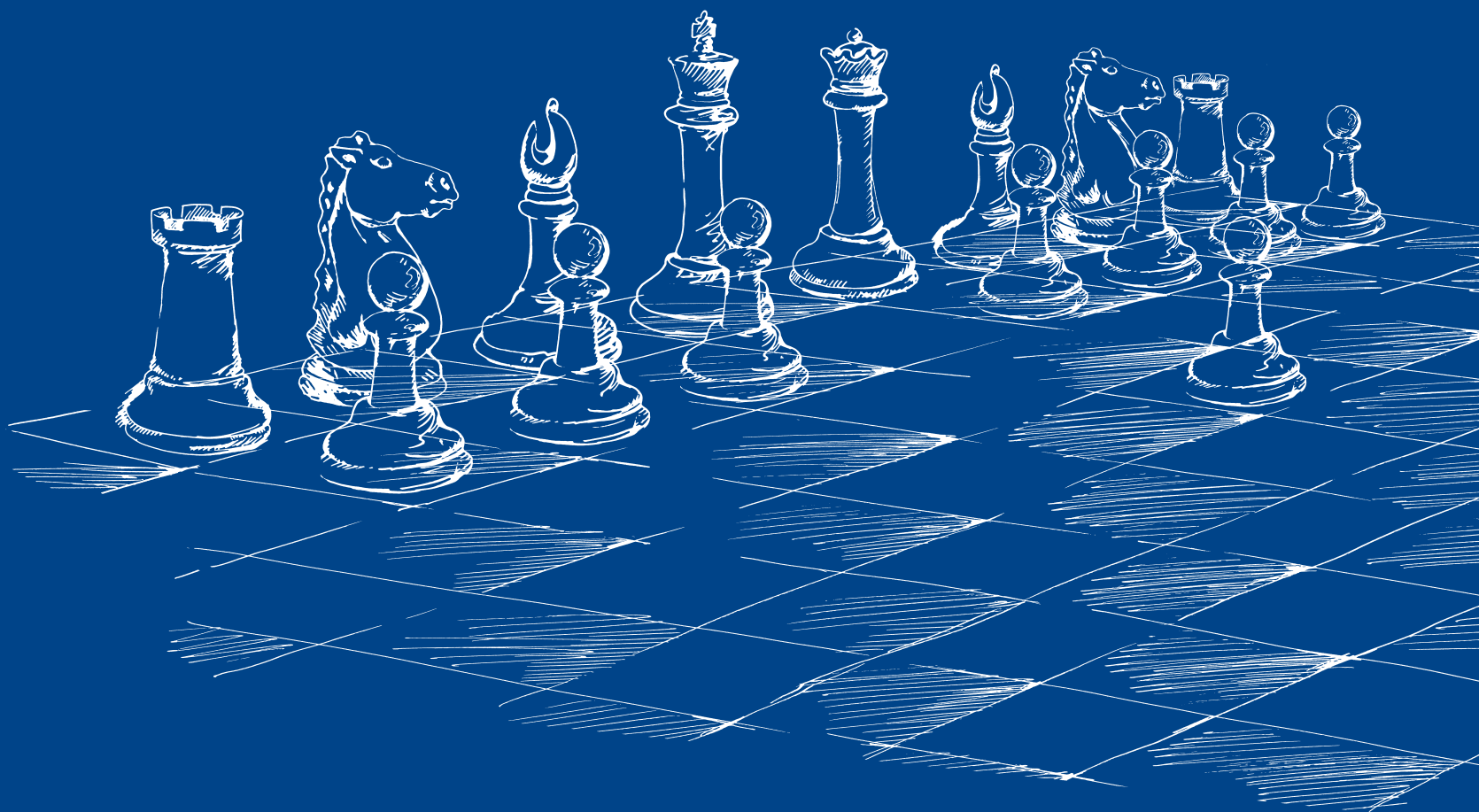


ქართული ანგარიშები 2006 Annual Report

ეფექტიური დებიუტი

Effective debut

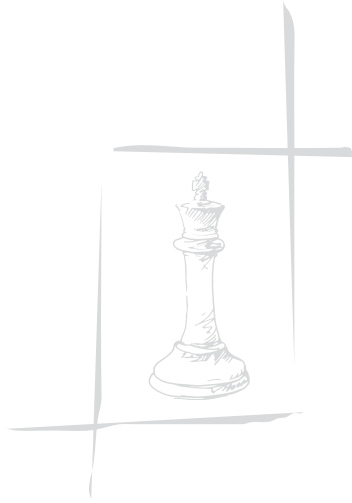


მიზანი და ხედვა
MISSION AND VISION

სარჩევი

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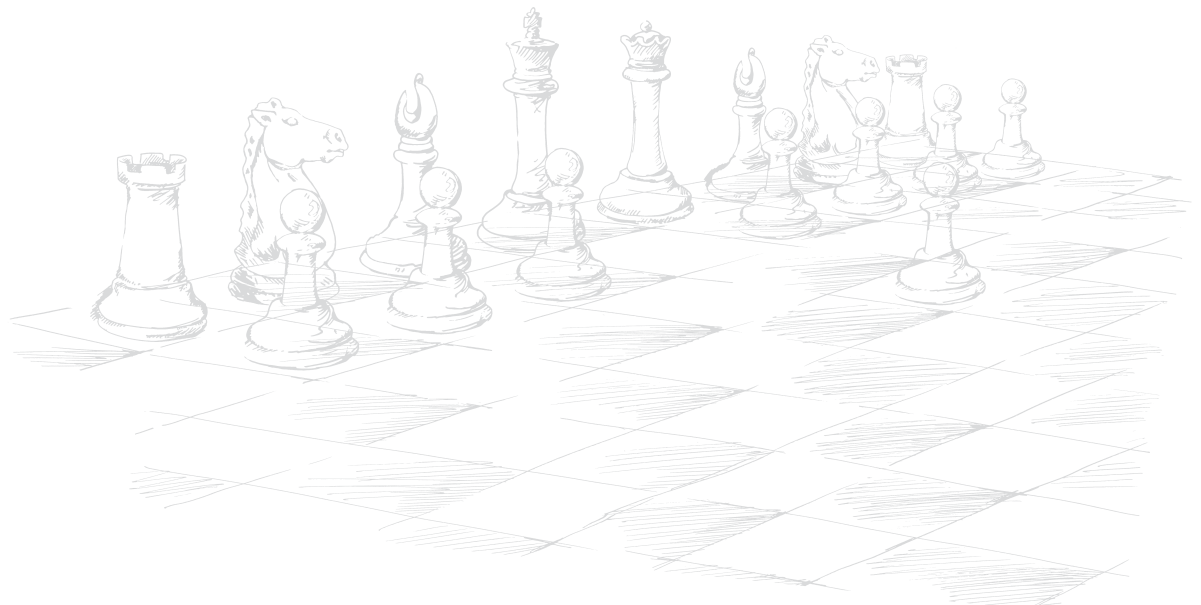


Հայաստանի Վճարում 2006 Annual Report

Նախագահի պարզաբան
ազդեցությունը մոնիթորինգի



*Statement of the Chairman
of the Supervisory Council*



პატივცემულო ქალბატონებო და ბატონებო,

საფინანსო ბაზარს საქართველოს მზარდ ეკონომიკაში მნიშვნელოვანი და ღირსეული ადგილი უკავია. მისი როლი ქვეყნის განვითარებაში, მზარდი ინვესტიციების მომსახურებაში, ახალი სამუშაო ადგილების შექმნასა და ბიუჯეტში შეტანილ გადასახადებში გამოიხატება.

2006 წელს საბანკო სექტორის განვითარების მნიშვნელოვანი წელი შეგვიძლია ვუწოდოთ.

კომერციული ბანკების მიერ წლის განმავლობაში გამოშვებული წმინდა მოგებამ 92 მილიონი ლარი შეადგინა და წინა წელთან ზრდის 33%-იანი მაჩვენებელი დააფიქსირა. აღნიშნული აისახა საბანკო სექტორის კაპიტალიზაციაზე, რაც უცხოური ბანკების დიდი ინტერესითა და შემოსვლით განმტკიცდა. საერთო შედეგში „ბანკმა ქართუმ“ თავისი მნიშვნელოვანი წვლილი შეიტანა 13 მლნ. ლარი წმინდა მოგებითა და სექტორში ROA-ს საუკეთესო მაჩვენებლით.

ჩვენი ბანკი საქართველოს ეკონომიკის ერთ-ერთი უდიდესი კრედიტორია.

ქვეყნის სტრატეგიული დარგების განვითარების ხელშეწყობა ჩვენი ბანკის პრიორიტეტია. სწრაფად განვითარებადი და ზრდადი სექტორი გვაძლევს შესაძლებლობას განვახორციელოთ მრავალი ახალი იდეა. ბანკის სტრუქტურა კონკურენტულ გარემოზეა მორგებული. ბანკის კლიენტებისა და აქციონერების კმაყოფილება, თანამშრომლების მოტივირებულობა და ინიციატივა, ბანკის განვითარების ტემპის ზრდა – მენეჯმენტის უმთავრესი ამოცანაა.

გვჯერა, რომ 2006 წელს ჩვენ მიერ განხორციელებული ძალისხმევა ბანკის განვითარებისათვის მნიშვნელოვან შედეგებს მოგვითანს მომავალში.

მინდა მადლობა გადავუხადო ჩვენი ბანკის კლიენტებსა და აქციონერებს, რომელთა მხარდაჭერა და სტრატეგიული მიზნები გვაძლევს საშუალებას, ჩვენი წვლილი შევიტანოთ ქვეყნის ეკონომიკაში.

Dear Ladies and Gentlemen,

The financial market accounts for a significant part of the growing Georgian economy. It plays a major role in contribution to the development of the country, increase in investment financing, creation of new job opportunities and tax payments in state budget.

The year 2006 can be hailed as a major year in the development of the banking sector.

The net profit generated by commercial banks during the year amounted to 92 mln. GEL, accounting for a 33% growth rate compared to the last year's similar parameter. This reflected on the capitalization of the banking sector, strengthened by growing interest and entry of foreign banks. Cartu Bank contributed significantly with its 13-mln. net profit and best ROA in the sector.

Our Bank is one of the largest creditors of the Georgian economy.

Providing support to the strategic industries necessary for the development of the country is our top priority.

The rapidly developing and expanding sector provides opportunities to consider a number of innovative ideas. The Bank structure is adjusted to the competitive environment.

The satisfaction of the Bank customers and shareholders, motivation and initiative of our employees is the core objective of the Management to step up the Bank development pace.

We believe that the efforts that we made in 2006 will result in significant development of the Bank in the future.

I'd like to thank our customers and shareholders whose support and strategic goals enable us to make our contribution to the national economy.

გიორგი ჩრდილელი
სამეთვალყურეო საბჭოს თავმჯდომარე

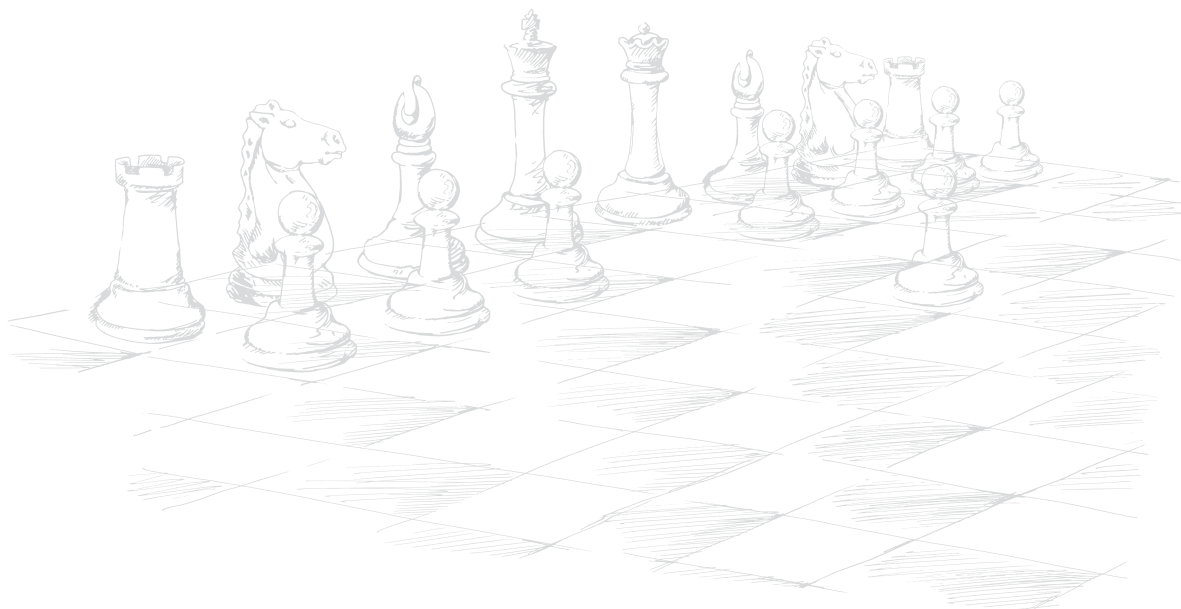


George Chrdileli
Chairman of the Supervisory Council

Հրեղին Կարո
Գործադիր Ինժեներ



Statement of the
General Director



პატივცემულო ქალბატონებო და ბატონებო,

გასული 2006 წელი „ბანკი ქართუსთვის“ საინტერესო და გამონწვევებით აღსავსე გახლდათ. შეგვიძლია თამამად განვაცხადოთ, რომ ჩვენი ბანკი სათანადოდ ხვდება და მიესალმება საბანკო სექტორში გაზრდილ კონკურენციას. ქვეყანაში უცხოური ინვესტიციების მზარდი ნაკადი, საბანკო სექტორში ცნობილი უცხოური ბანკების გამოჩენა და ქვეყანაში ბიზნესპროცესების ტემპის მნიშვნელოვანი ზრდა გვკარნახობს, რომ მხოლოდ სტაბილური განვითარებისა და პროგნოზირებადი შემოსავლიანობის უზრუნველყოფა ვეღარ იქნება ბაზარზე უმსხვილეს მოთამაშედ დარჩენის გარანტი. დგება უმნიშვნელოვანესი სტრატეგიული და ორგანიზაციული ცვლილებების საჭიროება.

სწორედ ამიტომ „ბანკი ქართუ“ 2006 წლის განმავლობაში მიზანმიმართულად ახორციელებდა კორპორატიული გარდაქმნების სტრატეგიულ გეგმას. ჩვენ დავისახეთ ამბიციური სტრატეგიული მიზანი – გავხდეთ ქართულ საბანკო სივრცეში გამორჩეული ინსტიტუტი, რომელიც კორპორაციულ კლიენტებს შესთავაზებს ყველაზე მაღალი ხარისხისა და ფართო სპექტრის ექსკლუზიურ მომსახურებას. ჩვენი მიზანია გავხდეთ იმას, რასაც კომერციული საბანკო მომსახურების ცნება გულისხმობს. ჩვენ წარმოვადგინეთ ყველა ჩვენი კლიენტის სტრატეგიულ პარტნიორს, რომელიც კლიენტთან ერთად უნისონში მოქმედებს, ხშირად გზამკვლევადაც ევლინება მას და მნიშვნელოვანი წვლილი შეაქვს თითოეული ბიზნესშესაძლებლობის წარმატებად გარდასახვის პროცესში.

მნიშვნელოვანი ყურადღება დავუთმეთ ბანკის შუა რგოლის მენეჯმენტის გაძლიერებას. შეიქმნა ახალგაზრდა მოტივირებულ ლიდერთა ჯგუფი, მიმდინარეობს ინტენსიური ტრენინგები ბანკის ყველა დონის თანამშრომლისთვის, განსაკუთრებული აქცენტი გაკეთდა კლიენტთა მომსახურების კულტურის ამაღლებაზე, დაიხვეწა შიდა კომუნიკაციების სისტემები.

2006 წლის ღირსეულად დასრულება და წამოწყებული პროექტების წარმატებით განხორციელება გვაძლევს მყარ საფუძველს, გავცეთ მკაფიო მესიჯი ჩვენი კლიენტებისათვის, ჩვენი ინვესტორებისათვის და ჩვენი გუნდის თითოეული წევრისათვის, რომ „ბანკი ქართუ“ თანამიმდევრულად გააგრძელებს ინსტიტუციონალური გაძლიერების პროგრამას, რაც ჩვენი კლიენტებისათვის წარმატებული განვითარებისა და სიმშვიდის, ხოლო ქვეყნის ეკონომიკისათვის აღმავლობის გარანტი იქნება.

Dear Ladies and Gentlemen,

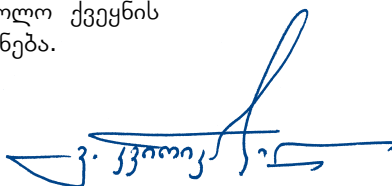
The past year 2006 was interesting and full of challenges for Cartu Bank. We can proudly say that our Bank is well-prepared to welcome the growing competition in the banking sector. The growing inflow of foreign investments in our country, the appearance of widely known foreign banks in the Georgian banking sector and a rapidly increasing pace of business processes in the nation send a message that only steady development and predictable profitability can no longer guarantee a sustained place of the largest player on the market. The need for crucial strategic and organizational changes has emerged.

Thus, in 2006 Cartu Bank purposefully implemented the strategic plan of corporate reforms. We have set an ambitious goal to become an outstanding institution in the Georgian banking sector, offering top quality and widest range of exclusive services to corporate customers. Our goal is to go beyond what is encompassed by the concept of commercial bank service. We serve as a strategic partner for our clients, thus we act in unison with them and often perform the role of a pioneer on the behalf of our customer and contribute significantly toward making each business opportunity a success.

We paid considerable attention to strengthening the mid-level management of the Bank. A team of motivated young leaders has been formed. Intensive trainings are conducted for the Bank employees of all levels, with particular emphasis on improved customer service culture. Internal communication systems have been streamlined.

