

2007

ბ ც ი ა ღ ი ა ბ ა ა ღ ი ა ბ ი

Annual Report

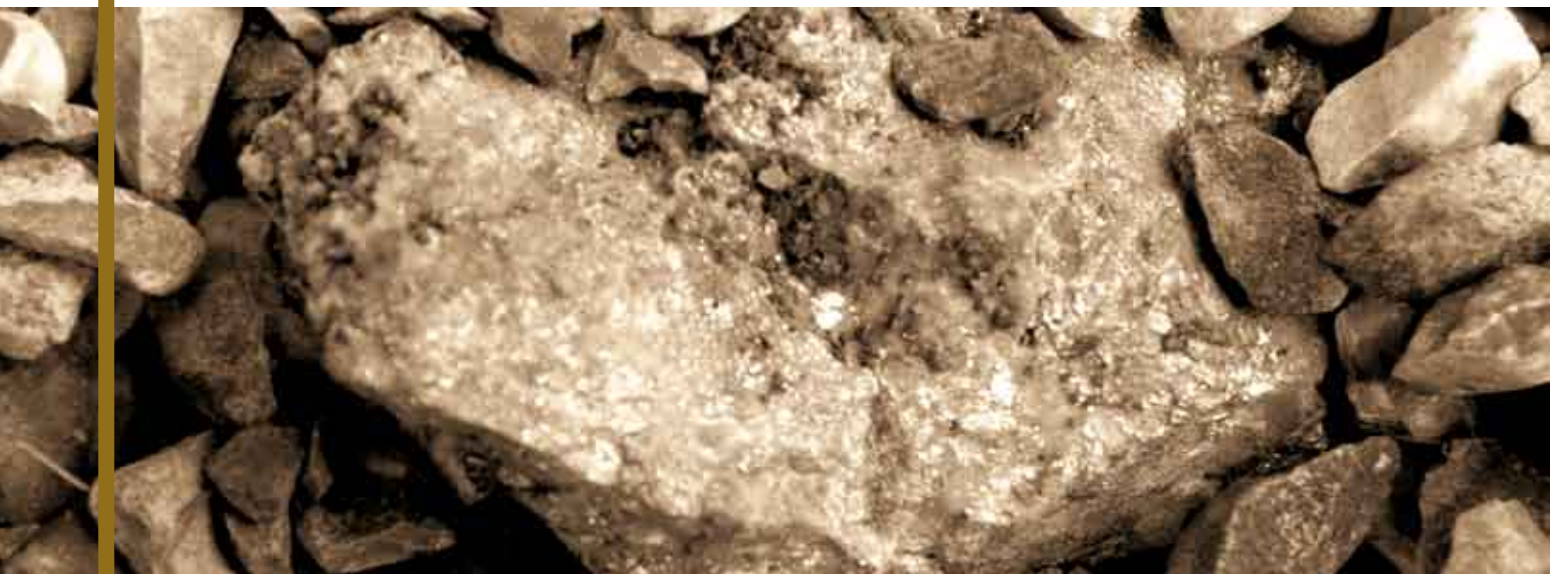
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CARTU BANK

ს ა ხ რ ე ჯ ე ნ ი

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სამეთვალყუეო საბჭოს თავმჯდომარის მომხიობა



ბიომბი ჩიდილი

სამეთვალყუეო
საბჭოს თავმჯდომარე

Giorgi Chrdileli
Chairman of the
Supervisory Board

მოგესალმებით ქალბატონებო და ბატონებო,

სიამაყის გიძნობით მინდა წახმოვადგინოთ ბანკი ქაითუს 2007 წლის ფინანსური შედეგები, კაპიტალისა და აქტივების ჰენკაბელობის კოეფიციენტები, რომლებმაც შესაბამისად 15,3% და 4,4% შეადგინეს. ბანკის მთელი კოლექტივის დაუზოგავმა და მიზანსწახაფურმა მუშაობამ, სწორედ განსახლვირდმა და მკაფიოდ ჩამოყალიბებურმა მიზნებმა, საშუალება მოგვცა სასუივი შედეგის მიღწევის, რომლითაც ჩვენ მყახი ჰოზილია დავიკავეთ საბანკო სუქსოის ჰივიდ სამეურღი.

ჩვენ დიდ ჰორს ვანიჭობთ ბანკის ინსტიტუციონალური განვითარებას. შესაბამისად გადწყვიტილებების მიღების ჰიოციანი მეტად გამჭვივივადე გახდა, სორი თანამშრომლების ჩაითელობის სახისბი გაუმჯობესდა.

ბანკი ქაითუს დიხითადი ჰიომიოტეტი 2007 წელს კოხჰოხატული კლიენტებისათვის უსკლეუიი საფინანსო მომსახუიების შეთავაზება იყო. ასევე მნიშვნელოვნად გაფახითოვდა ფიზიკური ჰიებისათვის შეთავაზებული საბანკო ჰიოდუქტების სუექიი. მომავალში, ჩვენ კვდავ გავაგიძლებთ ინსტენსივი მუშაობას ჩვენი კლიენტებისათვის მაქსიმალური კომფორტი ჰიოდუქტების შესაქმნელად.

მნიშვნელოვანი გადწყვიტილება, რომელიც მიღებული იქნა 2007 წელს, აიის საუითაშოიისო საფინანსო ინსტიტუტებთან მოლაპახაკების დწყება აქციების დამატებითი ემისიის მიყიდვაზე. ახალი აქციონერიის შემოსვდა კიდევ უფო მიზნიდვებს გახდის ბანკი ქაითუს, ჰოგოი სხვა საფინანსო ინსტიტუტებისათვის, ასევე მომსახუიებისათვის.

მინდა, მადლობა გადავუხადო ჩვენი ბანკის კლიენტებს და აქციონერიებს, რომელთა მხაიდაჭეხა და სუიარგული მიზნები გვაძლევს საშუალებას მნიშვნელოვანი წვილი შევიტანიოთ ჩვენი ქვეყნის უკონომიკის განვითარებაში.

გიომგი ჩიდილი
სამეთვალყუეო საბჭოს თავმჯდომარე

2007

წლიური ანგარიში
ANNUAL REPORT

STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

I'm pleased to present you the Cartu Bank 2007 financial results, the capital and asset profitability coefficients of 15.3% and 4.4% respectively. The relentless efforts and dedication of the Bank's staff, as well as the clear-cut objectives have made it possible to achieve the result, setting us among the top three banks in the banking sector.

We pay plenty of attention to the institutional development of the Bank. Consequently, the decision-making became transparent and the staff involvement degree heightened.

Offering the exclusive financial service to the corporate clients was the chief priority of "Cartu Bank" in 2007. The range of the banking products offered to the physical persons also broadened significantly. We are still creating the most flexible banking products for our clients.

A significant decision regarding the launch of the negotiations with the international financial institutions on the sale of the extra emission shares was made in 2007. The attraction of a new shareholder shall make "Cartu Bank" even more attractive to other financial institutions and the consumers.

I would like to express gratitude to our clients and shareholders, whose support and strategic goals allow us to make a significant contribution to the economic development of our country.

Giorgi Chrdileli
Chairman of the Supervisory Board



ბიომხი ჯვიჩიჯაშვილი

გენერალური დირექტორი

Giorgi Kvirikashvili
Director General

ბანკიდან ელიტის მიმართ

პროცესული ქაღალდები და ბანკები,

ბანკი ქართულ განვითარებაში 2007 წელი წარმატებული გახლდათ. მნიშვნელოვნად გაფართოვდა ბანკის თანამშრომლების მასშტაბი საერთაშორისო საფინანსო ინსტიტუტებთან, ხაზად საშუალება მოგვცა გვეწინმოვინა ჰომოგენური დაფინანსების რაოდენობაში მცირე და საშუალო ბიზნესის, იმპორტ-ექსპორტული წარმოების, სოფლის მეურნეობის ჰომოგენური გადაამუშავებელი წარმოების და სხვა მსგავსი მიმართულებების გიქვადიანი დაფინანსება.

ბანკის მენეჯმენტმა დიდი სამუშაო ჩაატარა განვითარების სტრატეგიების შექმნისა და გაძლიერების მიმართულებით. კერძოდ, შეიქმნა ბიზნესის განვითარების ექსპერტული; ჩამოყალიბდა სტრატეგიისაშორისი კოორდინირებული გეგმები, რომლებიც ინაწილებენ სამ ძირითად მიმართულებას: მარკეტინგი, მონიტორინგის ხარისხი და ბანკზე განვითარება.

გადაიღვა ნაბიჯები ფინანსების ქსელის გაფართოების მიმართულებითაც, გაიხსნა მხი ახალი ფინანსი თბილისში, 2008-2009 წლებში იგეგმება მხი დამატებითი ფინანსის გახსნა ედუკაქში და სამი ფინანსის გახსნა თელავში, გოქსა და ბაქოში. შედეგად ბანკი ქართულ ლიხუედად იქნება წარმოდგენილი საქართველოს ყველა იმ რეგიონში, სადაც ბიზნესის აქტივობა მაღალია.

2008 წელს ჩვენს ჰომოგენუდად ჩვენს კომპოტული კლიენტებისათვის მონიტორინგის სექტორის მნიშვნელოვნად გაფართოება, ახალი ჰომოგენების შეთავაზება და მათი საბანკო, მათ შორის საცალო ჰომოგენებზე მოთხოვნის სხული დაქმყოფილება.

ბიომხი ჯვიჩიჯაშვილი
გენერალური დირექტორი

STATEMENT OF THE DIRECTOR GENERAL

Dear Ladies and Gentlemen,

2007 marked a success in the development of "Cartu Bank". Owing to a large-scale cooperation with the international financial institutions, the Bank provided a long-term financing to small and medium-sized businesses, the import replacement production, the processing of the agricultural production and other related fields.

The Bank Management focused on the creation and strengthening of the development structures; the Department of Business Development groups were formed. They share three main business lines: marketing, service quality and the market development.

Certain steps were taken towards branch network expansion. Two new branches opened in Tbilisi with two others planed to open in 2008-2009. Three new branches are going to operate in Telavi, Gori and Bakuriani, the areas where the Bank has no branches at the moment. Consequently, "Cartu Bank" will be represented in all the areas of high business activity.

A broader service to our corporate clients, offering the new products and meeting customers' demands for the banking, namely, retail products are the 2008 priorities.

Giorgi Kvirikashvili
Director General



უმაღლესი მენეჯმენტი

TOP MANAGEMENT

ბიზნისი უპირატესობები

გენერალური დირექტორი

დირექტორი უპირატესობები

გენერალური დირექტორის

პირველი მოადგილე

ნათარსი ხელმძღვანელი

გენერალური დირექტორის მოადგილე

ზურაბ გოგუა

საბანკო დეპარტამენტის დირექტორი

რამაზ კურდაძე

იურიდიული დეპარტამენტის დირექტორი

გოჩა ჩიქვილაძე

უსაფრთხოების, საკასო,

საინვანტარო და ადმინისტრაციული

დეპარტამენტის დირექტორი

მანანა ნადირაძე

მთავარი ბუღალტერი

GIORGI KVIRIKASHVILI

Director General

DIMITRY KUMSISHVILI

First Deputy Director General

NATO KHAINDRAVA

Deputy Director General

ZURAB GOGUA

Director of Credit Department

RAMAZ KURDADZE

Director of Legal Department

GOCHA CHIKVILADZE

Director of Economic Security,
Cash Desk, Cash Collection and
Administrative Services Department

MANANA NADIRADZE

Chief Accountant





2007

**წლიური ანგარიში
ANNUAL REPORT**

მისია

ჩვენი მისიაა განსაკუთრებული წვლილი შევიტანოთ ქვეყნის მნიშვნელოვანი დარგების განვითარებაში წამყვანი კომპანიებისთვის უმაღლესი ხარისხის ექსკლუზიური ფინანსური მომსახურების შეთავაზების გზით.





ძირითადი ფასეულობები:

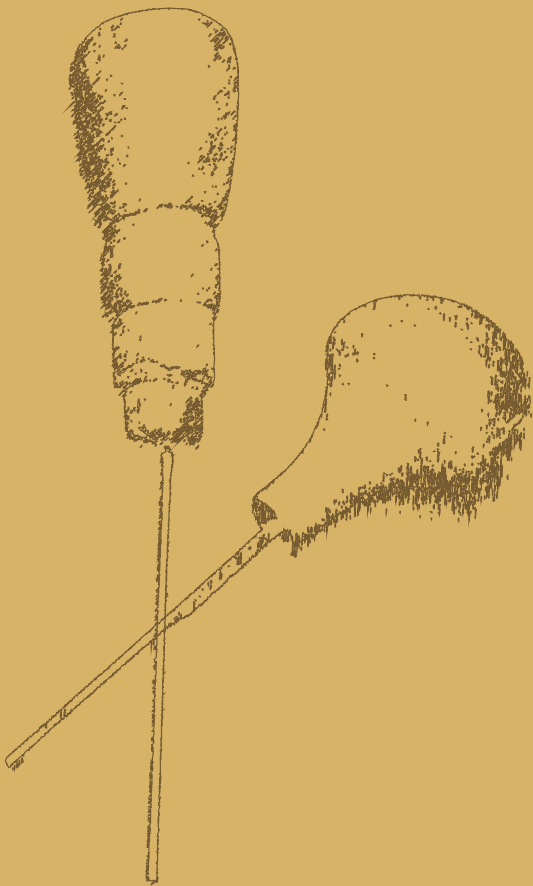
-  მაღალი ხარისხის მომსახურება და მხავადფიქოვანი საბანკო პოლიტიკების სხელოფილი პრაქტიკი;
-  კლიენტების მაღალი ღოიარობა;
-  კლიენტებისთვის შექმნილი თანამედროვე და ინოვაციური ფინანსური გადაწყვეტილებების შემუშავება;
-  მაღალ-პროფესიული, მოტივირებული და წინსვდაზე მიიენტირებული თანამშრომლები.

MISSION

Our mission is to make substantial contribution to the strategic fields of Georgian economy, by providing leading companies with superior quality and exclusive financial services.

Core values:

-  Prime quality services and full range of proficient banking products;
-  Customer's high loyalty;
-  Customer oriented modern and innovative financial solutions;
-  Highly-qualified, motivated and success oriented team.







1996-2007

1996 წელს დაფუძნდა სააქციო საზოგადოება „ჰმსიისი ქველიტ-ქაითუ“.

1997 წელს სს „ჰმსიისი ქველიტ-ქაითუ“-მ საბანკო ლიცენზია მიიღო.

1997 წლიდან სს „ჰმსიისი ქველიტ-ქაითუ“ SWIFT-ის საერთაშორისო სისტემაში განეხიანდა.

1998 წელს სს „ჰმსიისი ქველიტ-ქაითუ“-ს დაეხივა სააქციო საზოგადოება „ბანკი ქაითუ“.

1998 წელს ბანკმა საქართველოს ფასიანი ქაღალდების გამომშვების ლიცენზია მიიღო.

2000 წელს „ბანკი ქაითუ“-მ დაიწყო ფიზიკური პირებისათვის ფულადი გზავნილების მომსახურება, Western Union და Импексбанк-ის საშუალებით.

2001 წელს ბანკმა შეიხიდა სს „აბსოლუტი“-ს აქტივ-პასივების ნაწილი, საბაზათე ბიზნესის სხელი პანკტი და საპროცესინგო ცენტრის მფლობელი გახდა.

2001 წელს „ბანკი ქაითუ“-ს მიენიჭა VISA საერთაშორისო საბაზათე სისტემის ძირითადი წევრის სტატუსი.

2002 წელს ბანკი გახდა MasterCard International საგადასხდელი სისტემის ძირითადი წევრი.

2002 წელს საგამომცემლო სახლის „Georgian Times“-ის ტადიციონალ ბიზნეს ჰეტინგმა ბანკი ქაითუ და მისი ხელმძღვანელი საქართველოს 21 საუკეთესო კეიდი კომპანიათა შორის დაასახელა.

2003 წელს ბანკმა მოიპოვა American Express და Diners Club ბაზათების მომსახურების უფლება.

2003 წელს საგამომცემლო სახლის „Georgian Times“ მიეი მიგანიზედელ ყოველწლიური ბიზნეს ჰეტინგის საზეიმო ცეხემონაზე ბანკი ქაითუ „წლის საუკეთესო კომპანია/ბიზნესად“ დასახელდა. ბანკი დაჯილდოვდა პირით ნომინაციამი „სტაბილური პომგეხი და ღინამიუმბა“.

2003 წელს ბანკმა დაიწყო MasterCard საგადასხდელი სისტემის პლასტიკური ბაზათების გამომშვება.

2004 წელს, სეტიფიციციების შემდეგ, ბანკი ქაითუს საქართველოს სავაჭრო და მომსახურების ობიექტებში MasterCard -ის პლასტიკური ბაზათების მომსახურების უფლება მიენიჭა. ამჟამად ბანკი ქაითუ ეთადეხით ბანკია ადგილობრივ ბაზაზე, ხმელიც VISA, MasterCard, American Express და Diners Club საერთაშორისო პლასტიკური ბაზათებს ემსახურება.

2007

წლიური ანგარიში
ANNUAL REPORT

1996-2007

In 1996 JSC "Rossiyski Credit-Cartu" was established.

In 1997 JSC "Rossiyski Credit-Cartu" obtained the banking license.

Since 1997 JSC "Rossiyski Credit-Cartu" has become a member of the SWIFT International System.

In 1998 JSC "Rossiyski Credit-Cartu" was named JSC "Cartu Bank".

In 1998 the Bank obtained license for issuance of the Georgian securities.

In 2000 Cartu Bank started the remittance service for physical persons via Western Union and ImpexBank

In 2001 Cartu Bank purchased a part of the assets and liabilities, a full package of the card business of the JSC "Absolute" and became the owner of its processing center.

In 2001 Cartu Bank was granted full membership of the VISA International Card System.

In 2002 Cartu Bank was granted full membership of the MasterCard - International Payment System.

In 2002 in the traditional business rating, conducted by the Georgian Times Publishing House, Cartu Bank and its Leader were nominated among the 21 top private Georgian Companies.

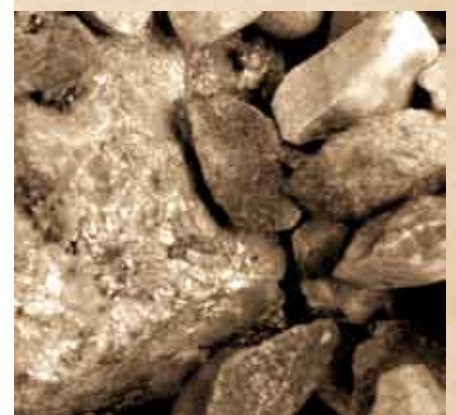
In 2003 the Bank was authorized to serve the American Express and the Diners Club card Service.

In 2003 at the annual business rating ceremony held by the Georgian Times Publishing House, Cartu Bank was nominated "the Best Company/Business of the Year". The Bank was awarded in the "Sustainable Progress and Dynamics" nomination.

