

31 January 2010



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# Country Overview



# Azerbaijan at a Glance

**Area – 86,6 thousand km<sup>2</sup>**  
**Population – 8.4 mln.**  
**Capital – Baku**

- Fastest growing economy in the World
- Considerable budget and foreign currency reserves
- Stable currency and sustainable fiscal performance
- Low level of consumer and Banking sector indebtedness
- Huge amounts of spending on infrastructure by Government
- Stable political environment
- Strategic Location
- Balanced political relations with world leading countries
- Integration to the world community



# Azerbaijan at a Glance

Key economic indicators	2006	2007	2008
Gross Domestic Products (GDP), mln. Manat	18037,1	26815,1	38005,7
Real GDP growth rate, %	34,5	25,0	10,8
Capital investments, mln manat	5963,6	6774,8	9073,6
Annual average inflation rate %	6,5	16,3	19,35
Government Dept/GDP %	7,3	6,7	5,6

- Azerbaijan is an oil rich country with stable political system and money reserves above USD 17 bln
- Although recent recession stressed all of the world economies, and the oil price fall down Azerbaijan was in the list of rare countries managed to pass trough it with minimum influence to population
- Budget of Azerbaijan for 2010 is calculated with the oil prices at level 45 USD



# Banking Sector



# General information

At present we have two level banking system

- **Central Bank of Azerbaijan** regulates and controls all commercial banks of Azerbaijan. As soon as the first alarm of financial crisis was heard in our country, CBA began to proceed with crucial steps in order to support the Banking sector, such as decreasing the mandatory reserve norm, lowering refinance rate, granting loans to local Banks and etc.
- There are 140 credit organizations in Azerbaijan, from which 46 are commercial banks (1 state owned IBA), 94 are non bank credit organizations.

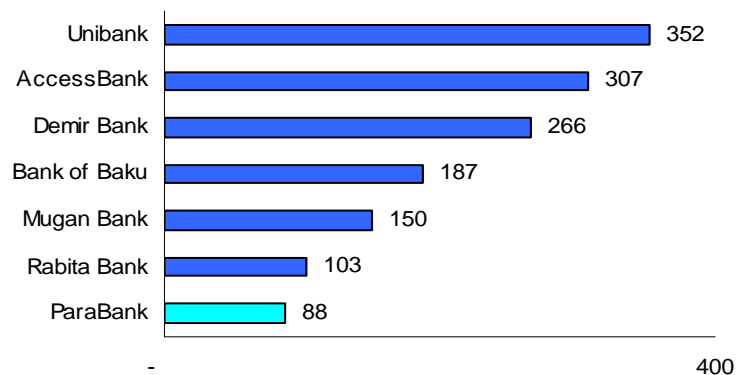
Banking sector in figures in mln, AZN	2006	2007	2008	June,2009
Assets	3778	6725,7	10273,5	10769,7
Loans to customers	2370,6	4553,7	7016,5	7598,8
Deposits	826,4	1468,4	1903,7	2119,3
Total Capital	603,3	1009,1	1491,7	1711,1

- Although Azerbaijan is one of the richest countries in the region, banking sector penetration still is not so high. Loans to GDP ratio is about 20% for 2008;
- IBA remains the only one government owned bank, holding around 45% of all Banking assets

