Bank of Georgia and Subsidiaries
Unaudited Interim Condensed Consolidated Financial Statements

30 September 2010

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REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of JSC Bank of Georgia -

Introduction
We have reviewed the accompanying interim condensed consolidated financial statements of JSC Bank of Georgia and its subsidiaries (together the "Group") as at 30 September 2010, comprising of the interim condensed consolidated statement of financial position as at 30 September 2010 and the related interim condensed consolidated income statements and statements of comprehensive income for the three months and the nine months then ended, interim condensed consolidated statements of changes in equity and of cash flows for the nine months then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

10 December 2010

ERNST & YOUNG LLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

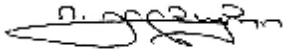
As at 30 September 2010

(Thousands of Georgian Lari)

	Notes	30 September 2010	31 December 2009	31 December 2008
		Unaudited		
Assets				
Cash and cash equivalents	6	376,998	357,889	415,821
Amounts due from credit institutions	7	159,682	64,620	81,403
Loans to customers	8	2,016,461	1,661,331	2,039,022
Finance lease receivables		19,873	16,896	41,605
Investment securities:				
– available-for-sale	9	8,837	19,590	33,737
– held-to-maturity	9	297,953	249,196	22,845
Investments in associates		5,477	10,323	16,716
Investment properties	10	113,447	79,509	47,289
Property and equipment		287,222	278,729	301,784
Goodwill and other intangible assets		91,416	85,442	152,459
Current income tax assets	11	9,444	7,997	8,095
Deferred income tax assets	11	16,867	15,487	4,691
Prepayments		24,557	18,140	18,319
Other assets		80,847	48,280	75,121
Total assets		**3,509,081**	**2,913,429**	**3,258,907**
Liabilities				
Amounts due to customers	13	1,637,610	1,272,470	1,193,124
Amounts due to credit institutions	12	1,047,683	928,615	1,216,722
Current income tax liabilities	11	8	574	779
Deferred income tax liabilities	11	34,702	24,661	23,615
Provisions		2,632	2,126	4,263
Other liabilities		117,566	86,566	101,555
Total liabilities		**2,840,201**	**2,315,012**	**2,540,058**
Equity	14			
Share capital		31,333	31,306	31,253
Additional paid-in capital		476,081	478,779	468,732
Treasury shares		(1,586)	(1,677)	(2,018)
Other reserves		40,453	24,387	26,201
Retained earnings		92,886	46,163	141,491
Total equity attributable to shareholders of the Bank		**639,167**	**578,958**	**665,659**
Non-controlling interests		29,713	19,459	53,190
Total equity		**668,880**	**598,417**	**718,849**
Total liabilities and equity		**3,509,081**	**2,913,429**	**3,258,907**

Signed and authorised for release on behalf of the Management Board of the Bank:

Irakli Gilauri — Chief Executive Officer



David Vakhtangishvili — Chief Financial Officer



10 December 2010

The accompanying selected explanatory notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2010

(Thousands of Georgian Lari)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2010	2009	2010	2009
		Unaudited		Unaudited	
Interest income					
Loans to customers		98,766	91,064	284,734	276,794
Investment securities – held-to-maturity		5,428	584	12,427	3,326
Amounts due from credit institutions		993	3,553	5,887	5,780
Finance lease receivables		1,081	1,451	3,217	4,500
Investment securities – available-for-sale		345	203	795	1,086
		106,613	**96,855**	**307,060**	**291,486**
Interest expense					
Amounts due to customers		(27,540)	(24,333)	(82,259)	(69,048)
Amounts due to credit institutions		(18,447)	(36,430)	(63,308)	(87,939)
Debt securities issued		(105)	(3)	(123)	(168)
		(46,092)	**(60,766)**	**(145,690)**	**(157,155)**
Net interest income before impairment charge on interest-earning assets		**60,521**	**36,089**	**161,370**	**134,331**
Impairment charge on loans to customers		(10,131)	(30,652)	(34,009)	(101,267)
Impairment reversal (charge) on finance lease receivables		(63)	613	529	201
Net interest income after impairment charge on interest-earning assets		**50,327**	**6,050**	**127,890**	**33,265**
Fee and commission income		20,372	17,356	54,013	49,489
Fee and commission expense		(3,232)	(3,842)	(9,581)	(9,155)
Net fee and commission income	16	**17,140**	**13,514**	**44,432**	**40,334**
Net gains from for trading securities		424	560	2,564	2,169
Net gains (losses) from investment securities available-for-sale		–	(30)	–	277
Net gains (losses) from derivative financial instruments		(4,151)	7,680	(9,367)	6,536
Net gains (losses) from revaluation of investment properties	10	–	436	3,082	(5,758)
Net gains (losses) from foreign currencies:					
– dealing		9,145	7,914	24,892	19,282
– translation differences		3,162	(346)	1,186	3,020
Net insurance premiums earned		11,796	12,286	33,623	31,600
Share of loss of associates		–	1,586	–	(2,836)
Other operating income		(176)	(2,334)	10,404	10,605
Other non-interest income		**20,200**	**27,752**	**66,384**	**64,895**
Salaries and other employee benefits		(26,919)	(21,787)	(79,676)	(71,224)
General and administrative expenses		(19,156)	(14,461)	(47,589)	(41,573)
Net insurance claims incurred		(7,713)	(6,860)	(21,162)	(21,492)
Depreciation, amortization and impairment	17	(6,808)	(10,783)	(20,122)	(91,847)
Impairment reversal (charge) on other assets and provisions		(153)	(605)	3,178	(2,988)
Other operating expenses		(3,747)	1,376	(7,530)	(5,925)
Other non-interest expenses		**(64,496)**	**(53,120)**	**(172,901)**	**(235,049)**
Profit (loss) before income tax (expense) benefit		**23,171**	**(5,804)**	**65,805**	**(96,555)**
Income tax (expense) benefit	11	(2,322)	3,591	(8,611)	6,342
Profit (loss) for the period		**20,849**	**(2,213)**	**57,194**	**(90,213)**
Attributable to:					
– shareholders of the Bank		20,319	(1,329)	56,567	(76,965)
– non-controlling interests		530	(884)	627	(13,248)
		20,849	**(2,213)**	**57,194**	**(90,213)**
Earnings (loss) per share:	14				
– basic earnings (loss) per share		0.6704	(0.1373)	1.8751	(2.5685)
– diluted earnings (loss) per share		0.6628	(0.1373)	1.8625	(2.5685)

The accompanying selected explanatory notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2010

(Thousands of Georgian Lari)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2010	2009	2010	2009
		Unaudited		Unaudited	
Profit (loss) for the period		**20,849**	**(2,213)**	**57,194**	**(90,213)**
Other comprehensive income					
Revaluation of property and equipment		–	–	320	(2,407)
Revaluation of available-for-sale securities		74	(6,343)	624	(4,280)
Realized losses on available-for-sale securities reclassified to the consolidated income statement		–	30	–	(277)
Net gain (loss) from currency translation differences		(2,079)	2,321	8,299	(4,843)
Unrealized gain (loss) from acquiring shares in existing subsidiaries		(7,304)	(2,883)	(2,817)	(1,784)
Income tax relating to components of other comprehensive income	11	(41)	1,200	(204)	1,045
Other comprehensive income (loss) for the period, net of tax		**(9,350)**	**(5,675)**	**6,222**	**(12,546)**
Total comprehensive income (loss) for the period		**11,499**	**(7,888)**	**63,416**	**(102,759)**
Attributable to:					
– shareholders of the Bank		10,969	(7,004)	62,789	(88,974)
– non-controlling interests		530	(884)	627	(13,785)
		11,499	**(7,888)**	**63,416**	**(102,759)**

