

# BASIC INTRODUCTION

MAY 2010

# Introduction

- The following presentation contains short extracts from the investors presentation of Progress Bank. It overviews the bank itself, as well as country of operation and main opportunities in connection with it.
- For more detailed information, please contact us: [info@progressbank.ge](mailto:info@progressbank.ge)

# Shareholders

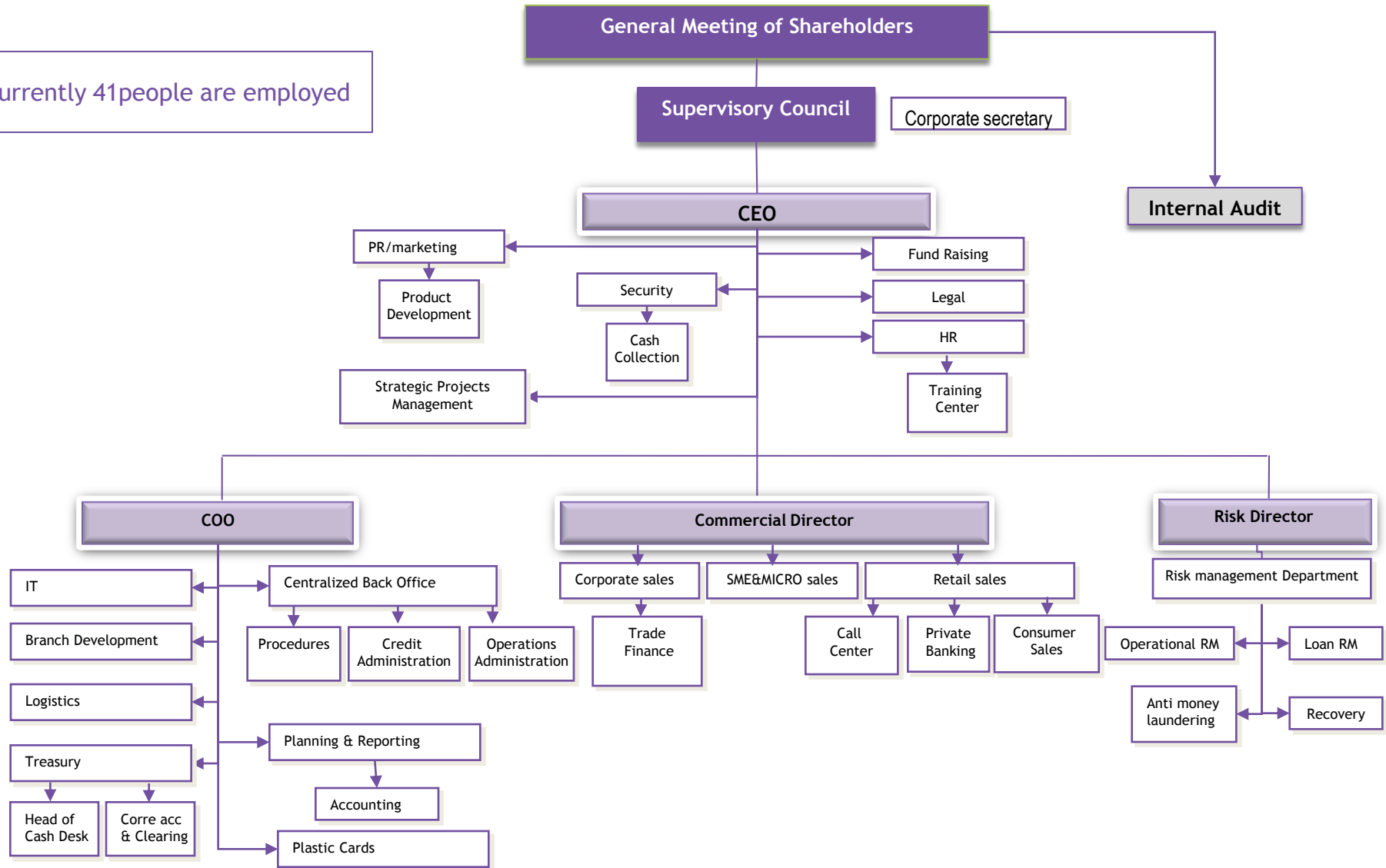
- **Progress Bank is a subsidiary of Kala Capital** - an international investment group headquartered in Tbilisi, Georgia. The company was founded by Kakha Kaladze, a native Georgian, AC Milan player and businessman with investments in Georgia, Italy, Ukraine and Kazakhstan.
- Kala Capital plans to target Georgia's key industries. In addition to Progress Bank, Kala Capital's holding include Kala Energy (energy and natural resources company) and Kala Development (real estate company).