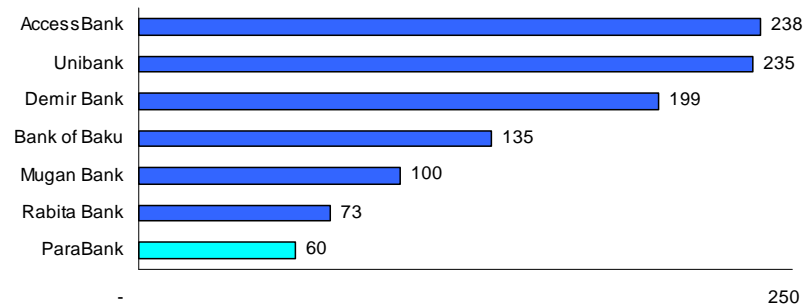


# Parabank in Banking sector

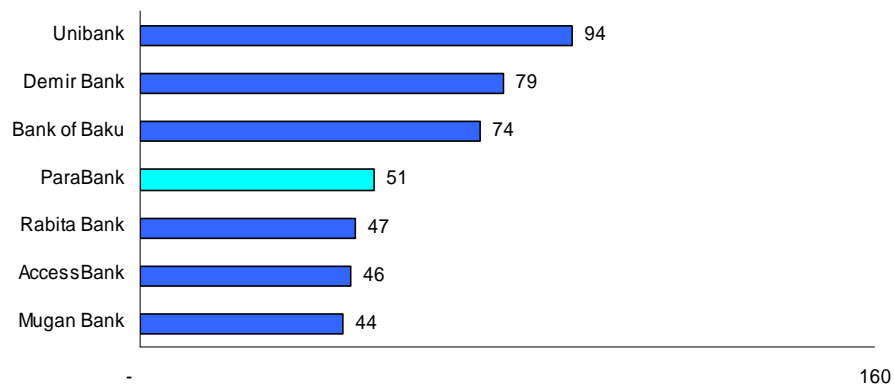
## Assets in mln, AZN



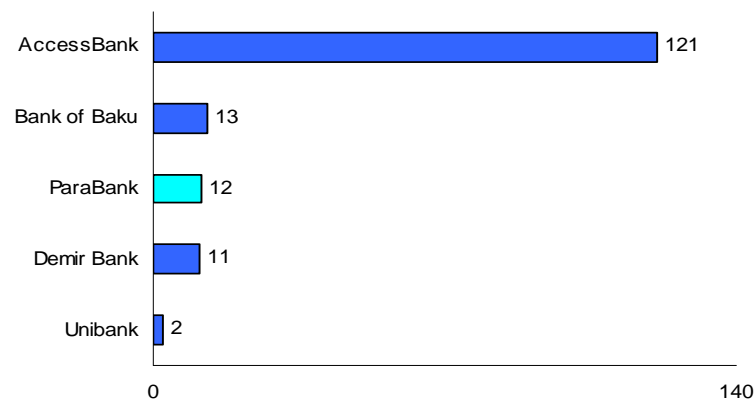
## Loans to customers in mln, AZN



## Deposits from population in mln, AZN



## Microfinance portfolio in mln, AZN

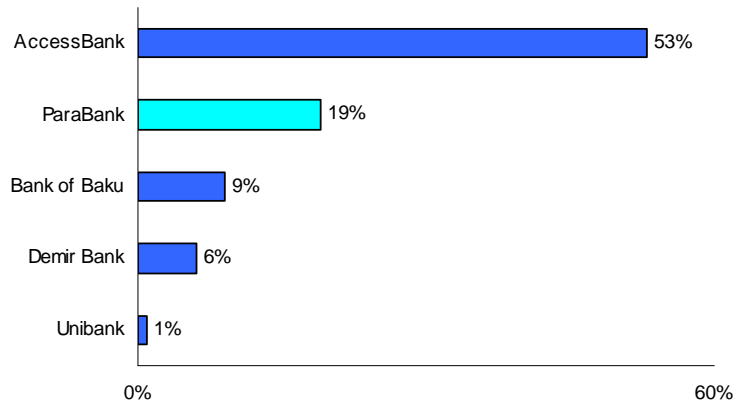


Source: Fineko Report to 31.12.2009; AMFA matrix 30.11.2009

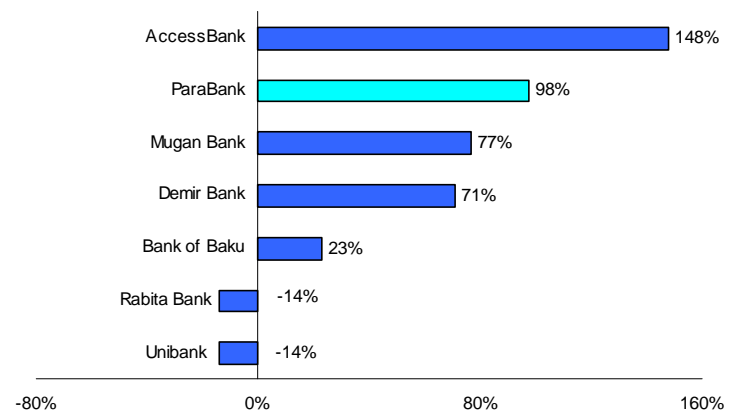


# Parabank in Banking sector

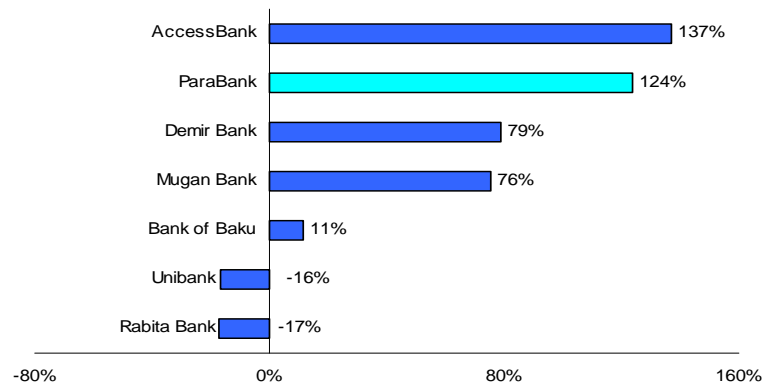
Portion of Microfinance portfolio in %



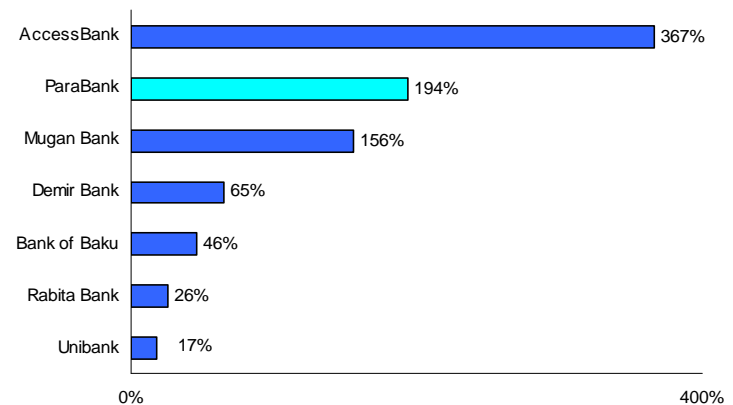
Assets growth since 2007 in %



Loan portfolio growth since 2007 in %



Deposits growth since 2007 in %



# Parabank Today



# Main Highlights

- “Parabank” JSC is one of the oldest banks in Azerbaijan which established in 1991
- Parabank is the universal bank providing wide range of products and services to its clients
- Bank is mostly focusing on Micro, Small and Medium Enterprises, and at this end it has increased the number of its branches, and currently has 16 branches
- Parabank successfully cooperates with German Azerbaijan Fund which was established by support of KfW and managed to attract up to 2 mln EUR
- Since 2007 Parabank is the official distributor of "Western Union" international money transfer system and providing joining to the international money transfer of Post Offices of Azerbaijan “Parabank” JSC has implemented one of the biggest projects.
- In 2008 Parabank was awarded with an International ISO 9001-2000 certificate, which confirms its high-quality customer service. The certification process was realized by Moody International Company.
- In 2009 Parabank was awarded by CGAP silver category certificate for reporting to Mix on Social Indicators.



