

“BUSINESSES IN THE
REGION MUST COOPERATE WITH
FOREIGN INVESTORS”



Dusko Knezevic,
President of Atlas Group



*Like many countries around the world Montenegro has found the economic slowdown challenging. Yet, this relatively small country on Europe's Adriatic coast has developed a thriving economy since independence in 2006. Now, says **Dusko Knezevic**, President of Atlas Group, the country can play an important role both in the region and on the global stage*

■ Atlasmont bank, like the Atlas Group which it belongs to, has bold ambitions to extend its international reach and influence. On the local Montenegrin market, the firm offers all the banking services you would expect, and has an extensive network of branches throughout the country. Because of the high level of competition in the Montenegrin banking market, the firm invests a lot in the development of new products and services. Atlasmont keeps up with modern global banking trends, recently it has focused on the development of e-commerce and e-banking services, for example, as well as the development of card operations.

At the same time the bank is focusing on international expansion. It has a representative office in Serbia, and a branch office in Cyprus, which operates under European Union rules and regulations.

The Group also operates other banking interests. ABM bank, for example, operates in Russia, a country which is very important in terms of inwards investment into the region.

Atlasmont Bank has the advantage of being part of the Atlas Group which has diverse business interests and operations. The Group is present in several areas, having many projects and a large number of partners, which provides Atlasmont with the opportunity to gain new clients. The stability and backing of the Group also helps to build confidence.

The Atlas Group, composed of 30 companies, is the strongest financial group in Montenegro and one of the strongest in the region. The Group undertakes business activities in a number of different areas, with operations in the finance, banking, education, media, real estate and tourism sectors.

Based in Cyprus and regulated by the Cyprus Securities and Exchange Commission, Atlas Capital Financial Services (fully compliant with the EU-MFID Directive) is pioneering a number of other areas of business within the Group, for example.

Atlas Capital is, for instance, says Mr Knezevic, a pioneer in the field of greenhouse gas (GHG) emissions trading in southeast Europe. It is also the only investment firm in Greece and Cyprus that offers full membership on BlueNext, the Paris-based Environmental Exchange that serves as the biggest platform for trading spot EU Allowances worldwide.

In addition, Atlas Capital provides an array of traditional financial

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services, such as global custodianship to investment banks, broker-dealers, institutional investors, mutual funds, corporate entities and private investors. It also offers consultancy services and portfolio management and act as brokers for the Athens, Cyprus, London, New York, Belgrade, and Montenegro stock exchanges. Beside this, Atlas Capital became one of the strongest players in FOREX trading services.

There are three banks in the Group: the Atlasmont bank; investment bank IBM; and the previously mentioned ABM bank in Moscow. While Atlas Card, is based on Cyprus and licensed for issuing and acquiring of payment cards at EU market.

The Group is also a strong regional player on capital markets. Atlas Group is a majority owner of NEX Montenegro stock exchange and Montenegro stock exchange in Montenegro, as well as owner of one of the largest investment funds and broker houses. Besides these there Group operates a life insurance company as well as one of the country's first pension funds.

The Group's real estate interests extend to numerous locations in Montenegro, Serbia, Cyprus and Russia, where it is developing projects in the leisure, tourism, health sectors along with business and residential real estate.

While some of these projects, such as the Atlas Capital Centre project in centre of Montenegro's capital, Podgorica, are in their final phase, others such as the reconstruction of the Adriatic Fair Hotel and Exhibition Centre, in a partnership with Future Capital Partners, which represents group of investors from Britain, are just getting underway.

Other interests include RTV Atlas a modern multimedia network broadcasting radio, television and web content in Montenegro and through satellite, IP and cable systems to the world.

Over the 20 years that the Atlas Group has been in business it has grown into a very significant financial group, operating both in its domestic regional markets in the Balkans and Europe, as well as on the international stage. Besides providing a return for its investors and excellent service for its clients, the Group is also keen to promote and help build the economic strength of the region.

"While delivering a profit for shareholders is clearly a primary objective at Atlas", says Mr Knezevic, "the economic growth and success of Montenegro and region is also very important to the Group.

"We put considerable effort into making sure the investment potential of Montenegro is appreciated and understood. Indeed, it is thanks to the activities of the Atlas Group that many serious investors have decided to invest in Montenegro, or expressed an interest in doing so."