# Corporate Governance

- Progress Bank management structure consists of two boards - Supervisory and Executive. Supervisory Board is responsible for overall strategy and policy development while Executive Board is responsible for day-by-day management of the bank.
- **Supervisory Board**
  - Lorenzo Chipriani - Chairman of Board
    - Investment banker with many years of working experience with Banca Intesa San Paolo, Dresdner Bank AG, Unicredito Bank.
  - Kakha Kaladze - Member of Board (shareholder)
- **Executive Board**
  - Kote Sulamanidze - Chief Executive Officer
    - Mr. Sulamanidze has extensive banking experience gained while working in a variety of top management positions for several Georgian banks (Bank Republic Societe Generale, VTB bank Georgia)
  - Akaki Kordzadze - Chief Operating Officer
    - Banker with 5 years of working experience with local Banks

# Organizational Structure

Currently 41 people are employed



# Progress Bank Today

- PRB is a newly established financial institution. It obtained banking license from National Bank of Georgia on December 31, 2007.
- Number of Branches = 1  
PRB opened its first service center in November 2008.
- Targeted segments are: SME clients + some selective Corporates and high net worth individuals

# Products Offered:

## Corporate products

- Multi-currency account
- Letter of Guarantee
- Letter of Credit
- International transactions
- Foreign Exchange
- Depo SWOP
- Private Banking
- Lending
- Savings Accounts
- On time deposits
- Safe Deposit Boxes
- Internet Banking Solutions

# Products Offered:

## Retail products

- Multi-currency account
- Loans:
  - Consumer Loans
  - Auto Loans
  - Mortgage Loans
- International transactions
- Western Union money transfer
- Foreign Exchange
- Savings Accounts
- On time deposits
- Safe Deposit Boxes
- Internet Banking Solutions

# SWOT Analysis

- **Strengths**

- Strong shareholder, with diversified investment portfolio and commitment to build successful and powerful bank
- Strong management team, with huge experience in banking sector
- Positive expectations of the market - both on experts and end user levels

- **Weakness**

- No wide branch network for the time being
- No well-known international financial institution in ownership structure