The accompanying selected explanatory notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2010

(Thousands of Georgian Lari)

	Attributable to shareholders of the Bank						*Non-controlling interests*	*Total equity*
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total*		
As at 31 December 2008	**31,253**	**468,732**	**(2,018)**	**26,201**	**141,491**	**665,659**	**53,190**	**718,849**
Total comprehensive loss for the period	–	–	–	(5,832)	(83,142)	(88,974)	(13,785)	(102,759)
Depreciation of revaluation reserve, net of tax	–	–	–	(561)	561	–	–	–
Increase in share capital arising from share-based payments (Note 14)	42	2,050	135	–	–	2,227	–	2,227
Share offering costs adjustment	–	306	–	–	–	306	–	306
Equity component of compound financial instrument	–	9,769	–	–	–	9,769	–	9,769
Acquisition of non-controlling interests in existing subsidiaries	–	–	–	–	–	–	(5,423)	(5,423)
Non-controlling interests arising on acquisition of subsidiary	–	–	–	–	–	–	15	15
Sale of treasury shares	–	3,976	642	–	–	4,618	–	4,618
Purchase of treasury shares	–	(2,035)	(67)	–	–	(2,102)	–	(2,102)
At 30 September 2009 *(unaudited)*	**31,295**	**482,798**	**(1,308)**	**19,808**	**58,910**	**591,503**	**33,997**	**625,500**
As at 31 December 2009	**31,306**	**478,779**	**(1,677)**	**24,387**	**46,163**	**578,958**	**19,459**	**598,417**
Total comprehensive income for the period	–	–	–	16,872	45,917	62,789	627	63,416
Depreciation of revaluation reserve, net of tax	–	–	–	(806)	806	–	–	–
Increase in share capital arising from share-based payments (Note 14)	27	7,856	573	–	–	8,456	–	8,456
Acquisition of additional interest in existing subsidiary by non-controlling shareholders	–	–	–	–	–	–	11,973	11,973
Acquisition of non-controlling interests in existing subsidiaries	–	–	–	–	–	–	(6,271)	(6,271)
Non-controlling interests arising on acquisition of subsidiary	–	–	–	–	–	–	3,925	3,925
Sale of treasury shares	–	3,039	236	–	–	3,275	–	3,275
Purchase of treasury shares	–	(13,593)	(718)	–	–	(14,311)	–	(14,311)
At 30 September 2010 *(unaudited)*	**31,333**	**476,081**	**(1,586)**	**40,453**	**92,886**	**639,167**	**29,713**	**668,880**

The accompanying selected explanatory notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2010

(Thousands of Georgian Lari)

	Notes	For the nine months ended 30 September 2010	2009
			Unaudited
Cash flows from operating activities			
Interest received		291,127	283,745
Interest paid		(141,637)	(181,791)
Fees and commissions received		54,013	49,489
Fees and commissions paid		(9,581)	(9,155)
Net realized gains from trading securities		2,564	2,169
Net realized gains from investments securities		–	277
Net realized gains from foreign currencies		24,892	19,282
Recoveries of loans to customers		15,354	8,213
Insurance premiums received		33,623	31,600
Insurance claims paid		(21,162)	(21,492)
Other operating income received		10,403	10,605
Salaries and other employee benefits paid		(71,220)	(68,997)
General and administrative and operating expenses paid		(55,119)	(47,498)
Cash flows from operating activities before changes in operating assets and liabilities		**133,257**	**76,447**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		(83,109)	26,957
Loans to customers		(398,181)	304,981
Finance lease receivables		3,220	21,795
Prepayments and other assets		(27,340)	(32,383)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		110,880	(333,853)
Amounts due to customers		356,653	(25,350)
Other liabilities		18,918	6,088
Net cash flows from operating activities before income tax		**114,298**	**44,682**
Income tax paid		(2,280)	(1,423)
Net cash from operating activities		**112,018**	**43,259**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	4	296	(2,970)
Proceeds from sale of investment securities available-for-sale		9,248	24,534
Purchase of investment securities held-to-maturity		(48,757)	(80,027)
Proceeds from sale of investments in associates		1,904	1,682
Purchase of investment properties	10	(30,856)	–
Purchase of property and equipment and intangible assets		(19,651)	–
Proceeds from sale of property and equipment and intangible assets		–	1,290
Net cash used in investing activities		**(87,816)**	**(55,491)**
Cash flows from financing activities			
Proceeds from convertible loans received		–	89,788
Proceeds from increase in share capital		–	306
Purchase of treasury shares		(14,311)	(2,102)
Sale of treasury shares		3,275	4,618
Purchase of additional interests in existing subsidiaries, net of cash acquired		(6,271)	(5,438)
Proceeds from sale of non-controlling interest in existing subsidiaries, net of cash acquired		11,973	–
Net cash (used in) from financing activities		**(5,334)**	**87,172**
Effect of exchange rates changes on cash and cash equivalents		241	(5,607)
Net increase in cash and cash equivalents		**19,109**	**69,333**
Cash and cash equivalents, beginning	6	**357,889**	**415,821**
Cash and cash equivalents, ending	6	**376,998**	**485,154**

The accompanying selected explanatory notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

JSC Bank of Georgia (the "Bank") was established on 21 October 1994 as a joint stock company ("JSC") under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia ("NBG"; the Central Bank of Georgia) on 15 December 1994. The Bank is the ultimate parent of a group of companies (the "Group") incorporated in Georgia, Ukraine, Belarus and Cyprus, primary business activities include providing banking, leasing, insurance, brokerage and wealth management services, to corporate and individual customers. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and international and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 September 2010 the Bank has 137 operating outlets in all major cities of Georgia (2009: 141). The Bank's registered legal address is 3 Pushkin Street, Tbilisi 0105, Georgia.

As of 30 September 2010 and 31 December 2009 the following shareholders owned more than 4% of the outstanding shares of the Bank. Other shareholders individually owned less than 4% of the outstanding shares.