In 2003 the Bank started issuing MasterCards.

In 2004 upon the certification Cartu Bank was authorized to render the MasterCard service at the outlets and service stations in Georgia. At present CartuBank is the only bank at the local market to render the VISA, MasterCard, American Express and the Diners Club international plastic card service.

In 2004 the Bank and its partners developed a new banking product - "Fast Mail" remittances in Russia and the CIS countries (Azerbaijan, Armenia, Ukraine, Kazakhstan, Kirgizstan, Tajikistan, Uzbekistan, Moldova, Belarus)





2004 წელს ბანკმა, ჰაიტნოჩი ბანკებთან ერთად, დაწესა ახალი საბანკო ჰიმუნტი ფუნდის გზავნილები “Быстрая Почта” ესეთსა და ესთ-ს ქვეყნებში (აზერბაიჯანი, სომხეთი, უკრაინა, ყაზახეთი, ყივლიზეთი, ტაჯიკეთი, უზბეკეთი, მოლდოვა, ბერძენი).

2005 წელს გაიხსნა ბანკის ახალი ფილიალი აჭარის რეგიონში, ქადაქ ბათუმში.

2005 წელს დაიწყო ინტერნაციონალიზაციის სეზონი – ინტერნეტ-ბანკინგი.

2005 წელს ბანკმა მიიღო VISA International-სგან ელექტრონული კომუნიკაციის ლიცენზია.

2006 წელს ბანკმა მიიღო MasterCard-სგან ელექტრონული კომუნიკაციის ლიცენზია.

2006 წელს ბანკში დაიწყო მოკლე ტერმინული შეტყობინებებით (SMS) ინფორმაციის გაცემის მისაღებად.

2006 წლიდან ბანკი ქართულ ანგარიშებს გადმოცემებს Money Express, Anelik და Unistim-ის მეშვეობით.

2006 წელს ხელი მოეწერა ვაჭრობის დაფინანსების ხელშეწყობის საგარანტიო ხაზის გამოყოფის შესახებ ხელშეკრულებას უკრაინის რეგულაციისა და განვითარების ბანკთან.

2006 წელს გაიხსნა ბანკის ახალი სეზონის ცენტრი თბილისის ერთ-ერთ ცენტრალურ უბანში (ი. აბაშიძის ქ. 24)

2007 წელს შავი ზღვის ვაჭრობისა და განვითარების ბანკთან (BSTDB) მიღწეულ იქნა ჰინციულის შეთანხმება 2008 წლის იანვრიდან 5 მლნ აშშ დოლარის მოკლევადიანი განახლებადი საკრედიტო ხაზის გამოყოფის შესახებ. ამ შეთანხმების ფარგლებში 2007 წელს ხელი მოეწერა 1,5 მლნ აშშ დოლარის საკრედიტო ხაზის ხელშეკრულებას სავაჭრო ოპერაციების დასაფინანსებლად.

2007 წელს საერთაშორისო განვითარების ასოციაციის (IDA) და სოფლის მეურნეობის განვითარების საერთაშორისო ფონდის (IFAD) მიერ საქართველოში მსოფლიო ბანკის (World Bank) ფინანსური მხარდაჭერით განსახორციელებელი პროექტის ფარგლებში საქართველოს ფინანსთა სამინისტროსთან გაფორმდა ხელშეკრულება. აღნიშნული ხელშეკრულების საფუძველზე ბანკმა მიიღო 2,5 მლნ აშშ დოლარის ოდენობის საკრედიტო ხაზი სასოფლო-სამეურნეო პროექტების დასაფინანსებლად.

2007 წელს მიღწეულ იქნა შეთანხმება American Express Bank-თან 1 მლნ აშშ დოლარის ოდენობის ვაჭრობის ხელშეწყობის საკრედიტო ხაზის გამოყოფის შესახებ.

In 2005 a Cartu Bank opened a new branch in Batumi

In 2005 The Internet Banking distance service was introduced.

In 2005 Cartu Bank obtained a VISA international license for electronic commerce project.

In 2006 Cartu Bank obtained a MasterCard international license for electronic commerce project.

In 2006 the Bank launched SMS information proliferation service

Since 2006 Cartu Bank started to perform money transfers via Money Express, Anelik and Unistream.

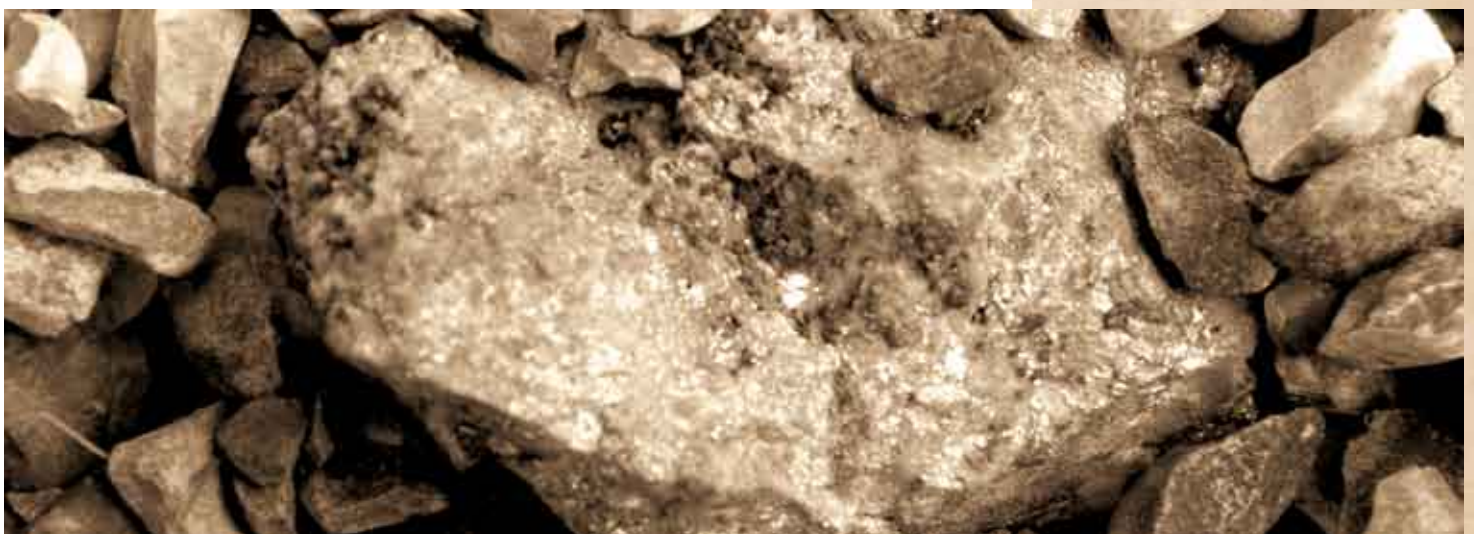
In 2006 Cartu Bank signed a treaty with European Bank for Reconstruction and Development (EBRD) on the allocation of a guarantee line to support the trade sponsorship.

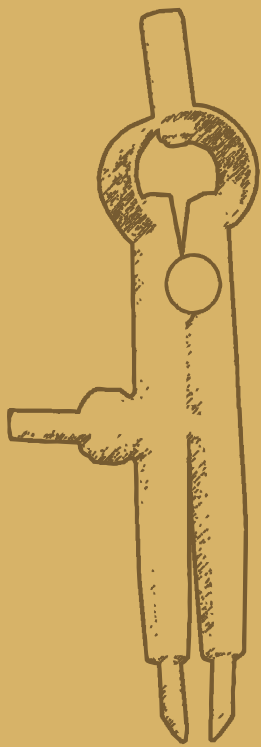
In 2006 a new service center was open in the Vake district.

In 2007 framework agreement was reached with Black Sea Trade and Development Bank (BSTDB) on the allocation of a short term renewable credit line of 5 mln USD from January 2008. Under the agreement, the 1,5 mln USD credit line agreement for financing commercial transactions was signed in 2007.

In 2007 a treaty was executed with the Ministry of Finance of Georgia within the frameworks of the IDA and IFAD World Bank supported projects. On the grounds thereof, Cartu Bank was given a 2,5 mln. USD credit line for the sponsorship of the agricultural projects.

In 2007 an agreement was reached with American Express Bank on the allocation of 1 mln USD trade support credit line.









სამედიცინური საბჭო

ბიომედიცინური რეზერვები

სამედიცინური საბჭოს თავმჯდომარე

მზრდველი

სამედიცინური საბჭოს წევრი

რეზერვების მენეჯერი

სამედიცინური საბჭოს წევრი

სამედიცინო მენეჯერი

ბიომედიცინური რეზერვები

გენერალური დირექტორი

დირექტორი

გენერალური დირექტორის პირველი მოადგილე

სამედიცინო რეზერვები

გენერალური დირექტორის მოადგილე

მენეჯერი

სამედიცინო რეზერვები

სამედიცინო რეზერვების დირექტორი

დირექტორი

სამედიცინო რეზერვების დირექტორის მოადგილე,
კონსულტანტი ბიომედიცინის განყოფილების უფროსი

მენეჯერი

მედიკალინური და სამედიცინო ბიომედიცინის განყოფილების უფროსი

სამედიცინო რეზერვები

პრობლემური აქტივების მართვის განყოფილების უფროსი

რეზერვების მენეჯერი

სესიების დამმართველობისა და მეთოდოლოგიის განყოფილების უფროსი

სამედიცინო რეზერვები

კონსულტანტი სამედიცინო რეზერვების უფროსი

სამედიცინო რეზერვები

კონსულტანტი სამედიცინო რეზერვების მოადგილე,
კონსულტანტი ბიომედიცინის განყოფილების უფროსი

SUPERVISORY BOARD

GEORGE CHADILELI

Chairman of Supervisory Board

MZIA TODUA

Member of Supervisory Board

IRAKLI GHARIBASHVILI

Member of Supervisory Board

TOP MANAGEMENT

GEORGE KVIRIKASHVILI

Director General

DIMITRY KUMSISHVILI

First Deputy Director General

NATO KHAINDRAVA

Deputy Director General

MANAGEMENT

ZURAB GOGUA

Director of Credit Department

DAVID RUSIA

Deputy Director of Credit Department,

Head of Corporate Business Lending Division

MIKHEIL BEGIASHVILI

Head of Small and Medium-Sized Business Lending Division

PAATA KHIZANISHVILI

Head Bed Debts Monitoring Division

IRAKLI BERAIA

Head of Credit Administration and Methodology Division

EKA KILADZE

Head of Customer Service Center

EKATERINE SURMANIDZE

Deputy Head of Customer Service Center,

Director of Legal Person Service Department





წინმო სჯანაძე

კლიენტთა მომსახურების ცენტრის ფიზიკური პირობების
მომსახურების განყოფილების უფროსი

ნანა ქაჩიძე

პრეზენტაციის ბაზრების მომსახურებისა და პროცესინგის
ეკსპერტის ექსპერტიზის უფროსი

ლევან ზღაბიაძე

ენციკლოპედიის კომპილაციის განყოფილების უფროსი

ზურაბ ჯანაშვილი

პრეზენტაციის ბაზრების მომსახურების სამსახურის განყოფილების უფროსი

ანაბერი ანაბერიძე

ბანკთაშორისი ურთიერთობების ეკსპერტის ექსპერტიზის უფროსი

ნატალია კობახიძე

ბანკთაშორისი ურთიერთობების ეკსპერტის ექსპერტიზის მოადგილე
ოპერაციული მენეჯერების განყოფილების უფროსი

წინმო ალაშვილი

საგარეოკომერციო ურთიერთობების განყოფილების უფროსი

ბილალი ნოზაძე

საერთაშორისო სადინანსო ინსტიტუტებთან ურთიერთობის
განყოფილების უფროსი

ხანა ქაჩიძე

ოპერაციული ეკსპერტის ექსპერტიზის უფროსი

ნიკოლოზ მახვილაშვილი

ოპერაციული ეკსპერტის ექსპერტიზის მოადგილე

ბილალი მანაშაშვილი

შიდა სამართლებრივი სერვისების განყოფილების უფროსი, გენ.ექსპერტის
თანამშრომელი სამართლებრივი საკითხებში

ლევან მათიაშვილი

საგარეო ურთიერთობების სამართლებრივი სერვისების
განყოფილების უფროსი

მანანა ნაღვიძაძე

მთავარი ბუღალტერი

ლევან ბალაშვილი

მთავარი ბუღალტრის პირველი მოადგილე

NINO TSETSADZE

Head of Individual Service Department of the Customer Service Centre

NANA KURIDZE

Head of Plastic Card Processing and Service Department

DAVID ZGUDADZE

Head of E-Commerce Division

ZURAB AZARASHVILI

Head of Plastic Card Operation Division

KAKHABER KATSITADZE

Head of Interbank Relations Department

NATALIA KOBETSI

Head of Documentary Operations Division

NINO ADUASHVILI

Head of Correspondent Banking Division

GEORGE NOZADZE

Head of Relations with International Financial Institutions Division

RAMAZ KURDADZE

Director of Legal Department

IRAKLI MARGVELASHVILI

Deputy Director of Legal Department

GURAM MACHARASHVILI

Head of Internal Legal Relations Regulation Division

DAVID MATIKASHVILI

Head of External Legal Relations Regulation Division

MANANA NADIRADZE

Chief Accountant

DAVID GALUASHVILI

First Deputy Chief Accountant

NELI KOBIASHVILI

Deputy Chief Accountant

GOCHA CHIKVILADZE

Director of Economic Security, Cash Desk,
Cash Collection and Administrative Services Department

RUSUDAN DOLIDZE

Head of Cash Desk Services and Valuables Department





ნაცი აზონაშვილი

მთავარი ბუღალტრის მოადგილე

ბორან ჩიხვილიძე

უსაფრთხოების, საკასო, სანქსადაცო და ადმინისტრაციული ექსპერტის ექსპერტიზის დირექტორი

ხუსუნა ღონიძე

საკასო მომსახურებისა და ფასულებების განყოფილების უფროსი

მისაილ მახაბიშვილი

ინფორმაციის განყოფილების უფროსი

დავით ნაჯიძე

სამედიცინო განყოფილების უფროსი

ნატალია შიდაბანი

მარკეტინგისა და საზოგადოებასთან ურთიერთობის განყოფილების უფროსი

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ახალი პროექტებისა და მეთოდოლოგიის განყოფილების უფროსი

ლანისა ნიკოლოშვილი

მომსახურების ხარისხის განვითარების განყოფილების უფროსი

ახილ ჯანაშია

გაყიდვების განყოფილების უფროსი

მანა ხუჯაბაია

დაგეგმვისა და კონტროლის განყოფილების უფროსი

ნიინა მუსხილიძე

კაფის განყოფილების უფროსი

ზურაბ თიფთიაძე

კონსტრუქციის ანალიზის ექსპერტის ექსპერტიზის დირექტორი

ველიძე ანათონი

კონსტრუქციის ანალიზის ექსპერტის ექსპერტიზის მოადგილე, საგეგმო-კონსტრუქციის განყოფილების უფროსი

დავით ქიქოძე

ფინანსური მონიტორინგის განყოფილების უფროსი

ლანა სოფიაძე

შიდა აუდიტის ექსპერტის ექსპერტიზის დირექტორი

ბენა ხუჯაბაია

ინსპექციის მართვის განყოფილების უფროსი

MICHAEL MERABISHVILI

Head of Cash Collection Division

DAVID TSULUKIDZE

Head of General Service Department

NATALIA SHELEGIA

Head of Marketing and Public Relations Division

GEGA METEPSHISHVILI

Head of New Products and Methodology Division

LARISA NIKOLAISHVILI

Head of Service Quality Development Division

ARCHIL JAKOBIA

Director of Sales Division

MAIA KUKULDAVA

Head of Planning and Monitoring Division

IRINA MUSERIDZE

Head of Human Resources Division

ZURAB TEVZADZE

Director of Economic Analysis Department

VLADIMER ASATIANI

Deputy Director of Economic Analysis Department,
Head of Planning and Economy Division

DAVID KORIDZE

Head of Financial Monitoring Department

LASHA KHOPERIA

Director of Internal Audit Department

BEKA KVARATSKHELIA

Head of Risk Management Division

MORIS JIBUTI

Director of IT Department

ZURAB KERDZEVADZE

Head of Banking Products and Network Division

ALEXANDER KETISHVILI

Head of Plastic Card processing Department

APOLON MUMLADZE

Head of Software Department

GEORGE JANEZASHVILI

Head of Technical Service Department





მომხის ჯიბაში

საინფორმაციო ტექნოლოგიების ექსპერტის ექსპერტიზის ექსპერტიზის

ზეპირი ხელოსანი

საბანკო სერვისებისა და ქსელების განვითარების უფროსი

საინჟინერო პროექტი

პროექტირების ბაზრის სექტორის განვითარების უფროსი

ბიზნის დეველოპერი

საინჟინერო უწყვეტ განვითარების უფროსი

ბიზნის დეველოპერი

საინჟინერო უწყვეტ განვითარების უფროსი

ბიზნის დეველოპერი

საინჟინერო განვითარების უფროსი

საინჟინერო

საინჟინერო პროექტირების უფროსი

ზეპირი ხელოსანი

საინჟინერო პროექტირების უფროსი

ზეპირი ხელოსანი

საინჟინერო პროექტირების უფროსი

საინჟინერო პროექტი

საინჟინერო პროექტირების უფროსი

ფინანსების და სტრატეგიის განვითარების უფროსი

საინჟინერო პროექტი

საინჟინერო პროექტირების უფროსი

საინჟინერო პროექტი

საინჟინერო პროექტირების უფროსი

საინჟინერო პროექტი

საინჟინერო პროექტირების უფროსი

ბიზნის დეველოპერი

საინჟინერო პროექტირების უფროსი

საინჟინერო პროექტი

საინჟინერო პროექტირების უფროსი

GEORGE TRIPOLSKI

Head of Treasury

ANI BAKRADZE

Call Center Team Manager

ZURAB RUSISHVILI

Assistant of the General Director

ZVIAD KHUKHUNASHVILI

Head of Securities Department

TAMAR GAMGONEISHVILI

Head of Assets and Liabilities Department

BRANCH DIRECTORS

KETEVAN ONEZASHVILI

Head of Vake Service Center

DAVID GIORGADZE

Director of Mtatsminda-Krtsanisi Branch

GEORGE MIKABERIDZE

Director of Batumi Branch

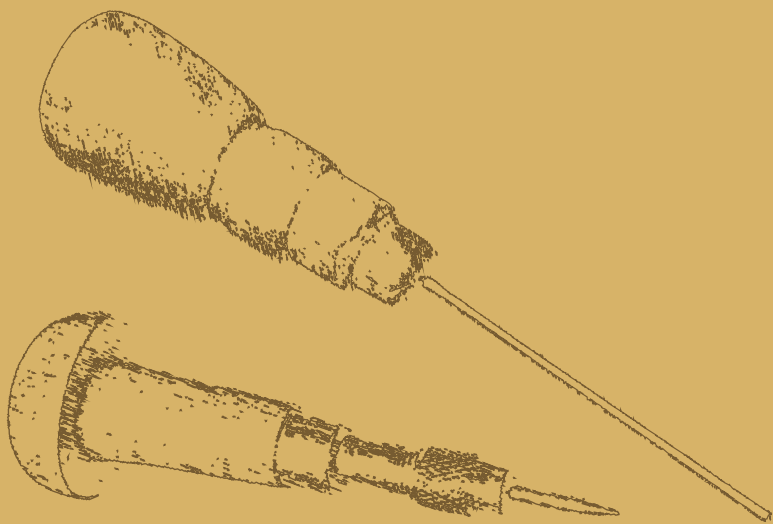
TARIEL TUTARASHVILI

Director of Kutaisi Branch

KAKHABER CHIKHLADZE

Head of Lilo Service Center







მაღალხარისხიანი და სრულფასოვანი მომსახურება

HIGH QUALITY FULL BANKING SERVICES









უოხპოხატუნი ჯიუნტუბი უოხპოხატუნი ბუნუნის დუხუდუბუბუ

ბუნუი ქუხუეს სტუხუტუბუის შუბადგუნუი ნუნუიუ ჯოხპოხატუნი ჯიუნტუბუის სუქმიუნობის განვითუხუბის ხუდშუნუბუბუ დუ მუთუნ გუქუდვადუნუი უხთუიუთობუბუის რუმოყადუბუბუ.

