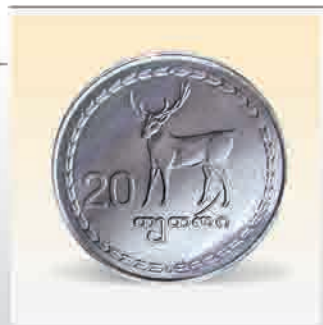




ფასუეულომბათს ახლბუჟი ბუეზს
New vision on Core Values

ბანკი ქართვ  **CARTU BANK**





სამეთვალყურეო საბჭოს თავმჯდომარის მიმართვა

პატივცემულო ქალბატონებო და ბატონებო

საქართველო მზარდი ეკონომიკის ქვეყანაა. მთლიანი შიდა პროდუქტის ზრდამ გასულ წელს 9 პროცენტი შეადგინა. საქართველოში საფინანსო შუამავლობის სექტორის უდიდესი ნაწილი კომერციულ საბანკო მომსახურებაზე მოდის. შესაბამისად, საბანკო სისტემას ქვეყნის ეკონომიკური ზრდის ტემპის დაჩქარების თვალსაზრისით უმთავრესი როლი ეკისრება. საქართველოს მთავრობის, კერძოდ მისი ფულადსაკრედიტო აგენტის საქართველოს ეროვნული ბანკის მხრიდან კომერციული ბანკების პროგრესული და თანმიმდევრული მხარდაჭერა ქმნის საბანკო სისტემის მდგრადი განვითარების მყარ საფუძველს.

მიზიდველმა საინვესტიციო გარემომ, ეროვნული ბანკის ხელშეწყობამ, ჯანსაღმა კონკურენციამ მნიშვნელოვანი შედეგები მოიტანა: 2005 წლის განმავლობაში საქართველოს საბანკო სექტორის აქტივები 50 პროცენტით გაიზარდა და 2.54 მილიარდი ლარი შეადგინა.

STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

Georgia is a country of growing economy. Last year the increase of Gross Domestic Product amounted to 9%. In Georgia the greatest part of the financial intermediation sector is taken by the commercial banking service. Accordingly, the banking system has a critical role in accelerating economic growth of the Country. The progressive and steady support of the commercial banks provided by the Georgian Government and particularly, by its fiscal agent, National Bank of Georgia, creates a solid basis for a stable development of the banking system.

The attractive investment environment, support from the side of National Bank of Georgia and the healthy competition have produced significant results: during 2005 the assets of the Georgian banking sector have increased by 50% and have reached 2.54 billion GEL.

ამ წარმატებაში მნიშვნელოვანი ადგილი ჩვენს ბანკს უკავია. საკრედიტო პორტფელის 41 პროცენტთან ზრდა - ასეთი შედეგი გვექონდა 2005 წლის მიხედვით. აღნიშნული შედეგი ავტომატურად აისახა ბანკის დანარჩენ ფინანსურ მაჩვენებლებზეც, სადაც ასევე მზარდი ტენდენციები დაფიქსირდა.

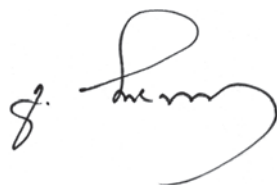
ჩვენი ბანკის პრიორიტეტია სრული საბანკო მომსახურება შესთავაზოს მსხვილ და საშუალო კორპორატიულ კლიენტებს და მათთან დაკავშირებულ ფიზიკურ პირებს. მომსახურების ხარისხის გაუმჯობესებისა და საბანკო პროდუქტების სპექტრის გაფართოების მიზნით მიღებულ იქნა სტრატეგიული გადაწყვეტილება საერთაშორისო საფინანსო ინსტიტუტებთან ურთიერთობების ახალ უფრო მჭიდრო საფეხურზე გადასვლის თაობაზე; კერძოდ, დაიწყო აქტიური თანამშრომლობა ევროპის რეკონსტრუქციის და განვითარების ბანკთან (EBRD).

ბანკში შექმნილი კორპორატიული მართვის სტრუქტურა, მაღალკვალიფიციური კადრები, კაპიტალის ადეკვატურობა და აქტივების ხარისხი არის წარმატების გარანტი ჩვენი დამფუძნებლებისა თუ ჩვენი მენეჯმენტისთვის. მენეჯმენტს დასახული აქვს მიზნად კიდევ უფრო გააძლიეროს ჩვენი კლიენტურის და საერთაშორისო პარტნიორების ნდობა “ბანკი ქართვსადმი“, ვინაიდან სწორედ ნდობის ფაქტორი გახლავთ ბანკის უმთავრესი კაპიტალი. ქვეყნის საკრედიტო რეიტინგის მატება უდიდეს სტიმულს გვაძლევს ბანკის საკრედიტო რეიტინგის ამაღლებისათვის, რაც სამომავლოდ იაფი ფინანსური რესურსის და ახალი მაღალტექნოლოგიური პროდუქტების შეთავაზების საშუალებას მოგვცემს ჩვენი კლიენტურისათვის.

აქციონერების მიერ ბანკის სამეთვალყურეო საბჭოსა და შესაბამისად მენეჯმენტის წინაშე დასმული ამოცანები 2005 წელს შესრულებულია. 2006 წელი ბანკისათვის უნდა გახდეს არსებული რეზერვების სრული გამოვლენის წელიწადი, რამაც თავის მხრივ კმაყოფილება უნდა მოუტანოს ჩვენს მომხმარებლებს და დამფუძნებლებს.

მინდა მაღლობა გადავუხადო ჩვენს კლიენტებს, რომელთა კმაყოფილება არის ბანკის მენეჯმენტის ერთ-ერთი უმთავრესი ამოცანა. ასევე ბანკის მენეჯმენტს და ყველა თანამშრომელს მათზე დაკისრებული მოვალეობების ზედმიწევნით კარგად შესრულებისათვის.

გიორგი ჩრდილეი
სამეთვალყურეო საბჭოს თავმჯდომარე



George Chrdileli
Chairman of the Supervisory Board

Our Bank holds an important place in this success. 41% increase of credit portfolio – this is our result in 2005. This result was automatically reflected in the rest of financial indices showing trends of growth.

Our Bank’s priority is to offer full banking service to its large and medium-sized corporate clients and to the individuals associated with them. In order to improve service quality and to expand the spectrum of banking products, a strategic decision was made to establish close relationship with the international financial institutions; in particular, an active cooperation with the European Bank for Reconstruction and Development has started.

The Bank’s corporate management structure, highly qualified staff, the capital adequacy and the quality of assets are the pledge of success for our founders and for our depositors. The management is aiming at further enhancement of our customers’ and international partners’ confidence in “Cartu Bank”, as it is the factor that represents the principal capital of the Bank. The rise of the country’s credit rating provides us a great stimulus to improve the Bank’s credit rating that will allow us in future to offer to our clientele the cheap financial resources and new hi-tech products.

The objectives set by the shareholders to the Bank’s supervisory board and, accordingly, to the management team, were achieved in 2005. The year 2006 should become for the Bank a year of full revelation of existing reserves, which by its part should give satisfaction to our customers and our shareholders.

I would like to express my gratitude to our clients, whose satisfaction is the most important aim of the Bank’s management, also to the Bank’s management team and all the employees for thorough fulfillment of their duties and obligations.



გენერალური დირექტორის მიმართვა

ქალბატონებო და ბატონებო!

2005 წელი სს “ბანკი ქართუსთვის“ მნიშვნელოვანი წარმატების წელი იყო. ბანკმა საგრძნობლად გაზარდა ძირითადი ფინანსური მაჩვენებლები; 2005 წელს აქტივები 19%-ით, საკრედიტო პორტფელი 41%-ით, ხოლო დეპოზიტები 13%-ით გაიზარდა. წლის ბოლოს ბანკის მოგება, რომელიც ბანკის წარმატებული საქმიანობის მნიშვნელოვანი კრიტერიუმია, 7 მლნ ლარს გადააჭარბა.

2005 წელი ჩვენთვის წარმატებული იყო უცხოური ფასიანი ქაღალდების ბაზარზე მოღვაწეობის კუთხითაც. ბანკმა აღნიშნული ოპერაციებით მაღალეფექტურად განათავსა ფინანსური რესურსები, შექმნა დივერსიფიცირებული პორტფელი და შემდგომ მისი რეალიზაციიდან მნიშვნელოვანი მოგება მიიღო.

STATEMENT OF GENERAL DIRECTOR

Ladies and Gentlemen,

The year 2005 was a year of significant achievements for JSC “Cartu Bank”. The Bank has increased considerably the basic financial indices. In 2005 the assets were increased by 19%, the credit portfolio – by 41% and the deposits - by 13%. By the end of the year the Bank’s profit, a significant criterion of the Bank’s successful performance has exceeded 7 million GEL.

The year 2005 was also successful for us in the field of operations on foreign securities’ market. By these operations the Bank has highly efficiently placed its financial resources, created a diversified portfolio and gained significant profits as a result of sales.

გასულ წელს “ბანკმა ქართუმ“ განსაკუთრებულ წარმატებას მიაღწია საბარათო ბიზნესში; კერძოდ, დაიწყო ჩიპიანი VISA ბარათების გამოშვება და მომსახურება, ელექტრონული კომერციის პროექტის განხორციელება, რომელიც საქართველოს საბანკო სექტორისათვის სრულიად ახალია.

“ბანკმა ქართუმ“, თანამედროვე მზარდი მოთხოვნების შესაბამისად, მნიშვნელოვანი სიახლეები შესთავაზა თავის კლიენტურას: დაიხვეწა და განვითარდა მაღალტექნოლოგიური პროდუქტები, დაინერგა ინტერნეტ-ბანკის სისტემა, გაიხსნა ბათუმის ფილიალი, გაფართოვდა ბანკომატების ქსელი.

ამავე პერიოდში საფუძველი ჩაეყარა ევროპის რეკონსტრუქციის და განვითარების ბანკთან (EBRD) მოლაპარაკების პროცესს, რის შედეგადაც მიმდინარე წელს ხელი მოეწერა ხელშეკრულებას ვაჭრობის ხელშეწყობის პროგრამის (TFP) ფარგლებში ბანკისათვის საგარანტიო ხაზის გახსნის შესახებ.

როგორც მსხვილ და საშუალო კორპორატიულ კლიენტებზე და მათთან დაკავშირებულ ფიზიკურ პირებზე ორიენტირებული ბანკი, კარგად ვაცნობიერებთ მომსახურების ხარისხის მნიშვნელობას. თანამედროვე საბანკო სფეროს სიახლეებისა და დაგროვილი ბიზნეს გამოცდილების საფუძველზე “ბანკი ქართუ“ ყოველდღიურად ზრუნავს კლიენტურისათვის შესაბამისი საბანკო პროდუქტების დახვეწასა და გაუმჯობესებაზე.

მსურს მადლობა გადაუხადო ჩვენს აქციონერებს, ბანკის კლიენტებს და თითოეულ თანამშრომელს.


Last year “Cartu Bank” attained a special success in the plastic cards’ business. Namely, it has launched issuance and service of Visa cards with chips and implemented an e-commerce project, which is totally new for the banking and trading sectors of Georgia.

In line with the increasing demand “Cartu Bank” has offered important novelties to its clientele: hi-tech products were developed and refined, the internet-banking system was put into place, a Batumi branch was opened, the ATM network was expanded. In the same period the foundation was laid for the negotiations process with EBRD, which resulted this year in signing of agreement on opening of the guarantee line for the Bank in the framework of Trade Facilitation Program (TFP).

We, as a bank, which is oriented to the large and the medium sized corporate clients and associated individuals, fully comprehend the importance of quality service. Based on the novelties of modern banking and on the business experience acquired, the “Cartu Bank” daily cares for the refinement and improvement of the banking products to be offered to the customers.

I would like to thank our shareholders, our clients and each of our employees.