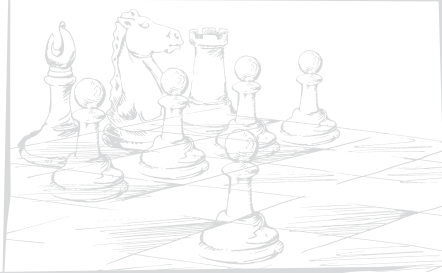
The successful completion of the year 2006 and implementation of the projects, launched before, provide us with a solid basis to deliver a clear message to our customers, our investors and each individual member of our team that Cartu Bank will consistently follow its institutional building program to guarantee the economic revival and welfare of our nation in general and peace and prosperity of our customers in particular.

გიორგი კვირიკაშვილი
გენერალური დირექტორი



George Kvirikashvili
Director General

მისია და ხედვა



Mission and Vision

მისია

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

ძირითადი ფასეულობები:

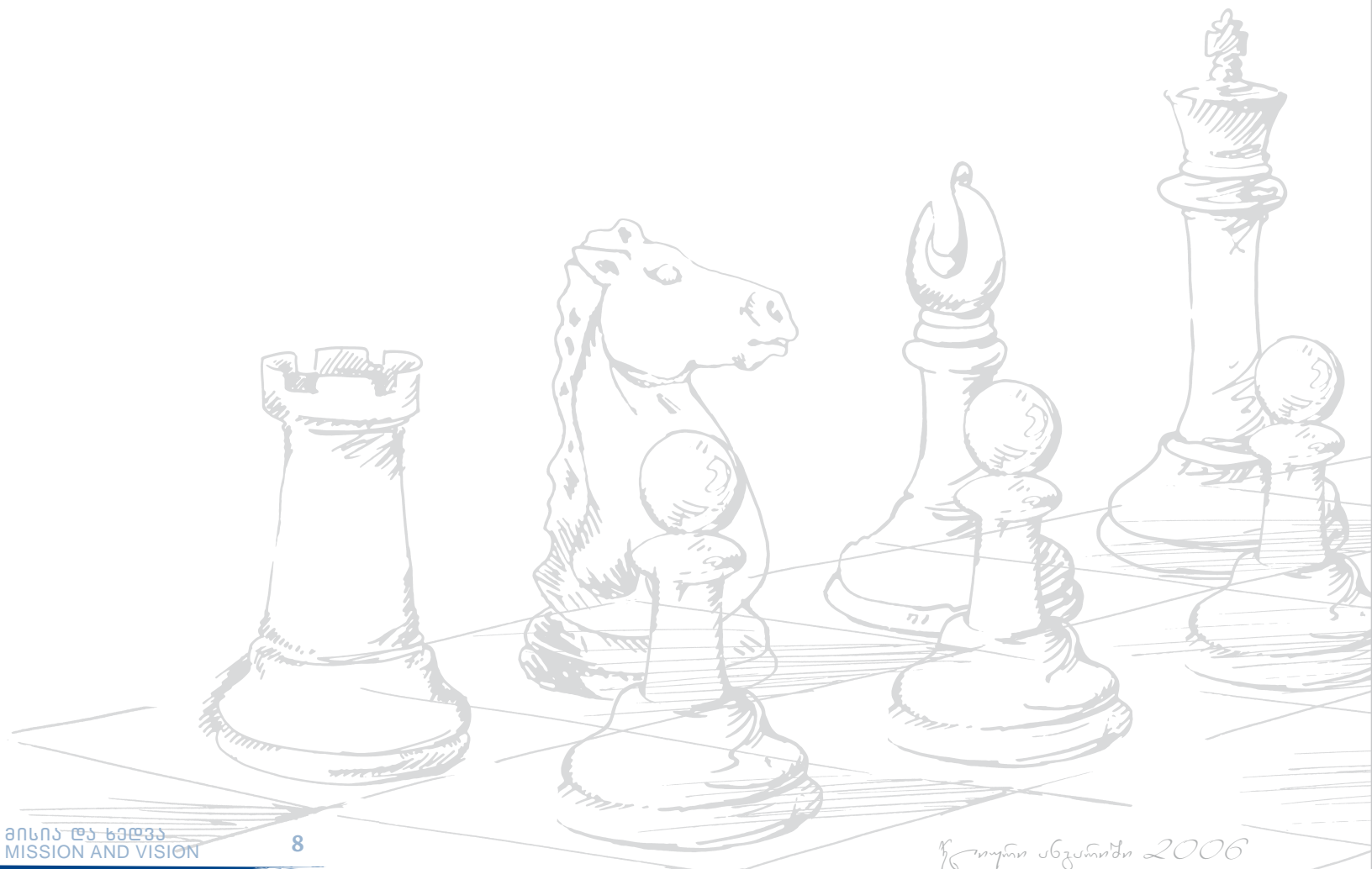
- მაღალი ხარისხის მომსახურება და მრავალფეროვანი საბანკო პროდუქტების სრულყოფილი პაკეტი;
- კლიენტების მაღალი ლოიალობა;
- კლიენტებისთვის შექმნილი თანამედროვე და ინოვაციური ფინანსური გადაწყვეტილებები;
- მაღალპროფესიონალი, მოტივირებული და წინსვლაზე ორიენტირებული თანამშრომლები.

Mission

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

Core values:

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



ხედვა

ჩვენ გვინდა „ბანკი ქართუ“ გახდეს გამორჩეული ფინანსური ინსტიტუტი:

- რომელიც შექმნის კორპორატიული კლიენტების ექსკლუზიური მომსახურების სტანდარტს საქართველოში;
- რომელიც აქტივების სიდიდით სტაბილურ ადგილს დაიკავებს საბანკო სისტემის ლიდერთა სამეულში;
- რომლის თანამშრომლებიც მაღალი კვალიფიკაციითა და მოტივაციით იქნებიან გამორჩეულნი;
- რომელიც განსაკუთრებულ წვლილს შეიტანს ქვეყნის ეკონომიკის ზრდაში, ბიზნესის განვითარებასა და მოსახლეობის ცხოვრების დონის გაუმჯობესებაში, რითაც სტაბილურად გაზრდის საკუთარ ღირებულებას როგორც აქციონერთათვის, ისე კლიენტებისა და მთლიანად საზოგადოებისათვის.

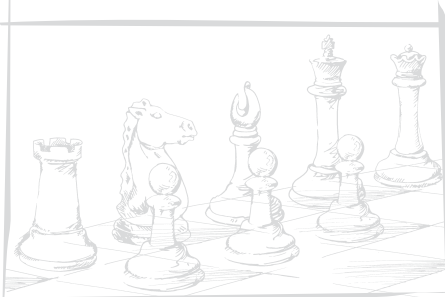
Vision

Cartu Bank aims to become an outstanding financial institution that will:

- Set exclusive standards for financial services for the leading corporate clients in Georgia;
- Gain strong position among the top three players of Georgian Banking Sector;
- Have highly qualified, motivated and committed team;
- Make substantial contribution to the growth of Georgian economy, development of businesses and improvement of living standards for the community. As the result, Bank will significantly increase its value for its shareholders as well as for the customers, employees and the whole society.



ბენეჭქმენცის სტრუქტურა



Management Structure

სამეთვალყურეო საბჭო

გიორგი ჩრდილელი

სამეთვალყურეო საბჭოს თავმჯდომარე

დავით კილურაძე

სამეთვალყურეო საბჭოს თავმჯდომარის მოადგილე

ზაზა მაჭარაშვილი

სამეთვალყურეო საბჭოს წევრი

Supervisory Board

GEORGE CHRDILELI

Chairman of Supervisory Board

DAVID KIGHURADZE

Deputy Chairman of Supervisory Board

ZAZA MACHARASHVILI

Member of Supervisory Board

უმაღლესი ბენეჭქმენცი

გიორგი კვირიკაშვილი

გენერალური დირექტორი

დიმიტრი ქუმსიშვილი

გენერალური დირექტორის პირველი მოადგილე

ნათო ხაინდრავა

გენერალური დირექტორის მოადგილე

Top Management

GEORGE KVIRIKASHVILI

Director General

DIMITRY KUMSISHVILI

First Deputy Director General

NATO KHAINDRAVA

Deputy Director General

ბენეჭქმენცი

ზურაბ გოგუა

საკრედიტო დეპარტამენტის დირექტორი

დავით რუსია

საკრედიტო დეპარტამენტის დირექტორის მოადგილე,
მსხველი ბიზნესის დაკრედიტების
განყოფილების უფროსი

ეკა კილაძე

სათაო ბანკის კლიენტთა მომსახურების
ცენტრის უფროსი

ნანა ქურიძე

პლასტიკური ბარათების მომსახურებისა და
პროცესინგის დეპარტამენტის დირექტორი

Management

ZURAB GOGUA

Director of Credit Department

DAVID RUSIA

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

EKA KILADZE

Head of Customer's Service Centre

NANA KURIDZE

Director of Plastic Cards' Service
and Processing Department

ეკატერინა სურმანიძე

სათაო ბანკის კლიენტთა მომსახურების ცენტრის უფროსის მოადგილე, იურიდიული პირების მომსახურების განყოფილების უფროსი

ნინო ცაცაძე

ფიზიკური პირების მომსახურების განყოფილების უფროსი

კახაბერ კაციტაძე

ბანკთაშორის ურთიერთობების დეპარტამენტის უფროსი

გიორგი ნოზაძე

საერთაშორისო საფინანსო ინსტიტუტებთან ურთიერთობის განყოფილების უფროსი

ნატალია კობეცი

დოკუმენტური ოპერაციების განყოფილების უფროსი

ნინო ადუაშვილი

საკორესპონდენტო ურთიერთობების განყოფილების უფროსი

რამაზ ქურდაძე

იურიდიული დეპარტამენტის დირექტორი

ირაკლი მარგველაშვილი

იურიდიული დეპარტამენტის დირექტორის მოადგილე

მანანა ნადირაძე

მთავარი ბუღალტერი

ლევან აბაშიძე

მცირე და საშუალო ბიზნესის დაკრედიტების განყოფილების უფროსი

გოჩა ჩიკვილაძე

უსაფრთხოების, საკასო, საინკასაციო და ადმინისტრაციული დეპარტამენტის დირექტორი

ნატალია შელეგია

მარკეტინგისა და საზოგადოებასთან ურთიერთობის განყოფილების უფროსი

გეგა მეთეფიშვილი

ახალი პროდუქტებისა და მეთოდოლოგიის განყოფილების უფროსი

EKATERINE SURMANIDZE

Deputy Director of Customer's Service Center

NINO TSETSDAZE

Head of Individual Service Unit

KAKHABER KATSITADZE

Head of Interbank Relations Department

GEORGE NOZADZE

Head of Relations with International Financial Institutions Unit

NATALIA KOBETSI

Head of Documentary Operations Unit

NINO ADUASHVILI

Head of Correspondent Banking Unit

RAMAZ KURDADZE

Director of Legal Service Department

IRAKLI MARGVELASHVILI

Deputy Director of Legal Service Department

MANANA NADIRADZE

Chief Accountant

LEVAN ABASHIDZE

Head of SME lending Unit

GOCHA CHIKVILADZE

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

NATALIA SHELEGIA

Head of Marketing and Public Relations Unit

GEGA METEPHISHVILI

Head of New Products and Methodology Unit

ირინა მუსერიძე

კადრების განყოფილების უფროსი

ზურაბ თევზაძე

ეკონომიკური ანალიზის დეპარტამენტის დირექტორი

ვლადიმერ ასათიანი

ეკონომიკური ანალიზის დეპარტამენტის დირექტორის მოადგილე, საგეგმო-ეკონომიკური განყოფილების უფროსი

დავით ქორიძე

ფინანსური მონიტორინგის განყოფილების უფროსი

ლავა სოფერია

შიდა აუდიტის დეპარტამენტის დირექტორი

გურამ მაჭარაშვილი

გენერალური დირექტორის მრჩეველი სამართლებრივ საკითხებში

ირაკლი ბერაია

სესხების ადმინისტრირების განყოფილების უფროსი

პაატა სიზანიშვილი

პრობლემური სესხების მართვის განყოფილების უფროსი

ბექა კვარაცხელია

რისკების მართვის განყოფილების უფროსი

დავით ზღუდაძე

ელ. კომერციის განყოფილების უფროსი

ზურაბ აზარაშვილი

პლასტიკური ბარათების ოპერირების განყოფილების უფროსი

მორის ჯიბუტი

საინფორმაციო ტექნოლოგიების დეპარტამენტის დირექტორი

ზურაბ კერძევაძე

საბანკო პროდუქტებისა და ქსელების განყოფილების უფროსი

ალექსანდრე ქეთიშვილი

პლასტიკური ბარათების პროცესინგის განყოფილების უფროსი

ბექა ლევანიშვილი

პროგრამული უზრუნველყოფის განყოფილების უფროსი

გიორგი ჯანაშვილი

ტექნიკური უზრუნველყოფის განყოფილების უფროსი

რუსუდან დოლიძე

საკასო მომსახურებისა და ფასეულობის განყოფილების უფროსი

მიხეილ მერაბიშვილი

ინკასაციის განყოფილების უფროსი

IRINA MUSERIDZE

Head of Human Resources Unit

ZURAB TEVZADZE

Director of Economic Analyzes Department

VLADIMER ASATIANI

Deputy Director of Economic Analyzes Department, Head of Planning and Economy Unit

