

Bank: JSC "PROGRESS BANK"

Date: 30-Sep-09

## Balance Sheet

in lari

| N   | ASSETS                                       | Reporting Period  |                  |                   | Respective period of the previous year |          |                   |
|-----|--|-------------------|------------------|-------------------|--|----------|-------------------|
|     |  | GEL               | FX               | Total             | GEL                                    | FX       | Total             |
| 1   | Cash   | 158,317           | 1,263,775        | 1,422,092         | 0                                      | 0        | 0                 |
| 2   | Due from NBG                                 | 74,891            | 41,589           | 116,480           | 16,818                                 | 0        | 16,818            |
| 3   | Due from Banks                               | 1,581,035         | 60,532           | 1,641,567         | 5,416,966                              | 2        | 5,416,968         |
| 4   | Dealing Securities                           | 0                 | 0                | 0                 | 0                                      | 0        | 0                 |
| 5   | Investment Securities                        | 0                 | 0                | 0                 | 4,662,625                              | 0        | 4,662,625         |
| 6.1 | Loans  | 5,857,757         | 5,031            | 5,862,788         | 0                                      | 0        | 0                 |
| 6.2 | Less: Loan Loss Reserves                     | (289,457)         | (101)            | (289,558)         | 0                                      | 0        | 0                 |
| 6   | Net Loans                                    | 5,568,300         | 4,930            | 5,573,230         | 0                                      | 0        | 0                 |
| 7   | Accrued Interest and Dividends Receivable    | 63,110            | 91               | 63,201            | 0                                      | 0        | 0                 |
| 8   | Other Real Estate Owned & Repossessed Assets | 0                 | X                | 0                 | 0                                      | X        | 0                 |
| 9   | Equity Investments                           | 0                 | 0                | 0                 | 0                                      | 0        | 0                 |
| 10  | Fixed Assets and Intangible Assets           | 3,408,449         | X                | 3,408,449         | 1,607,984                              | X        | 1,607,984         |
| 11  | Other Assets                                 | 420,872           | 9,900            | 430,772           | 1,332,700                              | 0        | 1,332,700         |
| 12  | <b>TOTAL ASSETS</b>                          | <b>11,274,974</b> | <b>1,380,817</b> | <b>12,655,791</b> | <b>13,037,093</b>                      | <b>2</b> | <b>13,037,095</b> |
|     | <b>LIABILITIES</b>                           |                   |                  |                   |  |          |                   |
| 13  | Due to Banks                                 | 0                 | 0                | 0                 | 0                                      | 0        | 0                 |
| 14  | Current (Accounts) Deposits                  | 22,616            | 11,791           | 34,407            | 0                                      | 0        | 0                 |
| 15  | Demand Deposits                              | 2,181             | 37,673           | 39,854            | 0                                      | 0        | 0                 |
| 16  | Time Deposits                                | 0                 | 22,883           | 22,883            | 0                                      | 0        | 0                 |
| 17  | Own Debt Securities                          |                   |                  | 0                 |  |          | 0                 |
| 18  | Borrowings                                   | 0                 | 0                | 0                 | 0                                      | 0        | 0                 |
| 19  | Accrued Interest and Dividends Payable       | 117,868           | 410              | 118,278           | 19,868                                 | 0        | 19,868            |
| 20  | Other Liabilities                            | 11,541            | 0                | 11,541            | 1,580                                  | 0        | 1,580             |
| 21  | Subordinated Debentures                      | 1,400,000         | 0                | 1,400,000         | 1,400,000                              | 0        | 1,400,000         |
| 22  | <b>Total Liabilities</b>                     | <b>1,554,206</b>  | <b>72,757</b>    | <b>1,626,963</b>  | <b>1,421,448</b>                       | <b>0</b> | <b>1,421,448</b>  |
|     | <b>EQUITY CAPITAL</b>                        |                   |                  |                   |  |          |                   |
| 23  | Common Stock                                 | 12,000,000        | X                | 12,000,000        | 12,000,000                             | X        | 12,000,000        |
| 24  | Preferred Stock                              | 0                 | X                | 0                 | 0                                      | X        | 0                 |
| 25  | Less: Repurchased Shares                     | 0                 | X                | 0                 | 0                                      | X        | 0                 |
| 26  | Share Premium                                | 0                 | X                | 0                 | 0                                      | X        | 0                 |
| 27  | General Reserves                             | 0                 | X                | 0                 | 0                                      | X        | 0                 |
| 28  | Retained Earnings                            | (971,172)         | X                | (971,172)         | (384,353)                              | X        | (384,353)         |
| 29  | Asset Revaluation Reserves                   | 0                 | X                | 0                 | 0                                      | X        | 0                 |
| 30  | <b>Total Equity Capital</b>                  | <b>11,028,828</b> | <b>X</b>         | <b>11,028,828</b> | <b>11,615,647</b>                      | <b>X</b> | <b>11,615,647</b> |
| 31  | <b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>  | <b>12,583,034</b> | <b>72,757</b>    | <b>12,655,791</b> | <b>13,037,095</b>                      | <b>0</b> | <b>13,037,095</b> |

