BANK OF GEORGIA

Joint Stock Company

3, Pushkin Street - 380007 Tbilisi

Republic of Georgia

Auditors' Report and Financial Statements
Prepared under International Accounting Standards
for the 12 month period ended 31 December, 2000



BANK OF GEORGIA
Annual report
for the year ended 31 December 2000

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Independent Auditors' Report to the Shareholders of Bank of Georgia

We have audited the accompanying balance sheet of Bank of Georgia ("the Bank") as of 31 December, 2000, and the related statements of profit and loss, cash flows and shareholders' equity for the year then ended. These financial statements are the responsibility of Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December, 2000 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.

Paris, 24 February, 2001

PricewaterhouseCoopers

Rainer Stawinoga
Partner

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BALANCE SHEET AT 31 DECEMBER 2000

Amounts are expressed in thousand of Georgian Lari (GEL)

	Notes	Net 1999	Gross 2000	Depreciation / Provision	Net 2000
Assets					
Cash and amounts due from banks	4	12,268	**18,781**	(452)	**18,329**
Amounts with the National Bank	5	8,035	**10,906**	-	**10,906**
Securities	6	685	**486**	-	**486**
Factoring	7	171	**320**	(149)	**171**
Loans to clients	8	42,468	**64,870**	(4,755)	**60,115**
Other assets	9	891	**1,013**	-	**1,013**
Investments	10	305	**393**	(17)	**376**
Fixed assets	11	11,384	**16,070**	(2,684)	**13,386**
Total assets		76,207	**112,839**	**(8,057)**	**104,782**
Liabilities and Funds Employed					
Short term liabilities					
Deposits from banks	12	2,675	**3,721**	-	**3,721**
Customers deposits	13	38,761	**56,216**	-	**56,216**
Other liabilities	14	907	**238**	-	**238**
Provisions for risk	15	119	**397**	-	**397**
Long term liabilities					
Long term debts to International Institutions	16	9,887	**11,880**	-	**11,880**
Total liabilities		52,349	**72,452**	-	**72,452**
Share capital	17	5,730	**8,606**	-	**8,606**
Share Premium	17		**1,771**	-	**1,771**
Reserves	17	9,367	**15,631**	-	**15,631**
Retained (Loss) Profit for the year	17	8,761	**6,322**	-	**6,322**
Shareholders' Funds	17	23,858	**32,330**	-	**32,330**
Total liabilities and funds employed		76,207	**104,782**	-	**104,782**

The accompanying notes are an integral part of these financial statements and should be read in conjunction therewith.

BANK OF GEORGIA

OFF BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2000

Amounts are expressed in thousands of Georgian Lari (GEL)

	1999	**2000**
Commitments given		
Letters of Credits	3,649	**1,387**
Letters of guarantees	3,964	**6,724**
Credit lines open to the clients and unused	1,331	**-**
Provision for risks	(119)	**(397)**

	1999	**2000**
Commitments received		
Unused credit lines		**96**

The accompanying notes are an integral part of these financial statements and should be read in conjunction therewith.

BANK OF GEORGIA
STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2000
Amounts are expressed in thousands of Georgian Lari (GEL)

	Notes	1999	**2000**
Interest income	18	15,905	**20,807**
Interest expense	19	(4,461)	**(4,910)**
Net interest income		11,444	**15,898**
Fees and commissions income	20	6,386	**6,330**
Fees and commissions expenses	21	(1,267)	**(2,352)**
Net fees and commissions income		5,119	**3,978**
Other operating income	22	3,259	**2,488**
Total income		19,822	**22,364**
Other operating expense	23	(170)	**(689)**
Salaries expenses	24	(3,897)	**(4,383)**
Administrative expenses	25	(4,551)	**(7,012)**
Loan loss expenses	26	(442)	**(243)**
Provision for losses (net)	27	(1,476)	**(3,005)**
Total operating expenditures		(10,536)	**(15,331)**
Net operating profit/(loss)		9,286	**7,033**
Income Tax	28	(525)	**(711)**
Profit / (loss) after taxation		8,761	**6,322**

The accompanying notes are an integral part of these financial statements and should be read in conjunction therewith.

BANK OF GEORGIA

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2000

Amounts are expressed in thousands of Georgian Lari (GEL)