Shareholder	*30 September 2010, %*	*31 December 2009, %*
Bank of New York (Nominees), Limited	89.96%	88.86%
East Capital Financial Institutions	4.36%	4.36%
Others (less than 4% individually)	5.68%	6.78%
Total	**100.00%**	**100.00%**

As of 30 September 2010, the members of the Supervisory Board and Board of Directors owned 428,610 shares and Global Depositary Receipts ("GDRs") (1.37%; 2009: 612,962 shares and GDRs 1.96%) of the Bank. Interests of the members of the Supervisory Board and Management Board were as follows:

Shareholder	*30 September 2010, shares held*	*31 December 2009, shares held*
Irakli Gilauri	174,230	216,230
Sulkhan Gvalia	98,050	136,049
Allan Hirst	54,847	46,772
Irakli Burdiladze	23,035	23,035
Avto Namicheishvili	22,489	29,999
Kakha Kiknavelidze	21,150	15,027
David Morisson	13,573	7,342
Mikheil Gomarteli	8,500	9,916
Giorgi Chiladze	6,333	6,333
Al Breach	5,272	–
Neil Janin	808	–
Jan Hague	323	–
Nicholas Enukidze*	–	122,259
Total	**428,610**	**612,962**

In addition to shares held, the members of the Supervisory Board and Management Board were awarded 1,331,922 and 639,773 Global Depository Receipts ("GDR") in nine months ended 30 September 2010 and nine months ended 30 September 2009, respectively. The awards are subject to three and four year vesting. As of 30 September 2010 231,808 vested GDRs owned by the members of the Supervisory Board and Management Board comprised as follows (in 2009: 419,814):

Member of the Supervisory Board and/or Management Board	*30 September 2010, GDRs vested*	*31 December 2009, GDRs vested*
Irakli Gilauri	172,643	214,643
Irakli Burdiladze	22,665	22,665
Avto Namicheishvili	21,667	29,999
Mikheil Gomarteli	8,500	9,916
Giorgi Chiladze	6,333	6,333
Sulkhan Gvalia	–	13,999
Nicholas Enukidze*	–	122,259
Total	**231,808**	**419,814**

**** Resigned as a chairman of the Supervisory Board of the Bank on 18 May 2010.***

(Thousands of Georgian Lari)

2. Basis of Preparation

General

The interim condensed consolidated financial statements for the three months and nine months ended 30 September 2010 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2009.

3. Summary of Significant Accounting Policies

Adoption of new or revised standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, noted below:

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008)
The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change has no impact on goodwill, nor it gives raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards are applied prospectively.

Improvements to IFRSs
In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Group, except the following amendments resulting in changes to accounting policies, as described below.

- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group continues to disclose this information.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Group as the annual impairment test is performed before aggregation.

The following new or revised standards and interpretations effective from 2010 did not have any impact on the accounting policies, financial position or performance of the Group:

- *Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items*
- *Amendment to IFRS 2 "Share-based Payment" - Group Cash-settled Share-based Payment Transactions*
- *IFRIC 17 "Distribution of Non-Cash Assets to Owners"*
- *Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"*

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Functional and reporting currencies and foreign currency translation

The consolidated financial statements are presented in Georgian Lari, which is the Bank's presentation currency. The Bank's functional currency is US Dollar effective 1 January 2007. Prior to 1 January 2007, Georgian Lari was its functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 30 September 2010, 30 December 2009 and 30 September 2009 were 1.8064, 1.6858 and 1.6771 Lari to USD 1 and 2.4585, 2.4195 and 2.4405 Lari to EUR 1, respectively.

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Georgian Lari at the rate of exchange ruling at the reporting date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated income statement.

Reclassifications

The following reclassifications were made to 2009 balances to conform with the nine months ended 30 September 2010 presentation requirements:

Caption Consolidated Statement of Financial Position:	***As previously reported***	***As reclassified***	***Comment***
Cash and cash equivalents	337,372	357,889	Reclassification of national currency denominated mandatory account with NBG due to their non-restrictive nature.
Amounts due from credit institutions	85,137	64,620	

(Thousands of Georgian Lari)

4. Business Combinations

Acquisitions during the nine months ended 30 September 2010

JSC Teliani Valley

On 28 February 2010 JSC Liberty Consumer acquired 52.33% of "JSC Teliani Valley", a winery operating in Georgia and Ukraine. The fair values of identifiable assets, liabilities and contingent liabilities acquired, and goodwill arising from JSC Teliani Valley as of the date of acquisition was:

	Fair value recognized on acquisition
Cash and cash equivalents	296
Trading securities	954
Accounts receivable	3,596
Property and equipment	8,676
Goodwill and other intangible assets	151
Deferred income tax assets	78
Other assets	6,113
	19,864
Amounts owed to credit institutions	8,622
Accounts payable	916
Deferred income tax liabilities	395
Other liabilities	1,698
	11,631
Total identifiable net assets	**8,233**
Share in fair value of total identifiable net assets acquired (52.33%)	4,308
Goodwill arising on acquisition	3,199
Consideration paid*	**7,507**

The net cash inflow on acquisition was as follows:

	2010
Cash paid	–
Cash acquired with the subsidiary	(296)
Net cash inflow	**296**

**** Consideration comprised of the Group's investment in available-for-sale investment securities in the form of common shares of JSC Nikora.***

If the combination had taken place at the beginning of the year, there would be no major, material difference in the net income and revenue of the group.

There were several small acquisitions in the comparative period. The group's revenue and net income are not significantly impacted by them.

(Thousands of Georgian Lari)

5. Operating Segment Information

For management purposes, the Group is organised into seven operating segments based on products and services as follows:

Retail Banking	Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit card facilities and funds transfer facilities.
Corporate Banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Brokerage	Principally providing brokerage, custody and corporate finance services to its individual as well as corporate customers. Brokerage also possesses its own proprietary book for trading as well as for non-trading purposes, comprising primarily of trading and investment securities.
Wealth Management	Principally providing wealth management services to VIP individual customers.
Asset Management	Principally providing asset management services to VIP corporate customers.
Insurance	Principally providing wide-scale insurance services to corporate and individual customers.
Corporate Centre	Principally providing back office services to all operating segments of the Bank

For purposes of presentation in these consolidated financial statements, due to the insignificance of certain operating segments to be separately shown, Management has combined Brokerage, Asset Management and Wealth Management operating segments into one. Therefore, operating segment information presented in these consolidated financial statements is classified as follows:

Retail Banking	Brokerage and Asset and Wealth Management
Insurance	Corporate Centre
Corporate Banking	

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the nine months ended 30 September 2010 or the nine months ended 30 September 2009.

(Thousands of Georgian Lari)

5. Operating Segment Information (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments as of and for the nine months ended 30 September 2010 (unaudited):

	Retail banking	*Corporate banking*	*Brokerage and Asset and wealth management*	*Corporate center*	*Insurance*	*Inter – company elimination*	*Total*
External operating income:							
Net interest income (expense)	111,925	101,118	(12,735)	(38,408)	(530)	–	161,370
Net fees and commission income	27,307	7,419	1,995	7,662	49	–	44,432
Net foreign currency gains	1,699	4,446	1,588	17,848	497	–	26,078
Other external revenues (expenses)	1,324	108	11,955	(7,998)	34,917	–	40,306
Operating income from other segments	21	(93)	1,740	5,047	1,068	(7,783)	–
Total operating income	**142,276**	**112,998**	**4,543**	**(15,849)**	**36,001**	**(7,783)**	**272,186**
Impairment charge on interest earning assets	36,559	18,748	144	(22,103)	–	132	33,480
Results							
Segment results	27,810	65,856	(11,369)	(20,037)	3,784	(132)	65,912
Unallocated expenses							(107)
Profit before income tax expense							**65,805**
Income tax expense							(8,611)
Profit for the period							**57,194**
Assets and liabilities							
Segment assets	1,647,246	1,726,002	85,048	66,928	51,730	(94,184)	3,482,770
Unallocated assets							26,311
Total assets							**3,509,081**
Segment liabilities	1,058,923	1,450,959	358,330	(16,953)	49,709	(95,477)	2,805,491
Unallocated liabilities							34,710
Total liabilities							**2,840,201**
Other segment information							
Capital expenditures, of which:	**9,998**	**9,431**	**983**	**5,310**	**956**	–	**26,678**
Property and equipment	8,065	7,616	859	5,140	931	–	22,611
Intangible assets	1,933	1,815	124	170	25	–	4,067
Depreciation and impairment	7,905	8,081	970	345	298	–	17,599
Amortization and impairment	1,392	1,000	59	51	21	–	2,523

