Accountants &
business advisers

JSC T.C. ZIRAAT BANK'S TBILISI BRANCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

AND

INDEPENDENT AUDITORS' REPORT

PKF GEORGIA LLC

Audit, Tax & Business Advisory Services

Accountants & business advisers

INDEPENDENT AUDITORS' REPORT

To the management of the JSC T.C. Ziraat Bank's Tbilisi Branch

Identification of the Financial Statements

1. We have audited the accompanying balance sheet of JSC T.C. Ziraat Bank's Tbilisi Branch (the "Bank"), which comprise the statement of financial position as of December 31, 2009, and the related statements of results of operations, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

May 11, 2009

Tbilisi, Georgia

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	Note	December 31, 2009	December 31, 2008
Assets			
Cash and cash equivalents	**5**	5,912,861	13,326,423
Mandatory cash balances with the National Bank of Georgia		254,542	306,000
Due from other banks		-	8,962
Trading securities		13,840,736	6,384,449
Loans to customers	**6**	980,110	1,437,513
Profit tax paid in advance		668,854	74,688
Property, plant and equipment, net	**7**	80,656	104,600
Intangible assets, net	**8**	149,713	54,947
Deferred tax asset	**9**	21,331	5,464
Other assets	**10**	93,482	71,329
Total assets		**22,002,274**	**21,774,375**
Liabilities			
Due to other banks		206	1,048
Due to customers	**11**	5,738,581	5,596,368
Other liabilities		360,018	944,756
Total liabilities		**6,098,805**	**6,542,172**
Reserves			
Reserve fund	**12**	15,232,203	13,063,863
Period Result		671,266	2,168,340
Total reserves		**15,903,469**	**15,232,203**
Total liabilities and reserves		**22,002,274**	**21,774,375**

Approved for issue by the Board of Directors and signed on its behalf on ___________, 2010:

Hasan Ferit Yucheyilmaz	David Kistauri
General Director	Chief Accountant

	Note	Year 2009	Year 2008
Interest income			
Loans to customers	**6**	262,376	188,219
Securities		944,076	1,666,202
Due from other banks		2,294	281,502
		1,208,746	**2,135,923**
Interest expense			
Amounts due to customers		(18,114)	(27,435)
Amounts due to credit institutions		(798)	(2,200)
		(18,912)	**(29,635)**
Net interest income		**1,189,834**	**2,106,286**
Impairment of interest earning assets	**13**	(329,613)	(58,206)
Net interest income after impairment of interest earning assets		**860,221**	**2,048,080**
Fee and commission income	**14**	545,942	683,410
Fee and commission expense	**14**	(27,245)	(12,802)
Net fee and commission income		**518,697**	**670,608**
Gains less losses from foreign currencies:			
Dealing		393,748	661,361
Translation Difference		(11,053)	81,495
Other operating income		121,926	34,236
Other non interest income		**504,621**	**777,092**
Operating expenses	**15**	(1,228,140)	(924,404)
Income (loss) before income tax expense		**655,399**	**2,571,376**
Income tax income(expense)	**9**	15,867	(403,036)
Net income (loss) for the year		**671,266**	**2,168,340**

Approved for issue by the Board of Directors and signed on its behalf on ___________, 2010:

_______________________________ _______________________________

Hasan Ferit Yucheyilmaz — David Kistauri

General Director — Chief Accountant

	Note	Year 2009	Year 2008
Net profit (loss) for the year		**671,266**	**2,168,340**
Other comprehensive income / (loss) for the period		-	-
Total comprehensive profit/loss for the period		**671,266**	**2,168,340**

Approved for issue by the Board of Directors and signed on its behalf on ___________, 2010:

Hasan Ferit Yucheyilmaz
General Director

David Kistauri
Chief Accountant

The notes set out on pages 6 to 15 form an integral part of these financial statements.