General Director

Chief Accountant

Bank: JSC "PROGRESS BANK"

Date: 30-Sep-09

sheet N2

## Income Statement

in lari

| N    |   | Reporting Period |                 |                  | Respective period of the previous year |              |                |
|------|---|------------------|-----------------|------------------|--|--------------|----------------|
|      |   | GEL              | FX              | Total            | GEL                                    | FX           | Total          |
|      | <b>Interest Income</b>                                    |                  |                 |                  |  |              |                |
| 1    | Interest Income from Bank's "Nostro" and Deposit Accounts | 234,326          | 11,021          | 245,347          | 408,083                                |              | 408,083        |
| 2    | Interest Income from Loans                                | 706,087          | 91,672          | 797,759          | 0                                      | 0            | 0              |
| 2.1  | from the Interbank Loans                                  |                  |                 | 0                |  |              | 0              |
| 2.2  | from the Retail or Service Sector Loans                   | 616,209          | 156             | 616,365          |  |              | 0              |
| 2.3  | from the Energy Sector Loans                              |                  |                 | 0                |  |              | 0              |
| 2.4  | from the Agriculture and Forestry Sector Loans            | 7,216            |                 | 7,216            |  |              | 0              |
| 2.5  | from the Construction Sector Loans                        | 15,378           |                 | 15,378           |  |              | 0              |
| 2.6  | from the Mining and Mineral Processing Sector Loans       |                  |                 | 0                |  |              | 0              |
| 2.7  | from the Transportation or Communications Sector Loans    |                  |                 | 0                |  |              | 0              |
| 2.8  | from Individuals Loans                                    | 67,284           | 91              | 67,375           |  |              | 0              |
| 2.9  | from Other Sectors Loans                                  |                  | 91,425          | 91,425           |  |              | 0              |
| 3    | Interest and Discount Income from Securities              |                  |                 | 0                | 541,028                                |              | 541,028        |
| 4    | Other Interest Income                                     | 12,025           | 1,926           | 13,951           | 32                                     |              | 32             |
| 5    | <b>Total Interest Income</b>                              | <b>952,438</b>   | <b>104,619</b>  | <b>1,057,057</b> | <b>949,143</b>                         | <b>0</b>     | <b>949,143</b> |
|      | <b>Interest Expense</b>                                   |                  |                 |                  |  |              |                |
| 6    | Interest Paid on Demand Deposits                          | 391              | 879             | 1,270            |  |              | 0              |
| 7    | Interest Paid on Time Deposits                            |                  | 667             | 667              |  |              | 0              |
| 8    | Interest Paid on Banks Deposits                           |                  |                 | 0                |  |              | 0              |
| 9    | Interest Paid on Own Debt Securities                      |                  |                 | 0                |  |              | 0              |
| 10   | Interest Paid on Other Borrowings                         | 73,299           |                 | 73,299           | 22,799                                 |              | 22,799         |
| 11   | Other Interest Expenses                                   |                  |                 | 0                |  |              | 0              |
| 12   | <b>Total Interest Expense</b>                             | <b>73,690</b>    | <b>1,546</b>    | <b>75,236</b>    | <b>22,799</b>                          | <b>0</b>     | <b>22,799</b>  |
| 13   | <b>Net Interest Income</b>                                | <b>878,748</b>   | <b>103,073</b>  | <b>981,821</b>   | <b>926,344</b>                         | <b>0</b>     | <b>926,344</b> |
|      | <b>Non-Interest Income</b>                                |                  |                 |                  |  |              |                |
| 14   | Net Fee and Commission Income                             | (18,696)         | (16,743)        | (35,439)         | (3,863)                                | (853)        | (4,716)        |
| 14.1 | Fee and Commission Income                                 | 16,683           | 7,558           | 24,241           |  |              | 0              |
| 14.2 | Fee and Commission Expense                                | 35,379           | 24,301          | 59,680           | 3,863                                  | 853          | 4,716          |
| 15   | Dividend Income   |                  |                 | 0                |  |              | 0              |
| 16   | Gain (Loss) from Dealing Securities                       |                  |                 | 0                |  |              | 0              |
| 17   | Gain (Loss) from Investment Securities                    |                  |                 | 0                |  |              | 0              |
| 18   | Gain (Loss) from Foreign Exchange Trading                 | 99,555           |                 | 99,555           | (758)                                  |              | (758)          |
| 19   | Gain (Loss) from Foreign Exchange Translation             | (86,066)         |                 | (86,066)         | (9)                                    |              | (9)            |
| 20   | Gain (Loss) on Sales of Fixed Assets                      |                  |                 | 0                |  |              | 0              |
| 21   | Non-Interest Income from other Banking Operations         | 41,349           |                 | 41,349           |  |              | 0              |
| 22   | Other Non-Interest Income                                 | 47,952           |                 | 47,952           |  |              | 0              |
| 23   | <b>Total Non-Interest Income</b>                          | <b>84,094</b>    | <b>(16,743)</b> | <b>67,351</b>    | <b>(4,630)</b>                         | <b>(853)</b> | <b>(5,483)</b> |
|      | <b>Non-Interest Expenses</b>                              |                  |                 |                  |  |              |                |

