TBC BANK

1H 2016 AND 2Q 2016 FINANCIAL RESULTS

Forward-Looking Statements

This document contains forward-looking statements; such forward-looking statements contain known and unknown risks, uncertainties and other important factors, which may cause actual results, performance or achievements of JSC TBC Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. Important factors that, in the view of the Bank, could cause actual results to differ materially from those discussed in the forward-looking statements include, among others, the achievement of anticipated levels of profitability, growth, cost and recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Georgian economic, political and legal environment, financial risk management and the impact of general business and global economic conditions.

None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects are based are accurate or exhaustive or, in the case of the assumptions, entirely covered in the document. These forward-looking statements speak only as of the date they are made, and subject to compliance with applicable law and regulation the Bank expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in the document to reflect actual results, changes in assumptions or changes in factors affecting those statements.

TBC BANK

TBC Bank Announces 1H 2016 and 2Q 2016 unaudited IFRS Consolidated Results; Net Profit for 1H up by 37.6% YoY to GEL 139.2 million

Financial Highlights

2Q 2016 P&L Highlights

- Net Profit for 2Q 2016 up by 45.0% YoY and by 37.2% QoQ to GEL 80.5 million, delivering return on average equity (ROAE) of 25.5% (19.9% without one-off effects) and return on average assets (ROAA) of 4.9% (3.8% without one-off effects)
- Total operating income in 2Q 2016 up by 9.3% YoY and by 7.4% QoQ to GEL 155.9 million
- Cost to income ratio stood at 45.1% (41.7% without one-off effects), compared to 42.8% in 2Q 2015 and 44.3% in 1Q 2016
- Cost of risk on loans stood at 1.1%, down by 0.7pp YoY and broadly unchanged QoQ
- Net interest margin (NIM) stood at 7.9% in 2Q 2016, compared to 7.7% in 1Q 2016 and 7.9% in 2Q 2015

1H 2016 P&L Highlights

- Net Profit for 1H 2016 up by 37.6% YoY to GEL 139.2 million, delivering ROAE of 22.5% (20.4% without one-off effects) and ROAA of 4.2% (3.8% without one-off effects)
- Total operating income for the period up by 8.8% YoY to GEL 301.0 million
- Cost to income ratio stood at 44.7% (41.0% without one-off effects), compared to 41.1% in 1H 2015
- Cost of risk on loans stood at 1.1%, down by 1.3pp YoY
- Net interest margin (NIM) at 7.8% in 1H 2016, compared to 8.0% in 1H 2015

Balance Sheet Highlights 30 June 2016

- Total assets reached GEL 6,772.2 million as of 30 June 2016, up by 7.9% YoY and up by 1.8% QoQ
- Gross loans and advances to customers increased to GEL 4,711.1 million as of 30 June 2016, up by 11.4% YoY (8.7% at constant currency) and by 4.8% QoQ (5.7% at constant currency)
- Net loans to deposits + IFI funding stood at 96%, and Net Stable Funding Ratio (NSFR) at 112% as of 30 June 2016
- NPLs stood at 4.7%, up 0.3pp YoY and down 0.1pp QoQ
- NPLs coverage stood at 85.6%, (205.3% with collateral), compared to 103.4% as of 30 June 2016
- Total customer deposits stood at GEL 4,269.8 million as of 30 June 2016, up by 11.4% YoY (by 8.5% w/o currency exchange rate effect) and up by 8.6% QoQ (by 9.9% w/o currency exchange rate effect)
- Tier I and Total Capital Adequacy Ratios per Basel II/III stood at 12.6% and 15.7% respectively
- Tier I and Total Capital Adequacy Ratios per Basel I stood at 26.3% and 32.5% respectively

Market Shares[1]

- TBC Bank's market share in total assets decreased by 0.1pp YoY and increased by 0.1pp QoQ, reaching 25.9% as of 30 June 2016
- TBC Bank's market share in total loans was 28.2% as of 30 June 2016, up by 0.4pp YoY and by 0.2pp QoQ
- In terms of individual loans, the Bank had a market share of 31.4% as of 30 June 2016, up by 0.3pp YoY and by 0.1pp QoQ. The market share for legal entity loans was 25.2%, up by 0.4pp YoY and by 0.2pp QoQ
- TBC Bank's market share of total deposits was 29.3% as of 30 June 2016, down by 0.8pp YoY and up by 2.0pp QoQ
- The Bank maintains its longstanding leadership in individual deposits with a market share of 34.5%, broadly flat YoY and up by 0.5pp QoQ. In terms of legal entity deposits, TBC Bank's market share was 23.3%, down by 1.7pp YoY and up by 3.7pp QoQ. The Bank uses corporate deposits mainly for liquidity management purposes

Recent Developments

TBC Bank Successfully Completes Premium Listing

- 2016 has been a very significant year so far for TBC Bank, with a major highlight being the successful listing of the shares of our newly-incorporated UK parent company, TBC Bank Group PLC, on the Premium Segment of the London Stock Exchange. We successfully completed the move to a Premium Listing on August 10th.

Reinvested Profit Becomes Tax-free in Georgia

- On 13 May 2016, the Government of Georgia enacted changes in the Tax Code that will eliminate tax on non-distributed profit for corporations. The new regulation will become effective for financial institutions from 1 January 2019 and banks will not have to pay income tax on their profit before tax (earned since 1 January 2019) until that profit is distributed in form of dividends or other forms of profit distributions.