	Notes	1999	**2000**
1. Net Cash flow from operating activities			
Profit (Loss), after taxation		8,761	**6,322**
Adjustments for:		-	
Provision expense for assets		1,476	**3,005**
Interest accrual – net		-	**421**
Accrual of other expenses		6	**27**
Depreciation on premises and equipment	11	531	**514**
Foreign exchange difference		-	**(155)**
Deferred tax	28	-	**(675)**
Net Cash flow from operating activities I		10,774	**9,459**
2. Change in operating assets			
(Increase)/ decrease in placements with other banks		4,713	**-**
(Increase)/ decrease in obligatory reserve at NBG		(2,908)	**(1,990)**
(Increase)/ decrease in Factoring		981	**-**
(Increase)/ decrease in loans to customers including interest receivable		(23,269)	**(20,356)**
(Increase)/ decrease in other assets		(437)	**225**
Net Cash flow from operating assets		(20,920)	**(22,121)**
3. Change in operating liabilities			
Increase/(decrease) in deposits from banks		2,024	**1,063**
Increase/(decrease) in loan from NBG		(518)	**-**
Increase/(decrease) in amounts owned to other depositors including interest payable		7,979	**16,989**
Increase/(decrease) in other liabilities		530	**(668)**
Increase/(decrease) in debts to international institutions		8,388	**1,993**
Net cash flow from operating liabilities		18,403	**19,377**
Net cash flow from operating activities II		(2,517)	**(2,744)**
4. Change in investing activities			
(Purchase)/sell of fixed assets	11	(2,987)	**(2,525)**
(Purchase)/sell of investments		(131)	**(42)**
Net cash flow from investing activities III		(3,118)	**(2,567)**
5. Change in financing			
Increase/(decrease) in share capital		505	**2,876**
Increase in share premium		-	**1,762**
Increase/ (decrease) in reserves		(1,211)	**-**
Increase/(decrease) in reserves - dividends		(1,085)	**(1,977)**
Net cash flow from financing activities IV		(1,791)	**2,661**
Net increase (decrease) in cash and cash equivalent I+II+III+IV		3,348	**6,809**

BANK OF GEORGIA
CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2000
RECONCILIATION STATEMENT
Amounts are expressed in thousands of Georgian Lari (GEL)

	1999	**2000**
Cash as at January 1,	11,445	**14,793**
Net Cash inflow (outflow)	3,348	**6,809**
Cash as at December 31,	**14,793**	**21,602**
Detail of cash		
Current account with NBG	1,840	**2,786**
Correspondent account	5,920	**11,330**
Cash	6,348	**7,000**
T-Bonds	685	**486**
Total of Cash	**14,793**	**21,602**

The accompanying notes are an integral part
of these financial statements and should be read in conjunction therewith.

Note 1: Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Note 2: Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards (IAS), issued by the International Accounting Standards Committee. The accompanying financial statements are based on the statutory records of the Bank, which are maintained under the historical cost convention as adjusted for the revaluation of fixed assets.

Note 3: Summary of Significant Accounting Policies

(a) Foreign Currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gain and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year end exchange rates.

The exchange rate for the US dollar against the Georgian Lari evolved in 2000 as follows:

	GEL/ US$
At 1 January 2000	1.930
Highest (at 31 March 2000)	2.062
Lowest (at 1 January 2000)	1.930
31 December 2 000	1.975

(b) Interest Expense and Income

Interest expense and income are recognised in the income statement on an accrual basis.

The recognition of interest income ceases when the payment of interest or principal is in doubt, and does so automatically if principal or interest payments are 60 days or more in arrears. Any interest previously accrued but not received on a loan subsequently placed on a non-accrual basis is reversed. Interest is included in income thereafter only when it is received. Loans are returned to the accruals basis only when doubt about collectability is removed and when the outstanding arrears of interest and principal are received.

(c) Fee and Commission Income

Fees and Commissions consist mainly of fees received for foreign currency transactions and from loans granted. Fees arising from guarantees given, opening letters of credit, commissions form and from managed funds on behalf of legal entities and citizens, are also included.

Fees relating to loans are credited to income upon the granting of the applicable loan. Commissions on foreign currency transactions are credited to income on receipt. Income on the endorsement of bills of exchange is recognised only when the bill is received.

Note 3: Summary of Significant Accounting Policies (continued)

(d) Changes in the presentation of expenses and income

A limited number of minor changes have been made in the presentation of some income sources and expenditures for the year 2000 with a view to improving the overall presentation of the income statement

(e) Investments

i) Investment Securities

Investment Securities are primarily held for yield purposes and are initially stated at cost. Investments in equities are stated at cost less any permanent diminution in value. Dividends are taken to dividend income when received.

ii) Other

Other investments are included in the balance sheet at revalued cost less amounts written off for permanent diminution in value. Bank of Georgia had T-Bonds investments as at December 31, 2000.

(f) Loans and Advances

Loans are stated in the balance sheet at the amount of principal outstanding less any provision. Provisions for bad and doubtful debts are made, having regard to both general and specific risks. The specific element of the provisions relates to those loans that have been individually reviewed and specifically identified as bad or doubtful. The general element of the provisions relates to those existing losses which, although not yet specifically identified, are known from experience to be present at any year-end in the Bank's portfolio of loans and advances.

In determining the level of the provisions required management considers numerous factors including domestic economic conditions, the composition of the loan portfolio and prior bad debt experience. When a loan is deemed un-collectable, it is written off against the related provision for bad and doubtful debts.

