



	გენერალური	2
B	ᲑᲘᲖᲜᲔᲡ ᲞᲠᲝᲤᲘᲚᲘ BUSINESS PROFILE	7
	ᲡᲝᲪᲘᲐᲚᲣᲠᲘ ᲞᲐᲡᲣᲮᲘᲡᲛᲒᲔᲑᲚᲝᲑᲐ ᲓᲐ ᲥᲕᲔᲚᲛᲝᲥᲛᲔᲓᲔᲑᲐ SOCIAL RESPONSIBILITY AND CHARITY	19
B	ซิทธิวิธีเวิฟิก ฮิวิติวิธิวิธิก FINANCIAL RESULTS	25
B	ლამოუკილეგელ აულიგორთა ლასკვნა ლა კონსოლილირეგული ფინანსური ანგარიშგეგა CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT	30

გენერალური ღირეძ&ორის მიმართვა STATEMENT OF THE CHIEF EXECUTIVE OFFICER





ᲒᲔᲜᲔᲠᲐᲚᲣᲠᲘ ᲓᲘᲠᲔᲥᲢᲝᲠᲘᲡ ᲛᲘᲛᲐᲠᲗᲕᲐ

"ბაზისბანკი" განვითარებაზე ორიენტირებული უნივერსალური ტიპის ბანკია, რომელიც მომხმარებელს მაღალი ხარისხის მომსახურებასა და მრავალფეროვან პროდუქტებს სთავაზობს.

ბანკს დიდი ისტორია აქვს და მისი დღევანდელი სახე სწორედ წლების მანძილზე დაგროვილი გამოცდილების შედეგია.

2011 წელი მორიგი წარმატებული წელი იყო ჩვენი ბანკისათვის. რასაც ადასტურებს სტაბილურად მზარდი ფინანსური მაჩვენებლები და ინვესტორების დიდი ინტერესი "ბაზისბანკის" მიმართ.

გასული წლების განმავლობაში მიღწეულმა დადებითმა შედეგებმა ჩვენი საქმიანობის გაფართოების საფუძველი მოგვცა. 2011 წლის განმავლობაში ბაზისბანკი კიდევ უფრო მეტად აქტიური იყო მცირე და საშუალო ბიზნესის დაკრედიტების მიმართულებით, რასაც ხელს უწყობდა საერთაშორისო საფინანსო ინსტიტუტების მხარდაჭერა და მათგან საკრედიტო ხაზების მოზიდვა.

2012 წლის განმავლობაში აღნიშნული მიმართულება კვლავ სტრატეგიული იქნება "ბაზისბანკისათვის", რადგან გეჯერა, რომ სწორედ ეს მიმართულება ქმნის ყველაზე მეტ სამუშაო ადგილს და შესაბამისად, მნიშვნელოვანი წვლილი შეაქვს ქვეყნის ეკონომიკის განვითარებაში.

ჩვენი საქმიანობის გაფართოების თვალსაჩინო მაგალითია "ბაზისბანკის" ახალი სათაო ოფისის გახსნა. შენობა, რომელშიც ის განთავსებულია, ისტორიულ არქიტექტურულ ძეგლს წარმოადგენს. მის შეძენასა და რეაბილიტაციაში ბანკმა 5 მილიონი ლარის ინვესტიცია განახორციელა.

გასული წლის განმავლობაში, ისევე, როგორც წინა წლებში, "ბაზისბანკი" გამოირჩეოდა მაღალი სოციალური პასუხისმგებლობით. ბანკმა აქტიური მონაწილეობა მიიღო სხვადასხვა საქველმოქმედო თუ სოციალური პროექტების დაფინანსებაში.

ჩვენ ვთვლით, რომ "ბაზისბანკის" შემდგომი განვითარების ერთ-ერთ უმნიშვნელოვანესი წინაპირობაა მომსახურების ხარისხის მუდმივი გაუმჯობესება, რაც გულისხმობს ბანკის კლიენტებისათვის კიდევ უფრო მრავალფეროვანი საბანკო პროდუქტების და მაღალი დონის მომსახურების შეთავაზებას.

მინდა ვისარგებლო შესაძლებლობით და მადლობა გადავუხადო კლიენტებს ჩვენი მომსახურებით სარგებლობისა და ლოიალობისათვის, ასევე ჩვენს პარტნიორ საერთაშორისო საფინანსო ორგანიზაციებს გამოცხადებული ნდობისა და აღიარებისთვის და "ბაზისბანკის" მთელს გუნდს, რომლის სწორი და ეფექტური მუშაობის შედეგია ბანკის მიერ მიღწეული წარმატებები.



STATEMENT OF THE CHIEF EXECUTIVE OFFICER

Basisbank is a development-oriented universal bank offering premium quality services and diverse products to its customers.

The bank has a great history and its present image is the result of the solid experience gained over the years.

2011 was another successful year for our bank, confirmed with continuously increasing financial indicators and growing investor interest in Basisbank.

The positive results achieved in the past years gave us the platform for expanding our business. Backed by the strong support and new credit lines received from our international partners, Basisbank remained increasingly active in SME crediting during 2011

This strategic area will continue to be a priority for Basisbank in 2012, as we believe that it is this area that creates most jobs in the country and, consequently, makes a significant contribution to the development of the national economy.

Another brilliant example of our business expansion is opening of the new Head Office. The new Head Office building is a historical architectural monument. The bank invested 5 million GEL into buying and renovating the building.

Just like in previous years, the bank stood out for its high sense of social responsibility over the past year. The bank took an active part in the financing of a variety of charity or social projects.

We believe that one of the most important preconditions for further development of our bank is a continued improvement of service quality which we plan to achieve by offering a wider variety of products and by rendering high level of service to our customers.

I'd like to take an opportunity to thank our customers for using our services, our local and international partners—for the demonstrated trust and recognition and the entire Basisbank team, as the success scored by the Bank is the result of their commitment and efficient work.





სერ30სცენტრეგ0ს ძსელ0

2011 წლის ბოლოს ბაზისბანკი წარმოდგენილი იყო თექვსმეტი სერვისცენტრითა და ორმოცდათორმეტი ბანკომატით.

კლიენტების მომსახურების გაუმჯობესების მიზნით და ოპერატიულობის თვალსაზრისით, ბანკის ყველა სერვისცენტრი უნივერსალური ტიპისაა, რაც იმას ნიშნავს, რომ თითოეულ მათგანში ხდება, როგორც საცალო ასევე კორპორატიული კლიენტების მომსახურება და მათთვის ყველა სახის პროდუქტისა და მომსახურების შეთავაზება.

ბაზისბანკის სერვისცენტრები დაკომპლექტებულია მაღალკვალიფიციური და გამოცდილი კადრებით, რომლებიც მუდმივად გადიან ტრენინგებს სერვის პლუსის და პროფესიული გადამზადების მიმართულებით.

სწორედ მათი დამსახურებაა კლიენტების ლოიალური დამოკიდებულება ბანკის მიმართ.

Service center network

At the end of 2011, Basisbank was represented by sixteen service centers and fifty one ATMs.

For the improvement of customer service and operations efficiency, all the bank service centers are universal, which means that each service center serves retail, as well as, corporate customers and offers them the whole spectrum of products and services.

The bank service centers are staffed with highly skilled and experienced professionals who go through regular service plus and professional retraining.



2011 წლის ერთ-ერთი უმსხვილესი პროექტი ახალი სათაოოფისის გახსნა იყო.

შენობა, რომელშიც განთავსებულია ახალი სათაო ოფისი, ისტორიულ არქიტექტურულ ძეგლს წარმოად-გენს. მის შეძენასა და რეაბილიტაციაში "ბაზისბანკმა" 5 მილიონი ლარის ინვესტიცია განახორციელა.

It is our staff's outstanding contribution that the customer loyalty towards Basisbank is increasing. One of the largest projects in 2011 was the opening of the new Head Office.

The building accommodating the new Head Office is a historical architectural monument. The bank invested 5 million GEL into buying and renovating it.



ოფისის საზეიმო გახსნაზე ლენტი თბილისის მერმა გიგი უგულავამ, ეროვნული ბანკის პრეზიდენტმა გიორგი ქადაგიძემ და ბანკის სამეთვალყურეო საბჭოს თავ-მჯდომარემ ზურაბ ციხისთავმა გაჭრეს.

The new Head Office was opened by Tbilisi Mayor Mr. Gigi Ugulava, President of the National Bank of Georgia Mr. George Kadagidze and Mr. Zurab Tsikhistavi, the Chairman of Basisbank's Supervisory Board.

ცერემონიალზე შედგა თბილისის სამხატვრო აკადემიის მაგისტრატურის სტუდენტთა ნამუშევრების გამოფენის გახსნა.

The ceremony hosted the opening of the exhibition of Tbilisi Academy of Fine Arts post-graduate students' works.



ღონისძიებას მუსიკალურად აფორმებდა ვახტანგ კახიძის ორკესტრის სიმებიანი კვარტეტი.

ლონისძიებაზე ასევე მოეწყო "ბაზისბანკის ბიზნესმენთა კლუბის" პრეზენტაციაც. კლუბი ხელს შეუწყობს საქმიანი ურთიერთობების ჩამოყალიბებას და წევრებს შორის გამოცდილების გაზიარებას.



მოწვეულმა სტუმრებმა საზეიმო ვითარებაში ხელმოწერებით დაადასტურესკლუბშიგაწევრიანება. The musical arrangement of the event was provided by Vakhtang Kakhidze Orchestra String Quartet.



Basisbank Businessmen Club was also presented at the event. The Club is expected to promote the development of business relations and sharing of experience among the members. The guests confirmed their Club membership by solemn signature at the opening ceremony.



ᲐᲮᲐᲚᲘ ᲞᲠᲝᲓᲣᲥᲢᲔᲑᲘ

2011 წელი საკმაოდ წარმატებული იყო პროდუქტების განვითარების კუთხითაც. მომხმარებელთა ინტერესების გათალისწინებით შეიქმნა ახალი საბანკო პროდუქტები: მობილური ბანკინგი, "შენი იპოთეკა" "სწრაფიფული" და "სასარგებლოავტოსესხი"

მობილური ბანკინგი მაგთიკომის და ბაზისბანკის ერთობლივი პროდუქტია. ის არის გადახდის უახლესი, მოხერხებული და ძალიან მოქნილი სისტემა, რომელიც ძალიან უმარტივებს მომხმარებელს სხვადასხვა საბანკო ოპერაციების წარმოებას, მხოლოდ მობილური ტელეფონის საშუალებით. ნებისმიერი ოპერაციის განხორციელება შესაძლებელია მაშინაც კი, როდესაც ტელეფონის ბალანსი ამოწურულია.

"შენი იპოთეკა" არის იპოთეკური სესხი ლარში და განკუთვნილია იმ მომხმარებლისთვის, ვისაც უძრავი ქონების შეძენა ან გარემონტება სურს. პროდუქტის მთავარი უპირატესობა იმაში მდგომარეობს, რომ სესხი გაიცემა ლარში და ძალიან კომფორტულია მათთვის, ვისაც შემოსავალი ეროვნულ ვალუტაში აქვს, ამ შემთხვევაში მომხმარებელი დაცულია სავალუტო რისკებისგან.

"სასარგებლო ავტოსესხი" განკუთვნილია იმ მომხმარებ-ლისთვის, ვისაც ახალი ან მეორადი ავტომობილის შეძენა სურს. პროდუქტის ერთ-ერთი უპირატესობა იმაში მდგომარეობს, რომ კლიენტს სურვილის შემთხვევაში შეუძლია ისარგებლოს 2 თვიანი საშეღავთო პერიოდით, სესხით სარგებლობის ყოველი წლის განმავლობაში.

New products

The year 2011 was quite a success in terms of product development, too. A number of new bank products such as Mobile Banking, Your Mortgage and Useful Auto Loan were created to meet the customer interests.

Mobile Banking is a joint Magticom and Basisbank product. It is the newest, most convenient and flexible payment system enabling customers to perform a variety of bank transactions simply by using their mobile phones. Any transaction can be performed even when the balance expires

Your mortgage is a mortgage loan in GEL and is intended for customers wishing to buy or renovate real estate. The main advantage of the product is that the loan is issued in GEL and is very comfortable for those earning income in national currency. In such case, users are protected from currency risks.

Useful Auto Loan is intended for the customers wishing to buy brand new or secondhand cars. One of the product advantages is that a customer may apply for a 2-month grace period each year during the loan amortization.



SME, 858093030

გასული წლების მსგავსად, გაყიდვების და პერსონალური მომსახურების განყოფილების მთავარი მიზანი იყო ახალი იურიდიული და ფიზიკური პირების მოზიდვა, არსებულების პერსონალური მომსახურება და შენარჩუნება. 2011 წლის პრიორიტეტად დაისახა მცირე და საშუალო სესხების (500 000 აშშ დოლარამდე) საკრედიტო განაცხადების მოზიდვა, რასაც განყოფილების თანამშრომლებმა წარმატებით გაართვეს თავი. თითოეული თანამშრომლის გეგმები საშუალოდ 100%-ით შესრულდა, რაც დადებითად აისახა განყოფილების საერთო გეგმაზე.

შესაბამისად, ბანკმა შეძლო მნიშვნელოვნად გაემყარებინა პოზიციები აღნიშნულ სეგმენტზე.

ჯამურად SME კლიენტების საკრედიტო პორტფელის მოცულობა 2011 წლის განმავლობაში 86% გაიზარდა.

ასევე ამ პერიოდში აქტიური მუშაობა ხორციელდებოდა SME სექტორის საკრედიტო პორტფელის ხარისხის გაუმჯობესებაზე, რის შედეგადაც მნიშვნელოვნად შემცირდა ვადაგადაცილებული სესხების მოცულობა.

"ბაზისბანკის" ბიზნესში ასევე უმნიშვნელოვანესი ადგილი უკავია ფიზიკური პირების სეგმენტს. ეს ეხება, როგორც საკრედიტო ასევე სადეპოზიტო პორტფელს.

ქვეყანაში ზოგადი ეკონომიკური გარემოს სტაბილურობის კვალდაკვალ, წინა პლანზე წამოიწია დაკრედიტების გააქტიურების ამოცანამ.

ამ მიზნების მისაღწევად ბანკის საცალო გაყიდვების პოლიტიკა ეფუძნება ისეთ ფაქტორებს, როგორებიცაა ეფექტურად ათვისებული გაყიდვების არხები, მომხმა-რებლებისთვის განსაკუთრებული შეთავაზებების გაკეთება და მათთან პერსონალური მიდგომა.

აღნიშნულის გათვალისწინებით, 2011 წლის განმავლობაში წარმატებით მიმდინარეობდა, როგორც სადეპოზიტო,ასევე საკრედიტოპორტფელის ზრდაც.

SME, Sales

Just like in previous years, the main goal of the Sales and Personal Service Department was the attraction of individuals and legal entities on one hand, and the maintenance and personal services provision to the existing customers on the other hand. The priority for 2011 was to attract SME segment to increase portfolio of loans (up to 500000 USD) and the Department employees successfully accomplished this objective. On average, each employee fulfilled his plan by 100% that had a positive reflection on the overall plan of the Department.