Traditionally, tourism and services are strong sectors for investment in Montenegro, and that is expected to continue to be the case in the future.

Besides its famous beautiful coastline, Montenegro has a great potential for winter tourism which has yet to be fully realised, adds Mr Knezevic. There is also significant potential for large investments in banking and financial services, as well as in infrastructure.

THE IMPACT OF THE CRISIS

"Certainly, through 2010 and into 2011 we would expect Montenegro and the region to continue suffering the consequences of the global economic crisis," says Mr Knezevic.

"It was inevitable that the region would be quite badly affected by the global crisis, as it is very dependent on foreign investments, notably from the United States, European Union and Russia. Investors and providers of capital have adopted a wait-and-see

attitude, staying on the sidelines until the situation improves."

Of course there is still a possibility that events may take a turn for the worse once again. The debt crisis in Greece, has been renamed the Mediterranean Crisis, as some economists predict a scenario in which contagion from problems in Greece affect Spain, Portugal and other Eurozone countries.

Greek banks and investors, together with Austrian banks, are among some of the largest investors in this region, so if they experience difficulties this is likely to have some knock-on impact. There is also talk of some countries experiencing a double dip recession.

It is evident, however, that many developed countries are already beginning to recover, if hesitantly. Hopefully, says Mr Knezevic, investors from these countries will gain confidence and returning to invest in Montenegro and the region, bringing new capital with them. And Montenegro is fortunate in having a small and adaptable economy able to rebound quickly.

And, of course, the eventual accession of Montenegro into the European Union and NATO will accelerate investment, and provide a fresh impulse to the recovery and growth of the economy.

"The speed with which this region approaches integration with the European Union will depend to a large extent on the degree of capitalisation, on how much money is pulled from investment funds, on achieving a better rating for the region, and on the arrival of private investors and institutional capital," says Mr Knezevic. "All of these are factors that influence our ability to return to something that might be called a normal business environment."

As countries in Europe and elsewhere look for ways to stimulate



Montenegro's
adriatic coastline
from monography
'Montenegro', published
by Atlas Group

growth and reduce debt Mr Knezevic stresses the importance of maintaining a flexible approach. "It is very important that administrations and everyone else working on the promotion of foreign investment, be as flexible as possible," he says. "That they help foreign investors as much as possible to realise their projects, because that is the only way for the region to move forward."

Reducing bureaucracy is helpful too, and that is just as true for Montenegro as elsewhere, points out Mr Knezevic. In certain Western European countries, for example, you can start a company over the Internet. You don't need a director or to name local people who will lead the firm, everything can be accomplished through accounting or law firms.

At the same time it is important that there is not an overreaction to the recent banking crisis and economic slowdown, says Mr Knezevic. The market will operate in a way that naturally corrects shifts in capital flows and underinvestment. Even though trade and services may be less attractive in a region or country, with falling production and less investment in production, eventually the market will correct any investment imbalance. "I think the market is the best regulator. I believe the state is there simply to create the preconditions for that to happen," says Mr Knezevic.

Hand in hand with market mechanisms, of course, there is need for a level of regulation that will build confidence between banks and other banks, and between banks and their clients.

"Banks, regulatory bodies, central banks, and agencies for the supervision of banking systems, all have a role to play in constructing and implementing a framework for governance that will help create an environment that enables banks to build or regain their client's confidence," he says.

In the meantime Montenegro will continue to build strong regional ties, especially with its closest neighbours, because it is only by forging these connections that it will build ties with the rest of the world.

HELPING TO BUILD A REGIONAL AND INTERNATIONAL PRESENCE

Just as the economy of Montenegro has been affected to a degree, with the Atlas Group oriented towards world markets it has been impossible for the Group to avoid some negative impact from the crisis. Most of that impact has been felt through the decrease of shares prices in the

Group's portfolio. Also, demand and consequently prices were down in the real estate market. Uncertainty in the global economy has led to a more wary approach from foreign investors.