(g) Fixed Assets

All property, plant and equipment are stated at historical cost less depreciation and correspondingly restated as explained below. The property, plant and equipment of the Bank have been revalued in 1998 based on legal valuation to ensure that the restated fixed assets carrying values reflect the estimated recoverable amounts. The results from the fixed assets revaluation are reflected in the *1 999* and *1 998* financial statements of the Bank.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Note 3: Summary of Significant Accounting Policies (continued)

	Annual rate %
Buildings	50 years
Equipment	10 years
Furniture	10 years
Computer	5 years
Motor vehicles	5 years

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

(h) Taxation

Taxes relating to the current year profits are paid quarterly. Georgian companies with foreign shareholders are tax exempted (income tax) under the Georgian law.

The general taxation rate for income tax is 20 % in Georgia and the property tax is 1%.

The bank was totally tax exempted from these taxes till the 2nd quarter of 1998.
Since the 2nd quarter of 1998 till the 2nd quarter of 2002 (4 years) the bank will have a 50% exemption on this taxes. The bank will pay 10% for the income tax and 0.5% for the property tax.

The deferred taxation was calculated for the first time in 1999.

(i) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. In particular the comparatives have been adjusted to take into account the requirements of IAS 12 (revised) – Income Taxes.

Note 4: Cash and amounts due from banks

Cash and short term funds include cash on hand, and correspondent accounts, including overnight deposits and short term placements with other banks.

	1999	**2000**
Cash in hand	6,348	**7,000**
Correspondent banks accounts and placements with other banks		
- With non CIS Countries	5,481	**11,314**
- With CIS Countries	901	**467**
Provision on correspondent banks accounts	(462)	**(452)**
Total Cash and amounts due from banks	12,268	**18,329**

4.1. Cash in hand

	1999	**2000**
National Currency	3,361	**2,883**
Foreign Currencies	2,987	**4,117**
Total Cash in hand	6,348	**7,000**

The breakdown of amounts in cash in foreign currencies is as follows :

	1999	**2000**
USD – United States Dollar	2,773	**3,426**
DEM – Deutsche Mark	72	**328**
Great Britain Pound	99	**28**
Russian Ruble	5	**5**
Other soft currencies and payment facilities	38	**330**
Total	2,987	**4,117**

Note 4: Cash and amounts due from banks (continued)

4.2. Correspondent banks accounts

	1999	**2000**
Correspondent account in non CIS Countries	5,481	**11,314**
-Current accounts	2,284	**2,237**
-Interest bearing accounts	3,197	**9,077**
Correspondent accounts in CIS Countries	901	**467**
-Current accounts	802	**454**
-Interest bearing accounts	99	**13**
Provision on correspondent Banks accounts (CIS)	(462)	**(452)**
Total correspondent banks accounts	5,920	**11,329**

4.3 Breakdown of the correspondent accounts:

Correspondent accounts with foreign banks except CIS countries

Currency	Amount in currency '000	Exchange rate	Amount in 000'GEL
USD	4,939	1.98	9,754
DEM	49	0.93	45
EUR	757	1.82	1,374
GBP	8	2.95	23
CHF	4	1.21	5
RUR	1,630	0.07	113
Total non C.I.S. countries			**11,314**

Note 4: Cash and amounts due from banks (continued)

Correspondent accounts with banks in CIS countries

Currency	Amount in currency '000	Exchange rate	Amount in 000'GEL
GEL	1	1.00	1
USD	228	1.98	450
RUR	230	0.07	16
Provision			(452)
Total C.I.S. countries			**15**

Interest bearing accounts, by currency

Currency	Amount in currency '000	Exchange rate	Amount in '000'GEL
USD	3,304	1.98	7,710
EUR	755	1.82	1,370
CHF	4	1.20	5
RUR	71	0.07	5
Total			**9,090**

Provision on correspondent accounts:

As a consequence of the Russian crisis in September 1998, Rossiyskiy Credit (Moscow), Mosbusiness Bank (Moscow) and SBS Agrow (Moscow) are unable to repay their debts. The final agreements for the liquidation of these banks are currently under discussion. A *452* KGEL provision has been recorded in the bank's books.

Note 5: Amounts with the National Bank

	1999	**2000**
Mandatory reserve	6,130	**8,120**
Current account with the National Bank	1,840	**2,786**
Accrued interest	65	**-**
Total amount with the National Bank	8,035	**10,906**

Note 5: Amounts with the National Bank (continued)

The mandatory reserve is not available to finance the bank's day to day operations. From September 2 000 neither mandatory reserve nor current account with the National Bank doesn't bear any interest.

Note 6: Securities

	1999	**2000**
Securities (T-Bonds)	683	**476**
Accrued interest	2	**10**
Total Securities	685	**486**

Maturity and interest accrued on T-bonds

	Date of purchase	**Purchasing Cost**	**Maturity date**	**Interest rate**
T-Bonds	22 November 2000	476	21 February 2001	20.55
Accrued interest		10		
Total Securities		**486**		

T-Bonds were issued by the Ministry of Finance of Georgia. Under restricted conditions the NBG allows commercial banks to purchase securities drawing on its own mandatory reserve. These securities bear 20.55 discount interest rate.