	Year 2009	Year 2008
Cash flow from operations		
Net Income	671,266	2,168,340
Depreciation & Amortization	48,240	39,426
Correction of retained earnings	-	-
Total	**719,506**	**2,207,737**
Mandatory cash balances with the National Bank of Georgia	51,458	569,380
Net (increase)/decrease in due from other banks	8,962	(4,373)
Net (increase)/decrease in trading securities	(7,456,290)	6,964,606
Net (increase)/decrease in loans to customers	457,403	(731,032)
Net (increase)/decrease in profit tax paid in advance	(591,027)	19,666
Net (increase)/decrease in prepaid taxes, other than profit tax	(3,139)	-
Net (increase)/decrease in deferred tax asset	(15,867)	3,493
Net (increase)/decrease in other assets	(22,153)	257,283
Net increase/(decrease) in due to other banks	(842)	(166)
Net increase/(decrease) in due to customers	142,213	(222,347)
Net increase/(decrease) in other liabilities	(584,738)	908,731
Total cash from operations	**(8,014,018)**	**7,765,240**
Cash flow from investing activities		
Purchase of premises, equipment and intangible assets	(119,061)	(100,224)
Proceeds from disposal of premises and equipment	-	70,419
Total cash from investment	**(119,061)**	**(29,805)**
Cash flow from financing activities		
Increase in reserve funds	-	-
Total cash from financing	-	-
Net Increase in cash and cash equivalents	**(7,413,573)**	**9,943,172**
Beginning Cash and Cash Equivalent	**13,326,423**	**3,383,251**
Ending Cash and Cash Equivalent	**5,912,850**	**13,326,423**

Approved for issue by the Board of Directors and signed on its behalf on ___________, 2010:

_______________________________ _______________________________

Hasan Ferit Yucheyilmaz — David Kistauri

General Director — Chief Accountant

	Reserve Fund	Retained Earnings	Total Reserve Fund
Balance as at December 31, 2007	**12,332,515**	**731,348**	**13,063,863**
Net profit	-	2,168,340	2,168,340
Reserve fund	731,348	(731,348)	-
Balance as at December 31, 2008	**13,063,863**	**2,168,340**	**15,232,203**
Net profit		671,266	671,266
Reserve fund	2,168,340	(2,168,340)	-
Balance as at December 31, 2009	**15,232,203**	**671,266**	**15,903,469**

Approved for issue by the Board of Directors and signed on its behalf on ___________, 2010:

Hasan Ferit Yucheyilmaz

General Director

David Kistauri

Chief Accountant

1 Principal Activities

Joint-Stock Company T.C. Ziraat Bank's Tbilisi Branch ("the Bank") is a commercial bank operating under a banking licence issued by the National Bank of Georgia ("NBG").The Bank was founded on March 2, 1998 by Joint-Stock Company T. Emlak Bank with the name T. Emlak Bank's Tbilisi branch. In 2001, there was a partial transfer of assets and liabilities from T. Emlak Bank to T.C. Ziraat Bank. For this reason in September 2001 the bank changed its name and was registered under the name of T.C. Ziraat Bank's Tbilisi Branch. The Bank's registered office is located at the following address: 148 David Agmashenebeli Avenue, Tbilisi 0102, Georgia.

Under the banking licence issued by the National Bank of Georgia, the Bank could carry out all banking operations, but based on request of Bank's head office the NBG on March 27, 2002 had limited the license and suspended the right to issue credits and guarantees to costumers(see Note **7**).Although, on December 22, 2006, as per response letter of the National Bank of Georgia, the requirements of general management of T.C. Ziraat Bank's head office for obtaining the right to issue credits and guarantees to customers was satisfied. The bank started issue of credits and guarantees from the second half of 2007.

The number of the Bank's staff was presented by 18 temporary and 6 outsourced workers at the year end 2009 against 14 temporary and 8 outsourced in 2008.

2 Operating Environment of the Bank

Georgia continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of Georgia and restrictive currency controls. The tax, customs and currency legislation of Georgia has been subject of varying interpretations, and changes which can occur frequently.