გიორგი კვირიკაშვილი
გენერალური დირექტორი



George Kvirikashvili
General Director



ეფექტური და მოქნილი მართვა

Effective and flexible
management

განკვირდით  **CARTU BANK**



სამეთვალყურეო საბჭო

გიორგი ჩრდილელი
სამეთვალყურეო საბჭოს თავმჯდომარე

დავით კიღურაძე
სამეთვალყურეო საბჭოს თავმჯდომარის მოადგილე

ზაზა მაჭარაშვილი
სამეთვალყურეო საბჭოს წევრი

მენეჯმენტის სტრუქტურა და შიდადგენილობა

უმაღლესი მენეჯმენტი

გიორგი კვირიკაშვილი
გენერალური დირექტორი

დომიტრი ქუმსიშვილი
გენერალური დირექტორის პირველი მოადგილე

ნატო ხაინდრავა
გენერალური დირექტორის მოადგილე

მენეჯმენტი

ლამა ხოფერია
შიდა აუდიტის დეპარტამენტის უფროსი

მანანა ნადირაძე
მთავარი ბუღალტერი

ზურაბ გოგუა
საკრედიტო დეპარტამენტის დირექტორი

ბექა კვარაცხელია
საკრედიტო დეპარტამენტის დირექტორის მოადგილე, მსხვილი ბიზნესის დაკრედიტების განყოფილების უფროსი

დავით რუსია
მცირე და საშუალო ბიზნესის დაკრედიტების განყოფილების უფროსი

SUPERVISORY BOARD

George Chrdileli
Chairman of Supervisory Board

David Kighuradze
Deputy Chairman of Supervisory Board

Zaza Macharashvili
Member of Supervisory Board

MANAGEMENT STRUCTURE

Top Management

George Kvirikashvili
Director General

Dimitri Kumsishvili
First Deputy Director General

Nato Khaindrava
Deputy Director General

Management

Lasha Khoperia
Head of Department for Internal Audit

Manana Nadiradze
Chief Accountant

Zurab Gogua
Director of Credit Department

Beka Kvaratskhelia
Deputy Director of Credit Department, Head of Corporate Clients Lending Unit

David Rusia
Head Of SME Lending Unit

დავით ქორიძე

საკრედიტო ადმინისტრირებისა და მონიტორინგის განყოფილების უფროსი

გორჩა ჩიკვილაძე

ეკონომიკური უსაფრთხოების, საკასო და საინკასაციო მომსახურების დეპარტამენტის დირექტორი

მორის ჯიბუტი

საინფორმაციო ტექნოლოგიების დეპარტამენტის დირექტორი

ალექსანდრე ქეთიშვილი

პლასტიკური ბარათების საინფორმაციო ტექნოლოგიების განყოფილების უფროსი

ნანა ქურიძე

პლასტიკური ბარათების მომსახურებისა და პროცესინგის დეპარტამენტის დირექტორი

ზურაბ აზარაშვილი

პლასტიკური ბარათების მომსახურების და პროცესინგის დეპარტამენტის საოპერაციო განყოფილების უფროსი

ზურაბ თევზაძე

ეკონომიკური ანალიზის დეპარტამენტის დირექტორი

ვლადიმერ ასათიანი

ეკონომიკური ანალიზის დეპარტამენტი, საგეგმო-ეკონომიკური განყოფილების უფროსი

მზია გობეჯიშვილი

ეკონომიკური ანალიზის დეპარტამენტი, მონიტორინგის განყოფილების უფროსი

რამაზ ქურდაძე

იურიდიული განყოფილების უფროსი

გეგა მეთეფშიშვილი

მარკეტინგისა და საზოგადოებასთან ურთიერთობის განყოფილების უფროსი

ზურაბ რუსიშვილი

კლიენტთა მომსახურების ცენტრის უფროსი

David Koridze

Head of Credit Administration and Monitoring Unit

Gocha Chikviladze

Director of Economic Security, Cash and Collection Services Department

Moris Jibuti

Director of IT Department

Alexander Ketishvili

Head of Plastic Cards' IT Unit

Nana Kuridze

Director of Plastic Cards' Service and Processing Department

Zurab Azarashvili

Head of Operational Unit of Plastic Cards' Service and Processing Department

Zurab Tevzadze

Director of Economic Analysis Department,

Vladimer Asatiani

Economic Analysis Department
Head of Planning and Economy Unit

Mzia Gobejishvili

Economic Analysis Department
Head of Monitoring Unit

Ramaz Kurdadze

Head of Legal service Department

Gega Metepshishvili

Head of Marketing and Public Relations Department

Zurab Rusishvili

Head of Customers' Service Center

კახაბერ კაციტაძე

ანგარიშსწორების, საკორესპონდენტო ურთიერთობებისა და დოკუმენტური ოპერაციების განყოფილების უფროსი

Kakhaber Katsitadze

Head of Settlement, Correspondent Banking and Documentary Operations Department

რუსუდან დოლიძე

საკასო მომსახურებისა და ფასეულობის განყოფილების უფროსი

Rusudan Dolidze

Head of Cash Desk Services and Valuables Unit

ბესიკ ჯიღაური

აქტივებისა და ვალდებულებების მართვის განყოფილების უფროსი

Besik Jighauri

Head of Assets/Liabilities Management Unit

გიორგი ტრიპოლსკი

ხაზინის უფროსი

George Tripolski

Head of Treasury

ზვიად ხუხუნაშვილი

ფასიანი ქაღალდების განყოფილების უფროსი

Zviad Khukhunashvili

Head of Securities Department

ირინა მუსერიძე

კადრების განყოფილების უფროსი

Irina Museridze

Head of Human Resources Department

დავით წულუკიძე

სამეურნეო განყოფილების უფროსი

David Tsulukidze

Head of General Service Unit

ფილიალების მმართველები

Branch Directors

დავით გიორგაძე

მთაწმინდის ფილიალის დირექტორი

David Giorgadze

Director of Mtatsminda Branch

გიორგი მიქაბერიძე

ბათუმის ფილიალის დირექტორი

George Mikaberidze

Director of Batumi Branch

ტარიელ თუთარაშვილი

ქუთაისის ფილიალის დირექტორი

Tariel Tutarashvili

Director of Kutaisi Branch

მხავადნიანი გამოცდილება -
პეხსპექტიუდი მომავლის საფუძვედი

future perspectives -
based on greate experience



ბანკი ქართუ



CARTU BANK

ბანკის განვითარების ისტორია

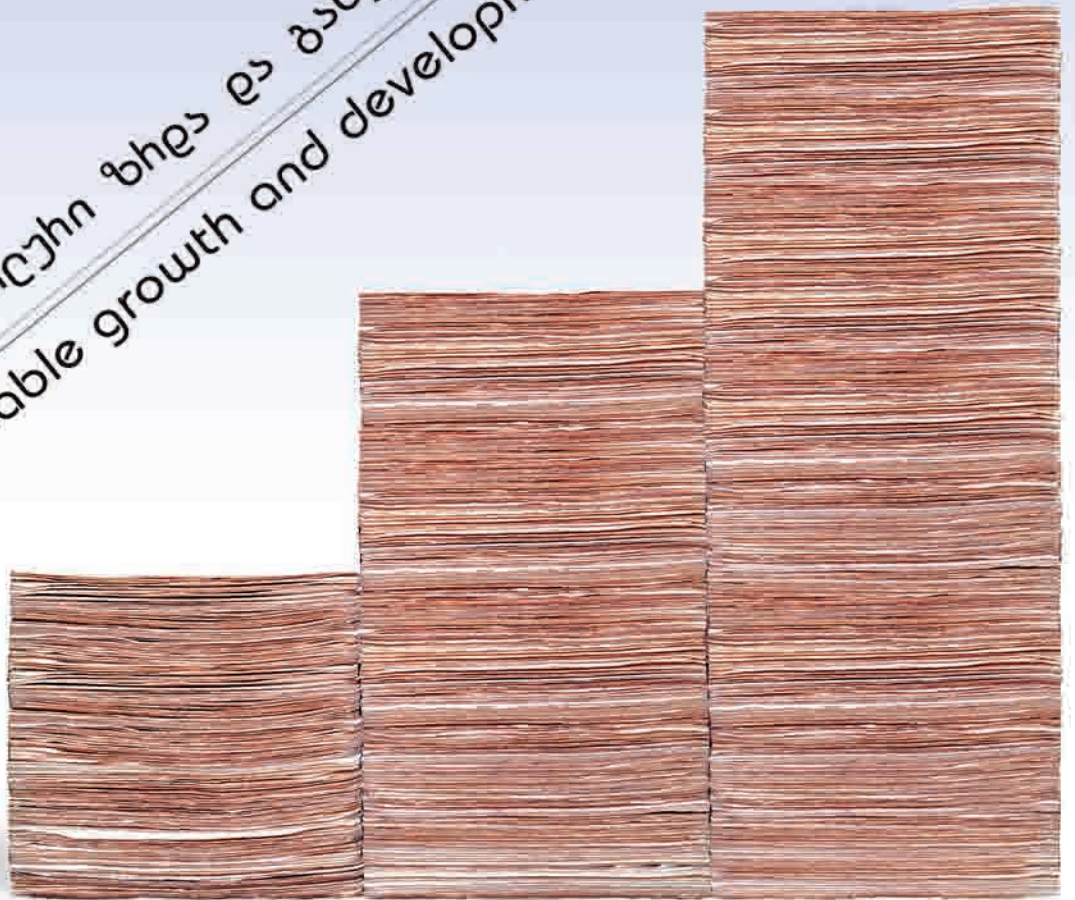
- 1996 წლის 1 ნოემბერს დაფუძნდა სააქციო საზოგადოება “ბანკი ქართუ“.
- 1997 წლის 9 იანვარს სააქციო საზოგადოება “ბანკ-მა ქართუმ“ საბანკო საქმიანობის გენერალური ლიცენზია მიიღო.
- 1997 წლიდან “ბანკი ქართუ“ SWIFT-ის საერთაშორისო სისტემაში გაწევრიანდა;
- 1998 წელს ბანკმა მიიღო საქართველოს ფასიანი ქაღალდების გამოშვების ლიცენზია;
- 2000 წლის იანვრიდან ბანკი თავის კლიენტებს სთავაზობს სწრაფ ფულად გზავნილებს პოპულარული სისტემით Western Union-ი;
- 2001 წლის აპრილში “ბანკმა ქართუმ“ შეისყიდა სს “აბსოლუტბანკის“ აქტივებისა და ვალდებულებების ნაწილი;
- 2001 წლის აპრილში საერთაშორისო საბარათე სისტემამ VISA INTERNATIONAL “ბანკ ქართუს“ ვიზა საერთაშორისო სისტემის ძირითადი წევრის სტატუსი მიანიჭა;
- 2002 წლის აპრილში ბანკმა MASTERCARD-თან კონტრაქტს მოაწერა ხელი და Europay საერთაშორისო საგადასახადო სისტემის ძირითადი წევრი გახდა;
- 2002 წელს, პირველად საქართველოში, “ბანკ ქართუსა“ და Diners Club International-ის საერთაშორისო საგადასახადო სისტემას შორის დაიდო გენერალური ხელშეკრულება ბარათების მომსახურების შესახებ;
- 2002 წელს მედიაჰოლდინგ “ჯორჯიან თაიმსის“ ტრადიციულმა ბიზნეს-რეიტინგმა კომპანია “ბანკი ქართუ“ და მისი ხელმძღვანელი საქართველოს 21 საუკეთესო კერძო კომპანიათა შორის დაასახელა.

BANK DEVELOPMENT HISTORY

- On November 1, 1996 JSC “Cartu Bank” was founded;
- On January 9, 1997 JSC “Cartu Bank” received the general license for banking business;
- 1997 “Cartu Bank” entered SWIFT international system;
- 1998 the Bank received a license for issuance of securities;
- Since January 2000 the Bank has offered its customers a fast money transfer service through a popular system Western Union;
- April 2001 “Cartu Bank” purchased the assets and liabilities of JSC “Absolute bank”;
- April 2001 the International Card System VISA INTERNATIONAL granted “Cartu Bank” a status of the principal member of VISA INTERNATIONAL;
- April 2002 the Bank signed a contract with MASTERCARD and became a principal member of International Payment System - Europay International;
- 2002, for the first time in Georgia, “Cartu Bank” and the International Payment System, “Diners Club International” signed a general agreement on card servicing;
- 2002 the traditional business-rating of Media Holding “Georgian Times” named the Company “Cartu Bank” and its Top Manager among the best 21 private companies of Georgia;

- 2003 წლის 25 მაისს მედიაპოლიდინგ “ჯორჯიან თაიმსის” მიერ ორგანიზებულ ყოველწლიური ბიზნეს-რეიტინგის საზეიმო ცერემონიაზე “ბანკი ქართუ” “წლის საუკეთესო კომპანია/ბიზნესად” დასახელდა. ბანკი დაჯილდოვდა პრიზით ნომინაციაში - “სტაბილური პროგრესი და დინამიურობა”;
- 2004 წლიდან ბანკმა მოიპოვა AMERICAN EXPRESS ბარათების მომსახურების უფლება;
- 2004 წელს ბანკმა დაიწყო MASTERCARD ბარათების გამოშვება;
- 2004 წლის ოქტომბერში, “ბანკ ქართუს” საქართველოს საუკურო და მომსახურების ობიექტებში MASTERCARD პლასტიკური ბარათების მომსახურების უფლება მიენიჭა;
- 2004 წელს ბანკმა, პარტნიორ ბანკებთან ერთად, დანერგა ახალი საბანკო პროდუქტი - ფულადი გზავნილები “სწრაფი ფოსტა”;
- 2005 წლის 28 ნოემბერს გაიხსნა “ბანკი ქართუ“-ს ბათუმის ფილიალი;
- 2005 წლის ნოემბერში “ბანკმა ქართუმ” დაასრულა VISA International-თან ელექტრონული კომერცის პროექტის სერტიფიკაცია;
- 2005 წელს “ბანკმა ქართუმ” დაიწყო მოლაპარაკება ევროპის რეკონსტრუქციისა და განვითარების ბანკთან (EBRD) ვაჭრობის ხელშეწყობის პროგრამაში (TFP) მონაწილეობის შესახებ.
- On May 25, 2003 the “Cartu Bank” was named as “The Best Company/Business Of The Year” on annual business-rating festive ceremony organized by Media Holding “Georgian Times”. The Bank was awarded the prize in nomination “Stable Progress and Dynamics”;
- Since 2004 the Bank has obtained the right to serve AMERICAN EXPRESS cards;
- 2004 the Bank started issuance of MASTERCARD plastic cards;
- October 2004 “Cartu Bank” was given the right to provide the service of MASTERCARD plastic cards in trade and service units of Georgia;
- 2004 the Bank in cooperation with the partner banks implemented a new banking product – “Rapid Post” money transfers;
- November 28, 2005 Batumi Branch was opened;
- November 2005 “Cartu Bank” has completed the certification of E-Commerce project with VISA International;
- 2005 “Cartu Bank” started the negotiations with the European Bank for Reconstruction and Development (EBRD) to participate in Trade Facilitation Program (TFP).

სტაბილური ზრდა და განვითარება
Stable growth and development



ბანკი ქართვ  **CARTU BANK**



ფინანსური შედეგები

ფინანსური მიღწევები და მაჩვენებლები

2005 წელს მნიშვნელოვანი ზრდა დაფიქსირდა ბანკის ძირითადი ფინანსური მაჩვენებლების მიხედვით.