As a result, the bank was able to significantly strengthen its positions in the segment. In total, SME credit portfolio increased by 86% over 2011.

In parallel, the bank made active efforts to improve the quality of SME credit portfolio., as a result the volume of overdue loans dropped significantly.

Individual clients also make up a considerable part of Basisbank's credit and deposit portfolios.

In the wake of the overall economic stability in the country, the objective to step up crediting came to the fore.

To accomplish the objective, the Retail Sales Policy is based on such factors as efficiently developed sales channels, special offers and individual approach to customers.

In the light of the above, Basisbank witnessed a considerable growth in both deposit and credit portfolios in 2011.

ᲡᲐᲔᲠᲗᲐᲨᲝᲠᲘᲡᲝ ᲛᲘᲦᲬᲔᲕᲔᲑᲘ

"ბაზისბანკის" მიმართ საერთაშორისო ფინანსური ინსტიტუტების მხრიდან აღიარება და ინტერესი მისმა მოქნილობამ, სტაბილურობამ, პროგრესულობამ და სწორმა პოლიტიკამ განაპირობა.

2009 წლის ბოლოს დაწყებული თანამშრომლობა OPIC-ისა და "ბაზისბანკს" შორის, როდესაც აშშ-ის მთავრობის კერძო ინვესტიციების კორპორაციამ ბანკს მცირე და საშუალო ბიზნესის დაფინანსებისთვის 5 მლნ აშშ დოლარის მოცულობის საკრედიტო ხაზი გამოუყო, კვლავ გაგრძელდა.

International achievements

The recognition and growing interest shown in Basisbank by international financial institutions came thanks to the bank's flexible, stable, progressive and sound policy.

The cooperation between OPIC and Basisbank that started towards the end of 2009 when Overseas Private Investment Corporation (a US government corporation) allocated a \$5 million credit facility to Basisbank for financing Small and Medium Enterprises, still continued.

Proceeding from the successful cooperation, OPIC made a decision to allocate an additional \$5 million investment package to Basisbank, including \$3 million to finance Small and Medium Enterprises and \$2 million as a subordinated loan.

"ბაზისბანკი" საერთაშორისო სტანდარტებისა და სწორი მენეჯმენტის მქონე ბანკია, რომელმაც ერთ-ერთი მნიშვნელოვანი, ანგარიშგასაწევი და სტაბილური ფინანსური ინსტიტუტის სტატუსი დაიმკვიდრა საქართველოში. OPIC-ისა და "ბაზისბანკის" წარმატებული თანამშრომლობიდან გამომდინარე, ჩვენ მივიღეთ გადაწყვეტილება, ბანკს დამატებით კიდევ 5 მლნ აშშ დოლარის მოცულობის საინვესტიციო პაკეტი გამოვუყოთ, რომლის მნიშვნელოვანი ნაწილი, ისევე როგორც წინა საკრედიტო ხაზი, საქართველოში მცირე და საშუალო ბიზნესის განვითარებას მოხმარდება."

OPIC-ის პროექტების დაფინანსების დირექტორი

"Basisbank" is the bank of international standards and proper management, bearing the status of one of the major, considerable and stable financial institutions in Georgia. Considering the successful cooperation between "Basisbank" and OPIC, we have made a decision to allocate the additional investment pack of 5 million USD to the Bank, which will also basically, like the previous credit line, will be used for SME development in Georgia"

Kenneth Angel

Projects Financing Director of OPIC



BUSINESS PROFILE

ასევე, აღსანიშნავია ბაზისბანკისა და კომერცბანკის თანამშრომლობა, კომერცბანკმა ბაზისბანკს სავაჭრო ოპერაციებისთვის საკრედიტო ხაზი გამოუყო.

აღნიშნული ხაზი ხელს შეუწყობს და მნიშვნელოვნად გაუმარტივებს საერთაშორისო სავაჭრო ოპერაციებში ჩართულ კლიენტებს პარტნიორებთან ურთიერთობას.

ბანკი აქტიურად თანამშრომლობს ევროპისა და აზიის მსხვილ საერთაშორისო საფინანსო ორგანიზაცებთანაც, როგორებიცაა: ევროპის რეკონსტრუქციისა და განვითარების ბანკი (EBRD), მსოფლიობანკი (WB), აშშ-ს საერთაშორისო განვითარების სააგენტო (USAID), სოფლის მეურნეობის განვითარების საერთაშორისო ფონდი (IFAD), შავი ზღვის ვაჭრობისა და განვითარების ბანკი (BSTDB) და სხვა.

აღსანიშნავია საერთაშორისო სარეიტინგო სააგენტო Fitch Ratings-ის მიერ "ბაზისბანკისთვის" სარეიტინგო მაჩვენებლების დადასტურების ფაქტიც.

სააგენტოს ექსპერტებმა, ემიტენტის დეფოლტის გრძელვადიანი რეიტინგი, "ბაზისბანკს" "B-" დონზე დაუტოვეს, პროგნოზით "სტაბილური". "ბაზისბანკის" რეიტინგი ასახავს, რომ ამ დროისათვის ბანკის კაპიტალიზაცია ადექვატურია და საკრედიტო პორტფელში, პრობლემური სესხების მაჩვენებელი დაბალია. ბანკმა წლის განმავლობაში ფონდირების ბაზის დივერსიფიცირება წარმატებით მოახერხანათქვამია Fitch Ratings-ისოფიციალურ განცხადებაში.

საერთაშორისო კონკურსზე "სუამ-ის საუკეთესო ბანკები" ნომინაციაში "ყველაზე სანდო ბანკი" გამარჯვებულად "ბაზისბანკი" დასახელდა.

კონკურსის შედეგები დემოკრატიისა და ეკონომიკური განვითარების ორგანიზაცია სუამ-მა და საერთაშორისო გამომცემლობა «КБС-Издат» (უკრაინა) შეაჯამეს. კონკურსის ლაურეატები სდაჯილდოვების საზეიმო ცერემონია სუამ-ის სამდივნოში შედგა.

კონკურსის მიზანია, იმ საუკეთესო საბანკო დაწესებულებების განსაზღვრა, რომლებიც ოპერირებენ სუამ-ის ქვეყნების ტერიტორიებზე (საქართველო, უკრაინა, აზერბაიჯანი, მოლდოვა), მათი საქმიანობის სხვადასხვა მიმართულების მიხედვით.. The cooperation between Basisbank and Commerzbank is also worth mentioning – Commerzbank allocated a credit facility to Basisbank to finance trade operations.

The line is expected to facilitate and considerably ease the interaction of customers conducting international trade operations with their partners.

Basisbank has closely cooperated with major European and Asian international financial institutions such as European Bank for Reconstruction and Development (EBRD), World Bank (WB), United States Agency for International Development (USAID), International Foundation for Development of Agriculture (IFAD), Black Sea Trade and Development Bank (BSTDB).

It is also worth mentioning that Fitch Ratings, an international ratings agency, affirmed its ratings for Basisbank.

The agency experts left Basisbank's Long-term Issuer Default Rating to a B level, with Stable Outlook. The rating of Basisbank shows that the bank's current capitalization is adequate and that the share of problem loans in the credit portfolio is low.

According to Fitch Rating's official statement, during the year the bank successfully diversified its funding base.

Basisbank won the nomination of Most Reliable Bank in the international contest GUAM Best Banks.

The results of the contest were summed up by GUAM, a democratic and economic development organization and «КБС-Издат», international publishing house (Ukraine). The contest winner award ceremony was held in GUAM Secretary Office.

The goal of the contest is to identify the best banking institutions operating in GUAM countries (Georgia, Ukraine, Azerbaijan, Moldova) in different areas of their business.

ᲗᲐᲜᲐᲛᲨᲠᲝᲛᲚᲔᲑᲘ ᲓᲐ ᲗᲐᲜᲐᲛᲨᲠᲝᲛᲔᲚᲗᲐ ᲞᲠᲝᲤᲔᲡᲘᲣᲚᲘ ᲛᲝᲛᲖᲐᲓᲔᲑᲐ

2011 წელი სტაბილური წელი იყო ადამიანური რესურსების და ადმინისტრაციული მართვის განყოფილებისთვის. გაგრძელდა ბანკის დაკომპლექტება ახალი კადრებით, გამოცხადდა ვაკანსიები და მივიღეთ 45 ახალი თანამშრომელი. 40-მდე სტუდენტმა გაიარა სტაჟირება გაყიდვების და პერსონალური მომსახურების და მცირე და საშუალო სესხების განყოფილებებში.

2011 წელი განსაკუთრებით გამორჩეული აღმოჩნდა კვალიფიკაციის ამაღლების მხრივ. მსოფლიო ბანკის ტრენერის მიერ კორპორატიული და საცალო დაკრედიტების, გაყიდვების და პერსონალური მომსახურების, კორპორატიული, მცირე და საშუალო სესხების, კლიენტთა ფინანსური ანალიზის განყოფილების თანამშრომლებს ჩაუტარდათ 3 კვირიანი ტრენინგი შემდეგ თემებზე: სესხების ადმინისტრირება (Loan Administration) და ბიზნესსიმულაციები.

ასევე, დაიგეგმა პროექტების მართვის ტრენინგი საშუალო რგოლის მენეჯმენტისთვის (20 თანამ-შრომელი). განხილულია თითქმის ყველა სასწავლო ცენტრის მიერ შემოთავაზებული პროგრამა, მათ შორისაა: თავისუფალი უნივერსიტეტი, კავკასიის უნივერსიტეტი, მართვის აკადებია, CTC. აღნიშნული ტრენინგის ფარგლებში თანამშრომლები გაეცნობიან პროექტის დაგეგმვის, ორგანიზებისა და კონტროლის მეთოდებს, შეიძენენ პროექტის მართვისთვის აუცილებელ უნარ-ჩვევებს და დაეუფლებიან თეორიას.



Personnel and personnel capacity building

2011 was a stable year for HR and Administrative Management Department. The Department continued staffing, opened vacancies and hired 45 new employees. About 40 students completed an internship program in Sales and Personal Service and Small and Medium Loans Departments.

The year 2011 proved to be particularly outstanding in terms of capacity building. A World Bank trainer conducted a 3-week training in Loan Administration and Business Simulations for Corporate and Retail Crediting, Sales and Personal Service, Corporate Small and Medium Loans, and Customer Financial Analysis Divisions.

The bank arranged trainings in project management for a medium level management (20 employees). The bank considered all the programs offered by almost all educational establishments, including Independent University, Caucasus University, Management Academy, CTC.



2011 წლის ბოლოს ტრადიციულად ბანკის თანამშრომლებისთვის მოეწყო კორპორატიული საღამო. გამოვლინდნენ სხვადასხვა ნომინაციებში გამარჯვებული თანამშრომლები და გათამაშდა უამრავი პრიზი.



ასევე, ადამიანური რესურსების და ადმინისტრაციული მართვის განყოფილების ინიციატივით მოეწყო სპორტულ-გასართობი ღონისძიება. თანამშრომლებს საშუალება ჰქონდათ ერთმანეთს შეჯიბრებოდნენ ბოულინგში, ბილიარდში, მაგიდის ჩოგბურთსა და კარაოკეში. თითოეულ სახეობაში გამოვლინდა გამარჯვებული და მათ გადაეცათ საჩუქრები.



As part of the training, the employees will learn planning, organization and control methods, study the theory and acquire necessary project management skills.

At the end of 2011, the bank traditionally held a corporate evening for its employees. Winners in various nominations were revealed and, a number of prizes were awarded.

A sports and amusement event was also organized under the initiative of the HR and Administrative Management Department. The bank employees had the opportunity to compete with each other in bowling, billiards, table tennis and karaoke. Winners in respective contests were identified and awarded prizes.



ᲡᲝᲪᲘᲐᲚᲣᲠᲘ ᲞᲐᲡᲣᲮᲘᲡᲛᲒᲔᲑᲚᲝᲑᲐ ᲓᲐ ᲥᲕᲔᲚᲛᲝᲥᲛᲔᲓᲔᲑᲐ

SOCIAL RESPONSIBILITY AND CHARITY



ᲡᲝᲪᲘᲐᲚᲣᲠᲘ ᲞᲐᲡᲣ**Ხ**ᲘᲡᲛᲒᲔ**ᲑᲚᲝ**ᲑᲐ ᲓᲐ ᲥᲕᲔᲚᲛᲝᲥᲛᲔᲓᲔᲑᲐ

ᲒᲐᲖᲘᲡᲒᲐᲜᲙᲛᲐ ᲘᲛᲔᲓᲘᲡ ᲒᲛᲘᲠᲔᲑᲘᲡ ᲡᲐᲥᲕᲔᲚᲛᲝᲥᲛᲔᲓᲝ ᲡᲐᲦᲐᲛᲝ ᲓᲐᲐᲤᲘᲜᲐᲜᲡᲐ

2011 წლის 8 მარტს, "თბილისი მარიოტში" "იმედის გმირების" საქველმოქმედო საღამო გაიმართა. აქცია ბოდბისხევის მოხუცთა თავშესაფარის დასახმარებლად ჩატარდა. ბაზისბანკის აქციაში მონაწილეობა გადაწყდა ქეთევან ლეკვეიშვილის ისტორიის მოსმენის შემდეგ, რომელმაც სოფელში ბებიის ხსოვნის საპატივცემულოდ პანსიონი დააარსა და ხანდაზმულ ადამიანებს უვლის.

ᲒᲐᲖᲘᲡᲒᲐᲜᲙᲛᲐ ᲒᲐᲠᲡᲔᲚᲝᲜᲐᲨᲘ ᲒᲐᲛᲐᲠᲗᲣᲚ ᲤᲝᲜᲓ ᲘᲐᲕᲜᲐᲜᲐᲡ ᲡᲐᲥᲕᲔᲚᲛᲝᲥᲛᲔᲓᲝ ᲐᲥᲪᲘᲐᲨᲘ ᲛᲘᲘᲦᲝ ᲛᲝᲜᲐᲬᲘᲚᲔᲝᲒᲐ

9 მარტს, ბარსელონას თეატრ "ლიცეუში", ფონდ "იავნანასა" და ესპანურ ფონდ "SOS"-ის ერთობლივი საქველმოქმედო აქცია გაიმართა.

ღონისძიება მსოფლიოში ცნობილი საოპერო მომღერლის მონსერატ კაბალიეს პატრონაჟით ჩატარდა. აღსანიშნავია, რომ კონცერტში მსოფლიოში აღიარებული ტენორმა რამონ ვარგასმა და მიგელ გომესმარტინესმა მიიღეს მონაწილეობა, რომლებიც აგვისტოს ომის დროს დაობლებული ბავშვების დასახმარებლად 2008 წლის 25 სექტებერს "იავნანას" მიერ გამართულ აქციას შეუერთდნენ.

მათ გარდა, საღამოზე რენატო ბრუზონიმ, "იავნანას" მეგობარმა მიშელ კრაიდერმა, სოპრანო თამარ ივერმა და მსოფლიო ბანმა პაატა ბურჭულაძემ იმღერეს.

