

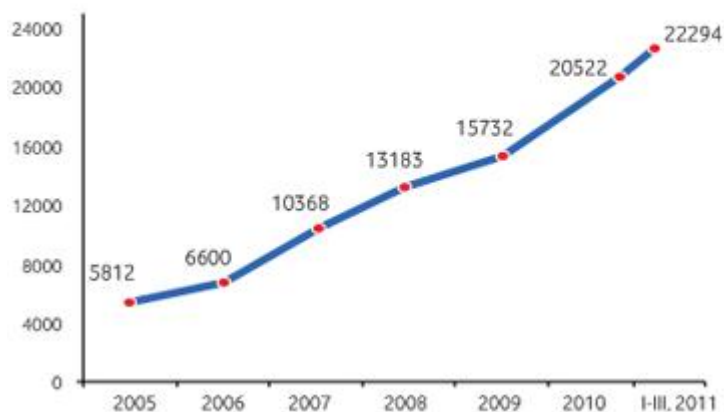
## HOW TO ESTABLISH A BANK IN AJARA

### INTRODUCTION

#### WHY TO ESTABLISH A BANK IN AJARA?

- Autonomous Republic of Ajara received “5 Star Diamond Award 2012” for being Investor-Friendly Region
- We are number 16 out of 183 countries according to “Easy of Doing Business 2012” (IFC/World Bank)
- We are number 34 according to “Index of Economic Freedom 2012” (Heritage Foundation)
- According to “Fitch Ratings” in 2011
  - Long-term foreign and local currency Issuer Default Ratings (IDRs) - 'BB-'
  - Short-term foreign currency IDR - 'B'
  - Country Ceiling - 'BB-' ( upgraded from 'B+')
  - Outlook: Stable
- According to “Standard and Poors Ratings” in 2011
  - Long-term foreign and local currency Sovereign credit ratings - 'B+'
  - Short-term foreign and local currency ratings - 'B'
  - Country T&C assessment - 'BB'
  - Outlook: Stable
- We have Leading Adult Literacy Rate indicator according to Human Development Report
- We have low-cost skilled labor
- Our Labor Code is the Most Liberal according to Heritage Foundation
- Despite the global financial crisis, our banking sector remains sturdy and profitable
- 13 commercial banks and 7 micro finance institutions are already operating in Ajara
- Total loans in 2010 - 211 million USD
- The share of loans granted by banks in Ajara for 2010 out of country's total loan portfolio is 6.7% and loan per capita in Ajara is 546 USD
- Total deposits in 2010 - about 112 million USD
- Total money transfers through banking sector in 2010 - over 76 million USD

#### Number of Registered Businesses in Ajara (2005-2011)



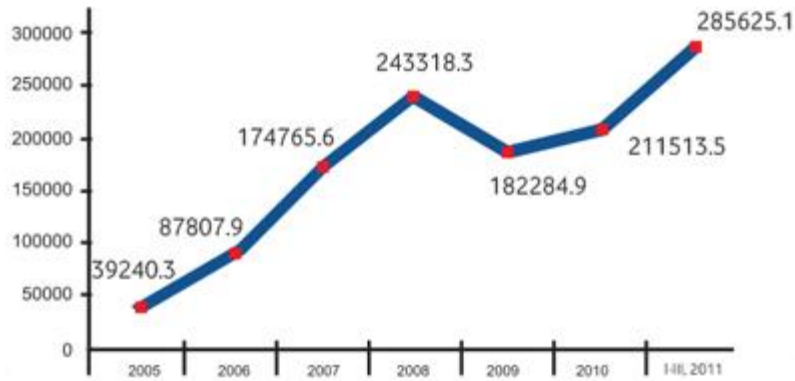
We have very positive growth in number of registered business in Ajara during 2005-2011. Comparing current number of registered businesses to 2005 figure, 4 times more businesses registered in 2011. It is worth mentioning that each year number of registered businesses in Ajara with foreign and joint capital is dramatically rising.