## Annex to Transparency Regulation about Financial Condition of a Commercial Bank

| N  |   | Reporting Period   |                 |                    | Respective period of the previous year |              |                    |
|----|---|--------------------|-----------------|--------------------|--|--------------|--------------------|
|    |   | GEL                | FX              | Total              | GEL                                    | FX           | Total              |
| 24 | Non-Interest Expenses from other Banking Operations         | 4,792              |                 | 4,792              | 37,039                                 |              | 37,039             |
| 25 | Bank Development, Consultation and Marketing Expenses       | 62,539             | 8,749           | 71,288             | 58,116                                 |              | 58,116             |
| 26 | Personnel Expenses  | 849,020            |                 | 849,020            | 808,033                                |              | 808,033            |
| 27 | Operating Costs of Fixed Assets                             |                    |                 | 0                  |  |              | 0                  |
| 28 | Depreciation Expense  | 234,823            |                 | 234,823            | 58,425                                 |              | 58,425             |
| 29 | Other Non-Interest Expenses                                 | 214,266            | 6,764           | 221,030            | 343,601                                |              | 343,601            |
| 30 | <b>Total Non-Interest Expenses</b>                          | <b>1,365,440</b>   | <b>15,513</b>   | <b>1,380,953</b>   | <b>1,305,214</b>                       | <b>0</b>     | <b>1,305,214</b>   |
| 31 | <b>Net Non-Interest Income</b>                              | <b>(1,281,346)</b> | <b>(32,256)</b> | <b>(1,313,602)</b> | <b>(1,309,844)</b>                     | <b>(853)</b> | <b>(1,310,697)</b> |
| 32 | <b>Net Income before Provisions</b>                         | <b>(402,598)</b>   | <b>70,817</b>   | <b>(331,781)</b>   | <b>(383,500)</b>                       | <b>(853)</b> | <b>(384,353)</b>   |
| 33 | Loan Loss Reserve   | 231,534            | X               | 231,534            |  | X            | 0                  |
| 34 | Provision for Possible Losses on Investments and Securities |                    | X               | 0                  |  | X            | 0                  |
| 35 | Provision for Possible Losses on Other Assets               | (1,897)            | X               | (1,897)            |  | X            | 0                  |
| 36 | <b>Total Provisions for Possible Losses</b>                 | <b>229,637</b>     | <b>0</b>        | <b>229,637</b>     | <b>0</b>                               | <b>0</b>     | <b>0</b>           |
| 37 | <b>Net Income before Taxes and Extraordinary Items</b>      | <b>(632,235)</b>   | <b>70,817</b>   | <b>(561,418)</b>   | <b>(383,500)</b>                       | <b>(853)</b> | <b>(384,353)</b>   |
| 38 | Taxation  | (85,597)           |                 | (85,597)           |  |              | 0                  |
| 39 | <b>Net Income after Taxation</b>                            | <b>(546,638)</b>   | <b>70,817</b>   | <b>(475,821)</b>   | <b>(383,500)</b>                       | <b>(853)</b> | <b>(384,353)</b>   |
| 40 | Extraordinary Items   | (9,231)            |                 | (9,231)            |  |              | 0                  |
| 41 | <b>Net Income</b>   | <b>(555,869)</b>   | <b>70,817</b>   | <b>(485,052)</b>   | <b>(383,500)</b>                       | <b>(853)</b> | <b>(384,353)</b>   |

General Director

Chief Accountant

Bank: JSC "PROGRESS BANK"