There is a considerable degree of uncertainty in Georgia surrounding the continued success of domestic economic policy. The future economic direction of Georgia is largely dependent upon the effectiveness of economic financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

3 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Bank maintains its accounting records in accordance with Georgian banking and accounting regulations. These financial statements have been prepared from those accounting records and adjusted as necessary in order to be in accordance with IFRS. These financial statements have been measured in the national currency of Georgia, Georgian Lari ("GEL").The preparation of the financial statements requires the use of estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

4 Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents are items, which can be converted into cash within a day. All short-term interbank placements are included in due from other banks.

Mandatory cash balances with the NBG

Mandatory cash balances with the NBG represent mandatory reserve deposits, which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the cash flow statement.

Discount securities

Discount securities of the Bank comprise of the National Bank of Georgia deposit certificates having one month maturity. All certificates are acquired via multi-price auctions. Deposit certificates are recorded at nominal value, that is established by the National Bank of Georgia and that should be paid by the National Bank of Georgia at the maturity date. The term of the certificate is the period which is calculated as the calendar days difference between the dates of acquisition and maturity date.

The discount that is calculated as the difference between nominal value and settlement price and is recognised as income on discount securities in the income statement.

4 Significant Accounting Policies *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term reasale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of results of operations when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets carried at amortised cost

The bank recognises impairment of the financial asset or group of financial assets at balance sheet date. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and liquidity of related collateral, if any.

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation and correspondingly restated as explained below. Depreciation is calculated on the straight-line method to spread the cost of each asset to their residual values over their estimated useful life as follows:

Computers and communication-	25% per annum
Vehicles	20% per annum
Furniture and equipment-	17% per annum
Leasehold improvements-	25% per annum
Other	25% per annum

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

Intangible assets

Intangible assets mainly include computer software costs. Costs associated with maintaining computer software are recognised as an expense as incurred.

Income and expense recognition

Interest income and expense are recorded in the statement of income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.
Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided.

Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are translated into Georgian Lari at the official exchange rate of the NBG at the balance sheet date.

As at December 31, 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = GEL 1.6858; EUR 1 = GEL 2.4195; YTL 1 = GEL 1,1158(2008: USD 1 = GEL 1.667; EUR 1 = GEL 2.3648; YTL 1= GEL 1,1100). Exchange restrictions and controls exist relating to converting Georgian Lari into other currencies. At present, the Georgian Lari is not a freely convertible currency in most countries outside of Georgia.

4 Significant Accounting Policies *(continued)*

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

5 Cash and Cash Equivalents	December 31, 2009	December 31, 2008
Cash on hand	1,706,289	3,216,704
Cash balances with the NBG (other than mandatory reserve deposits)	3,029,870	7,581,952
Correspondent accounts	1,176,691	2,527,767
Total cash and cash equivalents	**5,912,850**	**13,326,423**

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 16.

6 Loans to Customers

Economic sector risk concentrations within the customer loan portfolio are as follows:

6.1 **Portfolio structure by sectors**	December 31, 2009	December 31, 2008
Individuals	658,465	833,275
Trade and service	587,360	473,167
Real estate and construction	69,308	97,535
Other	67,190	106,135
Total loans	**1,382,322**	**1,510,112**
Less allowance for impairment losses	(402,212)	(72,599)
Total loans, Net	**980,110**	**1,437,513**

Information about loan collateral as at December 31, 2009 is as follows:

6.2 **Portfolio structure by collateral type**	December 31, 2009	December 31, 2008
Loans collateralized by real estate	661,511	450,786
Loans collateralized by inventories and equipment	298,321	171,882
Loans collateralized by third party guarantees	148,763	385,789
Loans collateralized by private property	241,892	472,462
Unsecured loans	31,834	29,194
Total loans	**1,382,322**	**1,510,112**
Less allowance for impairment losses	(402,212)	(72,599)
Total loans, Net	**980,110**	**1,437,513**

6 Loans to Customers *(continued)*

6.3 **Portfolio structure by maturity**	**December 31, 2009**	**December 31, 2008**
Short-term Loans	432,598	767,158
Long-term Loans	678,095	699,267
Overdue Loans	271,629	43,687
Total loans	**1,382,322**	**1,510,112**
Less allowance for impairment losses	(402,212)	(72,599)
Total loans, Net	**980,110**	**1,437,513**