2005 წლის განმავლობაში ბანკის წმინდა აქტივები სტაბილურად მატულობდა და წლის ბოლოს 244.9 ათასი ლარი შეადგინა. წინა წელთან შედარებით ეს მაჩვენებელი 39.3 მლნ ლარით, ანუ 19%-ით გაიზარდა.

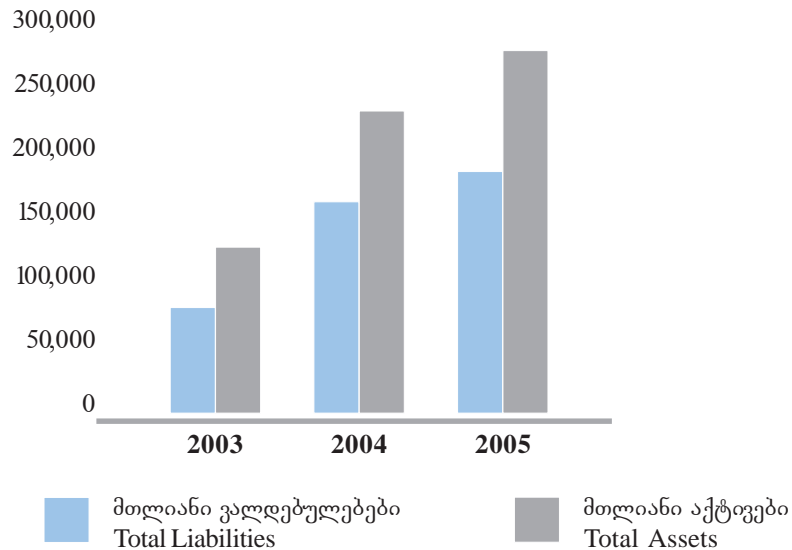
FINANCIAL RESULTS

Financial Achievements and Indicators

In 2005 a significant growth of main financial indicators was stated.

During 2005 the Bank's net assets were steadily increasing and amounted to 244.9 thousand GEL at the end of the year. In comparison with the previous year this index has increased by 39.3 million GEL, that is, by 19%.

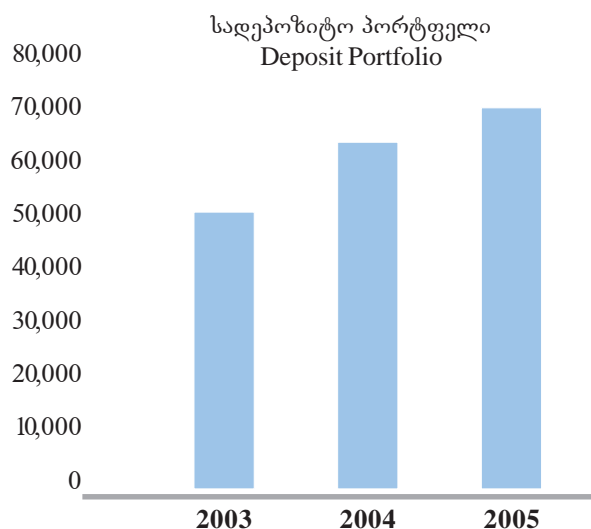
ბოლო წლების ბანკის აქტივებისა და ვალდებულებების სტრუქტურის დინამიკა Dynamics of Structure of the Bank's Assets and Liabilities in Recent Years



წლის განმავლობაში ბანკის მთლიანი ვალდებულებები გაიზარდა 20 მლნ ლარით და 166 მლნ ლარს გადააჭარბა. ზრდა განპირობებულია როგორც სუბორდინირებული ვალდებულებების, ასევე კლიენტების დეპოზიტების მატებით.

During the year the total liabilities of the Bank have increased by 20 million GEL and have exceeded 166 million GEL. The increase is conditioned by the increase of both the subordinated liabilities and the clients' deposits.

სადეპოზიტო პორტფელის ზრდა
Growth of Deposit Portfolio

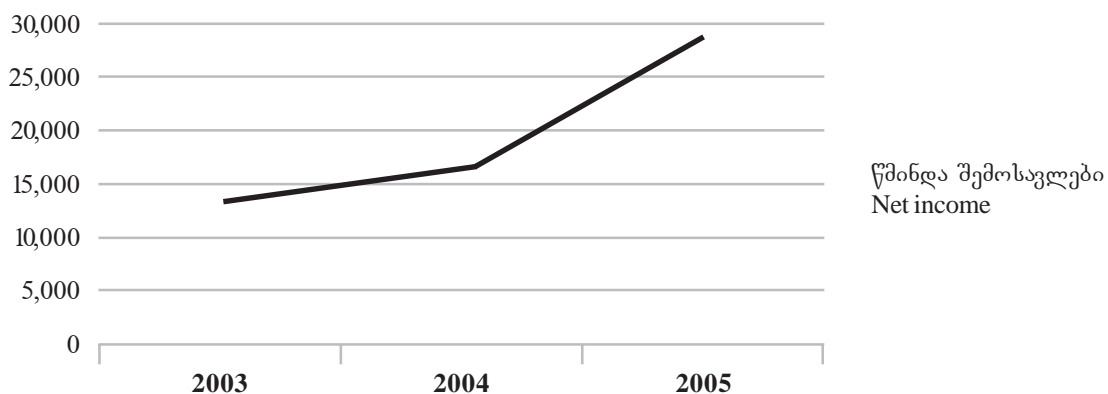


შემოსავლების დინამიკა
Income Dynamics

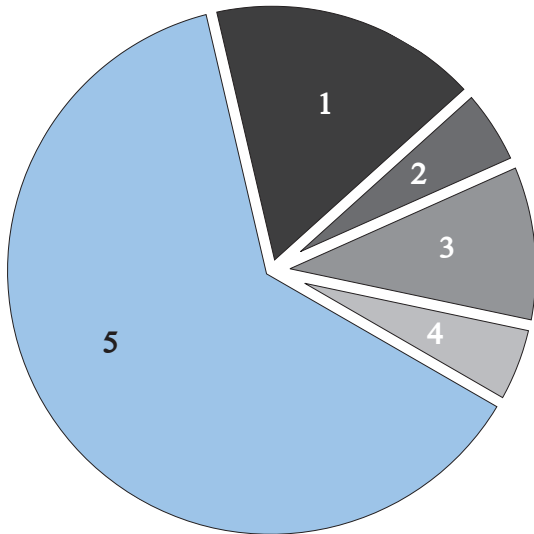
საგრძობლად მოიმატა ბანკის შემოსავლებმა 2005 წელს და მისმა მოცულობამ შეადგინა 28,544,000 ლარი.

In 2005 the Bank income has increased perceptibly and its volume has amounted to 28.544.000 GEL.

შემოსავლების დინამიკა 2003-2005
Income trends in the years 2003-2005

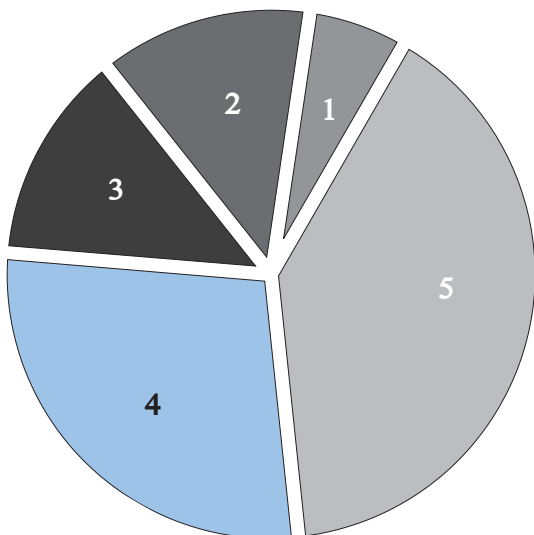


შემოსავლები
Revenues



- 1 მიღებული საკომისიოები და შემოსავლები მომსახურებიდან
Commission charges and revenues
17%
- 2 წმინდა მოგება სავალუტო ოპერაციებიდან
Net profit from currency related operations
5%
- 3 წმინდა მოგება ფასიანი ქაღალდების ოპერაციებიდან
Net profit from securities
10%
- 4 სხვა შემოსავლები
Other revenues
5%
- 5 საპროცენტო შემოსავლები
Interest income
63%

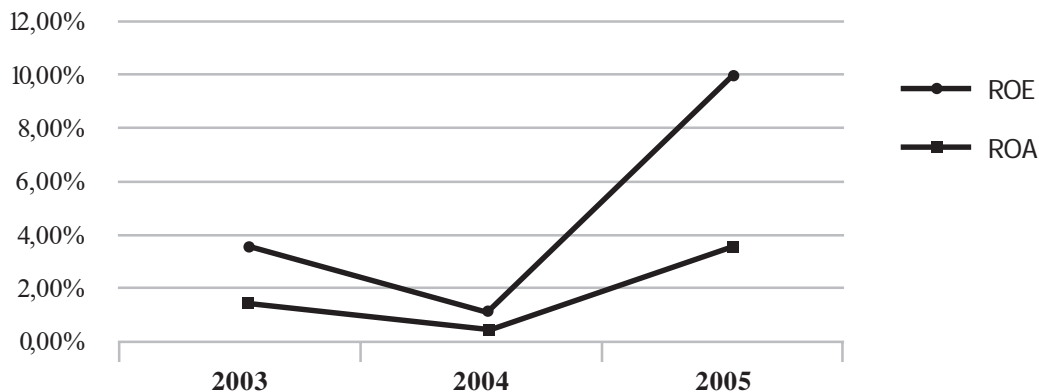
ხარჯები
Expenses



- 1 გადახდილი საკომისიოები და მომსახურების ხარჯები
Paid commission charges and services
6%
- 2 საპროცენტო ხარჯები
Interest expenses
13%
- 3 სხვა ხარჯები
Other expenses
13%
- 4 საპროცენტო შემოსავლის მომთან აქტივებზე შესაძლო გაუფასურების დანაკარგების რეზერვის ფორმირება
Formation of reserves to cover the possible inflation losses on deposits
28%
- 5 საოპერაციო ხარჯები
Operation operational expenses
40%

საგრძობლად გაიზარდა “ბანკი ქართვს“ კაპიტალისა და აქტივების შემოსავლიანობა (ROE და ROA) 2005 წლის განმავლობაში

During 2005 “Cartu Bank’s” return on equity and return on assets (ROE and ROA) increased considerably

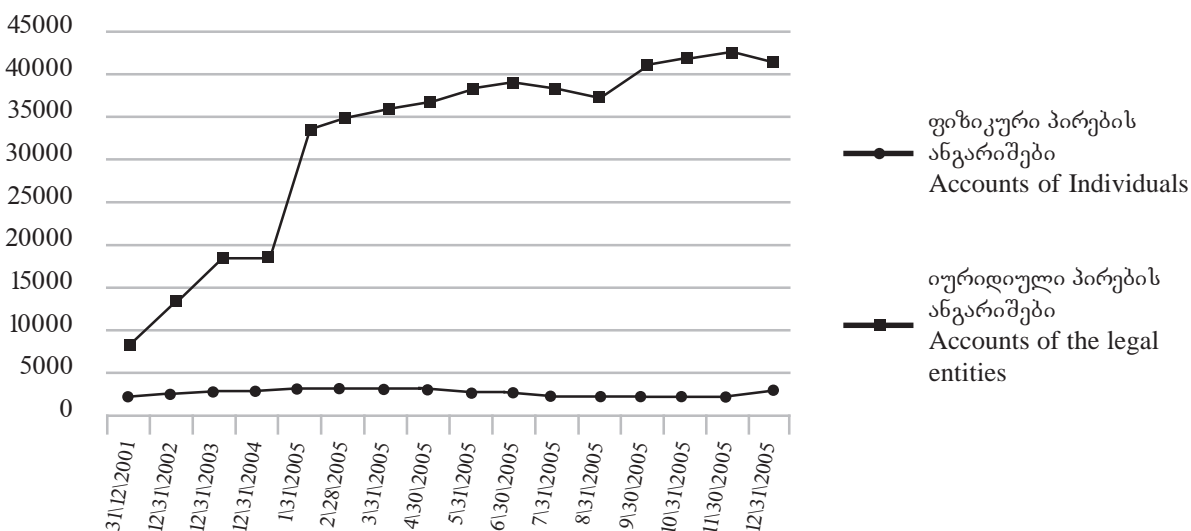


	2003	2004	2005
კაპიტალის შემოსავლიანობა Return on equity (ROE)	3.30%	1.01%	10.09%
აქტივების შემოსავლიანობა Return on assets (ROA)	1.43%	0.31%	3.26%

ბანკის კლიენტი იურიდიული და ფიზიკური პირების რაოდენობის ცვლილება ბოლო წლების (2001-2005) განმავლობაში

Changes in number of the Bank’s clients – legal entities and individuals for recent years, 2001-2005