(Thousands of Georgian Lari)

5. Operating Segment Information (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments for the nine months ended 30 September 2009 (unaudited) and as of 31 December 2009, respectively:

	Retail banking	*Corporate banking*	*Brokerage and Asset and wealth management*	*Corporate center*	*Insurance*	*Inter – company elimination*	*Total*
External operating income:							
Net interest income (expense)	96,761	84,856	(416)	(46,188)	(682)	–	134,331
Net fees and commission income	23,130	9,739	1,641	5,230	594	–	40,334
Net foreign currency gains (losses)	1,124	3,467	411	17,467	(167)	–	22,302
Other external revenues	552	4,150	(13,321)	16,830	34,382	–	42,593
Operating income from other segments	(144)	(207)	517	379	2,170	(2,715)	–
Total operating income	**121,423**	**102,005**	**(11,168)**	**(6,282)**	**36,297**	**(2,715)**	**239,560**
Impairment charge on interest earning assets	55,919	30,245	1,784	15,223	–	(2,105)	101,066
Results							
Segment results	(40,233)	7,362	(30,738)	(36,885)	1,834	2,105	(96,555)
Unallocated expenses							–
Loss before income tax benefit							**(96,555)**
Income tax benefit							6,342
Loss for the period							**(90,213)**
As of 31 December 2009							
Assets and liabilities							
Segment assets	1,228,861	1,392,189	162,902	103,242	48,351	(45,600)	2,889,945
Unallocated assets							23,484
Total assets							**2,913,429**
Segment liabilities	893,703	1,143,356	215,630	43,452	39,236	(45,600)	2,289,777
Unallocated liabilities							25,235
Total liabilities							**2,315,012**
Other segment information							
Capital expenditures, of which:	**19,101**	**16,536**	**1,564**	**1,183**	**557**	–	**38,941**
Property and equipment	16,718	15,030	1,401	850	553	–	34,552
Intangible assets	2,383	1,506	163	333	4	–	4,389
Depreciation and impairment	7,656	6,740	820	968	407	–	16,591
Amortization and impairment	41,556	28,453	4,733	500	14	–	75,256
Share of loss of associates	–	–	(2,836)	–	–	–	(2,836)

Geographic information

The Group operates in three main geographical markets: (a) Georgia, (b) Ukraine and Cyprus and (c) Belarus. The following table shows the distribution of the Group's external income, total assets and capital expenditure allocated based on the location of the Group's assets, as of and for the nine months ended 30 September 2010:

	Georgia 30 September 2010 *(unaudited)*	*Ukraine and Cyprus 30 September 2010* *(unaudited)*	*Belarus 30 September 2010* *(unaudited)*	*Total 30 September 2010* *(unaudited)*
External income				
Net interest income	147,977	6,557	6,836	161,370
Net fee and commission income	41,707	1,683	1,042	44,432
Net foreign currency gains	21,883	2,886	1,309	26,078
Other non-interest income	37,019	2,953	334	40,306
Total external income	**248,586**	**14,079**	**9,521**	**272,186**
Total assets	**3,162,563**	**230,309**	**116,209**	**3,509,081**
Capital expenditures	**20,806**	**5,261**	**611**	**26,678**

(Thousands of Georgian Lari)

5. Operating Segment Information (continued)

Geographic information (continued)

The following table shows the distribution of the Group's external income and capital expenditure for the nine months ended 30 September 2009 and total assets as of 31 December 2009, allocated based on the location of the Group's assets:

	Georgia 30 September 2009	*Ukraine and Cyprus 30 September 2009*	*Belarus 30 September 2009*	*Total*
External income				
Net interest income	119,693	11,201	3,437	134,331
Net fee and commission income	37,079	2,207	1,048	40,334
Net foreign currency gains	17,615	2,954	1,733	22,302
Other non-interest income	38,560	3,884	149	42,593
Total external income	**212,947**	**20,246**	**6,367**	**239,560**
Total assets (as of 31 December 2009)	**2,606,676**	**226,739**	**80,014**	**2,913,429**
Capital expenditures	**37,411**	**1,231**	**299**	**38,941**

6. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	30 September 2010 (unaudited)	*31 December 2009*	*31 December 2008*
Cash on hand	115,766	154,861	164,463
Current accounts with central banks, excluding obligatory reserves (note 3)	38,168	44,101	43,961
Current accounts with other credit institutions	12,034	34,944	44,080
Time deposits with credit institutions up to 90 days	211,030	123,983	163,317
Cash and cash equivalents	**376,998**	**357,889**	**415,821**

As of 30 September 2010 GEL 219,312 (2009: GEL 127,816; 2008: 222,332) was placed on current and time deposit accounts with internationally recognized OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 1.10% interest per annum on these deposits (2009: 0.17%; 2008: 1.16%).

7. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise:

	30 September 2010 (unaudited)	*31 December 2009*	*31 December 2008*
Obligatory reserves with central banks (note 3)	86,682	41,791	39,661
Time deposits with effective maturity of more than 90 days	65,945	18,599	37,414
Inter-bank loan receivables	7,055	4,230	4,328
Amounts due from credit institutions	**159,682**	**64,620**	**81,403**

(Thousands of Georgian Lari)

7. Amounts Due from Credit Institutions (continued)

Obligatory reserves with central banks represent amounts deposited with the NBG ("National Bank of Georgia"), the NBU ("National Bank of Ukraine") and the NBRB (National Bank of the Republic of Belarus). Credit institutions are required to maintain an interest-earning cash deposit (obligatory reserve) with central banks, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by the statutory legislature. The Group earned up to 2% annual interest on obligatory reserve with NBG in 2010, 2009 and 2008.

As of 30 September 2010 GEL 11,903 (2009: GEL 10,940; 2008: 3,913) was placed on current accounts and inter-bank time deposits with two (2009: seven; 2008: three) internationally recognised OECD banks. Those amounts were pledged to the counterparty bank as security for open commitments.

As of 30 September 2010 inter-bank loan receivables include GEL 4,516 (2009: GEL 4,215; 2008: 4,328) placed with an Azerbaijani bank.

8. Loans to Customers

Loans to customers comprise:

	30 September 2010 *(unaudited)*	*31 December 2009*
Commercial loans	1,157,696	939,814
Residential mortgage loans	432,424	387,415
Consumer loans	362,071	332,537
Micro loans	182,356	99,981
Gold – pawn loans	70,061	62,829
Others	3,004	5,241
Loans to customers, gross	**2,207,612**	**1,827,817**
Less – Allowance for loan impairment	(191,151)	(166,486)
Loans to customers, net	**2,016,461**	**1,661,331**

Concentration of loans to customers

As of 30 September 2010 concentration of loans granted by the Group to ten largest third party borrowers comprised GEL 252,042 accounting for 11% of gross loan portfolio of the Group (2009: GEL 206,981 and 11%, respectively). An allowance of GEL 4,472 (2009: GEL 9,891) was established against these loans.