7 Property and Equipment

	Computers and communication	**Vehicles**	**Furniture and equipment**	**Leasehold improvements**	**Other**	**Total**
Gross book value						
Balance at December 31, 2008	**82,086**	**66,820**	**195,421**	**2,650**	**11,138**	**358,116**
Additions	10,295	-	4,172	-	-	**14,467**
Disposals	-	-	-	-	-	**-**
Balance at December 31, 2009	**82,086**	**66,820**	**195,421**	**2,650**	**11,138**	**372,582**
Accumulated Depreciation						
Balance at December 31, 2008	**64,966**	**27,009**	**147,752**	**2,650**	**11,138**	**253,515**
Charge for the year	9,531	8,406	20,476	-	-	**38,413**
Depreciation of disposals	-	-	-	-	-	**-**
Balance at December 31, 2009	**74,459**	**35,453**	**168,226**	**11,138**	**2,650**	**291,926**
Net Book Value						
Balance at December 31, 2008	**82,086**	**66,820**	**195,421**	**2,650**	**11,138**	**358,116**
Balance at December 31, 2009	**17,922**	**31,367**	**31,367**	**-**	**-**	**80,656**

8 Intangible assets

	Gross book value	**Accumulated depreciation**	**Net book value**
Balance at December 31, 2008	**112,205**	**(57,258)**	**54,947**
Additions	104,594	(9,827)	94,764
Disposals	-	-	-
Balance at December 31, 2009	**216,798**	**(67,085)**	**149,713**

Intangible assets mainly consist of IT software licenses.

9 Deferred tax and Income tax expense

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

Deferred income tax assets and liabilities are attributable to the following items:

Deferred income tax asset	December 31, 2009	December 31, 2008
Property, plant and equipment	3,801	5,464
Loans to customers	17,531	-
Net deferred income tax asset (Liability)	**21,331**	**5,464**

The movement in the deferred tax during the year is presented in the table below:

	Year2009	Year2008
At the beginning of the year	5,464	8,958
Movement for the year	15,867	(3,494)
At the end of the year	**21,331**	**5,464**

Profit tax charge to the income statement for the year consists of current tax and change in deferred tax:

	Year2009	Year2008
Statutory tax expense	-	400,523
Effect of deferred taxation	15,867	2,513
Income tax expense for the year	**15,867**	**403,036**

10 Other assets

	December 31, 2009	December 31, 2008
Accounts Receivable	24,110	5,806
Interest Receivable on Loans	12,706	20,895
Prepayments	57,685	48,295
	94,501	**74,996**
Less: Allowances for impairment of other assets	(1,019)	(3,667)
Total other assets	**93,482**	**71,329**

11 Due to customers

	December 31, 2009	December 31, 2008
Legal entities		
- Current/settlement accounts	2,752,546	3,098,569
Individuals		
- Current/demand accounts	2,986,035	2,497,799
Total due to customer	**5,738,581**	**5,596,368**

11 Due to customers *(continued)*

Economic sector concentrations within customer accounts are, as follows:

	Year 2009		Year 2008	
	Amount	**%**	**Amount**	**%**
Individuals	2,986,035	52.03%	2,497,799	44.63%
Government bodies	663,219	11.56%	519,311	9.28%
Trade	1,593,461	27.77%	1,996,356	35.67%
Mining	213,912	3.73%	236,600	4.23%
Construction	167,641	2.92%	278,803	4.98%
Other	114,313	1.99%	67,499	1.21%
Total customer accounts	**5,738,581**	**100.00%**	**5,596,368**	**100.00%**

Geographical, currency and maturity analyses of customer accounts are disclosed in Note 16. The information on related party balances is disclosed in Note 18.

12 Reserve fund

According to local regulations (Order # 144 of the president of National Bank of Georgia, May 23, 2006) the minimum amount of the reserved capital of licensed commercial and foreign bank branches in Georgia as at December 31, 2009 should be no less than GEL 12,000,000. The amount of Bank's capital as at December 31, 2009 conforms to the set norms.