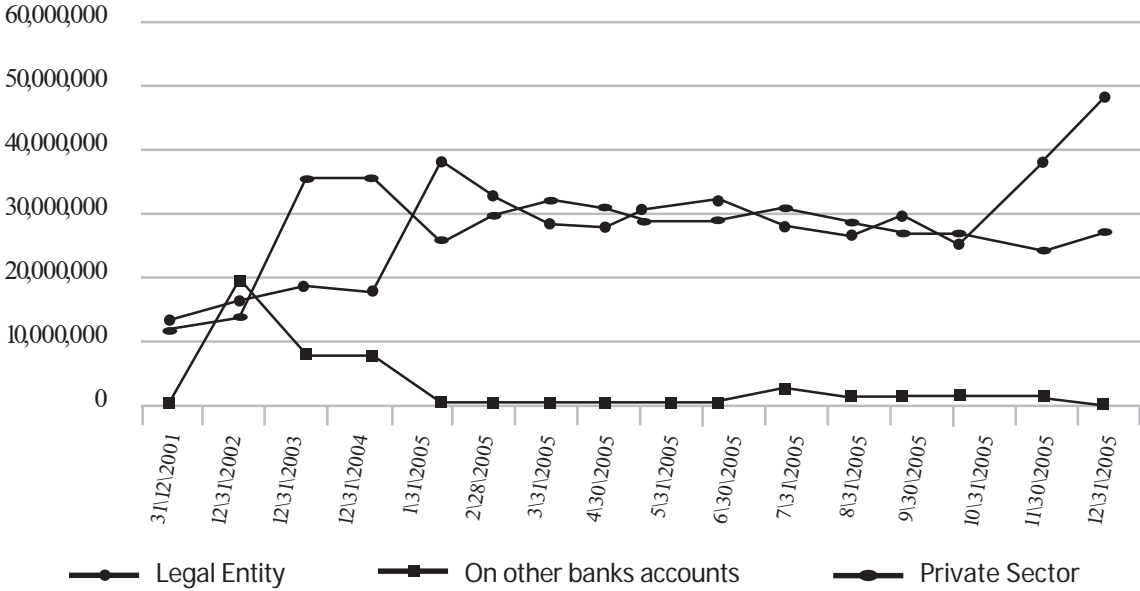
ფიზიკური და იურიდიული პირების ანგარიშების რაოდენობის დინამიკა ბოლო წლების განმავლობაში
Dynamics of Clientele Growth 2001-2005



ფიზიკური და იურიდიული პირების ანგარიშების რაოდენობის დინამიკა ბოლო წლების განმავლობაში

Dynamics of the number of clients - Individuals' and Legal entities' - deposits during recent years

ბანკის კლიენტების ანგარიშებზე სახსრების ცვლილების დინამიკა
Dynamics of the balances on accounts of the Bank's clients



საკრედიტო პორტფელი

2005 წლის განმავლობაში მოხდა “ბანკი ქართუ“-ს საკრედიტო პორტფელის დინამიური ზრდა, ხარისხის ამაღლება და სტრუქტურის გაუმჯობესება; კერძოდ, საკრედიტო პორტფელის მოცულობამ 172,3 მლნ. ლარს გადააჭარბა და წინა წელთან შედარებით 41%-ით გაიზარდა. წმინდა სესხებმა მთლიანი სესხების 97% და ბანკის წმინდა აქტივების 67% შეადგინა.

საანგარიშო პერიოდის ბოლოს ბანკის საკრედიტო პორტფელის საშუალო შეწონილმა პროცენტმა წლიური 12.97% შეადგინა.

2005 წელს მნიშვნელოვნად დაიხვეწა საკრედიტო პოლიტიკისა და დაკრედიტების მეთოდოლოგია. სერიოზული ყურადღება მიექცა ბიზნეს-პროექტების დამუშავებასა და მათი დამტკიცების ვადებს. ბანკის საკრედიტო პოლიტიკა უფრო მეტად მოქნილი, ხოლო სესხის აღება უფრო მოხერხებული გახდა.

2005 წელს გაიზარდა ბანკის აქტიურობა გრძელვადიანი დაკრედიტების კუთხით და ერთ წელზე მეტი ვადით გაცემული სესხების მოცულობამ მთლიანი სესხების 82% შეადგინა.

Credit portfolio

During 2005 a dynamic growth and improvement of quality and structure of the Bank's credit portfolio has taken place; namely, the volume of credit portfolio exceeded 172.3 million GEL and increased by 41% in comparison with the previous year. The net loans amounted for 97% of total loans and 67% of the Bank's net assets.

At the end of the accounting period the weighted average interests for credit portfolio of the Bank amounted to 12.97% p.a.

In 2005 the methodology of credit policy and crediting was significantly refined. A serious attention was devoted to the elaboration of business projects and to the timing of their approval. The Bank's credit policy has become much more flexible, while the obtaining of a loan has become more convenient.

In 2005 the Bank's long-term crediting activities increased and the loans with longer than one year accounted for 82% of total loans.

“ბანკი ქართვს“ მოქნილი საკრედიტო პოლიტიკის შედეგად, თბილისსა და რეგიონებში მრავალი მნიშვნელოვანი პროექტი განხორციელდა. გამოიკვეთა მსესხებლების რაოდენობის ზრდის ტენდენცია.

As a result of the flexible credit policy of “Cartu Bank”, a lot of important projects were implemented in Tbilisi and other regions of Georgia. Uptrend of numbers of lenders became obvious.

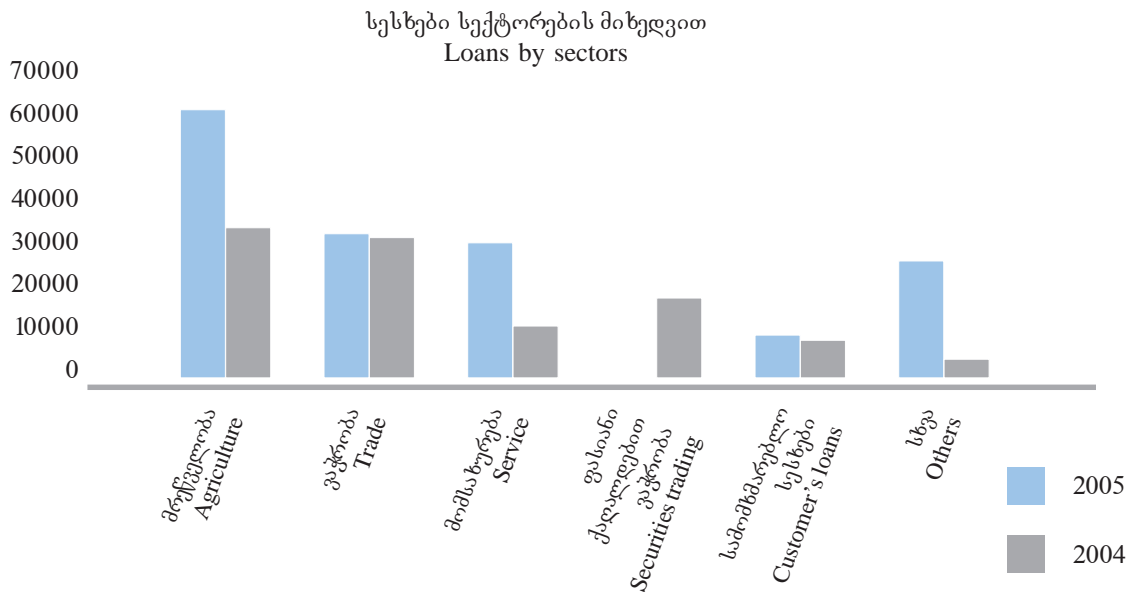
საქართველოში ამ ეტაპზე დიდი მნიშვნელობა ენიჭება ექსპორტზე ორიენტირებული და იმპორტშემცვლელი წარმოების დაფინანსებას, რადგან ქვეყნის პრიორიტეტი სამრეწველო პოტენციალის ამოქმედება და მისი განვითარების ხელშეწყობაა. სწორედ ამიტომ “ბანკი ქართვ“ კვლავ საქართველოს მრეწველობის ერთ-ერთ უმსხვილეს კრედიტორად რჩება.

At this stage a great importance is attached to financing of export-oriented and import-replacing production in Georgia, as the Country’s priority is to set in motion the industrial potential and to support its development. Therefore, the “Cartu Bank” still remains one of the largest creditors of Georgian industry.

სესხების გაცემა სექტორების მიხედვით 2004-2005 წლებში Lending in 2004-2005, by sectors

საკრედიტო საქმიანობის კუთხით, ბოლო ორი წლის განმავლობაში “ბანკი ქართვს“ მიერ არჩეული იყო ძირითადად სამი პრიორიტეტული სექტორი: მრეწველობა, ვაჭრობა და მომსახურება. 2005 წლის განმავლობაში განსაკუთრებული ზრდა აღინიშნება მრეწველობის სხვადასხვა დარგის დაფინანსებაში.

Over the last two years “Cartu Bank” has chosen three main priority sectors for its crediting activities: industry, trade and services. During 2005 a significant increase is noted in financing of different fields of industry.



მიღწევები

საერთაშორისო ბაზარზე

ევროპის რეკონსტრუქციისა და განვითარების ბანკთან (EBRD) 2005 წელს დაიწყო მოლაპარაკებები, ხოლო მიმდინარე წელს ხელი მოეწერა ხელშეკრულებას ვაჭრობის ხელშეწყობის პროგრამის (TFP) ფარგლებში “ბანკი ქართუსათვის” საგარანტიო ხაზის გახსნის შესახებ.

ხელშეკრულება ითვალისწინებს EBRD-ს მიერ 3 მლნ აშშ დოლარის ფარგლებში “ბანკი ქართუს” მიერ წარმოებული საერთაშორისო დოკუმენტური ოპერაციების უზრუნველყოფას. ამით “ბანკმა ქართუმ” კლიენტებს მნიშვნელოვნად გაუადვილა და მათთვის ხელმისაწვდომი გახადა საერთაშორისო დოკუმენტური ოპერაციებით სარგებლობა.

საქართველოს ბაზარზე



2005 წლის 28 ნოემბერს გაიხსნა “ბანკი ქართუს” ბათუმის ფილიალი, რომელიც მომსახურებათა სრულ სპექტრს სთავაზობს მომხმარებლებს.

2005 წელს მნიშვნელოვანი ინვესტიცია განხორციელდა მაღალტექნოლოგიური პროდუქტების განვითარების მიმართულებით. დაინერგა ინტერნეტ-ბანკი, რომელიც საშუალებას აძლევს ჩვენს კლიენტებს ბანკში მოუსვლელოდ ეფექტურად მართონ საკუთარი ანგარიშები.

2005 წლის განმავლობაში ბანკომატების ქსელს ქ. თბილისში თორმეტი, ქ. ბათუმსა და ქუთაისში კი ოთხი ახალი ბანკომატი დაემატა;

ACHIEVEMENTS

On International Market

In 2005 the negotiations were started with the European Bank for Reconstruction and Development (EBRD) and this year the agreement was signed on opening of a guarantee line for “Cartu Bank” within the framework of Trade Facilitation Program (TFP).

The agreement provides securing up to 3 million USD by EBRD for international documentary operations conducted by “Cartu Bank”. As a result, “Cartu Bank” has made the international documentary operations significantly easier and accessible for its clients.

On Georgian Market

On November 28, 2005 a Batumi Branch of “Cartu Bank” was opened. The Branch offers a full spectrum of services to the customers.

In 2005 an important investment was made in the development of hi-tech products. An Internet-Bank was set up, which allows our clients to manage their accounts from the distance.



During 2005 the ATM's network was expanded by adding 12 in Tbilisi and 4 in Batumi and Kutaisi.

პლასტიკური ბარათები

“ბანკი ქართუ“ ლიდერია საბარათო ბიზნესში. “ბანკი ქართუს“, VISA და MASTERCARD საერთაშორისო პლასტიკური ბარათების გამოშვებასთან და მომსახურების უფლებასთან ერთად აქვს საკუთარი საპროცესინგო ცენტრი და ერთადერთი ბანკია ადგილობრივ ბაზარზე, რომელიც ემსახურება AMERICAN EXPRESS და DINERS CLUB ბარათებს POS-ტერმინალებით უზრუნველყოფს სავაჭრო ობიექტებს და ახორციელებს ოთხივე ტიპის პლასტიკური ბარათების ტრანზაქციების პროცესინგს.

თანამედროვე ტექნოლოგიების განვითარებასთან ერთად და კლიენტების მოთხოვნების დაკმაყოფილების მიზნით, “ბანკი ქართუს“ საპროცესინგო ცენტრმა 2005 წელს დაიწყო ელექტრონული კომერციის ფართომასშტაბიანი პროექტის განხორციელება. პირველად საქართველოში “ბანკი ქართუს“ საპროცესინგო ცენტრის მეშვეობით მსოფლიოს ნებისმიერი კომპანიისათვის შესაძლებელი გახდა ინტერნეტში, საკუთარ ვებგვერდზე საერთაშორისო VISA პლასტიკური ბარათების მეშვეობით გადახდების ტექნიკური განხორციელება და თანხების ანაზღაურება. მნიშვნელოვანია ის, რომ ეს პროცესი ხორციელდება ვიზა საერთაშორისო სისტემის უშუალო მონაწილეობით, რაც ზრდის ინტერნეტული ტრანზაქციებს დაცულობის ხარისხს და ამცირებს საეჭვო ტრანზაქციების რაოდენობას.

საკუთარი კლიენტების მომსახურების გაუმჯობესებისა და ახალი სერვისების შეთავაზების მიზნით, 2005 წელს დაინერგა მობილური ტელეფონების მეშვეობით სხვადასხვა ტიპის მომსახურებისა და ინფორმაციის მიწოდება. ბარათის მფლობელს SMS შეტყობინების მეშვეობით შეუძლია შეამოწმოს ბალანსი მის საბარათო ანგარიშზე, ავტომატურად მიიღოს ინფორმაცია განხორციელებული ტრანზაქციებისა და ჩარიცხვების შესახებ.