Loans are principally issued within Georgia, and their distribution by industry sector is as follows:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Individuals	1,002,727	862,365
Trade and services	665,717	578,623
Construction and development	211,294	150,676
Transport and communication	105,899	81,532
Energy	61,767	11,667
Mining	7,963	62,622
Agriculture	7,342	13,730
Others	144,903	66,602
Loans to customers, gross	**2,207,612**	**1,827,817**
Less – allowance for loan impairment	(191,151)	(166,486)
Loans to customers, net	**2,016,461**	**1,661,331**

(Thousands of Georgian Lari)

8. Loans to Customers (continued)

Loans have been extended to the following types of customers:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Private companies	1,169,965	934,494
Individuals	1,002,727	862,365
State-owned entities	34,920	30,958
Loans to customers, gross	**2,207,612**	**1,827,817**
Less – allowance for loan impairment	(191,151)	(166,486)
Loans to customers, net	**2,016,461**	**1,661,331**

9. Investment Securities

Available-for-sale securities comprise:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Corporate shares	8,956	13,418
Ministry of Finance treasury bills	–	4,044
Corporate bonds	–	2,946
	8,956	**20,408**
Less – Allowance for impairment	(119)	(818)
Available-for-sale securities	**8,837**	**19,590**

Corporate shares as of 30 September 2010 are primarily comprised of investments in a Georgian retail chain of GEL 2,677 (2009: GEL 2,677), a real estate company of GEL 1,145 (2009: nil) and a chain of drug stores of GEL 4,346 (2009: 4,413).

Corporate bonds as of 30 September 2010 are zero, (2009: GEL 2,946) representing investments in several financial institutions in Ukraine.

Nominal interest rates and maturities of these securities are as follows:

	30 September 2010		*31 December 2009*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	–	–	19.76%	1-2 years
Ministry of Finance treasury bills	–	–	9.50%	1-2 years

Held-to-maturity securities comprise:

	30 September 2010 *(Unaudited)*		*31 December 2009*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	252	253	–	–
Certificates of deposit of central banks	83,505	83,726	105,143	105,624
Ministry of Finance treasury bills	214,196	221,431	144,053	149,124
Held-to-maturity securities	**297,953**	**305,410**	**249,196**	**254,748**

(Thousands of Georgian Lari)

9. Investment Securities (continued)

Contractual interest rates and maturities of these securities are as follows:

	30 September 2010		*31 December 2009*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	10%	2015	–	–
Ministry of Finance treasury bills	8.56%	2010	6.33%	2010
Certificates of deposit of central banks	9.92%	2010	3.11%	2010

10. Investment Properties

	30 September 2010 *(Unaudited)*	*30 September 2009* *(Unaudited)*
At 1 January	**79,509**	**47,289**
Acquisition through business combinations	–	12,630
Additions	30,856	–
Net change in fair value through profit and loss	3,082	(5,758)
Transfers from property and equipment and other assets	–	14,672
At 30 September (unaudited)	**113,447**	**68,833**

Investment properties are stated at fair value, which has been determined based on the valuation performed by Georgian Valuation Company, an accredited independent appraiser, as at 31 May 2010. Georgian Valuation Company is an industry specialist in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards Committee standards.

11. Taxation

Corporate income tax expense comprises:

	For the nine months ended	
	30 September 2010 *(Unaudited)*	*30 September 2009* *(unaudited)*
Current income tax expense	(375)	(1,932)
Deferred income tax benefit (expense)	(8,236)	8,274
Income tax benefit (expense)	**(8,611)**	**6,342**
Deferred income tax benefit (expense) recognized in other comprehensive income	**(204)**	**1,045**

Deferred tax related to items charged or credited to other comprehensive income during the period is as follows:

	For the nine months ended	
	30 September 2010 *(Unaudited)*	*30 September 2009* *(unaudited)*
Net losses on investment securities available for sale	(156)	684
Revaluation of buildings	(48)	361
Income tax benefit (expense) to other comprehensive income	**(204)**	**1,045**

The income tax rate applicable to the majority of the Group's income is the income tax rate applicable to subsidiaries income which ranges from 15% to 26% (2009: from 15% to 26%). The tax rate for interest income on state securities changed from 10% to 7.5%, effective 1 January 2009 and further from 7.5% to 0%, effective 9 August 2009.

(Thousands of Georgian Lari)

11. Taxation (continued)

Applicable taxes in Georgia, Ukraine and Belarus include corporate income tax (profits tax), individuals' withholding taxes, property tax and value added tax, among others. However, regulations are often unclear or nonexistent and few precedents have been established. This creates tax risks in Georgia, Ukraine and Belarus, substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

Tax assets and liabilities consist of the following:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Current income tax assets	9,444	7,997
Deferred income tax assets	16,867	15,487
Income tax assets	**26,311**	**23,484**
Current income tax liabilities	8	574
Deferred income tax liabilities	34,702	24,661
Income tax liabilities	**34,710**	**25,235**

12. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Borrowings from international credit institutions	871,994	913,579
Time deposits and inter-bank loans	172,481	12,761
Sub-total	**1,044,475**	**926,340**
Correspondent accounts	3,208	2,275
Amounts due to credit institutions	**1,047,683**	**928,615**

During the nine months ended 30 September 2010 the Group received short-term funds from Georgian banks in different currencies. As of 30 September 2010 the Group had GEL 874 in foreign currencies received from Georgian banks (2009: GEL 1,566). During the nine months ended 30 September 2010 the Group paid up to 0.27% interest per annum on such deposits (2009: 0.2%).

(Thousands of Georgian Lari)

12. Amounts Due to Credit Institutions (continued)

Borrowings from international credit institutions, time deposits and inter-bank loans were comprised of:

As of 30 September 2010 (unaudited) *Credit institution*	*Grant date*	*Contractual maturity*	*Currency*	*Interest rate per annum*	*Facility amount in original currency*	*Outstanding Balance as of 30 September 2010 in GEL (*)*
BG Finance B.V.	8-Feb-07	8-Feb-12	USD	9.00%	200,000	271,788
National Bank of Georgia	30-Sep-10	7-Oct-10	GEL	7.00%	120,000	120,000
International Financial Corporation	13-Jan-09	15-Jul-13	USD	LIBOR +5.5%	50,000	88,809
European Bank for Reconstructions and Development	13-Jan-09	15-Jan-14	USD	LIBOR +5.5%	50,000	87,998
Merrill Lynch International **	17-Aug-07	17-Aug-12	USD	LIBOR+5.99%	35,000	62,155
Netherland Development Finance Company **	18-Jul-08	15-Oct-18	USD	LIBOR + 7.25%	30,000	55,576
Overseas Private Investment Corporation	23-Dec-08	19-Dec-18	USD	5.75%	29,000	47,482
European Bank for Reconstructions and Development**	13-Jan-09	15-Jan-19	USD	LIBOR + 10%	23,956	43,018
International Financial Corporation **	13-Jan-09	15-Jan-19	USD	LIBOR + 10%	23,956	43,012
International Financial Corporation **	13-Jan-09	15-Jan-19	USD	LIBOR +8%	26,044	41,762
European Bank for Reconstructions and Development **	13-Jan-09	15-Jan-19	USD	LIBOR +8%	26,044	41,663
Semper Augustos B.V. **	29-Oct-07	25-Oct-17	USD	11.65%	15,000	28,446
JSC TBC Bank	30-Sep-10	1-Oct-10	GEL	7.00%	19,000	19,000
Overseas Private Investment Corporation **	23-Dec-08	19-Dec-18	USD	7.75%	10,000	17,797
Netherland Development Finance Company	22-Jan-07	15-Mar-14	USD	LIBOR+3.3%	12,500	13,461
JSC HSBC Bank Georgia	30-Sep-10	1-Oct-10	GEL	6.70%	9,500	9,500
World Business Capital	17-Feb-06	1-Jan-16	USD	LIBOR+2.75%	10,000	9,251
JSC Cartu Bank	17-Sep-10	1-Oct-10	GEL	6.50%	7,500	7,517
World Business Capital	29-May-07	25-Mar-17	USD	LIBOR+2.75%	4,151	6,798
Commerzbank AG	30-Dec-05	30-Dec-10	USD	LIBOR+1.3%	3,837	6,198
JSC Kor Standard Bank	23-Sep-10	1-Oct-10	GEL	6.75%	5,000	5,006
JSC VTB Bank Georgia	30-Sep-10	7-Oct-10	GEL	6.90%	5,000	5,000
Balances less than 5,000 KGEL						13,238
Total						**1,044,475**