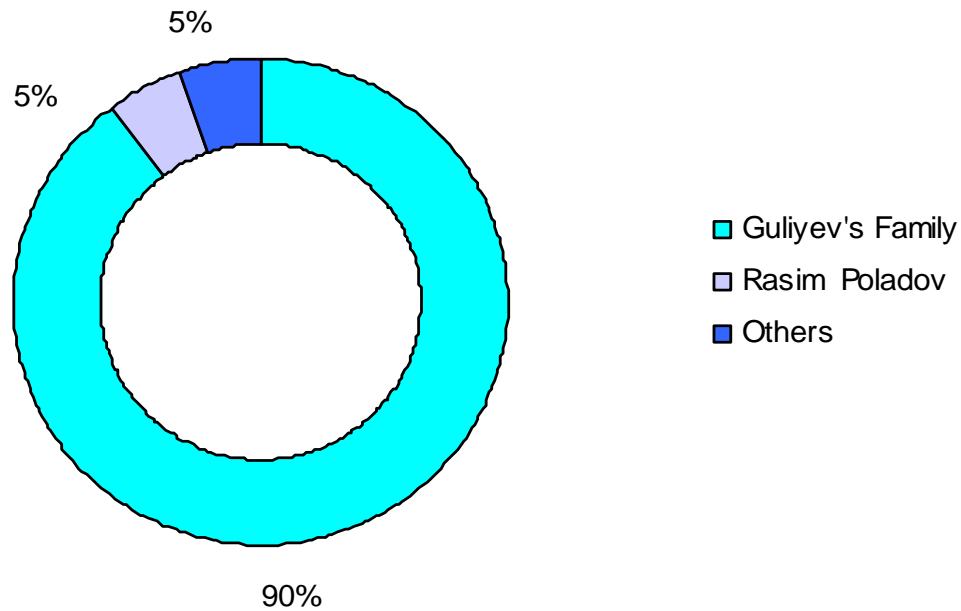
# Recent Developments

*Parabank obtained aggressive growth plan starting from year 2007 and now following results is been achieved by us:*

1. We are having totally 16 branches including headquarters of which 8 are located in regions of country – Beylagan, Agjabedi, Barda, Shamkir, Guba, Sumgait and 2 branches in Ganja. We have managed to double number of branches in 2 years.
2. We have managed to increase our Total Assets by 36% in 2009 and by 116% for two years;
3. For the year 2009 deposits from the population increased by 51% and the increase for last two years is more than 200%, which is now considered the main source of funding of the bank;
4. Deposits from population are diversified in little amount. Average maturity on deposit is 28 month;
5. We are one of the active providers of unsecured group loans and we provide group loans to farmers, teachers, medical staff, municipal workers, micro enterprises;
6. Starting from the beginning of 2009 we are one of the main partners of Kia Motors in terms of financing their customers and managed to finance more than 6 mln. AZN car loans. To minimize our risks we have obtained an agreement with Kia Motors that in case of overdue loans Kia Motors upon getting car back will close the debt by their own resources;
7. Historically, bank was paying great attention to Risk Management. Starting from 2009 bank has developed new structure of Risk Management and attracted skilled employers to develop this direction. Bank also aim to involve in this process professional consultant from abroad.



# Shareholding Structure



# Senior Management

## The Supervisory Board

- **Rasim Poladov (also shareholder of bank holding 5% of the stake)**

Chairman of the Supervisory Board

- **Natig Aghazada**

Member of Supervisory Board

- **Ilham Bagirov**

Member of Supervisory Board

## The Chief Counselor

**Eldar Guliev** – Chief counselor

(Also shareholder of bank holding 20% of the stake)

## Executive Board

- **Vali Guliyev (also shareholder of bank holding 19% of the stake)**

Chairman of the Executive Board  
Business Development & Marketing,  
HR

- **Azer Ragimly**

Deputy Chairman of the Executive Board  
Finance, Risk Management, Payment &  
Settlements, Credit Controlling

- **Mazahir Mammadov**

Deputy Chairman of the Executive Board  
Customer Service, Treasury, Branch  
Management, IT