2005 წელს “ბანკი ქართუს“ საპროცესინგო ცენტრი გადავიდა ჩიპიანი ბარათების გამოშვებასა და მომსახურებაზე. პროგრამული უზრუნველყოფის დანერგვისა და შესაბამისი თანამედროვე აღჭურვილობის შექმნისა და სერტიფიკაციის აუცილებელი პროცესების გაგლის შემდეგ “ბანკი ქართუს“ კლიენტებს ყველაზე თანამედროვე და სრულყოფილი ჩიპიანი პლასტიკური ბარათების უპირატესობებით სარგებლობის საშუალება მიეცათ.

2005 წელს ჩვენი ბარათებით განხორციელებული ტრანზაქციების მოცულობამ შეადგინა 48.600.000 აშშ დოლარი, რომელიც 2004 წლის მონაცემთან შედარებით 2-ჯერ მეტია (23.500.000 აშშ დოლარი 2004 წელს), 2005 წელს დამზადებულია 25.700 პლასტიკური ბარათი (21.700 ბარათი 2004 წელს).

Plastic Cards

“Cartu bank” is a leader in the Cards’ Business in Georgia. “Cartu Bank” besides the right to issue and service VISA and MASTERCARD international plastic cards, also has its own processing center and is the only bank on local market, which is servicing AMERICAN EXPRESS and DINERS CLUB cards, provides trade units with POS-terminals and conducts processing of transactions of all four types of plastic cards.

In line with the development of modern technologies and in order to satisfy customer needs, the processing center of “Cartu Bank” started an implementation of a large-sized E-Commerce project in 2005. For the first time in Georgia it has become possible for any company of the world to conduct technical payments and repayments through the processing center of “Cartu Bank”, using their international VISA plastic cards on their web-sites in internet. It is important that the process is going with a direct participation of VISA International System that increases the security level of internet transactions and reduces the number of suspicious transactions.

In order to improve customer care and to offer them new services, provision of different types of services and information with the use of mobile phones was introduced in 2005. Using the SMS service the owner of the card is able to check the balance of the card account, automatically receive information on conducted transactions and transfers.

In 2005 the processing center of “Cartu Bank” switched to the issuance and servicing of the cards with chip. After the installation of software, purchase of conformable modern equipment and finalization of necessary processes of certification, the clients of “Cartu Bank” were given the priority to use the most modern and improved plastic cards with chip.

The volume of transactions affected by our cards in 2005 amounted to 46 600 000 USD, that is 2-fold increase compared to 2004 (23 500 000 USD in 2004). 25 700 plastic cards were produced in 2005 (21 700 cards in 2004).

“ბანკი ქართუს“ პლასტიკური ბარათებით შესაძლებელია თანხების უსაფრთხოდ და მოქნილად მართვა, როგორც ბანკომატების ფართო ქსელში, ასევე მრავალსაჯაჭრო და მომსახურების ობიექტში.

მრავალი სახელმწიფო და კერძო ორგანიზაცია სარგებლობს “ბანკი ქართუს“ მიერ შეთავაზებული სახელფასო პროგრამით და თანამშრომელთა ხელფასების გაცემას პლასტიკური ბარათებით აწარმოებს. მნიშვნელოვანია, რომ ყოველდღიურად იზრდება ბარათების მომხმარებელთა რაოდენობა, გაფართოვდა იმ საჯაჭრო და მომსახურების ობიექტთა რიცხვი, სადაც საქონლის ან მომსახურების შექმნა უნაღლო ანგარიშსწორებით წარმოებს.

2006 წელს დაგეგმილია ბანკომატების ქსელის გაფართოება. სისტემატურად იზრდება ბარათებით ჩატარებული ოპერაციების რაოდენობა და მოცულობა. მნიშვნელოვანია ტექნოლოგიების განვითარება რათა ჩვენს პლასტიკური ბარათების მფლობელებს კიდევ უფრო მრავალფეროვანი და სრულყოფილი მომსახურებები შევთავაზოთ.

ინფორმაციული ტექნოლოგიები

2005 წელს განახლდა ბანკის ტექნიკური ბაზა, რამაც აამაღლა ტექნიკური უზრუნველყოფის საშუალების ხარისხობრივი მაჩვენებლები და ინფორმაციული ნაკადების სისწრაფე და საიმედოობა.

მთლიანად განახლდა SWIFT-ის მხარდაჭერის ტექნიკური და პროგრამული უზრუნველყოფა. მნიშვნელოვნად გაიზარდა საკასო (POS) ტერმინალების ქსელი, როგორც VISA და MASTERCARD ასევე AMERICAN EXPRESS და DINERS CLUB მომსახურების უზრუნველყოფით.

ბანკი ელექტრონული ანგარიშსწორების სისტემით “ბანკი-კლიენტი“ თავის კლიენტურას სთავაზობს საბანკო ოპერაციების წარმართვას. “ინტერნეტ-ბანკინგის“ მეშვეობით კლიენტს შეუძლია სხვადასხვა კომუნალური მომსახურების ღირებულების გადახდა და მაგთის, ბალის, ჯეოსელის და ლაი-ლაის ბალანსის შევსება, გარდა ამისა, ამონაწერების მიღება საკუთარი ანგარიშის შესახებ, ასევე შესაძლებელი გახდა ანგარიშებზე გადარიცხვები და სხვადასხვა ოპერაციების წარმართვა სახლიდან ან ოფისიდან გაუსვლელად.

The plastic cards of the “Cartu Bank” enable for safe and flexible money management both in a broad network of ATM’s and in many units of trade and service.

Many state and private organizations use salaries programme offered by “Cartu Bank” and pay the salaries to their employees with the use of plastic cards. It is important that the number of card users is growing daily and the number of trade and service units where the goods or services are purchased on account is increasing.

It is planned to expand the ATM’s network in 2006. The number and the volume of operations conducted with the use of cards are increasing steadily. The development of technologies is important for offering even more diverse and perfect services to our plastic card owners.

Information technologies

In 2005 the Bank’s technical basis was renewed, which has improved the qualitative parameters of technical assurance facilities, the speed and the reliability of information flow.

Hardware and software support for SWIFT was fully updated. The network of point-of-sale (POS) terminals was expanded significantly for servicing VISA and MASTERCARD, and also AMERICAN EXPRESS and DINERS CLUB.

The Bank offers its clients to conduct banking operations through electronic accounting system “Bank-Client”. With the use “Internet-banking” system the client is able to pay for the public utilities, replenish Magti, Bali, Geocell and Lai-lai balance, receive the statement for own bank account. It has also become possible to make transfers and several operations without leaving home or office.

მიზნები და სამომავლო გეგმები

“ბანკი ქართუ“ უკვე 9 წელია მოღვაწეობს საქართველოს საბანკო სექტორში და გამოირჩევა ინოვაციურობითა და კლიენტებისადმი პარტნიორული მიდგომით. “ბანკი ქართუ“ მომავალშიც აპირებს მნიშვნელოვნად აამაღლოს კლიენტთა მომსახურების ხარისხის დონე და შესთავაზოს მათ ბაზარზე არსებული ყველა საბანკო პროდუქტი და მრავალი ნოვაცია.

2006 წელს, ისევე როგორც 2005 წელს გაგრძელდება დინამიური მუშაობა მაღალტექნოლოგიური პროდუქტების განვითარების მიმართულებით. ბანკი კლიენტი, ინტერნეტ-ბანკი, SMS მომსახურებები პლასტიკური ბარათებისათვის, კომუნალური გადახდები ინტერნეტის მეშვეობით, ელ-კომერცია, ეს იმ მომსახურებების არასრული სიაა, რომელთა განვითარება დაგეგმილია 2006 წელს.

“ბანკი ქართუ“ განსაკუთრებული ხარისხითა და პირობებით მოემსახურება კორპორატიულ კლიენტებს, გააფართოებს საბანკო პროდუქტების სპექტრს და მომხმარებლებს შესთავაზებს როგორც ახალ, ასევე არსებულ პროდუქტებს გაუმჯობესებული და მოქნილი პირობებით.

“ბანკი ქართუ“ გეგმავს მჭიდრო ურთიერთობების დამყარებას რეგიონში მოქმედ საერთაშორისო საფინანსო ინსტიტუტებთან. აღსანიშნავია, რომ ევროპის რეკონსტრუქციისა და განვითარების ბანკთან (EBRD) დადებული ხელშეკრულება საგარანტიო ხაზის გამოყოფაზე, “ბანკი ქართუსათვის“ საფინანსო ინსტიტუტებთან აქტიური ურთიერთობებისკენ გადადგმული პირველი ნაბიჯია. ბანკი აპირებს კიდევ უფრო გააღრმავოს ურთიერთობები საერთაშორისო საფინანსო ინსტიტუტებთან და ორგანიზაციებთან, რათა მათთან ურთიერთთანამშრომლობით ახალი მომსახურებები შესთავაზოს კლიენტებს.

OBJECTIVES AND FUTURE PLANS

“Cartu Bank” has been already operating in banking sector of Georgia for 9 years and it is distinguished by being innovative and reliable partner for the clients.

“Cartu Bank” intends to improve further the level of service quality and offer to its clients all types of banking products and innovations.

In 2006, like 2005, a dynamic work will go on for development of hi-tech products. Bank-Client, Internet-bank, SMS services, public utility payments via internet, E-Commerce - this is the incomplete list of services planned to be developed in 2006.

“Cartu Bank” will serve its corporate clients with special quality and conditions; it will expand the spectrum of banking products and will offer its customers both the new and the existing products with improved and flexible terms.

“Cartu Bank” plans to establish close relations with the international financial institutions active in the region. It should be noted that the agreement signed with the European Bank for reconstruction and Development (EBRD) on allocation of guarantee line is a first step of “Cartu Bank” towards active relations with financial institutions. The Bank plans to further strengthen the relations with the international financial organizations and offer new services to the clients through this collaboration.

ფილიალები

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ფაქსი: (995 32) 22 15 19

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0105 თბილისი
ტელ: (995 32) 93 89 22
ფაქსი: (995 32) 92 19 38

ქუთაისის ფილიალი - ფალიაშვილის ქ #4,
4600 ქუთაისი
ტელ: 8231 4 11 48
ფაქსი: 8231 4 11 45

ბათუმის ფილიალი - გრიბოედოვის ქ #2,
6000 ბათუმი
ტელ: 888 222 7 59 00
ფაქსი: 888 222 7 65 04

THE BRANCHES

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fax: (995 32) 22 15 19

Krtsanisi-Mtatsminda Branch - 1 Vekua St.,
0105 Tbilisi
tel: (995 32) 93 89 22
fax: (995 32) 92 19 38

Kutaisi Branch - 4 Paliashvili St.,
4600 Kutaisi
tel: 8231 4 11 48
fax: 8231 4 11 45

Batumi Branch - 2 Griboedov St.,
6000 Batumi
tel: 888 222 7 59 00
fax: 888 222 7 65 04

საკორესპონდენტო ურთიერთობები და ანგარიშები
CORRESPONDENCE RELATIONS AND ACCOUNTS

STANDARD SETTLEMENT INSTRUCTIONS
JSC “Cartu Bank”

39^ა, Chavchavadze Ave., Tbilisi 0162, Georgia

<http://www.cartubank.ge> cartubank@cartubank.ge

(+995 32) 230021, Corr. bank: 913169, 251410; (+995 32) 221519, Corr. bank: 230383, 251410

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

Registration Number: 229; Tax Payer Identification Number: 204891652

AUD:

Dresdner Bank AG, Frankfurt am Main SWIFT: DRES DE FF Acct #: 4990812309300800

GBP:

Dresdner Bank AG, Frankfurt am Main SWIFT: DRES DE FF Acct #: 4990812309300006

CHF:

Dresdner Bank AG, Frankfurt am Main SWIFT: DRES DE FF Acct #: 4990812309300039

EUR:

Banca di Roma, Rome SWIFT: BROM IT RR Acct #: 42487

Bank of Cyprus, Nicosia SWIFT: BCYPCY 2N Acct #: 01435048002724

Deutsche Bank AG, Frankfurt am Main SWIFT: DEUT DE FF Acct #: 947490910

Dresdner Bank AG, Frankfurt am Main SWIFT: DRES DE FF Acct #: 4990812309300888

American Express Bank GmbH, Frankfurt am Main SWIFT: AEIBDEFX Acct #: 18163805

Société Générale, Paris SWIFT: SOGE FR PP Acct #: 001013708320

IMPEXBANK, Moscow SWIFT: IMPE RU MM Acct #: 30112978700000000043

RUR:

IMPEXBANK, Moscow SWIFT: IMPE RU MM Acct #: 30231810400000000007

USD:

ABN AMRO Bank NV, Amsterdam SWIFT: ABNA NL 2A Acct #: 533941865

AREXIMBANK, Yerevan SWIFT: RKAS AM 22 Acct #: 100530102

Banca di Roma, Rome SWIFT: BROM IT RR Acct #: 42489

Bank of Cyprus, Nicosia SWIFT: BCYPCY 2N Acct #: 01435006002252

Deutsche Bank AG, Frankfurt am Main SWIFT: DEUT DE FF Acct #: 947490900

Dresdner Bank AG, Frankfurt am Main SWIFT: DRES DE FF Acct #: 4990812309300400

Deutsche Bank Trust Company Americas, New York SWIFT: BKTR US 33 Acct #: 04417110

American Express Bank Ltd, New York SWIFT: AEIBUS33 Acct #: 753624

IMPEXBANK, Moscow SWIFT: IMPE RU MM Acct #: 30112840100000000001

Société Générale, New York SWIFT: SOGE US 33 Acct #: 184853

*Slaviansky Bank, Moscow (credit card a/c) SWIFT: SLBM RU MM Acct #: 30112840600000000015