DAVID KORIDZE

Head of Financial Monitoring Unit

LASHA KHOPERIA

Director of Internal Audit Department

GURAM MACHARASHVILI

Advisor of Director General in Law Issues

IRAKLI BERAIA

Head of Credit Administration Unit

PAATA KHIZANISHVILI

Head Bed Debts Monitoring Unit

BEKA KVARATSKHELIA

Head of Risk Managements Unit

DAVID ZGUDADZE

Head of E-Commerce Unit

ZURAB AZARASHVILI

Head of Plastic Cards' Processing Unit

MORIS JIBUTI

Director of IT Department

ZURAB KERDZEVADZE

Head of Banking Products and Network Unit

ALEXANDER KETISHVILI

Head of Plastic Card's IT Unit

BEKA LEVANISHVILI

Head of Software Unit

GEORGE JANEZASHVILI

Head of Technical Software Unit

RUSUDAN DOLIDZE

Head of Cash Desk Services and Valuables Unit

MICHAEL MERABISHVILI

Head of Cash Collection Unit

გიორგი ტრიპოლსკი

ხაზინის უფროსი

GEORGE TRIPOLSKI

Head of Assets/Liabilities Unit

ზურაბ რუსიშვილი

გენერალური დირექტორის თანამშემწე

ZURAB RUSISHVILI

Assistant of Director General

ზვიად ხუხუნაშვილი

ფასიანი ქაღალდების განყოფილების უფროსი

ZVIAD KHUKHUNASHVILI

Head of Securities Unit

დავით წულუკიძე

სამეურნეო განყოფილების უფროსი

DAVID TSULUKIDZE

Head of General Service Unit

ფილიალების მმართველები

Branch Directors

ქეთევან ონეზაშვილი

ვაკის სერვისცენტრის უფროსი

KETEVAN ONEZASHVILI

Head of Vake Service Center

დავით გიორგაძე

მთაწმინდის ფილიალის დირექტორი

DAVID GIORGADZE

Director of Krtsanisi-Mtatsminda Branch

გიორგი მიქაბერიძე

ბათუმის ფილიალის დირექტორი

GEORGE MIKABERIDZE

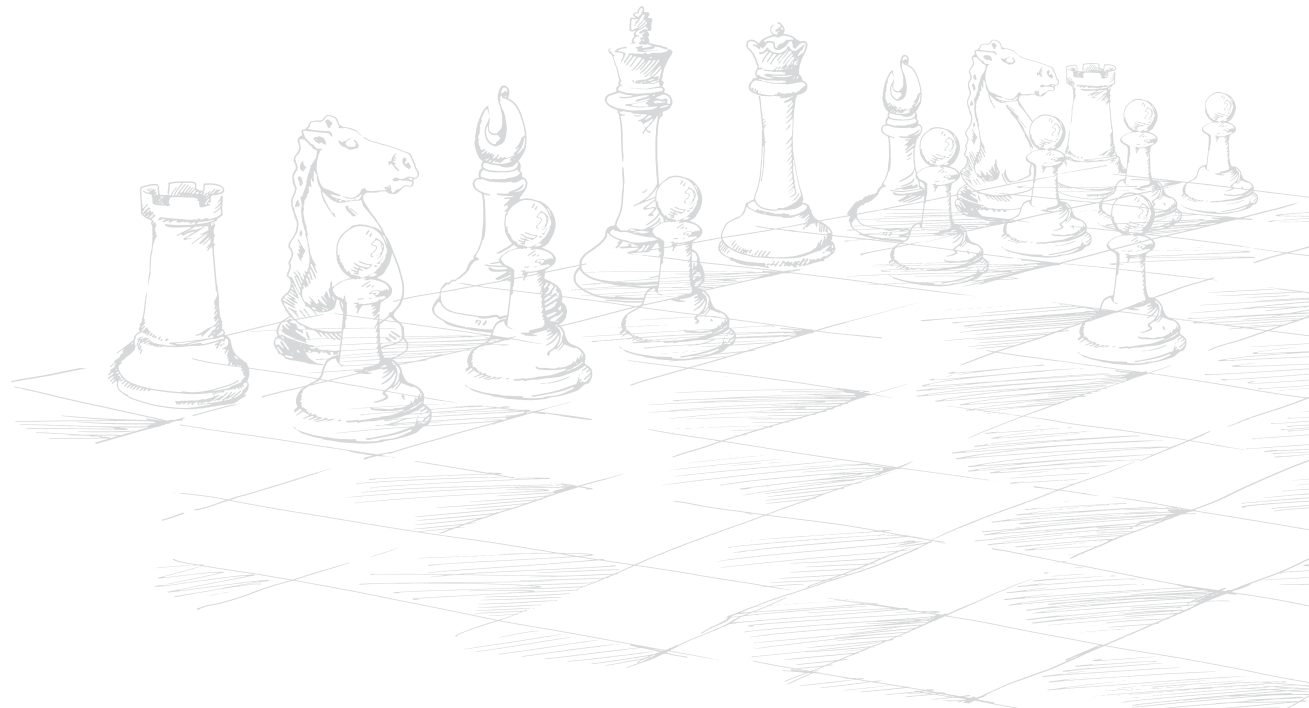
Director of Batumi Branch

ტარიელ თუთარაშვილი

ქუთაისის ფილიალის დირექტორი

TARIEL TUTARASHVILI

Director of Kutaisi Branch



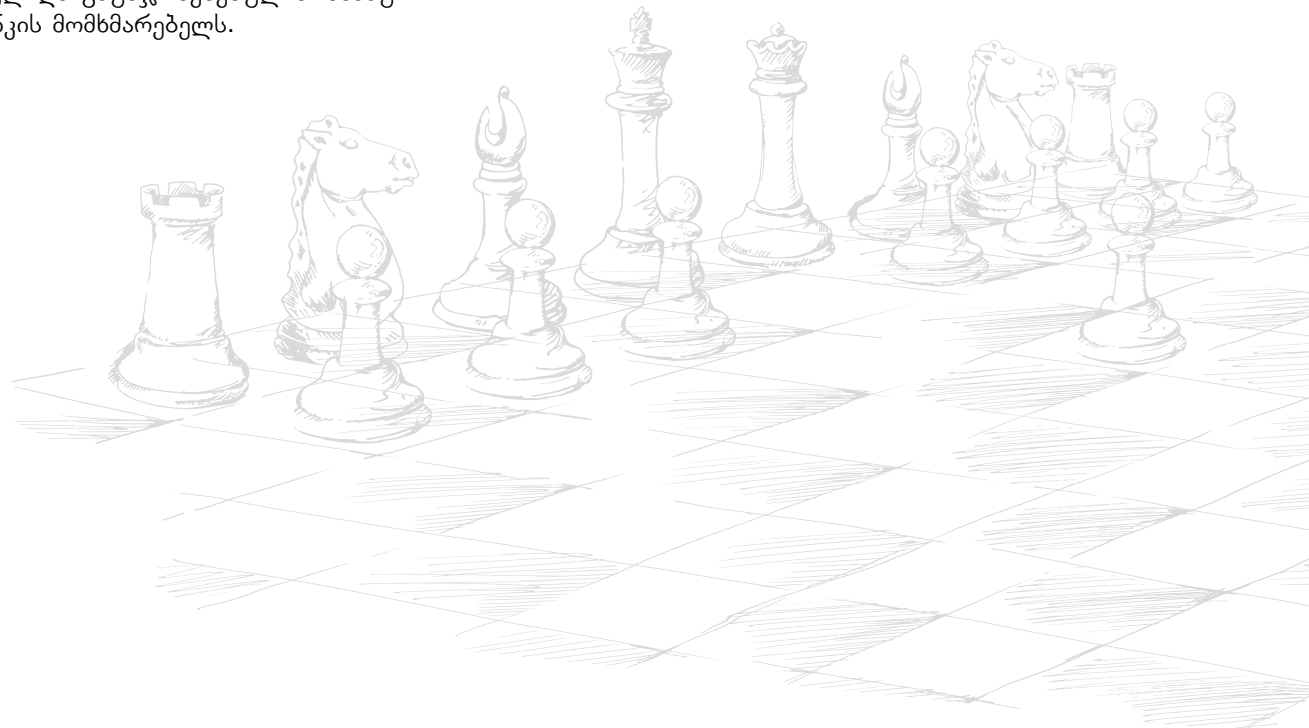
ბანკის განვითარების ისტორია



Bank Development History

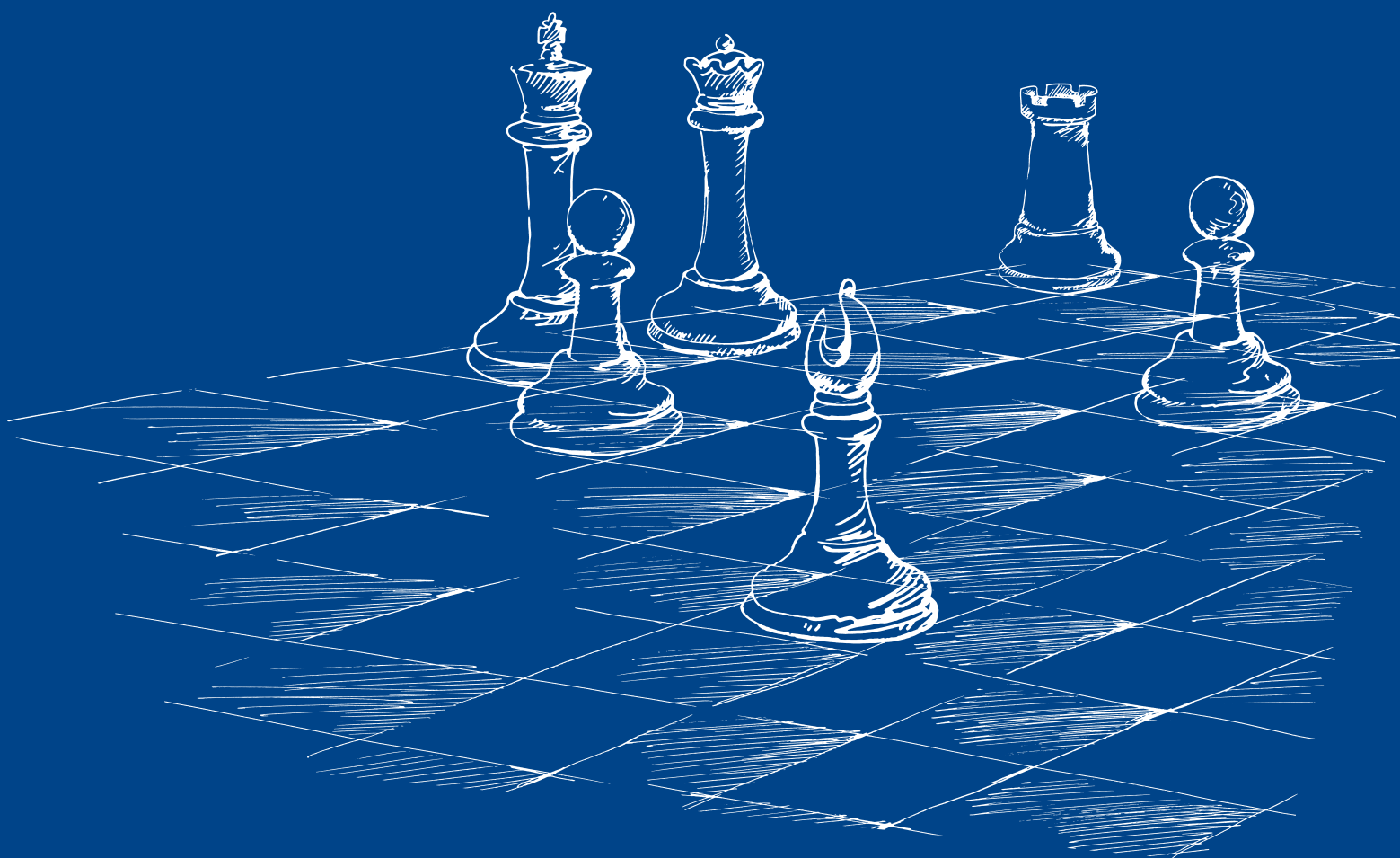
- 1996 წლის 1 ნოემბერს დაფუძნდა სააქციო საზოგადოება „ბანკი ქართუ“.
- 1997 წლის 9 იანვარს სააქციო საზოგადოება „ბანკმა ქართუმ“ საბანკო საქმიანობის გენერალური ლიცენზია მიიღო.
- 1997 წლიდან „ბანკი ქართუ“ SWIFT-ის საერთაშორისო სისტემაში განეწვინა.
- 1998 წელს ბანკმა მიიღო ლიცენზია ძვირფას ლითონებთან და ქვებთან დაკავშირებული ოპერაციების წარმოებაზე.
- 1998 წელს ბანკმა საქართველოს ფასიანი ქაღალდების გამოშვების ლიცენზია მიიღო.
- 2000 წლის იანვრიდან ბანკი თავის კლიენტებს სთავაზობს სწრაფ ფულად გზავნილებს პოპულარული სისტემით – Western Union-ი.
- 2001 წლის აპრილში „ბანკმა ქართუმ“ შეისყიდა სს „აბსოლუტბანკის“ აქტივ-პასივების ნაწილი. „ბანკმა ქართუმ“ „აბსოლუტბანკისგან“ შეიძინა საბარათე ბიზნესის სრული პაკეტი და საპროცესინგო ცენტრის მფლობელი გახდა.
- 2001 წლის აპრილში საერთაშორისო საბარათო სისტემა VISA International-მა „ბანკ ქართუს“ ვიზა საერთაშორისო სისტემის ძირითადი წევრის სტატუსი მიანიჭა.
- 2002 წლის აპრილში ბანკმა MasterCard-თან კონტრაქტს მოაწერა ხელი და Europay-ს, 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 ბიზნესრეიტინგმა „ბანკი ქართუ“ და მისი ხელმძღვანელი საქართველოს 21 საუკეთესო კერძო კომპანიათა შორის დაასახელა.
- 2003 წელს ბანკმა მოიპოვა AMERICAN EXPRESS ბარათების მომსახურების უფლება.
- 2003 წელს ბანკმა დაიწყო მასტერქარდ ბარათების გამოშვება მასტერქარდის საერთაშორისო საგადასახადო სისტემაში.
- 2004 წელს, სერტიფიცირების შემდეგ, „ბანკ ქართუს“ საქართველოს სავაჭრო და მომსახურების ობიექტებში მასტერქარდის პლასტიკური ბარათების მომსახურების უფლება მიენიჭა.
- 2004 წელს ბანკმა პარტნიორ ბანკებთან ერთად დანერგა ახალი საბანკო პროდუქტი – ფულადი გზავნილები „სწრაფი ფოსტა“.
- On November 1, 1996 Joint-Stock Company Cartu Bank was founded.
- On January 9, 1997, Joint-Stock Company Cartu Bank obtained the General License for Banking.
- In 1997, Cartu Bank became a member of SWIFT international system.
- In 1998, the Bank obtained the license for conducting of the transactions involving precious metals and stones.
- In 1998, the Bank obtained the license for issuing securities.
- Since January 2000, the Bank has been offering its customers fast money transfer services by means of a popular system called Western Union.
- In April 2001, Cartu Bank purchased assets and liabilities of JSC Absolute Bank. Cartu Bank acquired a full package of card business from Absolute Bank, becoming a holder of a processing center.
- In April 2001, VISA International, an international card system, accorded Cartu Bank the status of a principal member of VISA International.
- In April 2002 the Bank signed a contract with MasterCard, becoming a principal member of Europay, an international payment system.
- In 2002, for the first time in Georgia, Cartu Bank and Diners Club International payment system signed a general agreement on card services.
- In 2002, in its traditional business rating, “Georgian Times”, a media holding, named Cartu Bank and its leader among the best 21 Georgian private companies.
- In 2003 the Bank has been authorized to serve AMERICAN EXPRESS cards.
- In 2003, the Bank started issuing MasterCards within MasterCard International Payment System.
- In 2004, after certification, Cartu Bank obtained the right to serve MasterCards in Georgian trade and service facilities.
- In 2004 jointly with its partner banks, Cartu Bank introduced a new bank product – money transfers – “Fast Mail”.
- On November 28, 2005 Cartu Bank opened its branch in Batumi.
- In 2005, Cartu Bank introduced Internet banking.
- In November 2005, Cart Bank completed certification of the Electronic Commerce Project with VISA International.
- In 2006, Cartu Bank signed a Credit Line Agreement with EBRD (European Bank for Reconstruction and Development).
- On November 24, 2006, the Bank launched SMS information service to promptly inform the Bank customers, both old and new, on any innovation in the Bank.

- 2005 წლის 28 ნოემბერს გაიხსნა სს „ბანკი ქართუს“ ბათუმის ფილიალი.
- 2005 წელს დაინერგა ინტერნეტ ბანკინგი.
- 2005 წლის ნოემბერში „ბანკმა ქართუმ“ დაასრულა VISA International-თან ელექტრონული კომერციის პროექტის სერტიფიკაცია.
- 2006 წელს „ბანკმა ქართუმ“ ხელი მოაწერა EBRD-თან (ევროპის რეკონსტრუქციისა და განვითარების ბანკი) ხელშეკრულებას საკრედიტო ხაზის გამოყოფის შესახებ.
- 2006 წლის 24 ნოემბრიდან ბანკში დაინერგა მოკლე ტექსტური შეტყობინებებით (SMS) ინფორმაციის გავრცელების სერვისი, რისი მეშვეობითაც ბანკში დარეგისტრირებული ყველა ძველი და ახალი კლიენტი ოპერატიულად შეიტყობს ბანკის ნებისმიერი სიახლის შესახებ.
- 2006 წლიდან „ბანკი ქართუ“ აწარმოებს გადარიცხვებს Money Express-ის, ანელიკისა და უნისტრიმის მეშვეობით.
- 2006 წლის 28 აპრილს „ბანკმა ქართუმ“ ხელი მოაწერა EBRD-თან ხელშეკრულებას ვაჭრობის დაფინანსების ხელშეწყობის საგარანტიო ხაზის გამოყოფის შესახებ და მას შემდეგ მჭიდროდ თანამშრომლობს დოკუმენტურ ოპერაციებთან მიმართებით.
- 2006 წლის 20 დეკემბერს გაიხსნა ვაკის სერვისცენტრი, რომელიც განახლებულ და გაუმჯობესებულ მომსახურებას სთავაზობს ბანკის მომხმარებელს.
- In 2006 Cartu Bank started to perform money transfers by means of Money Express, ANELIK and UNISTREAM.
- On April 28, 2006, Cartu Bank and EBRD signed an agreement allocation of a guarantee line to support trade financing and since then Cartu Bank has been closely cooperating with such customers, particularly in terms of documentary operations.
- On December 20, 2006, Cartu Bank opened its Vake Service Center, offering innovated and improved services to the Bank customers.



ზუსტი გათვლა

Accurate projection



სამომავლო გეგმები
FUTURE PLANS

ფინანსური შედეგები



Financial Results

ფინანსური მიღწევები და მახვერებლები

აქტივ-პასივების სტრუქტურის დინამიკა

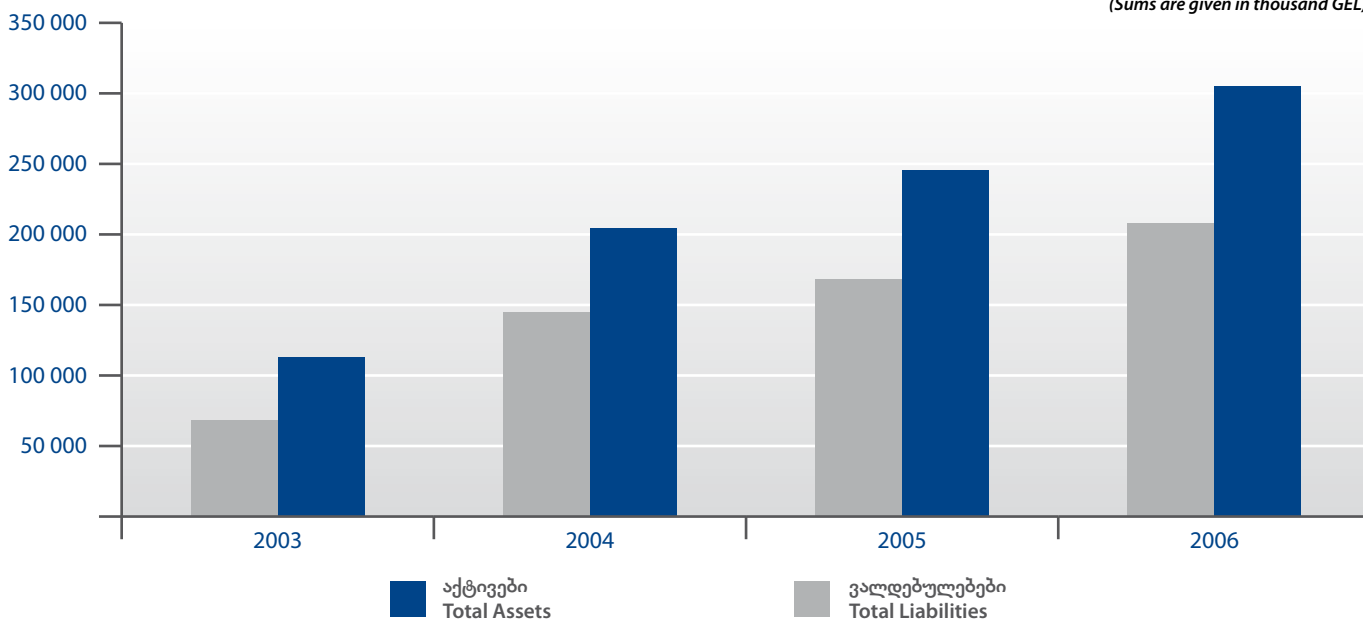
2006 წლის განმავლობაში ბანკის მთლიანი აქტივები სტაბილურად მატულობდა და წლის ბოლოს 302.0 მლნ. ლარი შეადგინა. წინა წელთან შედარებით, ეს მაჩვენებელი 57 მლნ. ლარით, ანუ 23%-ით გაიზარდა. აქტივების სვედრითი წილი სექტორის აქტივების 7.3%-ს უდრის, ვალდებულებებისა კი – 6.4%-ს.

Financial Achievements and Indicators

Dynamics in Assets-Liabilities Structure

The year 2006 saw a stable growth in the Bank's total assets to reach 302.0 mln. GEL at the end of the year. Compared to the previous year, the figure increased by 57 mln. GEL, i.e. 23%. The share of the Bank's assets accounts for 7.3% of the assets and that of liabilities accounts for – 6.4% of the liabilities of the banking sector.

