

OPEN JOINT STOCK COMPANY “ATAHOLDING”

**Consolidated financial statements
for the year ended December 31, 2013**

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, 2013, 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 Group'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, 2013, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche.

June 30, 2014
Baku, the Republic of Azerbaijan

OPEN JOINT STOCK COMPANY "ATAHOLDING"
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
(in Azerbaijan Manats)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Continuing operations			
Interest income	5,33	36,826,174	27,326,423
Interest expense	5,33	(17,849,167)	(12,108,568)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING FINANCIAL ASSETS		18,977,007	15,217,855
Provision for impairment losses on interest bearing financial assets	6	(1,946,282)	(2,808,068)
NET INTEREST INCOME		17,030,725	12,409,787
Fee and commission income	8	5,700,245	5,042,589
Fee and commission expense	8	(2,115,175)	(1,313,133)
Net gain on foreign exchange operations	7	1,243,204	634,244
Share income/(loss) of associate	9	2,108,176	(1,111,673)
Provision on other operations	6	(1,251,141)	(157,017)
Gross insurance premiums written	10	12,648,952	10,710,650
Total premiums ceded to reinsurers and premiums cancelled	10	(1,778,621)	(837,470)
Net claims paid	10	(2,529,877)	(3,041,378)
Change in insurance reserves, net	11	(3,677,111)	(3,875,300)
Operating expenses	12	(26,339,971)	(23,015,219)
Net gain on available-for-sale investments		177,720	-
Net gain on loss of control over subsidiary	31	272,537	-
Net other income	13	1,077,708	2,206,263
PROFIT/(LOSS) BEFORE INCOME TAX		2,567,371	(2,347,657)
Income tax expense	14	(2,573,465)	(580,532)
NET LOSS FOR THE YEAR		(6,094)	(2,928,189)
OTHER COMPREHENSIVE INCOME:			
Foreign currency translation reserve		(86,884)	41,417
Net loss resulting on revaluation of available-for-sale investments	19	-	(237,861)
Reclassification adjustment relating to available-for-sale financial assets disposed of in the year	19	237,861	-
Income tax relating to components of other comprehensive income	14	(47,572)	47,572
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		103,405	(148,872)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		97,311	(3,077,061)
Net (loss)/profit attributable to:			
Owners of the Group		(1,234,043)	(3,135,766)
Non-controlling interest	30	1,227,949	207,577
NET LOSS FOR THE YEAR		(6,094)	(2,928,189)
Total comprehensive loss attributable to:			
Owners of the Group		(1,130,638)	(3,284,638)
Non-controlling interest	30	1,227,949	207,577
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		97,311	(3,077,061)
On behalf of the Management:			
Mr. Adigozal Aghayev Chairman of the Executive Board June 23, 2014 Baku, the Republic of Azerbaijan			Mr. Rashad Aliyev Deputy Chairman of the Executive Board June 23, 2014 Baku, the Republic of Azerbaijan

The notes on pages 8-78 form an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "ATAHOLDING"

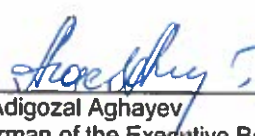
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

(in Azerbaijan Manats)