სხელი ფინანსური გამჭვირვალობა

Full financial transparency

ბანკი ქართვ



CARTU BANK



CARTU BANK GROUP
Independent Auditors' Report
and Consolidated Financial Statements
For the year ended 31 December 2005

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cartu Bank Group:

We have audited the accompanying consolidated balance sheet of JSC Cartu Bank (the "Bank") and its subsidiaries ("Cartu Bank Group" or the "Group") as at 31 December 2005 and the related consolidated income statement and consolidated statements of cash flows and changes in equity ("the consolidated financial statements") for the year then ended. These consolidated financial statements are the responsibility of the Group's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

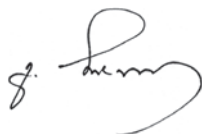
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2005, and the consolidated results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

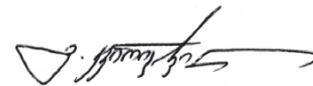
10 March 2006

	Notes	2005	2004 (Restated)
ASSETS:			
Cash and balances with the National Bank of Georgia	11	19,289	21,819
Securities held-for-trading	12	-	23,270
Loans and advances to banks, net	13	43,947	25,570
Loans to customers, net	14, 25	162,575	115,900
Investments available-for-sale	15	92	92
Goodwill	16	10,873	11,615
Fixed and intangible assets, net	17	6,410	5,229
Other assets, net	18	1,746	2,178
TOTAL ASSETS		244,932	205,673
LIABILITIES AND EQUITY:			
LIABILITIES			
Loans and advances from banks	19	510	483
Customer accounts	20, 25	73,711	65,661
Provisions for off balance sheet transactions	5	311	205
Income tax liabilities	10	156	166
Other liabilities	21	1,040	502
		75,728	67,017
Subordinated debt	22, 25	90,538	79,670
Total liabilities		166,266	146,687
EQUITY			
Share capital	23	54,716	42,088
Reserves		23,112	16,144
Equity attributable to equity holders of the parent		77,828	58,232
Minority interest		838	754
Total equity		78,666	58,986
TOTAL LIABILITIES AND EQUITY		244,932	205,673

On behalf of the Executive Board



Chairman of the Supervisory Board



General Director

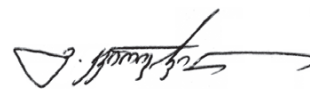
The notes on pages 8-43 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

	Share capital	Retained earnings	Total	Minority Interest	Total Equity
31 December 2003 (Restated)	30,128	15,589	45,717	848	46,565
Share capital increase of ordinary shares	11,960	-	11,960	-	11,960
Net profit	-	555	555	(94)	461
31 December 2004 (Restated)	42,088	16,144	58,232	754	58,986
Share capital increase of ordinary shares	12,628	-	12,628	-	12,628
Net profit	-	6,968	6,968	84	7,052
31 December 2005	54,716	23,112	77,828	838	78,666

On behalf of the Management Board



Chairman of the Supervisory Board



General Director

The notes on pages 8-43 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

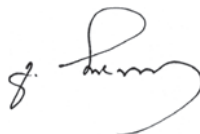
	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax and minority interest		9,641	1,814
Adjustments for:			
Provision for impairment losses on interest bearing assets		5,988	2,301
Provision for impairment losses on other transactions		244	(98)
Impairment of goodwill		742	742
Depreciation and amortisation		554	513
Net unrealized loss arising from changes in foreign currency exchange rates		671	4,565
Change in interest accruals, net		644	(80)
Cash flows from operating activities before changes in operating assets and liabilities		18,484	(9,757)
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of Georgia		(181)	43
Loans and advances to banks		(21,399)	5,339
Loans to customers		(54,305)	(60,848)
Net proceeds on sale of investments held-for-trading		22,848	2,412
Other assets		294	(62)
Increase/(decrease) in operating liabilities:			
Loans and advances from banks		26	(7,630)
Customer accounts		8,157	13,764
Purchase of investments held-for-trading		-	(23,270)
Other liabilities		538	(941)
Cash outflow from operating activities before taxation		(25,538)	(61,436)
Income tax paid		(2,599)	(1,353)
Net cash outflow from operating activities		(28,137)	(62,789)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		(3,876)	(2,266)
Purchase of intangible assets		(260)	(430)
Proceeds from disposal of fixed and intangible assets		2,428	473
Dividends received		422	-
Net cash outflow from investing activities		(1,286)	(2,223)

	Notes	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		12,628	11,960
Proceeds from subordinated debt		11,262	74,225
Net cash inflow from financing activities		23,890	86,185
Effect of foreign exchange rate changes on cash and cash equivalents		(64)	(1,338)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,533)	21,173
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	11	33,052	13,217
CASH AND CASH EQUIVALENTS, END OF THE YEAR	11	27,455	33,052

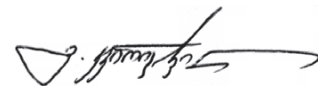
Interest paid and received by the Group during the year ended 31 December 2005 amounted to GEL 3,114 thousand and GEL 19,051 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2004 amounted to GEL 2,256 thousand and GEL 7,880 thousand, respectively.

On behalf of the Management Board



Chairman of the Supervisory Board



General Director

The notes on pages 8-43 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

1. ORGANIZATION

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

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

The Bank has two branches 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:

The Bank ownership

Name	Country of operation	interest		Type of operation
		2005	2004	
<i>Insurance Company Cartu Ltd</i>	<i>Georgia</i>	<i>60%</i>	<i>60%</i>	<i>Insurance</i>

Insurance Company Cartu Ltd 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 that have not been consolidated as such consolidation would not have had a significant effect on the consolidated financial statements taken as a whole (see Note 15).

The number of employees of the Bank as at 31 December 2005 and 2004 was 181 and 203, respectively.

The Bank is part of the Cartu Group, a large Georgian conglomerate located in Tbilisi.

As at 31 December 2005, the following shareholders owned more than 5% of the issued shares.

Shareholder	2005 ownership interest %	2004 ownership interest %
JSC Cartu Group	25%	25%
LTD Interservice	25%	25%
JSC Transinvest	25%	25%
JSC Iagundi	25%	25%
Total	100%	100%

The ultimate parent company of the Bank is JSC Cartu Group.

The core activities of the Cartu Bank Group are banking and financial services, food production, manufacturing, trade, real estate and agriculture.

These consolidated financial statements were authorized for issue by the Management Board on 10 March 2006.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention. These consolidated financial statements are presented in thousands of Georgian Lari (“GEL”) unless otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the allowances for impairment losses and the fair value of financial instruments.

Functional currency

The functional currency of these consolidated financial statements is the Georgian Lari (“GEL”).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) 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.

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

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 and liabilities of a subsidiary, associate or jointly controlled entity 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) reassess 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) recognise immediately in profit or loss any excess remaining after that reassessment.

On disposal of a subsidiary, associate or jointly controlled entity, 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 balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales 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 the trade date and the settlement date are accounted for in the same way as for 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 the 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"), which may be converted to cash within a short period of time and Government trading debt securities denominated in GEL. For the 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 (note 11).

Loans and advances to banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to 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 accounted for under the effective interest method based on expected maturity. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Securities held-for-trading

Securities held-for-trading represent financial securities acquired principally for the purpose of selling them in the near term, or it is a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative (except if it is designated and effective hedging instrument). Securities held-for-trading are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group’s securities held-for-trading. When reliable market prices are not available or if liquidating the Group’s position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management’s estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on securities held-for-trading is recognized in the income statements for the period.

Originated loans

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility.

All loans originated are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans and advances to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses in the case of the uncollectibility of loans and advances, including the repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect the amounts due to the Group and after the Group has sold all available collateral.

Non-accrual loans

Once a financial asset or a group of similar financial assets has been 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.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between the carrying amount 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 allowance for impairment losses is 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 the allowance for 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. Allowances 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 the allowance for impairment losses is charged to the income statement and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the 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, which 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.

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. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's investments available for sale. If such quotes do not exist, management's estimation is used. Interest earned on investments available for sale is reflected in the income statement as interest income on investment securities. Dividends received are included in dividend income in the income statement.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the income statement for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the income statement.

Fixed and intangible assets

Fixed 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 of fixed assets and amortization of intangible assets is charged on their historical cost and is designed to write off assets over their useful lives. It is calculated on a straight line basis at the following annual rates:

Buildings	50 years
Office equipment	5 years
Data processing equipment	5 years
Vehicles and others	6-7 years
Intangible assets	10 years

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where the carrying values exceed the estimated recoverable amounts, the 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 fixed 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 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 or substantively enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated 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.

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 realised. Deferred tax is charged or credited in the 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.

Georgia also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the income statement.

Deposits from banks and customers

Customer and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Share capital

Share capital is recognized at cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

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.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" (IAS 10) and disclosed accordingly.

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. This pension system requires the employer to make contributions based on the percentage of the current gross salary payments. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are paid by the state pension fund. The Group does not have any pension arrangements separate from the state pension system. The Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest rate method. Interest income also includes income earned on investments. Other income is credited to the income statement when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan’s effective yield.

Fee and commission income

Fee and commission income includes loan origination fees, loan commitment fees, loan servicing fees and other fees. 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 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 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/(loss) on foreign exchange operations.

Rates of exchange

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

	31 December 2005	31 December 2004
GEL/USD	1.793	1.825
GEL/EUR	2.125	2.485
GEL/RUR	0.062	0.066

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the 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.

Restatements due to the changes in IFRS

Certain restatements have been made to the consolidated financial statements as at 31 December 2004 and for the year then ended to comply with the changes in IAS 1 “Presentation of Financial Statements”, and IFRS 3 “Business combinations” effective for the periods beginning on or after 1 January 2005. Such restatements have been done retrospectively to the earliest financial statements period presented.

According to the revised IAS 1 “Presentation of Financial Statements”, the profit or loss attributable to minority interest should not be presented in the financial statements as an item of income or expense.

According to IFRS 3 “Business combinations”, goodwill acquired in a business combination is no longer amortised. The Standard requires that the Group tests goodwill for impairment annually.

Changes in IFRS

The International Accounting Standards Board has amended a number of IAS’s and issued certain IFRS’s effective for the reporting period beginning 1 January 2005. The effect of these changes was not significant for the financial statements of the Bank for the year ended 31 December 2005.

IAS 39 “Financial Instruments: Recognition and Measurement” was amended in July 2005 and is effective for the reporting period beginning 1 January 2006, and IFRS 7 “Financial Instruments: Disclosures” was introduced in August 2005 and is effective for the reporting period beginning 1 January 2007.

4. NET INTEREST INCOME

Net interest income comprises:

	2005	2004
Interest income		
Interest on loans to customers	18,189	7,856
Interest on loans and advances to banks	459	312
Discount of loans to customers	(522)	-
Total interest income	18,126	8,168
Interest expense		
Interest on subordinated debt	(2,037)	(1,279)
Interest on customer accounts	(782)	(1,102)
Interest on loans and advances from banks	(14)	(83)
Total interest expense	(2,833)	(2,464)
Net interest income before provision for impairment losses on interest bearing assets	15,293	5,704

5. ALLOWANCE FOR IMPAIRMENT LOSSES

The movements in allowance for impairment losses were as follows:

	Loans and advances to banks	Loans to customers	Total
31 December 2003	273	4,465	4,738
Allowance	390	1,911	2,301
Write off of assets	(510)	(4,371)	(4,881)
Recoveries of assets previously written off	-	576	576
31 December 2004	153	2,581	2,734
Allowance / (Recovery)	(153)	6,141	5,988
Write off of assets	-	(480)	(480)
Recoveries of assets previously written off	-	220	220
31 December 2005	-	8,462	8,462

The movements in allowances for impairment losses on other and off balance sheet transactions were as follows:

	Other assets	Guarantees issued	Total
31 December 2003	1,346	238	1,584
Allowance / (Recovery)	(280)	182	(98)
Write off of assets	(1,640)	(215)	(1,855)
Recoveries of assets previously written off	699	-	699
31 December 2004	125	205	330
Allowance	138	106	244
Write off of assets	(183)	-	(183)
Recoveries of assets previously written off	33	-	33
31 December 2005	113	311	424

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

Net gain/(loss) on foreign exchange operations comprise:

	2005	2004
Dealing differences, net	1,979	3,081
Translation differences, net	(671)	(4,565)
Total net gain/(loss) on foreign exchange operations	1,308	(1,484)

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	2005	2004
Fee and commission income:		
Cash operations	2,069	1,788
Settlements	1,197	705
Foreign exchange operations	1,114	841
Documentary operations	48	146
Other	508	364
Total fee and commission income	4,936	3,844
Fee and commission expense:		
Cash operations	(847)	(709)
Settlements	(285)	(388)
Foreign exchange operations	(90)	(50)
Other	(133)	(191)
Total fee and commission expense	(1,355)	(1,338)

8. OTHER INCOME

	2005	2004
Other income comprises:		
Insurance premiums	233	69
Income from other banking operations	654	893
Total other income	887	962

9. OPERATING EXPENSES

	2005	2004
Operating expenses comprise:		
Salaries and bonuses	3,417	3,334
Financial aid	1,194	137
Goodwill impairment	742	742
Depreciation and amortization	554	513
Occupancy	404	287
Security expenses	305	286
Professional services fees	270	167
Postal expenses	195	220
Taxes other than income tax	172	240
Repairs and maintenance	108	153
Revenues from fines written off	109	31
Other expenses	1,013	938
Total operating expenses	8,483	7,048

10. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Georgian tax regulations that differ from International Financial Reporting Standards. The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses.