Strategic geographic location, investor-friendly environment, liberal trade regimes, low and simple taxes, low-cost and competitive labor force, richness of natural resources, unique culture and cosy environment to live and work has led to increasing number of foreign investments in the region.

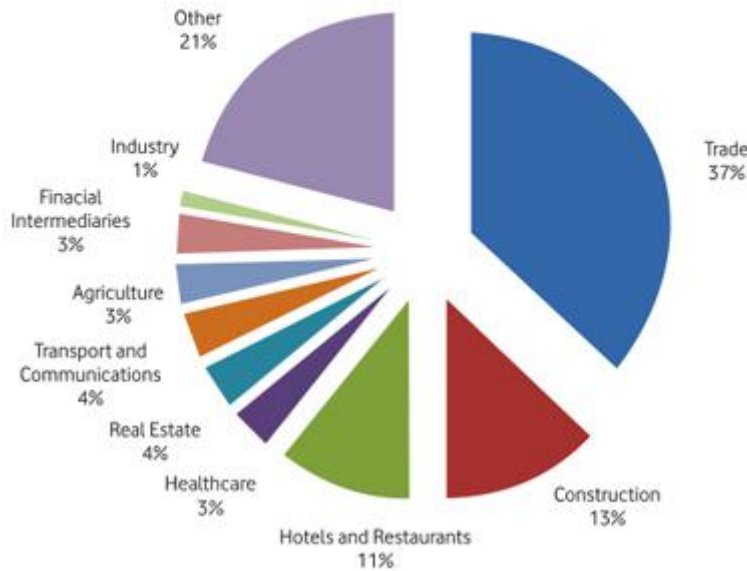


### Loans Issued by Commercial Banks Operating in Ajara (2005-2011)



By the end of September 2011, loans issued by commercial banks operating in Ajara reached 285 million USD. There are 13 commercial banks operating in Ajara.

### Loans Issued by Commercial Banks Operating in Ajara by Sectors of Economy (2010)



### COMMERCIAL BANKS OPERATING IN AJARA

Bank Republic Societe General Group

[www.republic.ge](http://www.republic.ge)

BASISBANK  
[www.basisbank.ge](http://www.basisbank.ge)

BTA Bank  
[www.bta.ge](http://www.bta.ge)

TBC Bank  
[www.tbcbank.ge](http://www.tbcbank.ge)

KSB KOR STANDART BANK

[www.ksb.ge](http://www.ksb.ge)

Liberty Bank

[www.libertybank.ge](http://www.libertybank.ge)

VTB Bank

[www.vtb.ge](http://www.vtb.ge)

PrivatBank

[www.privatbank.ge](http://www.privatbank.ge)

CARTU BANK

[www.cartubank.ge](http://www.cartubank.ge)

Bank of Georgia

[www.bankofgeorgia.ge](http://www.bankofgeorgia.ge)

ProCredit Bank

[www.procreditbank.ge](http://www.procreditbank.ge)

Bank Constanta

[www.bankconstanta.ge](http://www.bankconstanta.ge)

HALYK BANK

[www.hbg.ge](http://www.hbg.ge)

Foreign capital from USA, Ukraine, Germany, France, United Arab Emirates, Kazakhstan and The Netherlands is presente in all commercial banks operating in Ajara.

#### COMMERCIAL BANK UNDER GEORGIAN LEGISLATION

- A Commercial Bank is a legal entity licensed by the National Bank of Georgia (thereinafter “NBG”) that attracts deposits and, through their application, conducts banking activity on its own behalf pursuant to applicable Georgian law.
- A Commercial Bank can be established only in the organizational legal form of a joint-stock company.