- **Nigar Mehdieva**

Financial Director

Accounting, MIS, Budget planning and  
controlling

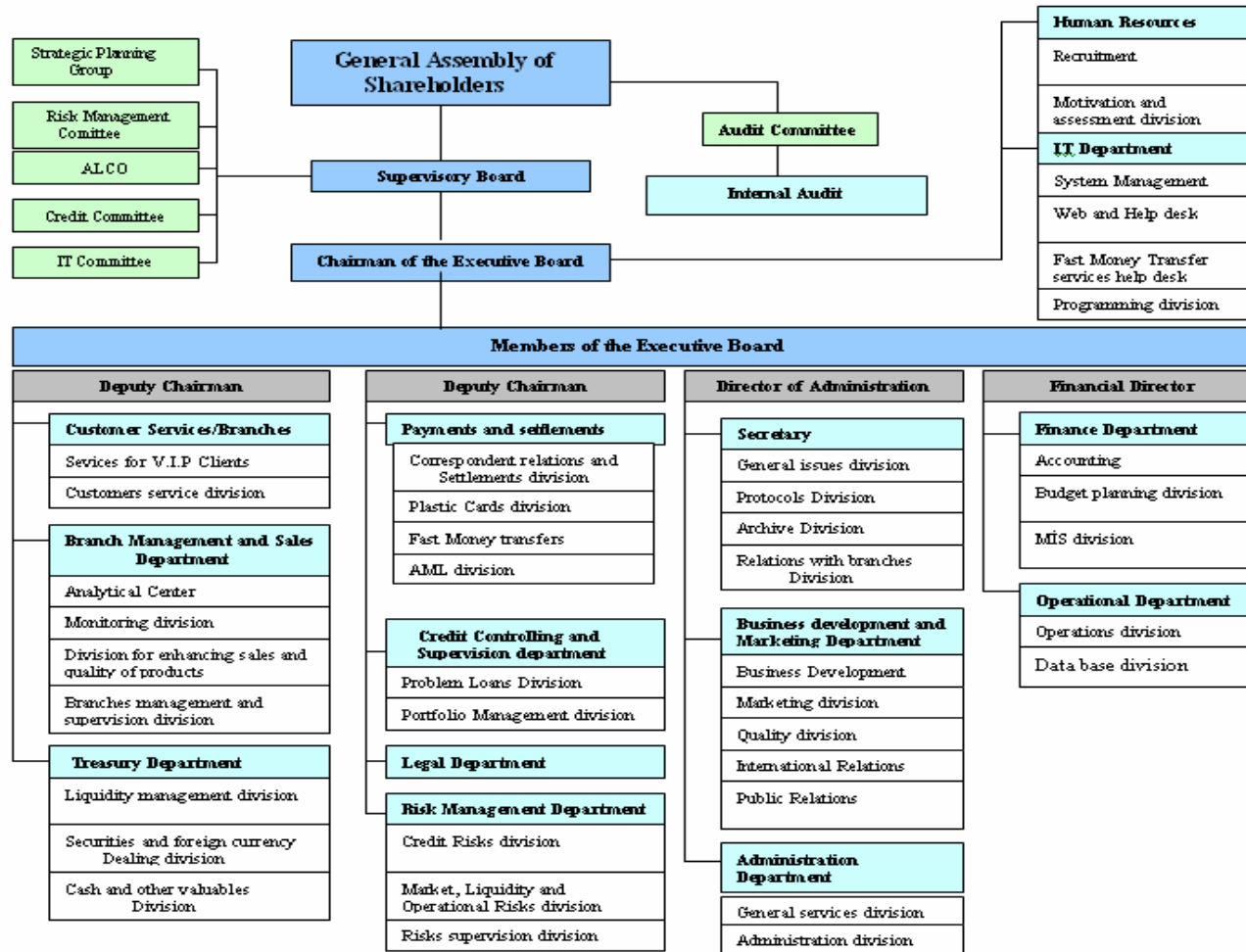
- **Toghrul Efendiyev**

Chief of Administration

Organizational and Administrative department,  
Secretary



# Bank Structure

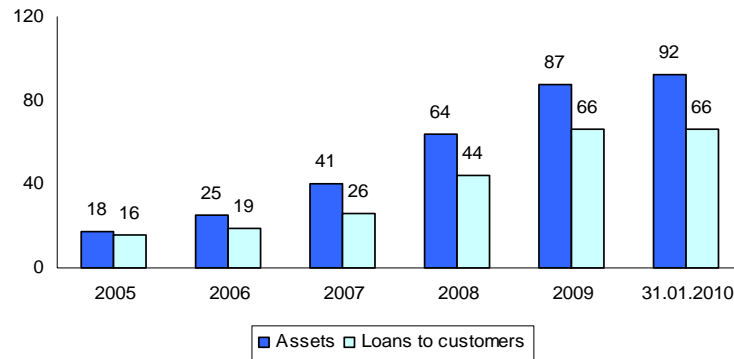


# Financial Performance

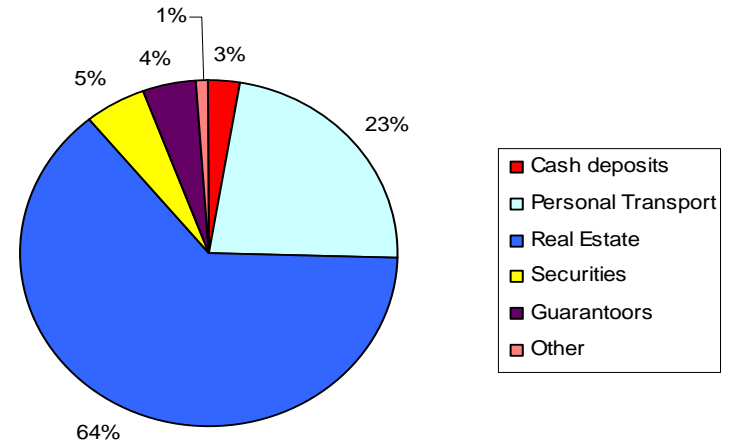


# Assets & Loan Portfolio

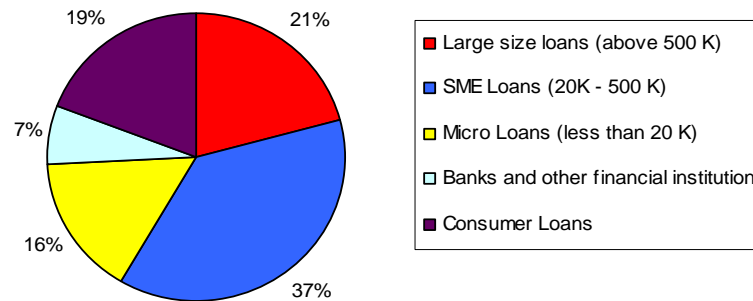
Assets and Loan portfolio in mln, AZN



Loan Portfolio breakdown by collateral type in mln, AZN



Loan portfolio breakdown in mln, AZN



# Loan Products

Parabank provides both secured and unsecured loans:

- ***Unsecured loans:***

- **Group Loans:**

These loans are issued in amount from 500 AZN up to 2000 AZN per each member;