Date: 30-Sep-09

## Off Balance Sheet Items

in lari

| N   |   | Reporting Period |            |            | Respective period of the previous year |    |       |
|-----|---|------------------|------------|------------|--|----|-------|
|     |   | GEL              | FX         | Total      | GEL                                    | FX | Total |
| 1   | <b>Conditional Obligations</b>                                | 2,526,550        | 83,576,602 | 86,103,152 | 0                                      | 0  | 0     |
| 1.1 | Acceptances and Endorsements                                  |                  |            | 0          | 0                                      | 0  | 0     |
| 1.2 | Guarantees Given  | 9,540            |            | 9,540      | 0                                      | 0  | 0     |
| 1.3 | Guarantees Received   | 1,706,000        | 71,053,696 | 72,759,696 | 0                                      | 0  | 0     |
| 1.4 | Pledged Assets Given  |                  |            | 0          | 0                                      | 0  | 0     |
| 1.5 | Pledged Assets Received                                       | 811,010          | 12,522,906 | 13,333,916 | 0                                      | 0  | 0     |
| 1.6 | Other Contingent Liabilities                                  |                  |            | 0          | 0                                      | 0  | 0     |
| 2   | <b>Legally Binding Obligations</b>                            | 862,184          | 0          | 862,184    | 0                                      | 0  | 0     |
| 2.1 | Funding Commitments of the Bank                               | 862,184          |            | 862,184    | 0                                      | 0  | 0     |
| 2.2 | Funding Commitments of other Parties                          |                  |            | 0          | 0                                      | 0  | 0     |
| 2.3 | Commitments to Purchase Investment Securities                 |                  |            | 0          | 0                                      | 0  | 0     |
| 2.4 | Commitments to Sell Investment Securities                     |                  |            | 0          | 0                                      | 0  | 0     |
| 2.5 | Foreign Exchange Operations                                   |                  |            | 0          | 0                                      | 0  | 0     |
| 2.6 | Forward Foreign Exchange Contracts                            |                  |            | 0          | 0                                      | 0  | 0     |
| 2.7 | Other Commitments   |                  |            | 0          | 0                                      | 0  | 0     |
| 3   | <b>Other Liabilities</b>                                      | 9,540            | 0          | 9,540      | 0                                      | 0  | 0     |
| 3.1 | Obligation Of the Issuer (endorser) to the Bank               |                  |            | 0          | 0                                      | 0  | 0     |
| 3.2 | Clients' Liabilities  | 9,540            |            | 9,540      | 0                                      | 0  | 0     |
| 3.3 | Third Parties' Clients' Liability to the Bank                 |                  |            | 0          | 0                                      | 0  | 0     |
| 4   | <b>Items to be Held in Safekeeping</b>                        | 0                | 0          | 0          | 0                                      | 0  | 0     |
| 4.1 | Precious Metals   |                  |            | 0          | 0                                      | 0  | 0     |
| 4.2 | Securities  |                  |            | 0          | 0                                      | 0  | 0     |
| 4.3 | Other Items   |                  |            | 0          | 0                                      | 0  | 0     |