Note 7: Factoring

	1999	**2000**
Factoring (1)	320	**320**
Provision for factoring	(149)	**(149)**
Total Factoring	171	**171**

The 320 KGEL booked in 1999 relate to the amount receivable from the Ministry of Finance. The maturity date is March 2001. The collateral is composed of the shares of a hotel; a provision was made according to the loan provisioning policy.

Note 8: Loans and Advances to customers

8.1 Analysis by status of borrower:

	1999	**2000**
State Organisations	11,454	**12,803**
Private Companies	24,550	**38,812**
Individuals	7,985	**12,729**
Total	43,989	**64,345**
Accrued Interest	406	**525**
Total Loans	44,395	**64,870**
Accumulated loan loss provision	(1,927)	**(4,755)**
Total loans, net	42,468	**60,115**

Note 8: Loans and Advances to customers (continued)

8.2 Analysis by currency:

	1999	**2000**
Loans denominated in National Currency (Lari)	5,716	**6,258**
Loans denominated in Foreign Currency		
- in USD	36,185	**55,510**
- in Euro	2,088	**2,577**
Total	43,989	**64,345**
Accrued Interest	406	**525**
Total Loans	44,395	**64,870**
Accumulated loan loss provision	(1,927)	**(4,755)**
Total Loans, net	42,468	**60,115**

Note 8: Loans and Advances to customers (continued)

8.3 Analysis by sector:

	1999		**2000**	
	Amount	%		**%**
Construction & real estate	11,452	26.0	**12,995**	**20.2**
Agriculture	546	1.3	**396**	**1.0**
Trade & Services	6,647	15.1	**13,026**	**20.2**
Industries	13,341	30.3	**14,976**	**23.3**
Consumption	7,985	18.2	**12,730**	**19.8**
Energy and natural resources	-	-	**7,221**	**11.2**
Others	4,018	9.1	**3,001**	**4.3**
Total	43,989	100	**64,345**	**100**
Accrued Interest	406		**525**	
Total Loans	44,395		**64,870**	
Accumulated loan loss provision	(1,927)		**(4,755)**	
Total Loans, net	42,468		**60,115**	

8.4 Analysis by duration (net amounts, excluding accrued interest):

	Up to 1 month	% of total portfolio	1-3 Months	% of total portfolio	3-6 Months	% of total portfolio	6-9 Months	% of total portfolio	9-12 Months	% of total portfolio	More than 12 Months	% of total portfolio	Overdue	% of total portfolio	Total
Individuals	6,415	10%	3,260	5%	468	1%	322	1%	1,258	2%	966	2%	40	0%	**12,729**
Private sector risk	2,863	4%	6,746	10%	8,647	13%	7,811	12%	5,427	8%	6,862	11%	457	1%	**38,813**
Public sector risk	548	1%	2,977	5%	7,918	12%	59	0%	1,252	2%	-	0%	50	0%	**12,803**
Total	**9,826**	15%	**12,983**	20%	**17,033**	26%	**8,192**	13%	**7,937**	12%	**7,828**	12%	**547**	1%	**64,345**
Provision distribution	**(726.12)**		**(959.39)**		**(1,258.69)**		**(605.40)**		**(586.50)**		**(578.48)**		**(40.42)**		**(4,755)**
Net amounts	**9,100**		**12,023**		**15,774**		**7,587**		**7,350**		**7,250**		**507**		**59,590**

Note 8: Loans and Advances to customers (continued)

	1999		**2000**	
	Amount	% of total portfolio	**Amount**	**% of total portfolio**
Up to 1 month	4,462	10%	**9,826**	**15%**
1 - 3 month	8,395	19%	**12,983**	**20%**
3 - 6 month	12,199	28%	**17,033**	**27%**
6 - 12 month	11,352	26%	**16,129**	**25%**
More than 12 month	7,581	17%	**8,375**	**13%**
Total	43,989	100%	**64,345**	**100%**

8.5 Analysis by interest rate range

	0-30%	**30-50%**	**50-70%**	**70-90%**	**90-120%**	**Total**
Loans in Foreign Currency	38,508	18,867	513	124	75	**58,087**
Loans in National Currency	4,503	1,302	293	157	3	**6,258**
Total	**43,011**	**20,169**	**806**	**281**	**78**	**64,345**

Note 9: Other Assets

	1999	**2000**
Prepaid expenses	238	**93**
Prepayment for fixed assets	-	**254**
Prepaid income tax	-	**127**
Deferred tax asset *	254	**539**
Western Union & Plastic Cards Accounts	260	**-**
Transit turnover between branches	53	-
Miscellaneous assets	149	-
Total	954	**1, 013**
Depreciation on miscellaneous assets	(63)	-
Total Other Assets	891	**1,013**

(*) Further details are provided in note 28

Note 10: Investment in securities of private companies

		1999		**2000**	
Name of the Company	**Sector**	Investment in KGEL	% of Capital Held	**Investment in KGEL**	**% of Capital Held**
United Georgian Bank	Banking	13	0.09%	**19**	**0.09%**
Tbilisi Stock Exchange	Finance	33	6.66%	**33**	**6.66%**
Georgian Cards	Bank Cards	254	23.60%	**323**	**24.9%**
Lochini JSC	Construction	39	18.50%	**-**	**-**
SB Invest	Brokers	11	100%	**17**	**100%**
SWIFT	Banking	-	-	**-**	**-**
Other Investments		1	N/A	**1**	**N/A**
Sub-Total		351		**393**	
Provision for depreciation		(46)		**(17)**	
Total Investments		305		**376**	

The financial statements for the above listed companies were presented under Georgian standards except United Georgian Bank which prepared audited IAS financial statements.