Groups consist of 3-20 members;

Targeted to: Farmers, Micro business holders (New Product) and employees of all sustainable organizations (including governmental);

- **Educational Loans:**

These loans issued for the payments of tuition fee of students in amount up to 1500 AZN;

Guarantees from parents and statements of income are required;

- ***Secured Loans:***

**Loans to Microenterprises** up to 20 000 AZN;

**Loans to SME's** from 20 000 AZN to 500 000 AZN;

**Large loans** above 500 000 AZN;

**Car Loans** – Mainly cooperation with Kia Motors and also for our own resources up to 60% of the value of the car;

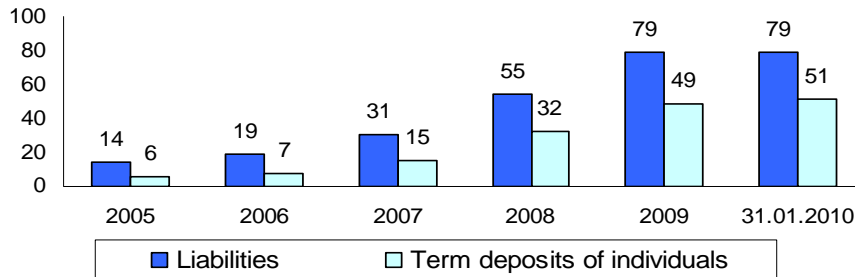
**Consumer loans** of up to 20 000 AZN for general consumer needs;