#### COMMERCIAL BANK ACTIVITIES

The license granted by the NBG allows commercial banks to engage in the following banking operations inside the country as well as overseas:

- Issuing interest-bearing and interest-free deposits (of fixed period, upon demand and other) and other returnable means of payment;

- Issuing consumer loans, mortgage loans, unsecured and other loans, engaging in factoring operations with and without the right of recourse, trade finance including the granting of guaranties, letters of credit, acceptance finance, and forfeiting;
- Buying and selling of monetary instruments, such as promissory notes, checks, certificates of deposit, as well as securities, futures, options and swaps upon debt instruments or interest rates, currencies or interest instruments, debt documents, foreign currencies, precious metals and precious stones;
- Carrying out cash and non-cash settlement operations and the providing collection services;
- Issuing money orders and managing money circulation (including tax cards, checks and bills of exchange);
- Providing securities brokerage services;
- Carrying out trust operations on behalf of clients and funds management;
- Safekeeping and registering of valuables including securities;
- Providing credit-information services;
- Carrying out depository central activities;
- Carrying out activities related to each of the above types of services.

## ESTABLISHING COMMERCIAL BANK

### STEP 1: REGISTRATION REQUIREMENTS FOR ESTABLISHING JSC

JSC is a legal entity the charter capital of which is divided into shares of equal nominal value. The liability of a JSC is limited to its entire assets. Shareholders are not liable for obligations of the JSC.

In order to register a JSC, the founder(s) shall submit to the National Agency of Public Registry of the Ministry of Justice of Georgia the following documents:

- Charter (Articles of Association) of JSC (see Appendix #1);
- An application form as approved by the Ministry of Finance of Georgia; and Supplementary documents (see Appendix #2).

The total state and tax registration fee for a JSC is GEL100 provided that the registration shall be carried out in one business day. Fee payable for immediate registration of JSC amounts to GEL200.

### STEP 2: OBTAINING COMMERCIAL BANK LICENSE

The banking license is issued by the NBG.

In order to obtain the license for banking activities JSC shall submit to the following documents to the NBG:

- An application form; and
- Supporting documents (see Appendix #3).

The banking license is issued for unlimited time period.

The fee for issuing the license for the banking activities amounts to GEL500.

### RESTRICTIONS ON OWNERSHIP

Resident as well as non-resident individuals and legal entities, whose ownership is not restricted according to the applicable legislation, can become shareholders of a commercial bank.

A person shall have no right to be a Significant Shareholder if he/she was tried for the legalization of unlawful incomes, financing terrorism, economic crime and/or crimes against entrepreneurial or other economic activities.

## TYPES OF BANK CAPITAL

According to the Law of Georgia on Commercial Banks:

Declared Charter Capital- is the charter capital specified by the shareholders and envisaged by the charter which shall be paid up only in cash.

Regulatory Capital - is the capital formed for the purposes of performing the banking activities, indemnifying the possible financial losses and protect from other types of risk. The Regulatory Capital should be paid up only in cash.

Equity Capital - capital paid into a bank or other company by its shareholders and representing the difference between total assets and total liabilities;

Paid up Capital - the actually paid-in portion of the Declared Charter Capital;

## CORPORATE STRUCTURE OF COMMERCIAL BANKS

According to the Law of Georgia on Commercial Banks:

Meeting of Shareholders - is the supreme administrative body of the bank. General Meeting of Shareholders acts in accordance with legislation and charter. It elects the Supervisory Board.

Supervisory Board - consists of no less than 3 and no more than 21 members. The number of the elected members should be odd. Each member of the Supervisory Board shall be elected for a term of four years and may be re-elected for an unrestricted term.

Director(s) can be the member(s) of the Supervisory Board without making the majority of the board members.

Management Board (Board of Directors) - carries out managerial functions and has the representation authority of the bank. It shall consist of at least 3 individuals appointed by the Supervisory Board for the term of four years and may be reappointed for an unrestricted term.

Audit Committee - encourages proper functioning of the internal and external audits of the bank. The Audit Committee, which includes the independent member of the Supervisory Board (if any) is created by the Supervisory Board and is attached thereto.