TBC Bank Wins Multiple Awards for Digital Banking from Global Finance Magazine

- TBC Bank received the "Best Integrated Corporate Bank Site in Central & Eastern Europe 2016" award by Global Finance Magazine for the fourth year running. At the same time, TBC Bank was once again named the "Best Consumer and Corporate Digital Bank in Georgia 2016".

TBC Bank Wins "Best Bank in Georgia 2016" Award from Euromoney Magazine

- TBC Bank was named the "Best Bank in Georgia 2016" by Euromoney Magazine for the fifth time in the past six years, in recognition of our superior profitability and balanced growth strategy.

Additional Information Disclosure

Additional historical information for certain P&L, Balance Sheet and Capital items and on Asset Quality is disclosed on our Investor Relations website on http://tbcbankgroup.com/ under Financial Highlights section.

[1] Market share figures are based on data from the National Bank of Georgia (NBG)

Letter from the Chief Executive Officer

"In addition to delivering another set of strong financial results, during the second quarter of 2016 we completed the final preparations for another milestone in our corporate history. We are delighted with the overwhelming support we received from our shareholders during the tender offer that facilitated our move to the Premium Segment of the London Stock Exchange as of 10 August. We see this as a logical step in our journey as a listed company, based on our track record of strong financial performance and enhanced corporate governance over the last two years, and believe that the Bank and all our stakeholders will benefit from this move.

Our performance during the quarter was supported by an improving economic environment and a stabilizing currency. In the first half of 2016, the Georgian economy grew by an estimated 2.9% and growth is expected to increase in the second half of the year. The annual inflation rate was 1.5% in July 2016, well below the NBG's target of 5.0%. As a result, the NBG started to reduce the monetary policy rate, from 8% at the beginning of the year to the current level of 6.75%. FDI levels remained strong with the number of visitors to Georgia also up 13% year-on-year. The trade deficit for the first six months improved by 4.6% year-on-year.

In this context, we continued to deliver a strong performance in line with our medium-term guidance. In the second quarter of 2016 we earned a net income of GEL 80.5 million, with an underlying return on average equity (ROAE) of 19.9%, or 25.5% including one-off effects. The one-off effects included Premium Listing costs in the amount of GEL 9.1 million, the sale of an investment security in the amount of GEL 8.8 million, and a re-assessed deferred tax liability in the amount of GEL 17.9 million. In the same period, our return on average assets (ROAA) was 4.9%, or 3.8% excluding one-off effects. Our solid profitability was supported by a resilient NIM of 7.9% and increasing share of net fee and commission income in total income to 13.7%, a normalized cost of risk of 1.1% and improving efficiency with recurring cost to income ratio of 41.7%.

Despite the increased business activity driven by the more favorable economic environment, we maintained our prudent approach to lending and continued to prioritize asset quality over loan growth. Consequently, in the first six months of 2016, our loan portfolio grew by 11.4% year-on-year, below our medium-term target of 20%. Nevertheless, we outperformed the market and increased our market share by 0.4% to 28.2%. Over the same period, our NPL ratio decreased by 0.1pp quarter-on-quarter to 4.7% as of 30 June 2016, while our NPL coverage ratio remained broadly stable at 86% or 205% with collateral.

Our total deposits grew by 11.4% year-on-year, reinforcing our long-standing leadership position in retail deposits with a market share of 34.5%.

We maintained our robust balance sheet structure with a financial leverage ratio of 5.2x, while our total capital adequacy ratio (CAR) per Basel II/III regulation stood at 15.7%, against the minimum requirement of 10.5% and Tier I Ratio per Basel II/III at 12.6% against the minimum requirement of 8.5%. Our liquidity position also remains strong with net loans to deposits + IFI funding at 96% and the net stable funding ratio (NSFR) at 112%.

I am proud to report that our outstanding performance has once again been recognized by prestigious international publications such as Euromoney and Global Finance. For the fifth time in the past six years, we were named the "Best Bank in Georgia 2016" by Euromoney Magazine, in addition to receiving the "Best Integrated Corporate Bank Site in Central & Eastern Europe 2016" award by Global Finance Magazine for the fourth year running. At the same time, TBC Bank was once again named the "Best Consumer and Corporate Digital Bank in Georgia 2016".

Outlook

In a more favorable economic environment, we remain comfortable with our medium term targets of loan growth of 20% per annum, ROE of 20%, cost to income ratio below 40% and dividend distribution of 25% of our net income. We will continue to realise the opportunities represented by the growing banking sector in Georgia and I would also like to reiterate that our business model remains focused on our core banking services, with no plans to diversify into other sectors.

SECOND QUARTER 2016 FINANCIAL RESULTS CONFERENCE CALL

TBC Bank, a leading bank in Georgia, will release its second quarter 2016 financial results on Friday, 12 August 2016 at 7am BST (10am GET).

On that day, Vakhtang Butskhrikidze, CEO, and Giorgi Shagidze, CFO, will host a conference call to discuss the results.