Note 11: Fixed Assets

11.1 Gross value of fixed assets

	December 31, 1999	**Acquisitions**	**Disposals**	**Transfers**	**December 31, 2000**
Lands & buildings	7,670	1,018	-	2,467	11,155
Buildings in progress	2,493	79	-	(2,467)	105
Computers	1,334	758	(4)	-	2,088
Vehicles	410	133	-	-	543
Furniture & Fixture	181	176	-	-	357
Other equipment	1,457	357	-	-	1,814
Intangible assets	14	4	(10)	-	8
Total	**13,559**	**2,525**	**(14)**	**-**	**16,070**

Note 11: Fixed Assets (continued)

11.2 Depreciation of fixed assets:

	Accumulated depreciation as at 31/12/99	Depreciation for the year	Reversals on disposals	Accumulated depreciation as at 31/12/00
Land and Buildings	1,283	107	-	1,390
Buildings in progress	-	-	-	-
Computers	434	213	-	647
Vehicles	128	89	-	217
Furniture and fixtures	45	5	-	50
Other equipment	280	99	-	379
Intangible assets	5	1	(5)	1
Total	**2,175**	**514**	**(5)**	**2,684**

11.3 Revaluation of fixed assets

The total revaluation of buildings amounts to 6 000 KGEL. It includes the legal revaluation which was made in two steps, in 1997 and 1998 (4 183 KGEL) and a free revaluation (1 817 KGEL).

11.4 Small value items

Small value items, with unit gross value less than equivalent of 500 USD, are expensed from the balance sheet ad recognised as an expense

LIABILITIES & SHAREHOLDERS FUNDS

Note 12: Deposits from Banks

	1999	**2000**
Current Accounts		
- in Foreign Currency	430	**843**
- in National Currency	5	**59**
Time Deposits made by banks	965	**-**
Credits received from banks	1,258	**2,765**
Total	2,658	**3,667**
Accrued Interests	17	**54**
Total Deposits from Banks	2,675	**3,721**

12.1 Current accounts in foreign currency

Bank	**Amount in 000'USD**	**Exchange rate**	**December 31 2000 expressed in 000'GEL**
Tbiluniversalbank	200	1.975	394
Republic Bank	55	1.975	109
United Georgian Bank	69	1.975	136
Postbank	56	1.975	111
TBC Bank	42	1.975	83
Other banks	5	1.975	10
Total current accounts in foreign currency	**427**		**843**

Note 12: Deposits from Banks (continued)

12.2 Credits from banks

Bank	Amount 000'USD	Exchange Rate	Amount in KGEL	Interest Rate	Maturity date
Cartu Bank	500	1.975	987	18%	11.02.01
Republic Bank	400	1.975	790	18%	22.01.01
Tbiluniversalbank	300	1.975	593	18%	04.01.01
TBC Bank	200	1.975	395	24%	08.01.01
Total			**2,765**		
Accrued interest			54		
Total credits from Banks			**2,819**		

Note 13: Customer deposits

Customer deposits include: current accounts, demand and time deposits

13.1 Analysis by nature of deposits

	1999	**2000**
Current Accounts	16,669	**20,685**
Demand deposits	4,186	**7,120**
Time deposits	17,158	**27,197**
Total	38,013	**55,002**
Accrued Interest	748	**1,214**
Total Deposits	38,761	**56,216**

Note 13: Customer deposits (continued)

13.2 Analysis by currencies

	1999	**2000**
Foreign currency	28,740	**42,883**
Lari	7,896	**12,119**
Total	36,636	**55,002**
Orders of transfer in transit	1,377	**-**
Accrued Interest	748	**1,214**
Total Deposits	38,761	**56,216**

13.3 Analysis by depositors

	1999	**2000**
Legal entities	18,940	**27,280**
Individuals	17,696	**27,722**
Total	36,636	**55,002**
Orders of transfer in transit	1,377	**-**
Accrued Interest	748	**1,214**
Total Deposits	38,761	**56,216**

Note 13: Customer deposits (continued)

13.4 Analysis by duration

	1999	**2000**
Current accounts	16,669	**20,685**
Less than one month (demand deposits)	4,186	**7,120**
1 to 3 months	3,464	**4,205**
3 to 6 months	2,457	**752**
6 to 12 months	11,237	**22,240**
Total	38,013	**55,002**
Accrued Interest	748	**1,214**
Total Deposits	38,761	**56,216**