(თანხები მოცემულია ათას ლარებში)
(Sums are given in thousand GEL)

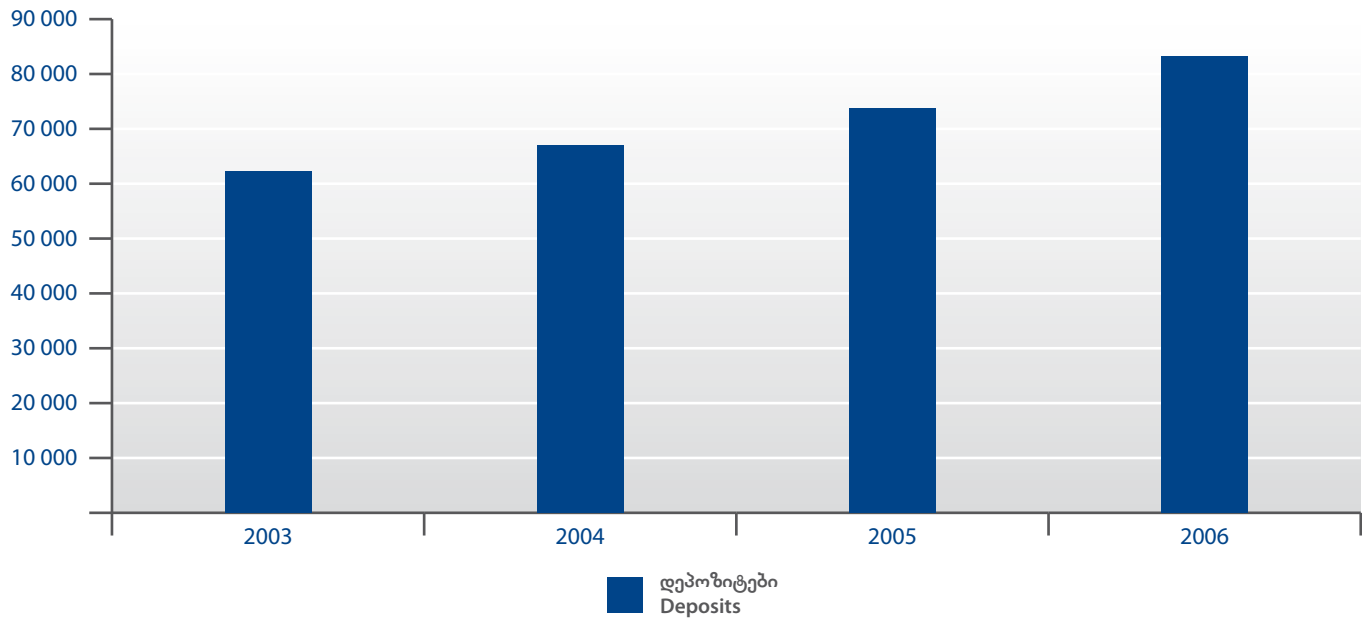


დეპოზიტების დინამიკა

2006 წლისთვის „ბანკი ქართუს“ დეპოზიტებმა მოიმატა 8.6 მლნ. ლარით.

Dynamics in Deposits

In 2006 the deposits of Cartu Bank increased by 8.6 mln GEL.

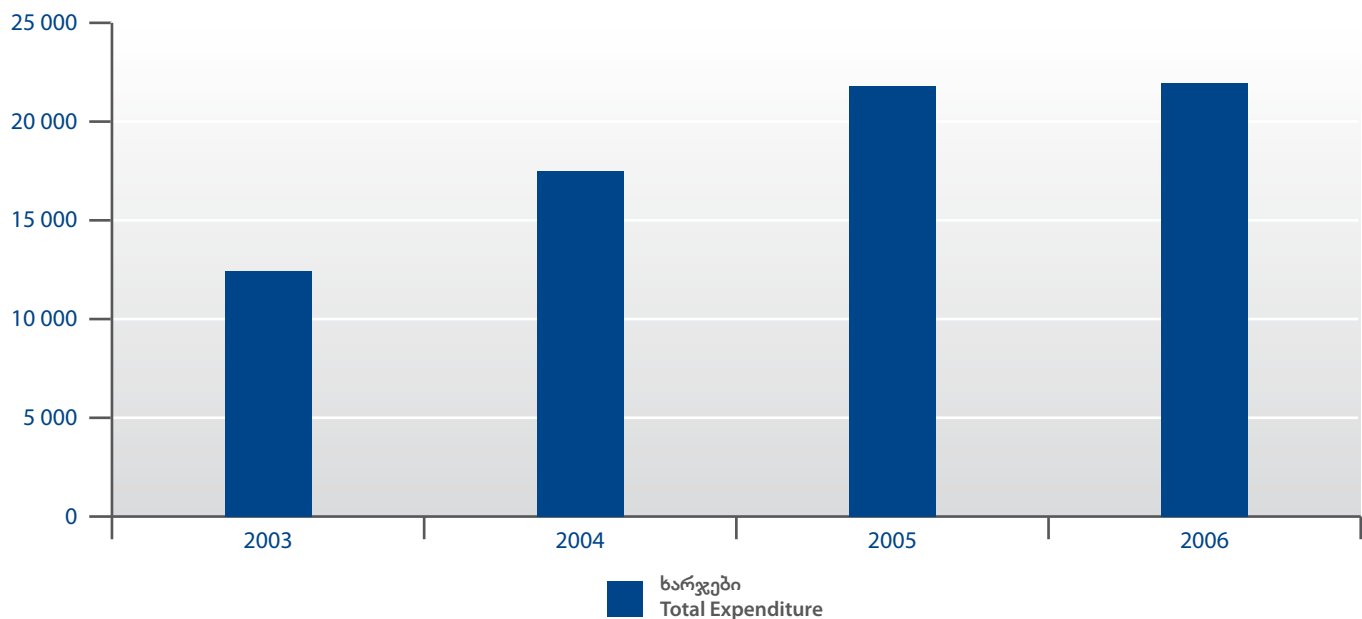


2006 წლის განმავლობაში განეული ხარჯები

2006 წლის განმავლობაში ბანკის მიერ განეული ხარჯები ინარჩუნებდა სტაბილურობას შემოსავლებთან მიმართებით.

The expenses incurred in 2006

The expenses incurred by the bank in 2006 remained stable in relation to the revenues earned.

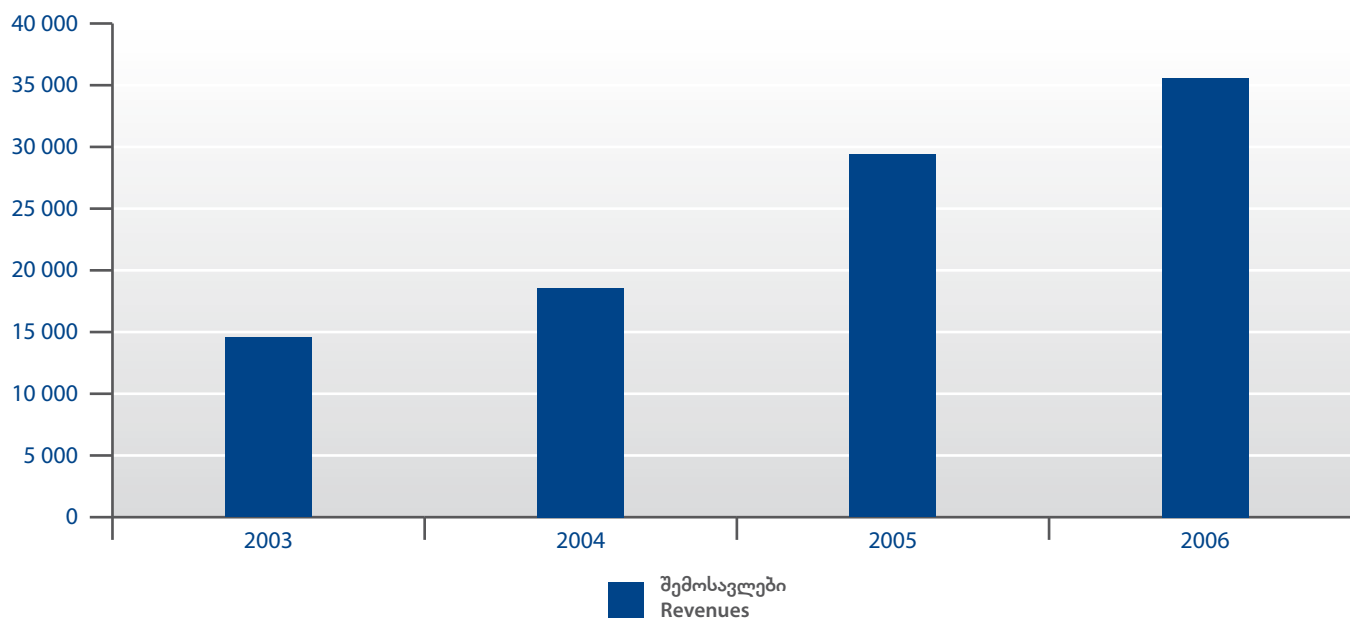


შემოსავლების დინამიკა (2003-2006)

2006-ში ბანკის მთლიან შემოსავლებში სტაბილურად გრძელდება 2004-2005 წლების ზრდის ტენდენცია და შემოსავალმა 35,3 მლნ. ლარს მიაღწია.

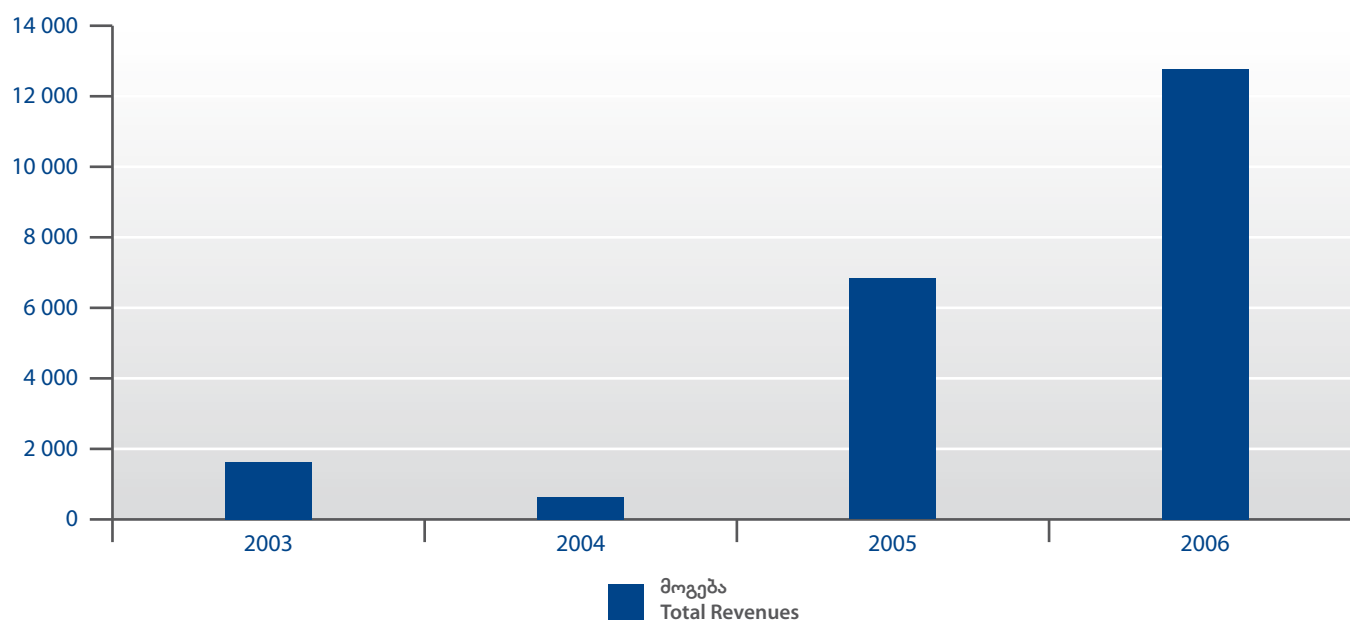
Dynamics in Revenues (2003-2006)

The year 2006 was a stable continuation of the 2004-2005 growth trends in the total revenues of the bank, amounting to 35,3 mln. GEL at the end of the year.



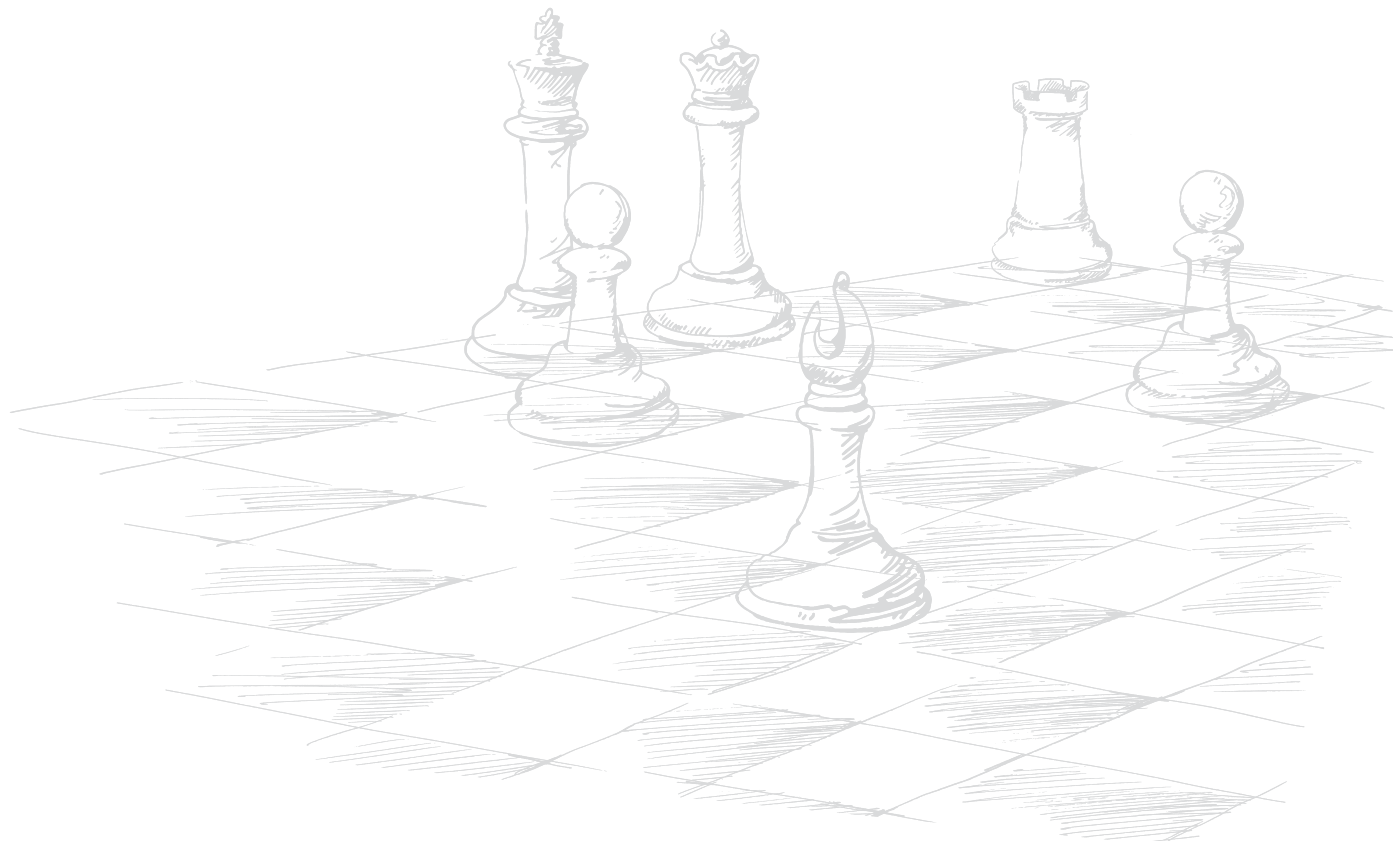
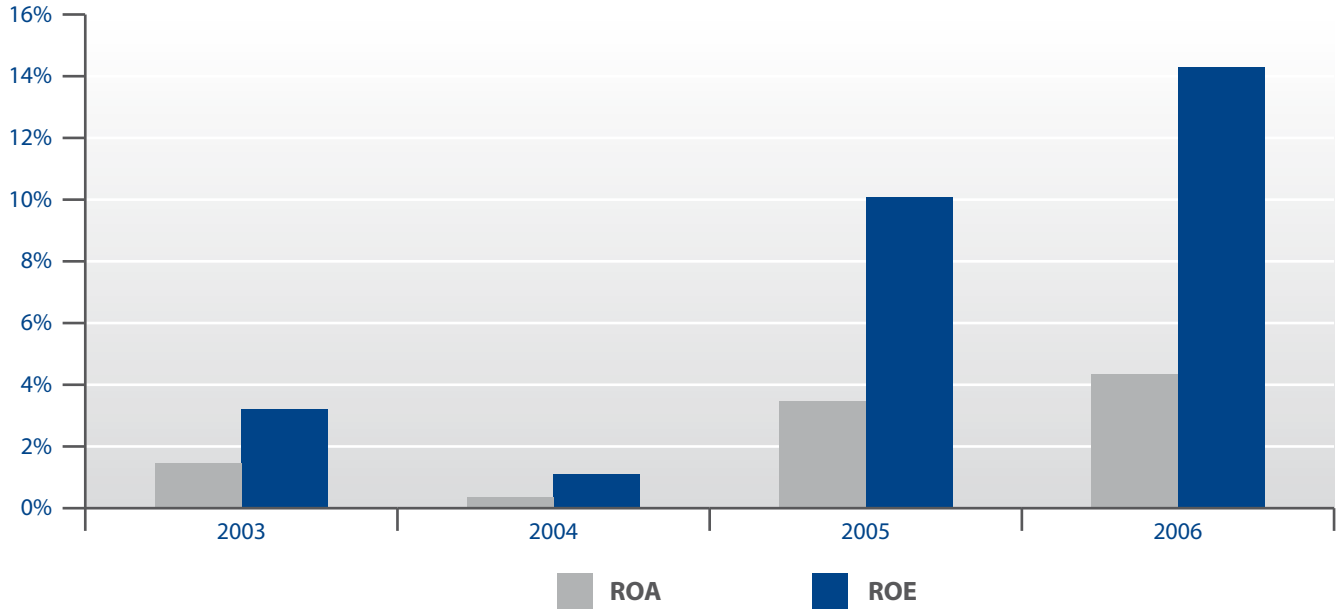
გასული საფინანსო წლის განმავლობაში წმინდა მოგებამ 13 მლნ. ლარი შეადგინა.