Date & time: Friday, 12 August at 14.00 (BST) / 15.00 (CEST) / 9.00 (EDT)

Please dial-in approximately 5 minutes before the start of the call quoting the password TBC Bank:

Password:	**TBC Bank**
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Economic Overview

In the first 6 months of 2016, GDP growth averaged 2.9% YoY according to the initial estimates of Geostat, and is well on track to achieve the recently revised NBG growth forecast of 3.5% for 2016. The Construction (+25.7% YoY), Real estate (+6.3% YoY), and Hotels and Restaurants (+11.7% YoY) contributed the most to economic growth in 1Q 2016. Growth in the largest sectors of Georgian Economy – manufacturing (+2.4% YoY) and trade (+1.9% YoY) – turned positive following declines in 2015. This improvement in investment activity and fiscal stimulus are expected to remain major sources of growth until the end of 2016.

Following the GEL stabilization and moderating inflation expectations, consumer price inflation declined to 1.1% YoY as of June 2016, compared to 5.6% YoY in January 2016. Core inflation also started to decline, down from 6.9% YoY in January 2016 to 2.9% YoY as of June 2016. Lower inflation expectations and below potential economic growth allowed the NBG to start to gradually soften its current strict monetary policy stance. The monetary policy rate was cut by 1.25pp from 8% in the beginning of 2016 to 6.75% by the end of July; the gradual easing of monetary policy should become supportive of economic growth over the medium term.

Georgia’s external balance continued to improve: in 1Q 2016, the current account deficit stood at 13.1% as a percentage of GDP, down by 1.7pp YoY. This improvement was driven by increased tourism inflows (up by 15.7% YoY) and an improved trade balance (+19.4% YoY), chiefly due to declining imports.

The acceleration in investment activity and continued difficulties in Georgia’s main trading partners resulted in a deterioration of the trade balance in 2Q by 12% YoY or by USD 140 million. Exports decreased by 12.8% YoY, while imports increased by 3.7% y/y, mostly due, first, to a decline in re-exports, and secondly, to an increase in capital and intermediate goods imports.

A breakdown of imports by different categories of goods shows that imports of capital and intermediate goods increased by 22.3% and 9.4% respectively in 2Q 2016, supporting economic growth over the medium term. Imports of consumer goods increased only slightly by 2.1%. Georgia continued to benefit from the low oil prices, with imports of petroleum products decreasing by 23.3% or by USD 63.3 million in 2Q 2016 YoY.

The decrease in exports was mainly due to a fall in re-exports (-30% YoY), while exports originating in Georgia fell only slightly (-3% YoY) in 2Q 2016. Major re-export goods, such as copper ores (-7.1% y/y), cars (-10.3%) and medicaments (-24.3% y/y) declined, while traditional export products, such as wines (+11.1% y/y), other alcoholic drinks (+35.9% y/y) and nuts (+66.5%) posted solid growth. Lower metal prices on global markets also continue to hamper the growth of export inflows, as metal production accounts for a significant proportion of Georgian exports.

The fall in remittance inflows also moderated in 1H 2016: although remittances declined by 1.6% YoY, remittance growth turned slightly positive in 2Q 2016, posting 1.3% YoY growth. The decline in remittances from Russia (-15.2% YoY) and Greece (-24.1% YoY) still remain the main negative contribution to the overall growth of money transfers in 1H 2016. On the other hand, increased money inflows from Israel (+79.9% YoY), USA (+20% YoY), Italy (+12.7% YoY), Turkey (+9.1% YoY) and Germany (+23.8% YoY) started to offset the negative impact of Russia and Greece. It is worth mentioning that the share of remittance inflows from CIS countries is decreasing steadily: in 1H 2016, it stood at 38% of total remittance flows, compared to 44% and 56% in 1H 2015 and 1H 2014, respectively.

Despite economic difficulties in the countries in the region, the number of foreign visitors in Georgia increased by 13% YoY in 1H 2016, representing a major positive component of the current account balance. This growth was driven by increased number of tourists from Azerbaijan (+18.1 in 1H 2016% YoY) and Russia (+15.6% YoY). In addition, the number of tourists from Iran increased 5 times in 1H 2016 YoY.

Improvements in the external balance and a sharp surge in FDI inflows (+103% YoY in 1Q 2016) gave impulse to the USD/GEL exchange rate to appreciate from 2.4 in the beginning of 2016 to a low of 2.13 (13% appreciation). This was subsequently corrected, and the USD/GEL exchange rate stabilized at 2.34 by the end of June 2016.

Regional economic developments still remain the major obstacle for Georgia to achieve its potential growth of 5-6%. However, given a better diversified trade portfolio, free trade agreements with all major markets in the region and a stable institutional environment, Georgia is broadly expected to return to its potential economic growth relatively quickly compared to other countries in the region. According to the latest issue of IMF's World Economic Outlook, Georgia is set to get back to 5% economic growth by the end of 2017.