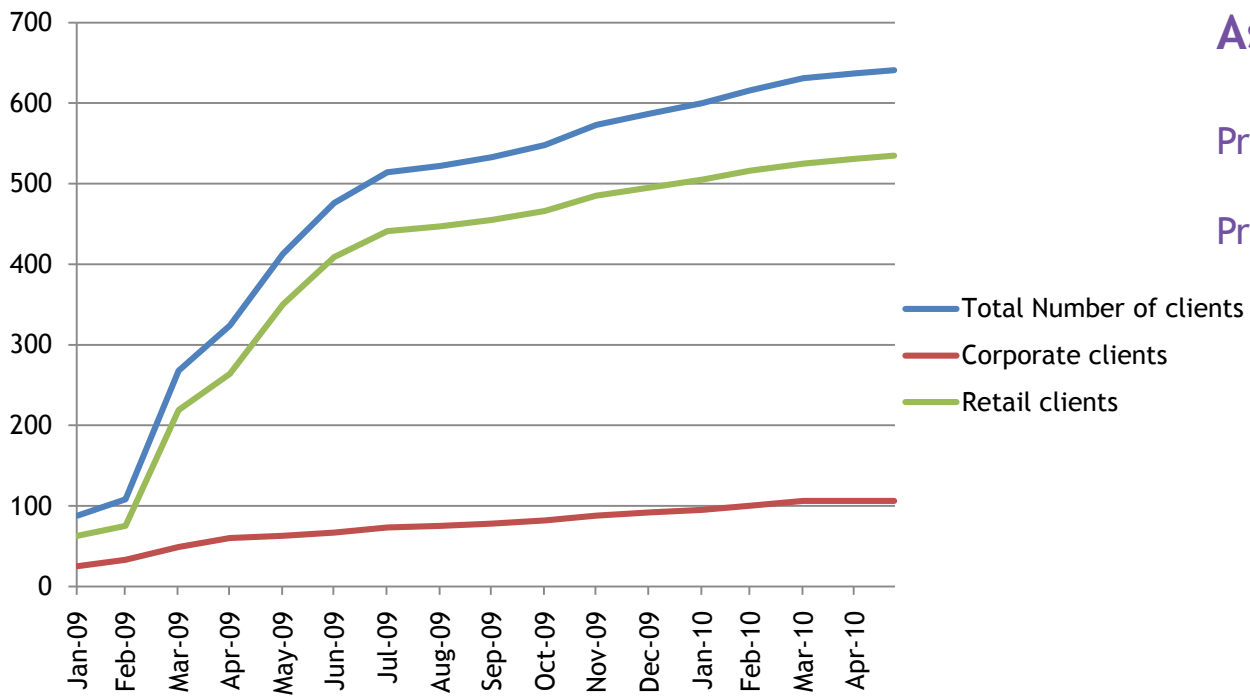
- **Opportunities**

- Aggressive growth of both corporate and retail activities through series of branch expansion in Tbilisi and regions.