The net profit of the past financial year amounted to 13 mln. GEL.



კაპიტალის შემოსავლიანობა და აქტივების შემოსავლიანობა
(2003-2006)

Return on Equity (ROE) and Return on Assets (ROA)
(2003-2006)



საკრედიტო პორტფელი

2006 წლის განმავლობაში „ბანკ ქართუში“ მნიშვნელოვანი ნაბიჯები გადაიდგა კორპორატიული კლიენტების ბაზის გაფართოებასა და მომსახურების ხარისხის ამაღლებისთვის. კერძოდ, საკრედიტო პორტფელის მოცულობამ 235,9 მლნ. ლარს გადააჭარბა და წინა წელთან შედარებით 36.9%-ით გაიზარდა. წმინდა სესხებმა მთლიანი სესხების 97% და ბანკის წმინდა აქტივების 75% შეადგინა.

საანგარიშო პერიოდის ბოლოს ბანკის საკრედიტო პორტფელის საშუალო შენონილმა პროცენტმა წლიური 13.47% შეადგინა.

2006 წლის განმავლობაში „ბანკ ქართუში“ აქცენტი გაკეთდა საკრედიტო დეპარტამენტის მუშაობის ისეთ საბაზისო საკითხებზე, როგორცაა: გამოცდილი და პერსპექტიული კადრების მოზიდვა, არსებული კადრების შენარჩუნება-გადამზადება, დეპარტამენტის სტრუქტურული მოდერნიზაციის ვარიანტების შემუშავება. შემუშავდა ერთიანი საკრედიტო სტანდარტები და დოკუმენტირების სისტემა.

2006 წელს გაიზარდა ბანკის აქტიურობა გრძელვადიანი დაკრედიტების კუთხით და ერთ წელზე მეტი ვადით გაცემული სესხების მოცულობამ მთლიანი სესხების 82% შეადგინა.

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

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

საკრედიტო საქმიანობის კუთხით, ბოლო ორი წლის განმავლობაში „ბანკი ქართუს“ მიერ არჩეული იყო, ძირითადად, სამი პრიორიტეტული სექტორი: მრეწველობა, ვაჭრობა და მომსახურება. 2006 წელს დაფინანსების პრიორიტეტულ დარგებად გამოიკვეთა მრეწველობის სექტორი.

Credit Portfolio

In 2006, Cartu Bank made important steps to increase corporate customer base and improve service quality. In particular, the credit portfolio exceeded 235,9 mln.GEL, marking a 36.9% growth compared to the previous year. The net loans accounted for 97% of the total loans and 75% of the net assets of the Bank.

At the end of the fiscal year, the average annual weighed interest of the credit portfolio of the Bank accounted for 13.47%.

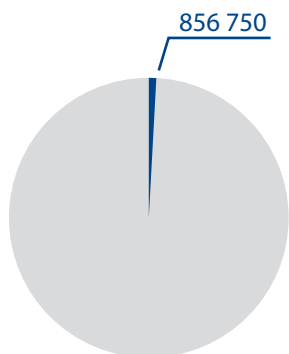
In 2006, Cartu Bank focused on such areas in the work of the credit department as: recruitment of new, experienced and promising staff, sustaining and training of the existing staff, development of the versions of structural modernization of the department. Unified credit standards and documentation system were developed.

In 2006 the Bank intensified its efforts toward long-term crediting – the volume of loans granted for longer than 1 year accounted for 82% of the total loans granted.

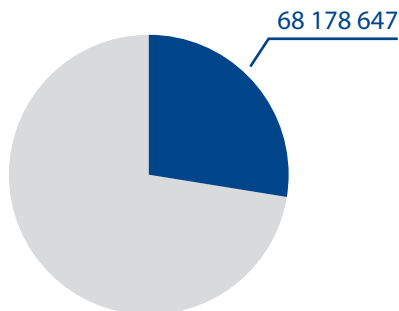
Thanks to the flexible credit policy of Cartu Bank, a large number of important projects were implemented in Tbilisi as well as in regions, resulting in a market growth in the number of borrowers.

At this point, Georgia attributes great importance to import-substituting and export-oriented production financing as the national priority is to activate a domestic industrial potential and promote its further development. Therefore, Cartu Bank remains one of the largest creditors to the Georgian industry.

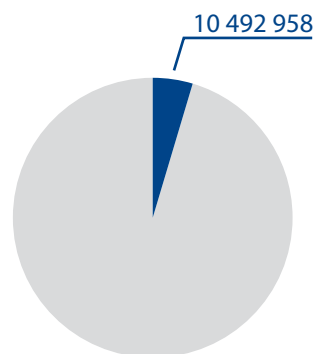
In terms of crediting, for the last two years Cartu Bank has basically focused on the following three priority sectors: industry, trade and service. In 2006, industry stood out as a priority sector for financing.



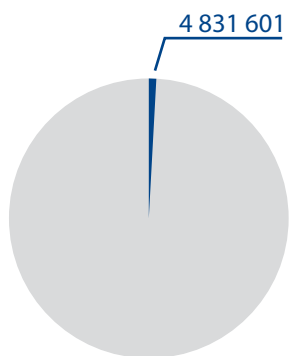
ბანკთაშორისი სესხები
Interbank Loans



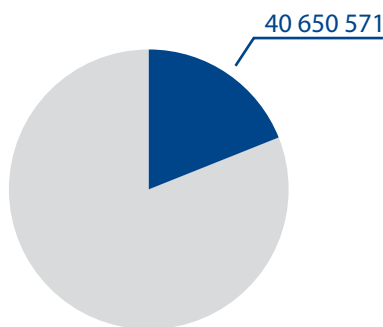
ვაჭრობისა და მომსახურების
სექტორზე გაცემული სესხები
Loans to Trades and Services Sector



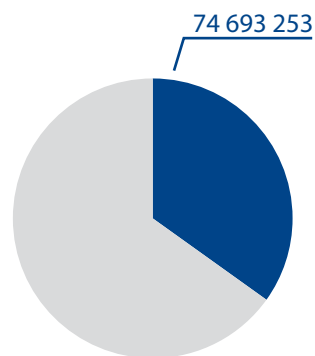
ენერჯეტიკის სექტორზე
გაცემული სესხები
Loans to Energy Sector



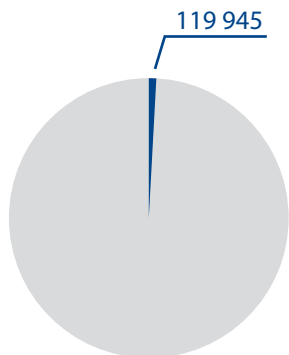
სოფლის მეურნეობისა და
მეტყევეობის სექტორზე გაცემული სესხები
Loans to Agricultural and Forestry Sector



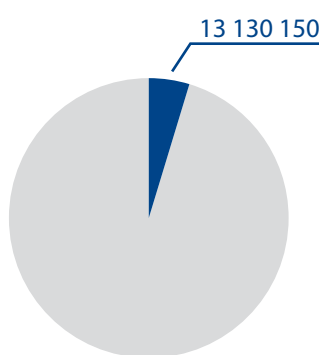
მშენებლობის სექტორზე
გაცემული სესხები
Loans to Construction Sector



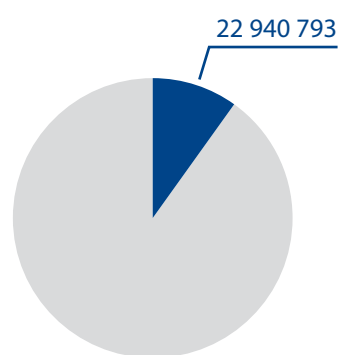
მრეწველობის სექტორზე
გაცემული სესხები
Loans to Industry Sector




ტრანსპორტისა და კავშირგაბმულობის
სექტორზე გაცემული სესხები
Loans to Transport and Communication Sector



ფიზიკურ პირებზე
გაცემული სესხები
Loans to Individuals Sector

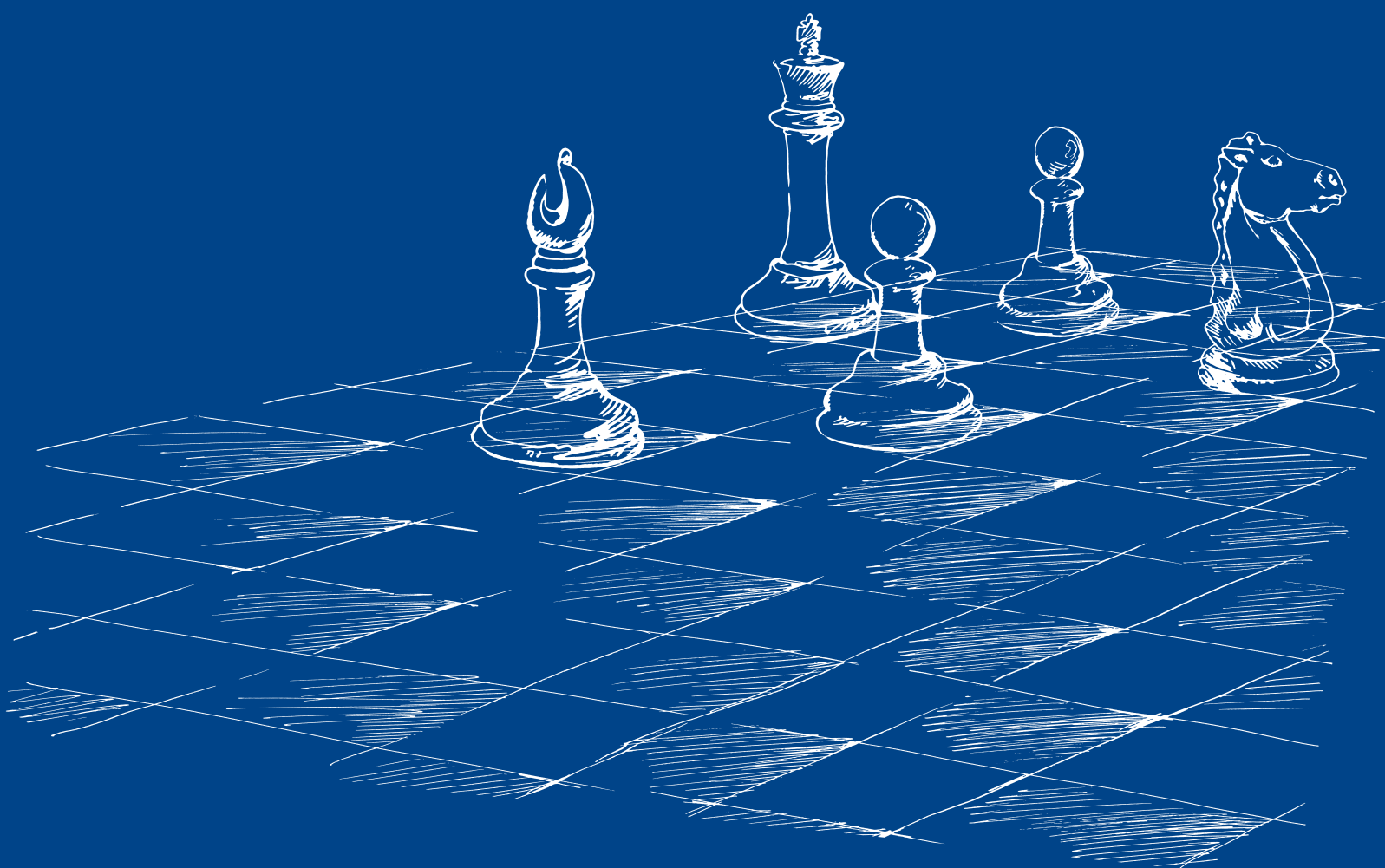


დანარჩენ სექტორზე
გაცემული სესხები
Loans to other Sectors

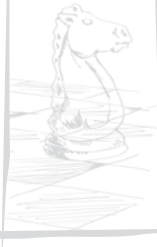
 საკრედიტო პორტფელის მოცულობა – 235,9 მლნ. ლარზე მეტი
The credit portfolio exceeded 235,9 mln. GEL

სამომავლო უპირატესობა

Competitive advantage



მიღწევები
ACHIEVEMENTS



2006 წელს „ბანკი ქართუს“ მოღვაწეობას საქართველოს საბანკო სივრცეში 10 წელი შეუსრულდა. ბანკმა მიზნად დაისახა განსაკუთრებული წვლილი შეიტანოს ქვეყნის მნიშვნელოვანი დარგების განვითარებაში მათში წამყვანი კომპანიებისთვის უმაღლესი ხარისხის ექსკლუზიური საფინანსო მომსახურების შეთავაზების გზით. ბანკი მიზნად ისახავს მნიშვნელოვნად გააუმჯობესოს კლიენტების მომსახურების ხარისხი, გააფართოოს კლიენტურის ბაზა და შექმნას დივერსიფიცირებული პორტფელი, დახვეწოს რისკის მართვის სისტემები, მიიღოს საერთაშორისო საკრედიტო რეიტინგი, გახდეს მაქსიმალურად გამჭვირვალე, რაც უფრო მიმზიდველს გახდის მას ინვესტორებისთვის.

დასაფინანსებელი პროგრამები

„ბანკი ქართუს“ გეგმავს საკრედიტო პროგრამული დაფინანსების განხორციელებას როგორც საკუთარი რესურსით, ასევე საერთაშორისო საფინანსო ინსტიტუტებთან ერთობლივი პროგრამების ფარგლებში.

პრიორიტეტულ პროგრამებად წარმოდგენილია:

1. იმპორტშემცვლელი წარმოება;
2. საექსპორტო წარმოება და ექსპორტი;
3. მომსახურებისა და სავაჭრო ქსელების განვითარება.

ასევე დასაფინანსებელი პროგრამების რიგში შევა:

1. სამშენებლო მასალების წარმოება;
2. პრივატიზაციის პროგრამა;
3. ვაჭრობის ხელშეწყობის პროგრამა;
4. ტურიზმის ინფრასტრუქტურის განვითარების პროგრამა;
5. წარმოების პროცესის რეგიონებში გადატანის ხელშეწყობა.

განსაკუთრებული ხარისხის მომსახურების შეთავაზება

„ბანკი ქართუს“ მომავალშიც აპირებს მნიშვნელოვნად აამაღლოს კლიენტთა მომსახურების ხარისხის დონე და შესთავაზოს მათ ბაზარზე არსებული საბანკო პროდუქტები და მრავალი ნოვაცია. უახლოეს მომავალში იგეგმება კორპორატიული ბანკირების ჯგუფის ჩამოყალიბება, რომლის მიზანია ბანკსა და მომხმარებელს შორის გრძელვადიანი და ურთიერთმომგებიანი ურთიერთობების განვითარება. კორპორატიული ბანკირის მოდელზე გადასვლით საგრძნობლად გაუმჯობესდება მომსახურების ხარისხი და შეიქმნება თანამედროვე საბანკო პროდუქტების პაკეტი.

Cartu Bank has been in the Georgian banking business for 10 years already. The Bank aims to make significant contribution to the development of the strategic fields of Georgian economy, by providing leading companies with superior quality and exclusive financial services.

The Bank aims to significantly improve customer service quality, widen the customer base and create a diversified portfolio, streamline risk management systems, acquire an international credit rating and become maximally transparent, becoming more attractive for investors.

Programs to be Financed

Cartu Bank intends to carry out credit program financing with its own resources as well as under the joint programs with international financial institutions.

Priority programs include:

1. Import-substituting production;
2. Export production and export;
3. Development of service and trade networks.

The list of the programs to be financed will also include:

1. Production of building materials program;
2. Privatization program;
3. Trade support program;
4. Tourism infrastructure support program;
5. Moving the production process to regions support program.

Offering Prime Quality Services

Cartu Bank will further improve the customer service standards and offer customers banking products currently available on the market as well as many other innovations. In the near future, Corporate Banking Team will be set up to establish long-term and mutually beneficial relationship among the Bank customers. By introducing the corporate banker model, the service quality will significantly improve and the package of new banking products will be created.

ახალი სერვისცენტრების გახსნა და მომსახურების სრულყოფა

„ბანკი ქართუ“ განსაკუთრებული ხარისხითა და პირობებით მოემსახურება კორპორაციულ კლიენტებს, გააფართოებს საბანკო პროდუქტების სპექტრს და მომხმარებლებს შესთავაზებს როგორც ახალ, ასევე არსებულ პროდუქტებს გაუმჯობესებული და მოქნილი პირობებით. თბილისში 2007 წლის ბოლომდე იგეგმება ორი ახალი ფილიალის გახსნა ლილოში და პეკინის გამზირზე.

რეგიონალური გაფართოება

ბანკის კლიენტებისთვის უფრო მოსახერხებელი პირობების შეთავაზების მიზნით „ბანკი ქართუ“ უახლოეს მომავალში გეგმავს რეგიონალური ფილიალების ქსელის გაფართოებას. 2007-2008 წლებში „ბანკი ქართუს“ ფილიალები უკვე გორსა და თელავში იქნება.

ურთიერთობები საერთაშორისო ბაზარზე

„ბანკი ქართუ“ გეგმავს მჭიდრო ურთიერთობების დამყარებას რეგიონში მოქმედ ყველა საერთაშორისო საფინანსო ინსტიტუტთან. მიმდინარეობს ინტენსიური მოლაპარაკებები EBRD-ის მიერ „ბანკი ქართუს“ კაპიტალში ახალი ემისიის გზით აქციების შესყიდვის თაობაზე.

ასევე, დაგეგმილია შავი ზღვის ვაჭრობისა და განვითარების ბანკთან ვაჭრობის ხელშეწყობის პროგრამის ფარგლებში საკრედიტო და საგარანტიო ხაზის გაზრდა 5 აშშ მლნ. დოლარამდე.