Results Overview 1H 2016 and 2Q 2016

Income Statement Highlights

in thousands of GEL	1H'16	1H'15	*Change in %*	2Q'16	1Q'16	2Q'15	*Change YoY*	*Change QoQ*
Net interest income	216,538	198,236	*9.2%*	107,654	108,883	102,565	*5.0%*	*-1.1%*
Net Fee and Commission Income	39,683	34,840	*13.9%*	21,385	18,297	18,221	*17.4%*	*16.9%*
Other operating non-interest income	44,771	43,623	*2.6%*	26,840	17,931	21,785	*23.2%*	*49.7%*
Provisioning charges	(28,669)	(47,258)	*-39.3%*	(14,329)	(14,340)	(18,251)	*-21.5%*	*-0.1%*
Operating income after provisions for impairment	**272,323**	**229,441**	***18.7%***	**141,550**	**130,772**	**124,321**	***13.9%***	***8.2%***
Operating expenses	(134,668)	(113,651)	*18.5%*	(70,369)	(64,299)	(61,058)	*15.3%*	*9.4%*
Profit before tax	**137,655**	**115,790**	***18.9%***	**71,181**	**66,474**	**63,263**	***12.5%***	***7.1%***
Income tax expense	1,582	(14,619)	*-110.8%*	9,359	(7,777)	(7,730)	*-221.1%*	*-220.3%*
Profit for the period	**139,237**	**101,171**	***37.6%***	**80,540**	**58,696**	**55,533**	***45.0%***	***37.2%***

Balance Sheet and Capital Highlights

	30-Jun-16		31-Mar-16		Change QoQ	30-Jun-15		Change YoY
In millions	GEL	USD	GEL	USD		GEL	USD	
Total Assets	6,772	2,891	6,654.4	2,778.6	*1.8%*	6,274.0	2,790.6	*7.9%*
Gross Loans	4,711	2,011	4,493.7	1,876.4	*4.8%*	4,227.5	1,880.3	*11.4%*
Customer Deposits	4,270	1,823	3,931.6	1,641.7	*8.6%*	3,831.2	1,704.0	*11.4%*
Total equity	1,315	561	1,280.6	534.7	*2.7%*	1,076.6	478.9	*22.1%*
Basel I Tier 1 Capital	1,248	533	1,218.5	508.8	*2.4%*	1,031.3	458.7	*21.0%*
Basel I Risk weighted assets	4,751	2,028	4,576.3	1,910.9	*3.8%*	4,246.3	1,888.7	*11.9%*
Basel II/III Tier 1 Capital	999	427	994.1	415.1	*0.5%*	831.4	369.8	*20.2%*
Basel II/III Risk weighted assets	7,913	3,304	7,450.6	3,111.0	*6.2%*	6,795.3	3,022.4	*16.4%*

Key Ratios

	1H'16	1H'15	Change YoY	2Q'16	1Q'16	2Q'15	Change YoY	Change QoQ
ROAE	22.5%	19.5%	3.0%	25.5%	19.3%	21.0%	4.5%	6.2%
ROAA	4.2%	3.4%	0.8%	4.9%	3.5%	3.6%	1.3%	1.4%
Pre-provision ROAE	27.1%	28.6%	-1.5%	30.0%	23.9%	27.9%	2.2%	6.1%
Cost: Income	44.7%	41.1%	3.7%	45.1%	44.3%	42.8%	2.3%	0.8%
Cost of Risk	1.1%	2.4%	-1.3%	1.1%	1.2%	1.8%	-0.7%	0.0%
NPL to Gross Loans	1.5%	1.1%	0.3%	1.5%	1.7%	1.1%	0.3%	-0.2%
Basel I Total CAR	32.5%	29.8%	2.7%	32.5%	33.3%	29.8%	2.7%	-0.9%
Basel II/III Total CAR	15.7%	15.1%	0.6%	15.7%	16.8%	15.1%	0.6%	-1.1%
Leverage (times)	5.2	5.8	(0.7)	5.2	5.2	5.8	(0.7)	(0.0)

Income Statement Discussion

Net Interest Income

in thousands of GEL	1H'16	1H'15	*Change in %*	2Q'16	1Q'16	2Q'15	*Change YoY*	*Change QoQ*
Loans and advances to customers	302,373	276,401	*9.4%*	147,908	154,465	143,838	*2.8%*	*-4.2%*
Investment securities available for sale	12,181	11,160	*9.1%*	5,127	7,053	3,119	*64.4%*	*-27.3%*
Due from other banks	2,536	4,819	*-47.4%*	1,281	1,255	2,371	*-46.0%*	*2.0%*
Bonds carried at amortised cost	16,215	7,368	*120.1%*	8,335	7,880	7,368	*13.1%*	*5.8%*
Investments in leases	7,721	7,128	*8.3%*	3,516	4,205	3,631	*-3.2%*	*-16.4%*
Interest income	**341,026**	**306,876**	***11.1%***	**166,167**	**174,859**	**160,327**	***3.6%***	***-5.0%***
Customer accounts	70,453	66,480	*6.0%*	34,674	35,778	33,968	*2.1%*	*-3.1%*
Due to credit institutions	38,465	28,880	*33.2%*	16,266	22,199	16,787	*-3.1%*	*-26.7%*
Subordinated debt	14,716	12,187	*20.7%*	7,206	7,510	6,459	*11.6%*	*-4.0%*
Debt Securities in issue	855	1,027	*-16.7%*	366	489	518	*-29.3%*	*-25.1%*
Other	0	66	*-100.0%*	0	0	30	*-100.0%*	*NMF*
Interest expense	**124,488**	**108,640**	***14.6%***	**58,512**	**65,976**	**57,762**	***1.3%***	***-11.3%***
Net interest income	**216,538**	**198,236**	***9.2%***	**107,654**	**108,883**	**102,565**	***5.0%***	***-1.1%***
Net interest margin	**7.8%**	**8.0%**	***-0.2%***	**7.9%**	**7.7%**	**7.9%**	***0.0%***	***0.2%***

1H 2016 to 1H 2015 Comparison

In 1H 2016, net interest income grew by 9.2% YoY to GEL 216.5 million, resulting from 11.1% higher interest income and 14.6% higher interest expense.