13 Impairment of interest earning assets

The allowance for impairment of interest earning assets is created against the gross loan portfolio, according to local regulations(Order # 350 of the president of National Bank of Georgia) and is calculated as 2 % of gross loan portfolio amount plus bad debt expenses (10% - if overdue is more than 30 days, 30% - if more than 60 days and 50% after 120 days.) and IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses.
Drastic increase was seen in loan loss reserves from 5% percent of total loan portfolio in previous year to 29% this year.

	Year 2009	Year 2008
Opening balance	**(72,599)**	**(14,418)**
Increase in the period	(329,613)	(58,206)
Closing balance	**(402,212)**	**(72,599)**

14 Fee and Commission Income and Expense

	Year 2009	Year 2008
Fee and commission income		
Commission on cash operations	205,214	284,351
Commission on settlement transactions	313,364	365,032
Other	27,364	34,027
Total fee and commission income	**545,942**	**683,410**
Fee and commission expense		
Commission on settlement transactions	(1,568)	(1,350)
Commission on cash transactions	(25,223)	(9,219)
Other	(454)	(2,233)
Total fee and commission expense	**(27,245)**	(12,802)
Net fee and commission income	**518,697**	**670,608**

15 Operating Expenses

	Year2009	Year2008
Staff costs	668,815	534,621
Rent	180,283	95,422
Depreciation of property, plant and equipment	38,413	43,869
Amortization of intangible assets	9,827	10,354
Legal and other professional services	58,529	55,256
Insurance	12,238	11,099
Communication and mailing	100,604	66,908
Security	62,460	53,917
Representative expenses	8,108	12,677
Utilities	13,603	9,052
Office supply	7,171	7,621
Other local taxes	10,669	5,655
Impairment / (Recovery of impairment) of other assets	(2,648)	(46,634)
Other	389,681	64,587
Total operating expenses	**1,557,753**	**924,404**

16 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks (market, geographical, currency and liquidity), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Risk assessment also forms the basis for optimal risk-adjusted capital allocation, transaction pricing and performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Geographical risk - The geographical concentration of the Bank's assets and liabilities as at December31, 2009 is set out below:

	Georgia	OECD	Total
Assets			
Cash and cash equivalents	4,736,159	1,176,691	5,912,850
Mandatory cash balances with the NBG	254,542	-	254,542
Discount securities	13,840,736	-	13,840,736
Loans to customers	980,110	-	980,110
Prepaid taxes	668,854	-	668,854
Property, plant and equipment, net	80,656	-	80,656
Intangible assets, net	149,713	-	149,713
Deferred tax asset	21,331	-	21,331
Other assets	93,482	-	93,482
Total assets	**20,825,583**	**1,176,691**	**22,002,274**
Liabilities			
Due to other banks	206	-	206
Customer accounts	5,738,581	-	5,738,581
Other liabilities	360,018	-	360,018
Total liabilities	**6,098,805**	**-**	**6,098,805**
Net balance sheet position	**14,726,778**	**1,176,691**	**15,903,469**

Assets and liabilities have generally been based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

Currency risk - The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at December 31, 2009. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

16 Financial Risk Management *(continued)*

	GEL	USD	Euro	Other currencies	Total
Assets					
Cash and cash equivalents	3,085,961	2,231,775	579,144	15,970	5,912,850
Mandatory cash balances with the NBG	-	231,835	22,707	-	254,542
Discount securities	13,840,736	-	-	-	13,840,736
Loans to customers	30,114	949,996	-	-	980,110
Prepaid taxes	668,854	-	-	-	668,854
Property, plant and equipment, net	80,656	-	-	-	80,656
Intangible assets, net	149,713	-	-	-	149,713
Deferred tax asset	21,331	-	-	-	21,331
Other assets	93,482	-	-	-	93,482
Total assets	**17,970,847**	**3,413,606**	**601,851**	**15,970**	**22,002,274**
Liabilities					
Due to other banks	206	-	-	-	206
Customer accounts	1,115,620	4,193,778	429,183	-	5,738,581
Other liabilities		360,018			360,018
Total liabilities	**1,115,826**	**4,553,796**	**429,183**	**-**	**6,098,805**
Net balance sheet position	**16,855,022**	**(1,140,190)**	**172,668**	**15,970**	**15,903,469**