ლონისძიებას ესპანეთის მთავრობის წევრები, სამეფო ოჯახის წარმომადგენლები, საქართველოდან კი "იავ-ნანას" მხარდამჭერთა დელეგაცია დაესწრო.

კონცერტი ტელემარათონის ფორმით წარიმართა, შემოსული თანხა კი 2008 წლის აგვისტოს ომის დროს დაობლებულ ბავშვებს მოხმარდება.

აქციაში წვლილი ბაზისბანკმაც შეიტანა. ბაზისბანკის მხრიდან, იავნანას ფონდთან თანამშრომლობის შედეგად, აღნიშნული სახის საქველმოქმედო აქციებში მონაწილეობა უკვე ტრადიციად იქცა.

Social responsibility and charity

Basisbank Funds Imedi Heroes Charity Evening

8 March – Tbilisi Marriott Hotel hosted Imedi Heroes Charity Evening. The event was held to help Bodbiskhevi Nursing Home.

Basisbank decided to take part in the event after hearing Ketevan Lekveishvili's story who, in memory of her grandmother, opened a nursing home in the village and takes care of the elderly there.

Basisbank Takes Part in the lavnana Foundation Charity Event Held in Barcelona

 $9\, March$ – the Grand Theatre of Liceu in Barcelona hosted a joint charity event of lavnana Foundation and SOS, a Spanish foundation.

The event was held with the patronage of Montserrat Caballé, a renowned opera singer. It is noteworthy that Ramon Vargas, a famous tenor, and Miguel Gomes-Martinez took part in the concert, who joined the event organized by lavnana Foundation on September 25, 2008 to donate funds to the children orphaned in the war of 2008.

Besides, Renato Bruzoni, Michel Kreider, a friend of the lavnana, soprano Tamar Iveri and Paata Burchuladze, a world bass, took part in the evening. The event was honored with the attendance of the members of the Spanish Government, members of the Spanish Royal Family, and Georgian delegation.

The concert was held as a TV-marathon. The proceeds were donated to the children orphaned in the war of August 2008.

Basisbank also made a contribution to the event. As a result of cooperation with lavnana Foundation, it has become a tradition for Basisbank to take part in such charity events.



10-11 ივნისს ფილარმონიის დიდ საკონცერტო დარპაზში, ბაზისპანკის მხარდაჭერით, საქართველოს ნაციონალური ბალეტის "სუხიშვილების" კონცერტები გაიმართა.

კონცერტზე პირველად იქნა წარმოდგენილი ის ახალი ცეკვები, რომლებიც უმცროსმა ილიკო სუხიშვილმა უკანასკნელი 10 წლის განმავლობაში დადგა. საათ-ნახევრიანი პროგრამა მოიცავდა 15 ახალ ნომერს, მათ შორის იყო ორი მუსიკალური კომპოზიციაც.

Basisbank Sponsors the Sukhishvili Georgian National Ballet Concerts

10-11 June – the Sukhishvili Georgian National Ballet concerts were held in the Philharmonic Hall with Basisbank support.

The new dances choreographed by Iliko Sukhishvili, Jr., for the last 10 years were presented at the concert for the first time. An hour and a half long program included 15 new performances, including a musical composition.







ᲒᲐᲖᲘᲡᲒᲐᲬᲙᲨᲘ ᲛᲘᲮᲔᲘᲚ ᲘᲐᲨᲕᲘᲚᲘᲡ ᲬᲐᲛᲣᲨᲔᲕᲠᲔᲑᲘᲡ ᲒᲐᲛᲝᲤᲔᲜᲐ ᲒᲐᲘᲛᲐᲠᲗᲐ

3 ივნისს, ქეთევან წამებულის №1-ში, ბაზისბანკის საგამოფენო დარბაზში შედგა მიხეილ იაშვილის ნამუშევრების გამოფენის პრეზენტაცია. დამთვალიერებლებს შორის იყვნენ როგორც ბანკის თანამშრომლები, ასევე მოწვეული სტუმრები. პრეზენტაციაზე ნაჩვენები იქნა მიხეილ იაშვილის მიერ გადაღებული ავტობიოგრაფიული ფილმი, რომელსაც ფონად მიყვებოდა ცნობილი ჯგუფის "Beatles"-ის მუსიკა.

1 ივლისს, კი ბაზისბანკის მხარდაჭერით უკვე ბათუმის ხელოვნების მუზეუმში, ქართველ 80-იანელ მხატვართა ნამუშევრების გამოფენა გაიმართა. 29 მხატვარმა ფერწერა, აქვარელი, გრაფიკა და ქანდაკება წარადგინა.

Basisbank Hosts Mikheil lashvili Exhibition

3 June – the presentation of the exhibition of Mikheil lashvili's works was held in Basisbank Exhibition Hall at 1 Ketevan Tsamebuli Avenue. The exhibition attracted the bank employees as well as the invited guests. The event presented an autobiographic film shot by Mikheil lashvili against the background of the Beatles music.

1 June – Basisbank sponsored the exhibition of Georgian artists of the eighties that was held in Batumi Art Museum. 29 artists presented their works in oil, water colours, graphics and sculpture.



ᲒᲐᲖᲘᲡᲒᲐᲜᲙᲛᲐ 4-5 ᲘᲕᲜᲘᲡᲡ ᲒᲐᲗᲣᲛᲡᲐ ᲓᲐ ᲐᲥᲡᲠᲘᲡ ᲛᲐᲚᲐᲚᲛᲗᲘᲐᲜᲔᲗᲨᲘ ᲨᲝᲗᲐ ᲠᲣᲡᲗᲐᲕᲔᲚᲘᲡ ᲡᲐᲮᲔᲚᲛᲬᲘᲤᲝ ᲣᲜᲘᲕᲔᲠᲡᲘᲢᲔᲢᲘᲡ ᲛᲮᲐᲠᲓᲐᲥᲔᲠᲘᲗ ᲒᲐᲛᲐᲠᲗᲣᲚᲘ ᲡᲐᲔᲠᲗᲐᲨᲝᲠᲘᲡᲝ ᲡᲐᲛᲔᲪᲜᲘᲔᲠᲝ-ᲞᲠᲐᲥᲢᲘᲙᲣᲚᲘ ᲙᲝᲜᲤᲔᲠᲔᲜᲪᲘᲐ ᲓᲐᲐᲤᲘᲜᲐᲜᲡᲐ.

კონფერენციაზე საქართველოს, თურქეთის, უკრაინის, გერმანიის, ლიტვის, ნორვეგიის, ამერიკისა და აზერბაიჯანის წამყვანი უმაღლესი სასწავლებლების პროფესორ-მასწავლებლებმა, ექსპერტებმა და ტურიზმის ინდუსტრიის წარმომადგენლებმა 150 მოხსენება წარმოადგინეს. ორი დღის განმავლობაში მეცნიერები, დარგის სპეციალისტები და ბიზნესმენები ერთობლივად მუშაობდნენ ტურიზმის ინდუსტრიის განვითარების აქტუალურ საკითხებზე. კონფერენციის მონაწილეებმა რეკომენდაციები შეიმუშავეს, რომელიც შესაბამის სამსახურებს გადაეგზავნება.

30 ივნისს, ილიას სახელმწიფო უნივერსიტეტში SAP University Alliances-ის პრეზენტაცია გაიმართა.

2011 წლიდან ილიას სახელმწიფო უნივერსიტეტი არის SAP University Alliances-ის წევრი, რაც მას უფლებას აძლევს, სასწავლო პროგრამაში ჩართოს SAP-სისტემის სწავლება და გამოიყენოს იგი სამაგისტრო და სადოქტორო ნაშრომების მომზადებისას. ბაზისბანკის ფინანსურმა მხარდაჭერამ დიდი როლი ითამაშა ილიას სახელმწიფო უნივერსიტეტის SAP University Alliances-ში გაწევრიანებაში. ასევე, ბაზისბანკმა შეიძინა უნივერსიტეტისთვის SAP-სისტემის ტექნიკური მხარდაჭერის მომსახურება. ბანკი უნივერსიტეტის მიერ განხორ-ციელებული არაერთი პროექტის პარტნიორია.

SAP-სისტემის სწავლება იგეგმება ბიზნეს ადმინისტრირების საბაკალავრო სპეციალობის დამამთავრებელ
კურსებზე. გარდა ამისა, ილიას სახელმწიფო უნივერსიტეტში გაზაფხულის სემესტრიდან ამოქმედდება
ინფორმაციული ტექნოლოგიების მენეჯმენტის სამაგისტრო პროგრამა, რომელშიც მნიშვნელოვანი კომპონენტი
სწორედ SAP - სისტემის სწავლებასთან დაკავშირებული
კურსებია.

Basisbank Sponsors International Scientific-Practical Conference

4-5 June – Basisbank funded an International Scientific-Practical Conference held with Shota Rustaveli State University support in Batumi and in High Mountainous Regions of Ajara.

At the conference, professors and instructors from the leading Georgian, Turkish, Ukrainian, German, Latvian, Norwegian, American and Azeri universities as well as experts and tourism industry representatives presented 150 reports. For two days, scientists, industry specialists and businessmen worked jointly on the topical issues in the development of tourism. The conference participants formulated recommendations for the attention of the relevant agencies.

Basisbank Acquires SAP Maintenance for Ilia State University

30 June – Ilia State University hosted the presentation of SAP University Alliances.

Since 2011, Ilia State University has been a member of SAP University Alliances, allowing it to engage SAP system teaching in its curriculum and use it in preparing post-graduate and doctoral theses. Basisbank's financial support contributed greatly towards Ilia State University's accession to SAP University Alliances. Basisbank also purchased SAP maintenance for Ilia State University. Basisbank has sponsored a number of the projects implemented by the University.

SAP teaching is expected in undergraduate Business Administration courses. Besides, from the summer semester, Ilia State University will launch a postgraduate program in IT Management, a significant component of which is the courses related to SAP teaching.



ᲒᲐᲖᲘᲡᲒᲐᲬᲙᲛᲐ UG **ᲝᲚᲘᲛᲞᲘᲐᲓᲐᲨᲘ ᲒᲐᲛᲐ**Რ-**ᲯᲕᲔᲖᲣᲚᲔᲑᲘ ᲓᲐᲐᲯᲘᲚᲓᲝᲕᲐ**

14 ოქტომბერს, საქართველოს უნივერსიტეტის დიდ საგამოცდო დარბაზში, ინგლისური ენის ოლიმპიადაში გამარჯვებულთა დაჯილდოვება გაიმართა. ოლიმ-პიადაში მონაწილეობა მიიღეს სხვადასხვა საშუალო სკოლების მოსწავლეებმა.

გამარჯვებულთა სამეული საქართველოს უნივერსიტეტმა და ბაზისბანკმა დააჯილდოვეს სერტიფიკატებით და დააფინანსეს მათი სწავლა მიუნსტერის უნივერსიტეტში, (გერმანიაში).



$Basis bank\,Awards\,UG\,Olympiad\,Winners$

14 October – Georgian University Examination Hall hosted the ceremony to award the winners of the English Olympiad. The pupils from various secondary schools had taken part in the Olympiad.

Georgian University and Basisbank awarded the three winners with certificates, funding their study in Munster University (Germany).

Basisbank Sponsors Tea Festival

The tea festival is intended to promote and support tea growing. This year it has been held for the 6th time, traditionally with Basisbank sponsorship. Tea growers from Caucasus as well as tea importing companies took part in the festival.

Unique sorts of tea from different parts of Caucasus were presented.

Different sorts of tea, including black, green, and plant curative tea products were presented and tasted, and competitions of presented products were held at the festival.

ᲒᲐᲖᲘᲡᲒᲐᲜᲙᲛᲐ ᲩᲐᲘᲡ ᲤᲔᲡᲢᲘᲕᲐᲚᲘ ᲓᲐᲐᲤᲘᲜᲐᲜᲡᲐ

ჩაის ფესტივალი მეჩაიეობის ხელშეწყობას და წახალისებას ემსახურება, წელს იგი მექვსედ გაიმართა და ტრადიციულად ბაზისბანკის მხარდაჭერით ჩატარდა. მასში მონაწილეობა მიიღეს კავკასიის რეგიონის მეჩაიეებმა და ჩაის იმპორტიორმა კომპანიებმა. წარმოდგენილი იქნა ჩაის უნიკალური სახეები კავკასიის რეგიონებიდან.

ფესტივალზე ჩატარდა სხვადასხვა სახის, მათ შორის შავი, მწვანე და მცენარეული სამკურნალო ჩაის პროდუქციის პრეზენტაცია-დეგუსტაციები, მოეწყო წარმოდგენილი პროდუქციის კონკურსები.







ᲤᲘᲜᲐᲜᲡᲣᲠᲘ ᲨᲔᲓᲔᲒᲔᲑᲘ

2011 წელს ბანკმა კვლავ დაამტკიცა, რომ მიუხედავად ბაზარზე არსებული ყველა სირთულეებისა და 2008-2009 წლების ეკონომიკური და პოლიტიკური კრიზისის შედეგად წარმოქმნილი პრობლემებისა, რომლებიც ჯერ კიდევ გავლენას ახდენს ბანკის ფინანსურ მდგომარეობაზე, ბანკს შეუძლია მნიშვნელოვანი შედეგების მიღწევა.

მთლიანობაში, 2011 წელი ბანკისთვის კარგი წელი იყო. 2009 წელს პორტფელში 16%-იანი შემცირების შემდეგ, 2011 წელს ბანკმა თავისი საკრედიტო პორტფელში 14.5%-იანი ზრდა დააფიქსირა (2010: 14%), ხოლო აქტივების 14%-იანი ზრდა ისე, რომ წლის ბოლოს ბანკის აქტივებმა 159 მილიონი ლარი (2010:L 140 მილიონი ლარი; 2009: 119 მილიონი ლარი) შეადგინა. აქტივების მოცულობის თვალსაზრისით, "ბაზისბანკს" მეთერთმეტე ადგილი უკავია და მისი წილი საბანკო სექტორის აქტივებში 1.33%-ს შეადგენს.

უმოქმედო აქტივები და ბანკის საკუთრებაში არსებული დასაკუთრებული ქონებები წარმოადგნს იმ ძირითადი ფაქტორებს, რომლებიც ზემოქმედებას ახდენდნენ ბანკის წლიურ ფინანსურ შედეგებზე..