„ბანკი ქართუ“ ინტენსიურად მუშაობს AmEx-ის მიერ გამოყოფილი საგარანტიო ლიმიტის გაზრდაზე 3 მლნ. აშშ დოლარამდე.

ბანკი აპირებს კიდევ უფრო გააღრმავოს ურთიერთობები საერთაშორისო საფინანსო ინსტიტუტებთან, რათა მათთან ურთიერთთანამშრომლობით კლიენტებს ახალი მომსახურებები შესთავაზოს.

„ბანკი ქართუ“ სამომავლოდ აღნიშნულ საერთაშორისო ინსტიტუტებთან გააგრძელებს თანამშრომლობას:

IFC, KFW, World Bank, EBRD, BSTDB (Black Sea Trade and Development Bank), ADB (Asian Development Bank).

Launching New Service Centers and Streamlining Services

Cartu Bank will serve corporate customers with prime quality and conditions diversify the range of banking products and offer customers both new and currently available products under improved and flexible conditions. Therefore, two new branches will be opened in Lilo Settlement and Pekini Avenue (Tbilisi) by the end of the year.

Regional Expansion

In the nearest future Cartu Bank will open a new branches in the regions to offer more convenient environment to its customers. In 2007-2008, Cartu Bank branches will be established in Gori and Telavi.

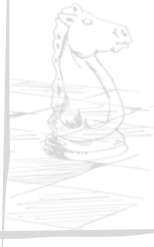
Relations with international financial institutions and bank-correspondents

Cartu Bank intends to establish and maintain close contacts with the financial institutions operating in the region. Intensive talks are currently underway concerning the purchase of stocks by EBRD's new emission in the capital of Cartu Bank. Besides, Cartu Bank plans to increase a credit and guarantee line to 5 mln. USD under the Trade Financing Project with Black Sea Trade and Development Bank.

Cartu Bank is working intensively to increase the guarantee limit allocated by AmEx. to 3mln. USD.

The Bank is set on further strengthening ties with international financial institutions and organizations in order to offer new products and services to its customers. The list of the financial institutions, with which Cartu Bank will cooperate, includes:

IFC, KFW, World Bank, EBRD, BSTDB (Black Sea Trade and Development Bank) and ADB (Asian Development Bank).



მიტჩევეტი

საერთაშორისო ბაზარზე

2006 წელს გადაიდგა მნიშვნელოვანი ნაბიჯები საერთაშორისო საფინანსო ინსტიტუტებთან ურთიერთობის კუთხით, კერძოდ, ევროპის რეკონსტრუქციისა და განვითარების ბანკმა (EBRD) „ბანკ ქართუს“ გამოუყო 3 მლნ. დოლარის საკრედიტო ხაზი ვაჭრობის ხელშეწყობის პროგრამისათვის. ასევე მიღწეულია შეთანხმება ამ ურთიერთობის შემდგომი განვითარების კუთხით, კერძოდ, 3 მლნ. დოლარის მოცულობის საკრედიტო ხაზის გამოყოფაზე ენერჯის დაზოგვის პროექტებისათვის და 7 მლნ. დოლარის საკრედიტო ხაზი – მცირე და საშუალო ბიზნესისათვის. შავი ზღვის ვაჭრობისა და განვითარების ბანკთან (BSTDB) საფუძველი ჩაეყარა მჭიდრო თანამშრომლობას, კერძოდ, გამოიყო ვაჭრობის ხელშეწყობის პროგრამის ფარგლებში 1.5 მლნ. აშშ დოლარი საკრედიტო და საგარანტიო ხაზის სახით. ასევე, მსოფლიო ბანკთან (WB) ხელი მოეწერა შეთანხმებას სასოფლო-სამეურნეო წარმოების განვითარებისათვის 2,5 მლნ. დოლარის საკრედიტო ხაზის გამოყოფის შესახებ.

2006 წელს ასევე დაიდო ხელშეკრულება AmEx-თან, რომლის ფარგლებშიც გამოიყო 500 000 აშშ დოლარის საგარანტიო ლიმიტი.

საქართველოს ბაზარზე

2006 წლის 20 დეკემბერს გაიხსნა სს „ბანკი ქართუს“ ახალი სერვისცენტრი (ი. აბაშიძის ქ. №24), რომელიც სთავაზობს სრულ საოპერაციო მომსახურებას როგორც იურიდიულ, ასევე ფიზიკურ პირებს.

2006 წელს გაგრძელდა მაღალტექნოლოგიური პროდუქტების განვითარების ტენდენცია. დაინერგა B2B პროდუქტი – ელექტრონული კომერცია. პირველად საქართველოში „ბანკმა ქართუმ“ დაიწყო მსოფლიო მასშტაბით ელექტრონულ კომერციაში ჩართული კომპანიების საპროცესინგო და ფინანსური მომსახურება.

Achievements

On the international market

In 2006 important steps were made toward starting cooperation with international financial institutions. In particular European Bank for Reconstruction and Development (EBRD) allocated 3 mln. USD credit line for Cartu Bank under the Trade Financing Program. Moreover, agreement has been reached for further development of the cooperation, namely for allocation of 3 mln. USD credit line to finance energy saving projects and 7 mln. USD credit line for small and medium corporate customers. Foundations were laid to close cooperation with Black Sea Trade and Development Bank (BSTDB) – a credit and guarantee line of 1,5 mln. USD was allocated under the Trade Financing Project.

Besides, Cartu Bank and World Bank signed an agreement on allocation of 2,5 mln. credit line to finance the development of agricultural production sector.

In addition, in 2006 the Bank signed an agreement with AmEx for allocation of 500 000 USD guarantee limit.

On the Georgian Market

On December 20, 2006 Cartu Bank completed the renovation of JSC Cartu Bank Service Center (at 24 I. Abashidze St). The Service Center offers full operation services to both corporate and individual customers.

High-tech product development trends continued in 2006. The Bank introduced B2B product – electronic commerce. For the first time in Georgia, Cartu Bank started to provide opportunity to all on-line merchants for processing and financial services throughout the world.

ფილიალები

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 ფაქსი: (+995 32) 91 22 79
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ვაკის სერვისცენტრი

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 ტელ.: (+995 32) 25 06 14/15
 ფაქსი: (+995 32) 25 06 13
 ელ-ფოსტა: vake_sc@cartubank.ge

კრანისი-მთაწმინდის ფილიალი

თბილისი, 0105, ვეკუას ქ. №1
 ტელ.: (+995 32) 93 89 22
 ფაქსი: (+995 32) 92 19 38
 ელ-ფოსტა: cartumt@cartubank.ge

ქუთაისის ფილიალი

ქუთაისი, 4600, ფალიაშვილის ქ. №4
 ტელ.: (+995 231) 4 11 48
 ფაქსი: (+995 231) 4 11 45
 ელ-ფოსტა: cartuk@cartubank.ge

ბათუმის ფილიალი

ბათუმი, 6000, გრიბოედოვის ქ. №2
 ტელ.: (+995 222) 7 59 00
 ფაქსი: (+995 222) 7 65 04
 ელ-ფოსტა: batumi@cartubank.ge

The Branches

HEAD OFFICE

39a, Chavchavadze Ave., Tbilisi 0162, Georgia
 Tel.: (+995 32) 92 55 90/91/92
 Fax: (+995 32) 91 22 79
 E-Mail: cartubank@cartubank.ge

VAKE SERVICE CENTRE

24, I. Abashidze Str., Tbilisi 0179, Georgia
 Tel.: (+995 32) 25 06 14/15
 Fax: (+995 32) 25 06 13
 E-Mail: vake_sc@cartubank.ge

KRTSANISI-MTATSMINDA BRANCH

1, Vekua Str., Tbilisi 0105, Georgia
 Tel.: (+995 32) 93 89 22
 Fax: (+995 32) 92 19 38
 E-Mail: cartumt@cartubank.ge

KUTAISI BRANCH

4, Paliashvili Str., Kutaisi 4600, Georgia
 Tel.: (+995 231) 4 11 48
 Fax: (+995 231) 4 11 45
 E-Mail: cartuk@cartubank.ge

BATUMI BRANCH

2, Griboedov Str., Batumi 6000, Georgia
 Tel.: (+995 222) 7 59 00
 Fax: (+995 222) 7 65 04
 E-Mail: batumi@cartubank.ge

სტანდარტული მსგავსების უზარუნოებები და სხვაობები
Standard Settlement Instructions

JSC "CARTU BANK"

39a, Chavchavadze Ave., Tbilisi, 0162, Georgia

SWIFT: CRTU GE 22; CHIPS UID: 407624; Bank Code: 220101081

Registration Number: 229; Tax Payer Identification Number: 204891652; MainIdentifier: 20465385

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

American Express Bank GMBH,
Frankfurt am Main

SWIFT: AEIB DE FX

Acct #: 018163805

Banca di Roma, Rome

SWIFT: BROM IT RR

Acct #: 42487

Bank of Cyprus, Nicosia

SWIFT: BCYP CY 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

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 #: 3023181040000000007

USD

American Express Bank LTD,
New York, USA

SWIFT: AEIB US 33

Acct #: 753624

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: BCYP CY 2N

Acct #: 01435006002252

Deutsche Bank AG, Frankfurt am Main

SWIFT: DEUT DE FF

Acct #: 947490900

Deutsche Bank Trust Company Americas,
New York, USA

SWIFT: BKTR US 33

Acct #: 04417110

Dresdner Bank AG, Frankfurt am Main

SWIFT: DRES DE FF

Acct #: 4990812309300400

IMPEXBANK, Moscow

SWIFT: IMPE RU MM

Acct #: 3011284010000000001

National Bank of Georgia, Tbilisi

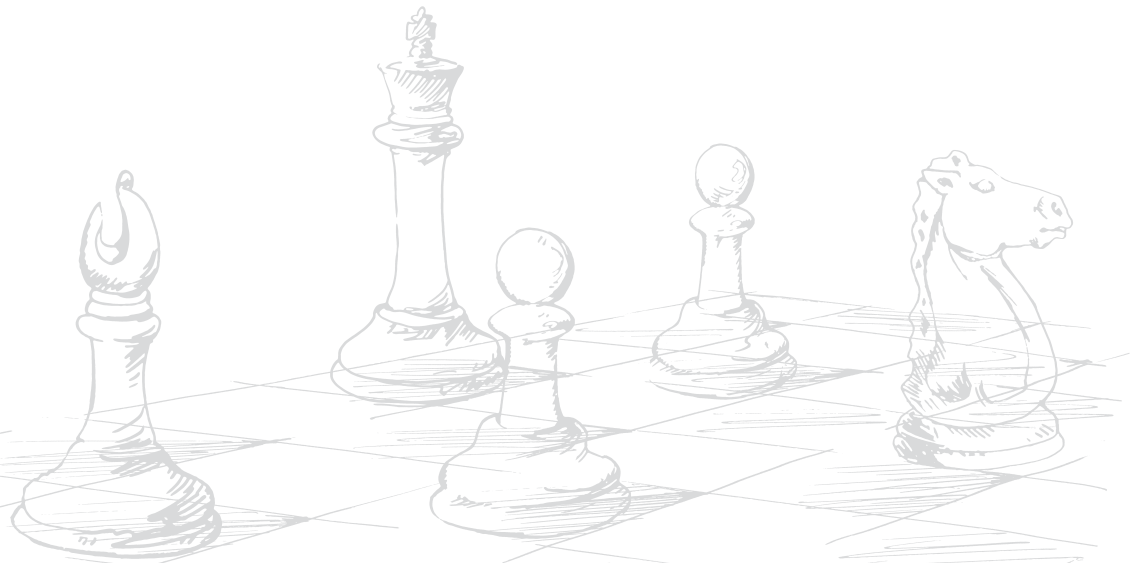
SWIFT: BNLN GE 22

Acct #: 000073181

Société Générale, New York

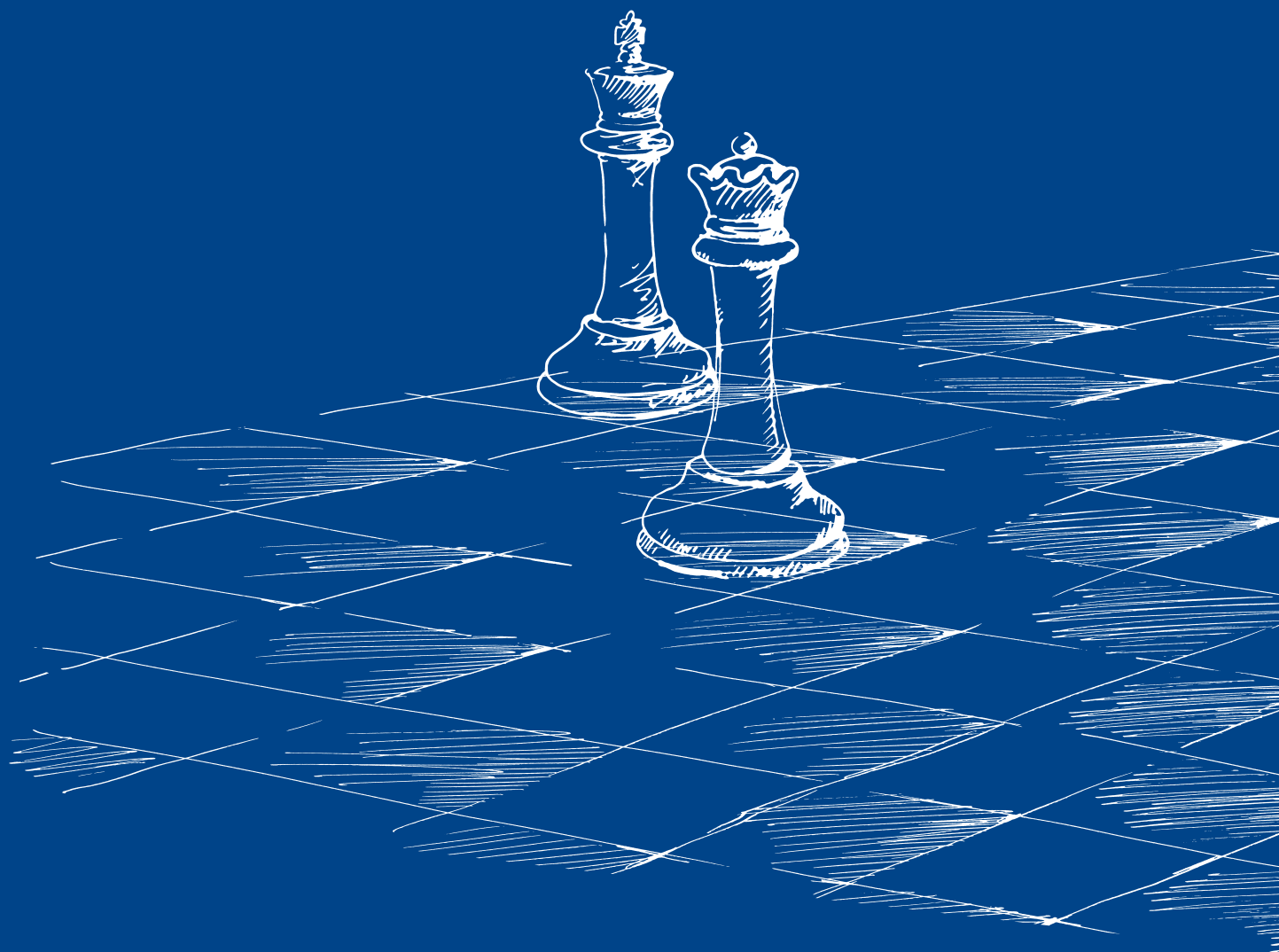
SWIFT: SOGE US 33

Acct #: 184853



ქართვ ბანკი-ძმძვეტიანი სარქთა

Cartu Bank - Win-win Game



აუდიტორული დასკვნა
AUDITOR'S REPORT

CARTU BANK GROUP

Consolidated Financial Statements
For the Year Ended 31 December 2006
and Independent Auditors' Report

CARTU BANK GROUP

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2006, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

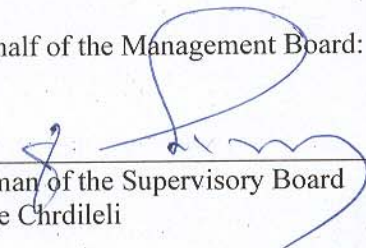
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing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

Management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2006 were authorized for issue on 24 April 2007 by the Bank's Management Board.