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 2005 and 2004 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 2005 and 2004 comprise:

	2005	2004
Deferred assets:		
Investments	422	442
Other liabilities	-	55
Other assets	-	3,675
Other	-	135
Total deferred assets	422	4,307

Deferred liabilities:

Loans to customers, net	-	-
Fixed and intangible assets, net	(255)	(3,847)
Total deferred liabilities	(255)	(3,847)
Net deferred assets	167	460
Net deferred tax asset at statutory rate of 20%	33	92
Less valuation allowance	(33)	(92)
Net deferred tax asset	-	-

Relationships between tax expenses and accounting profit for the year ended 31 December 2005 and 2004 are explained as follows:

	2005	2004
Profit before income taxes	9,641	1,814
Tax at the statutory rate	1,928	363
Change in valuation allowance	59	155
Tax effect of permanent differences	602	835
Income tax expense	2,589	1,353
Current income tax expense	2,589	1,353
Deferred income tax expense	-	-
Income tax expense	2,589	1,353

Income tax assets and liabilities consist of the following:

	2005	2004
Current income tax liabilities	(156)	(166)
Deferred income tax liabilities	-	-
Income tax liabilities	(156)	(166)

11. CASH AND BALANCES WITH THE NATIONAL BANK OF GEORGIA

Cash and cash equivalents comprise:

	2005	2004
Cash on hand	8,344	7,329
Balances with the National Bank of Georgia	10,945	14,490
Total cash and balances with the National Bank of Georgia	19,289	21,819

The balances with the NBG as at 31 December 2005 and 2004 include GEL 5,939 thousand and GEL 5,758 thousand, respectively, which represent the minimum reserve deposits required by the NBG. The Bank is required to maintain the reserve balances at the NBG at all times.

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

	2005	2004
Cash and balances with the National Bank of Georgia	19,289	21,819
Loans and advances to banks in OECD countries	14,105	16,991
33,394		38,810
Less minimum reserve deposit with the National Bank of Georgia	(5,939)	(5,758)
Total cash and cash equivalents	27,455	33,052

12. SECURITIES HELD FOR TRADING

Securities held for trading comprise:

	Ownership share%	2005	Ownership share%	2004
Shares:				
Rostelecom	-	-	0.16	4,797
Ural-Sviaz-Inform	-	-	0.11	2,640
Severo-Zapadni Telecom	-	-	0.25	2,403
Iuzhtelecom	-	-	0.44	2,217
Centrtelecom	-	-	0.2	1,908
Severstal'	-	-	0.03	1,748
GAS	-	-	0.32	1,128
RAO AES	-	-	0.005	1,038
Avtovaz	-	-	0.07	996
Volga Telecom	-	-	0.06	890
Noriliski Nikel	-	-	0.004	810
Berkhnesaldinskoe MO	-	-	0.03	519
Other shares	-	-	0.02	2,176
Total securities held-for-trading		-		23,270

13. LOANS AND ADVANCES TO BANKS, NET

Loans and advances to banks comprise:	2005	2004
Loans and advances to banks	28,472	7,899
Correspondent accounts with other banks	15,470	17,771
Accrued interest income on loans and advances to banks	5	53
	43,947	25,723
Less allowance for impairment losses	-	(153)
Total loans and advances to banks, net	43,947	25,570

Movements in allowances for impairment losses for the years ended 31 December 2005 and 2004 are disclosed in note 5.

As at 31 December 2005 and 2004 the Group had restricted deposits totaling GEL 1,072 thousand and GEL 913 thousand, respectively, under operations with plastic cards and money transfers.

14. LOANS TO CUSTOMERS, NET

Loans to customers comprise:

	2005	2004
Originated loans	169,988	116,555
Accrued interest income on loans to customers	1,049	1,926
	171,037	118,481
Less allowance for impairment losses	(8,462)	(2,581)
Total loans to customers, net	162,575	115,900

	2005	2004
Loans collateralized by real estate, production equipment and other fixed assets	147,044	74,630
Loans collateralized by inventory	9,319	12,169
Loans collateralized by precious metals	1,978	3,561
Loans collateralized by cash	1,336	21,907
Loans collateralized by other collateral	6,079	2,559
Unsecured loans	4,232	1,729
Accrued interest income on loans to customers	1,049	1,926
	171,037	118,481
Less allowance for impairment losses	(8,462)	(2,581)
Total loans to customers, net	162,575	115,900

Movements in allowances for impairment losses for the years ended 31 December 2005 and 2004 are disclosed in note 5.

	2005	2004
Analysis by industry		
Manufacturing	63,540	36,604
Trading	35,714	34,826
Services	32,983	12,170
Securities trading	-	19,677
Individuals	10,155	9,220
Other	27,596	4,058
Accrued interest income on loans to customers	1,049	1,926
	171,037	118,481
Less allowance for impairment losses	(8,462)	(2,581)
Total loans to customers, net	162,575	115,900

As at 31 December 2005 and 2004 the Group provided loans to 6 and 3 customers amounted to GEL 18,436 thousand and GEL 19,677 thousand, respectively, which individually exceed 10% of the Group's equity.

15. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	Country of incorporation	Main activity	% Holding	2005	2004
Cartu Broker LLC	Georgia	Brokerage	100	35	35
Reestri 2001 Ltd	Georgia	Registrar	60	15	15
Tbilisi Currency Interbank Stock Exchange	Georgia	Stock exchange	8	39	39
Central Interbank Depository of Securities TCISE Plus	Georgia	Depository	9	3	3
Total investments available for sale				92	92

These subsidiaries and associated companies have not been consolidated or accounted for under the equity method since the financial position as at 31 December 2005 and 2004 and the results for the years then ended were not material to the Group.

16. GOODWILL

	2005	2004
At cost		
At 1 January	14,220	14,220
At 31 December	14,220	14,220
Impairment losses		
At 1 January	2,605	1,863
Impairment losses for the year	742	742
At 31 December	3,347	2,605
Carrying amount		
At 1 January	11,615	12,357
At 31 December	10,873	11,615

17. FIXED AND INTANGIBLE ASSETS, NET

	Buildings	Office equipment	Data processing equipment	Vehicles and other	Intangible assets	Total
At cost						
31 December 2004	2,215	1,287	1,362	999	1,285	7,148
Additions	2,596	959	216	105	260	4,136
Disposals	(2,432)	(65)	(4)	(70)	(2)	(2,573)
31 December 2005	2,379	2,181	1,574	1,034	1,543	8,711
Accumulated depreciation						
31 December 2004	94	466	571	562	226	1,919
Charge for the year	30	149	187	81	107	554
Disposals	(46)	(52)	(4)	(68)	(2)	(172)
31 December 2005	78	563	754	575	331	2,301
Net book value						
31 December 2005	2,301	1,618	820	459	1,212	6,410
Net book value						
31 December 2004	2,121	821	791	437	1,059	5,229

The gross carrying values of the fixed assets that were fully depreciated at 31 December 2005 and 2004 amounted to GEL 549 thousand and GEL 351 thousand, respectively.

Intangible assets comprise software and licenses.

18. OTHER ASSETS

Other assets comprise:	2005	2004
Advances paid	574	242
Accounts receivable	302	414
Taxes receivable, other than income tax	41	223
Repossessed assets	27	209
Other	915	1,215
	1,859	2,303
Less allowance for impairment losses	(113)	(125)
Total other assets, net	1,746	2,178

Movements in allowances for impairment losses for the years ended 31 December 2005 and 2004 are disclosed in note 5.

19. LOANS AND ADVANCES FROM BANKS

Loans and advances from banks comprise:	2005	2004
Demand deposits	434	483
Time deposits	75	-
Accrued interest expense on deposits from banks	1	-
Total loans and advances from banks	510	483

20. CUSTOMER ACCOUNTS

Customer accounts comprise:		
	2005	2004
Repayable on demand	56,753	53,039
Time deposits	16,853	12,502
Accrued interest expense on customer accounts	105	120
Total customer accounts	73,711	65,661

Analysis of customer accounts by sector:

	2005	2004
Individuals	26,129	23,100
Charity	14,088	254
Real estate constructions	10,955	6,487
Trade	6,109	15,019
Transport and communication	4,636	1,033
Mining	945	409
Energy	419	450
Agriculture	277	419
State authorities	77	1,221
Other	9,971	17,149
Accrued interest expense on customer accounts	105	120
Total customer accounts	73,711	65,661

21. OTHER LIABILITIES

Other liabilities comprise:

	2005	2004
Taxes payable, other than income tax	745	60
Settlements on other transactions	218	366
Other	77	76
Total other liabilities	1,040	502

22. SUBORDINATED DEBT

Subordinated debt comprises:

	2005	2004
Georgian Holding Ltd	17,925	18,250
Fin Service XXI	17,925	18,250
Fin Service XXI	8,963	9,125
Inter Consulting Plus Ltd	17,925	18,250
Inter Consulting Plus Ltd	12,548	-
Inter Consulting Plus Ltd	8,963	9,125
Christa Enterprises Ltd	6,274	6,388
Accrued interest expense on subordinated debt	15	282
Total subordinated debt	90,538	79,670

On 17 October 2005 the Group entered into a subordinated debt agreement with Inter Consulting Plus Ltd. which provided the Group with a subordinated loan bearing interest at 2% per annum in the amount of USD 7,000,000. The loan is repayable in ten years from the date of disbursement.

On 21 June 2004 the Group entered into a subordinated debt agreement with Georgian Holding Ltd. which provided the Group with a subordinated loan bearing interest at 2% per annum in the amount of USD 10,000,000. The loan is repayable in fifteen years from the date of disbursement.

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

On 2 October 2004 the Group entered into a subordinated debt agreement with Fin Service XXI which provided the Group with a second subordinated loan bearing interest at 6% per annum in the amount of USD 5,000,000. The loan is repayable eighteen months from the date of disbursement.

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

On 2 October 2004 the Group entered into a subordinated debt agreement with Inter Consulting Plus Ltd which provided the Group with a second subordinated loan bearing interest at 2% per annum in the amount of USD 5,000,000. The loan is repayable eighteen months from the date of disbursement.

On 27 February 2002 the Group entered into a subordinated debt agreement with Chista Enterprises Ltd. which provided the Group with a subordinated loan bearing interest at 6% per annum in the amount of USD 3,500,000. The loan is repayable in fifteen years from the date of disbursement.

All subordinated debt agreements provide a put option, according to which the Group has a right to sell common shares of the Bank to the lender at a nominal value during the agreement validity period. The put option comprises 190% of the statutory capital of the Bank at 31 December 2005 (2004: 190%).

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

23. SHARE CAPITAL

As at 31 December 2005 the Bank's share capital comprised the following:

	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 2004 the Bank's share capital comprised the following:

	Authorized share capital	Unissued share capital	Paid share capital	Total share capital
Ordinary shares	42,088	-	42,088	42,088

As at 31 December 2005 the authorized share capital of the Bank comprised 80,000 ordinary shares (2004: 42,088) of par value 1,000 GEL each, of which 54,716 were issued and fully paid. Based on the Court Resolution dated 4 October 2005 the Bank's Charter Capital was increased to 80,000 shares, with the nominal par value of GEL 1,000 per share. These shares are held equally between the four existing shareholders of the Bank.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general shareholders' meetings of the Group.

24. FINANCIAL 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 balance sheet. The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 31 December 2005 and 2004, the nominal or contract amounts and the risk amounts were:

	2005		2004	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Guarantees issued	15,568	15,568	10,275	10,275
Letters of credit	8,340	262	1,346	673
Commitments on credits and unused credit lines	132	48	1,372	637
Total contingent liabilities and credit commitments	24,040	15,878	12,993	11,585

Movements in allowances for impairment losses for the years ended 31 December 2005 and 31 December 2004 are disclosed in note 5.

Capital commitments – The Group had no material commitments for capital expenditure outstanding as at 31 December 2005 and 2004.

Legal proceedings - As at 31 December 2005 and 2004 the Group was not engaged in any litigation 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.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancellable operating leases are as follows:

	2005	2004
Not later than 1 year	36	387
Later than 1 year and not later than 5 years	138	174
Later than 5 years	1,137	1,761
Total operating lease commitments	1,311	2,322

Taxes - Georgian tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management’s interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for three years.

Pensions and retirement plans - Employees receive pension benefits from Georgian government in accordance with the laws and regulations of the country. As at 31 December 2005 and 2004 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 Georgian 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.

25. TRANSACTIONS WITH RELATED PARTIES

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

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;
- (f) Parties with joint control over the Group;
- (g) Joint ventures in which the Group is a venture.

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 with related parties:

	2005		2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers, gross	9,390	169,988	7,853	116,555
Accrued interest on loans to customers	62	1,049	161	1,926
Allowance for impairment losses	-	(8,462)	(336)	(2,581)
Loans to customers, net	9,452	162,575	7,678	115,900
Customer accounts	3,012	73,606	2,950	65,541
Accrued interest on customer accounts	5	105	1	120
Total customer accounts	3,017	73,711	2,951	65,661
Subordinated debt	90,538	90,538	79,670	79,670

During the years ended 31 December 2005 and 2004 the Group originated loans and advances to related party customers amounting to GEL 8,910 thousand and GEL 23,115 thousand, respectively, and received loans and advances repaid of GEL 16,400 thousand and GEL 18,629 thousand, respectively.

During the years ended 31 December 2005 and 2004 the Group received deposits from related party customers of GEL 154,452 thousand and GEL 144,070 thousand, respectively, and repaid deposits and advances totalling GEL 161,850 thousand and GEL 146,481 thousand, respectively.