2007 წელს, წინაკრიზისულ პერიოდში, ბანკის აქტივების ზრდამ თითქმის 32% შეადგინა (70% სექტორში). ზრდის ასეთი მაღალი მაჩვენებლების პირობებში, საკრედიტო რისკების კონცენტრაციის დონე გაიზარდა. ზრდა დაფიქსირდა ძირითადად სამომხმარებლო და სამშენებლო სექტორებში. წინაკრიზისულ პერიოდში ბანკის აქტივები ძირითადად ამ სექტორებში იყო კონცენტრირებული. მომდევნო წლებში, ბანკმა დაისაკუთრა ვადაგადაცილებული სესხების უზრუნ-ველყოფაში ჩადებული მნიშვნელოვანი ქონება. ადგილობრივი სტანდარტების გათვალისწინებით, მნიშვნელოვანი რეზერვები შეიქმნა ამ აქტივებზე, რომლებმაც უარყოფითი გავლენა იქონია ბანკის კაპიტალის კოეფიციენტებზე და წმინდა მოგებაზე (კაპიტალზე მთლიანმა ზეგავლენამ შეადგინა 5.3. მილიონი აქტივების დანაკარგების რეზერვის ხარჯების სახით და 5.2 მილიონი კაპიტალიდან გამოქვითვების სახით, დასაკუთრებული ქონების ნაწილის შვილობილ კომპანიებზე გადაცემის გამო). ამან გამოიწვია ბანკის პირველადი კაპიტალის შემცირება 2008 წლიდან 2011 წლამდე 21 მილიონიდან 19 მილიონ ლარამდე (პირველადი კაპიტალი 2009 წლის ბოლოს შეადგენდა 19 მილიონ ლარს, ხოლო 2010 წლის ბოლოს — 17.5 მილიონ ლარს) და საზედამხედველო კაპიტალის 22.4 მილიონი ლარიდან 22 მილიონ ლარამდე შემცირება (საზედამხედველო კაპიტალი 2009 - 2010 წლებში 18 მილიონ ლარს შეადგენდა).

ამის მიუხედავად, ბანკმა მოახერხა ამ პრობლემების გადალახვა და ბანკის საქმიანობის ოპტიმალურ დონეზე შენარჩუნება.

FINANCIAL RESULTS

In 2011 BasisBank proved once again that despite of all difficulties existing in the market and the previous years' problems that emerged in the aftermath of 2008-2009 economic and political crisis which affected the bank's financials and which still remained unresolved, the bank was able to successfully generate respectable results.

Overall 2011 was a good year for the Bank. Following the 16% recession of portfolio in 2009, in 2011 the bank recorded 14.5% growth in loan portfolio (2010: 14%) and 14% growth in its assets amounting to 159 million Gel at the end of the year (2010: 140 million Gel, and 2009: 119 million gel). In terms of the assets size, BasisBank ranks 11th on the list of banks, holding 1.33% share of the banking sector assets.

The main factors influencing the bank's annual financial results were the impact of non-performing assets and the bank-owned properties. In 2007, the pre-crisis period, growth of the bank's assets accounted for nearly 32% (70% in the sector). With such high growth rates, the concentration level of credit risks increased. The growth occurred mainly in consumer and construction sectors. In pre-crisis period the bank's assets were highly concentrated in these sectors. In subsequent years the bank has foreclosed a substantial amount of property on defaulted loans. Following the local standards substantial reserves were created on these assets which negatively affected the bank's capital ratios and net profit (total impact on capital was 5.3 million in terms of reserve expenses and 5.2 million in terms of deductions from capital due to transfers of part of foreclosed properties to subsidiaries. Thus resulting in corresponding reduction of the bank's Tier 1 capital from 21 million Gel in 2008 to 19 million Gel in 2011 (Tier 1 capital at end 2009 was 19 million Gel, at end of 2010 17.5 million Gel) and regulatory capital from 22,4 million Gel to 22 million Gel (Regulatory capital was 18 million Gel at the end of 2009 and 2010)

However the bank managed to succeed in mitigating these problems and preserve the bank's activity at an optimal level. In May 2011, the bank attracted USD2m of subordinated loan from the Overseas Private Investment Corporation (OPIC) in order to support its Tier II capital. As a result the regulatory capital ratio improved from 12.8% (the CAR before Sub-loan) to 15% (afterwards), the minimum requirement is 12%.

In 2011, the Bank gained 3.3 million Gel in net profit, that is the best result since 2007 where net profit amounted to 3.8 million Gel. Income before taxes amounted to 3.5 million gel which is 70% up from the prior year results (2.1 million Gel). Operating income (pre-impairment income from banking operations before provisions) equaled 4.5 million Gel and is by 1.3 million more than the income of 2010 (3.2 million Gel).

FINANCIAL RESULTS

2011 წლის მაისში, მეორადი კაპიტალის გაზრდის მიზნით, ბანკმა აშშ—ს მთავრობის კერძო ინვესტიციების კორპორაციისგან (OPIC) მოიზიდა \$2 მილიონიანი სუბორდინირებული სესხი . შედეგად, საზედამხედველო კაპიტალის კოეფიციენტი 12.8%-დან 15%-მდე გაუმჯობესდა (მინიმალური კოეფიციენტია 12%).

2011 წელს ბანკმა წმინდა მოგების სახით 3.3 მილიონი ლარი მიიღო, რაც საუკეთესო შედეგია 2007 წლის შემდეგ, სადაც წმინდა მოგებამ 3.8 მილიონი ლარი შეადგინა. შემოსავალმა გადასახადების გამოქვითვამდე 3.5 მილიონი ლარი შეადგინა, რაც 70%-ით აღემატება 2010 წლის შედეგებს (2.1 მილიონი ლარი). საოპერაციო შემოსავალმა (საბანკო ოპერაციებიდან მიღებული წმინდა შემოსავალი დარეზერვებამდე) 4.5 მილიონი ლარი შეადგინა, რაც 1.3 მილიონი ლარით აღემატება 2010 წლის შემოსავალს (3.2 მილიონი ლარი).

მოგება დარეზერვებამდე 43%-ით გაიზარდა 2010 წლის იგივე მაჩვენებელთან შედარებით, სადაც ზრდამ 38 % შეადგინა. შემოსავლის მთავარი წყარო იყო სესხებიდან და სახაზინო ფასიანი ქაღალდებიდან მიღებული შემოსავლები. წმინდა შემოსავალი 11%-ით გაიზარდა (2010: 6%), არასაპროცენტო შემოსავალმა 2011 წლის მთლიანი შემოსავლების 34 % შეადგინა (33% 2010 წელს). ამ შემოსავლების ძირითად ნაწილს შეადგენს საკომისიო შემოსავლები 48% (2010: 49%), უცხოური ვალუტის გადაცვლის ოპერაციებიდან მიღებული შემოსავალები 24 %, ჯარიმები სესხებზე 15%, დასაკუთრებული აქტივების რეალიზაციიდან მიღებული შემოსავალი 11 %. 2011 წელს მიღებულ 3.3 მილიონ ლარიანი წმინდა მოგების გენერირებას ძირითადად ხელს უწყობდა სესხების ზრდა და ნაკლებად მნიშვნელოვანი ხარჯები სესხების დანაკარგების რეზერვებზე. მართალია, არასაოპერაციო ხარჯების შემოსავალთან თანაფარდობის კოეფიციენტი შედარებით მაღალი რჩება, მაგრამ ბანკმა მოახერხა ეს კოეფიციენტი 2010 წელის 74%-იდან 2011 წელს 66%-მდე ჩამოყვანა (80% - 2009 წელს), რაც ძირითადად საოპერაციო შემოსავლის ზრდის ხარჯზე მოხდა. 2011 წელს ბანკის მომგებიანობის მაჩვენებელი გაუმჯობესდა, აქტივების უკუგება და კაპიტალის უკუგება 2010 წლის 8.1 % და 1.3 %-იდან 2011 წელს შესაბამისად 12.2 %-მდე და 1.9 %-მდე გაიზარდა $(2009: -1.8\% s6\omega - 9.9\%).$

ბანკის მიერ გაცემული სესხების მოცულობა 14.5 %-ით გაიზარდა (2010: 14%), ყურადღება ძირითადად მცირე და საშუალო ბიზნეს სესხების გაცემაზე იყო კონცენ-ტრირებული.

Pre-impairment profit increased by 43% compared to 38% increase in 2010. Main drivers of generated income were interest income from loans and Gov. Securities. Net income increased by 11% (2010: 6%), non interest income accounted for 34% of all revenue earned in 2011 (33% in 2010). This income was mostly attributed to fees and commission income 48% (2010: 49%), earnings on FX conversion 24%, penalty for loans 15% and income received from the disposal of repossessed property 11%. Net profit of 3.3 million gel earned in 2011 was mainly supported by loan growth and less significant credit costs. Though the cost to income ratio remains relatively high the bank managed to reduce it from 74% in 2010 to 66% in 2011 (80% in 2009), due to increase of operating income. The Bank's profitability in 2011 improved, return on average assets (ROA) and return on average equity (ROE) increased from 8.1% and 1.3% in 2010 to 12.2% and 1.9% in 2011 respectively (2009: -1.8% and -9.9%).

The bank's volume of lending has risen by 14.5%, (2010: by 14%), with a particular focus on SME business loans extension. As of the end 2011, 40 million Gel was issued on SME and 31 million Gel on retail loans. Corporate loans comprise only the minor part of the bank's portfolio 4 million i.e. 5%.

The Bank continued to manage credit risks to keep them at low level. The portfolio contains no material concentrations of risks. At end 2011, loans that were more than 30 days past due stood at 3.9%, 3% of loans were restructured. Total impairment reserves on loans equaled to 4.6% (2010: 3.4%, 2009: 5.6%). Loan impairment reserves (LIR) covered NPLs (overdue loans more than 30 days) by 106%.

In 2011 deposit volume grew by 2.5% and reached 98 million Gel (2010: 95 million gel). Such increase is moderate in comparison with 2010 year growth of 18% and with the sector growth of 23%, but the Bank's liquidity stood at comfortable level, liquid assets (cash, short-term interbank placements) made up 22% of total assets at end of 2011(end-2010: 25%). In total liquid assets government securities amounted to 20 million Gel (2010: 9 million Gel). These funds are fully liquid and freely convertible in cash. The securities can either be sold or pledged to receive a loan from NBG.

FINANCIAL RESULTS

2011 წლის ბოლოსთვის, მცირე და საშუალო ბიზნესზე გაცემულმა სესხებმა 40 მილიონი ლარი შეადგინა, ხოლო საცალო სესხებმა — 31 მილიონი. კორპორატიული სესხები ბანკის პორტფელის უმნიშვნელო ნაწილია და 4 მილიონს შეადგენს, რაც მთლიანი პორტფელის 5%-ია.

განკმა მოახერხა საკრედიტო რისკების დაბალ დონეზე შენარჩუნება. პორტფელი რისკების მნიშვნელოვან კონცენტრაციებს არ შეიცავს. 2011 წლის ბოლოს, 30 დღეზე მეტად ვადაგადაცილებული სესხები შეადგენდა 3.9 %-ს, 3 % სესხებისა კი რესტრუქტურიზირებული იქნა. სესხების დანაკარგების რეზერვმა 4.6% შეადგინა (2010: 3.4%, 2009: 5.6 %). სესხის დანაკარგების რეზერვი არამუშა სესხებს (30 დღეზე მეტად ვადაგადაცილებული სესხები) 106 %-ით ფარავდა.

2011 წელს, დეპოზიტების მოცულობა 2.5% -ით გაიზარდა და 98 მილიონი ლარი შეადგინა (2010: 95 მილიონი ლარი). ზრდა მცირეა, სექტორში დაფიქსირებულ 23 %-იან ზრდასთან შედარებით, მაგრამ ბანკის ლიკვიდობა საიმედო დონეზე დარჩა. 2011 წლის ბოლოს ლიკვიდურმა აქტივებმა (ნალდი ფული, მოკლევადიანი ბანკთაშორისი დეპოზიტები) მთლიანი აქტივების 22 % შეადგინა (2010: 25 %). მთლიან ლიკვიდურ აქტივებში სახაზინო ფასიანმა ქაღალდებმა 20 მილიონი ლარი შეადგინა (2010:9 მილიონი). ეს ფონდები სრულად ლიკვიდურია და სრულად კონვერტირდება ნაღდ ფულში. ეს ფასიანი ქაღალდები შეიძლება გაიყიდოს ან დაგირავდეს სებ-ისგან სესხის მისაღებად.

2011 წლის ბოლოს, ბანკის კაპიტალმა 25.4 მილიონი ლარი შეადგინა, რაც ბანკის მთლიანი აქტივების 16 %-ს შეადგენს. წლის განმავლობაში ბანკის კაპიტალი 15%-ით გაიზარდა ძირითადად წმინდა მოგების ხარჯზე.

At the end of 2011, the bank's equity amounted to 25.4 million Gel, which accounts for 16% of the bank's total assets (2010: 2.3 million Gel). During the year, the bank equity grew by 15% mainly at the expense of net profit.

©ᲐᲛᲝᲣᲙᲘᲓᲔᲑᲔᲚ ᲐᲣᲓᲘ&ᲝᲠᲗᲐ ᲓᲐᲡᲙᲕᲜᲐ ᲓᲐ ᲙᲝᲜᲡᲝᲚᲘᲓᲘᲠᲔᲑᲣᲚᲘ ᲤᲘᲜᲐᲜᲡᲣᲠᲘ ᲐᲜᲒᲐᲠᲘᲨᲒᲔᲑᲐ

Consolidated Financial Statements and Independent Auditors Report

JSC BasisBank Consolidated Financial Statements for the year ended 31 December 2011

Contents

Independent Auditors' Report	3
Consolidated statement of comprehensive income	
Consolidated statement of financial position	
Consolidated statement of cash flows	6
Consolidated statement of changes in equity	7
Notes to the consolidated financial statements	8



Tbilisi Branch of KPMG CIS Limited 4, Besiki Street, Tbilisi, 0108, Georgia Telephone Fax Internet +995 (32) 2935695 +995 (32) 2935713 www.kpmg.ge

03000000

CIS TBILIS

C15.00

· KPMG

Independent Auditors' Report

To the Supervisory Board JSC BasisBank

We have audited the accompanying consolidated financial statements of JSC BasisBank and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Tbilisi Branch of KPMG CIS Limited

7 May 2012

Toilisi Branch of KPMG CIS Limited, a branch incorporated under the Laws of Georgia, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

	Notes	2011 GEL'000	2010 GEL'000		
Interest income	4	14,479	13,416		
Interest expense	4	(6,924)	(6,606)		
Net interest income		7,555	6,810		
Fee and commission income	5	3,605	3,270		
Fee and commission expense	6	(1,547)	(1,534)		
Net fee and commission income		2,058	1,736		
Net foreign exchange income	7	1,806	1,754		
Other operating income	8	2,051	1,606		
Operating income		13,470	11,906		
Impairment losses	9	(1,019)	(1,100)		
Personnel expenses	10	(4,976)	(4,998)		
Other general administrative expenses	11	(3,956)	(3,738)		
Profit before income tax		3,519	2,070		
Income tax expense	12	(414)	(286)		
Profit for the period		3,105	1,784		
Other comprehensive income, net of income tax					
Net change in fair value of available-for-sale financial assets		227	-		
Revaluation of land and buildings		-	173		
Other comprehensive income for the period, net of income tax		227	173		
Total comprehensive income for the period		3,332	1,957		
Total comprehensive income attributable to:					
- Equity holders of the Bank		3,332	1,957		
- Non-controlling interests	_		-		
Total comprehensive income for the period		3,332	1,957		