	Notes	December 31, 2013	December 31, 2012
ASSETS:			
Cash and balances with the Central Bank of the Republic of Azerbaijan	15	73,881,417	24,741,127
Due from banks	16	34,949,435	45,595,576
Loans to customers	17,33	233,892,659	153,399,339
Net investment in finance lease	18	90,310	561,254
Available-for-sale investments	19,33	32,036,999	51,579,104
Insurance and reinsurance receivables	23	1,259,147	1,038,479
Receivables from shareholder	20	-	-
Investments in associates	9	22,971,469	6,301,355
Deferred income tax assets	14	883,349	1,441,125
Property, equipment and intangible assets	22	21,954,763	22,856,425
Other non-current assets	21	3,669,923	841,496
Other assets	24	10,883,359	7,127,593
TOTAL ASSETS		436,472,830	315,482,873
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits by customers and banks	25,33	272,779,661	213,433,505
Other borrowed funds	26,33	74,554,325	28,836,034
Insurance reserve for unearned premiums	11	10,490,994	6,530,986
Insurance loss reserves	11	1,450,582	1,635,032
Current income tax liabilities		592,296	385,026
Deferred income tax liability	15	341,168	-
Other liabilities	27	3,104,451	2,792,680
Total liabilities		363,313,477	253,613,263
EQUITY:			
Share capital	28	83,900,000	83,900,000
Additional paid-in capital	29	21,614,306	7,441,099
Foreign currency translation reserve		85,325	172,209
Available-for-sale revaluation deficit		-	(190,289)
Accumulated deficit		(41,105,752)	(35,006,325)
Total equity attributable to owners of the Group		64,493,879	56,316,694
Non-controlling interest	30	8,665,474	5,552,916
Total equity		73,159,353	61,869,610
TOTAL LIABILITIES AND EQUITY		436,472,830	315,482,873

On behalf of the Management:


Mr. Adigozal Aghayev
Chairman of the Executive Board

June 23, 2013
Baku, the Republic of Azerbaijan


Mr. Rashad Aliyev
Deputy Chairman of the Executive Board

June 23, 2013
Baku, the Republic of Azerbaijan

The notes on pages 8-78 form an integral part of these consolidated financial statements.

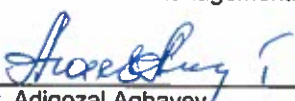
OPEN JOINT STOCK COMPANY "ATAHOLDING"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

(in Azerbaijan Manats)

	Share capital	Additional paid-in capital	Foreign currency translation reserve	Available-for-sale revaluation deficit	Accumulated deficit	Attributable to owners of the Group	Non-controlling interest	Total equity
As at January 1, 2012	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/ loss for the year	-	-	41,417	(190,289)	-	(148,872)	-	(148,872)
Contributions received from shareholders(Note 29)	-	4,694,184	-	-	-	4,694,184	-	4,694,184
As at December 31, 2012	83,900,000	7,441,099	172,209	(190,289)	(35,006,325)	56,316,694	5,552,916	61,869,610
Net (loss)/income for the year	-	-	-	-	(1,234,043)	(1,234,043)	1,227,949	(6,094)
Other comprehensive (loss)/ income for the year	-	-	(86,884)	190,289	-	103,405	-	103,405
Net loss resulting on revaluation of available-for-sale-investments	-	-	-	-	(190,289)	(190,289)	-	(190,289)
Group share of additional paid-in-capital of the associate	-	1,266,960	-	-	-	1,266,960	-	1,266,960
Transfer from retained earnings to additional paid-in share capital	-	2,986,399	-	-	(2,986,399)	-	-	-
Discounting of interest free loan, net of deferred tax (Note 26, 17)	-	1,298,847	-	-	-	1,298,847	-	1,298,847
Transfer of controlling interest over subsidiary	-	-	-	-	-	-	635,921	635,921
Dividends declared(Note 29)	-	-	-	-	(1,688,696)	(1,688,696)	(1,034,739)	(2,723,435)
Contributions received from shareholders(Note 29)	-	8,621,001	-	-	-	8,621,001	2,283,427	10,904,428
As at December 31, 2013	<u>83,900,000</u>	<u>21,614,306</u>	<u>85,325</u>	<u>-</u>	<u>(41,105,752)</u>	<u>64,493,879</u>	<u>8,665,474</u>	<u>73,159,353</u>

On behalf of the Management:


Mr. Adigozal Aghayev
Chairman of the Executive Board

June 23, 2014
Baku, the Republic of Azerbaijan


Mr. Rashad Aliyev
Deputy Chairman of the Executive Board

June 23, 2014
Baku, the Republic of Azerbaijan

The notes on pages 8-78 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, 2013

