mr. Adigozal Agayev
Chairman of the Management Board

October 22, 2012
Baku, the Republic of Azerbaijan




Mr. Zaur Ismailov
Head of Finance Department

October 22, 2012
Baku, the Republic of Azerbaijan

The notes on pages 9-75 form an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "ATAHOLDING"

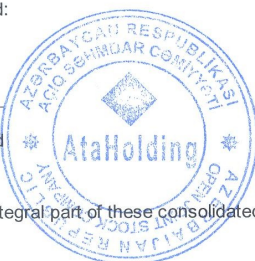
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011 (in Azerbaijan Manats)

	Issued capital	Additional paid-in capital	Foreign currency translation reserve	Accumulated deficit	Attributable to owners of the parent	Non-controlling interests	Total Equity
As at January 1, 2010*	69,789,280	-	-	(10,252,305)	59,536,975	4,730,530	64,267,505
Net loss for the year*	-	-	-	(4,867,077)	(4,867,077)	(211,238)	(5,078,31)
Issue of ordinary share capital	14,110,720	-	-	-	14,110,70	-	14,110,720
Dividends declared (Note 31)	-	-	-	(5,952,746)	(5,952,74)	(2,132,53)	(8,085,32)
Increase of ordinary share capital of subsidiary	-	-	-	-	-	2,400,000	2,400,000
As at December 31, 2010*	83,900,000	-	-	(21,072,128)	62,827,872	4,786,709	67,614,581
Net loss for the year	-	-	-	(3,178,917)	(3,178,917)	614,531	(2,564,386)
Other comprehensive income for the year	-	-	130,792	-	130,792	-	130,792
Contributions received from shareholders	-	2,746,915	-	-	2,746,915	-	2,746,915
Provision for impairment of receivable due from minority shareholder net of deferred tax (Note 23)	-	-	-	(7,619,514)	(7,619,514)	-	(7,619,514)
Disposal of interest in subsidiary (Note 30)	-	-	-	-	-	(55,901)	(55,901)
AAs at December 31, 2011	83,900,000	2,746,915	130,792	(31,870,559)	54,907,148	5,345,339	60,252,487

* As restated, see Note 5.

On behalf of the Management Board:


Mr. Adigozal Agayev
Chairman of the Management Board




Mr. Zaur Ismailov
Head of the Finance Department

The notes on pages 9-75 form an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "ATAHOLDING"

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011 (in Azerbaijan Manats)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year		(2,564,386)	(5,078,315)
Adjustments for:			
(Recovery of provision)/provision for impairment losses on interest bearing assets	7	(290,505)	1,843,837
Foreign exchange translation differences, net	8	342,231	460,097
(Recovery of provision)/ provision on other operations	7	(271,505)	166,159
Share of loss of associate	10	1,511,831	1,971,227
Change in insurance reserves, net	11	(13,859)	1,566,263
Depreciation and amortization expenses	12	2,680,949	3,382,970
Depreciation of operating equipment	12	107,115	125,000
Impairment loss on inventories		(14,533)	-
Income tax expense/(benefit)	14	1,293,949	(555,648)
Loss on disposal of property and equipment		69,226	66,522
Loss on disposal of subsidiary	15	53,083	-
Net change in interest accruals		(95,940)	(1,053,030)
Cash inflow from operating activities before changes in operating assets and liabilities		2,807,656	2,895,082
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the Central Bank of the Republic of Azerbaijan		(2,108,960)	(56,069)
Commemorative coins		(25,035)	-
Due from banks		1,238,701	3,593,896
Loans to customers		(3,354,553)	(12,881,252)
Net investment in finance lease		1,144,611	288,723
Other assets		132,366	(1,173,697)
Assets classified as held for sale, net		-	424,776
increase /(decrease) in operating liabilities			
Deposits by customers and banks		14,827,247	11,158,629
Loans received from the government agencies		(104,832)	3,081,286
Other liabilities		3,300	(511,102)
Cash inflow from operating activities before taxation		14,560,501	6,820,272
Income tax paid		(143,766)	(507,788)
Net cash inflow from operating activities		14,416,735	6,312,484
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(2,905,277)	(1,961,678)
Net cash outflow on disposal of subsidiary		(18,986)	-
Purchase of investments held to maturity		(130,318,504)	(86,772,630)
Proceeds on maturity of investments held to maturity		114,707,406	80,709,428
Purchase of other debt securities		(1,243,000)	(3,562,815)
Proceeds on sale of other debt securities		17,140,292	4,090,999
Placements in time deposits with other banks		(1,370,000)	(2,470,000)
Proceeds on repayment of time deposits with other banks		-	750,000
Net cash outflow from investing activities		(4,008,070)	(9,216,696)

* As restated, see Note 5.

OPEN JOINT STOCK COMPANY "ATAHOLDING"

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2011 (in Azerbaijan Manats)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010*
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issue of ordinary share capital		-	14,110,720
Contributions received from shareholders		2,746,915	-
Proceeds from borrowings		48,117	917,122
Repayment of borrowings		(1,357,109)	(1,799,015)
Dividends paid on ordinary shares		-	(8,085,329)
Non-controlling interest share in increase of ordinary share capital of subsidiary		-	2,400,000
Net cash inflow from financing activities		1,437,923	7,543,498
Effect of exchange rate changes on the balance of cash held in foreign currencies		(693,811)	(592,373)
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,846,588	4,639,286
CASH AND CASH EQUIVALENTS, beginning of period	16	40,762,458	36,715,545
CASH AND CASH EQUIVALENTS, end of period	16	51,915,235	40,762,458

* As restated, see Note 5.

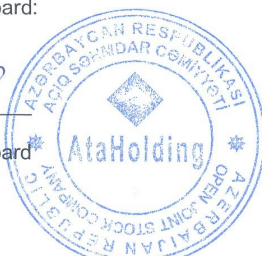
Interest paid and received by the Group during the year ended December 31, 2011 amounted to AZN 10,084,736 and AZN 20,373,534 respectively.

Interest paid and received by the Group during the year ended December 31, 2010 amounted to AZN 13,510,219 and AZN 19,116,395, respectively.

On behalf of the Management Board:


Mr. Adigozal Agayev
Chairman of the Management Board

October 22, 2012
Baku, the Republic of Azerbaijan




Mr. Zaur Ismailov
Head of the Finance Department

October 22, 2012
Baku, the Republic of Azerbaijan

The notes on pages 9-75 form an integral part of these consolidated financial statements.