**Lombard loans** of up to 3000 AZN – For Microenterprises and other consumer needs;

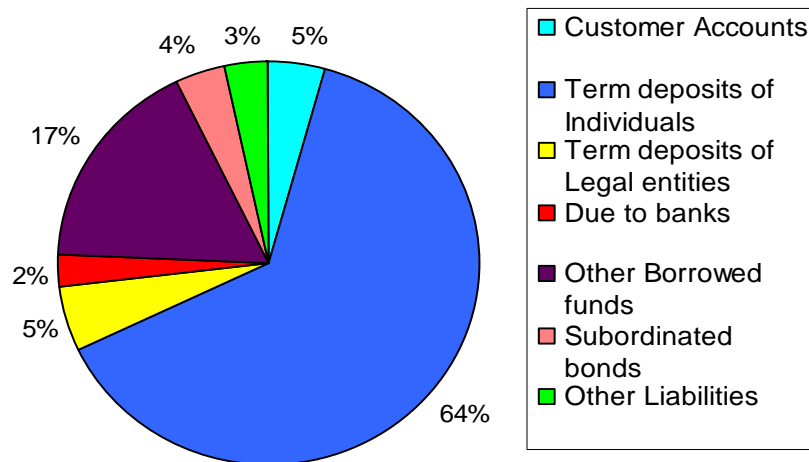


# Liabilities & Deposits

Liabilities and Term deposits from individuals in mln, AZN

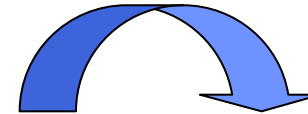
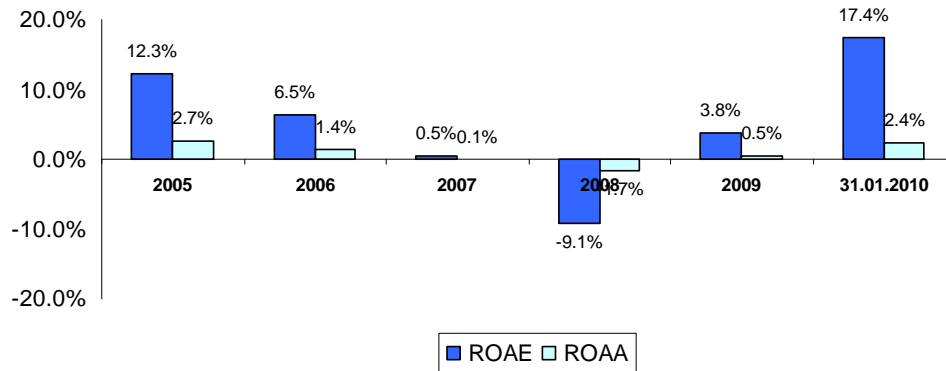


Liabilities breakdown



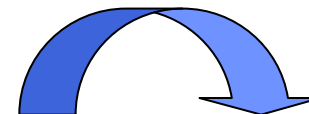
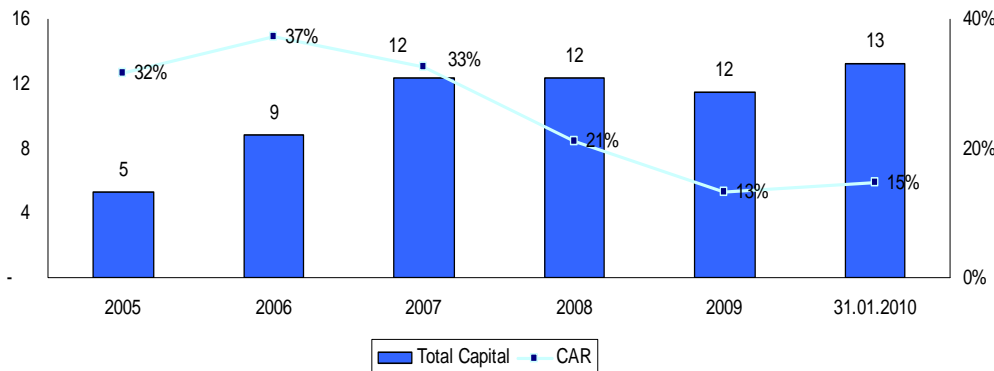
# Profitability & Capital