The consolidated financial statements as set out on pages 4 to 58 were approved by management on 7 May 2012 and were signed on its behalf by:

David Tsaava

Chief Financial Office

2011 Notes GEL'000	2010 GEL'000
ASSETS	
Cash 11,747	11,460
Due from the National Bank of Georgia 13 13,128	17,983
Placements with banks 14 9,905	5,190
Available-for-sale financial assets	
- Held by the Group 15 14,376	63
- Pledged under sale and repurchase agreements 15 5,695	-
Loans to customers 16 72,264	63,976
Held-to-maturity investments	
- Held by the Group 17 -	7,165
- Pledged under sale and repurchase agreements 17 -	2,085
Assets held for sale 18 1,953	2,338
Investment property 1,295	436
Property and equipment 19 15,370	15,764
Intangible assets 231	275
Other assets 2013,388	13,660
Total assets 159,352	140,395
LIABILITIES	
Deposits and balances from banks 21 5,353	394
Amounts payable under repurchase agreements 22 5,502	2,000
Current accounts and deposits from customers 23 98,211	95,877
Subordinated borrowings 24 3,462	-
Other borrowed funds 24 18,470	18,006
Deferred tax liability 12 1,005	551
Other liabilities 25 1,711	1,261
Total liabilities 133,714	118,089
EQUITY	
Share capital 26 5,912	5,912
Share premium 5,612	5,612
Revaluation surplus for land and buildings 2,361	2,361
Revaluation reserve for available-for-sale financial assets 227	-
Retained earnings 11,276	8,171
Total equity attributable to equity holders of the Bank 25,388	22,056
Non-controlling interests 250	250
Total equity 25,638	22,306
Total liabilities and equity 159,352	140,395

Notes	2011 GEL'000	2010 GEL'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and fee and commission receipts	16,497	16,165
Interest and fee and commission payments	(8,469)	(7,594)
Net receipts from foreign exchange	1,887	1,754
Other income receipts	1,241	1,192
Personnel expenses and other general administrative expenses payments	(7,411)	(7,582)
Proceeds from disposal of assets held for sale	752	-
Proceeds from disposal of repossessed assets	43	884
(Increase)/decrease in operating assets		
Due from the National Bank of Georgia	(6,605)	(1,752)
Placements with banks	(3,023)	7,407
Loans to customers	(12,810)	(13,345)
Other assets	(138)	(1,546)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	5,005	(469)
Amounts payable under repurchase agreements	3,500	2,000
Current accounts and deposits from customers	5,137	14,666
Other liabilities	167	(73)
Cash flows (used in)/from operations	(4,227)	11,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(28,967)	_
Sale and repayment of available-for-sale financial assets	10,449	_
Purchases of held-to-maturity investments	-	(9,299)
Sale and repayment of held-to-maturity investments	9,432	6,133
Purchases of property and equipment	(821)	(4,575)
Purchases of intangible assets	-	(127)
Sales of property and equipment	75	4
Sales of investment property	580	-
Cash flows used in investing activities	(9,252)	(7,864)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of subordinated borrowings	3,462	_
Net receipts of other borrowed funds	1,521	3,257
Cash flows from financing activities	4,983	3,257
Net (decrease)/increase in cash and cash equivalents	(8,496)	7,100
Effect of changes in exchange rates on cash and cash equivalents	(331)	250
Cash and cash equivalents as at the beginning of the period	30,681	23,331
Cash and cash equivalents as at the beginning of the period 33	21,854	30,681

JSC BasisBank Consolidated Statement of Changes in Equity for the year ended 31 December 2011

Balance as at 31 December 2011	Total comprehensive income for the period	Total other comprehensive income	Net change in fair value of available-for-sale financial assets, net of income tax	Other comprehensive income	Profit for the period	Total comprehensive income	Balance as at 1 January 2011	Balance as at 31 December 2010	Total comprehensive income for the period	Total other comprehensive income	Revaluation of land and buildings, net of income tax	Other comprehensive income	Profit for the period	Total comprehensive income	Balance as at 1 January 2010		GEL'000
5,912			1				5,912	5,912			1		1		5,912	Share capital	
5,612			1		,		5,612	5,612					1		5,612	Share	Attril
2,361		1	1		1		2,361	2,361	173	173	173				2,188	Revaluation surplus for land and buildings	butable to equity h
227	227	227	227				1			1	1				1	Revaluation reserve for available-for- sale financial assets	Attributable to equity holders of the Bank
11,276	3,105	1	1		3,105		8,171	8,171	1,784	1	1		1,784		6,387	Retained earnings	
25,388	3,332	227	227		3,105		22,056	22,056	1,957	173	173		1,784		20,099	Total	
250		1	1				250	250					•		250	Non- controlling interests	
25,638	3,332	227	227		3,105		22,306	22,306	1,957	173	173		1,784		20,349	Total equity	

1 Background

(a) Organisation and operations

These consolidated financial statements include the financial statements of JSC BasisBank (the "Bank") and its subsidiaries (together referred to as the "Group"). The principal subsidiaries of the Bank include asset management and construction companies.

JSC BasisBank is a joint stock bank, which was established in Georgia in 1993. The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the National Bank of Georgia ("NBG"). The Bank has 18 branches operating in Georgia.

The registered address of the Bank is 1 Ketevan Tsamebuli Street, Tbilisi 0103, Georgia. The majority of the Bank's assets and liabilities are located in Georgia. The average number of people employed by the Bank during the year was 251 (2010: 270).

On 28 September 2009 the Bank established a subsidiary, Basis Asset Management Limited, an asset management company with 100% ownership. On 29 September 2009 Basis Asset Management Limited acquired 75% of Paladi Imperial Partnership, a construction company. On 29 December 2011 the Bank established a subsidiary, Basis Asset Management – Kobuleti Limited, an asset management company with 100% ownership.

The principal subsidiaries of the Bank are as follows:

			Owner	ship %
Name	Country of incorporation	Principal activities	2011	2010
Basis Asset Management Limited	Georgia	Asset management	100%	100%
Basis Asset Management -Kobuleti	Georgia	Asset management	100%	-
Limited				
Paladi Imperial Partnership	Georgia	Construction	75%	75%

Shareholders

As at 31 December 2011 and 2010, the following individuals owned the share capital of the Bank:

Shareholders	Ownership interest, %
European Bank for Reconstruction and Development (EBRD)	15.00%
Zurab Tsikhistavi	13.92%
Eldar Mildiani	9.89%
Zaza Nishnianidze	8.51%
Murman Ambroladze	6.58%
Archil Maziashvili	6.33%
Ketevan Soselia	5.62%
Taras Nijaradze	4.58%
Gia Petriashvili	4.57%
Giorgi Vachnadze	4.44%
Goderzi Meladze	4.42%
Tengiz Maziashvili	4.38%
Other individuals	11.76%
	100.00%

Related party transactions are detailed in note 32.

(b) Business environment

Georgian business environment

The Group's operations are located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Georgia. The consolidated financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the consolidated financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value and land and buildings are stated at revalued amounts.

(c) Functional and presentation currency

The functional currency of the Bank and its subsidiaries is the Georgian Lari ("GEL") as, being the national currency of Georgia, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The GEL is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in GEL is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

• loan impairment estimates - note 16

(e) Changes in accounting policies and presentation

With effect from 1 January 2011, the Group changed its accounting policies in the following areas:

- The Group retrospectively applied a revised version of IAS 24 (issued in 2009) *Related Party Disclosures*. This change did not have a significant impact on the related party disclosures;
- The Group retrospectively applied limited amendments to IFRS 7 Financial Instruments: Disclosures issued as part of Improvements to IFRSs 2010. These amendments mainly relate to disclosures on collateral and other credit enhancements, as well as to renegotiated assets that would otherwise be past due or impaired.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Bank.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statement of comprehensive income.

(c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBG and other banks and overnight deposits with the NBG. The minimum reserve deposit in foreign currency with the NBG is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(e) Financial instruments

(i) Classification

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(v) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(vi) Gains and losses on subsequent measurement

A gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions within placements with banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land and buildings, which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on land and buildings is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on land and buildings is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

-	buildings	50 years
-	computers and communication equipment	5 years
-	fixtures and fittings	5 years
-	motor vehicles	5 years
-	leasehold improvements	2-3 years
-	other	10 years

(g) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of intangible assets is 10 years.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of investment property. Cost includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to working condition for its intended use.

When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

(i) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(j) Repossessed assets

The Group recognises repossessed assets in the statement of financial position when it has the full and final settlement rights to the collateral, and when it is entitled to retain any excess proceeds from the realisation of the collateral.

Repossessed assets are measured at the lower of the carrying amount and the fair value less costs to sell. At initial recognition repossessed assets are measured based on the value of the defaulted loan, including expenditure incurred in the process of collateral foreclosure. Fair value less costs to sell is the estimated selling price of the collateral in the ordinary course of business, less the related selling costs. Subsequent to initial recognition, repossessed assets are reviewed for held for sale classification criteria and are reclassified accordingly when the criteria are met.

Repossessed assets are included in other assets.

Gains and losses on disposal of repossessed assets are recognised net in "other operating income" in profit or loss.

(k) Impairment

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and can not be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

(m) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Share premium

Share premium is calculated as the difference between the par value and the amount paid for shares issued.

(iii) Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Georgian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(n) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences

related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2011, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective.

- IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- IFRS 10 Consolidated Financial Statements will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between

power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 12 Disclosure of Interests in Other Entities will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.
- IFRS 13 Fair Value Measurement will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2012. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2011 GEL'000	2010 GEL'000
Interest income		
Available-for-sale financial assets	1,216	-
Placements with banks	222	137
Loans to customers	12,859	12,788
Held-to-maturity investments	182	491
	14,479	13,416
Interest expense		
Deposits and balances from banks	(107)	(50)
Amounts payable under repurchase agreements	(628)	(103)
Current accounts and deposits from customers	(5,212)	(5,588)
Subordinated borrowings	(114)	-
Other borrowed funds	(863)	(865)
	(6,924)	(6,606)
	7,555	6,810

5 Fee and commission income

	2011 GEL'000	GEL'000
Credit facilities	1,245	1,094
Plastic card fees	959	933
Settlement fees	658	558
Account maintenance and cash transaction fees	498	458
Other	245	227
- -	3,605	3,270

6 Fee and commission expense

	2011 GEL'000	2010 GEL'000
Plastic card system fees	958	980
Settlement fees	223	202
Other	366	352
	1,547	1,534

7 Net foreign exchange income

	2011	2010
	GEL'000	GEL'000
Gain on spot transactions	1,887	1,754
Net loss from revaluation of financial assets and liabilities	(81)	-
	1,806	1,754

8 Other operating income

	2011	2010
	GEL'000	GEL'000
Fines and penalties received	1,145	1,142
Fines and penalties paid	(32)	(55)
Gain on disposal of repossessed assets and investment property	457	423
Gain on disposal of assets held for sale	366	-
Other	115	96
	2,051	1,606

9 Impairment losses

	2011 GEL'000	GEL'000
Loans to customers	1,169	(1,228)
Assets held for sale	-	577
Other assets	(150)	1,751
	1,019	1,100

10 Personnel expenses

	2011 GEL'000	2010 GEL'000
Employee compensation	3,981	3,998
Payroll related taxes	995	1,000
	4,976	4,998

11 Other general administrative expenses

	2011 GEL'000	2010 GEL'000
Depreciation and amortization	1,250	1,136
Professional services	564	490
Security	458	462
Occupancy	356	540
Advertising and marketing	289	304
Taxes other than income tax	206	167
Communications and information services	172	154
Office supplies	126	119
Repairs and maintenance	55	49
Insurance	40	28
Travel and training	30	12
Other	410	277
	3,956	3,738

12 Income tax expense

_	2011 GEL'000	2010 GEL'000
Current year tax expense	-	-
Deferred taxation movement due to origination and reversal of temporary		
differences	(414)	(286)
Total income tax expense	(414)	(286)

In 2011, the applicable tax rate for current and deferred tax is 15% (2010: 15%).

Reconciliation of effective tax rate:

	2011 GEL'000	%	2010 GEL'000	%
Profit before tax	3,519		2,070	
Income tax expense at the applicable tax rate	528	15%	311	15%
Non-taxable income	(114)	(3%)	(25)	(1%)
	414	12%	286	14%

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2011 and 2010.

Movements in temporary differences during the years ended 31 December 2011 and 2010 are presented as follows.

GEL'000	Balance 1 January 2011	Recognised in income	Recognised in other comprehensive income	Balance 31 December 2011
Available-for-sale financial assets	-	-	(40)	(40)
Property and equipment	(1,410)	(546)	-	(1,956)
Other assets	734	(117)	-	617
Other liabilities	59	(1)	-	58
Tax loss carry-forwards	66	250	-	316
	(551)	(414)	(40)	(1,005)

GEL'000	Balance 1 January 2010	Recognised in income	Recognised in other comprehensive income	Balance 31 December 2010
Loans to customers	(143)	143	-	-
Property and equipment	(1,495)	115	(30)	(1,410)
Other assets	450	284	-	734
Other liabilities	47	12	-	59
Tax loss carry-forwards	906	(840)	-	66
	(235)	(286)	(30)	(551)

Tax loss carry forwards amount to GEL 316 thousand as at 31 December 2011 (2010: GEL 66 thousand). Of these losses, GEL 250 thousand expires in 2016 and GEL 66 thousand expires in 2014.

(b) Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income for the year ended 31 December comprise the following:

	2011			2010		
GEL'000	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Net change in fair value of available-for-sale financial assets	267	(40)	227	-	-	-
Revaluation of land and buildings	-	-	-	203	(30)	173
Other comprehensive income	267	(40)	227	203	(30)	173

13 Due from National Bank of Georgia

	2011	2010
	GEL'000	GEL'000
Mandatory minimum reserve deposit	9,568	3,610
Nostro accounts	2,160	14,373
Overnight deposit	1,400	-
	13,128	17,983

The minimum reserve deposit is a mandatory interest bearing deposit in foreign currency calculated in accordance with the regulations issued by the NBG and whose withdrawability is restricted. The nostro accounts represent balances with the NBG related to settlement activity and were available for withdrawal at year end. The overnight deposit is a one-day deposit with the NBG, whose withdrawability is not restricted.

14 Placements with banks

	2011 GEL'000	2010 GEL'000
Nostro accounts		
- rated AA- to AA+	463	758
- rated A- to A+	5,860	442
- rated Aa3	-	2,352
- rated BBB-	30	-
- rated BB- to BB+	8	-
- rated below B+	74	232
- not rated	112	1,064
Total nostro accounts	6,547	4,848
Deposits and other advances to banks		
- rated AA- to AA+	-	342
- rated BBB-	117	-
- not rated	3,241	-
Total deposits and other advances to banks	3,358	342
	9,905	5,190

None of placements with banks are impaired or past due. The above ratings are per Fitch rating agency ratings.

Included in deposits and other advances to banks is GEL 117 thousand (2010: GEL 342 thousand) which represents a blocked deposit for plastic card settlements.