2007 ნუნს რუმოყადუბუბუ ჯოხპოხატუნი ბუნუნის დუხუდუბუბუის განყოფილუბუ, ხომელიც გადამწყვეტ ხოლს ასხუებს აღნიშნული ამოყუნის გადწყვეტუბუში.

უოხპოხატუნი ბუნუიუბუდ შუხრუნი იქუნ გუმოყდული დუ ჰუმფუნსონუნდი ჯადუბუ. მუთ დიხთუდ ფუნქციუბს ნუხმოდგუნს:

-  ბუნუს დუ ჯიუნტუბუს შოხის გუქუდვადუნუი უხთუიუთობის დუ თუნამშუმდობის განვითუხუბუ;
-  მომსახუბუბუის მიმდინუხუ ჰუმყუნსით ჯიუნტუბუს მუქსიმადუი ჯმყოფილუბუის უხუნვუდუბუბუ;
-  შუთუვუბუბუბუის მომზადუბუის მოგანიზუბუ, ხომელიც ხუნს შუენუბუს ჯიუნტუბუს ბუნუნის განვითუხუბის ხუდშუნუბუბუს;
-  ჯიუნტუბუსათუვის ბუნუთუნ უხთუიუთობისუნს ნუმოქილი ნუბისმიუი სიხთუნის მოგვუხუბუ;
-  ჯიუნტუბუ ინდივიდუალუხუდ მოხუბუბუი სუიუნსუბუის შუმუშუვუბუ დუ შუთუვუბუბუ;
-  ჯიუნტუბუს მხიდან ნუმოსუნი ინიციუტივუბუბუ სნუადუი ხუგუიუბუ.







ზუმონნიშნული უონსუფუციით რუნ ჯიუნს უფუმ მქიდიუმ, უომფუმუხუბუი დუ ჯიუნტუბუსათუვის გამუხუტივუბუბუი გავსადუთ ბუნუთუნ უხთუიუთობუ.

CORPORATE CLIENTS CORPORATE BANKING

The support and long-term relationships with the corporate clients is a part of the "Cartu Bank" strategy.

The corporate banking department, key for meeting the challenge was formed in 2007. The highly qualified and experienced staff was selected as corporate bankers.

Their scope is:

-  the development of the long-term collaboration between the Bank and its clients;
-  to offer the service to the client that meets their expectations;
-  preparation of offers targeted at the development of a client;
-  overcoming any difficulties in the Bank-Client relationships;
-  elaboration and offer of the client-oriented services;
-  a prompt reaction to the client initiatives.

The aforementioned conception has made the Bank-Client relationships more close-knit, comfortable and straightforward.





ყოჩხობილი ბანკების წახმატებელი და ეფექტური საქმიანობისათვის ბანკში ჩამოყალიბდა უძველესი მნიშვნელოვანი ქვეგანყოფილება, ანალიტიკური ჯგუფი, რომლის ფუნქციებია:

- ☞ საქართველოს ბაზაზე ახლებელი დახვეწის, ქვედახვეწისა და კომპანიების შესახებ სხეულოვანი ბაზის შექმნა, სისტემატური განახლება და ანალიზი;
- ☞ ბანკისთვის სტრატეგიული უძრავების იდენტიფიცირება;
- ☞ ახლებელი და პოტენციური უძრავებისთვის შესაფერისი პირობებისა და განვითარების იდეების გენერირება;
- ☞ ახალი საკრედიტო პირობების შემუშავება და დანერგვის უზრუნველყოფა;

ანალიტიკური ჯგუფი მნიშვნელოვან როლს ასრულებს ახლებელი თუ პოტენციური უძრავების მომსახურებაში.

ძირითადი საბანკო პირობები უზრუნველყოფის უზრუნველყოფისათვის

ბანკი ქართულ ეკონომიკურ უძრავებს სთავაზობს უსაფრთხო საკრედიტო მომსახურებას ბიზნესის გაფართოებისა და განვითარებისათვის.

ინფორმაციის უზრუნველყოფის უზრუნველყოფისათვის

პროცესების მიზანია, ხელი შეუწყოს საქართველოში ადგილობრივი წარმოების განვითარებას, რომლის საშუალებითაც მოხდება ინფორმაციული საქონლის ადგილობრივი პირობებით ჩანაცვლება.

ქსელური ბიზნესის უზრუნველყოფისათვის

ამ პროცესის მეშვეობით ბანკი ქართულ საშუალებას აძლევს ქსელური და ახა მხოლოდ ქსელური ბიზნესის მფლობელებს გააფართოონ თავიანთი ბიზნესი ახალი გაყიდვების წესრიგების დამატების საშუალებით.

In order to make the corporate bankers' activities more successful and efficient, another sub-Department, analytical group was created within the Bank. The main functions thereof are:

- creation, updating and analysis of a comprehensive data-base regarding the fields, sub-fields and companies at the Georgian market;
- the identification of the Bank's strategic Clients;
- the generation of the conceptions concerning the new products and development for the existing and prospected clients;
- the elaboration and introduction of the new credit programs.

The analytical group plays a significant role in the service of the existing and prospected clients.

THE MAIN CREDIT PROGRAMS FOR CORPORATE CLIENTS

"Cartu Bank" offers its clients the exclusive credit service targeted at the business expansion and development.

THE IMPORT REPLACEMENT PRODUCTION SUPPORT PROGRAM

The objective of the program is the support to the development of the local production in order to replace the imported goods with the locally produced ones.

THE NETWORK BUSINESS SUPPORT PROGRAM

By means of the program, the "Cartu Bank" gives an opportunity to the owners of the network and non-network businesses to enlarge their business via the new outlets.

THE PUBLIC ENTERPRISE PRIVATIZATION PROGRAM

"Cartu Bank" offers the legal entities operating in Georgia the most favorable financing conditions for the acquisition of the State-owned enterprises subject to privatization.





სახელმწიფო ობიექტების ჰივანტიზაციის ჰიმობიამა

ბანკი ქაითუ სთავაზობს საქართველოში მოქმედ იუტილიუდ ჰიხებს დაფინანსების საუკეთესო ჰიხობებს სახელმწიფო საკუთიებაში ახსებუდი საჰივაციონაციო ობიექტების შესაძენად.

სოფლის მეუხნეობის ბანკითიხების ჰიმობიამა

ბანკი ქაითუს და მსოფლიო ბანკის (აიბ) ეითობლივი ჰიოგჩამის მიზანია ხელი შეუწყოს საქართველოში სოფლის მეუხნეობის განვითარებას ჰიხვედადი და მეოხადი ნაიხმობის განვითარების საშუალებით.

მსიხა და საშუალო ბიზნესის მხარდაჭიხის ჰიმობიამა

ეუხიპის განვითარებისა და იეკონსტრუქციის ბანკისა (EBRD) და ბანკი ქაითუს ეითობლივი ჰიოგჩამა მიზნად ისახავს საქართველოში მსიხე ბიზნესის განვითარებას.

ექსპოიტი-ნიმპოიტიის სანაჭიო ოპიხანობის ხელშეწყობის ჰიმობიამა

შავი ზღვის ვაჭიობისა და განვითარების ბანკის (BSTDB) და ბანკი ქაითუს ეითობლივი ჰიოგჩამის მიზანია ხელი შეუწყოს საქართველოდან ჰიოდექციის ექსპოიტიისა და შავი ზღვისპიხა ქვეყნებდან ჰიოდექციის იმპოიტიის განვითარებას.

ენეიბიის დაზომბავი ჰიოქაიტების დაფინანსების ჰიმობიამა

ეუხიპის განვითარებისა და იეკონსტრუქციის ბანკისა (EBRD) და ბანკი ქაითუს ეითობლივი ჰიოგჩამის მიზანია საქართველოში ენეიბიის ეფექტუი გამოყენებისა და განახლებადი ენეიბიის გამომუშავების ხელშეწყობა ენეიბიის დაზოგვის მიზნით.

THE AGRICULTURAL DEVELOPMENT PROGRAM

"Cartu Bank" and WB's joint program is designed to support the Georgian agriculture via the development of the primary and secondary production.

THE SMALL AND MEDIUM-SIZED BUSINESS SUPPORT PROGRAM

The joint program of The European Bank of Reconstruction and Development (EBRD) and "Cartu Bank" is designed for the development of the small businesses in Georgia.

THE EXPORT-IMPORT BUSINESS TRANSACTION SUPPORT PROGRAM

The Black Sea Trade and Development Bank (BSTDB) and "Cartu Bank" joint program is designed for the support to the Georgian export and import from the Black Sea basin countries.

THE ENERGY EFFICIENCY PROJECT FINANCING PROGRAM

The European Bank of Reconstruction and Development (EBRD) and "Cartu Bank" joint program designed for the efficient energy consumption in Georgia and the support to the generation of the renewable sources of energy for the reason of power saving.





სახელმწიფო პოლიტიკა

2007 წლის განმავლობაში „ბანკი ქართვ“-მ მნიშვნელოვანი ნაბიჯები გადადგა კოორდინირებული კრიტიკების ბაზის გაფართოებისა და მომსახურების ხარისხის ამაღლებისთვის. კერძოდ, საკრედიტო პოლიტიკის მოცულობამ 349 მლნ. ლარს გადააჭარბა და წინა წელთან შედარებით 48.6%-ით გაიზარდა. წმინდა სესხებმა მთლიანი სესხების 98% და ბანკის წმინდა აქტივების 87% შეადგინა.

საანგარიშო პერიოდის ბოლოს ბანკის საკრედიტო პოლიტიკის საშუალო შეწონილმა პოლიტიკამ წლიური 14% შეადგინა.

2007 წელს გაიზარდა ბანკის აქტიურობა გიქვევადიანი დაკრედიტების კუთხით და ერთ წელზე მეტი ვადით გაცემული სესხების მოცულობამ მთლიანი სესხების 85% შეადგინა.

ბანკი ქართვს მოქნილი საკრედიტო პოლიტიკის შედეგად თბილისსა და იგიუბებში მრავალი მნიშვნელოვანი პირობები განხორციელდა. გამოიკვეთა მსესხებლების ხარვეზობის ზღვის კენდეცია.

საკრედიტო პოლიტიკაში ამ კუბაზე დიდი მნიშვნელობა ენიჭება იმპორტირებული და ექსპორტირებული მონიერებები ნაშრობის დაფინანსებას, ხარგან ქვეყნის პირობები სამიწველო პოტენცილის ამოქმედება და მისი განვითარების ხელშეწყობას. სწორედ ამიტომ ბანკი ქართვ კვდავ საკრედიტოს მიწვევობის ერთ-ერთ უმსხვილეს კრედიტორად ირება.

საკრედიტო საქმიანობის კუთხით, ბოლო სამი წლის განმავლობაში ბანკი ქართვს მიუი სრული იყო ძირითადად სამი პირობები სექტორი: მიწვევობა, ვაჭრობა და მომსახურება.

2007 წლის ბოლოსთვის მიწვევობის სექტორის დაფინანსებამ საკრედიტო დაბანდების 39% შეადგინა.

პანსტონი ბიანობის მომსახურება და პირობები

2007 წელს კიდევ ერთი ნაშრებელი ნაბიჯი გადაიდგა საკრედიტოში საბაზათე ბიზნესის განვითარებაში. ბანკი ქართვმ ამიიქან ექსპონის ბაზათების გავრცელების უფლება მოიპოვა, შესაბამისად დღისათვის ბანკი ქართვ სის ერთადერთი ბანკი საკრედიტოს საბანკო სივრცეში, ხომელსაც მოპოვებული აქვს Visa და MasterCard ბაზათების, ხომივ გამოშვების ასევე მომსახურების დივენზია, ამიიქან ექსპონის ბაზათების დისკრიბუციისა და საკრედიტოს კრიტორიზზე მათი მომსახურების კონტრაქტი, ასევე Diners club ბაზათების მომსახურების კონტრაქტი.

LOAN PORTFOLIO

In 2007, "Cartu Bank" made significant steps towards the enlargement of its corporate client base and the provision of a higher quality service. The volume of its credit portfolio exceeded 349 mln GEL – 48.6% more than in the year before. The net loan formed 98% of the total loans and 87% of the Bank's net assets.

At the end of the reporting period, the average weighted per cent of the Bank's credit portfolio reached 14%.

In 2007, the Bank stepped up its long-term crediting and the over a year term loans amounted to 85% of the total loans.

A number of significant projects were implemented in Tbilisi and the provinces as a result of the flexible credit policy of "Cartu Bank". The trend of an increased number of the borrowers became clear-cut.

Given the high priority of an increased industrial potential and its support, the financing of the import replacement and export-oriented production is gaining ground. Therefore, "Cartu Bank" remains one of the major creditors of the Georgian industry. Over the last three years "Cartu Bank" focused its crediting on three priority sectors: industry, commerce and service. By the end of 2007, the financing of the industry formed 39% of the credit investments.

PLASTIC CARDS ISSUING AND ACQUIRING

2007 marked another success in the development of the plastic card business in Georgia; "Cartu Bank" was licensed to distribute "American Express" cards. Consequently, it is now the only bank in the Georgian banking sector licensed for both the issuance and service of the Visa and MasterCard, it also concluded the contract on the distribution and service of "American Express" cards in Georgia and the one on the service "Diners Club" cards. In 2007, the number of the Bank's plastic card- holders and their turnover in the outlets increased by 80% and 86 % respectively.

The license for the electronic commerce service by Visa and MasterCard





პლასტიკური ბაჩათების მფლობელთა მიერ 2007 წელს წინა წელთან შედარებით 80%-ით გაიზარდა. ობიექტებში საერთო ბიზნესამ 2007 წელს შეადგინა 86%-ით მეტი წინა წლის მონაცემებთან შედარებით.

ელექტრონული უმეცხოების მომსახურების ღირებულება Visa და MasterCard ბანკი ქართულს უკიდურესი სწრაფად მზარდი დახარისხების მომსახურების საშუალებას აძლევს. 2007 წელს ამ მიმართულებით ბიზნესები საგრძნობლად გაიზარდა, ხოლო ბანკმა სერიოზული გამოცდილება დააგროვა, რაც მომავალში ჩვენი უკიდურესი მაღალი ხარისხით მომსახურების გახანტიკაა.

გახდა ყოველივე ზევით აღნიშნულის ბანკი ქართულს შიდა (in house) პროცესინგი საშუალებას გვაძლევს მომსახურება გავუწოდოთ სხვა ბანკებს, რასაც ჩვენ 2007 წლის განმავლობაში წახმატებით ვახორციელებდით, ხოლო 2008-2009 წლებში ვიმედოვნებთ, რომ ბანკების მიერ, რომელთაც ჩვენი საპროცესინგო ცენტრი მოემსახურება მნიშვნელოვნად გაიზარდება.

ფინანსური პოლიტიკა

2007 წელს ბანკი ქართულს ერთ-ერთი პრიორიტეტი გახლდათ საბანკო პოლიტიკების მომსახურების სფეროს გაფართოება ფინანსური პოლიტიკის და მათთვის საბანკო მომსახურების სხელი პრაქტიკის შეთავაზება. ბანკი ქართულს გამოიჩინა გადახილვის სისტემების, ანაბეზის მხარდაჭერებითა და მომსახურების მაღალი ხარისხით; ხომოც ფინანსური, ისე იუნივერსალური პოლიტიკის ბანკი სთავაზობს დისტანციური საბანკო მომსახურებებს.

მიმდინარე წელს გაფართოვდა ბანკის ფილიალებისა და ბანკომატების ქსელი, შესაბამისად მომხმარებლებისათვის მომსახურება გამაჩვიდა და გახდა უფრო მეტად მოსახერხებელი.

ცენტრალიზებული ბანკის საშუალებით უკიდურესი შედეგით ისახებოდა საბანკო მომსახურებით ბანკი ქართულს წინაწინა და სხვის ცენტრში დამატებითი ანგარიშების გახსნის გახეშე.

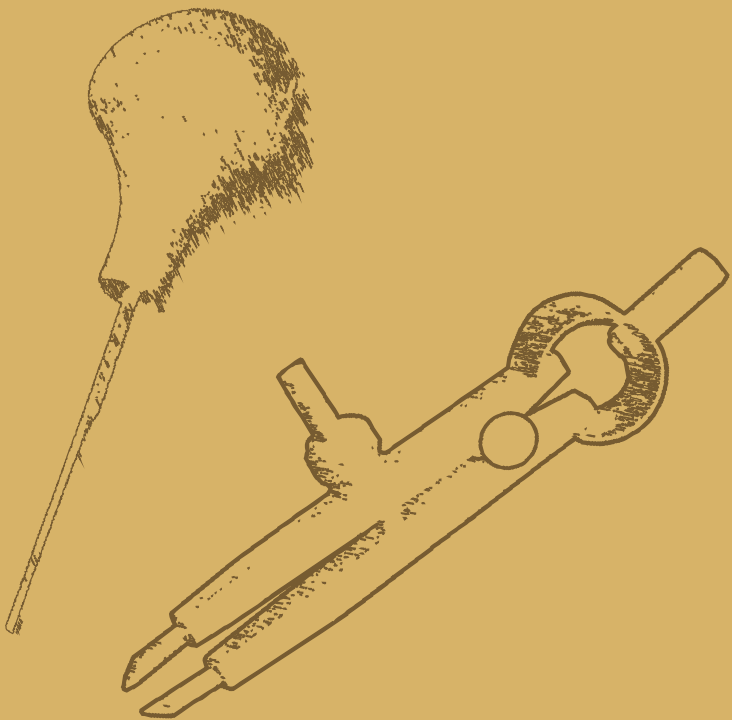
allows Cartu Bank to serve another rapidly increasing field. In 2007, the turnover in the area stepped up significantly, while the Bank gained plenty of experience rendering high quality service to the clients. Cartu Bank's in-house processing allows us to serve other banks, and this is what we did in 2007, with the number of the Banks served by our processing center to hopefully increase in 2008-2009.