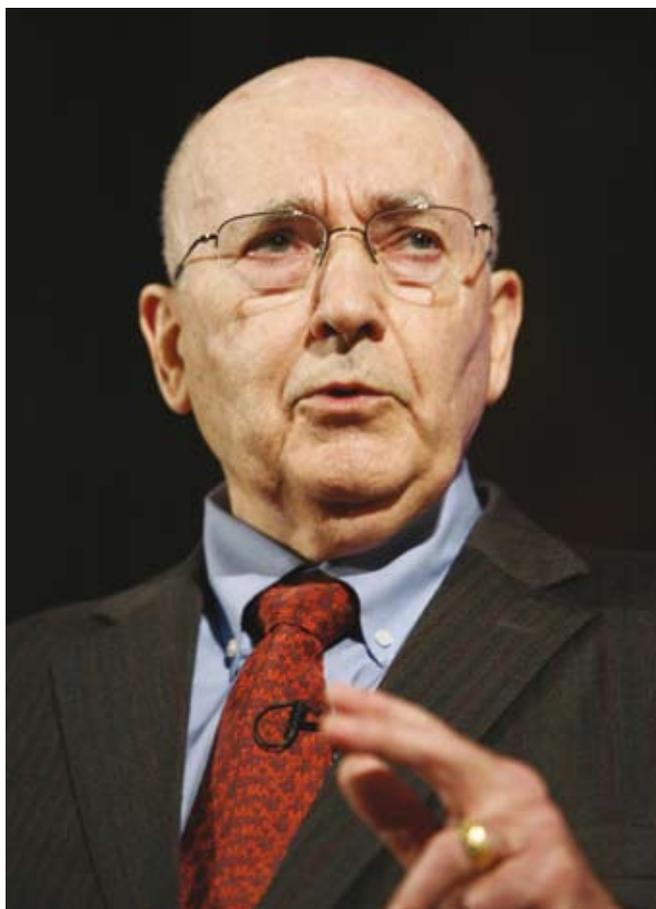
"With foreign investors more cautious it became harder for us to obtain the cooperation of others on some of the projects we have underway," he says.

"However, it is worth mentioning that, regardless of the slowdown, despite all the difficulties in the global economy we have been able to fund our projects, which have run without any problems and continue to do so, as planned, and according to schedule. Our banks are liquid and stable, and we have managed to maintain the confidence of all of our clients."

Indeed the Atlas Group is fairly well diversified, and this has allowed it to withstand the effects of the recent economic downturn to a degree. Not only did the Atlas Group management maintain the stability, solvency, and liquidity of the Group and all its members, its three banks managed to report a profit in 2009.

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terms of the projects the Group finances as well as its continual promotion of the region to foreign investors.

Of the numerous projects in the region that Atlas is involved with, the Atlas Capital Centre in Podgorica, and the Meljine project, are two of the most significant.

The Atlas Capital Centre is a good example of the success enjoyed by the Atlas Group's approach to date. The Atlas Capital Centre is a state of the art 100,000m² business and residential complex situated in Podgorica. The project was undertaken in partnership with UAE investment body Capital Investment and the Al Nahyan royal family from Abu Dhabi. Close to completion, the €150m project represents one of the most substantial investments of its kind in that part of Europe. It is all the more impressive given that it was built to deadline at the height of the recent crisis.

Another flagship project is the conversion of the former Military Medical Complex in Meljine, at the mouth of Boka Kotorska bay, one of the most beautiful parts of Montenegrin coast. The 120 year old centre, formerly used by Josip Tito, former Yugoslavian President, among others, is due to include a new complex with a hospital for plastic and cardiovascular surgery, a diagnostic and rehabilitation centre. There are also plans for the construction of a hotel as well as a number of luxury villas.

Aside from these, there are several other locations where Atlas Group associated projects are underway whether related to the tourist industry or health sector. These include the Kamenovo and Mogren Hill projects in Budva, as well as the Adriatic Fair project, also in Budva, creating one of Europe's most modern exhibition and trade fair centres. The quality of our real estate enterprise recently gained recognition from the highest level. The management team from Turner, one of the leading global building companies, has visited Atlas Group in order to get more familiar with their ongoing and future projects; the volume and quality of which has caught their attention. Turner offers professional building services around the globe, and the company's approach is to combine the established presences of a local firm with the strength, stability and resources of a global company. Having chosen Atlas Group as a partner for Montenegro says a lot about their business approach.

Another example of the Atlas Group's commitment to boosting economic capacity in Montenegro and the region is the Group's involvement in improving education standards.

"If we do not think about our young people, and about the future of society, we will find ourselves in a major crisis," says Mr Knezevic. "The most sustainable way out of poverty is through education. We have very capable people in the region but they must be trained to do new jobs, trained to use new technology, and they must be brought up to speed with the latest developments in production and information technology."