As at 31 December 2011 the Group has two banks (2010: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2011 is GEL 8,453 thousand (2010: GEL 2,352 thousand).

15 Available-for-sale financial assets

	2011 GEL'000	2010 GEL'000
Held by the Group		
Debt and other fixed-income instruments		
Georgian Government treasury bills	6,612	-
Georgian Government treasury bonds	4,739	-
NBG deposit certificates	2,962	-
	14,313	-
Equity instruments – Unquoted		
Corporate shares	63	63
	14,376	63
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
Georgian Government treasury bills	3,705	-
NBG deposit certificates	1,990	-
	5,695	-

No available-for-sale financial assets are past due or impaired.

Investments without a determinable fair value

Available-for-sale investments stated at cost comprise unquoted equity securities in the financial services industry in Georgia. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

16 Loans to customers

	2011 GEL'000	2010 GEL'000
Loans to legal entities	33,414	31,913
Loans to individuals		
Loans collateralized by real estate	27,022	19,373
Credit cards	6,429	6,607
Auto loans	1,065	1,104
Other consumer loans	7,814	7,201
Total loans to individuals	42,330	34,285
Gross loans to customers	75,744	66,198
Impairment allowance	(3,480)	(2,222)
Net loans to customers	72,264	63,976

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2011 are as follows:

	Loans to legal entities GEL'000	Loans to individuals GEL'000	Total GEL'000
Balance at the beginning of the year	1,005	1,217	2,222
Net charge	754	415	1,169
(Write-offs)/recoveries	(129)	218	89
Balance at the end of the year	1,630	1,850	3,480

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2010 are as follows:

	Loans to legal entities GEL'000	Loans to individuals GEL'000	Total GEL'000
Balance at the beginning of the year	2,154	1,078	3,232
Net reversal	(536)	(692)	(1,228)
(Write-offs)/recoveries	(613)	831	218
Balance at the end of the year	1,005	1,217	2,222

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2011:

	Gross loans GEL'000	Impairment allowance GEL'000	Net loans GEL'000	Impairment allowance to gross loans, %
Loans to legal entities				
Loans without individual signs of impairment				
- not overdue	27,507	669	26,838	2.4%
-watch list loans	777	15	762	1.9%
Impaired loans:				
- not overdue	2,416	286	2,130	11.8%
-overdue less than 90 days	2,026	424	1,602	20.9%
- overdue more than $90\ days$ and less than $1\ year$	656	212	444	32.3%
- overdue more than 1 year	32	24	8	75.0%
Total impaired loans	5,130	946	4,184	18.4%
Total loans to legal entities	33,414	1,630	31,784	4.9%
Loans to individuals				
Loans collateralized by real estate				
- not overdue	24,977	900	24,077	3.6%
- overdue less than 30 days	1,310	67	1,243	5.1%
- overdue 30-89 days	314	76	238	24.2%
- overdue 90-179 days	265	67	198	25.3%
- overdue 180-360 days	128	38	90	29.7%
- overdue more than 360 days	28	8	20	28.6%
Total loans collateralized by real estate	27,022	1,156	25,866	4.3%

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	GEL'000	GEL'000	GEL'000	%
Credit cards				
- not overdue	6,258	158	6,100	2.5%
- overdue less than 30 days	65	33	32	50.8%
- overdue 30-89 days	60	49	11	81.7%
- overdue 90-179 days	7	7	-	100.0%
- overdue 180-360 days	27	25	2	92.6%
- overdue more than 360 days	12	11	1	91.7%
Total credit cards	6,429	283	6,146	4.4%
Auto loans				
- not overdue	987	23	964	2.3%
- overdue less than 30 days	23	2	21	8.7%
- overdue 30-89 days	28	8	20	28.6%
- overdue 90-179 days	19	6	13	31.6%
- overdue 180-360 days	8	8	-	100.0%
Total auto loans	1,065	47	1,018	4.4%
Other consumer loans				
- not overdue	7,413	340	7,073	4.6%
- overdue less than 30 days	352	10	342	2.8%
- overdue 30-89 days	42	11	31	26.2%
- overdue 90-179 days	7	3	4	42.9%
Total other consumer loans	7,814	364	7,450	4.7%
Total loans to individuals	42,330	1,850	40,480	4.4%
Total loans to customers	75,744	3,480	72,264	4.6%

The following table provides information on the credit quality of the loans to customers as at 31 December 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	GEL'000	GEL'000	GEL'000	%
Loans legal entities				
Loans without individual signs of impairment				
- not overdue	27,279	612	26,667	2.2%
-watch list loans	795	16	779	2.0%
Impaired loans:				
- not overdue	2,118	124	1,994	5.9%
- overdue less than 90 days	1,235	122	1,113	9.9%
- overdue more than 90 days and less than 1 year	486	131	355	27.0%
Total impaired loans	3,839	377	3,462	9.8%
Total loans to legal entities	31,913	1,005	30,908	3.1%

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	GEL'000	GEL'000	GEL'000	%
Loans to individuals				
Loans collateralised by real estate				
- not overdue	17,593	649	16,944	3.7%
- overdue less than 30 days	868	39	829	4.5%
- overdue 30-89 days	727	67	660	9.2%
- overdue 90-179 days	185	48	137	25.9%
Total loans collateralised by real estate	19,373	803	18,570	4.1%
Credit cards				
- not overdue	6,461	139	6,322	2.2%
- overdue less than 30 days	69	6	63	8.7%
- overdue 30-89 days	62	23	39	37.1%
- overdue 90-179 days	15	7	8	46.7%
Total credit cards	6,607	175	6,432	2.6%
Auto loans				
- not overdue	1,057	22	1,035	2.1%
- overdue less than 30 days	19	1	18	5.3%
- overdue 30-89 days	25	5	20	20.0%
- overdue 90-179 days	3	1	2	33.3%
Total auto loans	1,104	29	1,075	2.6%
Other consumer loans				
- not overdue	6,947	190	6,757	2.7%
- overdue less than 30 days	201	6	195	3.0%
- overdue 30-89 days	40	8	32	20.0%
- overdue 90-179 days	13	6	7	46.2%
Total other consumer loans	7,201	210	6,991	2.9%
Total loans to individuals	34,285	1,217	33,068	3.5%
Total loans to customers	66,198	2,222	63,976	3.4%

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to legal entities

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, or negative changes in the borrower's markets

The Group estimates loan impairment for loans to legal entities based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to legal entities, management makes the following key assumptions:

- for non-impaired loans the Group creates a collective provision of 2% (2010: 2%) based on the expected loss rate of the Group and other comparable banks in Georgia
- for impaired loans a discount of 25% to the originally appraised value if the property pledged is sold and a delay of 36 months on average in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by minus one percent, the impairment allowance on loans to legal entities as at 31 December 2011 would be GEL 318 thousand higher (2010: GEL 309 thousand higher).

(ii) Loans to individuals

The Group estimates loan impairment for loans to individuals based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to individuals include:

- loss migration rates are constant and can be estimated based on the historic loss migration
 pattern for the past 36 months for loans collateralised by real estate, auto loans and other
 consumer loans.
- loans to individuals overdue for more than 180 days are allocated 100% probability of loss.

Loan loss rates are as follows:

- Loans collateralised by real estate 4.3%
- Credit cards 4.4%
- Auto loans 4.4%
- Other consumer loans 4.7%

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by minus three percent, the impairment allowance on loans to individuals as at 31 December 2011 would be GEL 1,214 thousand higher (2010: GEL 992 thousand).

(c) Analysis of collateral

(i) Loans to legal entities

The following table provides information on collateral securing loans to legal entities, net of impairment, by types of collateral as at 31 December 2011:

	2011		2010	
	Loans to customers, net GEL'000	% of loan portfolio	Loans to customers, net GEL'000	% of loan portfolio
Real estate	24,655	77.57%	23,460	75.90%
Third party guarantee	1,548	4.87%	2,037	6.59%
Equipment and motor vehicles	1,439	4.53%	800	2.59%
Cash	3,599	11.32%	4,197	13.58%
Inventories	365	1.15%	-	-
Other collateral	115	0.36%	-	-
No collateral	63	0.20%	414	1.34%
	31,784	100%	30,908	100%

The amounts shown in the table represent the carrying value of the loans, and not necessarily represent the fair value of the collateral.

Loans to legal entities that are past due or impaired

Impaired or overdue loans to legal entities are secured by collateral with a fair value of GEL 4,946 thousand (2010: GEL 4,241 thousand), excluding the effect of overcollateralisation.

Loans to legal entities that are neither past due nor impaired

As at 31 December 2011 the fair value of cash balances, serving as collateral for loans to legal entities is GEL 4,191 thousand (2010: GEL 3,701 thousand).

As at 31 December 2011, for loans to corporate customers with a carrying amount of GEL 18,317 thousand (2010: GEL 17,876 thousand), which are neither past due nor impaired, management estimates that the fair value of collateral is at least equal to their carrying amounts. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

For remaining loans to corporate customers with a net carrying amount of GEL 4,948 thousand (2010: GEL 5,718 thousand), which are neither past due nor impaired, there is no collateral or it is impracticable to determine the fair value of the collateral.

Collateral obtained

During the year ended 31 December 2011 the Group obtained assets with the carrying amount of GEL 269 thousand by taking control of collateral securing loans to legal entities (2010: GEL 3,989 thousand). The Group's policy is to sell these assets as soon as it is practicable.

(ii) Loans to individuals

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars, other consumer loans are secured by different types of collateral. Credit card overdrafts are not secured.

Loans collateralised by real estate

Included in loans collateralised by real estate are loans with a net carrying amount of GEL 909 thousand (2010: GEL 1,787 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to GEL 668 thousand (2010: GEL 1,319 thousand). In addition, the loans are collateralised by third party guarantee of GEL 1,370 thousand (2010: GEL 1,369 thousand).

For loans collateralised by real estate with a net carrying amount of GEL 24,957 thousand (2010: GEL 16,783 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised values of collateral obtained at inception of the loans to the current values considering the approximate changes in property values. The Group obtains specific individual valuation of collateral at each reporting date in case there are indications of impairment.

Auto loans

Included in auto loans are loans with a net carrying amount of GEL 68 thousand (2010: GEL 90 thousand) which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to GEL 50 thousand (2010: GEL 74 thousand). In addition, the loans are collateralised by third party guarantee of GEL 18 thousand (2010: GEL 71 thousand).

For auto loans with a net carrying amount of GEL 950 thousand (2010: GEL 985 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

Collateral obtained

During the year ended 31 December 2011 the Group obtained assets with the carrying amount of GEL 183 thousand by taking control of collateral securing loans to individuals (2010: GEL 67 thousand). The Group's policy is to sell these assets as soon as it is practicable.

(d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within Georgia who operate in the following economic sectors:

	2011 GEL'000	2010 GEL'000
Trade and services	22,935	18,218
Education	2,509	4,306
Mining/metallurgy and production	2,884	3,662
Construction	1,545	2,803
Transportation and communication	168	807
Agriculture	316	466
Energy	109	147
Other	1,318	499
Loans to individuals		
- Trade and services	10,944	3,844
- Other	29,536	29,224
	72,264	63,976

(e) Significant credit exposures

As at 31 December 2011 and 2010 the Group did not have borrowers or groups of connected borrowers whose loan balances exceed 10% of equity.

(f) Loan maturities

The maturity of the loan portfolio is presented in note 27(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

17 Held-to-maturity investments

	2011 GEL'000	2010 GEL'000
Held by the Group		
Debt and other fixed-income instruments		
Georgian Government treasury bills	-	2,165
NBG deposit certificates	-	5,000
	-	7,165
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
NBG deposit certificates	-	2,085
	-	2,085

18 Assets held for sale

In 2011 management committed to sell property, plant and equipment of GEL 1,953 thousand (2010: GEL 2,338 thousand). Efforts to sell the assets have commenced, and a sale is highly probable in 2012.

As at 31 December 2011 and 31 December 2010 the carrying amount of assets held for sale approximately equals its fair value less costs to sell.

	2011	2010
	GEL'000	GEL'000
Assets classified as held for sale		
Land and buildings	1,953	2,338
	1,953	2,338

The table below presents the movement in the assets held for sale for the year ended 31 December 2011:

'000 GEL	2011	2010
	GEL'000	GEL'000
Assets held for sale as at the beginning of the year	2,338	4,469
Transferred to repossessed assets	-	(4,469)
Transferred from repossessed assets	-	2,915
Disposals	(385)	-
Impairment loss (note 9)	-	(577)
Assets held for sale as at the end of the year	1,953	2,338

JSC BasisBankNotes to, and forming part of, the consolidated financial statements for the year ended 31 December 2011

19 Property and equipment

Carrying amount At 31 December 2011	Balance at 31 December 2011	Depreciation for the year	Depreciation Balance at 1 January 2011	Balance at 31 December 2011	Disposals	Additions	Balance at 1 January 2011	GEL'000
	2011			2011	1			1
14,122	221	221	ı	14,343	(9)	469	13,883	Land and buildings
842	3,261	618	2,656	4,103	(13)	180	3,936	Computer and communication equipment
313	713	253	477	1,026	(17)	142	901	Fixtures and fittings
7	124	18	106	131		1	131	Motor vehicles
4	2	75	46	6	(125)	6	125	Leasehold improvements
82	69	15	54	151		24	127	Other
15,370	4,390	1,200	3,339	19,760	(164)	821	19,103	Total

JSC BasisBankNotes to, and forming part of, the consolidated financial statements for the year ended 31 December 2011

12,708	91	83	52	502	1,885	10,095	At 1 January 2010
15,764	73	79	25	424	1,280	13,883	Carrying amounts At 31 December 2010
3,339	55	46	106	477	2,656		Balance at 31 December 2010
(728)			ı		1	(728)	Revaluation
(4)	1	1	1	1	ı	(4)	Transfer to investment property
(76)	(3)	(2)	1	(22)	(49)	1	Disposals
1,099	14	2	27	117	724	215	Depreciation for the year
3,048	43	46	79	382	1,981	517	Balance at 1 January 2010
							Depreciation
19,103	127	125	131	901	3,936	13,883	At 31 December 2010
(525)			1		1	(525)	Revaluation
(440)	1			1	1	(440)	Transfer to investment property
(89)	(10)	(8)		(22)	(49)	1	Disposals
4,401	3	4		39	119	4,236	Additions
15,756	134	129	131	884	3,866	10,612	Balance at 1 January 2010
							Cost/revalued amount
Total	Other	Leasehold improvements	Motor vehicles	Fixtures and fittings	Computers and communication equipment	Land and buildings	GEL'000

(a) Revalued assets

In 2010 the buildings were revalued by management based on the results of an independent appraisal performed by Georgian Valuation Company Ltd. The basis used for the appraisal was the market approach. The market approach was based upon an analysis of results of comparable sales and recent market transactions of similar land and buildings.

As at 31 December 2011 the management concluded that the fair value of land and buildings did not change significantly during 2011 based on the analysis of market trends and recent market transactions for comparable land and buildings.

The carrying value of land and buildings as at 31 December 2011, if the land and buildings would not have been revalued, would be GEL 11,614 thousand (2010: GEL 11,367 thousand).