The 11.1% YoY increase in interest income by GEL 34.2 million was mainly driven by the increase in interest income from loans to customers by GEL 26.0 million, or 9.4%, which is primarily related to the 11.4% gross loan portfolio increase. Loan yields declined slightly over the same period from 13.6% to 13.5%, which was driven by a decrease in rates on FC-denominated loans that more than offset the increase in yields on GEL-denominated loans. The increase in interest income was also supported by the increase in interest income from investment securities (comprising both investment securities available for sale and bonds carried at amortized cost) by GEL 9.9 million, or 53.3%. This was primarily due to the increase in yields on such securities from 6.6% to 9.2% over the same period related to a higher refinance rate in the country in 1H 2016 compared to 1H 2015 (starting from 27 April 2016, NBG started to gradually cut the refinance rate, although it remained high at 7.0% as of 30 June 2016 compared to 5.0% as of 30 June 2015). The slight decrease in loan yields was offset by an increase in yields on securities, and as a result, the Bank's yield on average interest earning assets remained unchanged on a YoY basis at 12.3% during 1H 2016.

In the reporting period, interest expense increased by GEL 15.8 million, or 14.6% YoY, mainly due to a higher interest expense on due to credit institutions by GEL 9.6 million, or 33.2% and customer accounts by GEL 4.0 million, or 6.0%. The increase in interest expense on due to credit institutions was mainly due to a higher cost of borrowing of 8.1% compared to 6.5% in 1H 2015. This increase was mainly due to 4.8pp rise in rates on Lari-denominated borrowings, mainly related to the refinancing rate increase, which in turn more than offset the 0.6pp decrease in rates on FC-denominated borrowings. The increase in interest expense on customer accounts was primarily driven by the 11.4% increase in the respective portfolio, which more than offset the 0.1pp decrease in the cost of client deposits to 3.5% in 1H 2016. As a result of the increased cost of due to credit institutions, the Bank's cost of funding ratio grew by 0.1pp to 4.7% in 1H 2016.

Consequently, NIM was 7.8% in 1H 2016, compared to 8.0% in 1H 2015.

2Q 2016 to 2Q 2015 Comparison

In 2Q 2016, net interest income increased by GEL 5.1 million, or 5.0% YoY to GEL 107.7 million, as a result of a GEL 5.8 million, or 3.6%, increase in interest income and a GEL 0.8 million, or 1.3%, increase in interest expense, compared to 2Q 2015.

The GEL 5.8 million growth, or 3.6% YoY, in interest income mainly resulted from a GEL 4.1 million increase 2.8% in interest income from loans, which in turn was due to the 11.4% increase in the loan portfolio. This was partially offset by the decrease in loan yields from 13.6% to 13.3%, which resulted from the decrease in FC rates and more than offset the increase in GEL. The increase in interest income was also driven by the growth in interest income from investment securities (comprising both investment securities available for sale and bonds carried at amortized cost) by GEL 3.0 million, or 28.4%, which was mainly driven by a 2.3pp increase in yields on such securities to 9.1%. The decrease in loan yields more than offset increased yields on securities and, as a result, yields on average interest earning assets decreased to 12.2%, compared to 12.4% in 2Q 2015.

The increase in interest expense by GEL 0.8 million, or 1.3%, YoY, was primarily attributable to the increased interest expense on subordinated debt by GEL 0.7 million, or 11.6% and customer accounts by GEL 0.7 million, or 2.1%. The increase in interest expense on subordinated debt was due to the 21.6% growth (16.9% without currency rate effect) in the respective portfolio, which more than offset the decline in the cost of subordinated debt by 0.8 pp to 10.3%. The increase in interest expense on customer deposits was due to the 11.4% increase in the respective portfolio, which was partially offset by the decrease in deposits rates of 0.2pp to 3.4%. The increase in expenses on subordinated debt and customer accounts was partially offset by a decrease in expense on due to credit institutions by GEL 0.5 million, or by 3.1%, mainly related to the decrease in the respective portfolio. As a result, the cost of funds decreased to 4.5%, compared to 4.6% in 2Q 2015.

Consequently, NIM remained flat on a YoY basis.

2Q 2016 to 1Q 2016 Comparison

On a QoQ basis, net interest income decreased by GEL 1.2 million, or 1.1%, as a result of a 8.7 million, or 5.0%, lower interest income and GEL 7.5 million, or 11.3%, lower interest expense.