This was the main motive for Mr Knezevic and the Atlas Group in establishing Mediterranean University, the first private university in

Montenegro, he says.

The university operates according to contemporary educational standards, with an emphasis on flexibility and efficiency, in keeping with the Bologna Convention. Building its international reputation it has recently awarded honorary doctorates to global marketing expert Philip Kotler, Professor of International Marketing at the Kellogg School of Management at Northwestern University, and Željko Bogertić, a leading economist at the World Bank in Russia. It is also developing partnership projects with The Rochester Institute of Technology in Rochester, New York, introducing master's studies in English that will enable students to receive diplomas from both institutions.

The Atlas Group also founded the Belgrade Banking Academy in 2004, which specialises in studies related to banking, insurance, and finance. The Group provides merit based full tuition scholarships to study at the Academy. It also helps some students to study abroad.

"The future of the region depends on having talented, educated, market oriented individuals, who are not afraid of operating on international stage. The idea is that together the Mediterranean University and Belgrade Banking Academy will help educate a generation of young people who will in turn help with the economic development of the region, becoming the business leaders of the future," says Mr Knezevic.

"Therefore, we are making sure that these two educational institutions cooperate and connect with renowned universities from across the world in the EU, Russia and America. We also plan to open the first American College in Montenegro."

PROVIDING LEADERSHIP

For Atlasmont and the Atlas Group to achieve sustained success will require leadership excellence. Mr Knezevic is aware of the challenges the organisation faces, and determined to tackle them for the benefit of both the Group and country.

He acknowledges the need for collaboration and cooperation, for example. "Many of the great challenges that our society faces require partnerships among civil society, government, and the private sector. What's happening now is a genuine realisation, both on the side of corporations and government, is that the private sector has a huge role to play in addressing some of challenges. To be a good corporate citizen is no longer an option but a necessity."

There is also strong support for skills development. "Many of my employees are aware that they need to learn new skills and behaviours in order to succeed and grow as they step up to new business opportunities," says Mr Knezevic. "I am constantly supporting employees in developing new skills and achieving their own goals and dreams, which in turn helps to achieve common corporate goals."

Mr Knezevic also understands that good leaders focus on passing on their skills to help develop other leaders that can help the organisation succeed. There is certainly a focus on leadership development at Atlas-

mont and in the Atlas Group as a whole.

"It is very important part of a leadership. Talking to your employees about the good things they do is essential. I do appreciate the efforts and achievements of every member of the team and I like to praise the best team members in public. Equally, though, sometimes their performance or behaviour requires correcting and as a leader you must not stepping in to do that when appropriate," says Mr Knezevic.

"I enjoy helping the team and team members succeed and coaching them to become better leaders. That way I am developing the next generations of successful leaders not only in the organisation but also in Montenegro.

While Mr Knezevic acknowledges that, like many other organisations and countries, both the Group and Montenegro have been affected by the recent economic downturn he is very optimistic about the future.

Driven by organisations like the Atlas Group, and the opportunities for investors in the region, Montenegro will soon resume the encouraging growth trajectory it enjoyed prior to the recession, and play a significant role in the region, in Europe and the world.

As part of building the organisation's international Mr Knezevic attended and participated in former US president Bill Clinton's Global Initiative Congress in the US where he met some of the most powerful people in the world from the fields of politics, business and science. The original concept of bringing together civil society and government and private sector to work on some of the worlds most challenging problems is the result of recognition on president Clinton's part that no one sector can accomplish complete success, neither the public sector nor the private sector, or civil society alone. Clinton global Initiative is an excellent model how bringing these 3 sectors together can help building better society and specialy in bringing them focus on action and that it what it is really about, action, not just talking about solutions but actually taking action to solve the problem. And by joining it efforts with world leaders in this inovative philanthropic initiative atlas group wants to contribute to empowerment of society in which it is allredy important economic element.

"One of my missions after attending the Global Initiative Congress is to increase communication among people in our region. Companies that have the capacity to help must reach out and help people who cannot secure the means for subsistence and in general they must show a greater level of social responsibility," says Mr Knezevic.

"Equally, businesses in the region must cooperate with foreign investors, because we are not a large country and the Balkans is not a particularly large region, so this is the best way for us to become a full and modern member of the international business community." ◇