20 Other assets

	2011 GEL'000	2010 GEL'000
Receivables from payments processing systems	943	101
Accounts receivable	372	564
Other financial receivables	475	460
Impairment allowance	(302)	(147)
Total other financial assets	1,488	978
Repossessed assets	13,806	13,205
Prepayments	1,275	2,494
Taxes other than income tax, recoverable	953	1,422
Impairment allowance on repossessed assets	(4,134)	(4,439)
Total other non-financial assets	11,900	12,682
Total other assets	13,388	13,660

(a) Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2011 and 2010 are as follows:

	2011 GEL'000	2010 GEL'000
Balance at the beginning of the year	4,586	3,700
Net (recovery)/charge (note 9)	(150)	1,751
Transfer to assets held for sale	-	(865)
Balance at the end of the year	4,436	4,586

The nature and net carrying value of repossessed assets as at 31 December 2011 and 2010 are as follows:

	Carrying value	Carrying value
	31 December 2011 GEL'000	31 December 2010 GEL'000
Land and buildings	9,025	7,059
Construction in progress	647	1,707
	9,672	8,766

Repossessed assets with a carrying value of GEL 21 thousand (2010: GEL 461 thousand) were disposed of during the year.

Management believes that the carrying amount of repossessed assets approximately equals to their fair value less costs to sell as at 31 December 2011 and 31 December 2010.

Repossessed assets with a carrying value of GEL 269 thousand (2010: 312 thousand) are restricted for different time periods by the end of which the borrowers can re-purchase back the assets from the Group.

21 Deposits and balances from banks

	2011 GEL'000	2010 GEL'000
Vostro accounts	1,352	394
Term deposits	4,001	-
	5,353	394

As at 31 December 2011 the Group has one bank (2010: no banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2011 is GEL 3,001 thousand (2010: nil).

22 Amounts payable under repurchase agreements

	2011	2010
	GEL'000	GEL'000
Amounts due to NBG	5,502	2,000

(a) Collateral

As of 31 December 2011, amounts payable under repurchase agreements were collateralised by the following securities:

	2011	2010
	GEL'000	GEL'000
Georgian Government treasury bills	3,705	-
NBG deposit certificates	1,990	2,085
	5,695	2,085

23 Current accounts and deposits from customers

	2011 GEL'000	2010 GEL'000
Current accounts	38,176	37,004
Demand deposits	25,432	26,553
Term deposits	34,603	32,320
	98,211	95,877

As at 31 December 2011, the Group maintained customer deposit balances of GEL 11,974 thousand (2010: GEL 7,358 thousand) that serve as collateral for loans and unrecognized credit instruments granted by the Group.

As at 31 December 2011, the Group has one customer (2010: five customers), whose balances exceed 10% of equity. These balances as at 31 December 2011 are GEL 11,562 thousand (2010: GEL 14,025 thousand).

24 Other borrowed funds and subordinated borrowings

2011 GEL'000	2010 GEL'000
16,461	8,864
4,413	7,813
962	1,225
96	104
21,932	18,006
	GEL'000 16,461 4,413 962 96

(a) Subordinated borrowings

As at 31 December 2011 subordinated borrowings comprise loans received from World Business Capital of GEL 3,462 thousand as at 31 December 2011, maturing in 2021 and carry an annual interest rate of LIBOR+5%. In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Group.

(b) Breach of covenants

As at 31 December 2011 the Group was in breach of certain covenant requirements under credit agreements with EBRD and World Business Capital. Management negotiated waivers during 2011 for the covenants so that the respective borrowings are not payable on demand as at 31 December 2011.

25 Other liabilities

	2011 GEL'000	2010 GEL'000
Payables for payments processing system	439	448
Accrued expenses	326	57
Other financial liabilities	850	267
Total other financial liabilities	1,615	772
Taxes payable other than income tax	96	489
Total other non-financial liabilities	96	489
Total other liabilities	1,711	1,261

26 Share capital and treasury shares

(a) Issued capital and share premium

The authorised share capital comprises 6,700,001 ordinary shares (2010: 6,700,001) of GEL 1 per share, of which 5,911,765 were issued, paid and outstanding as at 31 December 2011 (2010:5,911,765).

During 2008, the Group issued 886,765 new shares with a par value of GEL 1 per share for GEL 6,499 thousand, which created share premium of GEL 5,612 thousand.

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

(b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank less general reserves as recorded in the Bank's statutory accounts, which are determined according to legislation of Georgia.

Subsequent to 31 December 2011 no dividends have been declared by the Group.

27 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Supervisory Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Group has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Treasury Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the Management Board, chaired by the General Director. Market risk limits are approved by Management Board based on recommendations of the Treasury Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions which are monitored on a regular basis and reviewed and approved by the Management Board.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

ASSETS Cash	GEL'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Carrying amount
Cash	31 December 2011						
Due from the National Bank of Georgia 13,128 3	ASSETS						
Recorgia 13,128 -	Cash	11,747	-	-	-	-	11,747
Available-for-sale financial assets 20,008 63 20,071 Loans to customers 4,124 6,912 21,977 32,999 6,252 72,264 58,672 6,912 22,217 32,999 6,315 127,115 LIABILITIES Deposits and balances from banks 5,353 5 5,353 Amounts payable under repurchase agreements 5,502 5 5,502 Current accounts and deposits from customers 65,520 6,544 22,214 3,557 376 98,211 Subordinated borrowings - 1211 3 3,341 3,462 Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 76,375 8,495 25,049 12,258 8,821 130,998 (17,703) (1,583) (2,832) 20,741 (2,506) (3,883) 31 December 2010 ASSETS Cash 11,460 5 5 5 5 5 6 5 6 5 6 5 6 5 6 6 5 6		13,128	-	-	-	-	13,128
Automate	Placements with banks	9,665	-	240	-	-	9,905
Deposits and balances from banks 5,353 - - - - - 5,353 Amounts payable under repurchase agreements 5,502 - - - - - 5,502 Current accounts and deposits from customers 65,520 6,544 22,214 3,557 376 98,211 Subordinated borrowings - 121 - - 3,341 3,462 Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 Total		20,008	-	-	-	63	20,071
Deposits and balances from banks 5,353 - - - - 5,353	Loans to customers	4,124	6,912	21,977	32,999	6,252	72,264
Deposits and balances from banks 5,353 - - - - 5,353		58,672	6,912	22,217	32,999	6,315	127,115
banks 5,353 - - - - 5,353 Amounts payable under repurchase agreements 5,502 - - - - 5,502 Current accounts and deposits from customers 65,520 6,544 22,214 3,557 376 98,211 Subordinated borrowings - 121 - - 3,341 3,462 Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 Asset (17,703) (1,583) (2,832) 20,741 (2,506) (3,883) 31 December 2010 Asset - - - - - - 11,460 Due from the National Bank of Georgia 17,983	LIABILITIES	-					
Tepurchase agreements 5,502 - - - - - 5,502		5,353	-	-	-	-	5,353
from customers 65,520 6,544 22,214 3,557 376 98,211 Subordinated borrowings - 121 - - 3,341 3,462 Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 76,375 8,495 25,049 12,258 8,821 130,998 10,703 (1,583) (2,832) 20,741 (2,506) (3,883) 31 December 2010 ASSETS Cash 11,460 - - - - 11,460 Due from the National Bank of Georgia 17,983 - - - - 17,983 Placements with banks 5,190 - - - - 5,190 Available-for-sale financial assets - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 -		5,502	-	-	-	-	5,502
Other borrowed funds - 1,830 2,835 8,701 5,104 18,470 76,375 8,495 25,049 12,258 8,821 130,998 (17,703) (1,583) (2,832) 20,741 (2,506) (3,883) 31 December 2010 ASSETS Cash 11,460 - - - - - 11,460 Due from the National Bank of Georgia 17,983 - - - - - 17,983 Placements with banks 5,190 - - - - 5,190 Available-for-sale financial assets - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - - 9,250	-	65,520	6,544	22,214	3,557	376	98,211
76,375 8,495 25,049 12,258 8,821 130,998 31 December 2010 ASSETS Cash 11,460 - - - - - 11,460 Due from the National Bank of Georgia 17,983 - - - - 17,983 Placements with banks 5,190 - - - - 5,190 Available-for-sale financial assets - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - 9,250	Subordinated borrowings	-	121	-	-	3,341	3,462
(17,703) (1,583) (2,832) 20,741 (2,506) (3,883) 31 December 2010 ASSETS Cash 11,460 - - - - - 11,460 Due from the National Bank of Georgia 17,983 - - - - - 17,983 Placements with banks 5,190 - - - - 5,190 Available-for-sale financial assets - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - - 9,250	Other borrowed funds	-	1,830	2,835	8,701	5,104	18,470
31 December 2010 ASSETS Cash 11,460 11,460 Due from the National Bank of Georgia 17,983 17,983 Placements with banks 5,190 5,190 Available-for-sale financial assets 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 9,250		76,375	8,495	25,049	12,258	8,821	130,998
ASSETS Cash 11,460 11,460 Due from the National Bank of Georgia 17,983 17,983 Placements with banks 5,190 5,190 Available-for-sale financial assets 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 9,250		(17,703)	(1,583)	(2,832)	20,741	(2,506)	(3,883)
Cash 11,460 - - - - - - 11,460 Due from the National Bank of Georgia 17,983 - - - - 17,983 Placements with banks 5,190 - - - - - 5,190 Available-for-sale financial assets - - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - 9,250	31 December 2010		ľ				
Due from the National Bank of Georgia 17,983 - - - - 17,983 Placements with banks 5,190 - - - - 5,190 Available-for-sale financial assets - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - 9,250	ASSETS						
Georgia 17,983 - - - - - 17,983 Placements with banks 5,190 - - - - - 5,190 Available-for-sale financial assets - - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - 9,250	Cash	11,460	-	-	-	-	11,460
Available-for-sale financial assets - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - 9,250		17,983	-	-	-	-	17,983
assets - - - - 63 63 Loans to customers 4,744 7,070 20,410 28,410 3,342 63,976 Held-to-maturity investments - 7,085 2,165 - - 9,250	Placements with banks	5,190	-	-	-	-	5,190
Held-to-maturity investments - 7,085 2,165 - - - 9,250		-	-	-	-	63	63
	Loans to customers	4,744	7,070	20,410	28,410	3,342	63,976
39 377 14 155 22 575 28 410 3 405 107 922	Held-to-maturity investments	-	7,085	2,165	-	-	9,250
27,577 14,155 22,575 25,410 3,405 107,722		39,377	14,155	22,575	28,410	3,405	107,922

GEL'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Carrying amount
LIABILITIES			<u>, </u>			
Deposits and balances from banks	394	-	-	-	-	394
Amounts payable under repurchase agreements	-	-	2,000	-	-	2,000
Current accounts and deposits from customers	65,125	8,140	18,613	3,712	287	95,877
Other borrowed funds	-	1,735	2,017	9,897	4,357	18,006
	65,519	9,875	22,630	13,609	4,644	116,277
	(26,142)	4,280	(55)	14,801	(1,239)	(8,355)

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2011 and 2010. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

		2011			2010			
	Average eff	ective intere	st rate, %	Average effective interest rate, %				
_	GEL	USD	Other currencies	GEL	USD	Other currencies		
Interest bearing assets								
Due from the National Bank of Georgia	3.9%	-	0.5%	-	0.5%	0.5%		
Nostro accounts with banks	0.1%	-	-	-	-	1.0%		
Deposits and other advances to banks	8.0%	-	-	-	-	-		
Available-for-sale financial assets	10.9%	-	-	-	-	-		
Loans to customers	16.8%	16.4%	17.4%	16.0%	18.0%	18.0%		
Held-to-maturity investments	9.1%	-	-	10.0%	-	-		
Interest bearing liabilities								
Deposits and balances from banks	6.3%	-	-	7.0%	-	-		
Amounts payable under repurchase agreements	6.8%	-	-	8.0%	-	-		
Current accounts and deposits from customers								
 Current accounts and demand deposits 	3.5%	3.3%	0.1%	4.0%	4.0%	1.0%		
- Term deposits	6.8%	9.6%	7.4%	10.0%	10.0%	10.0%		
Subordinated borrowings	-	5.6%	-	-	-	-		
Other borrowed funds		4.4%	=	-	5.0%	-		

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2011 and 2010 is as follows:

	2011		2010	
	Profit or loss GEL'000	Equity GEL'000	Profit or loss GEL'000	Equity GEL'000
100 bp parallel fall	354	354	414	414
100 bp parallel rise	(354)	(354)	(414)	(414)

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2011:

	GEL	USD	EUR	Other currencies	Total
	GEL'000	GEL'000	GEL'000	GEL'000	GEL'000
ASSETS	<u> </u>	GEL 000	GEL 000	GEL 000	GEL 000
Cash	4,990	3,810	2,831	116	11,747
	,	•	1,617	1	·
Due from the National Bank of Georgia	3,456	8,054	*	_	13,128
Placements with banks	3,253	1,975	4,519	158	9,905
Available-for-sale financial assets	20,071	-	-	-	20,071
Loans to customers	17,585	50,941	3,736	2	72,264
Other financial assets	551	363	574	-	1,488
Total assets	49,906	65,143	13,277	277	128,603
LIABILITIES					
Deposits and balances from banks	5,346	6	1	-	5,353
Amounts payable under repurchase agreements	5,502	-	-	-	5,502
Current accounts and deposits from customers	38,452	46,361	13,110	288	98,211
Subordinated borrowings	-	3,462	-	-	3,462
Other borrowed funds	96	18,374	-	-	18,470
Other financial liabilities	748	553	314	-	1,615
Total liabilities	50,144	68,756	13,425	288	132,613
Net position	(238)	(3,613)	(148)	(11)	(4,010)
-		·			•

The following table shows the currency structure of financial assets and liabilities as at 31 December 2010:

GEL	USD	EUR	Other currencies	Total
GEL'000	GEL'000	GEL'000	GEL'000	GEL'000
5,044	3,104	3,090	222	11,460
4,006	9,696	4,281	-	17,983
10	3,479	1,508	193	5,190
63	-	-	-	63
18,328	40,316	5,324	8	63,976
9,250	-	-	-	9,250
876	51	51	-	978
37,577	56,646	14,254	423	108,900
387	6	1	-	394
2,000	_	_	_	2,000
2,000				2,000
39,941	41,156	14,360	420	95,877
98	17,908	-	-	18,006
674	68	29	1	772
43,100	59,138	14,390	421	117,049
(5,523)	(2,492)	(136)	2	(8,149)
	5,044 4,006 10 63 18,328 9,250 876 37,577 387 2,000 39,941 98 674 43,100	GEL'000 GEL'000 5,044 3,104 4,006 9,696 10 3,479 63 - 18,328 40,316 9,250 - 876 51 37,577 56,646 387 6 2,000 - 39,941 41,156 98 17,908 674 68 43,100 59,138	GEL'000 GEL'000 GEL'000 5,044 3,104 3,090 4,006 9,696 4,281 10 3,479 1,508 63 - - 18,328 40,316 5,324 9,250 - - 876 51 51 37,577 56,646 14,254 387 6 1 2,000 - - 39,941 41,156 14,360 98 17,908 - 674 68 29 43,100 59,138 14,390	GEL GEL'000 USD GEL'000 EUR GEL'000 currencies GEL'000 5,044 3,104 3,090 222 4,006 9,696 4,281 - 10 3,479 1,508 193 63 - - - 18,328 40,316 5,324 8 9,250 - - - 876 51 51 - 37,577 56,646 14,254 423 387 6 1 - 2,000 - - - 39,941 41,156 14,360 420 98 17,908 - - 674 68 29 1 43,100 59,138 14,390 421

A weakening of the GEL, as indicated below, against the following currencies at 31 December 2011 and 2010 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2011 GEL'000	2010 GEL'000
10% appreciation of USD against GEL	(307)	(212)
10% appreciation of EUR against GEL	(13)	(12)

A strengthening of the GEL against the above currencies at 31 December 2011 and 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Loans Department. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The Credit Committee reviews the loan/credit application on the basis of submission by the Corporate Loans Department. Individual transactions are also reviewed by the Group's Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or the Group's specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Loans Department through the use of scoring models and application data verification procedures.