	2005		2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Guarantees issued	-	15,568	96	10,275

Included in the income statement for the years ended 31 December 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	2005		2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income		18,126		8,168
- related companies	545		928	-
- key management personnel	2	-	3	-
Interest expense		2,833		2,464
- related companies	-		-	
- key management personnel	1		-	
Fee and commission income		4,936		3,844
- related companies	-	-	101	-
- key management personnel	-	-	-	-

	2005		2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
short-term employee benefits	172	3,417	105	3,334

Transactions with related parties entered into by the Group during the year ended 31 December 2005 and outstanding as at 31 December 2005 and 2004 were made in the normal course of business and mostly under arms length conditions.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and 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. As no readily available published price quotations in an active market exist for a large part of the Group’s financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument.

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

	31 December 2005		31 December 2004	
	Carrying value	Fair value	Carrying value	Fair value
Cash and balances with the National Bank of Georgia	19,289	19,289	21,819	21,819
Securities held for trading	-	-	23,270	23,270
Loans and advances to banks, net	43,947	43,947	25,570	25,570
Loans to customers, net	162,575	162,575	115,900	115,900
Investments available for sale	92	92	92	92
Other assets, net	1,746	1,746	2,178	2,178
Loans and advances from banks	510	510	483	483
Customer accounts	73,711	73,711	65,661	65,661
Other liabilities	1,040	1,040	205	205

27. 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 Basel 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%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Other assets
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year

The Group’s actual capital amounts and ratios are presented in the following table:

Capital amounts and	Actual amount ratios	For capital adequacy purposes	Ratio for capital adequacy purposes	Minimum required ratio
As at 31 December 2005				
Total capital	78,666	104,337	49%	8%
Tier 1 capital	78,666	67,793	32%	4%
As at 31 December 2004				
Total capital	58,986	74,108	48%	8%
Tier 1 capital	58,986	58,986	31%	4%

As at 31 December 2005 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 subordinated to the repayments of the Group’s liabilities to all other creditors.

28. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Bank operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

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. In order to manage liquidity risk, the Group performs daily monitoring of expected future cash flows on clients' and banking operations, which is a part of the assets/liabilities management process. The board of directors sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of 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 changes in market interest rates.

The board of directors 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 board of directors 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 loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. 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.

	2005			2004		
	GEL	USD	Other currencies	GEL	USD	Other currencies
ASSETS						
Loans and advances to banks	10%	-	-	-	12%	12%
Loans to customers	12%	13%	-	12%	13%	-
Investments available for sale	0%	-	-	0%	-	-
LIABILITIES						
Deposits from banks	0%	-	-	0%	-	-
Customer accounts	8%	6%	-	6%	7%	-
Subordinated debt	-	3%	-	-	3%	-

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Upto 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	2005 GEL thousand Total
ASSETS							
Loans and advances to banks, net	35,400	1,031	6,431	-	1,085	-	43,947
Loans to customers, net	10,157	4,923	48,611	75,943	22,941	-	162,575
Total interest earning assets	45,557	5,954	55,042	75,943	24,026	-	206,522
Cash and balances with the NBG	13,350	-	-	-	-	5,939	19,289
Securities held-for-trading	-	-	-	-	-	-	-
Investments available-for-sale	-	-	-	-	-	92	92
Goodwill	-	-	-	-	-	10,873	10,873
Fixed and intangible assets, net	-	-	-	-	-	6,410	6,410
Other assets, net	846	444	238	218	-	-	1,746
TOTAL ASSETS	59,753	6,398	55,280	76,161	24,026	23,314	244,932
LIABILITIES							
Loans and advances from banks	510	-	-	-	-	-	510
Customer accounts	3,204	2,067	11,687	-	-	-	16,958
Subordinated debt	-	17	-	53,775	36,746	-	90,538
Total interest bearing liabilities	3,714	2,084	11,687	53,775	36,746	-	108,006
Customer accounts	56,700	-	53	-	-	-	56,753
Provisions	-	-	-	-	-	311	311
Tax liabilities	-	-	156	-	-	-	156
Other liabilities	-	871	76	93	-	-	1,040
TOTAL LIABILITIES	60,414	2,955	11,972	53,868	36,746	311	166,266
Liquidity gap	(661)	3,443	43,308	22,293	(12,720)		
Interest sensitivity gap	41,843	3,870	43,355	22,168	(12,720)		
Cumulative interest sensitivity gap	41,843	45,713	89,068	111,236	98,516		
Cumulative interest sensitivity gap as a percentage of total assets	17%	19%	36%	45%	40%		

	Upto 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	2004 GEL thousand Total
ASSETS							
Loans and advances to banks, net	17,942	189	6,525	914	-	-	25,570
Loans to customers, net	7,548	1,232	18,334	88,786	-	-	115,900
Total interest earning assets	25,490	1,421	24,859	89,700	-	-	141,470
Cash and balances with the NBG	16,061	-	-	-	-	5,758	21,819
Securities held-for-trading	23,270	-	-	-	-	-	23,270
Investments available-for-sale	-	-	-	-	-	92	92
Goodwill	-	-	-	-	-	11,615	11,615
Fixed and intangible assets, net	-	-	-	-	-	5,229	5,229
Other assets, net	1,403	35	268	472	-	-	2,178
TOTAL ASSETS	66,224	1,456	25,127	90,172	-	22,694	205,673
LIABILITIES							
Loans and advances from banks	483	-	-	-	-	-	483
Customer accounts	2,514	4,374	5,734	-	-	-	12,622
Subordinated debt	282	-	18,250	-	61,138	-	79,670
Total interest bearing liabilities	3,279	4,374	23,984	-	61,138	-	92,755
Customer accounts	53,039	-	-	-	-	-	53,039
Provisions	-	-	-	-	-	205	205
Tax liabilities	166	-	-	-	-	-	166
Other liabilities	342	-	160	-	-	-	502
TOTAL LIABILITIES	56,826	4,374	24,144	-	61,138	205	146,687
Liquidity gap	9,398	(2,918)	983	90,172	(61,138)		
Interest sensitivity gap	22,211	(2,953)	875	89,700	(61,138)		
Cumulative interest sensitivity gap	22,211	19,258	20,133	109,833	48,695		
Cumulative interest sensitivity gap as a percentage of total assets	11%	9%	10%	53%	24%		

The majority of the Group's interest earning assets and interest bearing liabilities are at fixed rates of interest.

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Group's liquidity and its susceptibility to fluctuations in interest rates and exchange rates.

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 Management Board sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the NBG. The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	GEL	USD USD 1 = GEL 1.7925	EUR EUR 1 = GEL 2.1245	Other currency	2005 GEL thousand Total
ASSETS					
Cash and balances with the NBG	16,863	1,861	463	102	19,289
Loans and advances to banks, net	2,001	34,053	7,736	157	43,947
Loans to customers, net	6,410	156,162	3	-	162,575
Investments available-for-sale	92	-	-	-	92
Goodwill	10,873	-	-	-	10,873
Fixed and intangible assets, net	6,410	-	-	-	6,410
Other assets, net	796	606	176	168	1,746
TOTAL ASSETS	43,445	192,682	8,378	427	244,932
LIABILITIES					
Loans and advances from banks	253	257	-	-	510
Customer accounts	18,511	47,591	7,548	61	73,711
Provisions	311	-	-	-	311
Tax liabilities	156	-	-	-	156
Other liabilities	805	-	235	-	1,040
Subordinated debt	-	90,538	-	-	90,538
TOTAL LIABILITIES	20,036	138,386	7,783	61	166,266
OPEN POSITION	23,409	54,296	595	366	

	GEL	USD USD 1 = GEL 1.825	EUR EUR 1 = GEL 2.485	Other currency	2005 GEL thousand Total
ASSETS					
Cash and balances with the NBG	18,385	2,146	966	322	21,819
Securities held-for-trading	-	23,270	-	-	23,270
Loans and advances to banks, net	2	24,273	1,249	46	25,570
Loans to customers, net	200	115,700	-	-	115,900
Investments available-for-sale	92	-	-	-	92
Goodwill	11,615	-	-	-	11,615
Fixed and intangible assets, net	5,229	-	-	-	5,229
Other assets, net	880	1,100	17	181	2,178
TOTAL ASSETS	36,403	166,489	2,232	549	205,673
LIABILITIES					
Loans and advances from banks	263	220	-	-	483
Customer accounts	24,025	39,103	2,438	95	65,661
Provisions	205	-	-	-	205
Tax liabilities	166	-	-	-	166
Other liabilities	121	338	7	36	502
Subordinated debt	-	79,670	-	-	79,670
TOTAL LIABILITIES	24,780	119,331	2,445	131	146,687
OPEN POSITION	11,623	47,158	(213)	418	

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 estimations 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 undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Management Board of the Group 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.

Credit risk

The Bank 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. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers.

Limits on the level of credit risk by borrower are reviewed and approved by the Supervisory Board twice a year. Actual exposure per borrower against limits is monitored on new loans granted. The Credit Committee may initiate a change in the limits, however this must be approved by the Supervisory Board.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate guarantees. The credit risks are monitored on a continuous basis and are subject to annual or more frequent reviews, especially where no such security can be obtained.

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 the 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 loss in an amount equal to the total unused commitments. However, the likely amount of 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 credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Geographical concentration

The board of directors exercises control over the risk in the legislation and regulatory arena and assess its influence on the Group's activities. This approach allows the Group to minimize potential losses from investment climate fluctuations in Georgia.

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

	Georgia	OECD countries	Other non- OECD countries	2005 GEL thousand Total
ASSETS				
Cash and balances with the NBG	19,289	-	-	19,289
Loans and advances to banks, net	2,036	35,603	6,308	43,947
Loans to customers, net	162,575	-	-	162,575
Investments available-for-sale	92	-	-	92
Goodwill	10,873	-	-	10,873
Fixed and intangibles assets, net	6,410	-	-	6,410
Other assets, net	1,746	-	-	1,746
TOTAL ASSETS	203,021	35,603	6,308	244,932
LIABILITIES				
Loans and advances from banks	510	-	-	510
Customer accounts	73,711	-	-	73,711
Provisions	311	-	-	311
Tax liabilities	156	-	-	156
Other liabilities	1,040	-	-	1,040
Subordinated debt	90,538	-	-	90,538
TOTAL LIABILITIES	166,266	-	-	166,266
NET POSITION	36,755	35,603	6,308	
	Georgia	OECD countries	Other non- OECD countries	2004 GEL thousand Total
ASSETS				
Cash and balances with the NBG	21,819	-	-	21,819
Securities held-for-trading	-	-	23,270	23,270
Loans and advances to banks, net	5,735	16,987	2,848	25,570
Loans to customers, net	115,900	-	-	115,900
Investments available-for-sale	92	-	-	92
Goodwill	11,615	-	-	11,615
Fixed and intangibles assets, net	5,229	-	-	5,229
Other assets, net	2,178	-	-	2,178
TOTAL ASSETS	162,568	16,987	26,118	205,673
LIABILITIES				
Loans and advances from banks	483	-	-	483
Customer accounts	63,797	1,864	-	65,661
Provisions	205	-	-	205
Tax liabilities	166	-	-	166
Other liabilities	502	-	-	502
Subordinated debt	79,670	-	-	79,670
TOTAL LIABILITIES	144,823	1,864	-	146,687
NET POSITION	17,745	15,123	26,118	

29. JSC CARTU BANK'S SUPPLEMENTARY FINANCIAL INFORMATION

The income statement and balance sheet of the Bank are presented below. The investments in subsidiaries are accounted for at cost.

JSC CARTU BANK

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005	004
Interest income	18,126	8,168
Interest expense	(2,833)	(2,464)
NET INTEREST INCOME BEFORE ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	15,293	5,704
Allowance for impairment losses on interest bearing assets	(5,988)	(2,301)
NET INTEREST INCOME	9,305	3,403
Net gain on securities held for trading	2,865	2,935
Net gain/(loss) on foreign exchange operations	1,308	(1,206)
Fee and commission income	4,936	3,844
Fee and commission expense	(1,355)	(1,338)
Net gain on derecognition of investments held to maturity	-	442
Dividends received	422	-
Other income	654	894
NET NON-INTEREST INCOME	8,830	5,571
OPERATING INCOME	18,135	8,974
OPERATING EXPENSES	(8,274)	(7,057)
OPERATING PROFIT	9,861	1,917
(Allowance)/recovery of allowance for impairment losses on other and off balance sheet transactions	(244)	92
INCOME BEFORE INCOME TAX	9,617	2,015
Income tax expense	(2,589)	(1,364)
NET INCOME	7,028	651

JSC CARTU BANK

**BALANCE SHEET
AS AT 31 DECEMBER 2005**

	2005	2004
ASSETS		
Cash and balances with the National Bank of Georgia	19,289	21,819
Securities held-for-trading	-	23,270
Loans and advances to banks, net	43,947	25,570
Loans to customers, net	162,575	115,900
Investments in subsidiaries	1,227	1,227
Investments available-for-sale	92	92
Goodwill	10,873	11,615
Fixed and intangible assets, net	6,393	5,214
Other assets, net	1,648	2,100
TOTAL ASSETS	246,044	206,807
LIABILITIES AND EQUITY		
LIABILITIES:		
Loans and advances from banks	510	483
Customer accounts	75,564	67,489
Provisions	311	205
Income tax liabilities	156	166
Other liabilities	1,018	503
	77,559	68,846
Subordinated debt	90,538	79,670
Total liabilities	168,097	148,516
EQUITY:		
Share capital	54,716	42,088
Reserves	23,231	16,203
Total equity	77,947	58,291
TOTAL LIABILITIES AND EQUITY	246,044	206,807