The tables below indicate the currencies to which the Bank had significant exposure at December 31, 2009 and 2008. The analysis calculates the effect of a reasonably possible movement of the currency rate against the GEL, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. The base currency is assumed to be the Gel. All amounts are presented in GEL.

		31/12/2009		**31/12/2008**	
Currency	Change in foreign currency exchange rate	Impact on profit before tax	Impact on equity*	Impact on profit before tax	Impact on equity*
		GEL	GEL	GEL	GEL
USD	-10%	114,019	96,916	(109,971)	(93,475)
	-5%	57,009	48,458	(54,985)	(46,738)
	5%	(57,009)	(48,458)	54,985	46,738
	10%	(114,019)	(96,916)	109,971	93,475
EURO	-10%	(17,267)	(14,677)	(173)	(147)
	-5%	(8,633)	(7,338)	(87)	(74)
	5%	8,633	7,338	87	74
	10%	17,267	14,677	173	147

* - Impact on equity reflects adjustments for tax, when applicable

16 Financial Risk Management *(continued)*

Liquidity risk - Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Bank is exposed to daily calls on its available cash resources from current accounts. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The table below shows assets and liabilities as at December 31, 2008 by their remaining contractual maturity, unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used. The liquidity position of the Bank as at December 31, 2009 is set out below.

	Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Assets					
Cash and cash equivalents	5,912,850	-	-	-	5,912,850
Mandatory cash balances with the NBG	254,542	-	-	-	254,542
Due from other banks	-	-	-	-	-
Discount securities	13,840,736	-	-	-	13,840,736
Loans to customers	127,251	262,344	295,594	294,921	980,110
Prepaid taxes	-	-	668,854	-	668,854
Property, plant and equipment, net	-	-	-	80,656	80,656
Intangible assets, net	-	-	-	149,713	149,713
Deferred tax asset	-	-	-	21,331	21,331
Other assets	93,482	-	-	-	93,482
Total assets	**20,228,861**	**262,344**	**964,448**	**546,621**	**22,002,274**
Liabilities					
Due to other banks	206	-	-	-	206
Customer accounts	1,793,914	3,521,184	423,483	-	5,738,581
Other liabilities	360,018	-	-	-	360,018
Total liabilities	**2,154,138**	**3,521,184**	**423,483**	**-**	**6,098,805**
Net liquidity gap	**18,074,723**	**(3,258,840)**	**540,965**	**546,621**	**15,903,469**
Cumulative liquidity gap at as December 31, 2009	**18,074,723**	**14,815,883**	**15,356,848**	**15,903,469**	

Overdue liabilities, if any, are classified within the "demand and less than 1 month" column. Overdue assets, if any, are allocated based on their expected maturity. Mandatory cash balances with the NBG are included within demand and less than one month as the majority of liabilities to which this balance relates to are also included within this category.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customers' accounts provide a long-term and stable source of funding for the Bank.

17 Contingencies and Commitments

Georgian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within Georgia suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods of 6 years. Though there should be taken into account Georgian Legislation on the issue of Financial Amnesty by the period of January 1, 2004.

As at December 31, 2009 management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

18 Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The outstanding balances at the year-end with related parties are as follows:

	Year2009	Year2008
Current/settlement accounts in Ziraat Bank's foreign branches as at the year end	1,176,691	2,527,756

In 2009 the total remuneration of Bank management, including pension contributions, and discretionary compensation amounts to GEL 255 278 (2008: GEL165,841).

19 Legal Proceeding

As of December 31, 2009, the Bank was not engaged in any litigation proceedings.

20 Events after balance sheet date

There have been no after balance sheet events that require any additional adjustments or disclosures in these financial statements.

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