## ADMINISTRATORS' COMPATIBILITY CRITERIA

Person to be appointed as an administrator of the commercial bank has to comply with the following compatibility criteria:

The member of the Board of Directors, head of the branch or other similar subdivision and its deputies should hold high degree in one of the following majors: economics, finances, banking, business administration, audit, accounting or law;

The chief accountant of the bank/branch and its deputy should hold high degree in one of the following majors: economics, finances, banking, business administration, audit or accounting;

The member of the Board of Directors of the bank, head of the branch or other similar subdivision or its deputy must have appropriate professional qualification and experience for which they should have at least 4 years work experience in banking- financial field, including 2 years experience of occupying the managerial position (head or deputy of the structural unit);

The chief accountant of the bank/branch and its deputy should have at least 3 years work experience in banking- financial field;



- The document granting the bank the status of “Foreign Reliable Bank” on the basis of presented rank;
  - The act appointing administrators of the branch;
  - The document envisaging authorization of the person submitting the documents indicated above.
- List of International Financial Institutions already present in Georgia is given in [Appendix #5](#).

## FAQ

### [Does the banking activity require any license/permit?](#)

Commercial bank should obtain Banking License in order to carry out the banking activity. Banking license is issued by the NBG.

### [What are the minimum regulatory capital requirements?](#)

Minimum required amount of the Charter Capital at the moment of the creation of the bank is its Regulatory Capital, which should constitute 12 million GEL.

### [What is applicable timing for registering a commercial bank in Ajara?](#)

Given that two-step procedure is required for establishing Commercial Bank, the aggregate time-frame is as follows:

The state and tax registration of JSC, carried out by the National Agency of Public Registry, is performed immediately after submission of all necessary documents, within one business day or directly upon submission.

The registration of JSC is followed by obtaining the Banking License which is granted within the period of 3 months from the date of submission of the Application.

### [What are the Preconditions of legal stay in Ajara?](#)

A Person possessing ordinary visa and wishing to stay on the territory of Ajara longer than the period determined by the visa, should apply to respective regional services of the Civil Registration Agency of the Ministry of Justice of Georgia for receiving temporary or permanent residence permit, before the expiration of the terms of their legal stay. The duration of a temporary residence permit can be up to 6 years.

### [For what time-period can a bank be incorporated?](#)

In accordance with the Georgian legislation a bank can be incorporated for unlimited time-period, thus latter entirely depends upon the choice of the founders.

### [Can a foreign national be a managing officer of a bank?](#)

Yes, the Georgian legislation does not contain any restraints as to the nationality of personas that are entitled to participate in corporate governance of the bank.

### [What is the minimum/maximum number of Directors/Founders Permitted in Ajara?](#)

Georgian legislation does not contain any limitations with regard to the minimum/maximum number of Founders of a bank, whereas it explicitly provides for that bank shall have at least 3 directors, forming the board of directors.

### [What is Legalization?](#)

Legalization of a document by the respective authority of a State certifies that the document accords with the legislation of that particular State. It attests the validity of notary signature and the seal thereto. Legalization is carried out by the embassies and consular departments of Georgia in foreign states.

### [What is Apostille?](#)

A certificate confirming the authenticity of a document issued in one of the signatory countries for legal purposes in all the other signatory states. Georgia is the member of The Hague Convention Abolishing the Requirement of



Legalization for Foreign Public Documents (October 5, 1961). Therefore, legalization can be substituted by the Apostille in the countries that are also signatories to Hague Convention.

#### APPENDIX #1: REQUIREMENTS TO CONTENT OF CHARTER (ARTICLES OF ASSOCIATION) FOR REGISTRATION OF A JSC

Charter (Articles of Association) contains the following information:

- Company (firm) name of a business entity;
- Legal form of a business entity (JSC);
- Legal address of a business entity;
- Name, residing address, personal number and signature of founding partner(s), persons (including a proxy) responsible for representing and leading a business entity; If the founder is a business entity - the application should include its legal name and registration details, legal address, the name of a body that registered the business entity, the date of registration and identification code, information regarding its representatives;
- The duration of a business entity (if a company is founded for a determinate time period, its duration shall be indicated by years);
- Representative and managerial functions of the Board of Directors;
- Personal data of the members of Supervisory Board of the company.
- Detailed description of rights, obligations and corporate function of each body (i.e. Partners General Meeting, Supervisory Board, Board of Directors, Audit Committee etc.) within the corporation.