13.5 Analysis by interest rate range

Interest rate	**GEL**	**Foreign Currency**	**Total**
0%	9,069	11,616	20,685
1 to 9%	1,037	10,362	11,399
10 to 13%	20	3,813	3,833
14 to 16%	5	18,844	18,849
17 to 20%	194	26	220
More than 20%	15	2	17
Total	**10,340**	**44,663**	**55,002**

Note 14: Other liabilities

	1999	**2000**
Accrued audit fees	129	**140**
Dividends payable to shareholders for previous year	-	**68**
Income tax	150	**-**
Property tax	47	**-**
Miscellaneous liabilities	581	**30**
Total other liabilities	907	**238**

Note 15: Provision for risk

This provision relates to the bank exposure in connection with the off-balance sheet commitments given by Bank of Georgia to its clients.
It includes a 2% provision for risk on the guarantees given by the bank and on the letters of credit not covered by a time deposit.

Note 16: Credits received from International Institutions

Institution	Currency	Maturity	Amount in currency	Amount in 000'GEL	Interest Rate
European Bank	USD	7 years	2,535	5,006	Libor + 5,75%
IFC	USD	6 years	1,136	2,243	Libor +5,25%
Shorebank	USD	30 months	334	660	Libor +variable % from 2.5 to 4,5
Drezdner bank	EURO	9months	484	879	Euro Libor +6%
DEG	EURO	7 years	1,500	2,723	Euro Libor +6%
Total					
Accrued Interest				369	
Total credits received from International Institutions				**11,880**	

Above listed credits have a maturity date over one year, except the credit from Drezdner Bank, and should be repaid through a repayment schedule agreed with every financial institution.

Note 17: Share capital and shareholders funds

	1999	**2000**
Share capital	5,730	**8,606**
Share premium	-	**1,771**
Reserves	9,367	**15,631**
Profit (loss) for the year	8,761	**6,322**
Total Shareholder Funds	23,858	**32,330**

Note 17: Share capital and shareholders funds (continued)

17.1 Capital and shareholders funds

	1999 closing balance	Allocation of the 1999 profit	Allocation of 1999 profit tax	Capital increase	Dividends paid	Profit for the year 2000	2000 closing balance
Share capital	5,730	-	-	2,876	-	-	8,606
Share premium	-	-	-	1,771	-	-	1,771
Revaluation reserve	6,000	-	-	-	-	-	6,000
Reserves and retained earnings	3,367	6,784	(520)	-	-	-	9,631
Dividends	-	1,977	-	-	(1,977)	-	-
Profit for the year	8,761	(8,761)	-	-	-	6,322	6,322
Total	**23,858**	-	**(520)**	**4,647**	**(1,977)**	**6,322**	**32,330**

GEL 521 represents allocation of profit tax payable for the year ended 31 December 1999. This figure was not included in prior year report.

During 2000 the Bank allocated GEL 1,977 as dividends payable to shareholders upon the decision of the shareholders' general meeting. Some portion of dividends amounting to GEL 1,327 was reinvested to share capital as a capital increase upon individual decision of the shareholders. As a consequence this led to modifying the share of every shareholder in total share capital. The new shares were issued at nominal value.

A further capital increase was made during the third quarter following the conversion of the loan into share capital. The new shares were issued at a contractual value, that resulted in the calculation of a share premium.

The breakdown of shareholders and their percentage in paid-in capital is as follows:

Shareholders	1999	**2000**
Corporates	25.39	**20.77**
Individuals	23.94	**20.57**
International Institutions	-	**18.00**
Sub total	*49.33*	***59.34***
Other, less than 2%	50.67	**40.66**
Total	100	**100**

Note 17: Share capital and shareholders funds (continued)

The total authorised number of ordinary shares at year end was 8,605,607 (1999: 5,730,000 shares) with nominal value 1 GEL per share. All the issued shares are fully paid.

INCOME STATEMENT

Note 18: Interest Income

	1999	**2000**
Interest income	15,499	**20,268**
Accrued interest at year end	406	**539**
Total Interest Income	15,905	**20,807**

18.1 Breakdown of interest income for 2000

	1999	**2000**
Interest income from loans and guaranty operations	13,928	**19,304**
Interest income from the mandatory reserve with the National bank	1,161	**606**
Interest income on Nostro accounts	356	**832**
Other interest income	460	**65**
Total interest income for the year	15,905	**20,807**

Note 19: Interest expenses

	1999	**2000**
Interest paid	3,713	**3,696**
Accrued interest at year end	748	**1,214**
Total interest expenses	4,461	**4,910**

Note 19: Interest expenses (continued)

19.1 Breakdown of interest expenses

	1999	**2000**
Interest expenses on time deposits	2,473	**3,663**
Interest expenses on cash received from NBG	204	**-**
Interest expenses on credits from local banks	436	**424**
Interests expenses on loans with foreign banks	376	**742**
Interests expenses on Loro accounts	86	**42**
Other interest expenses	886	**39**
Total interest expenses	4,461	**4,910**