| 5   | <b>Interest Rate Contracts</b>                                | 0                | 0          | 0          | 0                                      | 0  | 0     |
| 5.1 | Notional Value of Interest Rate Swaps                         |                  |            | 0          | 0                                      | 0  | 0     |
| 5.2 | Forward Contracts on Financial Instruments                    |                  |            | 0          | 0                                      | 0  | 0     |
| 5.3 | Futures Contracts on Financial Instruments                    |                  |            | 0          | 0                                      | 0  | 0     |
| 5.4 | Options   |                  |            | 0          | 0                                      | 0  | 0     |
| 6   | <b>Contracts on Commodities and Shareholders Capital</b>      | 0                | 0          | 0          | 0                                      | 0  | 0     |
| 6.1 | Notional Value of Swaps                                       |                  |            | 0          | 0                                      | 0  | 0     |
| 6.2 | Forward Contracts   |                  |            | 0          | 0                                      | 0  | 0     |
| 6.3 | Futures Contracts   |                  |            | 0          | 0                                      | 0  | 0     |
| 6.4 | Options   |                  |            | 0          | 0                                      | 0  | 0     |
| 7   | <b>Unsettled Documents</b>                                    | 64,849           | 0          | 64,849     | 0                                      | 0  | 0     |
| 7.1 | Accounting Documents not Paid in due Time by Reason of Client | 64,849           |            | 64,849     | 0                                      | 0  | 0     |
| 7.2 | Accounting Documents not Paid in due Time by Reason of Bank   |                  |            | 0          | 0                                      | 0  | 0     |
| 7.3 | Unissued Capital  |                  |            | 0          | 0                                      | 0  | 0     |
| 8   | <b>Written Off Loans</b>                                      | 2,905            | 0          | 2,905      | 0                                      | 0  | 0     |
| 8.1 | Unpaid Interest on Loans up to 31.12.2000                     |                  |            | 0          | 0                                      | 0  | 0     |
| 8.2 | Unpaid Interest on Loans from to 01.01.2001                   | 2,905            |            | 2,905      | 0                                      | 0  | 0     |
| 8.3 | Problem Loans Written off up to 31.12.2000                    |                  |            | 0          | 0                                      | 0  | 0     |
| 8.4 | Problem Loans Written off up to 01.01.2001                    |                  |            | 0          | 0                                      | 0  | 0     |
| 8.5 | Other Written Off Assets                                      |                  |            | 0          | 0                                      | 0  | 0     |
| 9   | <b>Other Valuables and Documents</b>                          | 1,523            | 20,661     | 22,184     | 0                                      | 0  | 0     |
| 9.1 | Undistributed value parcels                                   |                  |            | 0          | 0                                      | 0  | 0     |
| 9.2 | Small value inventory   | 141              |            | 141        | 0                                      | 0  | 0     |
| 9.3 | Strict reporting forms  | 1,382            | 20,661     | 22,043     | 0                                      | 0  | 0     |
| 9.4 | Payment of Special Lottery                                    |                  |            | 0          | 0                                      | 0  | 0     |
| 10  | <b>Total</b>  | 3,467,551        | 83,597,263 | 87,064,814 | 0                                      | 0  | 0     |