The GEL 8.7 million or 5.0% QoQ decrease in interest income mainly resulted from the decrease in interest income on loans by GEL 6.6 million, or 4.2%, which in turn was due to the 0.3pp decline in yields on loans to 13.3% and the decreased average loan portfolio, which was related to repayments by several large borrowers The decrease in interest income was also driven by a decrease in interest income from investment securities by GEL 1.5 million, or 9.9%, which was mainly driven by a 7.7% decrease in respective average portfolio and reduced yields on securities by 0.2pp to 9.1%, which in turn was mainly related to the gradual decrease of the refinancing rate in the country by 1pp over the last quarter. As a result, yields on average interest earning assets decreased to 12.2%, compared to 12.4% in 1Q 2016.

The GEL 7.5 million, or 11.3% QoQ, decrease in interest expense was primarily due to the decrease in the interest expense on borrowed funds from financial institutions by GEL 5.9 million, or 26.7%, which resulting from the 21.1% decrease in the respective portfolio, which in turn was driven by a decrease in the NBG loan consistent with liquidity management needs. The cost of borrowed funds from financial institutions remained flat. The slight GEL 1.1 million, or 3.1%, QoQ decrease in interest expense on customer deposits was mainly due to the 0.2pp decrease in the cost of deposits to 3.4%, which in turn was mainly driven by the decline in FC rates and more than offset the increase in GEL rates. As a result the cost of funds decreased to 4.5%, compared to 4.8% in 1Q 2016.

Consequently, on a QoQ basis, NIM increased by 0.2pp to 7.9%.

Fee and Commission Income

in thousands of GEL	1H'16	1H'15	*Change in %*	2Q'16	1Q'16	2Q'15	*Change YoY*	*Change QoQ*
Card operations	26,848	22,639	*18.6%*	13,566	13,282	11,878	*14.2%*	*2.1%*
Settlement transactions	18,114	14,024	*29.2%*	9,615	8,499	7,313	*31.5%*	*13.1%*
Guarantees issued	6,132	4,301	*42.6%*	3,812	2,320	2,144	*77.8%*	*64.3%*
Issuance of letters of credit	2,553	3,142	*-18.8%*	1,074	1,479	1,392	*-22.8%*	*-27.3%*
Cash transactions	5,489	4,999	*9.8%*	3,134	2,355	2,805	*11.7%*	*33.0%*
Foreign exchange operations	554	827	*-33.0%*	209	345	253	*-17.2%*	*-39.3%*
Other	2,538	2,593	*-2.1%*	1,271	1,267	1,716	*-25.9%*	*0.3%*
Fee and commission income	**62,228**	**52,525**	***18.5%***	**32,681**	**29,547**	**27,501**	***18.8%***	***10.6%***
Card operations	14,910	11,400	*30.8%*	7,322	7,588	6,104	*19.9%*	*-3.5%*
Guarantees received	267	405	*-34.1%*	126	140	179	*-29.5%*	*-10.2%*
Cash transactions	1,269	1,287	*-1.4%*	710	559	611	*16.1%*	*27.1%*
Settlement transactions	2,598	1,508	*72.3%*	1,358	1,240	806	*68.4%*	*9.4%*
Foreign exchange operations	67	3	*2001.0%*	(1)	68	1	*-207.7%*	*-101.6%*
Letters of credit	904	1,082	*-16.5%*	423	480	538	*-21.2%*	*-11.8%*
Other	2,531	2,000	*26.6%*	1,358	1,174	1,041	*30.5%*	*15.7%*
Fee and commission expense	**22,546**	**17,685**	***27.5%***	**11,296**	**11,250**	**9,280**	***21.7%***	***0.4%***
Net Fee and Commission Income	**39,683**	**34,840**	***13.9%***	**21,385**	**18,297**	**18,221**	***17.4%***	***16.9%***

1H 2016 to 1H 2015 Comparison

In 1H 2016, net fee and commission income amounted to GEL 39.7 million, up by GEL 4.8 million, or 13.9%, compared to 1H 2015. This increase resulted mainly from a GEL 3.0 million increase in net fee and commission income from settlement transactions, GEL 2.0 million increase from guarantees issued and GEL 0.7 million increase from card operations, which were mainly driven by the increased scale of operations. This increase was partially offset by a decrease in other net fee and commission income by GEL 0.6 million.

2Q 2016 to 2Q 2015 Comparison

In 2Q 2016, net fee and commission income reached GEL 21.4 million, up by GEL 3.2 million, or 17.4%, compared to 2Q 2015. This resulted mainly from a GEL 1.8 million increase in net fee and commission income from settlement transactions, from a GEL 1.7 million increase in guarantees issued and from a GEL 0.5 million increase in card operations, which were mainly driven by the increased scale of operations. This increase was partially offset by a decrease in other net fee and commission income by GEL 0.8 million.

2Q 2016 to 1Q 2016 Comparison

On a QoQ basis, net fee and commission income increased by GEL 3.1 million, or 16.9%, compared to 1Q 2016, primarily driven by a GEL 1.0 million increase in net fee and commission income from settlement transactions,, by a GEL 1.5 million increase in guarantees issued, and by GEL 0.6 million increases in both cash transactions and card operations mainly due to seasonally lower net fee and commission income in 1Q. This increase was partially offset by a GEL 0.3 million decrease in net fee and commission income from the issuance of letters of credit.