PHYSICAL PERSONS

One of the "Cartu Bank's" priorities in 2007 was an enlargement of the banking product service and offering the full banking services to physical persons. The Bank stands out for the variety of transfer systems, deposits and high quality service. Both the physical persons and legal entities are offered distance banking service.

This year, the network of the Bank branches and ATM's broadened and the service became more convenient. By means of the unified bases, the clients can be rendered the service at any "Cartu Bank" branch and service center without opening an extra account.







ინოვაციური ფინანსური გადაწყვეტილებები

THE MODERN AND INNOVATIVE FINANCIAL SOLUTIONS FOR THE CLIENTS



აღიარებული ტექნიკის ტანადრეკი და ინოვაციური ფინანსური გადაწყვეტილებები;

2007 წელი ბანკი ქართულეთის ძალზე წახმატებული იყო. მიმდინარე წლის განმავლობაში ინვესტიციები განხორციელდა საინფრასტრუქტურაში, ტექნოლოგიებში, ფინანსების ქსელის გაფართოებასა და უსაფრთხოების განვითარებაში.

ინვესტიცია ჩადომ ინფრასტრუქტურის ტექნოლოგიის განვითარების სისტემებში, ხადაგანაც მალატიქნოლოგიური განვითარება და ჰიხველობა წახმადგენს ერთ-ერთ უმნიშვნელოვანეს ფაქტორს ბანკის სხეფასმაცან და უსაფრთხო მუშაობაში.

2007 წლის განმავლობაში განხორციელდა ხამდენიმე მნიშვნელოვანი ჰიხველობა, დასხეფდა ფინანსების მონაცემთა ბაზის ცენტრალიზაციის ჰიხველობა და მუვიდა ცვლილებები ინფრასტრუქტურის ტექნოლოგიების თითქმის ყველა კომპონენტში. ყველაზე მნიშვნელოვანი კი გახლდათ მოთხი კომპონენტი:

აღიარებული უსაფრთხოება

აღიარებული უსაფრთხოების ფუნქციონირების დეცენტრალიზებული მოდელიდან გადავიდით ცენტრალიზებულად მახთულ მოდელზე. ინვესტიცია ჩადომ უმაღლესი სხისსხისა და სანდომობის სეფიხეებსა და ინფრასტრუქტურის შენახვის სისტემებში.

სისტემის უმნიშვნელობისა და გათვალისწინებულ იქნა მალატი წახმადგომისა და უსაფრთხოების უსაფრთხო ჰიხველობები, ხაც საბოლოოდ ნიშნავს ჩვენი ბანკის ერთ-ერთი უმნიშვნელოვანესი აქტივის - ინფრასტრუქტურის საიმედოდ შენახვას, მთლიანობას, დიხვეფად წვედმასა და მუვიხაცეფად დამუშავებას. ეს ყველაფერი კი საბოლოოდ აისახება ჩვენი კლიენტების მომსახეების სხისსხისა და სისწიხვეფზე, ხაც ჩვენი ბანკის ერთ-ერთი უმთავრესი ამოცანაა.

ექსპლუატაციაში მუვიდა კომპიუტერის ადგიხნაციული ტეხმინატი, ხომელიც მთელ მსოფლიომში ფაქტოდ გამოიყენება საფინანსო და მომსახეების სექტორებში. ტეხმინატიზე გადასვლა გულისხმობს დამატებითი მომსახეების შექმნის სხიხების შექმნიხებას და ტექნიკური აღმინისტიხების გამახტივებას, ხადაგანაც მისი მუშეობით სხეფება მთელი ხიგი გამოთვლითი მუვიხაციები.

THE MODERN AND INNOVATIVE FINANCIAL SOLUTIONS FOR THE CLIENTS

2007 marked a big success to "Cartu Bank". The investments were made in IT, the enlargement of its network of branches and the development of its staff.

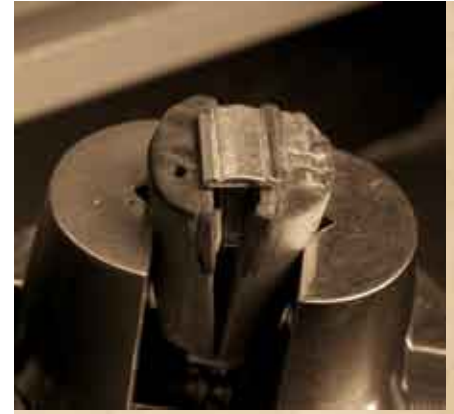
The investment was made in the development of the IT systems since the hi-technology and leadership is crucial to the Bank's viability and a streamlined operation. In 2007, several significant projects were implemented, the centralization of the branch data-base was completed and the changes were made in nearly all the IT components, of which the following were the most important:

THE HARDWARE SUPPORT

From the decentralized model of the hardware support operation the bank got over to the centralized one. The investment was made in the top quality and reliability servers and the information preservation systems.

The high productivity and continuity guidelines formed the basis of the system construction, which ultimately means the safety, integrity, availability and a timely processing of the Bank's most important asset – the information. The aforementioned makes an impact on the quality and promptness of the service rendered to our clients, both the Bank's biggest challenges.

Thin client, widely employed in the world's financial and service sectors, was put into operation. Owing to a number of the computing operations, the employment of the terminal implies cost-cuts in the creation of extra customers and the simplification of the technical administration.





ჰომოხაზი უხეუნველყოფა

ბანკმა განაახლა სამუხაჯიო დღის ჰომოგამა, ხომლის საშუალებითაც გაეხიანდა ფილიალების მონაცემთა ბაზები. განახლდა შემუშავებული ჰომოგამების დიდი ნაწილი, ხათა შენახიწუნებელიყო თავსებადობა ახიკუქუქუქად შევვლილი საბანკო დღის მოდელთან. ყოველივე ზემოთქმულმა ბანკის ელიენტებს საშუალება მისცა მიელოთ სასუხველი საბანკო მომსახუება ბანკის ნებისმიერი ფილიალში, იმისდა მიუხედავად, თუ ხომელ ფილიალში აქვთ გახსნილი ანგახიში.

მონაცემთა ბაზები

ბანკის მონაცემთა ბაზების დეცენტრალიზიზებული მახივის მოდელიდან ბანკი ახითუ გადავიდა ცენტრალიზებული მახივის მოდელზე. ხამაც საშუალება მოგვცა გაგვემახიკივებინა მონაცემების უმპიების გენეიზაცია, ხახისხობიკვად ამალდა მონაცემებზე წვდომის მპიხატიელობა და კონტეხორი

ტელეკომუნიკაციები

ტელეკომუნიკაციები გადანყვეტილია მთლიანად უახლეს ტექნოლოგიებზე, ხის შედეგადაც დაცულია მაღალი ხახისხის უსაფხიხობება.

განახლდა ფილიალებთან ქსელური კომუნიკაციები. დამუშავების ჰომოცესშია სახეზეხვიო ხაზებით ფილიალების უხეუნველყოფა, ხომელიც საშუალებას მოგვცემს უწყვეტად შევთავაზოთ ჩვენს ელიენტებს ნებისმიერი საბანკო მომსახუება.

განხოხივიდა ფილიალებთან შიდა საკელიფონო ნომიების საშუალებით კავშირის ჰომოქის ხეალიზაცია. ჰომოქი ხელს შეუწყობს ბანკის თანამშხომლებს შოხის ინფოხიდაციის გაცვლის სისწიხაფის გაზხდას და შესაბამისად კომუნიკაციის ხახისხის ამალლებას.

შეიქმნა დეპოზიტიების ახალი მოდელი. მთავახი მიზანი ამ ჰომოქის შესყიდვისა იყო უფხომ ფახიომ შესაძლებლობების მქონე ჰომოგამელი უხეუნველყოფა.

ბანკის სამუხაჯიო დღეში ინტეგრიხიებული მოდელი ხელს უწყობს ანაბიების გაცილებით სწიხაფ მომსახუებას, ხაც დდებითად აისახება ელიენტების კმაყოფილების ხახისხზე.

სათავო ფილიალსა და საბუხითაღოს სეხვისცენტეში ჩიხითო (Wi-Fi) უსადენო ინტეხნეტი, ხაც ბანკის ჰოტენციური და ახლებელ ელიენტებს საშუალებას აძლევს ისახებდონ უფასო ინტეხნეტი ბანკის მომსახუების ცენტეებში საკუთახი კომპიუტიებისა და მობილური ტელიფონების საშუალებით.

THE SOFTWARE SUPPORT

The Bank resumed its Core banking System, thus unifying the databases of the branches. Most of the programs elaborated before were renewed in order to achieve the compatibility with the architecturally re-designed Core banking System module. The aforesaid allows the Bank clients to get the necessary service at any branch of the Bank, wherever they may have their accounts, thus a branch is no obstacle to the service.

THE DATA- BASES

Instead of the centralized management model, Cartu Bank introduced the centralized model of management, which facilitated the generation of the data copies, made the data speedily accessible and controllable.

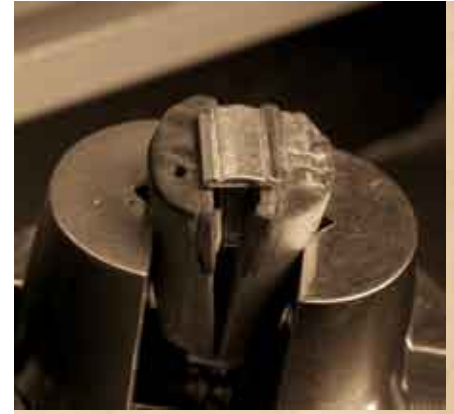
THE TELECOMMUNICATIONS

The cutting edge hi-tech solutions were introduced in the telecommunication, that is the garranty of the best safety.

The network communications with the branches were resumed. The Reserve Lines for the branches, allowing an unhampered banking service to the clients are being processed. A project involving the communication with the branches via the local telephone network was implemented. It is going to speed up the information exchange and will consequently secure a better quality communication among the employees.

A new model of deposits was created. The main reason behind the purchase of the product was larger potential software. The module integrated in the core banking System of the Bank allows a speedy servicing of the deposits to the satisfaction of the clients.

The Wi-Fi Internet, offering the Bank's prospected and existing clients a free access to the Internet at the Bank's service centers via the personal computers and mobile phones, was installed at the Bank's head office and its Saburtalo district service center.





საპროცესინგო სენსიტი

პრეაქტიული ბაზათების ერთხით განახლდა საპროცესინგო ცენტრი (პროგნამერი, ინფორმაციული და აპიატული ერთხით). განახლებული საპროცესინგო ცენტრი საშუალებას აძლევს ბანკს თავის კლიენტებს და ასოციებულ წევრებს შესთავაზოს ახალი, სხინსინანი მომსახურება. ამ სისტემის უზენველსაყოფად შექენილ იქნა მიი პროექტი:

- PRM- (Proactive Risk Manager) – წაიშოადგენს ფინანსური თაღლითობის სანიანაღმდემო კონტროლის სხელოფილ გადაწყვეტილებას. მისი საშუალებით ბანკი, ასოციებული პატიწინოხები და მიუიებული სავაჭრო მოიექები შექლებენ წაიშატებულად და ეხოულად აღმოაწინონ თაღლითუიი საოპერაციო კაიწაქციები და ეფექტუად შეამციონ საკუთაიი ფინანსური იისებები;
- ფულის გათუიებების სანიანაღმდემო განახლებული სანიწმოიაციო სისტემა (AML), იომერიც გაამატიციებს კლიენტთა აწგაიიშებზე საექვრო მოპერაციების დადგენის პროცესს.

მთლიანად სანიწმოიაციო კუნლოგიებში განხორციელებულმა ინვესტიციამ 1,6 მლნ ლაიი შეადგინა.

ხაიებნი

2007 წელს ბანკის მიუი კადებების განვითარებისათვის განუქლმა ინვესტიციამ 140 ათასი ლაიი შეადგინა. ეს თანხა ძიიითადად კადებების განათლებას, საუიოაშოიისო კონფეიენციებზე მოწანილეობას, მოტივაციის ამაღლებასა და სხვადასხვა წამახალისებულ აქტივობას მოხმაიდა.

ფილიანების ქსელიწ ბაფაიოიოება

2007 წლის განმავლობაში გაფაიოიოვდა ბანკი ქაიოუს ფილიანების ქსელი. ამ მიმაიოებლით განხორციელებულმა ინვესტიციამ 690,000 ლაიი შეადგინა.

THE PROCESSING CENTER

As to the plastic cards, a processing center allowing the Bank to offer its clients and associate members the new and quality services was renewed (in terms of the software, information and hardware). Two products were purchased for the sake of the system:

- PRM – (Proactive Risk Manager) provides an efficient control over the financial fraud. Through it, the Bank, its associate partners and the linked outlets will be able to detect the fraudulent transactions in a timely manner and, consequently, reduce their financial risks;
- Anti Money Laundering updated information system (AML), this will facilitate the detection of the dubious transactions on the clients' accounts.

The total investment in the IT amounted to 1.6 mln GEL.

THE TEAM

In 2007, the investment designed for the development of the Bank's staff amounted to 140,000 GEL, with the bigger part thereof going into the staff education, participation in the international conferences, higher motivation and various encouragement events.

THE ENLARGEMENT OF THE NETWORK OF BRANCHES

In 2007, "Cartu Bank" branches network have been broadened, with the relevant investment amounting to 690,000 GEL.





საეკონომიკური საფინანსო ინსტიტუტებთან ურთიერთობა

2007 წელს დამყარდა ურთიერთობები შავი ზღვის ვაჭრობისა და განვითარების ბანკთან (BSTDB), ხის შედეგადაც მიღწეულ იქნა პირველი შეთანხმება მომავალი თანამშრომლობის შესახებ. 2007 წლის 19 სექტემბერს ხელი მოეწერა 1,5 მლნ აშშ დოლარის მოკლევადიანი განახლებადი საკრედიტო ხაზის ხელშეკრულებას. 2008 წლიდან დაგეგმილია ამ საკრედიტო ხაზის გაზიარება 5 მლნ აშშ დოლარამდე. ზემოხსენებული ფინანსური ინსტიტუტების მიხედვით შავი ზღვისპირეთის ქვეყნებს შორის ვაჭრობის დაკრედიტებას, ხაც ითვალისწინებს ქართული სანაღმარების სანაღმარო და საექსპორტო ოპერაციების დაფინანსებას. პრაქტიკულად უკვე დაწყებულია მოლაპარაკებები მცირე და საშუალო ბიზნესის დასაფინანსებელი საკრედიტო ხაზის და მსხვილი პოეტიკების თანდაფინანსების შესახებ.

2007 წლის 20 მაისს, საეკონომიკური განვითარების ასოციაციის (IDA) და სოფლის მეურნეობის განვითარების საეკონომიკური ფონდის (IFAD) მიერ საქართველოში მსოფლიო ბანკის (World Bank) ფინანსური მხარდაჭერით განსახორციელებელი პოეტიკის ფარგლებში საქართველოს ფინანსთა სამინისტროსთან გაფორმდა ხელშეკრულება. აღნიშნული ხელშეკრულების საფუძველზე ბანკმა მიიღო 2,5 მლნ. აშშ დოლარის ოდენობის საკრედიტო ხაზი სასოფლო-სამეურნეო პოეტიკების დასაფინანსებლად.

2007 წელს მიღწეულ იქნა შეთანხმება ამერიკან ექსპრეს ბანკთან (American Express Bank) 1 მლნ. აშშ დოლარის ოდენობის ვაჭრობის ხელშეწყობის საკრედიტო ხაზის გამოყოფის შესახებ.

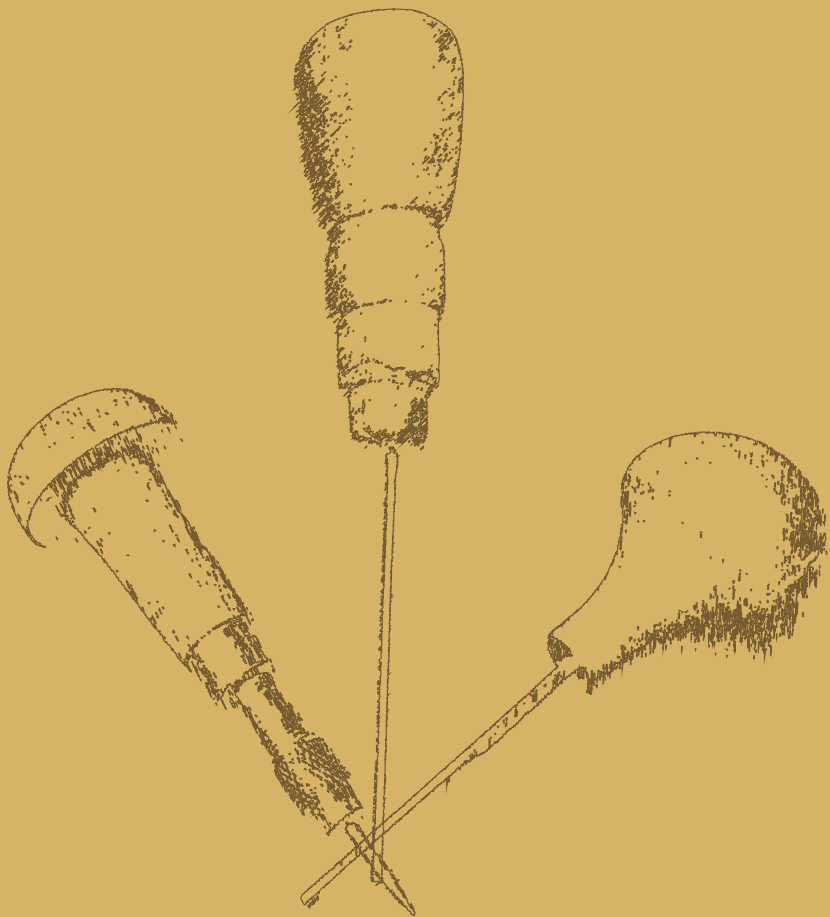
THE RELATIONSHIPS WITH THE INTERNATIONAL FINANCIAL INSTITUTIONS

In 2007, relationships were established with the Black Sea Trade and Development Bank (BSTDB), resulting in a framework collaboration agreement. On 19 September 2007, a treaty was signed over a 1.5 mln USD short-term renewable credit line. From 2008, the credit line is going to be increased up to 5 mln USD. The aforesaid financial resources will be employed into the crediting of the trade among the Black Sea basin countries, envisaging the import-export funding of the Georgian enterprises. Along with the BSTDB, the negotiations are underway over the credit line to fund the small and medium-size business and the co-funding of the major projects.

