

# **OPEN JOINT STOCK COMPANY “ATAHOLDING”**

**Consolidated financial statements**  
for the year ended December 31, 2012

## 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 Holding Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2012, 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*

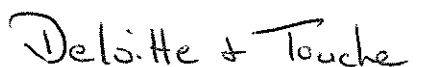
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 Group'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, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



28 June, 2013  
Baku, the Republic of Azerbaijan

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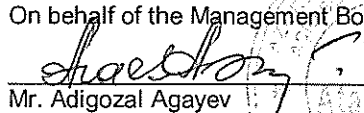
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# OPEN JOINT STOCK COMPANY "ATAHOLDING"

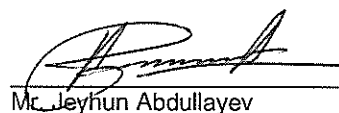
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012 (in Azerbaijan Manats)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
<b>Continuing operations</b>			
Interest income	5,32	27,326,423	20,064,509
Interest expense	5,32	(12,108,568)	(9,679,771)
<b>NET INTEREST INCOME BEFORE (PROVISION)/ RECOVERY OF PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING FINANCIAL ASSETS</b>		<b>15,217,855</b>	<b>10,384,738</b>
(Provision)/ recovery of provision for impairment losses on interest bearing financial assets	6,32	(2,808,068)	290,505
<b>NET INTEREST INCOME</b>		<b>12,409,787</b>	<b>10,675,243</b>
Net gain on foreign exchange operations	7	634,244	226,442
Fee and commission income	8	5,042,589	3,278,031
Fee and commission expense	8	(1,313,133)	(1,341,821)
(Provision)/ recovery of provision on other operations	6	(157,017)	271,505
Share of loss of associate	9	(1,111,673)	(1,511,831)
Gross insurance premiums earned	10,32	10,709,621	5,531,843
Premiums ceded to reinsurers	10	(836,441)	(890,358)
Net claims incurred	10	(3,041,377)	(2,535,926)
Change in insurance reserves, net	11	(3,875,301)	13,859
Operating expenses	12	(23,015,219)	(16,005,421)
Net other income	13	2,206,263	1,248,087
<b>LOSS BEFORE INCOME TAX</b>		<b>(2,347,657)</b>	<b>(1,040,347)</b>
Income tax expense	14	(580,532)	(1,293,949)
<b>NET LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(2,928,189)</b>	<b>(2,334,296)</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		-	(230,090)
<b>NET LOSS FOR THE YEAR</b>		<b>(2,928,189)</b>	<b>(2,564,386)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
Foreign currency translation reserve		41,417	130,792
Net loss resulting on revaluation of available-for-sale investments	19	(237,861)	-
Income tax relating to components of other comprehensive income	14	47,572	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(148,872)</b>	<b>130,792</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(3,077,061)</b>	<b>(2,433,594)</b>
Net (loss)/profit attributable to:			
Owners of the Group		(3,135,766)	(3,178,917)
Non-controlling interest	30	207,577	614,531
<b>NET LOSS FOR THE YEAR</b>		<b>(2,928,189)</b>	<b>(2,564,386)</b>
Total comprehensive (loss)/income attributable to:			
Owners of the Group		(3,284,638)	(3,048,125)
Non-controlling interest	30	207,577	614,531
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(3,077,061)</b>	<b>(2,433,594)</b>

On behalf of the Management Board:

  
Mr. Adigozal Agayev  
Chairman of the Management Board  
28 June, 2013

Baku, the Republic of Azerbaijan

  
Mr. Jeyhun Abdullayev  
Head of Finance Department  
28 June, 2013

Baku, the Republic of Azerbaijan


The notes on pages 8-68 form an integral part of these consolidated financial statements.