The Charter (Articles of Association) must be signed by all of the founding partners of the JSC. If the founding partner is a legal person, its duly authorized representative shall be entitled to sign the Charter (Articles of Association).

Charter (Articles of Association) must be notarized and if it is sent from abroad should be notarized and legalized in founder's country / or certified by apostille, translated and notarized in Georgia.

#### APPENDIX #3: DOCUMENTS REQUIRED FOR REGISTRATION OF A JSC

For registration of a JSC, the following documents shall be submitted (including Application) to the National Agency of Public Registry :

- Decision of the founders on creation of JSC in Georgia;
- Charter (Articles of Association) of the founder company;
- Document certifying the proof of registration by the founder in the foreign jurisdiction; if the founder is a legal entity, the same or a separate document should indicate the names of the authorized representatives, supervising authority and other corporate details of the founder (Certificate of Registration);
- Decision on appointing the managers of the company (Directors) and its Supervisory Board;
- Passport photocopies of the founders, director(s) and members of the Supervisory Board.

#### APPENDIX #3: DOCUMENTS REQUIRED FOR REGISTRATION OF A JSC

The NBG requires following documents to be submitted by the JSC for obtaining a banking license (including Application):

- The originals or notarized copies of the JSC registration documents;

- Information regarding the qualification of directors of the commercial bank and their experience of working in the banking field;
- A bank statement confirming the amount of the Declared Charter Capital and its paid up part, as well as the information regarding the ownership of Declared Charter Capital and Regulatory Capital and the origins thereof;
- A compatibility declaration concerning the direct as well as beneficiary owner with regards to the criteria established by the respective Georgian legislation;
- Additional information determined by the rules of the NBG, which should include at least information regarding the Charter Capital and other financial resources, the location of the head office and the branches of the bank as well as additional information, which is requested by the NBG on case by case basis;
- Documents certifying the right of ownership or of the use of the immovable property, where the commercial bank or its branch shall be located;
- A receipt of paying the license fee.

### APPENDIX #3: DOCUMENTS REQUIRED FOR OBTAINING A BANKING LICENSE

The NBG requires following documents to be submitted by the JSC for obtaining a banking license (including Application):

- The originals or notarized copies of the JSC registration documents;
- Information regarding the qualification of directors of the commercial bank and their experience of working in the banking field;
- A bank statement confirming the amount of the Declared Charter Capital and its paid up part, as well as the information regarding the ownership of Declared Charter Capital and Regulatory Capital and the origins thereof;
- A compatibility declaration concerning the direct as well as beneficiary owner with regards to the criteria established by the respective Georgian legislation;
- Additional information determined by the rules of the NBG, which should include at least information regarding the Charter Capital and other financial resources, the location of the head office and the branches of the bank as well as additional information, which is requested by the NBG on case by case basis;
- Documents certifying the right of ownership or of the use of the immovable property, where the commercial bank or its branch shall be located;
- A receipt of paying the license fee.

### APPENDIX #4: DOCUMENTS REQUIRED FOR THE REGISTRATION OF A BRANCH OFFICE

The National Agency of Public Registry requires following documents to be submitted by foreign legal entities of a branch (including an application for registrations)

- Decision of the founder on opening a branch in Georgia;
- Charter (Articles) of the founder company;
- Document certifying the proof of registration of the founder company in the foreign jurisdiction; if the founder is a legal entity, the same or the separate document should indicate the names of the authorized representatives and other corporate details of the founder;
- Decision on appointing the Head of the Company (director) or the relevant Power of Attorney thereof;
- · Passport photocopies of the director to be appointed of a branch;
- In addition, the Application Form shall include the following information:
- Firm name of a branch;

- Legal address of a branch;
- The legal name of the founder and its registration details, its legal address, the name of the body that registered the business entity, the date of registration and identification code;
- The date of submitting the application for registration;

APPENDIX #5: INTERNATIONAL FINANCIAL INSTITUTIONS ALREADY PRESENT IN GEORGIA