As of 31 December 2009 *Credit institution*	*Grant date*	*Contractual maturity*	*Currency*	*Interest rate per annum*	*Facility amount in original currency*	*Outstanding Balance as of 31 December 2009 in GEL (*)*
BG Finance B.V.	8-Feb-07	8-Feb-12	USD	9.00%	200,000	303,164
International Financial Corporation	13-Jan-09	15-Jul-13	USD	LIBOR +5.5%	50,000	85,979
European Bank for Reconstructions and Development	13-Jan-09	15-Jan-14	USD	LIBOR +5.5%	50,000	85,920
Merrill Lynch International **	17-Aug-07	17-Aug-12	USD	LIBOR+5.99%	35,000	59,472
Overseas Private Investment Corporation	23-Dec-08	19-Dec-18	USD	5.75%	29,000	48,602
Netherland Development Finance Company **	18-Jul-08	15-Oct-18	USD	LIBOR + 7.25%	30,000	49,570
European Bank for Reconstructions and Development***	13-Jan-09	15-Jan-19	USD	LIBOR + 10%	23,956	42,365
International Financial Corporatation **	13-Jan-09	15-Jan-19	USD	LIBOR + 10%	23,956	42,344
European Bank for Reconstructions and Development **	13-Jan-09	15-Jan-19	USD	LIBOR +8%	26,044	40,700
International Financial Corporation **	13-Jan-09	15-Jan-19	USD	LIBOR +8%	26,044	40,694
Semper Augustos B.V. **	31-Oct-07	25-Oct-17	USD	11.65%	15,000	25,803
Netherland Development Finance Company	22-Jan-07	15-Mar-14	USD	LIBOR+3.3%	12,500	17,029
Overseas Private Investment Corporation **	23-Dec-08	19-Dec-18	USD	7.75%	10,000	16,844
Citibank International PLC	17-Aug-07	20-Feb-10	USD	LIBOR+2.75%	8,333	14,157
Citibank International PLC	17-Aug-07	20-Aug-10	USD	LIBOR+2.75%	8,333	14,000
World Business Capital	17-Feb-06	1-Oct-16	USD	LIBOR+2.75%	10,000	9,705
World Business Capital	29-May-07	25-Mar-17	USD	LIBOR+2.75%	4,151	6,998
Commerzbank AG	30-Dec-05	30-Dec-10	USD	LIBOR+1.3%	3,837	6,172
Balances less than 5,000 KGEL						16,822
Total						**926,340**

*** - includes accrued interest**
**** - total subordinated loans comprised GEL 333,429 as at 30 September 2010 (2009: GEL 317,792)**

(Thousands of Georgian Lari)

12. Amounts Due to Credit Institutions (continued)

The borrowings received on 13 January 2009 from European Bank for Reconstructions and Development and International Financial Corporation, comprising USD 26,044 thousand each, had a convertibility feature valid for 5 years from the loan granting date (convertibility period). Number of estimated potential shares to be issued under these convertible facilities comprises 3,474,614 ordinary shares of the Bank.

13. Amounts Due to Customers

Amounts due to customers comprise:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Current accounts	720,670	559,987
Time deposits	916,940	712,483
Amounts due to customers	**1,637,610**	**1,272,470**
Held as security against letters of credit and guarantees	**59,864**	**56,758**

As of 30 September 2010, amounts due to customers of GEL 259,990 (16%) were due to the 10 largest customers (2009: GEL 217,264 (17%)).

Amounts due to customers include accounts with the following types of customers:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Individuals	811,259	637,789
Private enterprises	727,111	578,849
State and budget organizations	99,240	55,832
Amounts due to customers	**1,637,610**	**1,272,470**

The breakdown of customer accounts by industry sector is as follows:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Individuals	811,259	637,789
Trade and services	316,919	273,190
Energy	139,569	116,810
Construction and development	107,449	79,082
State and budget organizations	99,240	55,832
Mining and processing	44,576	27,638
Transport and communication	43,623	47,166
Agriculture	3,901	13,588
Other	71,074	21,375
Amounts due to customers	**1,637,610**	**1,272,470**

(Thousands of Georgian Lari)

14. Equity

Share capital

As of 30 September 2010, authorized share capital comprised 43,308,125 common shares, of which 31,333,253 were issued and fully paid (30 September 2009: 43,308,125 common shares, of which 31,295,283 were issued and fully paid). Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as of and for the nine months ended 30 September 2010 and 30 September 2009 are described below:

	Number of shares Ordinary	*Amount of shares Ordinary*
31 December 2008	**31,253,283**	**31,253**
Increase in share capital arising from share-based payments	42,000	42
30 September 2009 (unaudited)	**31,295,283**	**31,295**
31 December 2009	**31,306,071**	**31,306**
Increase in share capital arising from share-based payments	27,182	27
30 September 2010 (unaudited)	**31,333,253**	**31,333**

Share capital of the Group was paid by the shareholders in Georgian Lari and they are entitled to dividends in Georgian Lari. Nine months ended 30 September 2010 net income attributable to ordinary shareholders of the Bank comprise GEL 56,567 (nine months ended 30 September 2009: net loss of GEL 76,965). At 30 September 2010 weighted average number of ordinary shares outstanding during the nine months ended that date was 30,167,901 (at 30 September 2009: 29,965,257). Nine months ended 30 September 2010 net income attributable to ordinary shareholders of the Bank, adjusted for dilution effect, comprise GEL 62,658 (nine months ended 30 September 2009: net loss of GEL 76,965). At 30 September 2010 the diluted number of ordinary shares was 33,642,514 (at 30 September 2009: 29,965,257). For the nine months ended 30 September 2010, basic and diluted earnings per share amounted to GEL 1.8751 and GEL 1.8625 respectively. For the nine months ended 30 September 2009 both, the basic and diluted loss per share amounted to GEL 2.5685.

Treasury shares

Treasury shares of GEL 1,586 as of 30 September 2010 comprise the Bank's own shares owned by the Bank and its subsidiaries (as of 31 December 2009: GEL 1,677). Purchases and sales of treasury shares were conducted by the Bank's subsidiaries in the open market: JSC BG Capital, BG Trading LLC, Galt and Taggart Holdings Limited LLC, GC Holdings LLC and JSC Insurance Company Aldagi BCI.