Other Operating Non-interest Income

in thousands of GEL	1H'16	1H'15	*Change in %*	2Q'16	1Q'16	2Q'15	*Change YoY*	*Change QoQ*
Gains less losses from trading in foreign currencies and foreign exchange translations	28,085	35,061	*-19.9%*	13,459	14,627	17,393	*-22.6%*	*-8.0%*
Gains less losses/(losses less gains) from derivative financial instruments	(472)	(490)	*-3.6%*	(109)	(363)	(52)	*109.6%*	*-69.9%*
(Losses less gains) / gains less losses from disposal of investment securities available for sale	8,795	0	*NMF*	8,795	0	0	*NMF*	*NMF*
Revenues from cash-in terminal services	509	367	*38.8%*	276	232	176	*57.1%*	*19.0%*
Revenues from operational leasing	3,528	4,600	*-23.3%*	1,718	1,810	2,375	*-27.7%*	*-5.1%*
Gain from sale of investment properties	230	187	*23.3%*	15	215	27	*-45.1%*	*-93.0%*
Gain from sale of inventories of repossessed collateral	1,169	935	*25.0%*	947	222	363	*160.7%*	*325.8%*
Administrative fee income from international financial institutions	359	335	*7.2%*	147	212	153	*-3.8%*	*-30.7%*
Revenues from non-credit related fines	400	54	*646.5%*	267	133	19	*1294.6%*	*100.0%*
Gain on disposal of premises and equipment	96	23	*309.9%*	30	65	16	*92.6%*	*-53.8%*
Other	2,073	2,551	*-18.8%*	1,295	777	1,315	*-1.5%*	*66.6%*
Other operating income	**8,363**	**9,052**	***-7.6%***	**4,695**	**3,668**	**4,444**	***5.7%***	***28.0%***
Other operating non-interest income	**44,771**	**43,623**	***2.6%***	**26,840**	**17,931**	**21,785**	***23.2%***	***49.7%***

1H 2016 to 1H 2015 Comparison

Total other operating non-interest income increased by GEL 1.1 million, or by 2.6% YoY, to GEL 44.8 million in 1H 2016. This increase was mainly driven by a GEL 8.8 million one-off gain on the sale of an investment security. The increase was largely offset by a GEL 7.0 million, or by 19.9%, decrease in gains from trading in foreign currencies and foreign exchange translations, which was mainly caused by elevated income from FX operations in 2015 broadly related to the depreciation, volatility and related increased margins of the currency rate during 2015, as well as due to a one-off FX gain in 2Q 2015.

2Q 2016 to 2Q 2015 Comparison

Total other operating non-interest income increased by GEL 5.1 million, or by 23.2% YoY, to GEL 26.8 million in 2Q 2016. This increase was mainly driven by the GEL 8.8 million one-off gain mentioned above. The increase was partially offset by a GEL 3.9 million, or 22.6% decrease in FX gains/losses, which in turn was mainly caused by the same reasons as mentioned above.

2Q 2016 to 1Q 2016 Comparison

On a QoQ basis, other operating non-interest income increased by GEL 8.9 million, or by 49.7%, primarily reflecting the GEL 8.8 million one-off gain mentioned above. The increase was slightly offset by the GEL 1.2 million decrease in gains from trading in foreign currencies and foreign exchange translations, which in turn was caused by slightly decreased margins and decreased demand for foreign currency transactions. Without the effect of the one-off gain, total non-interest income decreased by 8.8% QoQ.

Provision for Impairment

in thousands of GEL	1H'16	1H'15	*Change in %*	2Q'16	1Q'16	2Q'15	*Change YoY*	*Change QoQ*
Provision for loan impairment	25,277	48,723	*-48.1%*	12,211	13,067	19,338	*-36.9%*	*-6.5%*
Provision for impairment of investments in finance lease	111	363	*-69.5%*	-74	185	259	*-128.5%*	*-140.1%*
Provision for/ (recovery of provision) performance guarantees and credit related commitments	2,076	-3,060	*-167.9%*	1,047	1,029	-2,240	*-146.7%*	*1.7%*
Provision for impairment of other financial assets	1,194	1,232	*-3.1%*	1,145	49	893	*28.2%*	*2260.6%*
Impairment of investment securities available for sale	11	0	*NMF*	0	11	0	*NMF*	*-100.0%*
Total provision charges for impairment	**28,669**	**47,258**	***-39.3%***	**14,329**	**14,340**	**18,251**	***-21.5%***	***-0.1%***
Operating income after provisions for impairment	**272,323**	**229,441**	***18.7%***	**141,550**	**130,772**	**124,321**	***13.9%***	***8.2%***
Cost of Risk	**1.1%**	**2.4%**	***-1.3%***	**1.1%**	**1.2%**	**1.8%**	***-0.7%***	***0.0%***

1H 2016 to 1H 2015 Comparison

In 1H 2016, total provision charges decreased by GEL 18.6 million to GEL 28.7 million, compared to 1H 2015, mainly driven by the decreased charges on loans by GEL 23.4 million. The decrease was driven by the elevated provision charges in 1H 2015, which were caused by the technical increase in provisions related to the local currency depreciation. Without the effect of currency exchange rate depreciation, loan provision charges would have decreased by GEL 3.4 million. This decrease was partially offset by the GEL 5.1 million increase in provision charges on performance guarantees and credit related commitments, which was due to recoveries in 1H 2015.