On 20 March 2007, an agreement was signed with the Ministry of Finance within the frameworks of the World Bank (WB) supported project to be implemented here by the International Development Association (IDA) and the International Foundation for Agricultural Development (IFAD). On the grounds of the aforesaid contract, "Cartu Bank" was allocated a 2.5 mln USD credit line for funding the agricultural projects.

In 2007, an agreement was reached with the American Express Bank over the allocation of 1 mln USD trade support credit line.







მოტივირებული თანამშრომლები

THE MOTIVATED TEAM



საჯანსაღო პოლიტიკა

მაღალ-პროფესიონალი, მოტივირებული და წინსვლაზე ორიენტირებული თანამშრომლები.

ბანკი ქართულ ენაზე უმთავრესი პირობებია ელიტებთან ინდივიდუალური მიდგომა და მათთვის მაღალი ხარისხის, პროფესიონალური მომსახურების შეთავაზება. ამასთან ერთად ბანკი თავის მომხმარებლებს სთავაზობს საერთაშორისო სტანდარტების თანამედროვე საბანკო ტექნოლოგიებსა და მომსახურების ახალ სახეობებს.

ელიტთა მომსახურების ხარისხის შენარჩუნებისა და ამაღლებისათვის ბანკი ქართულ უდიდეს ყუარლებას უთმობს ადამიანური რესურსის განვითარებას და მუდმივად ზრუნავს მათ მოტივაციასა და ევალიტიაციის ამაღლებაზე.

ბანკი ქართულ მნიშვნელოვან ინვესტიციებს ახორციელებს საკუთარი კადრების მომზადებაში, რაც საკადრო პოლიტიკის ერთ-ერთი უმნიშვნელოვანესი ეტაპია.

2007 წელს ბანკმა სასწავლებლად სამაგისტრო პროგრამებსა და სხვადასხვა ტიპის კურსებზე გააგზავნა თანამშრომელთა 35%-ზე მეტი, 100%-იანი დაფინანსებით; ქვეყნის საზღვრებს გაჩეთ სემინარებზე და კონფერენციებზე გაიგზავნა 30-მდე თანამშრომელი; დაფინანსდა დისკანციური სწავლება, სასეთიტიკატო პროგრამები, შიდა და გაეე ტრენინგები.

THE MOTIVATED STAFF

THE HUMAN RESOURCE POLICY

The highly qualified, motivated and progress oriented employees.

An individual approach to the clients and the high quality efficient service are the main priorities of "Cartu Bank". The Bank also offers its clients the international standard modern banking technologies and the new kinds of services.

In order to uphold and upgrade the service, "Cartu Bank" pays great attention to the development of the human resources, their motivation and improved professional skills.

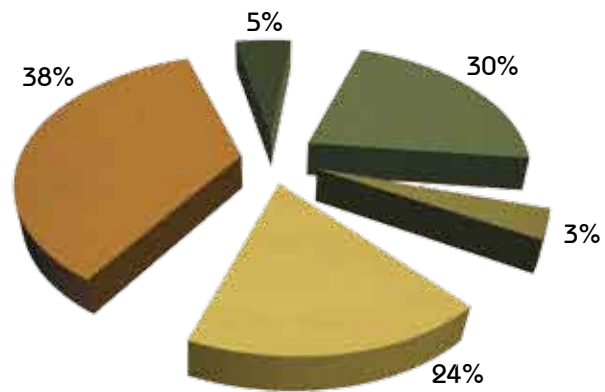
"Cartu Bank" makes significant investments in the staff training – an extremely important component of the human resource policy.

In 2007, the Bank sent over 35% of its employees for the instruction within the fully funded (100%) Master's programs and various courses; about 30% of the employees were sent to the seminars and conferences abroad, the distance instruction, certification programs, internal and external trainings were funded as well.





ლაფინანსების ტიპები და ჰიოსენსები მარკნებელი

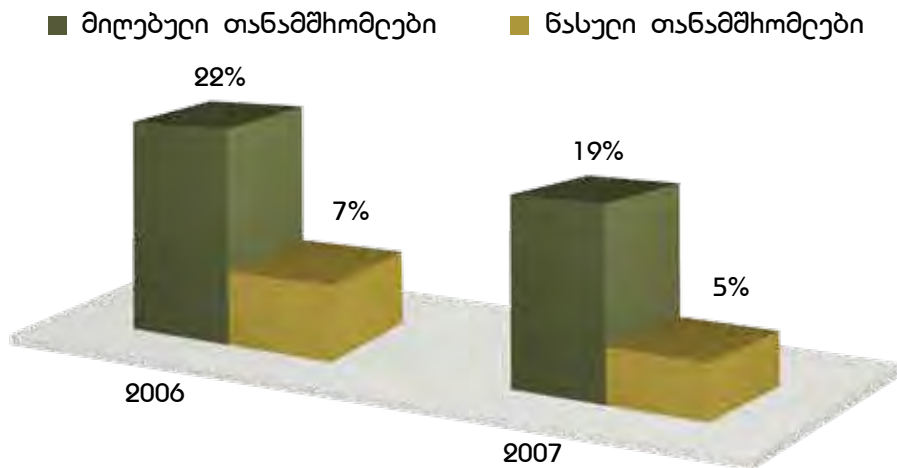


- სამაგისტრო და სასეტიფიკაციო ჰიოგამები
- სეჰის +
- უცხო ენა
- სეტიფიციებელი ჰიოგამები
- სხვა

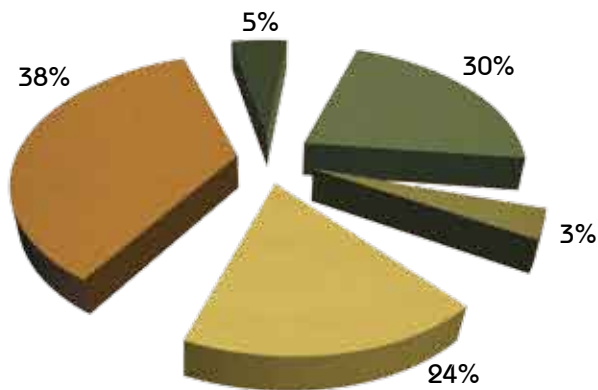
გაჰდა ევალიფიციაციის ასამაღლებელი ეჰსეებისა და ტენინგების ბანკი ქაჰთუ თავის თანამშრომლებს უხეწველყოფს სხვადასხვა სახის სოციალეჰი ბენეფიციებით.

ანეჰების მათევა:

ბანკი ქაჰთუ დეე ყუაღლებას ეთმობს ფოჰმადეჰი და აჰათოჰმადეჰი გაჰემოს, ჰაც, თავისთავად განსაჰუთებელი მნიშვნელობის მქონეა, ვინაიდან გაჰევეუდ გავლენას ახდენს ჰაღეების დენადობის შემციჰე-ბაზე. აღსანიშნავია ის ფაქტი, ჰომ დენადობის მაჰვენებელი ბანკში წლიდან წლამდე უფიო და უფიო მციჰდება.



THE TYPES OF FUNDING AND THE PERCENTAGE

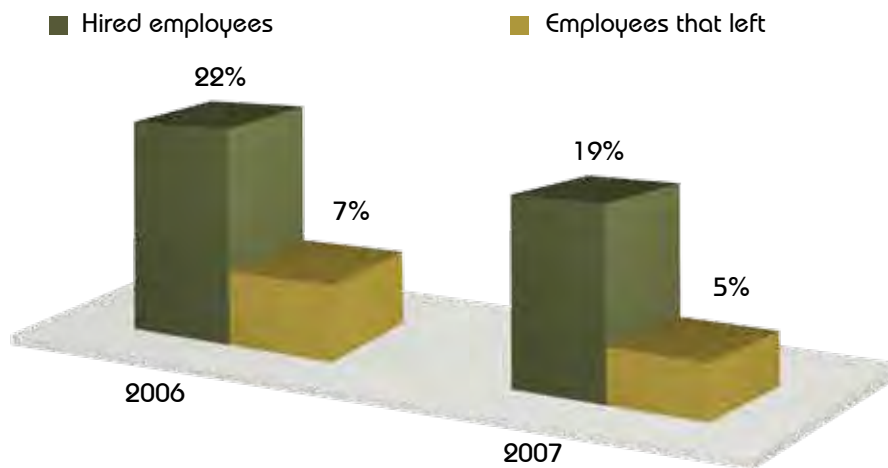


- Master degree and other
- Service +
- Foreign language
- certificated Programs
- Other

Apart from the extension courses and trainings, "Cartu Bank" provides its employees with various social benefits.

THE HUMAN RESOURCE MANAGEMENT:

"Cartu Bank" pays great attention to the formal and informal environment, which is crucial due to its impact on the fluctuation of the personnel. It should be mentioned that the fluctuation index of the personnel has been reducing regularly.








ბანკისათვის საჯარო პოლიტიკის სწორად ნახაზავში მნიშვნელოვანი პირობებებია:

- სტრატეგიული, ფუნქციონალური, სამპროექტო და ფინანსური ერთიანი სისტემის შექმნა და მიზნების ერთობლივი ძალებით დასახვა.
- კადრების განვითარება, ხაზგან პიროვნობრივი თანამშრომლები ბანკი ქართულ ერთ-ერთი კონკრეტული უპირატესობაა.
- ფილიალების ქსელის გაფართოება, რაც თავის მხრივ დიდ ხმელს თამაშობს საჯარო პოლიტიკაში. ახალი მომსახურების ობიექტების გახსნამ გამოიწვია ბანკის თანამშრომლების ხაზგანობის ზედა, ხოლო ახსებელი კადრებისთვის ეს გახდა პიროვნული დანიშნულების საშუალება.

ჩვენი თანამშრომლები, ჩვენი საზოგადოებაა. ჩვენ ვიცით, რომ სამომავლო გეგმების ნახაზებებს მნიშვნელოვნად განსაზღვრავს მაღალკვალი-ფიციური პერსონალის მოზიდვა, შენახჩუნება და მათი პოტენციალის შემდგომი განვითარება. ჩვენთვის ჩვენი კადრები მნიშვნელოვანი აქტივია და შესაბამისად კადრებში განხორციელებულ ინვესტიციებს ერთ-ერთ ყველაზე მომგებიან ნაბიჯად მივიჩნევთ.

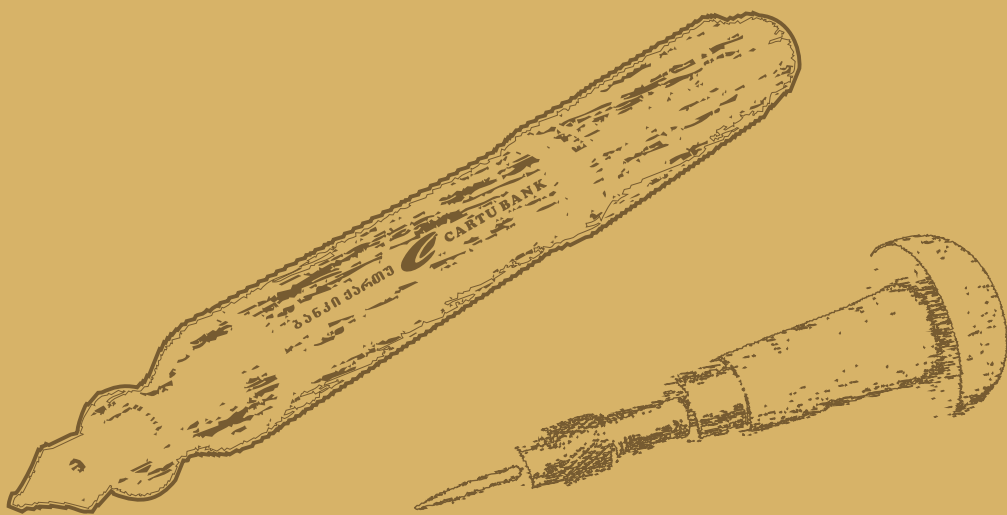
THE MOTIVATED STAFF

THE BANKS PRIORITIES IN TERMS OF THE HUMAN RESOURCE POLICY ARE AS FOLLOWS:

- 
 the creation of a single strategic, functional, operational and financial system and a joint setting of the objectives;
- 
 the development of the staff, since the highly qualified employees are one of the competitive advantages of the Bank;
- 
 The enlargement of the network of branches plays a significant part in the human recourse policy. As a result of the branch network expansion, there has been increased the total number of the employees and it also allowed the promotion of the existing staff.

Our employees form the society. We are fully aware of the fact that the success of the on plans is largely determined by the attraction, retention and a further development of the potential of the highly professional personnel. Our employees form a significant asset and, therefore, the relevant investments are deemed the most promising.









ანტი-ვანკვიზის სტრუქტურის დინამიკა

DYNAMICS IN ASSETS-LIABILITIES STRUCTURE



2007 წლის განმავლობაში ბანკის მთლიანი აქტივები სტაბილურად მატულობდა და წლის ბოლოს 391,0 მლნ. ლაში შეადგინა. წინა წელთან შედარებით ეს მაჩვენებელი 89 მლნ. ლაით, ანუ 22,8%-ით გაიზარდა.

The year 2007 saw a stable growth in the bank's total assets to reach GEL 391,0 mln. at the end of the year. Compared to the previous year, the figure increased by GEL 89 mln. i.e 22,8%.

2007 წლის ბანკის ხარჯების დინამიკა

THE EXPENSES INCURRED IN 2007



2007 წლის განმავლობაში ბანკის მიერ განეწილ ხარჯები ინახრუნებდა სტაბილურად შემოსავლებთან მიმართებაში.

The expenses incurred by the bank in 2007 remained stable in relation to the revenues earned.

შემოსავლების დინამიკა (2004-2007)

DYNAMICS IN REVENUES (2004-2007)



2007 წლის განმავლობაში ბანკის მთლიან შემოსავლებში სტაბილურად გრძელდება 2005-2006 წლების ზღვის ტენდენცია და შემოსავალმა 56,686 მლნ. ლაის მიაღწია.

The year 2007 was a stable continuation of the 2005-2006 growth trends in the total revenues of the bank, amounting to GEL 56,686 mln. at the end of the year

2007

წლიური ანგარიში
ANNUAL REPORT

2007 წლის მოგება
PROFIT OF 2007



მოგება
Total Revenues

გაყვლი სავინანსო წლის განმავლობაში წმინდა მოგება 21,499 მლნ. ლაი შედგინა.

The net profit of the past financial year amounted to GEL 21,499 mln.

ანაიხანი შამოსანიანი
და ახივიანი შამოსანიანი (2004-2007)

RETURN ON EQUITY (ROE)
AND RETURN ON ASSETS (ROA) (2006-2007)



ROA

ROE





4.2%



სოფლის მეურნეობისა და მეცხოველეობის
სექტორზე გაცემული სესხები
Loans to Agricultural and Forestry Sector

6.8%



ფიზიკური პირებზე გაცემული სესხები
Loans to Physical Persons

12.7%



მშენებლობის სექტორზე გაცემული სესხები
Loans to Construction Sector

14.7%



დანახრენ სექტორზე გაცემული სესხები
Loans to Other Sectors

2007

წლიური ანგარიში
ANNUAL REPORT



სამთომომჰოვებელ და გადამამუშავებელ სექტორზე გაცემული სესხები
Loan to Mining and Manufacturing Sector



ვაჭრობისა და მომსახურების სექტორზე გაცემული სესხები
Loans to Trade and Service Sector

მთლიანი სასესხო პორტფელის მოცულობა - 349,5 მლნ ლაი.
Total Loan Portfolio - GEL 349,5 mln.



ფინანსების ქსელი

სათავმო ოფისი

ჭავჭავაძის გამზ. 39ა

0162, თბილისი

ტელ.: (+99532) 925592/91/90

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ელ. ფოსტა: cartu@cartubank.ge

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ფაქსი: (+99532) 925593

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ფაქსი: (+99532) 921938

ელ. ფოსტა: cartu@cartubank.ge

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ოქტომბრის ქ. 14, 0179, თბილისი

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ფაქსი: (+99532) 241134

ელ. ფოსტა: cartu@cartubank.ge

ქუთაისის ფილიალი

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ტელ.: (+995 231) 4 11 48

ფაქსი: (+995 231) 4 11 45

ელ. ფოსტა: cartu@cartubank.ge

ბათუმის ფილიალი

გვირგვინის ქ. 2, 6000, ბათუმი

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ფაქსი: (+995 222) 7 65 04

ელ. ფოსტა: cartu@cartubank.ge

BRANCHES

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Fax: (+995 32) 91 22 79

E-Mail: cartubank@cartubank.ge

Lilo Service Center

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Fax: (+995 32) 24 11 34

E-Mail: lilo@cartubank.ge

Vake Service Center

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Tel: (+995 32) 25 06 /14/15

Fax: (+995 32) 25 06 13

E-Mail: vake_sc@cartubank.ge

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Fax: (+995 231) 4 11 45

E-Mail: cartuk@cartubank.ge

Saburtalo Service Center

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E-Mail: info@cartubank.ge

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2, Griboedov Str., 6000 Batumi

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Fax: (+995 222) 7 65 04

E-Mail: batumi@cartubank.ge

Krtsanisi-Mtatsimnda Branch

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Fax: (+995 32) 92 19 38

E-Mail: cartumt@cartubank.ge

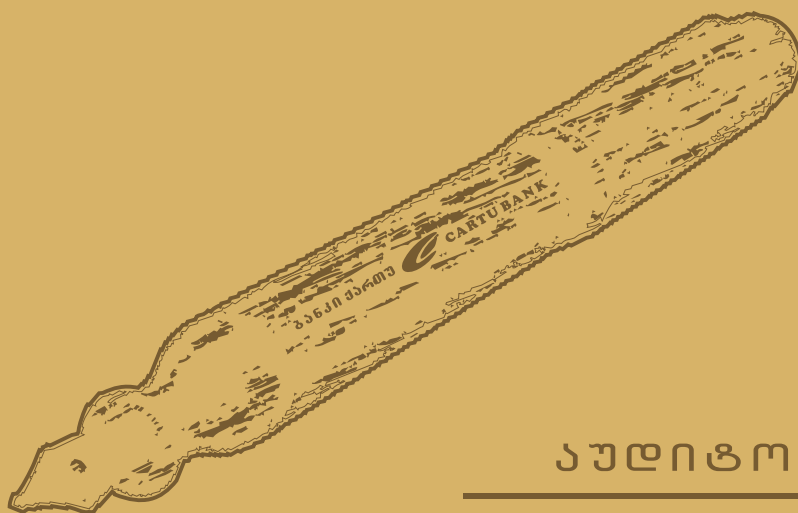
სტანდარტული სესხების განაწილების ინსტრუქცია
STANDARD SETTLEMENT INSTRUCTION

Corr. bank: 913169, 251410; Fax: 230383

SWIFT: CRTU GE 22; CHIPS UID: 407624; Telex: 914695 ROSK RU; Bank Code: 220101081

Registration Number: 229; Tax Payer Identification Number: 204891652; Main Identifier: 20465385

AUD:	SWIFT	Account Number
Dresdner Bank AG, Frankfurt am Main	DRES DE FF	4990812309300800
GBP:		
Dresdner Bank AG, Frankfurt am Main	DRES DE FF	4990812309300006
CHF:		
Dresdner Bank AG, Frankfurt am Main	DRES DE FF	4990812309300039
EUR:		
Unicredito Italiano SPA, Rome	CAPTITRA	42487
Bank of Cyprus, Nicosia	BCYP CY 2N	01435048002724
Deutsche Bank AG, Frankfurt	DEUT DE FF	947490910
Dresdner Bank AG, Frankfurt	DRES DE FF	4990812309300888
American Express Bank GmbH, Frankfurt	AEIBDEFX	18163805
Société Générale, Paris	SOGE FR PP	001013708320
Raiffeisen Bank, Moscow	IMPE RU MM	30111978200000000010
RUR:		
Raiffeisen Bank, Moscow	IMPE RU MM	30231810400000000007
USD:		
ABN AMRO Bank NV, Amsterdam	ABNA NL 2A	533941865
Unicredito Italiano SPA, Rome	CAPTITRA	42489
Bank of Cyprus, Nicosia	BCYP CY 2N	01435006002252
Deutsche Bank AG, Frankfurt am Main	DEUT DE FF	947490900
Dresdner Bank AG, Frankfurt am Main	DRES DE FF	4990812309300400
Deutsche Bank Trust Company Americas, New York	BKTR US 33	04417110
American Express Bank Ltd, New York	AEIBUS33	753624
Raiffeisen Bank, Moscow	IMPE RU MM	30111840400000000016
Société Générale, New York	SOGE US 33	184853



აუდიტორული დანაკვეთი

AUDITOR'S REPORT

CARTU BANK GROUP

Consolidated Financial Statements
For the Year Ended 31 December 2007

CARTU BANK GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Cartu Bank (the "Bank") and its subsidiary (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2007, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

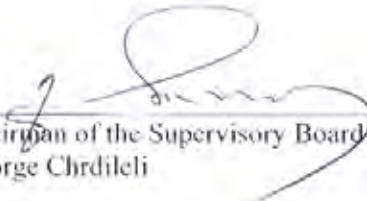
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2007 were authorized for issue on 14 May 2008 by the Management Board.