- **Threats**

- Georgia's country risk
- Hard competition on Georgian market

# Growth of Clientele within the bank



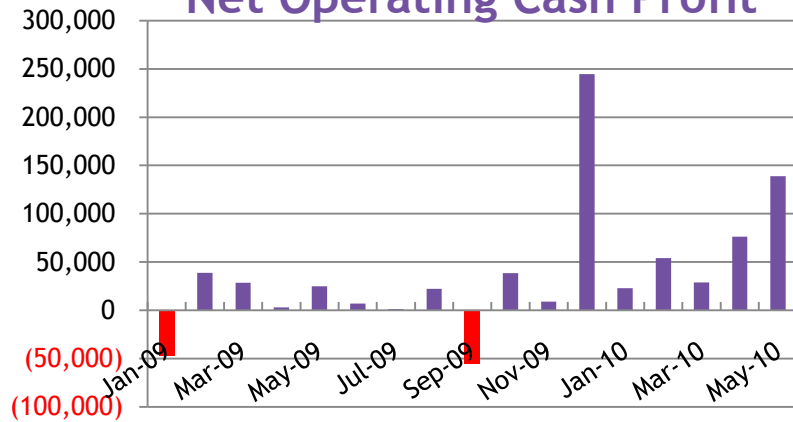
As of May 2010

Proportion of Retail Clients - 83%

Proportion of Corporate Clients - 17%

# Profitability

## Net Operating Cash Profit

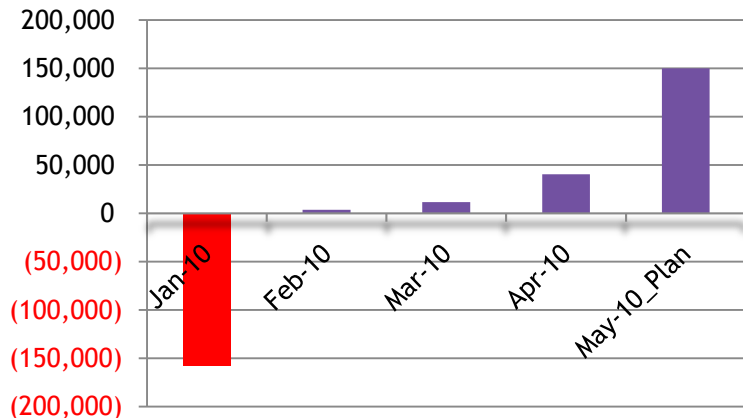


## Total Operating cash profit

Year 2009 = GEL 316,308

Year 2010 (5 months) = GEL 320,806

## Net profit/loss statement

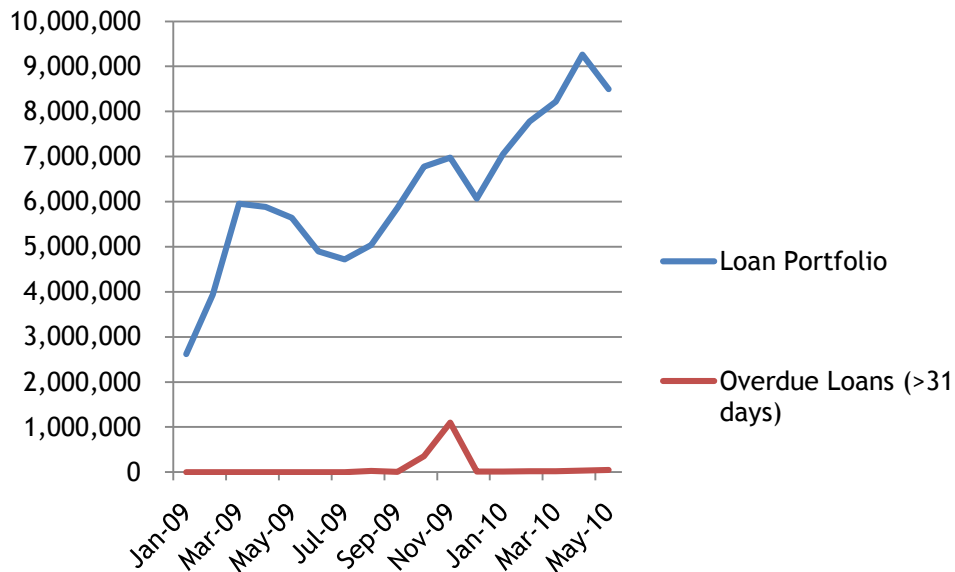


Cumulated Net profit year 2010  
(5 months) = GEL 48,563

# Key Ratios

Ratios	Jan-10	Feb -10	March-10	April-10	May-10
ROA	-14.90%	0.36%	1.09%	3.75%	13.95%
ROE	-17.46%	0.42%	1.3%	4.47%	16.56%
Regulatory Capital Ratio	79.83%	77.18%	73.84%	68.17%	71.14%
Total Interest Income / Average Assets	11.45%	11.78%	12.49%	13.07%	13.40%
WAIR on Loan Portfolio	21.76%	21.71%	21.75%	21.58%	21.36%
Net Interest Margin	10.64%	10.97%	11.66%	12.23%	12.54%
Liquid Assets to Total Assets	19.17%	13.81%	14.00%	4.85%	9.05%

# Credit Portfolio



As of May 23, 2010

Total Loan Portfolio = GEL 8,496,093

Total volume of overdue loans (more than 31 days) = GEL 44,967 (0.53%)

Loan Loss provision = GEL 319,046 (3.76%)

Weighted Average annual Interest Rate on loan portfolio is **21.36%**

# Economic Overview of Georgia

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## Stable macroeconomic environment

- High growth rates
- Low and predictable inflation
- Stable exchange rate

## Declining vulnerabilities

- Low indebtedness ratios
- More diversified trade
- High FX reserves

## Strong and sustainable growth fundamentals

- Upgraded infrastructure
- Better functioning institutions
- Strengthened financial structure

## Changing dynamics

- Increased competitiveness
- Efficiency gains

## Rapidly improving business climate

- Number 11<sup>th</sup> Country in terms of doing business
- Low tax burden
- Simplified administration
- Business deregulation
- Minimal state intervention