Note 20: Fees and commission income

	1999	**2000**
Accreditive operations	196	**464**
Services on plastic cards	98	**243**
Fees on swift operations	343	**136**
Commissions on services	2,780	**2,690**
Fees on Western Union operations	2,515	**2,797**
Others commissions	454	**-**
Total fees and commission income	6,386	**6,330**

Note 21: Fees and commission expenses

	1999	**2000**
Commissions on correspondent accounts	898	**1 233**
Other fees and commission expenses	369	**1 119**
Total fees an commission expenses	1, 267	**2,352**

Note 22: Other operating income

	1999	2000
Income from foreign exchange operations	2,563	2,124
Sales of fixed assets	141	-
Other income	555	364
Total other operating income	**3,259**	**2,488**

Note 23: Other operating expenses

	1999	2000
Loss resulting from fraud	-	473
Other	170	216
Total other operating expenses	**170**	**689**

Note 24: Salaries

	1999	2000
Salaries Expenses and bonuses	3,897	**4,383**
Total Salaries	3,897	**4,383**

Average number of employees - 869.

Note 24: Salaries (continued)

The salary expenses are composed of:

	1999	**2000**
Salaries	2,365	**3,015**
Taxes	702	**922**
Bonuses	590	**240**
Holidays expenses	240	**206**
Total	3,897	**4,383**

The evolution of the salary expenses is linked to the general increase of salaries: 34 % in 2000.

Note 25: Administrative expenses

	1999	**2000**
Consulting services	225	**180**
Repairs of fixed assets	16	**1,261**
Telephone and post	334	**441**
Security systems	861	**903**
Rents	790	**831**
Office supplies	284	**1,159**
Small value items	412	**34**
Advertising	135	**173**
Taxation (non income tax)	259	**728**
Fixed assets depreciation	561	**514**
Other expenditures	674	**788**
Total Administrative Expenses	4,551	**7,012**

Note 26: Loan loss expenses

	1999	**2000**
Loans written off in 1999	(622)	**(1,227)**
Recoveries on loans written off during the period	180	**984**
Loan loss expense	(442)	**(243)**

Note 27: Provisions

The net charge for the year is 3,005 KGEL.

27.1 Statement of change in the provision for losses:

	1999	**2000**	**Change**
Loans	1,927	**4,755**	2,828
Factoring	149	**149**	0
Nostro	461	**452**	(8)
Other Assets	63	**0**	(63)
Investments	46	**17**	(29)
Off-balance sheet	119	**397**	277
Total	2,765	**5,770**	**3,005**

Note 28: Taxation

	1999	**2000**
Income tax	(779)	**(1,250)**
Deferred Taxation	254	**539**
Total	(525)	**(711)**

Note 28: Taxation (continued)

Deferred taxation: calculation

	Georgian	IAS	Delta	Income tax rate	Deferred tax normal	Deferred tax actual
Depreciation of F.A.	*2,738*	*2,684*	*(54)*			
Provision on nostros	-	*452*	*452*			
Provision on factoring	-	*149*	*149*			
Provision on loans	*1,521*	*4,755*	*3,234*			
Provision on other assets	-	*17*	*17*			
Provision on off-balance sheet	-	*397*	*397*			
Subtotal	*4,259*	*8,454*	*4,195*	*20%*	*839*	*420*
Accrued interest:						
Income on loans	-	*(525)*	*(525)*			
Income on nostro accounts	-	*(3)*	*(3)*			
Income on securities	-	*(10)*	*(10)*			
Expense on deposits from banks	-	*54*	*54*			
Expense on deposits from international institutions	-	*369*	*369*			
Subtotal	-	*(115)*	*(115)*	*20%*	*(23)*	*(12)*
Adjusted expense natured:						
Audit fee	-	*140*	*140*			
Maintenance	-	*858*	*858*			
Inventories	-	*138*	*138*			
Other:	-	*173*	*173*			
Subtotal	-	*1,309*	*1,309*	*20%*	*262*	*131*
Total deferred taxation						***539***

Under IAS the expenses are immediately expensed. According to Georgian rules the differences are expensed only when they are finally recorded as expenses.

Taxation is payable at an effective rate of 10% (1999: 10%) on taxable profits. The standard income tax rate in Georgia is 20%. Under the Georgian Law, the Bank enjoys a 50% tax exemption from the standard income tax rate due to the foreign equity participation in the Bank. This tax exemption is valid for the five-year period from 1998 to 2002. Afterwards, the Bank will be subject to the standard income tax rate for the country.