On behalf of the Management Board:



Chairman of the Supervisory Board
George Chrdileli

24 April 2007



General Director
George Kvirikashvili

24 April 2007

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Cartu Bank (the "Bank") and its subsidiary (the "Group"), which comprise the balance sheet as at 31 December 2006, and the income statement, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

24 April 2007

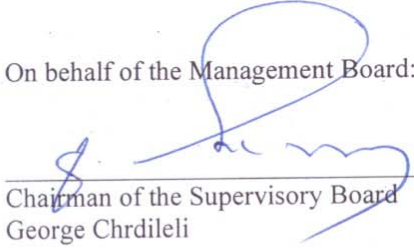
CARTU BANK GROUP

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

(in Georgian Lari and in thousands)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
Interest income	4, 25	27,451	18,648
Interest expense	4, 25	<u>(3,520)</u>	<u>(2,833)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		23,931	15,815
Initial recognition adjustment on interest bearing assets		(261)	(522)
Provision for impairment losses on interest bearing assets	5, 25	<u>(1,537)</u>	<u>(5,988)</u>
NET INTEREST INCOME		<u>22,133</u>	<u>9,305</u>
Net gain on equity securities held for trading		-	2,865
Net gain on foreign exchange operations	6	458	1,308
Fee and commission income	7, 25	6,596	5,349
Fee and commission expense	7, 25	<u>(1,510)</u>	<u>(1,355)</u>
Dividends received		-	422
Other income	8	<u>646</u>	<u>474</u>
NET NON-INTEREST INCOME		<u>6,190</u>	<u>9,063</u>
OPERATING INCOME		28,323	18,368
OPERATING EXPENSES	9	<u>(11,866)</u>	<u>(8,483)</u>
OPERATING PROFIT		16,457	9,885
Recovery of provision /(provision) for impairment losses on other transactions	5	<u>181</u>	<u>(244)</u>
PROFIT BEFORE INCOME TAX		16,638	9,641
Income tax expense	10	<u>(3,700)</u>	<u>(2,589)</u>
NET PROFIT		<u>12,938</u>	<u>7,052</u>
Attributable to:			
Equity holders of the parent		12,967	6,968
Minority interest		<u>(29)</u>	<u>84</u>
		<u>12,938</u>	<u>7,052</u>

On behalf of the Management Board:


Chairman of the Supervisory Board
George Chrdileli

24 April 2007


General Director
George Kvirikashvili

24 April 2007

The notes on pages 9-42 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

CARTU BANK GROUP

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

(in Georgian Lari and in thousands)

	Notes	31 December 2006	31 December 2005
ASSETS:			
Cash and balances with the National Bank of Georgia	11	22,243	19,289
Due from banks	12	29,207	43,947
Loans to customers	13, 25	227,539	162,575
Investments available-for-sale	14	92	92
Investments held-to-maturity	15	5,283	-
Goodwill	16	7,965	10,873
Property, equipment and intangible assets	17	8,705	6,410
Other assets	18	1,013	1,746
TOTAL ASSETS		302,047	244,932
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	19	484	510
Customer accounts	20, 25	82,132	73,711
Provisions	5	168	311
Current income tax liabilities		215	156
Deferred income tax liabilities	10	780	-
Other liabilities	21	600	1,040
		84,379	75,728
Subordinated debt	22	126,064	90,538
Total liabilities		210,443	166,266
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	23	54,716	54,716
Retained earnings		36,079	23,112
Total equity attributable to equity holders of the parent		90,795	77,828
Minority interest		809	838
Total equity		91,604	78,666
TOTAL LIABILITIES AND EQUITY		302,047	244,932

On behalf of the Management Board:


Chairman of the Supervisory Board
George Chrdileli

24 April 2007


General Director
George Kvirikashvili

24 April 2007

The notes on pages 9-42 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

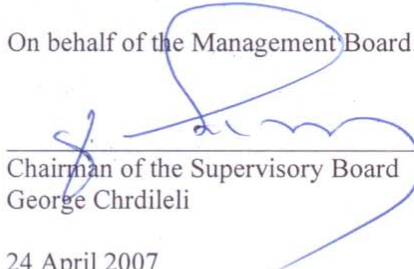
CARTU BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

(in Georgian Lari and in thousands)

	Share capital	Retained earnings	Total equity attributable to equity holders of the parent	Minority interest	Total equity
31 December 2004	42,088	16,144	58,232	754	58,986
Share capital increase through issuance 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
Net profit	-	12,967	12,967	(29)	12,938
31 December 2006	54,716	36,079	90,795	809	91,604

On behalf of the Management Board:


Chairman of the Supervisory Board
George Chrdileli

24 April 2007


General Director
George Kvirikashvili

24 April 2007

The notes on pages 9-42 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

CARTU BANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006

(in Georgian Lari and in thousands)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		16,638	9,641
Adjustments for:			
Provision for impairment losses on interest bearing assets		1,537	5,988
(Recovery of provision)/provision for impairment losses on other transactions		(181)	244
Unrealized gain on foreign exchange operations		1,980	671
Impairment of goodwill		2,908	742
Depreciation and amortization		696	554
Change in interest accruals, net		<u>(1,103)</u>	<u>644</u>
Cash flows from operating activities before changes in operating assets and liabilities		22,475	18,484
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of Georgia		(3,232)	(181)
Due from banks		25,823	(21,399)
Loans to customers		(66,126)	(54,305)
Net proceeds on sale of investments held-for-trading		-	22,861
Other assets		770	294
Increase/(decrease) in operating liabilities			
Due to banks		(28)	26
Customer accounts		8,237	8,157
Other liabilities		<u>(432)</u>	<u>538</u>
Cash outflow from operating activities before taxation		(12,513)	(25,525)
Income tax paid		<u>(2,861)</u>	<u>(2,599)</u>
Net cash outflow from operating activities		<u>(15,374)</u>	<u>(28,124)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(3,058)	(4,136)
Proceeds on sale of property and equipment		402	2,428
Purchase of investments held-to-maturity		(5,279)	-
Dividends received		<u>-</u>	<u>422</u>
Net cash outflow from investing activities		<u>(7,935)</u>	<u>(1,286)</u>

CARTU BANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

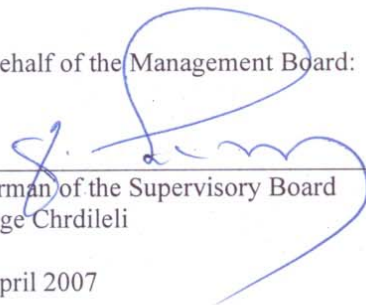
(in Georgian Lari and in thousands)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		-	12,628
Subordinated debt		<u>34,830</u>	<u>11,262</u>
Net cash inflow from financing activities		<u>34,830</u>	<u>23,890</u>
Effect of changes in foreign exchange rate on cash and cash equivalents		(178)	(64)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		11,521	(5,520)
CASH AND CASH EQUIVALENTS, beginning of year	11	<u>27,468</u>	<u>33,052</u>
CASH AND CASH EQUIVALENTS, end of year	11	<u><u>38,811</u></u>	<u><u>27,468</u></u>

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

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.

On behalf of the Management Board:


Chairman of the Supervisory Board
George Chrdileli

24 April 2007


General Director
George Kvirikashvili

24 April 2007

The notes on pages 9-42 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(In Georgian Lari And In Thousands, Unless Otherwise Stated)

1. ORGANISATION

JSC Cartu Bank (the “Bank”) is a joint-stock bank, which was incorporated in Georgia in the year 1996. The Bank is regulated by the National Bank of Georgia (the “NBG”) and conducts its business under general license number 229. The Bank’s primary business consists of commercial activities, 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:

Name	Country of operation	The Bank ownership interest		Type of operation
		2006	2005	
Insurance Company Cartu LLC	Georgia	60%	60%	Insurance

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

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

The number of employees of the Bank as at 31 December 2006 and 2005 was 222 and 181, respectively.

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

As at 31 December 2006 and 2005, the following shareholders owned shares of the Bank:

Shareholder	31 December 2006	31 December 2005
	%	%
JSC Cartu Group	25%	25%
Interservice LLC	25%	25%
JSC Transinvest	25%	25%
JSC Iagundi	25%	25%
Total	100%	100%

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

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

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 Bank's Management Board on 24 April 2007.

2. BASIS OF PRESENTATION

Accounting basis

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

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

Key assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 provisions for impairment losses and the fair value of financial instruments.

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

	31 December 2006	31 December 2005
Due from banks	29,207	43,947
Loans to customers	227,539	162,575

Due from banks and loans to customers are measured at amortized cost less allowance for impairment losses. The estimation of allowance for impairment losses involves an exercise of judgment. It is impracticable to assess the extent of the possible effects of key assumptions or other sources of uncertainty on these balances at the balance sheet date.

Functional currency

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

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

All significant 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 at the date of acquisition.

The Group tests goodwill for impairment at least annually.

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

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

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

Recognition and measurement of financial instruments

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

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

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”), except for margin deposits for operations with plastic cards and government securities denominated in Georgian Lari carried at fair value through profit or loss, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the National Bank of Georgia is not included as a cash equivalent due to restrictions on its availability.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses, if any.

Loans to customers

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

Loans granted by the Group with fixed maturities 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 according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses in case of being in arrears more than one year.

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 carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset’s original effective interest rate, for financial assets which are carried at amortized cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the 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.

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

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. Provisions are made as a result of an individual appraisal of risk 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 consolidated profit and loss and the total of the allowance for impairment losses is deducted in arriving at assets as shown in 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 held-to-maturity

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

Investments available-for-sale

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

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. 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 property, equipment and intangible assets is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	50 years
Office equipment	5 years
Data processing equipment	5 years
Other	6-7 years
Intangible assets	10 years

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

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

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

An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment 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 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.

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

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

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

Deposits from banks and customers

Customer and bank deposits are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

Subordinated debt

Subordinated debt is initially recognized at fair value. Subsequently, subordinated debt is stated at amortized cost using the effective interest method.

Provisions

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

Financial guarantee contracts issued and letters of credit

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

Share capital

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

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, state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Group does not have any pension arrangements separate from the State pension system of Georgia. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

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

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

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

Interest income also includes income earned on investments in securities. Other income is credited to income statement when the related transactions are completed.

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

Foreign currency translation

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

Rates of exchange

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

	31 December 2006	31 December 2005
GEL/1 US Dollar	1.7135	1.7925
GEL/1 Euro	2.2562	2.1245

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.

Adoption of new standards

In 2006 the following interpretations and amendments applicable to the Group became effective:

- IFRIC 4 “Determining Whether an Arrangement Contains a Lease” (effective 1 January 2006);
- IFRIC 9 “Reassessment of Embedded Derivatives” (effective 1 June 2006);
- Amendment to IAS 39 regarding the financial guarantee contracts (effective 1 January 2006);
- Amendment to IAS 39 regarding the fair value option (effective 1 January 2006).

At the date of authorization of these financial statements, the following Standards and Interpretations applicable to the Bank were issued but not yet effective:

- IFRS 7 “Financial Instruments: Disclosures” (effective 1 January 2007);

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

- Amendments to IAS 1 regarding disclosure on the Bank's objectives, policies and processes for managing capital (effective 1 January 2007).

The management is currently assessing the impact of the adoption of these new and revised Standards and Interpretations in future periods.

4. NET INTEREST INCOME

	Year ended 31 December 2006	Year ended 31 December 2005
Interest income		
Interest on loans to customers	26,479	18,189
Interest on due from banks	965	459
Interest on debt securities	7	-
	<u>27,451</u>	<u>18,648</u>
Total interest income		
	<u>27,451</u>	<u>18,648</u>
Interest expense		
Interest on subordinated debt	(2,334)	(2,037)
Interest on customer accounts	(1,154)	(782)
Interest on due to banks	(32)	(14)
	<u>(3,520)</u>	<u>(2,833)</u>
Total interest expense		
	<u>(3,520)</u>	<u>(2,833)</u>
Net interest income before provision for impairment losses on interest bearing assets	<u>23,931</u>	<u>15,815</u>

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	Due from banks	Loans to customers	Total
31 December 2004	153	2,581	2,734
(Recovery of provision)/provision	(153)	6,141	5,988
Write-off of assets	-	(480)	(480)
Recoveries of assets previously written off	-	220	220
	<u>-</u>	<u>5,881</u>	<u>5,628</u>
31 December 2005	-	8,462	8,462
Provision	17	1,520	1,537
Write-off of assets	-	(4,171)	(4,171)
Recoveries of assets previously written off	-	3,729	3,729
	<u>-</u>	<u>1,078</u>	<u>1,078</u>
31 December 2006	<u>17</u>	<u>9,540</u>	<u>9,557</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

The movements in allowances for impairment losses on other transactions were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2004	125	205	330
Provision	138	106	244
Write-off of assets	(183)	-	(183)
Recoveries of assets previously written off	33	-	33
	<u>113</u>	<u>311</u>	<u>424</u>
31 December 2005	113	311	424
Recovery of provision	(38)	(143)	(181)
Write-off of assets	(28)	-	(28)
Recoveries of assets previously written off	16	-	16
	<u>63</u>	<u>168</u>	<u>231</u>
31 December 2006	63	168	231

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2006	Year ended 31 December 2005
Dealing, net	2,438	1,979
Translation differences, net	(1,980)	(671)
	<u>458</u>	<u>1,308</u>
Total net gain on foreign exchange operations	458	1,308

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

7. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2006	Year ended 31 December 2005
Fee and commission income:		
Cash operations	2,675	2,069
Foreign exchange operations	1,435	1,114
Settlements	1,262	1,197
Documentary operations	918	688
Other	306	281
	<u>6,596</u>	<u>5,349</u>
Total fee and commission income	<u>6,596</u>	<u>5,349</u>
Fee and commission expense:		
Cash operations	(1,060)	(847)
Settlements	(274)	(285)
Foreign currency operations	(169)	(90)
Other	(7)	(133)
	<u>(1,510)</u>	<u>(1,355)</u>
Total fee and commission expense	<u>(1,510)</u>	<u>(1,355)</u>

8. OTHER INCOME

	Year ended 31 December 2006	Year ended 31 December 2005
Insurance premium	267	233
Income from other banking operations	379	241
	<u>646</u>	<u>474</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

9. OPERATING EXPENSES

	Year ended 31 December 2006	Year ended 31 December 2005
Salaries and bonuses	3,592	2,847
Unified social tax	702	570
Goodwill impairment	2,908	742
Charity and sponsorship expenses	1,000	1,194
Depreciation and amortization	696	554
Occupancy	453	404
Property and equipment maintenance	111	108
Taxes, other than income tax	207	172
Security expenses	295	305
Professional services	281	270
Postal expenses	230	195
Other expenses	1,391	1,122
	<u>11,866</u>	<u>8,483</u>

10. INCOME TAXES

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2006 and 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

Temporary differences as at 31 December 2006 and 2005 comprise:

	31 December 2006	31 December 2005
Deferred assets:		
Investments	-	422
Goodwill	3,618	2,942
	<u>3,618</u>	<u>2,942</u>
Total deferred assets	<u>3,618</u>	<u>3,364</u>
Deferred liabilities:		
Loans to customers	(1,794)	-
Property, equipment and intangible assets	(5,722)	(3,197)
	<u>(7,516)</u>	<u>(3,197)</u>
Total deferred liabilities	<u>(7,516)</u>	<u>(3,197)</u>
Net deferred (liabilities)/assets	(3,898)	167
Net deferred tax (liability)/asset at the statutory tax rate (20%)	(780)	33
Less: valuation allowance	-	(33)
	<u>(780)</u>	<u>(33)</u>
Net deferred tax liability	<u>(780)</u>	<u>-</u>

Relationships between tax expenses and accounting profit for the years ended 31 December 2006 and 2005 are explained as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
Profit before income tax	16,638	9,641
	<u>16,638</u>	<u>9,641</u>
Tax at the statutory tax rate (20%)	3,328	1,928
Tax effect of permanent differences	372	661
	<u>3,700</u>	<u>2,589</u>
Income tax expense	<u>3,700</u>	<u>2,589</u>
Current income tax expense	2,920	2,589
Provision for deferred tax liabilities	780	-
	<u>3,700</u>	<u>2,589</u>
Income tax expense	<u>3,700</u>	<u>2,589</u>
Deferred income tax liabilities	2006	2005
Beginning of the year	-	-
Increase in income tax liability for the year charged to profit	780	-
	<u>780</u>	<u>-</u>
End of the year	<u>780</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

11. CASH AND BALANCES WITH THE NATIONAL BANK OF GEORGIA

	31 December 2006	31 December 2005
Cash	11,848	8,344
Balances with the National Bank of Georgia	<u>10,395</u>	<u>10,945</u>
Total cash and balances with the National Bank of Georgia	<u><u>22,243</u></u>	<u><u>19,289</u></u>

The balances with the National Bank of Georgia as at 31 December 2006 and 2005 include GEL 9,158 thousand and GEL 5,926 thousand, respectively, which represent the obligatory minimum reserve deposits with the NBG. The Bank is required to maintain the reserve balance with the NBG at all times.

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

	31 December 2006	31 December 2005
Cash and balances with the National Bank of Georgia	22,243	19,289
Due from banks in OECD countries (Note 12)	<u>25,726</u>	<u>14,105</u>
	47,969	33,394
Less minimum reserve deposits with the NBG	<u>(9,158)</u>	<u>(5,926)</u>
Total cash and cash equivalents, net	<u><u>38,811</u></u>	<u><u>27,468</u></u>

12. DUE FROM BANKS

	31 December 2006	31 December 2005
Time deposits with other banks	24,395	28,477
Correspondent accounts with other banks	<u>4,829</u>	<u>15,470</u>
	29,224	43,947
Less allowance for impairment losses	<u>(17)</u>	<u>-</u>
Total due from banks	<u><u>29,207</u></u>	<u><u>43,947</u></u>

Movements in allowances for impairment losses on balances due from banks for the years ended 31 December 2006 and 2005 are disclosed in Note 5.

Included in due from banks is accrued interest in the amount of GEL 27 thousand and GEL 5 thousand as at 31 December 2006 and 2005, respectively.

As at 31 December 2006 and 2005 the Group had due from 1 and 2 banks, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2006 and 2005 the maximum credit risk exposure on due from banks amounted to GEL 29,224 thousand and GEL 43,947 thousand, respectively.

As at 31 December 2006 and 2005 included in balances due from banks are guarantee deposits placed by the Group for its operations with plastic cards in the amount of GEL 1,326 thousand and GEL 1,072 thousand, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

13. LOANS TO CUSTOMERS

	31 December 2006	31 December 2005
Originated loans	234,826	169,988
Accrued interest	2,253	1,049
	<u>237,079</u>	<u>171,037</u>
Less allowance for impairment losses	(9,540)	(8,462)
Total loans to customers	<u>227,539</u>	<u>162,575</u>

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 5.