On behalf of the Management Board:


 Chairman of the Supervisory Board
 George Chrdileli

14 May 2008


 General Director
 George Kvirikashvili

14 May 2008

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Cartu Bank Group:

We have audited the accompanying consolidated financial statements of Joint Stock Company Cartu Bank (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2007, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

As discussed in Note 4, the financial statements for the year ended 31 December 2006 have been restated.

Deloitte & Touche

14 May 2008

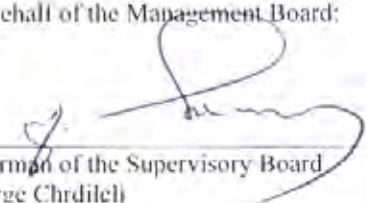
CARTU BANK GROUP

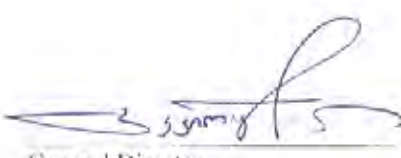
**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

(in Georgian Lari and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006 <i>(restated)</i>
Interest income	5, 27	41,117	27,451
Interest expense	5, 27	<u>(12,679)</u>	<u>(5,105)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		28,438	22,346
Initial recognition adjustment on interest bearing assets		(658)	(261)
Provision for impairment losses on interest bearing assets	6, 27	<u>(828)</u>	<u>(1,537)</u>
NET INTEREST INCOME		<u>26,952</u>	<u>20,548</u>
Net gain/(loss) on foreign exchange operations	7	6,888	(1,419)
Fee and commission income	8, 27	7,442	6,596
Fee and commission expense	8, 27	(1,993)	(1,510)
Other income	9	<u>1,237</u>	<u>646</u>
NET NON-INTEREST INCOME		13,574	4,313
OPERATING INCOME		40,526	24,861
OPERATING EXPENSES	10, 27	<u>(15,125)</u>	<u>(11,866)</u>
(Provision)/recovery of provision for impairment losses on other transactions	6	<u>(100)</u>	<u>181</u>
PROFIT BEFORE INCOME TAX		25,301	13,176
Income tax expense	11	<u>(3,803)</u>	<u>(3,700)</u>
NET PROFIT		<u>21,498</u>	<u>9,476</u>
Attributable to:			
Equity holders of the parent		21,497	9,505
Minority interest		<u>1</u>	<u>(29)</u>
		<u>21,498</u>	<u>9,476</u>

On behalf of the Management Board:


Chairman of the Supervisory Board
George Chrdileli
14 May 2008


General Director
George Kvirikashvili
14 May 2008

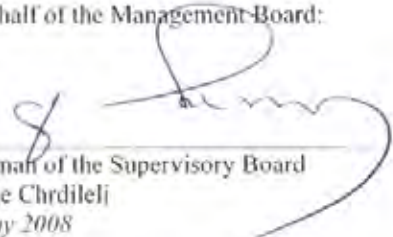
The notes on pages 9-48 form an integral part of these consolidated financial statements.

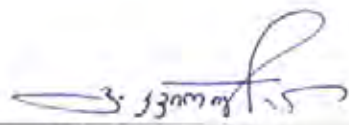
CARTU BANK GROUP

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**
(in Georgia Lari and in thousands)

	Notes	31 December 2007	31 December 2006 <i>(restated)</i>
ASSETS:			
Cash and balances with the National Bank of Georgia	12	20,580	22,243
Due from banks	13, 27	11,451	29,207
Loans to customers	14, 27	342,317	227,539
Investments available-for-sale	1, 15	92	92
Investments held to maturity	16	-	5,283
Property, plant and equipment	17	9,524	7,551
Goodwill	18	5,246	7,965
Other assets	19	2,668	2,167
TOTAL ASSETS		391,878	302,047
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	20, 27	6,184	484
Customer accounts	21, 27	70,357	82,132
Provisions	6	334	168
Current income tax liabilities	11	836	215
Deferred income tax liabilities	11	503	780
Other liabilities	22	549	600
		78,763	84,379
Subordinated debt	23	203,346	86,939
Total liabilities		282,109	171,318
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	24	54,716	54,716
Additional paid in capital	23	3,817	3,817
Equity component of convertible debt	23	-	42,458
Retained earnings		50,426	28,929
Total equity attributable to equity holders of the parent		108,959	129,920
Minority interest		810	809
Total equity		109,769	130,729
TOTAL LIABILITIES AND EQUITY		391,878	302,047

On behalf of the Management Board:


Chairman of the Supervisory Board
George Chrdilej
14 May 2008


General Director
George Kvirikashvili
14 May 2008

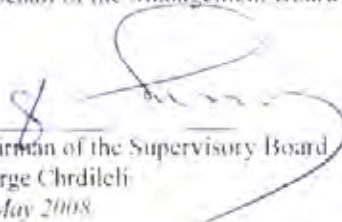
The notes on pages 9-48 form an integral part of these consolidated financial statements.

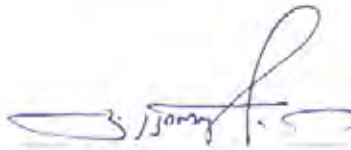
CARTU BANK GROUP

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**
(in Georgian Lari and in thousands)

	Note	Share capital	Addition al paid in capital	Equity component of convertible debt	Retained earnings	Total equity attributable to equity holders of the parent	Minority interest	Total equity
31 December 2005 <i>(before restatement)</i>		54,716	-	-	23,112	77,828	838	78,666
Errors identified on accounting for subordinated convertible debt	4	-	3,817	42,458	(3,688)	42,587	-	42,587
31 December 2005 <i>(restated)</i>		54,716	3,817	42,458	19,424	120,415	838	121,253
Net profit <i>(restated)</i>	4	-	-	-	9,505	9,505	(29)	9,476
31 December 2006 <i>(restated)</i>		54,716	3,817	42,458	28,929	129,920	809	130,729
Extinguishment of debt convertibility term	23:25	-	-	(42,458)	-	(42,458)	-	(42,458)
Net profit		-	-	-	21,497	21,497	1	21,498
31 December 2007		54,716	3,817	-	50,426	108,959	810	109,769

On behalf of the Management Board.


Chairman of the Supervisory Board
George Chrdileli
14 May 2008


General Director
George Kvirikashvili
14 May 2008

The notes on pages 9-48 form an integral part of these consolidated financial statements.

CARTU BANK GROUP

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007**
(in Georgian Lari and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006 <i>(restated)</i>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		25,301	13,176
Adjustments for:			
Provision for impairment losses on interest bearing assets		828	1,537
Provision for impairment losses on other transactions		100	(181)
Translation loss on foreign exchange operations		(4,028)	3,857
Unwinding of discount on subordinated debt		1,960	1,585
Depreciation and amortization expense		822	696
Change in interest accruals, net		(1,733)	(1,103)
Impairment of goodwill		2,719	2,908
		<u>25,969</u>	<u>22,475</u>
Cash flows from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of Georgia		3,036	(3,232)
Due from banks		1,885	25,823
Loans to customers		(114,235)	(66,126)
Other assets		(508)	770
Increase/(decrease) in operating liabilities			
Due to banks		5,620	(28)
Customer accounts		(11,805)	8,237
Other liabilities		(51)	(432)
		<u>(90,089)</u>	<u>(12,513)</u>
Cash outflow from operating activities before taxation			
Income tax paid		(3,459)	(2,861)
		<u>(93,548)</u>	<u>(15,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(2,858)	(3,058)
Proceeds on sale of property, plant and equipment		79	402
Proceeds on sale of investments held to maturity		5,283	-
Purchase of investments held to maturity		-	(5,279)
		<u>2,504</u>	<u>(7,935)</u>
Net cash inflow/(outflow) from investing activities			

CARTU BANK GROUP

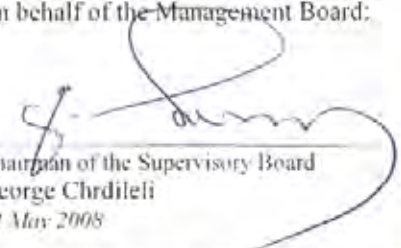
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007
(in Georgia Lari and in thousands)

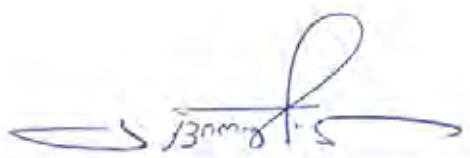
	Notes	Year ended 31 December 2007	Year ended 31 December 2006 <i>(restated)</i>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Subordinated debt		76,986	34,830
Net cash inflow from financing activities		76,986	34,830
<i>Effect of changes in foreign exchange rate on cash and cash equivalents</i>		(420)	(178)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(14,058)	11,521
CASH AND CASH EQUIVALENTS, beginning of year	12	38,811	27,468
CASH AND CASH EQUIVALENTS, end of year	12	24,333	38,811

Interest paid and received by the Group during the year ended 31 December 2007 amounted to GEL 10,592 thousand and GEL 39,888 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2006 amounted to GEL 3,393 thousand and GEL 25,960 thousand, respectively.

On behalf of the Management Board:


 Chairman of the Supervisory Board
 George Chrdileli
 14 May 2008


 General Director
 George Kvirikashvili
 14 May 2008

The notes on pages 9-48 form an integral part of these consolidated financial statements.

CARTU BANK GROUP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

1. ORGANISATION

JSC Cartu Bank (the "Bank") is a joint-stock bank, which was incorporated in Georgia in the year 1996. The Bank is regulated by the National Bank of Georgia (the "NBG") and conducts its business under general license number 229. The Bank's primary business consists of commercial activities, originating loans and guarantees, operations with securities, foreign currencies, and taking deposits.

The registered address of the Bank is 39a Chavchavadze Avenue, Tbilisi, Georgia.

The Bank has one branch and two service centers in Tbilisi and branches in Kutaisi and Batumi.

The Bank is a parent company of the Cartu Bank Group (the "Group"). The following subsidiary is consolidated in the financial statements:

Name	Country of operation	The Bank's ownership interest		Type of operation
		2007	2006	
Insurance Company Cartu LLC	Georgia	60%	60%	Insurance

Insurance Company Cartu LLC was formed as a limited liability partnership under the laws of Georgia on 13 September 2001. The company's principal activity is insurance.

The Bank also has investments in other subsidiaries and associates, Cartu Broker LLC (100%) and Reestri 2001 LLC (60%), that have not been consolidated as such consolidation would not have had a significant effect on the consolidated financial statements taken as a whole.

As at 31 December 2007 and 2006, the following shareholders owned shares of the Bank:

Shareholder	31 December 2007 %	31 December 2006 %
JSC Cartu Group	25%	25%
Interservice LLC	25%	25%
JSC Transinvest	25%	25%
JSC Iagordi	25%	25%
Total	100%	100%

Ultimate shareholder having control over the Group's operations is Bickina Ivanishvili.

These consolidated financial statements were authorized for issue by the Management Board of the Group on 14 May 2008.

2. BASE OF PRESENTATION

Accounting basis

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments.

The Bank and its subsidiary maintain their accounting records in accordance with IFRS. These consolidated financial statements have been prepared based on accounting records of the Bank and its subsidiary.

Key assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts. Such estimates and assumptions are based on the information available to the Group's management as of the date of the consolidated financial statements. Therefore, actual results could differ from these estimates and assumptions. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include:

	31 December 2007	31 December 2006
Allowance for impairment losses for loans to customers	342,317	227,539

Loans to customers are measured at amortized cost less allowance for impairment losses. The estimation of allowances for impairments involves the exercise of significant judgment.

The Group estimates allowances for impairment with the objective of maintaining balance sheet provisions at a level believed by management to be sufficient to absorb probable losses incurred in the Group's loan portfolio. The calculation of provisions on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by various formulaic calculations and the application of management judgment.

The Group considers accounting estimates related to provisions for loans key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses (as reflected in the provisions) and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future income statement and its balance sheet. The Group's assumptions about estimated losses are based on past performance, past customer behavior, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Details on the goodwill impairment loss for the years ended 31 December 2007 and 2006 are provided in Note 18.

The accounting policy for the impairment of financial instruments is discussed in Note 3 below. Taxation is discussed in Notes 11 and 25.

Functional currency

The functional currency of the consolidated financial statements is the Georgian Lari.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Bank (its subsidiary) made up to 31 December each year. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. The minority interest is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent. The equity attributable to equity holders of the parent and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

The difference, if any, between the carrying amount of minority interest and the amount received on its purchase is recognized in equity attributable to the equity holders of the parent.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

The Group tests goodwill for impairment at least annually.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

- (a) Reassesses the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) Recognizes immediately in profit or loss any excess remaining after that reassessment.

On disposal of an investment, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as fair acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of Georgia with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"). For purposes of determining cash flows, the minimum reserve deposit required by the National Bank of Georgia is not included as a cash equivalent due to restrictions on its availability.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans granted by the Group are initially recognized at fair value plus related transaction costs. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after being in arrears for more than one year.

Impairment losses

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortized cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in impairment losses is charged to profit either through allowance account financial assets that are carried at amortized cost) or direct write-off (financial assets carried at cost). The total of impairment losses is deducted in arriving at assets as shown in the consolidated balance sheet. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses that are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets, at the balance sheet date.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments available-for-sale

Investments available-for-sale represent equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. The market for the Group's investments available-for-sale is not active. Non-marketable equity securities are stated at cost, less impairment losses, if any, unless fair value can be reliably measured.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation is charged on the carrying value of property, plant and equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	2%
Furniture and equipment	20%
Data processing equipment	20%
Other	14%-17%
Intangible assets	10%

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, plant and equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on property, equipment and intangible assets, and interest accrued on loans to customers, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the balance sheet if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Due to banks, customer accounts and subordinated debt

Due to banks, customer accounts and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Compound financial instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital

Contributions to share capital are recognized at their cost. External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Additional paid in capital

Additional paid in capital represents the initial recognition discount of subordinated convertible debt received for the entities under the common control of the ultimate shareholder of the Group. Additional paid in capital is not remeasured subsequently.

Retirement and other benefit obligations

In accordance with the requirements of the Georgian legislation, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. In addition such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by state pension fund. The Group does not have any pension arrangements separate from the State pension system of Georgia. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability or group of financial assets or financial liabilities and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interests earned on assets at fair value are classified within interest income.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated income statement over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Georgian Lari at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at the year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2007	31 December 2006
Georgian Lari/ US Dollar	1.5916	1.7135
Georgian Lari/ Euro	2.3315	2.2562

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Adoption of new standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for reporting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years except for the effect of application of IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7").

IFRS 7 is effective for the annual period beginning on or after 1 January 2007. IFRS 7 establishes new requirements and recommendations on financial instrument disclosure. Adoption of IFRS 7 did not affect the classification and measurement of the Group's financial instruments in the consolidated financial statements. Additional information was disclosed in the consolidated financial statements for the current and comparative reporting periods as required by IFRS 7.

According to IAS 1 Presentation of financial statements – Disclosures (IAS 1), the Group shall disclose information that enables users of its consolidated financial statements to evaluate the entities objectives, policies and processes for managing capital.

4. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

Prior period adjustments

In 2007 the Group's management discovered errors in the consolidated financial statements for the year ended 31 December 2006. Transactions related to the recognition and measurement of the subordinated convertible debt received from the entities under common control of the Group's shareholder were not properly recorded. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" the correction of the errors was done retrospectively. Comparative amounts were restated and the corrections were made to the earliest prior period presented.

The effect of the adjustments made to the consolidated financial statements for the year ended 31 December 2006 is as follows:

Type of correction	Amount of correction	Financial statements item	As previously reported 31 December 2006/year ended 31 December 2006	As restated 31 December 2006/year ended 31 December 2006
Equity component of convertible debt	42,458	Subordinated debt	-	42,458
Net foreign exchange loss on accounting of subordinated convertible debt as a compound financial instrument	(1,877)	Net gain/(loss) on foreign exchange operations	458	(1,419)
Initial recognition discount of subordinated debt from the Bank's related party	3,817	Additional paid in capital	-	3,817
Unwinding of discount of subordinated debt	(1,585)	Interest expense	(3,520)	(5,105)
Correction of the earliest prior period presented	(3,688)	Retained earnings	23,112	19,424

Reclassifications

Certain reclassifications have been made to the financial statements as at 31 December 2006 to conform to the presentation as at 31 December 2007 as current year presentation provides better view of the financial position of the Group.