## BUT

- Still a lot of challenges ahead to achieve broad-based, sustainable economic growth

# Country Overview

<u>Area:</u>	<u>69,700 sq km</u>
<u>Population (2009E):</u>	<u>4.4 mln</u>
<u>Life expectancy:</u>	<u>74 years</u>
<u>Official language:</u>	<u>Georgian</u>
<u>Literacy:</u>	<u>100%</u>
<u>Capital:</u>	<u>Tbilisi</u>
<u>Currency (code):</u>	<u>Lari (GEL)</u>
<u>GDP 2009E:</u>	<u>US\$12.3 bln</u>
<u>GDP real growth rate 2009E:</u>	<u>-4.0%</u>
<u>GDP CAGR „03-“08</u>	<u>17.1%</u>
<u>GDP per capita 2009E (PPP):</u>	<u>US\$4,747</u>
<u>Inflation rate (e-o-p) 2009:</u>	<u>3.0%</u>
<u>External debt to GDP 2009E:</u>	<u>27.5%</u>

	<u>2003</u>	<u>2008</u>
<u>Nominal GDP (GEL mln)</u>	<u>8,564</u>	<u>19,070</u>
<u>GDP per capita (GEL)</u>	<u>1,972</u>	<u>4,351</u>
<u>Total budget revenues (mln GEL)</u>	<u>1,368</u>	<u>5,854</u>

*Source: Government of Georgia*

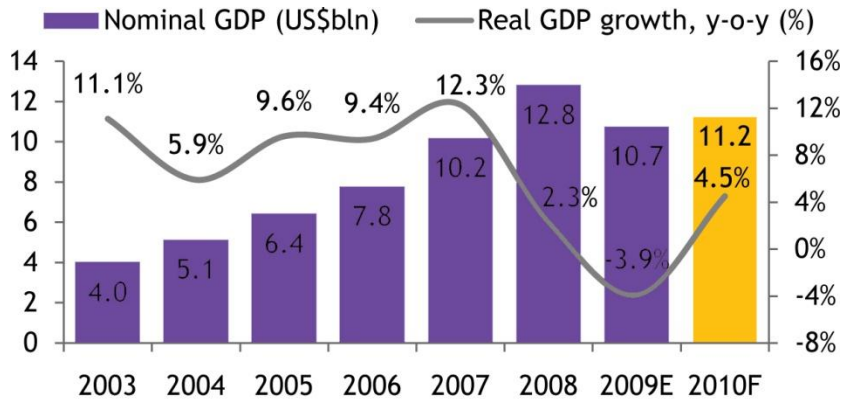


Georgia is the only country moving from negative to stable outlook in the Fitch Ratings in 2009

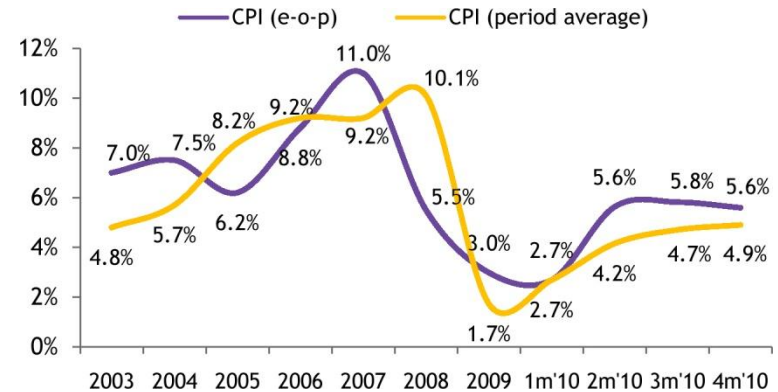
B+/Stable in Aug '09  
B+/Negative in Aug '08  
BB-/Stable in Jul '07