General Director

Chief Accountant

Date: 30-Sep-09

**Economic Ratios**

|    |  | Reporting Period | Respective period of the previous year |
|----|--|------------------|--|
|    | <b>CAPITAL</b>                                   |                  |  |
| 1  | Tier 1 Capital Ratio $\geq$ 8%                   | 82.91%           | 213.23%                                |
| 2  | Regulatory Capital Ratio $\geq$ 12%              | 90.15%           | 231.34%                                |
| 3  | Risk Weighted Assets/Total Assets                | 107.92%          | 43.02%                                 |
| 4  | Cash Dividend/Net Income                         | 0.00%            | 0%                                     |
|    | <b>Income</b>                                    |                  |  |
| 5  | Total Interest Income /Average Annual Assets     | 11.01%           | 10.17%                                 |
| 6  | Total Interest Expense / Average Annual Assets   | 0.78%            | 0.24%                                  |
| 7  | Earnings from Operations / Average Annual Assets | -2.56%           | -4.12%                                 |
| 8  | Net Interest Margin                              | 10.22%           | 9.92%                                  |
| 9  | Return on Average Assets (ROA)                   | -5.05%           | -4.12%                                 |
| 10 | Return on Average Equity (ROE)                   | -5.87%           | -4.29%                                 |
|    | <b>ASSET QUALITY</b>                             |                  |  |
| 11 | Non Performed Loans / Total Loans                | 0.00%            | 0.00%                                  |
| 12 | LLR/Total Loans                                  | 4.94%            | 0.00%                                  |
| 13 | FX Loans/Total Loans                             | 0.09%            | 0.00%                                  |
| 14 | FX Assets/Total Assets                           | 10.91%           | 0.00%                                  |
| 15 | Loan Growth-YTD                                  | 102.08%          | 0.00%                                  |
|    | <b>LIQUIDITY</b>                                 |                  |  |
| 16 | Liquid Assets/Total Assets                       | 25.11%           | 41.67%                                 |
| 17 | FX Liabilities/Total Liabilities                 | 4.47%            | 0.00%                                  |
| 18 | Current & Demand Deposits/Total Assets           | 0.59%            | 0.00%                                  |

General Director

Chief Accountant

Bank: JSC "PROGRESS BANK"

Date: 30-Sep-09

**Information about Supervisory Council, Directorate and Shareholders**

| <b>Members of Supervisory Council</b>  |                         |       |
|--|-------------------------|-------|
| 1  | Stuart Spenc Murdoch    |       |
| 2  | Jonathan New            |       |
| 3  | Kakha Kaladze           |       |
| <b>Members of Board of Directors</b>   |                         |       |
| 1  | Konstantine Sulamanidze |       |
| 2  | Ilia Kechakmadze        |       |
| 3  | Lasha Amaghlobeli       |       |
| 4  | Akaki Kordzadze         |       |
| <b>List of Shareholders owning 1% and more of issued capital, indicating Shares</b>                      |                         |       |
|  | name                    | share |
| 1  | LTD "KALA CAPITAL"      | 100%  |
| <b>List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares</b> |                         |       |
|  | name                    | share |
| 1  | Kakha Kaladze           | 100%  |

General Director

Chief Accountant