(in Azerbaijan Manats)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year		(6,094)	(2,928,189)
Adjustments for:			
Provision for impairment losses on interest bearing financial assets	6	1,946,282	2,808,068
Foreign exchange translation differences, net	7	146,646	224,355
Provision on other operations	6	1,251,141	157,017
Share (income)/loss of associate	9	(2,108,176)	1,111,673
Net gain on loss of control over subsidiary	31	(272,537)	-
Loss on disposal of property and equipment		24,846	11,142
Change in insurance reserves, net	11	3,677,111	3,875,300
Depreciation and amortization expenses	12	5,036,820	6,551,189
Depreciation expense of other non-current assets		317,636	-
Impairment loss on inventories		6,629	192,166
Loss on impairment of other non-current assets	21	(370,113)	-
Income tax expense	14	2,573,465	580,532
Net gain on available-for-sale investments		(177,720)	-
Net change in interest accruals		(466,930)	(126,279)
Cash inflow from operating activities before changes in operating assets and liabilities		11,579,006	12,456,974
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Insurance and reinsurance receivables		(259,332)	(301,645)
Minimum reserve deposits with the Central Bank of the Republic of Azerbaijan		(1,820,699)	(2,665,928)
Commemorative coins		(26,203)	(23,075)
Due from banks		15,060,243	3,126,186
Loans to customers		(84,527,725)	(45,977,692)
Net investment in finance lease		386,187	842,282
Other assets		(4,796,436)	(3,541,711)
Deposits by customers and banks		59,282,473	57,528,623
Other borrowed funds		26,615,700	(9,403,589)
Other liabilities		390,839	1,006,997
Cash inflow from operating activities before taxation		21,884,053	13,047,422
Income tax paid		(1,467,251)	(1,011,934)
Net cash inflow from operating activities		20,416,802	12,035,488
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(16,957,247)	(8,979,909)
Payments for investments available-for-sale		(26,282,130)	(80,904,357)
Proceeds on sale of available-for-sale investments		46,355,052	68,291,958
Payments for investment in associate		(13,294,978)	-
Increase in other non-current assets		(446)	-
Proceeds on sale of other debt securities		-	1,445,547
Placements in time deposits with other banks		(14,156,070)	(5,100,000)
Proceeds on repayment of time deposits with other banks		9,133,930	1,233,857
Net cash outflow from investing activities		(15,201,889)	(24,012,904)

OPEN JOINT STOCK COMPANY "ATAHOLDING"

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

(in Azerbaijan Manats)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions received from shareholders		10,904,430	4,694,184
Payment of dividends		(2,723,435)	-
Proceeds from borrowings		<u>31,029,433</u>	<u>132,903</u>
Net cash inflow from financing activities		<u>39,210,428</u>	<u>4,827,087</u>
Effect of exchange rate changes on the balance of cash held in foreign currencies		<u>(25,426)</u>	<u>(29,998)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		44,425,341	(7,150,329)
CASH AND CASH EQUIVALENTS, beginning of period	15	<u>44,734,908</u>	<u>51,915,235</u>
CASH AND CASH EQUIVALENTS, end of period	15	<u><u>89,134,823</u></u>	<u><u>44,734,908</u></u>

Interest paid and received by the Group during the year ended December 31, 2013 amounted to AZN 15,552,122 and AZN 36,205,220, respectively.


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.

Non cash transactions excluded from the consolidated statement of cash flows

Starting from May 2013, the Group lost control over "Zayam Kand Mash" OJSC with no considerations received. The transaction is presented in the consolidated statement of cash flows as at December 31, 2013 as non-cash.

AZN 22,821,412 amount of investments which were included in held-to-maturity investments, were reclassified to available-for-sale investments 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:


Mr. Adigozal Aghayev
Chairman of the Executive Board

June 23, 2014
Baku, the Republic of Azerbaijan




Mr. Rashad Aliyev
Deputy Chairman of the Executive Board

June 23, 2014
Baku, the Republic of Azerbaijan

The notes on pages 8-78 form an integral part of these consolidated financial statements.