Nature of reclassification	Amount	Balance sheet/Income statement line as per the previous report	Balance sheet/Income statement line as per current report
Intangible assets	1,154	Property, equipment and intangible assets	Other assets

5. NET INTEREST INCOME

	Year ended 31 December 2007	Year ended 31 December 2006
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on assets that has been written down as a result of an impairment loss	7,291	7,058
- interest income on unimpaired assets	<u>33,826</u>	<u>20,393</u>
Total interest income	<u>41,117</u>	<u>27,451</u>
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	40,290	26,479
Interest on due from banks	779	965
Interest on investments held to maturity	<u>48</u>	<u>7</u>
Total interest income	<u>41,117</u>	<u>27,451</u>
Total interest expense on liabilities recorded at amortized cost comprises:		
Interest on subordinated debt	(11,307)	(9,919)
Interest on customer accounts	(1,210)	(1,154)
Interest on deposits to banks	<u>(150)</u>	<u>(32)</u>
Total interest expense	<u>(12,679)</u>	<u>(5,105)</u>
Net interest income before provision for impairment losses on interest bearing assets	<u>28,438</u>	<u>22,346</u>

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest earning assets were as follows:

	Due from banks	Loans to customers	Total
31 December 2005	-	2,462	2,462
Provision	17	1,520	1,537
Write-off of assets	-	(4,171)	(4,171)
Recoveries of assets previously written off	<u>-</u>	<u>3,729</u>	<u>3,729</u>
31 December 2006	17	9,540	9,557
Provision	(17)	845	828
Write-off of assets	-	(11)	(11)
Recoveries of assets previously written off	<u>-</u>	<u>786</u>	<u>786</u>
31 December 2007	<u>-</u>	<u>11,169</u>	<u>11,169</u>

The movements in allowances for impairment losses on other transactions and provision for guarantees and other commitments were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2005	113	311	424
Recovery of provision	(38)	(143)	(181)
Write-off of assets	(28)	-	(28)
Recoveries of assets previously written off	15	-	15
31 December 2006	63	168	231
(Recovery of provision) / provision	(66)	166	100
Write-off of assets	(184)	-	(184)
Recoveries of assets previously written off	241	-	241
31 December 2007	54	334	388

Allowance for impairment losses on assets are deducted from the respective assets. Provisions for guarantees and other commitments are recorded in liabilities.

7. NET GAIN/(LOSS) ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2007	Year ended 31 December 2006
Dealing, net	2,860	2,438
Translation differences, net	4,028	(3,857)
Total net gain on foreign exchange operations	6,888	(1,419)

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2007	Year ended 31 December 2006
Fee and commission income:		
Plastic cards operations	2,903	2,055
Documentary operations	1,217	866
Settlements	1,072	1,215
Foreign exchange operations	942	1,319
Cash operations	785	835
Other	523	306
	<hr/>	<hr/>
Total fee and commission income	7,442	6,596
Fee and commission expense:		
Bank cards services	(1,518)	(1,187)
Settlements	(275)	(209)
Documentary operations	(113)	(5)
Cash operations	(27)	(17)
Foreign currency operations	(20)	(25)
Other	(40)	(7)
	<hr/>	<hr/>
Total fee and commission expense	(1,993)	(1,510)

9. OTHER INCOME

Other income comprises:

	Year ended 31 December 2007	Year ended 31 December 2006
Insurance premium	397	287
Fines and penalties received	557	194
Income from other banking operations	283	185
	<hr/>	<hr/>
	1,237	646

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2007	Year ended 31 December 2006
Staff costs	4,944	3,592
Goodwill impairment	2,719	2,908
Charity and sponsorship expenses	1,003	1,000
Unified social tax	903	702
Depreciation and amortization	822	696
Operating leases	820	453
Professional services	355	281
Security expenses	310	295
Property and equipment maintenance	309	111
Postal expenses	309	230
Taxes, other than income tax	282	207
Plastic cards production	223	61
Utilities	146	87
Representative expenses	131	80
Training expenses	107	55
Advertising costs	95	55
Business trip expenses	90	40
Other expenses	1,577	1,013
	<u>15,125</u>	<u>11,866</u>

11. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with Georgian tax regulations, which differ from International Financial Reporting Standards.

Starting from 1 January 2008 corporate income tax rate has changed from 20% to 15%.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2007 and 2006 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2007 and 2006 comprise:

	31 December 2007	31 December 2006
Deductible temporary differences:		
Goodwill	6,365	3,618
Total deductible temporary differences	6,365	3,618
Taxable temporary differences:		
Property, plant and equipment	(7,831)	(5,722)
Loans to banks and customers	(1,702)	(1,794)
Provisions	(124)	-
Total taxable temporary differences	(9,717)	(7,516)
Net deferred taxable temporary differences	(3,351)	(3,898)
Net deferred tax liability at the statutory tax rate	(503)	(780)

Relationships between tax expenses and accounting profit for the years ended 31 December 2007 and 2006 are explained as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Profit before income tax	25,301	13,175
Tax at the statutory tax rate	3,795	2,615
Effect of change in tax rate	1,070	-
Tax effect of permanent differences	(1,062)	1,065
Income tax expense	3,803	3,700
Current income tax expense	4,080	2,920
(Recovery)/provision for deferred tax liabilities	(277)	780
Income tax expense	3,803	3,700
Deferred income tax liabilities	2007	2006
Beginning of the period	780	-
(Decrease)/increase in income tax liability for the period charged to profit	(277)	780
End of the period	503	780

12. CASH AND BALANCES WITH THE NATIONAL BANK OF GEORGIA

	31 December 2007	31 December 2006
Cash	8,495	11,848
Balances with the National Bank of Georgia	<u>12,085</u>	<u>10,395</u>
Total cash and balances with the National Bank of Georgia	<u>20,580</u>	<u>22,243</u>

The balances with the National Bank of Georgia (the "NBG") as at 31 December 2007 and 2006 include GEL 6,122 thousand and GEL 9,158 thousand, respectively, which represent the obligatory minimum reserve deposits with the NBG. The Bank is required to maintain the reserve balance at the NBG at all times.

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2007	31 December 2006
Cash and balances with the National Bank of Georgia	20,580	22,243
Due from banks in OECD countries (Note 31)	<u>9,875</u>	<u>25,726</u>
Less minimum reserve deposits and foreign currency deposits with the NBG	<u>(6,122)</u>	<u>(9,158)</u>
Total cash and cash equivalents	<u>24,333</u>	<u>38,811</u>

13. DUE FROM BANKS

Due from banks comprise:

	31 December 2007	31 December 2006
Time deposits with other banks	2,483	4,829
Correspondent accounts with other banks	<u>8,968</u>	<u>24,395</u>
Less allowance for impairment losses	<u>-</u>	<u>(17)</u>
Total due from banks	<u>11,451</u>	<u>29,207</u>

Movements in allowances for impairment losses on balances due from banks for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

Included in due from banks is accrued interest in the amount of GEL 7 thousand and GEL 27 thousand as at 31 December 2007 and 2006, respectively.

As at 31 December 2006 the Group had due from one bank, respectively, which individually exceeded 10 % of the Group's equity.

As at 31 December 2007 and 2006 the maximum credit risk exposure on due from banks amounted to GEL 11,451 thousand and GEL 29,207 thousand, respectively.

As at 31 December 2007 and 2006 included in balances due from banks are guarantee deposits placed by the Group for its operations with plastic cards in the amount of GEL 1,998 thousand and GEL 1,326 thousand, respectively.

14. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2007	31 December 2006
Originated loans	349,061	234,826
Accrued interest	<u>4,416</u>	<u>2,253</u>
Less allowance for impairment losses	<u>(11,160)</u>	<u>(9,540)</u>
Total loans to customers	<u>342,317</u>	<u>227,539</u>

Movements in allowances for impairment losses for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

The below table summarized the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	31 December 2007	31 December 2006
Loans collateralized by real estate, production equipment and other property	322,462	208,651
Loans collateralized by cash	3,927	5,900
Loans collateralized by precious metals	329	1,755
Other collateral	12,143	8,339
Unsecured loans	<u>3,456</u>	<u>2,894</u>
Total loans to customers	<u>342,317</u>	<u>227,539</u>

	31 December 2007	31 December 2006
Analysis by sector:		
Manufacturing	131,894	99,287
Construction	72,681	38,530
Trade	62,300	44,773
Services	38,088	21,251
Individuals	23,691	11,804
Energy	8,244	-
Other	<u>5,419</u>	<u>11,894</u>
Total loans to customers	<u>342,317</u>	<u>227,539</u>

As at 31 December 2007 and 2006 the Group granted loans to 11 and 5 customers, totaling GEL 228,502 thousand and GEL 72,623 thousand, respectively, which individually exceeded 10 % of the Group's equity.

As at 31 December 2007 and 2006 a significant amount of loans (97 % of total portfolio) is granted to companies operating in Georgia, which represents a significant geographical concentration in one region.

As at 31 December 2007 and 2006 a maximum credit risk exposure on loans to customers amounted to GEL 342,317 thousand and GEL 227,539 thousand, respectively. As at 31 December 2007 and 2006 a maximum credit risk exposure on loan commitments and overdrafts extended by the Group to its customers amounted to GEL 10,874 thousand and GEL 8,430 thousand, respectively.

As at 31 December 2007 and 2006 loans to customers included loans in amount of GEL 5,046 thousand and GEL 54 thousand, respectively, whose terms have been renegotiated. Otherwise these loans would be past due or impaired.

As at 31 December 2007 and 2006 loans to customers included loans in amount of GEL 101,490 thousand and GEL 56,928 thousand, respectively, that were individually determined to be impaired.

15. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	31 December 2007	31 December 2006
Equity securities	<u>92</u>	<u>92</u>
Total investments available-for-sale	<u>92</u>	<u>92</u>

	Ownership interest	31 December 2007	Ownership interest	31 December 2006
Equity securities				
<i>Carta Broker LLC</i>	100%	35	100%	35
<i>Banqri 2001 LLC</i>	80%	15	80%	15
<i>Tbilisi Currency Interbank Stock Exchange</i>	8%	39	8%	39
<i>Central Interbank Depository of Securities FCSE Plus</i>	9%	<u>3</u>	9%	<u>3</u>
Total investments available-for-sale		<u>92</u>		<u>92</u>

16. INVESTMENTS HELD TO MATURITY

	Interest in nominal %	31 December 2007	31 December 2006
Deposit certificates of Ministry of Finance of Georgia	10%-12%	-	5,281
Less discount of deposit certificates		<u>-</u>	<u>(8)</u>
Total investments held to maturity		<u>-</u>	<u>5,283</u>

As at 31 December 2006 interest income on debt securities amounting to GEL 4 thousand was accrued and included in investments held to maturity.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings and other real estate	Furniture and equipment	Data processing equipment	Other	Construction in progress	Total
At initial cost						
31 December 2005	1,080	2,181	1,575	1,032	1,300	7,168
Additions	-	219	278	324	2,170	2,991
Disposals	-	(90)	(33)	(280)	(18)	(421)
Transfers	1,281	355	-	-	(1,630)	-
31 December 2006	2,361	2,665	1,820	1,076	1,816	9,738
Additions	-	252	604	69	1,794	2,719
Disposals	-	(132)	(288)	(201)	(2)	(621)
Transfers	-	158	230	-	(388)	-
31 December 2007	2,361	2,943	2,368	944	3,220	11,836
Accumulated depreciation						
31 December 2005	78	583	754	575	-	1,970
Charge for the year	56	250	210	55	-	571
Eliminated on disposals	-	(78)	(29)	(247)	-	(354)
31 December 2006	134	735	935	383	-	2,187
Charge for the year	67	209	241	60	-	607
Eliminated on disposals	-	(103)	(288)	(153)	-	(542)
31 December 2007	201	931	890	290	-	2,312
Net book value						
31 December 2007	2,160	2,012	1,478	654	3,220	9,524
31 December 2006	2,227	1,930	885	693	1,816	7,551

As at 31 December 2007 and 2006 included in property, plant and equipment were fully depreciated assets of GEL 1,543 thousand and GEL 619 thousand, respectively.

18. GOODWILL

	2007	2006
At the beginning of the year	7,965	10,873
Impairment loss	(2,719)	(2,908)
At the end of the year	5,246	7,965

The impairment losses for the years ended 31 December 2007 and 2006 are arising on the unrecoverable loans to customers pertaining to the Bank's branch formed as a result of acquisition of JSC Abeshubank.

19. OTHER ASSETS

Other assets comprise:

	31 December 2007	31 December 2006
Intangible assets	1,138	1,154
Advances paid	697	220
Amounts in the course of settlement	377	617
Accounts receivable	202	15
Tax settlements, other than income tax	55	36
Inventories	41	43
Repossessed assets	7	7
Other	205	138
	<u>2,668</u>	<u>2,167</u>
Less allowance for impairment losses	<u>(54)</u>	<u>(63)</u>
Total other assets	<u>2,668</u>	<u>2,167</u>

Movements in allowances for impairment losses on other assets for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

	Intangible assets
At cost	
31 December 2005	1,543
Additions	67
Disposals	<u>(2)</u>
31 December 2006	1,608
Additions	139
Disposals	<u>(125)</u>
31 December 2007	<u>1,622</u>
Accumulated amortisation	
31 December 2005	331
Charge for the year	125
Eliminated on disposals	<u>(2)</u>
31 December 2006	454
Charge for the year	155
Eliminated on disposals	<u>(125)</u>
31 December 2007	<u>484</u>
Net book value	
31 December 2007	<u>1,138</u>
31 December 2006	<u>1,154</u>

20. DUE TO BANKS

Due to banks comprise:

	31 December 2007	31 December 2006
Correspondent accounts of other banks	621	406
Loans from banks and financial institutions:		-
Black Sea Trade and Development Bank (the "BSTDB")	2,412	-
Ministry of Finance of Georgia	1,637	-
Term deposits of banks and other financial institutions	<u>1,514</u>	<u>78</u>
Total due to banks	<u>6,184</u>	<u>484</u>

Included in due from banks is accrued interest in the amount of GEL 83 thousand and GEL 3 thousand as at 31 December 2007 and 2006, respectively.

On 19 September 2007 the Group signed a credit line agreement with the Black Sea Trade and Development Bank (the "BSTDB"), registered in Thessaloniki, Greece, in the amount of USD 1,500 thousand (GEL 2,387 thousand) repayable in full by the end of 2008. As of 31 December 2007 the Group drew down the total amount of the loan.

On 20 March 2007 the Group signed a credit line agreement with the Ministry of Finance of Georgia, which has an underlying agreement with International Development Association (the "IDA"). The Ministry of Finance of Georgia received funds from the IDA and subsequently allocated these funds among commercial banks of Georgia within the framework of Rural Development Project. The principal amount of the loan is repayable in seven equal annual installments starting on in August 2010 and ending in August 2016.

21. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2007	31 December 2006
Time deposits	22,834	25,649
Repayable on demand	<u>47,523</u>	<u>56,483</u>
Total customer accounts	<u>70,357</u>	<u>82,132</u>

As at 31 December 2007 and 2006 accrued interest expenses included in customers accounts amounted to GEL 154 thousand and GEL 124 thousand, respectively.

As at 31 December 2007 and 2006 customer accounts amounted to GEL 945 thousand and GEL 1,903 thousand, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As at 31 December 2007 and 2006 customer accounts amounted to GEL 2,813 thousand and GEL 163 thousand, respectively, were held as security against guarantees issued.

As at 31 December 2007 and 2006 customer accounts of GEL 18,662 thousand (27%) and GEL 17,613 thousand (21%), respectively, were due to one customer, which represents significant concentration.

	31 December 2007	31 December 2006
Analysis by sector:		
Individuals	38,020	31,955
Trade	8,019	5,628
Real estate and constructions	3,385	6,390
Charity	1,717	1,963
Transport and communication	1,422	8,671
Agriculture	1,274	717
Mining and metallurgy	1,158	729
Energy	1,042	17,838
Finance sector	-	163
Other	14,320	8,078
	<u>70,357</u>	<u>82,132</u>
Total customer accounts		

22. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2007	31 December 2006
Amounts in the course of settlement	311	429
Taxes payable, other than income tax	-	42
Other	238	129
	<u>549</u>	<u>600</u>
Total other liabilities		

23. SUBORDINATED DEBT

	Maturity date year	Interest rate %	31 December 2007	31 December 2006
Fin Service XXI	9-Feb-12	9%	16,003	-
Fin Service XXI	13-Dec-2011	9%	15,987	17,211
Fin Service XXI	22-Jun-2029	2%	15,919	7,747
Fin Service XXI	1-Nov-14	9%	8,017	-
Fin Service XXI	11-May-12	9%	7,997	-
Fin Service XXI	12-Jul-14	9%	7,995	-
Fin Service XXI	17-Jul-14	9%	7,985	-
Fin Service XXI	25-Oct-2011	9%	7,970	8,580
Fin Service XXI	27-Nov-2011	9%	7,970	8,580
Fin Service XXI	26-Apr-12	9%	7,968	-
Fin Service XXI	28-Jun-14	9%	7,964	-
Fin Service XXI	30-Mar-2010	2%	7,959	8,046
Fin Service XXI	26-Sep-14	9%	7,171	-
Fin Service XXI	24-Aug-14	9%	6,377	-
Fin Service XXI	28-Dec-2011	9%	4,778	5,144
Fin Service XXI	24-Dec-14	9%	4,783	-
Fin Service XXI	20-Sep-14	9%	3,990	-
			<u>146,833</u>	<u>55,308</u>
Inter Consulting Plus Ltd	22-Jun-2029	2%	15,919	7,747
Inter Consulting Plus Ltd	17-Oct-2025	2%	11,143	8,087
Inter Consulting Plus Ltd	30-Mar-2010	2%	7,959	8,046
			<u>35,021</u>	<u>23,880</u>
Georgian Holding Ltd	22-Jun-2029	2%	15,919	7,747
Christa Enterprises Ltd	28-Feb-2017	6%	5,573	4
			<u>21,492</u>	<u>7,751</u>
			<u>283,346</u>	<u>86,939</u>

As at 31 December 2007 and 2006 accrued interest expenses included in subordinated loans amounted to GEL 417 thousand and GEL 121 thousand, respectively.

At 17 October 2005 the Group entered into a subordinated convertible debt agreement with an entity under the common control of the ultimate shareholder of the Group, Inter Consulting Plus Ltd, which provided the Group with a subordinated convertible loan bearing interest at 2% per annum in the amount of USD 7,000 thousand (GEL 11,141 thousand). The loan is repayable in twenty years from the date of disbursement.

At 2 October 2004 the Group entered into a subordinated convertible debt agreement with Inter Consulting Plus Ltd which provided the Group with a subordinated convertible loan bearing interest at 2% per annum in the amount of USD 5,000 thousand (GEL 7,958 thousand). The loan is repayable at 30 March 2010.

At 21 June 2004 the Group entered into a subordinated convertible debt agreement with Inter Consulting Plus Ltd which provided the Group with a subordinated convertible loan bearing interest at 2% per annum in the amount of USD 10,000 thousand (GEL 15,916 thousand). The loan is repayable in fifteen years from the date of disbursement.