Note 29: Currency Risk

Concentration of assets, liabilities and off balance sheet items as at December 31,2000

Assets	DEM	USD	EURO	GEL	Other	Total
Cash and amounts due from banks	373	13,196	1,374	2,883	503	18,329
Amounts with the National Bank		-	-	10,906	-	10,906
Securities	-	-	-	486	-	486
Factoring	-	-	-	171	-	171
Loans to clients		52,622	2,386	5,107		60,115
Other assets	-	-	-	474	-	474
Deferred tax asset				539		539
Investments	-	-	-	376	-	376
Fixed assets	-	-	-	13,386	-	13,386
Total assets	**373**	**65,818**	**3,760**	**34,328**	**503**	**104,782**
Liabilities						
Deposits from banks	-	3,721	-		-	3,721
Customers deposits	-	44,097	-	12,119	-	56,216
Other liabilities	-	140	-	98	-	238
Provision for contingencies	-	397	-	-	-	397
Long term debts to I.I.	-	8,239	3,641	-	-	11,880
Total Liabilities		**56,594**	**3,641**	**12,217**		**72,452**
Net balance sheet position	**373**	**9,244**	**119**	**22,111**	**503**	**32,330**
Off balance sheet	**19**	**7,661**	**-**	**431**	**-**	**8,111**

Note 30: Liquidity risk

Maturity of assets and liabilities

As at December 31,1999	Demand, up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	No maturity	Total
Assets							
Cash and amounts due from banks	18,329	-	-	-	-	-	18,329
Amounts with the National Bank	2,786	-	-	-	-	8,120-	10,906
Securities	-	486		-	-	-	486
Factoring	-	171		-	-	-	171
Loans to clients	10,132	12,023	15,774	14,937	7,250		60,115
Other assets	-	474			-	-	474
Deferred tax asset				539			539
Investments	-	-	-	-	-	376	376
Fixed assets	-	-	-	-	-	13,386	13,386
Total assets	**31,247**	**13,154**	**15,774**	**15,476**	**7,250**	**21,882**	**104,782**
Liabilities							
Deposits from banks	2,734	987	-	-	-	-	3,721
Customers deposits	29,019	4,205	752	22,240	-	-	56,216
Other liabilities	98	140	-	-	-	-	238
Provision for contingencies	397	-	-	-	-	-	397
Long term debts to I.I.	-	-	-	879	11,001	-	11,880
Total Liabilities	**32,248**	**5,332**	**752**	**23,119**	**11,001**	**0**	**72,452**
Net liquidity gap	**(1,001)**	**7,822**	**15,022**	**(7,643)**	**(3,751)**	**21,882**	**32,330**
Cumulated liquidity gap	**(1,001)**	**6,821**	**21,843**	**14,200**	**10,449**	**32,330**	

The table above analyses assets and liabilities of the Bank into relevant maturity rankings based on the remaining period at balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturity and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types.

An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rate.

Note 31: Interest rate risk

Interest sensitivity of assets and liabilities

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2000

	Up to 3 months	3-12 months	1-5 years	Non-interest Bearing	Total
Assets					
Cash and amounts due to from banks	8,874	-	-	9,455	18,329
Amounts with the National Bank	-	-	-	10,906	10,906
Securities	486	-	-	-	486
Factoring loans to clients	171	-	-	-	171
Loans to clients	21,122	30,711	7,250	1032	60,115
Other assets	-	-	-	474	474
Deferred tax asset				539	539
Investments	-	-	-	376	376
Fixed assets	-	-	-	13,386	13,386
Total assets	**30,653**	**30,711**	**7,250**	**36,168**	**104,782**
Deposits from Banks	2,819	-	-	902	3,721
Customers deposits	11,325	22,992	-	21,899	56,216
Other liabilities	-	-	-	238	238
Provisions for risk	-	-	-	397	397
Long term debts	-	879	10,632	369	11,880
Total liabilities	**14,144**	**23,871**	**10,632**	**23,805**	**72,452**
Interest sensitivity gap	**16,509**	**6,840**	**(3,382)**	**12,363**	**32,330**
Cumulated gap	**16,509**	**23,349**	**19,967**	**32,330**	

Note 32: Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Bank is not subject to a significant influence.

Note 33: Post balance sheet events

As per the bank there are no significant post balance sheet events, which could negatively affect the financial situation of the bank.

Note 34: Uncertainties

Operating environment and Business Risks

The bank's operation results are dependent upon its ability to attract deposits, grant quality loans, control operating expenses and effectively manage risk. The primary risk to which the Bank is exposed include credit, interest rate, liquidity and foreign exchange risk. The Bank is also exposed to significant risks due to the nature of its operating environment. Its success is dependent upon on the general economic conditions of Georgia, activities of competitors and other factors, which may be outside the control of the Bank.

Uncertainty in the country

There is a considerable degree of uncertainty in Georgia surrounding the continued success of domestic economy policy. Furthermore, the recoverability of the Bank's loans and advances to domestic clients as well as their financial situations and, consequently, their ability to repay the loans largely depends on the future direction of the economic policy and takes certain steps, such as diversification of the loan portfolio by economy sectors, regions and type of loans, in order to avoid any potential losses.

The management of the Bank has made its best estimate on recoverability and classification of recorded assets and liabilities. While management of the Bank believes that adjusted amounts represent their net realisable value and that any further deterioration in the economic or political stability of the country will not have a material effect on the operations of the Bank, this cannot be predicted with absolute certainty and the future operation of the Bank may continue to be affected by these economic policies of the government.