# Georgian Economy At A Glance

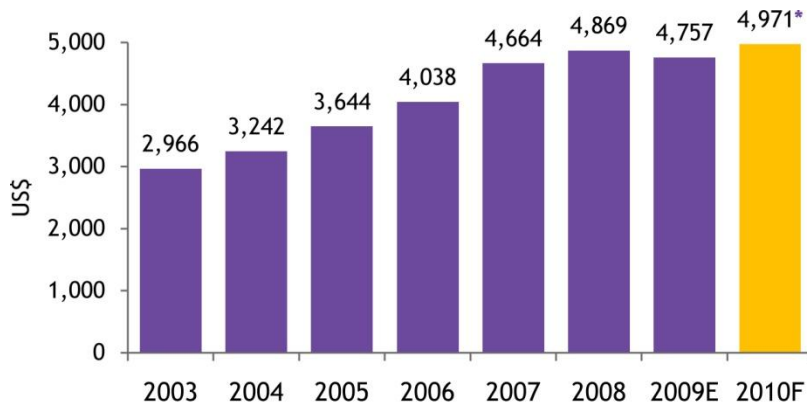
## Gross Domestic Product (GDP)



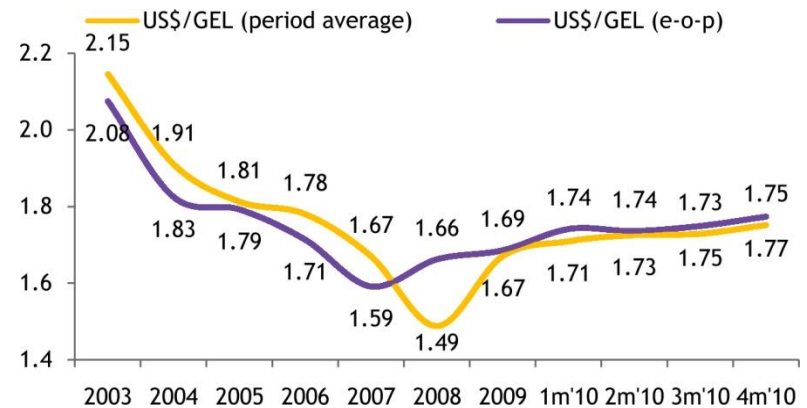
## Consumer Price Index



## GDP Per Capita (PPP)



## Exchange Rate Evolution



# Georgian Banking Sector Overview

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## Balance Sheet Financial Data of Commercial Banks Operating in Georgia as on May 31, 2010

	03-2008	06-2008	09-2008	12-2008	03-2009	06-2009	09-2009	12-2009	03-2010	05-2010
Total Assets	8,085,099	8,605,735	8,234,954	8,865,631	8,240,692	7,729,816	7,877,075	8,292,546	8,473,004	8,807,541
Loan Portfolio	5,011,638	5,530,888	5,438,914	5,992,880	5,661,173	5,366,774	5,209,975	5,185,336	5,343,553	5,589,490
Loan Loss Reserves	(189,461)	(226,836)	(405,321)	(537,418)	(594,003)	(652,840)	(683,691)	(660,599)	(660,077)	(682,906)
Total Deposits	3,873,098	4,074,604	3,698,883	3,844,909	3,423,840	3,243,865	3,643,800	4,173,884	4,283,816	4,446,487
Regulatory Capital	1,692,475	1,693,030	1,608,960	1,442,554	1,511,426	1,631,946	1,637,025	1,566,088	1,565,401	1,546,593
NET Income of 5 months 2010	42,267	76,145	(37,335)	(215,739)	(28,564)	(63,566)	(82,016)	(65,317)	15,337	28,781
Return on Assets - ROA, Annualized	2.17%	1.88%	-0.60%	-2.57%	-1.36%	-1.60%	-1.37%	-0.81%	0.73%	0.81%
Return on Equity - ROE, Annualized	10.22%	8.84%	-2.81%	-12.38%	-7.61%	-8.40%	-7.25%	-4.31%	4.00%	4.49%

# Georgian Banking Sector Overview

## Entrant of Foreign Investments in Georgian Banking Sector