At 2 October 2004 the Group entered into a subordinated convertible debt agreement with an entity under the common control of the ultimate shareholder of the Group, Fin Service XXI which provided the Group with a subordinated convertible loan bearing interest at 6% per annum in the amount of USD 5,000 thousand (GEL 7,958 thousand). The loan is repayable at 30 March 2010.

At 21 June 2004 the Group entered into a subordinated convertible debt agreement with Fin Service XXI, which provided the Group with a subordinated convertible loan bearing interest at 2% per annum in the amount of USD 10,000 thousand (GEL 15,916 thousand). The loan is repayable in fifteen years from the date of disbursement.

At 21 June 2004 the Group entered into a subordinated convertible debt agreement with an entity under the common control of the ultimate shareholder of the Group, Georgian Holding Ltd., which provided the Group with a subordinated convertible loan bearing interest at 2% per annum in the amount of USD 10,000 thousand (GEL 15,916 thousand). The loan is repayable in fifteen years from the date of disbursement.

At 27 February 2002 the Group entered into a subordinated convertible debt agreement with an entity under the common control of the ultimate shareholder of the Group, Christa Enterprises Ltd., which provided the Group with a convertible subordinated loan bearing interest at 6% per annum in the amount of USD 3,500 thousand (GEL 5,571 thousand). The loan is repayable in fifteen years from the date of disbursement.

The subordinated convertible debt is represented by the subordinated convertible debt agreements with the entities under common control of the ultimate shareholder of the Group and provided a put option, according to which the Group had a right to sell ordinary shares of the Group to each of the lenders at a nominal value at maturity. The put option of each of the agreements comprised 25% of the share capital of the Group as of conversion date. As at 31 December 2006, the put option under the agreements included in equity component of convertible debt amounted to GEL 42,458 thousand. The initial recognition adjustment of the loans on bringing interest rates to market in the amount of GEL 3,817 thousand is included in additional paid in capital.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

24. SHARE CAPITAL

As at 31 December 2007 and 2006 authorized, issued and paid-in share capital consisted of ordinary shares with par value of GEL 100 per.

As at 31 December 2007 the Group's share capital comprised of the following number of shares of GEL 100 each:

	Authorized share capital	Unissued share capital	Paid share capital	Total share capital
Ordinary shares	80,000	25,284	54,716	54,716

As at 31 December 2006 the Group's share capital comprised of the following number of shares of GEL 100 on each:

	Authorized share capital	Unissued share capital	Paid share capital	Total share capital
Ordinary shares	80,000	25,284	54,716	54,716

As at 31 December 2007 and 2006 the number of shares outstanding was 547,160 thousand.

25. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

Provision for losses on contingent liabilities amounted to GEL 334 thousand and GEL 168 thousand as at 31 December 2007 and 2006, respectively.

As at 31 December 2007 and 2006 the nominal or contract amounts were:

	31 December 2007 Nominal Amount	31 December 2006 Nominal amount
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	21,886	8,392
Letters of credit and other transaction related contingent obligations	4,306	9,553
Commitments on loans and unused credit lines	10,874	8,430
Total contingent liabilities and credit commitments	37,066	26,375

Extensions of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions. As at 31 December 2007 and 2006 such unused credit lines came GEL 10,874 thousand and GEL 8,430 thousand, respectively.

Capital commitments – The Group had no material commitments for capital expenditures outstanding as at 31 December 2007 and 2006.

Operating lease commitments – No material rental commitments were outstanding as at 31 December 2007 and 2006.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation – Due to the presence in Georgian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on the management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements.

Pensions and retirement plans – Employees receive pension benefits from Government of Georgia in accordance with the laws and regulations of the country. As at 31 December 2007 and 2006, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment – The Group's principal business activities are within Georgia. Laws and regulations affecting the business environment in Georgia are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

26. SUBSEQUENT EVENTS

During the year ended 31 December 2007 the Group and the entities under the common control of the ultimate shareholder of the Group providing the subordinated convertible debt to the Group agreed to change the debt interest rates and extinguish convertibility term from the loan agreements. At 13 May 2008 the Group concluded agreements on these amendments and reflected the effect of this adjusting post balance sheet event in its consolidated financial statements for the year ended 31 December 2007. The subordinated convertible loans are disclosed in Note 23.

27. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- (a) Parties that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives them significant influence over the Group; and that have joint control over the Group;
- (b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Group is a venturer;
- (d) Members of key management personnel of the Group or its parent;
- (e) Close members of the family of any individuals referred to in (a) or (d);
- (f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding as at 31 December 2007 and 2006 with related parties:

	31 December 2007		31 December 2006	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loan to Customers	16,430	353,477	29	237,079
- other related parties	16,430		29	
Allowance for impairment losses	(350)	(11,160)	-	(9,540)
- other related parties	(350)		-	
Customer accounts	18,230	70,343	21,158	82,132
- shareholders	537		1,873	
- key management personnel	1,310		15	
- other related parties	16,383		19,270	
Subordinated debt	203,346	203,346	86,939	86,939
- shareholders	203,346		86,939	
Guarantees issued	-	21,886	163	8,392
- other related parties	-		163	

	31 December 2007		31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
- short-term employee benefits	581	4,944	252	3,592

Included in the consolidated income statement for the years ended 31 December 2007 and 2006 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	1,974	41,117	225	27,451
- other related parties	1,974		225	
Interest expense	(11,841)	(12,679)	(3,924)	(5,105)
- shareholders	(11,307)		(3,919)	
- other related parties	(534)		(5)	
Provision for impairment losses	(350)	(828)	-	(1,537)
- other related parties	(350)		-	
Commission income	335	7,442	16	6,596
- shareholders	9		16	
- other related parties	326		-	

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated balance sheet of the Group is presented below:

	31 December 2007		31 December 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with the National				
Bank of Georgia	20,580	20,580	22,243	22,243
Due from banks	11,451	11,451	29,207	29,207
Investments held to maturity	-	-	5,283	5,283
Due to banks	6,184	6,184	484	484
Customer accounts	70,357	70,357	82,132	82,132
Subordinated debt	203,346	203,346	86,939	86,939

29. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	Description of position
0%	Cash and balances with the National Bank of Georgia
0%	State debt securities
20%	Due from banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As at 31 December 2007 the Group's total capital amount for Capital Adequacy purposes was GEL 165,543 thousand and tier 1 capital amount was GEL 108,340 thousand with ratios of 42.65% and 27.60%, respectively.

As at 31 December 2006 the Group's total capital amount for Capital Adequacy purposes was GEL 171,642 thousand and tier 1 capital amount was GEL 83,639 thousand with ratios of 60.27% and 45.62%, respectively.

As at 31 December 2007 and 2006 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 23, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged from 2006.

31. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit exposures
- Liquidity risk
- Market risk

The Group recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the risks the following risks;

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Limits on the level of credit risk by a borrower, industry sector are approved quarterly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored on a regular basis.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees but some portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum exposure

The Group's maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

As at 31 December 2007:

	Maximum exposure
Due from banks	11,451
Loans to customers	342,317
Investments available-for-sale	92

As at 31 December 2006:

	Maximum exposure
Due from banks	28,207
Loans to customers	227,539
Investments available-for-sale	92
Investments held to maturity	5,283

Financial assets are graded according to the current credit rating that has been issued by an internationally regarded agency Fitch. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group as at 31 December 2007:

	AAA	AA	A	BBB	>BBB	Not rated	Total at 31 December 2007
Due from banks	-	5,727	5,605	-	77	42	11,451
Loans to customers	-	-	-	-	-	342,317	342,317
Investments available-for-sale	-	-	-	-	-	92	92

As at 31 December 2006:

	AAA	AA	A	BBB	>BBB	Not Rated	Total at 31 December 2006
Due from banks	-	6,843	20,296	-	696	1,572	28,207
Loans to customers	-	-	-	-	-	227,539	227,539
Investments available-for-sale	-	-	-	-	-	92	92
Investments held to maturity	-	-	-	-	-	5,283	5,283

The banking industry is generally exposed to credit risk through its loans to customers and interbank deposits. With regard to the loans to customers this risk exposure is concentrated within Georgia.

The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

As at 31 December 2007:

	Financial assets past due but not impaired			
	0-3 months	3-6 months	6 months to 1 year	Greater than one year
Due from banks	-	-	-	-
Loans to customers	4,233	4	272	23
Investments available-for-sale	-	-	-	-

As at 31 December 2006:

	Financial assets past due but not impaired			
	0-3 months	3-6 months	6 months to 1 year	Greater than one year
Due from banks	-	-	-	-
Loans to customers	105	-	-	-
Investments available-for-sale	-	-	-	-
Investments held to maturity	-	-	-	-

Geographical concentration

The ALMC exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in Georgia.

The geographical concentration of assets and liabilities is set out below:

	Georgia	Other non-OECD countries	OECD countries	31 December 2007 Total
ASSETS				
Cash and balances with the National Bank of Georgia	20,580	-	-	20,580
Due from banks	79	1,497	9,875	11,451
Loans to customers	352,187	76	18,054	370,317
Investments available-for-sale	93	-	-	93
Property, plant and equipment	9,524	-	-	9,524
Goodwill	5,246	-	-	5,246
Other assets	2,668	-	-	2,668
TOTAL ASSETS	370,376	1,573	18,929	390,878
LIABILITIES				
Due to banks	3,603	2	2,580	6,184
Customer accounts	63,127	-	7,230	70,357
Provision	334	-	-	334
Current income tax liabilities	836	-	-	836
Deferred income tax liabilities	503	-	-	503
Other liabilities	524	-	35	549
Subordinated debt	197,773	5,574	-	203,346
TOTAL LIABILITIES	266,099	5,576	9,835	281,510
NET POSITION	103,876	(4,003)	11,094	

	Georgia	Other non-OECD countries	OECD countries	31 December 2006 Total
ASSETS				
Cash and balances with the National Bank of Georgia	22,243	-	-	22,243
Due from banks	983	4,744	23,501	29,207
Loans to customers	227,539	-	-	227,539
Investments available-for-sale	93	-	-	93
Investments held to maturity	5,283	-	-	5,283
Property, plant and equipment	7,551	-	-	7,551
Goodwill	7,965	-	-	7,965
Other assets	2,015	152	-	2,167
TOTAL ASSETS	273,659	4,896	23,501	302,056
LIABILITIES				
Due to banks	483	1	-	484
Customer accounts	82,132	-	-	82,132
Provisions	168	-	-	168
Current income tax liabilities	215	-	-	215
Deferred income tax liabilities	780	-	-	780
Other liabilities	600	-	-	600
Subordinated debt	85,939	-	-	85,939
TOTAL LIABILITIES	171,317	1	-	171,318
NET POSITION	102,342	4,895	23,501	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Assets and Liabilities Management Committee ("ALMC") controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimisation.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of change in market interest rates.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's contracts on loans received and certain financial assets bear interest that is either fixed or variable. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2007			31 December 2006		
	GEL	USD	Other currencies	GEL	USD	Other currencies
ASSETS						
Due from banks	-	3%	-	-	7%	-
Loans to customers	15%	15%	16%	14%	13%	-
Investments held to maturity	-	-	-	1%	-	-
LIABILITIES						
Due to banks	8%	8%	-	-	-	-
Customer accounts	1%	3%	1%	7%	6%	5%
Subordinated debt	-	7%	-	-	6%	-

An analysis of the liquidity risk on balance sheet transactions is presented in the following table:

As at 31 December 2007:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
ASSETS							
Due from banks	10,387	125	-	-	959	-	11,451
Loans to customers	2,980	18,202	62,038	188,736	70,371	-	342,317
Total interest bearing assets	13,347	18,327	62,038	188,736	71,330	-	353,768
Cash and balances with the National Bank of Georgia	20,580	-	-	-	-	-	20,580
Investments available-for-sale	-	-	-	-	-	92	92
Property, plant and equipment	-	-	-	-	-	9,534	9,534
Goodwill	-	-	-	-	-	5,246	5,246
Other assets	1,111	261	58	100	1,138	-	2,668
TOTAL ASSETS	35,838	18,588	62,096	188,826	72,468	14,802	391,878
LIABILITIES							
Due to banks	2,317	160	2,351	-	1,456	-	6,184
Customer accounts	1,540	3,807	9,139	53	-	-	14,539
Subordinated debt	-	-	-	132,347	70,999	-	203,346
Total interest bearing liabilities	3,857	3,967	11,390	132,400	72,455	-	224,069
Customer accounts	55,818	-	-	-	-	-	55,818
Provision	-	9	336	77	13	-	334
Current income tax liabilities	-	836	-	-	-	-	836
Deferred income tax liabilities	-	503	-	-	-	-	503
Other liabilities	374	59	103	14	-	-	549
TOTAL LIABILITIES	60,049	5,374	11,728	132,491	72,467	-	282,189
Liquidity gap	(25,811)	13,214	50,368	56,335	1		
Interest sensitivity gap	9,490	14,360	50,648	56,336	(1,125)		
Cumulative interest sensitivity gap	9,490	23,850	74,498	130,824	129,709		
Cumulative interest sensitivity gap as a percentage of total assets	2%	6%	19%	33%	33%		

As at 31 December 2006:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
ASSETS							
Due from banks	25,616	2,098	167	1,326	-	-	29,207
Loans to customers	12,172	12,059	19,568	183,740	-	-	227,539
Investments held to maturity	5,283	-	-	-	-	-	5,283
Total interest bearing assets	43,071	14,157	19,735	185,066	-	-	262,029
Cash and balances with the National Bank of Georgia	13,062	-	-	-	-	9,181	22,243
Investments available-for-sale	-	-	-	-	-	93	93
Property, plant and equipment	-	-	-	-	-	7,551	7,551
Goodwill	-	-	-	-	-	7,965	7,965
Other assets	457	266	55	235	-	1,154	2,167
TOTAL ASSETS	56,590	14,423	19,790	185,301	-	25,943	302,047
LIABILITIES							
Due to banks	391	-	-	93	-	-	484
Customer accounts	633	704	5,992	1,114	-	-	8,443
Subordinated debt	121	-	-	55,486	31,332	-	86,939
Total interest bearing liabilities	1,145	704	5,992	56,693	31,332	-	95,866
Customer accounts	65,709	1,503	209	5,869	-	-	73,689
Provisions	-	-	-	-	-	168	168
Current income tax liabilities	-	-	215	-	-	-	215
Deferred income tax liabilities	-	-	-	-	-	780	780
Other liabilities	512	13	45	31	-	-	600
TOTAL LIABILITIES	67,306	2,618	6,461	62,593	31,332	948	171,318
Liquidity gap	(10,778)	11,805	13,329	122,708	(31,332)	-	105,732
Interest sensitivity gap	41,926	13,453	13,743	128,373	(31,332)	-	165,163
Cumulative interest sensitivity gap	41,926	55,379	69,122	197,485	166,183	-	529,095
Cumulative interest sensitivity gap as a percentage of total assets	14%	18%	23%	65%	57%	-	175%

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

Interest rate sensitivity

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax:

	As at 31 December 2007		As at 31 December 2006	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
Assets:				
Due from banks	528	(528)	751	(751)
Loans to customers	5,828	(5,828)	3,908	(3,908)
Investments held to maturity	25	(25)	9	(9)
Liabilities:				
Due to banks	(51)	51	(24)	24
Customer accounts	(1,492)	1,492	(1,582)	1,582
Subordinated debt	(3,343)	3,343	(1,894)	1,894
Net impact on profit before tax	1,495	(1,495)	1,168	(1,168)

Impact on shareholders equity:

	As at 31 December 2007		As at 31 December 2006	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
Assets:				
Due from banks	422	(422)	601	(601)
Loans to customers	4,682	(4,682)	3,126	(3,126)
Investments held to maturity	20	(20)	7	(7)
Liabilities:				
Due to banks	(41)	41	(19)	19
Customer accounts	(1,193)	1,193	(1,266)	1,266
Subordinated debt	(2,674)	2,674	(1,515)	1,515
Net impact on shareholders equity	1,196	(1,196)	934	(934)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of Georgian Lari devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the National Bank of Georgia.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

As at 31 December 2007:

	GEL	USD USD 1 = 1.5916 GEL	EUR EUR 1 = 2.5115 GEL	Other currency	31 December 2007 Total
ASSETS					
Cash and balances with the National Bank of Georgia					
Bank of Georgia	11,130	8,525	780	145	20,580
Due from banks	48	8,377	2,930	96	11,451
Loans to customers	108,345	232,473	489	-	342,317
Investments available-for-sale	92	-	-	-	92
Property, plant and equipment	9,524	-	-	-	9,524
Goodwill	5,246	-	-	-	5,246
Other assets	1,885	686	97	-	2,668
TOTAL ASSETS	137,270	250,061	4,306	241	291,878
LIABILITIES					
Due to banks	1,867	4,314	3	-	6,184
Customer accounts	25,789	36,217	8,307	44	70,357
Provision	124	199	11	-	334
Current income tax liabilities	836	-	-	-	836
Deferred income tax liabilities	503	-	-	-	503
Other liabilities	135	384	30	-	549
Subordinated debt	-	203,346	-	-	203,346
TOTAL LIABILITIES	29,254	244,480	8,351	44	282,109
OPEN BALANCE SHEET POSITION	108,016	5,681	(4,045)	197	

As at 31 December 2006:

	GEL	USD USD 1 = GEL 1.7135	EUR EUR 1 = GEL 2.2562	Other currency	31 December 2006 Total
ASSETS					
Cash and balances with the National Bank of Georgia	15,169	5,315	1,726	33	22,243
Due from banks	1	34,523	4,108	575	29,207
Loans to customers	44,613	182,893	33	-	327,539
Investments available-for-sale	92	-	-	-	92
Investments held to maturity	5,283	-	-	-	5,283
Property, plant and equipment	7,551	-	-	-	7,551
Goodwill	7,965	-	-	-	7,965
Other assets	1,484	431	110	152	2,167
TOTAL ASSETS	82,158	213,152	5,977	768	302,847
LIABILITIES					
Due to banks	309	172	3	1	484
Customer accounts	16,954	56,969	7,727	482	82,132
Provisions	168	-	-	-	168
Current income tax liabilities	215	-	-	-	215
Deferred income tax liabilities	780	-	-	-	780
Other liabilities	98	446	25	31	600
Subordinated debt	-	86,939	-	-	86,939
TOTAL LIABILITIES	18,524	144,526	7,754	514	171,818
OPEN BALANCE SHEET POSITION	63,634	68,626	(1,777)	246	

Currency risk sensitivity

The following table details the Group's Sensitivity to a 5% increase and decrease in the USD against the GEL. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 31 December 2007		As at 31 December 2006	
	GEL/USD +5%	GEL/USD -5%	GEL/USD +5%	GEL/USD -5%
Impact on profit or loss	1,066	(1,066)	1,220	(1,220)
Impact on equity	869	(869)	976	(976)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to unknown loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