# OPEN JOINT STOCK COMPANY "ATAHOLDING"


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012 (in Azerbaijan Manats)

	Notes	December 31, 2012	December 31, 2011
<b>ASSETS:</b>			
Cash and balances with the Central Bank of the Republic of Azerbaijan	15	24,741,127	19,819,770
Due from banks	16	45,595,576	58,582,852
Loans to customers	17,32	153,399,339	105,375,613
Net investment in finance lease	18	561,254	1,902,525
Available-for-sale investments	19	51,579,104	280,000
Investments held to maturity	20	-	38,821,667
Other debt securities	21	-	1,536,000
Receivables from shareholder	22,32	-	-
Investments in associate	9	6,301,355	7,413,028
Deferred income tax assets	14	1,441,125	808,332
Property, equipment and intangible assets	23	22,856,425	20,536,236
Other assets	24	9,007,568	4,951,221
<b>TOTAL ASSETS</b>		<b>315,482,873</b>	<b>260,027,244</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits by customers and banks	25,32	213,433,505	155,801,146
Other borrowed funds	26	28,836,034	38,106,720
Insurance reserve for unearned premiums	11	6,530,986	2,967,109
Insurance loss reserves	11	1,635,032	899,654
Current income tax liabilities		385,026	160,902
Deferred income tax liabilities	14	-	70,305
Other liabilities	27,32	2,792,680	1,768,921
<b>Total liabilities</b>		<b>253,613,263</b>	<b>199,774,757</b>
<b>EQUITY:</b>			
Share capital	28	83,900,000	83,900,000
Additional paid-in capital	29	7,441,099	2,746,915
Foreign currency translation reserve		172,209	130,792
Available-for-sale revaluation deficit		(190,289)	-
Accumulated deficit		(35,006,325)	(31,870,559)
<b>Total equity attributable to owners of the Group</b>		<b>56,316,694</b>	<b>54,907,148</b>
Non-controlling interest	30	5,552,916	5,345,339
<b>Total equity</b>		<b>61,869,610</b>	<b>60,252,487</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>315,482,873</b>	<b>260,027,244</b>

On behalf of the Management Board:

  
Mr. Adigozal Agayev  
Chairman of the Management Board

28 June, 2013  
Baku, the Republic of Azerbaijan

  
Mr. Jeyhun Abdullayev  
Head of Finance Department

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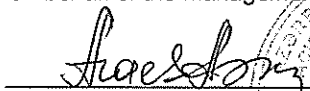
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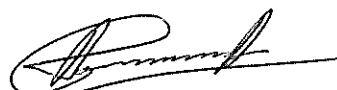
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012 (in Azerbaijan Manats)

	Issued capital	Additional paid-in capital	Foreign currency translation reserve	Available-for-sale revaluation deficit	Accumulated deficit	Attributable to owners of the parent	Non-controlling interests	Total Equity
<b>As at January 1, 2011</b>	83,900,000	-	-	-	(21,072,128)	62,827,872	4,786,709	67,614,581
Net (loss)/income 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 (Note 29)	-	2,746,915	-	-	-	2,746,915	-	2,746,915
Provision for impairment of receivable due from minority shareholder net of deferred tax	-	-	-	-	(7,619,514)	(7,619,514)	-	(7,619,514)
Disposal of interest in subsidiary	-	-	-	-	-	-	(55,901)	(55,901)
<b>As at December 31, 2011</b>	83,900,000	2,746,915	130,792	-	(31,870,559)	54,907,148	5,345,339	60,252,487
Net (loss)/income for the year	-	-	-	-	(3,135,766)	(3,135,766)	207,577	(2,928,189)
Other comprehensive income for the year	-	-	41,417	-	-	41,417	-	41,417
Net loss resulting on revaluation of available-for-sale investments (Note 20)	-	-	-	(190,289)	-	(190,289)	-	(190,289)
Contributions received from shareholders (Note 29)	-	4,694,184	-	-	-	4,694,184	-	4,694,184
<b>As at December 31, 2012</b>	83,900,000	7,441,099	172,209	(190,289)	(35,006,325)	56,316,694	5,552,916	61,869,610

On behalf of the Management Board:

  
Mr. Adigozal Agayev  
Chairman of the Management Board

28 June, 2013  
Baku, the Republic of Azerbaijan



Mr. Jeyhun Abdullayev  
Head of Finance Department

28 June, 2013  
Baku, the Republic of Azerbaijan

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# OPEN JOINT STOCK COMPANY “ATAHOLDING”

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012 (in Azerbaijan Manats)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss for the year		(2,928,189)	(2,564,386)
Adjustments for:			
Provision / (recovery of provision) for impairment losses on interest bearing assets	6	2,808,068	(290,505)
Foreign exchange translation differences, net	7	224,355	342,231
Provision/ (recovery of provision) on other operations	6	157,017	(271,505)
Share of loss of associate	9	1,111,673	1,511,831
Change in insurance reserves, net	11	3,875,301	(13,859)
Depreciation and amortization expenses	12	6,481,204	2,680,949
Depreciation of operating equipment	12	69,985	107,115
Impairment loss on inventories		192,165	(14,533)
Income tax expense/(benefit)	14	580,532	1,293,949
Loss on disposal of property and equipment		11,142	69,226
Loss on disposal of subsidiary		-	53,083
Net change in interest accruals		(126,279)	(95,940)
Cash inflow from operating activities before changes in operating assets and liabilities		12,456,974	2,807,656
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the Central Bank of the Republic of Azerbaijan		(2,665,928)	(2,108,960)
Commemorative coins		(23,075)	(25,035)
Due from banks		3,126,186	1,238,701
Loans to customers		(45,977,692)	(3,354,553)
Net investment in finance lease		842,282	1,144,611
Other assets		(3,843,356)	132,366
Deposits by customers and banks		57,528,623	14,827,247
Other borrowed funds		(9,403,589)	(104,832)
Other liabilities		1,006,997	3,300
Cash inflow from operating activities before taxation		13,047,422	14,560,501
Income tax paid		(1,011,934)	(143,766)
Net cash inflow from operating activities		12,035,488	14,416,735
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets		(8,979,909)	(2,905,277)
Net cash outflow on disposal of subsidiary		-	(18,987)
Payments for available-for-sale investments		(80,904,357)	(130,318,504)
Proceeds on sale of available-for-sale investments		68,291,958	114,707,406
Purchase of other debt securities		-	(1,243,000)
Proceeds on sale of other debt securities		1,445,547	17,140,292
Placements in time deposits with other banks		(5,100,000)	(1,370,000)
Proceeds on repayment of time deposits with other banks		1,233,857	-
Net cash outflow from investing activities		(24,012,904)	(4,008,070)

# OPEN JOINT STOCK COMPANY "ATAHOLDING"

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2012 (in Azerbaijan Manats)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Contributions received from shareholders		4,694,184	2,746,915
Proceeds from borrowings		132,903	48,117
Repayment of borrowings		-	(1,357,109)
Net cash inflow from financing activities		4,827,087	1,437,923
Effect of exchange rate changes on the balance of cash held in foreign currencies		(29,998)	(693,811)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,150,329)	11,846,588
CASH AND CASH EQUIVALENTS, beginning of period	15	51,915,235	40,762,458
CASH AND CASH EQUIVALENTS, end of period	15	44,734,908	51,915,235


Interest paid and received by the Group during the year ended December 31, 2012 amounted to AZN 11,049,931 and AZN 26,020,200, respectively.

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.

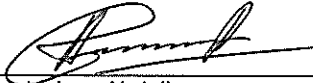
### Non cash transactions excluded from the statement of cash flows

AZN 22,103,360 amount of investments, which were included in held-to maturity investments, were reclassified to available-for-sale investments (Notes 19 and 20) as at December 31, 2012. This amount is not included in purchases of available-for-sale investments and proceeds on maturity of held-to-maturity investments in the statement of cash flows for the year ended December 31, 2012.

On behalf of the Management Board:

  
Mr. Adigozal Agayev  
Chairman of the Management Board

28 June, 2013  
Baku, the Republic of Azerbaijan

  
Mr. Jeyhun Abdullayev  
Head of the Finance Department

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