	31 December 2006	31 December 2005
Loans collateralized by real estate, production equipment and other fixed assets	208,651	140,632
Loans collateralized by cash	5,900	1,278
Loans collateralized by inventories	1,976	8,913
Loans collateralized by precious metals	1,755	1,892
Other collateral	6,363	5,813
Unsecured loans	2,894	4,047
Total loans to customers, net	<u>227,539</u>	<u>162,575</u>

	31 December 2006	31 December 2005
Analysis by sector:		
Manufacturing	99,287	60,769
Trade	44,773	34,157
Construction	38,530	16,594
Services	21,251	30,893
Individuals	11,804	9,712
Other	11,894	10,450
Total loans to customers, net	<u>227,539</u>	<u>162,575</u>

As at 31 December 2006 and 2005 the Group provided loans to 5 and 7 customers, totaling GEL 72,623 thousand and GEL 81,153 thousand, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2006 and 2005 a maximum credit risk exposure of loans to customers amounted to GEL 237,079 thousand and GEL 171,037 thousand, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

14. INVESTMENTS AVAILABLE-FOR-SALE

	Share %	31 December 2006	Share %	31 December 2005
Equity securities				
Cartu Broker LLC	100%	35	100%	35
Reestri 2001 LLC	60%	15	60%	15
Tbilisi Currency Interbank Stock Exchange	8%	39	8%	39
Central Interbank Depository of Securities TCISE Plus	9%	<u>3</u>	9%	<u>3</u>
Total investments available-for-sale		<u><u>92</u></u>		<u><u>92</u></u>

15. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	31 December 2006	31 December 2005
Deposit certificates of Ministry of Finance of Georgia	10% - 12%	<u>5,291</u>	<u>-</u>
Less discount of deposit certificates		<u>(8)</u>	<u>-</u>
Total investments held-to-maturity		<u><u>5,283</u></u>	<u><u>-</u></u>

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

16. GOODWILL

	31 December 2006	31 December 2005
At the beginning of the year	10,873	14,220
Impairment loss	<u>(2,908)</u>	<u>(3,347)</u>
At the end of the year	<u><u>7,965</u></u>	<u><u>10,873</u></u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

17. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate	Office equipment	Data processing equipment	Other	Intangible assets	Total
At initial 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
Additions	1,815	574	278	324	67	3,058
Disposals	(18)	(90)	(33)	(280)	(2)	(423)
31 December 2006	4,176	2,665	1,819	1,078	1,608	11,346
Accumulated depreciation						
31 December 2004	94	466	571	562	226	1,919
Charge for the year	30	149	187	81	107	554
Eliminated on disposals	(46)	(52)	(4)	(68)	(2)	(172)
31 December 2005	78	563	754	575	331	2,301
Charge for the year	56	250	210	55	125	696
Eliminated on disposals	-	(78)	(29)	(247)	(2)	(356)
31 December 2006	134	735	935	383	454	2,641
Net book value						
31 December 2006	<u>4,042</u>	<u>1,930</u>	<u>884</u>	<u>695</u>	<u>1,154</u>	<u>8,705</u>
31 December 2005	<u>2,301</u>	<u>1,618</u>	<u>820</u>	<u>459</u>	<u>1,212</u>	<u>6,410</u>

As at 31 December 2006 and 2005 included in property and equipment were fully depreciated equipment at cost of GEL 619 thousands and GEL 549 thousands, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

18. OTHER ASSETS

	31 December 2006	31 December 2005
Money transfer settlements	617	508
Advances paid	220	574
Inventories	43	10
Taxes receivable, other than income tax	36	41
Accounts receivable	15	302
Repossessed assets	7	27
Other	138	397
	<u>1,076</u>	<u>1,859</u>
Less allowance for impairment losses	<u>(63)</u>	<u>(113)</u>
Total other assets	<u>1,013</u>	<u>1,746</u>

Movements in allowances for impairment losses on other assets for the years ended 31 December 2006 and 2005 are disclosed in Note 5.

19. DUE TO BANKS

	31 December 2006	31 December 2005
Correspondent accounts of other banks	406	434
Term deposits of banks and other financial institutions	78	76
Total due to banks	<u>484</u>	<u>510</u>

As at 31 December 2006 and 2005 accrued interest expenses included in due to banks amounted to GEL 3 thousand and GEL 1 thousand, respectively.

20. CUSTOMER ACCOUNTS

	31 December 2006	31 December 2005
Time deposits	25,649	16,877
Repayable on demand	56,483	56,834
Total customer accounts	<u>82,132</u>	<u>73,711</u>

As at 31 December 2006 and 2005 accrued interest expenses included in customers accounts amounted to GEL 124 thousand and GEL 105 thousand, respectively.

As at 31 December 2006 and 2005 customer accounts amounted to GEL 1,903 thousand and GEL 5,913 thousand, respectively, were held as security against letters of credit issued and other

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

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transaction related contingent obligations. As at 31 December 2006 and 2005 customer accounts amounted to GEL 163 thousand and GEL 1,550 thousand, respectively, were held as security against guarantees issued.

	31 December 2006	31 December 2005
Analysis by sector:		
Individuals	31,955	26,166
Energy	17,838	420
Transport and communication	8,671	4,643
Construction	6,390	10,971
Trade	5,628	6,118
Charity	1,963	14,108
Mining	729	946
Agriculture	717	277
Finance sector	163	-
State authorities	20	77
Other	8,058	9,985
Total customer accounts	82,132	73,711

21. OTHER LIABILITIES

	31 December 2006	31 December 2005
Money transfer settlements	429	218
Taxes payable, other than income tax	42	745
Other	129	77
Total other liabilities	600	1,040

22. SUBORDINATED DEBT

	Maturity date	Interest rate	31 December 2006	31 December 2005
Fin Service XXI	13-Dec-2011	9%	17,211	-
Fin Service XXI	22-Jun-2029	2%	17,138	17,927
Fin Service XXI	25-Oct-2011	9%	8,580	-
Fin Service XXI	27-Nov-2011	9%	8,580	-
Fin Service XXI	30-Mar-2010	2%	8,569	8,965
Fin Service XXI	28-Dec-2011	9%	5,144	-
			<u>65,222</u>	<u>26,892</u>
Inter Consulting Plus Ltd	22-Jun-2029	2%	17,138	17,927
Inter Consulting Plus Ltd	17-Oct-2025	2%	11,996	12,549
Inter Consulting Plus Ltd	30-Mar-2010	2%	8,569	8,964
			<u>37,703</u>	<u>39,440</u>
Georgian Holding Ltd	22-Jun-2029	2%	17,138	17,932
Christa Enterprises Ltd	28-Feb-2017	6%	6,001	6,274
			<u>126,064</u>	<u>90,538</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

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As at 31 December 2006 and 2005 accrued interest expense included in subordinated debt amounted to GEL 121 thousand and GEL 15 thousand, respectively.

As of 31 December 2006 the Bank drew down the total amount of the subordinated debt. The subordinated debt is repayable at the maturity.

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 2006 (2005: 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 2006 the Group'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 2005 the Group'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

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

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

Provision for losses on letters of credit and guarantees amounted to GEL 168 thousand and GEL 311 thousand as at 31 December 2006 and 2005, respectively.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

As at 31 December 2006 and 2005, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2006		31 December 2005	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	8,392	8,224	15,568	15,257
Letters of credit and other transaction related contingent obligations	9,553	4,777	8,340	4,170
Commitments on loans and unused credit lines	8,450	8,450	132	132
Total contingent liabilities and credit commitments	26,395	21,451	24,040	19,559

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

Operating lease commitments – No material rental commitments were outstanding as at 31 December 2006 and 2005.

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

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

Pensions and retirement plans – Employees receive pension benefits from Government of Georgia in accordance with the laws and regulations of the country. As at 31 December 2006 and 2005, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

25. TRANSACTIONS WITH RELATED PARTIES

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

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

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding as at 31 December 2006 and 2005 with related parties:

	31 December 2006		31 December 2005	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers	29	237,079	9,452	171,037
Allowance for impairment losses	-	(9,540)	-	(8,462)
Customer accounts	1,850	82,132	3,017	73,711
Subordinated debt	126,064	126,064	90,538	90,538
Guarantees issued	163	8,392	-	15,568

	31 December 2006		31 December 2005	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
short-term employee benefits	252	3,592	172	2,847

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

Included in the income statement for the years ended 31 December 2006 and 2005 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2006		Year ended 31 December 2005	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	225	27,451	547	18,648
Interest expense	(5)	(3,520)	(1)	(2,833)
Fee and commission income	16	6,596	-	5,349

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	31 December 2006		31 December 2005	
	Current amount	Fair value	Current amount	Fair value
Cash and balances with the National Bank of Georgia	22,243	22,243	19,289	19,289
Due from banks	29,207	29,207	43,947	43,947
Investments held-to-maturity	5,283	5,283	-	-
Due to banks	484	484	510	510
Customer accounts	82,132	82,132	73,711	73,711
Subordinated debt	126,064	126,064	90,538	90,538

The fair value of loans to customers and investments available-for-sale can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

27. REGULATORY MATTERS

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

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

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

As at 31 December 2006 the Group's total capital amount for Capital Adequacy purposes was GEL 125,367 thousand and tier 1 capital amount was GEL 83,639 thousand with ratios of 44.02% and 29.37%, respectively.

As at 31 December 2005 the Group's total capital amount for Capital Adequacy purposes was GEL 101,598 thousand and tier 1 capital amount was GEL 67,793 thousand with ratios of 47.96% and 32.01%, respectively.

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

28. RISK MANAGEMENT POLICIES

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

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

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

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

Cash flow interest rate risk

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

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Department of Financial Control 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.

	31 December 2006			31 December 2005		
	GEL	USD	Other currencies	GEL	USD	Other currencies
ASSETS						
Due from banks	-	7%	-	10%	-	-
Loans to customers	14%	13%	-	12%	13%	-
Investments held-to-maturity	1%	-	-	-	-	-
LIABILITIES						
Customer accounts	7%	6%	5%	8%	6%	-
Subordinated debt	-	4%	-	-	3%	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
ASSETS							
Due from banks	25,616	2,098	167	1,326	-	-	29,207
Loans to customers	12,172	12,059	19,568	183,740	-	-	227,539
Investments held-to-maturity	5,283	-	-	-	-	-	5,283
Total interest bearing assets	43,071	14,157	19,735	185,066	-	-	262,029
Cash and balances with the National Bank of Georgia	13,062	-	-	-	-	9,181	22,243
Investments available-for-sale	-	-	-	-	-	92	92
Goodwill	-	-	-	-	-	7,965	7,965
Property, equipment and intangible assets	-	-	-	-	-	8,705	8,705
Other assets	457	266	55	235	-	-	1,013
TOTAL ASSETS	56,590	14,423	19,790	185,301	-	25,943	302,047
LIABILITIES							
Due to banks	391	-	-	93	-	-	484
Customer accounts	633	704	5,992	1,114	-	-	8,443
Subordinated debt	121	-	-	107,951	17,992	-	126,064
Total interest bearing liabilities	1,145	704	5,992	109,158	17,992	-	134,991
Customer accounts	65,709	1,902	209	5,869	-	-	73,689
Provisions	-	-	-	-	-	168	168
Current income tax liabilities	-	-	215	-	-	-	215
Deferred income tax liabilities	-	-	-	-	-	780	780
Other liabilities	512	12	45	31	-	-	600
TOTAL LIABILITIES	67,366	2,618	6,461	115,058	17,992	948	210,443
Liquidity gap	(10,776)	11,805	13,329	70,243	(17,992)		
Interest sensitivity gap	41,926	13,453	13,743	75,908	(17,992)		
Cumulative interest sensitivity gap	41,926	55,379	69,122	145,030	127,038		
Cumulative interest sensitivity gap as a percentage of total assets	14%	18%	23%	48%	42%		

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	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 Total
ASSETS							
Due from banks	35,400	1,031	6,431	-	1,085	-	43,947
Loans to customers	10,157	4,923	48,611	75,943	22,941	-	162,575
Total interest bearing assets	45,557	5,954	55,042	75,943	24,026	-	206,522
Cash and balances with National Bank of Georgia	13,350	-	-	-	-	5,939	19,289
Investments available-for-sale	-	-	-	-	-	92	92
Goodwill	-	-	-	-	-	10,873	10,873
Property, equipment and intangible assets	-	-	-	-	-	6,410	6,410
Other assets	846	444	238	218	-	-	1,746
TOTAL ASSETS	59,753	6,398	55,280	76,161	24,026	23,314	244,932
LIABILITIES							
Due to 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
Current income 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%		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

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Currency risk

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

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

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

	GEL	USD USD 1 = GEL1.7135	EUR EUR 1 = GEL 2.2562	Other currency	31 December 2006 Total
ASSETS					
Cash and balances with the National Bank of Georgia	15,169	5,315	1,726	33	22,243
Due from banks	1	24,523	4,108	575	29,207
Loans to customers	44,613	182,893	33	-	227,539
Investments available-for-sale	92	-	-	-	92
Investments held-to-maturity	5,283	-	-	-	5,283
Goodwill	7,965	-	-	-	7,965
Property, equipment and intangible assets	8,705	-	-	-	8,705
Other assets	330	421	110	152	1,013
TOTAL ASSETS	82,158	213,152	5,977	760	302,047
LIABILITIES					
Due to banks	309	172	2	1	484
Customer accounts	16,954	56,969	7,727	482	82,132
Provisions	168	-	-	-	168
Current income tax liabilities	215	-	-	-	215
Deferred income tax liabilities	780	-	-	-	780
Other liabilities	98	446	25	31	600
Subordinated debt	-	126,064	-	-	126,064
TOTAL LIABILITIES	18,524	183,651	7,754	514	210,443
NET BALANCE SHEET POSITION	63,634	29,501	(1,777)	246	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

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	GEL	USD USD 1 = GEL 1.7925	EUR EUR 1 = GEL 2.1245	Other currencies	31 December 2005 Total
ASSETS					
Cash and balances with the National Bank of Georgia	16,863	1,861	463	102	19,289
Due from banks	2,001	34,053	7,736	157	43,947
Loans to customers	6,410	156,162	3	-	162,575
Investments available-for-sale	92	-	-	-	92
Goodwill	10,873	-	-	-	10,873
Property, equipment and intangible assets	6,410	-	-	-	6,410
Other assets	796	606	176	168	1,746
TOTAL ASSETS	43,445	192,682	8,378	427	244,932
LIABILITIES					
Due to banks	253	257	-	-	510
Customer accounts	18,511	47,591	7,548	61	73,711
Provision	311	-	-	-	311
Current income 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
NET BALANCE SHEET POSITION	23,409	54,296	595	366	

Price risk

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

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

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.

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control 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 Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

Geographical concentration

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

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

	Georgia	OECD countries	Non-OECD countries	31 December 2006 Total
ASSETS				
Cash and balances with the National Bank of Georgia	22,243	-	-	22,243
Due from banks	962	23,501	4,744	29,207
Loans to customers	227,539	-	-	227,539
Investments available-for-sale	92	-	-	92
Investments held-to-maturity	5,283	-	-	5,283
Goodwill	7,965	-	-	7,965
Property, equipment and intangibles assets	8,705	-	-	8,705
Other assets	861	-	152	1,013
TOTAL ASSETS	273,650	23,501	4,896	302,047
LIABILITIES				
Due to banks	483	-	1	484
Customer accounts	82,132	-	-	82,132
Provisions	168	-	-	168
Current income tax liabilities	215	-	-	215
Deferred income tax liabilities	780	-	-	780
Other liabilities	600	-	-	600
Subordinated debt	126,064	-	-	126,064
TOTAL LIABILITIES	210,442	-	1	210,443
NET POSITION	63,208	23,501	4,895	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

	Georgia	OECD countries	Non-OECD countries	31 December 2005 Total
ASSETS				
Cash and balances with the National Bank of Georgia	19,289	-	-	19,289
Due from banks	2,036	35,603	6,308	43,947
Loans to customers	162,575	-	-	162,575
Investments available-for-sale	92	-	-	92
Goodwill	10,873	-	-	10,873
Property, equipment and intangible assets	6,410	-	-	6,410
Other assets	1,746	-	-	1,746
TOTAL ASSETS	203,021	35,603	6,308	244,932
LIABILITIES				
Due to banks	510	-	-	510
Customer accounts	73,711	-	-	73,711
Provisions	311	-	-	311
Current income 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	

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

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 2006

	Year ended 31 December 2006	Year ended 31 December 2005
Interest income	27,189	18,126
Interest expense	<u>(3,531)</u>	<u>(2,833)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	23,658	15,293
Provision for impairment losses on interest bearing assets	<u>(1,537)</u>	<u>(5,988)</u>
NET INTEREST INCOME	<u>22,121</u>	<u>9,305</u>
Net gain on securities held for trading	-	2,865
Net gain on foreign exchange operations	539	1,308
Fee and commission income	6,596	4,936
Fee and commission expense	(1,510)	(1,355)
Dividends received	-	422
Other income	<u>379</u>	<u>654</u>
NET NON-INTEREST INCOME	<u>6,004</u>	<u>8,830</u>
OPERATING INCOME	28,125	18,135
OPERATING EXPENSES	<u>(11,622)</u>	<u>(8,274)</u>
OPERATING PROFIT	16,503	9,861
Recovery of provision /(provision) for impairment losses on other transactions	<u>181</u>	<u>(244)</u>
PROFIT BEFORE INCOME TAX	16,684	9,617
Income tax expense	<u>(3,700)</u>	<u>(2,589)</u>
NET INCOME	<u><u>12,984</u></u>	<u><u>7,028</u></u>

CARTU BANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

(In Georgian Lari and in thousands, unless otherwise stated)

JSC CARTU BANK

BALANCE SHEET AS AT 31 DECEMBER 2006

	31 December 2006	31 December 2005
ASSETS		
Cash and balances with the National Bank of Georgia	22,243	19,289
Due from banks	29,207	43,947
Loans to customers	227,539	162,575
Investments in subsidiaries	1,227	1,227
Investments available-for-sale	92	92
Investments held-to-maturity	5,283	-
Goodwill	7,965	10,873
Property, equipment and intangible assets	8,689	6,393
Other assets	1,264	1,648
TOTAL ASSETS	303,509	246,044
LIABILITIES AND EQUITY		
LIABILITIES:		
Due to banks	484	510
Customer accounts	83,976	75,564
Provisions	168	311
Current income tax liabilities	507	156
Deferred income tax liabilities	780	-
Other liabilities	599	1,018
	86,514	77,559
Subordinated debt	126,064	90,538
Total liabilities	212,578	168,097
EQUITY:		
Share capital	54,716	54,716
Reserves	36,215	23,231
Total equity	90,931	77,947
TOTAL LIABILITIES AND EQUITY	303,509	246,044