Apart from individual customer analysis, the whole credit portfolio is assessed by the Credit Committee with regard to credit concentration and market risks.

During 2010 the Group negotiated a four year guarantee agreement from the U.S. Agency for International Development ("USAID") to cover 50% of losses in respect of qualifying loans. Qualifying loans include loans to small and medium size corporate customers with the condition that 35% of the qualifying portfolio is represented by agricultural loans. According to the guarantee agreement the aggregate principal amount outstanding of all qualifying loans covered at any one time shall not exceed USD 6 million. As at 31 December 2011 qualifying loans with the carrying amount of GEL 230 thousand were advanced to customers (2010: nil).

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2011 GEL'000	2010 GEL'000
ASSETS		
Due from the National Bank of Georgia	13,128	17,983
Placements with banks	9,905	5,190
Available-for-sale financial assets	20,071	63
Loans to customers	72,264	63,976
Held-to-maturity investments	-	9,250
Other financial assets	1,488	978
Total maximum exposure	116,856	97,440

The Group holds collateral against loans to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of value are based on the value of collateral assessed at inception of the loans as updated to the current values considering the approximate changes in property values. The Group obtains specific individual valuation of collateral at each reporting date in case there are indications of impairment.

Collateral generally is not held against investments in securities, and placements in banks, except when securities are held as part of reverse repurchase activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 16.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 29.

As at 31 December 2011 the Bank has no debtors or groups of connected debtors (2010: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the Management Board and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2011 is as follows:

Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow (inflow)	Carrying amount
5,357	-	-	-	-	5,357	5,353
5,507	-	-	-	-	5,507	5,502
65,567	6,691	13,073	10,182	4,917	100,430	98,211
-	-	-	-	5,098	5,098	3,462
	1,930	607	2,840	16,060	21,437	18,470
1,615	-	-	-	-	1,615	1,615
78,046	8,621	13,680	13,022	26,075	139,444	132,613
20,874	-			-	20,874	20,874
	and less than 1 month 5,357 5,507 65,567 - 1,615 78,046	and less than 1 to 3 From 1 to 3 1 month 1 to 3 5,357 - 5,507 - 65,567 6,691 - - 1,930 - 78,046 8,621	and less than 1 to 3 From 3 to 6 months 1 month 1 to 3 5,357 - 5,507 - 65,567 6,691 13,073 - - 1,930 607 1,615 - - 78,046 8,621 13,680	and less than than 1 to 3 months From 3 to 6 months From 6 to 12 months 5,357 - - 5,507 - - 65,567 6,691 13,073 10,182 - - - 1,930 607 2,840 1,615 - - 78,046 8,621 13,680 13,022	and less than 1 to 3 From 3 to 6 months From months From than months More than 1 team months 5,357 - - - - 5,507 - - - - 65,567 6,691 13,073 10,182 4,917 - - - - 5,098 1,930 607 2,840 16,060 1,615 - - - - 78,046 8,621 13,680 13,022 26,075	Demand and less than langth From than langth From months From sthan langth From months From months From months From details More than langth Gross amount outflow (inflow) 5,357 - - - - - 5,357 5,507 - - - - - 5,507 65,567 6,691 13,073 10,182 4,917 100,430 - - - - 5,098 5,098 1,930 607 2,840 16,060 21,437 1,615 - - - - 1,615 78,046 8,621 13,680 13,022 26,075 139,444

The maturity analysis for financial liabilities as at 31 December 2010 is as follows:

GEL'000 Non-derivative liabilities	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow (inflow)	Carrying amount
Deposits and balances from banks	394	-	-	-	-	394	394
Amounts payable under repurchase agreements	-	-	2,063	-	-	2,063	2,000
Current accounts and deposits from customers	65,358	8,527	12,474	6,798	4,832	97,989	95,877
Other borrowed funds	-	1,792	-	2,565	15,935	20,292	18,006
Other financial liabilities	448	324	-	-	-	772	772
Total	66,200	10,643	14,537	9,363	20,767	121,510	117,049
Credit related commitments	11,890	_		-	-	11,890	11,890

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2011:

	Demand and less than	From 1 to 3	From 3 to 12	From 1	More than	No		
GEL'000	1 month	months	months	to 5 years	5 years	maturity	Overdue	Total
Non-derivative assets								
Cash	11,747	-	-	-	-	-	-	11,747
Due from the National Bank of Georgia	13,128	-	-	-	-	-	_	13,128
Placements with banks	9,665	-	240	-	-	-	-	9,905
Available-for-sale financial assets	20,008	-	-	-	-	63	_	20,071
Loans to customers	2,993	6,912	21,977	32,999	6,252	-	1,131	72,264
Assets held for sale	-	-	1,953	-	-	-	-	1,953
Investment property	-	-	-	-	-	1,295	-	1,295
Property and equipment	-	-	-	-	-	15,370	-	15,370
Intangible assets	-	-	-	-	-	231	-	231
Other assets	2,250	16	135	65	1,256	9,666	-	13,388
Total assets	59,791	6,928	24,305	33,064	7,508	26,625	1,131	159,352
Non-derivative liabilities								
Deposits and balances from banks	5,353	-	-	-	-	-	-	5,353
Amounts payable under repurchase agreements	5,502	-	-	-	-	-	-	5,502
Current accounts and deposits from customers	65,520	6,544	22,214	3,557	376	_	_	98,211
Subordinated borrowings	-	121	-	-	3,341	-	-	3,462
Other borrowed funds	-	1,830	2,835	8,701	5,104	-	-	18,470
Deferred tax liability	-	-	-	-	-	1,005	-	1,005
Other liabilities	1,711	-	-	-	-	-	-	1,711
Total liabilities	78,086	8,495	25,049	12,258	8,821	1,005		133,714
Net position	(18,295)	(1,567)	(744)	20,806	(1,313)	25,620	1,131	25,638
•								

In the above table, available-for-sale financial assets are presented in the on demand category as management views these assets as highly liquid assets that can be readily sold in case of necessity to match cash outflows on financial liabilities.

As at 31 December 2011 the Group was in breach of certain covenants under credit agreement with World Business Capital. Prior to 31 December 2011, representatives from the World Business Capital indicated their intent to waive their right to demand immediate repayment of the amounts outstanding. On 24 April 2012 the Group received the waiver letter. The amounts due to World Business Capital are shown accordingly to their original contractual maturity dates in the table above.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2010:

	Demand and less than	From 1 to 3	From 3 to 12	From 1	More than	No		
GEL'000	1 month	months	months	to 5 years	5 years	maturity	Overdue	Total
Non-derivative assets								
Cash	11,460	-	-	-	-	-	-	11,460
Due from the National Bank of Georgia	17,983	-	-	-	-	-	-	17,983
Placements with banks	5,190	-	-	-	-	-	-	5,190
Available-for-sale financial assets	-	-	-	-	-	63	-	63
Loans to customers	3,837	7,070	20,410	28,410	3,342	-	907	63,976
Held-to-maturity investments	-	7,085	2,165	-	-	-	-	9,250
Assets held for sale	-	-	2,338	-	-	-	-	2,338
Investment property	-	-	-	-	-	436	-	436
Property and equipment	-	-	-	-	-	15,764	-	15,764
Intangible assets	-	-	-	-	-	275	-	275
Other assets	2,050	1,422	-	1,422	-	8,766	-	13,660
Total assets	40,520	15,577	24,913	29,832	3,342	25,304	907	140,395
Non-derivative liabilities								
Deposits and balances from banks	394	-	-	-	-	-	-	394
Amounts payable under repurchase agreements	-	-	2,000	-	-	-	-	2,000
Current accounts and deposits from customers	65,125	8,140	18,613	3,712	287	-	-	95,877
Other borrowed funds	-	1,735	2,017	9,897	4,357	-	-	18,006
Deferred tax liability	-	-	-	-	-	551	-	551
Other liabilities	448	813	-	-	-	-	-	1,261
Total liabilities	65,967	10,688	22,630	13,609	4,644	551		118,089
Net position	(25,447)	4,889	2,283	16,223	(1,302)	24,753	907	22,306

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets include cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks and other borrowings maturing within the next month, and commitments, excluding commitments secured by deposits. The Management tries to maintain the ratio between 20% and 40%. The reported ratios of net liquid assets to deposits from customers at the reporting date are as follows:

	2011	2010	
	GEL'000	GEL'000	
Ratio of net liquid assets to deposits from customers	24%	33%	

A similar, but not identical, calculation is used to measure compliance with the liquidity limit established by the NBG.

28 Capital management

The NBG sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for Banks. Under the current capital requirements set by the NBG, banks have to maintain a ratio of capital to risk weighted assets (regulatory capital ratio) above the prescribed minimum level. As at 31 December 2011, this minimum level is 12%. The Bank is in compliance with the statutory capital ratio during the years ended 31 December 2011 and 2010.

	2011 GEL'000	2010 GEL'000
•	Unaudited	Unaudited
Primary capital		
Share capital	5,912	5,912
Share premium	5,612	5,612
Retained earnings according to the NBG regulations	8,017	6,220
Deductions	(231)	(275)
Total primary capital	19,310	17,469
Secondary capital		
Profit for the year according to NBG regulations	3,214	1,818
General reserve	1,290	1,167
Subordinated borrowings	3,341	-
Total secondary capital	7,845	2,985
Deductions	(5,201)	(2,627)
Total authorized capital	21,954	17,827
Risk weighted assets, combining credit, market and operational risks	151,182	118,343
Total capital ratio	14.5%	15.1%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments, to reflect the more contingent nature of the potential losses.

29 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2011 GEL'000	2010 GEL'000
Contracted amount		
Guarantees	12,936	7,177
Undrawn credit line commitments	1,422	3,116
Undrawn overdraft facilities	6,516	1,597
	20,874	11,890

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As of 31 December 2011 and 2010 the Group had no customers whose balances exceed 10% of total commitments.

30 Operating leases

(a) Leases as lessee

Non-cancellable operating lease rentals as at 31 December are payable as follows:

	2011 GEL'000	2010 GEL'000
Less than 1 year	70	95
Between 1 and 5 years	5	133
	75	228

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

31 Contingencies

(a) Litigation

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.

(b) Taxation contingencies

The taxation system in the Georgia continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within Georgia suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in Georgia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant. In addition, the Group consults with qualified external tax advisors on a regular basis.

32 Related party transactions

(a) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2011 and 2010 is as follows:

	2011 GEL'000	GEL'000
Members of the Supervisory Board	218	227
Members of the Management Board	713	472
	931	699

The outstanding balances and average interest rates as at 31 December 2011 and 2010 for transactions with the members of the Board of Directors and the Management Board are as follows:

_	2011 GEL'000	Average interest rate,	2010 GEL'000	Average interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	538	16%	566	17%
LIABILITIES				
Current accounts and deposits from customers	422	5%	107	4%

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December are as follows:

	2011 GEL'000	2010 GEL'000
Profit or loss		
Interest income	54	13
Interest expense	(14)	(16)

(b) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2011 and related profit or loss amounts of transactions for the year ended 31 December 2011 with other related parties are as follows.

Companies that are

	Entities with significant influence over the Group		Close family members of key management personnel		companies that are controlled or significantly influenced by key management personnel		
	GEL'000	Average interest rate, %	GEL'000	Average interest rate, %	GEL'000	Average interest rate, %	Total GEL'000
Consolidated statement of financial position							
ASSETS							
Loans to customers	65	17%	54	20%	408	19%	527
LIABILITIES							
Current accounts and deposits from customers	55	3%	414	4%	11,833	1%	12,302
Other borrowed funds	4,413	7%	-	-	-	-	4,413
Profit (loss)							
Interest income	15		11		58		84
Interest expense	(155)		(40)		(98)		(293)

The outstanding balances and the related average interest rates as at 31 December 2010 and related profit or loss amounts of transactions for the year ended 31 December 2010 with other related parties are as follows.

	Entities with significant influence over the Group		Close family members of key management personnel		Companies that are controlled or significantly influenced by key management personnel			
	GEL'000	Average interest rate, %	GEL'000	Average interest rate, %	GEL'000	Average interest rate, %	Total GEL'000	
Consolidated statement of financial position								
ASSETS								
Loans to customers	291	19%	267	15%	428	16%	986	
LIABILITIES								
Current accounts and deposits from customers	365	7%	620	4%	433	1%	1,418	
Other borrowed funds	7,813	7%	-	-	-	-	7,813	
Profit (loss)								
Interest income	15		1		5		21	
Interest expense	(394)		(66)		(10)		(470)	
Personnel expenses	(21)		-		-		(21)	

33 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows are composed of the following items:

	2011 GEL'000	2010 GEL'000
Cash	11,747	11,460
Due from the National Bank of Georgia	3,560	14,373
Nostro accounts	6,547	4,848
	21,854	30,681

34 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The estimated fair values of all financial instruments except for unquoted equity securities available-for-sale approximate their carrying values. As disclosed in note 15 the fair value of unquoted equity securities available for sale with a carrying value of GEL 63 thousand could not be determined as at 31 December 2011 and 31 December 2010.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 8% and 12% 19% are used for discounting future cash flows from deposits and other advances to banks and loans to customers, respectively
- discount rates of 1% 10% are used for discounting future cash flows from liabilities.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The Group measures fair values for financial instruments recorded on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2011, by the level in the fair value hierarchy into which the fair value measurement is categorised:

GEL '000	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Debt and other fixed income instruments	-	20,008	-	20,008

35 Events after the reporting period

On 27 February 2012 the Bank established a subsidiary – Basis Asset Management Holding, an asset management company with 100% ownership.



2011

თბილისი 0103, ქეთევან წამებულის გამზ. 1, გელ.: (995 32) 2 922 922

1, Ketevan Tsamebuli Ave., 0103 Tbilisi, Georgia, Tel.: (995 32) 2 922 922

www. basisbank.ge