Treasury shares amounting to GEL 438 as of 30 September 2010 (as of 31 December 2009: GEL 1,009) are kept by the Bank's custodian –Abacus Corporate Trustee Limited.

During the nine months ended 30 September 2010, 27,000 ordinary shares of GEL 27 at par value and additional paid-in capital of GEL 476 have been granted as compensation to top management (nine months ended 30 September 2009: 42,050 ordinary shares of GEL 42 at par value and additional paid-in capital of GEL 561).

Dividends

No dividends were declared nor paid during 2010 and 2009.

Nature and purpose of other reserves

Revaluation reserve for property and equipment and investment properties
The revaluation reserve for property and equipment and investment properties is used to record increases in the fair value of buildings and investment properties and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised gains (losses) on investment securities available-for-sale
This reserve records fair value changes on investments available-for-sale.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Movements in other reserves during nine months ended 30 September 2010 and 30 September 2009 are presented in the interim condensed consolidated statement of other comprehensive income.

(Thousands of Georgian Lari)

15. Commitments and Contingencies

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Financial commitments and contingencies

The Group's financial commitments and contingencies comprised the following:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Credit-related commitments		
Undrawn loan facilities	115,832	76,999
Letters of credit	26,112	30,038
Guarantees	327,984	240,613
	469,928	**347,650**
Operating lease commitments		
Not later than 1 year	7,654	6,281
Later than 1 year but not later than 5 years	13,681	13,396
Later than 5 years	6,230	6,497
	27,565	**26,174**
Capital expenditure commitments	**31,873**	**9,309**
Less – Provisions	(2,632)	(2,126)
Less – Cash held as security against letters of credit and guarantees (Note 13)	(59,864)	(56,758)
Financial commitments and contingencies, net	**466,870**	**324,249**

As of 30 September 2010 the capital expenditures represented the commitment for purchase of property and capital repairs of GEL 24,934 and software and other intangible assets of GEL 6,939. As of 31 December 2009 the capital expenditures represented the commitment for purchase of property and capital repairs GEL 1,512 and software and other intangible assets of GEL 7,797.

(Thousands of Georgian Lari)

16. Net Fee and Commission Income

For the nine months ended 30 September net fee and commission income comprise:

	For the nine months ended	
	30 September 2010 *(Unaudited)*	***30 September 2009*** *(unaudited)*
Settlements operations	29,382	22,299
Guarantees and letters of credit	9,008	7,972
Cash operations	8,825	8,711
Advisory	873	38
Brokerage service fees	695	1,569
Currency conversion operations	438	744
Other	4,792	8,156
Fee and commission income	**54,013**	**49,489**
Settlements operations	(4,791)	(5,414)
Guarantees and letters of credit	(1,989)	(1,567)
Insurance brokerage service fees	(1,303)	(1,363)
Cash operations	(579)	(200)
Currency conversion operations	(8)	(31)
Other	(911)	(580)
Fee and commission expense	**(9,581)**	**(9,155)**
Net fee and commission income	**44,432**	**40,334**

17. Depreciation, amortization and impairment

Comparatively significant amount of depreciation, amortization and impairment in the nine months of 2009 is mostly explained by impairment charge of Goodwill, comprising: JSC BG Bank – GEL 68,016, SB Iberia – GEL 3,907, SB Iberia 2 – GEL 744, JSC United Securities Registrar of Georgia – GEL 366 and JSC Intertour – GEL 39. In all of these instances, the main reason for impairment was insufficient future operating cash flows expected to be received per forecasts of the respective cash generating units.

(Thousands of Georgian Lari)

18. Fair Values of Financial Instruments

Financial instruments recorded at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total 30 September 2010 (unaudited)*
Financial assets				
Investment securities – available-for-sale	457	2,971	5,409	8,837
Other assets – derivative financial assets	699	196	–	895
Other assets – trading securities owned	4,060	–	–	4,060
	5,216	**3,167**	**5,409**	**13,792**
Financial liabilities				
Other liabilities – derivative financial liabilities	–	16,220	–	16,220
	–	**16,220**	**–**	**16,220**

	Level 1	*Level 2*	*Level 3*	*Total 31 December 2009*
Financial assets				
Investment securities – available-for-sale	4,320	11,005	4,265	19,590
Other assets – derivative financial assets	1,129	–	–	1,129
Other assets – trading securities owned	2,268	–	–	2,268
	7,717	**11,005**	**4,265**	**22,987**
Financial liabilities				
Other liabilities – derivative financial liabilities	288	7,172	–	7,460
	288	**7,172**	**–**	**7,460**

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives
Market quoted derivatives are valued using comparative market rates. Non-market quoted derivatives are valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Trading securities and investment securities available-for-sale
Trading securities and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(Thousands of Georgian Lari)

18. Fair Values of Financial Instruments (continued)

Financial instruments recorded at fair value (continued)

Movements in level 3 financial instruments measured at fair value
The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2010	*Purchase of AFS securities*	*At 30 September 2010* *(unaudited)*
Financial assets			
Investment securities – available-for-sale	4,265	1,144	5,409
Total level 3 financial assets	**4,265**	**1,144**	**5,409**
Total net level 3 financial assets / (liabilities)	**4,265**	**1,144**	**5,409**

No financial instruments were transferred during the nine months ended 30 September 2010 from level 1 and level 2 to level 3 of the fair value hierarchy. Gains or losses on level 3 financial instruments during the nine months ended 30 September 2010 comprised nil.

No financial instruments were transferred during the nine months ended 30 September 2010 between level 1 and level 2 of the fair value hierarchy.

	At 1 January 2009	*Transfer from other assets*	*At 31 December 2009*
Financial assets			
Investment securities – available-for-sale	–	4,265	4,265
Total level 3 financial assets	**–**	**4,265**	**4,265**
Total net level 3 financial assets / (liabilities)	**–**	**4,265**	**4,265**

No financial instruments were transferred during 2009 from level 1 and level 2 to level 3 of the fair value hierarchy. Gains or losses on level 3 financial instruments during 2009 comprised nil.

No financial instruments were transferred during 2009 between level 1 and level 2 of the fair value hierarchy.

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions:

	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
	30 September 2010 *(unaudited)*		***31 December 2009***	
Financial assets				
Investment securities – available-for-sale	5,409	+/- 814	4,265	+/- 642

In order to determine reasonably possible alternative assumptions the Group adjusted key unobservable model inputs as follows:

For equities, the Group adjusted the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) multiple by increasing and decreasing the assumed multiple ratio by 10%, which is considered by the Group to be within a range of reasonably possible alternatives based on the EBITDA multiples used across peers within the same geographic area of the same industry.