## Profitability



The main reason for decrease in profit of 2008 is the opening new branches (8 branches were opened) and increase in provisions for loan losses more than 50%

## Total Capital & Capital Adequacy Ratio, in mln AZN



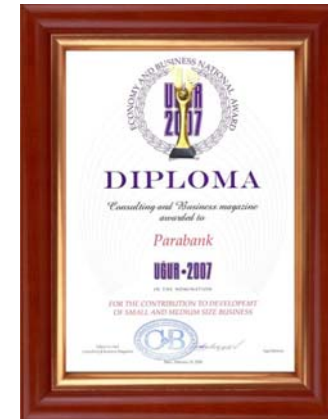
In accordance with normative acts of Central Bank Subordinated notes placed to Tier II capital should be decreased by 20% each year. Therefore, our Total Capital decreased for periods 2008 and 2009. We have already increased the Share capital of the Bank by additional 1.5 mio AZN at the first business week of January 2010.



# Final Information



# Diplomas and Awards



# Strategy of Bank

## Parabank's main targets for 2010

- To expand relations with the international financial institutions and foreign investors and to attract funding
- To attract one or several leading Development Financial Institutions as the shareholder to participate in the Equity of the Bank
- To expand the institutional strengthening of the Bank with main focus on Credits, Risk Management, HR
- To further increase local deposit base
- To further expand lending activities to Micro, Small and Medium Entrepreneurship
- Attract Subordinated Loan
- To become the member of Azerbaijan Mortgage Fund
- Further expand number of branches with the main concentration on rural regions



# International Cooperation

Parabank pays great attention to the development of International Relations, and already established good relations with following institutions:

- GAF (German Azerbaijan Fund, established by KfW and Azerbaijan Government)
- World Business Capital
- KfW
- DWM
- Responsibility
- EBRD
- Raiffeisen Zentral Bank, Austria
- Western Union International Bank, Austria

Bank is now in process of negotiations with world leading Development financial institutions in order to expand external funding possibilities.



# Membership and Investments

## Membership

- Visa
- AMFA – Azerbaijan Micro Finance Association
- ADIF – Azerbaijan Deposit Insurance Fund
- The Baku Inter-Bank Exchange (BICEX)
- The Chamber of Commerce and Industries of Azerbaijan
- The Association of Banks of the Azerbaijan Republic
- The US Azerbaijan chamber of Commerce
- The Baku Stock Exchange
- DAWF – German-Azerbaijan Business Association
- AMCHAM – American Chamber of Commerce in Azerbaijan

## Investment

- Milli kart Processing Center – 10%



# Why choosing Parabank?

- Transparency in shareholding structure and in business
- Sustainable development with main concentration to Micro, Small and Medium Entrepreneurship
- One of the largest deposit portfolios in Azeri banking sector from individuals which proofs the trust we gained in local market
- Great experience in local market maintained with many years of activity



# Business Card

Full name:

Parabank Joint-Stock Company

In brief:

PARABANK JSB

Registration year

1992

Legal address:

Azerbaijan Republic, Baku c., AZ1022, 60,Samed Vurgun S

Email: [Office@parabank.az](mailto:Office@parabank.az)

Web: [www.parabank.az](http://www.parabank.az)

Tel: (994 12) 447 10 00

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S.W.I.F.T.: PAAA AZ 22



Thank you for attention!