(Thousands of Georgian Lari)

18. Fair Values of Financial Instruments (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 September 2010 (unaudited)			*31 December 2009*		
	Carrying value	***Fair value***	***Unrecognised gain / (loss)***	***Carrying value***	***Fair value***	***Unrecognised gain / (loss)***
Financial assets						
Cash and cash equivalents	376,998	376,998	–	357,889	357,889	–
Amounts due from credit institutions	159,682	159,682	–	64,620	64,620	–
Loans to customers	2,016,461	2,027,736	11,275	1,661,331	1,621,779	(39,552)
Finance lease receivables	19,873	19,873	–	16,896	16,896	–
Investment securities:						
– available–for–sale	8,837	8,837	–	19,590	19,590	–
– held-to-maturity	297,953	297,953	–	249,196	249,196	–
Financial liabilities						
Amounts due to customers	1,637,610	1,663,366	(25,756)	1,272,470	1,271,298	1,172
Amounts due to credit institutions	1,047,683	1,047,683	–	928,615	928,615	–
Total unrecognised change in unrealised fair value			**(14,481)**			**(38,380)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than thee months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to current account deposits which has no specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

(Thousands of Georgian Lari)

18. Maturity Analysis of Financial Assets and Liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	30 September 2010 (unaudited)			*31 December 2009*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Financial assets						
Cash and cash equivalents	376,998	–	376,998	357,889	–	357,889
Amounts due from credit institutions	154,191	5,491	159,682	60,121	4,499	64,620
Loans to customers	866,924	1,149,537	2,016,461	655,906	1,005,425	1,661,331
Finance lease receivables	13,678	6,195	19,873	12,466	4,430	16,896
Investment securities:						
– available–for–sale	8,837	–	8,837	19,590	–	19,590
– held–to–maturity	255,452	42,501	297,953	249,196	–	249,196
Total	**1,676,080**	**1,203,724**	**2,879,804**	**1,355,168**	**1,014,354**	**2,369,522**
Financial liabilities						
Amounts due to customers	1,546,900	90,710	1,637,610	1,197,697	74,773	1,272,470
Amounts due to credit institutions	226,493	821,190	1,047,683	37,866	890,749	928,615
Total	**1,773,393**	**911,900**	**2,685,293**	**1,235,563**	**965,522**	**2,201,085**
Net	**(97,313)**	**291,824**	**194,511**	**119,605**	**48,832**	**168,437**

The Group's capability to discharge its liabilities relies on its ability to realize an equivalent amount of assets within the same period of time. In the Georgian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. In addition, the undiscounted financial liability analysis gap does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above.

The Group's principal sources of liquidity are as follows:

- deposits;
- borrowings from international credit institutions;
- inter-bank deposit agreement;
- debt issues;
- proceeds from sale of securities;
- principal repayments on loans;
- interest income; and
- fees and commissions income.

As of 30 September 2010 deposits amounted to GEL 1,637,610 (2009: GEL 1,272,470) and represented 58% (2009: 55%) of Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As of 30 September 2010 amounts owed to other credit institutions amounted to GEL 1,047,683 (2009: GEL 928,615) and represented 37% (2009: 40%) of total liabilities.

In Management's opinion, liquidity is sufficient to meet the Group's present requirements.

(Thousands of Georgian Lari)

20. Related Party Disclosures

In accordance with IAS 24 "Related Party Disclosures", 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances as of 30 September, and related expenses and income for the period are as follows:

	***2010** (unaudited)*			***2009** (unaudited)*		
	Parent	***Asso-ciates***	***Key management personnel***	***Parent***	***Asso-ciates***	***Key management personnel***
Loans outstanding at 1 January, gross	**–**	**9,255**	**5,791**	**265**	**21,644**	**5,572**
Loans issued during the nine months	989	234	5,697	822	5,686	4,798
Loan repayments during the nine months	–	(800)	(5,504)	(265)	(5,966)	(5,193)
Other movements	–	(6,970)	(1,061)	–	(7,326)	48
Loans outstanding at 30 September, gross	**989**	**1,719**	**4,923**	**822**	**14,038**	**5,225**
Less: allowance for impairment at 30 September	–	(1,414)	(125)	–	(1,069)	(91)
Loans outstanding at 30 September, net	**989**	**305**	**4,798**	**822**	**12,969**	**5,134**
Interest income on loans (nine months)	–	224	461	–	1,090	367
Loan impairment charge (nine months)	–	660	65	–	783	–
Deposits at 1 January	**12,098**	**506**	**6,919**	**12,733**	**177**	**18,324**
Deposits received during the nine months	116,878	14,686	37,386	–	19,309	26,127
Deposits repaid during the nine months	(99,996)	(14,708)	(34,821)	(12,733)	(19,558)	(39,049)
Other movements	999	164	(1,493)	–	287	261
Deposits at 30 September	**29,979**	**648**	**7,991**	–	**215**	**5,663**
Interest expense on deposits (nine months)	1,113	57	230	–	18	264
Other income (nine months)	532	–	54	299	–	3

Compensation of key management personnel was comprised of the following:

	For the nine months ended	
	30 September 2010 *(Unaudited)*	***30 September 2009*** *(unaudited)*
Salaries and other benefits	17,011	12,549
Share-based payments compensation	8,224	4,783
Social security costs	358	356
Total key management compensation	**25,593**	**17,688**

The number of key management personnel at 30 September 2010 was 160 (2009: 150).

(Thousands of Georgian Lari)

21. Capital Adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the NBG in supervising the Bank and the ratios established by the Basel Capital Accord 1988.

During the nine months ended 30 September 2010, the Bank and the Group had complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

NBG capital adequacy ratio

The NBG requires banks to maintain a minimum capital adequacy ratio of 12% of risk-weighted assets, computed based on the bank's stand-alone special purpose financial statements prepared in accordance with NBG regulations and pronouncements. As of 30 September 2010 and 31 December 2009, the Bank's (standalone) capital adequacy ratio on this basis was as follows:

	30 September 2010 *(Unaudited)*	***31 December 2009***
Core capital	498,303	535,427
Supplementary capital	378,426	269,729
Less: Deductions from capital	(362,544)	(347,853)
Total regulatory capital	**514,186**	**457,303**
Risk-weighted assets	**3,271,630**	**2,717,084**
Total capital adequacy ratio	**15.7%**	**16.8%**

Regulatory capital consists of Core capital, which comprises share capital, additional paid-up capital, retained earnings including current year profit, foreign currency translation and non-controlling interests less accrued dividends, net long positions in own shares and goodwill. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBG. The other component of regulatory capital is Supplementary capital, which includes subordinated long-term debt, preference shares and revaluation reserves.

(Thousands of Georgian Lari)

21. Capital Adequacy (continued)

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the interim consolidated statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 September 2010 and 31 December 2009, follows:

	30 September 2010 *(Unaudited)*	*31 December 2009*
Tier 1 capital	600,927	548,710
Tier 2 capital	411,107	369,480
Less: Deductions from capital	(70,737)	(67,454)
Total regulatory capital	**941,297**	**850,736**
Risk-weighted assets	**2,977,858**	**2,454,763**
Total capital ratio	31.6%	34.7%
Tier 1 capital ratio	20.2%	22.4%
Minimum capital adequacy ratio	**8%**	**8%**

22. Events after the Interim Reporting Date

An Extraordinary General Meeting ("EGM") of shareholders was held on 22 November 2010. The shareholders acknowledged the resignation of Mr. Jyrki Talvitie, a member of the Supervisory Board, and Ms. Hanna Loikkanen was elected as a new member, for a term of four years.

In November 2010 the Group obtained a US$ 50 million, seven-year loan facility from the European Fund for Southeast Europe , and drew down US$34 million from it in December 2010. In December 2010 the Group also drew down USD 14.5 million from a USD 50 million loan facility from the European Bank for Reconstruction and Development, signed earlier in August 2010.

On 1 December 2010 the Group obtained a US$ 50 million, five-year loan facility from the Asian Development Bank ("ADB").