In 1H 2016, the cost of risk on loans was 1.1% (1.3% without the currency rate effect), compared to 2.4% (1.5% without the currency rate effect) in 1H 2015.

2Q 2016 to 2Q 2015 Comparison

In 2Q 2016, total provision charges decreased by GEL 3.9 million to GEL 14.3 million compared to 2Q 2015. The decrease is caused by the decrease in charges on loans by GEL 7.1 million (GEL 4.6 million without the currency rate effect), which was driven by improved performance of the loan book. This decrease was partially offset by the GEL 3.3 million increase in provision charges on performance guarantees and credit related commitments, which was related to the recoveries mentioned above.

In 2Q 2016, the cost of risk on loans was 1.1% (1.2% without the currency rate effect), compared to 1.8% (1.7% without the currency rate effect) in 2Q 2015.

2Q 2016 to 1Q 2016 Comparison

On a QoQ basis, total provision charges were stable, amounting to GEL 14.3 million. Provision charges on loans decreased by GEL 0.9 million, which was driven by overall credit quality improvement compared to the previous quarter. This decrease was offset by the GEL 1.1 million increase in provision charges on other financial assets, which was related to partial write-off of one large account receivable in 2Q 2016.

Consequently, the cost of risk on loans decreased to 1.1% (1.2% without the currency rate effect), compared to 1.2% (1.3% without the currency rate effect) in 1Q 2016.

Further details on asset quality can be found on page 18.

Operating Expenses

in thousands of GEL	1H'16	1H'15	*Change in %*	2Q'16	1Q'16	2Q'15	*Change YoY*	*Change QoQ*
Staff costs	69,473	65,308	*6.4%*	35,301	34,172	34,455	*2.5%*	*3.3%*
Depreciation and amortisation	13,610	12,302	*10.6%*	7,042	6,567	6,096	*15.5%*	*7.2%*
Professional services	*16,807*	*3,817*	*340.3%*	*10,106*	*6,701*	*2,509*	*302.8%*	*50.8%*
Advertising and marketing services	*4,846*	*4,833*	*0.3%*	*2,923*	*1,923*	*2,977*	*-1.8%*	*52.0%*
Rent	*8,397*	*7,872*	*6.7%*	*4,056*	*4,341*	*4,249*	*-4.5%*	*-6.6%*
Utility services	*2,422*	*2,093*	*15.7%*	*1,102*	*1,320*	*1,064*	*3.5%*	*-16.5%*
Intangible asset enhancement	*3,700*	*2,739*	*35.1%*	*1,821*	*1,880*	*1,543*	*18.0%*	*-3.1%*
Taxes other than on income	*2,492*	*2,382*	*4.6%*	*1,329*	*1,162*	*1,030*	*29.1%*	*14.4%*
Communications and supply	*1,505*	*1,793*	*-16.1%*	*750*	*755*	*981*	*-23.6%*	*-0.7%*
Stationary and other office expenses	*1,633*	*1,487*	*9.8%*	*790*	*843*	*789*	*0.1%*	*-6.3%*
Insurance	*1,270*	*1,319*	*-3.7%*	*665*	*605*	*660*	*0.7%*	*10.0%*
Security services	*881*	*797*	*10.5%*	*481*	*399*	*406*	*18.7%*	*20.5%*
Premises and equipment maintenance	*1,269*	*1,358*	*-6.5%*	*682*	*587*	*604*	*12.9%*	*16.3%*
Business trip expenses	*876*	*708*	*23.6%*	*523*	*352*	*373*	*40.3%*	*48.5%*
Transportation and vehicles maintenance	*642*	*607*	*5.7%*	*328*	*313*	*338*	*-2.8%*	*4.9%*
Charity	*486*	*541*	*-10.2%*	*215*	*270*	*239*	*-10.1%*	*-20.4%*
Personnel training and recruitment	*509*	*486*	*4.6%*	*275*	*234*	*240*	*14.9%*	*17.8%*
Write-down of current assets to fair value less costs to sell	*52*	*-451*	*-111.5%*	*122*	*-70*	*-86*	*-242.2%*	*-273.8%*
Loss on disposal of Inventory	*537*	*13*	*3902.2%*	*252*	*285*	*12*	*2008.3%*	*-11.6%*
Loss on disposal of investment properties	*0*	*3*	*-100.0%*	*0*	*0*	*3*	*-100.0%*	*NMF*
Loss on disposal of premises and equipment	*74*	*0*	*79614.2%*	*34*	*41*	*0*	*NMF*	*-17.3%*
Impairment of intangible assets	*19*	*326*	*-94.3%*	*0*	*19*	*0*	*NMF*	*-100.0%*
Other	*3,171*	*3,318*	*-4.5%*	*1,571*	*1,599*	*2,577*	*-39.0%*	*-1.8%*
Administrative and other operating expenses	**51,586**	**36,042**	***43.1%***	**28,026**	**23,560**	**20,508**	***36.7%***	***19.0%***
Operating expenses	**134,668**	**113,651**	***18.5%***	**70,369**	**64,299**	**61,058**	***15.3%***	***9.4%***
Profit before tax	**137,655**	**115,790**	***18.9%***	**71,181**	**66,474**	**63,263**	***12.5%***	***7.1%***
Income tax expense	-1,582	14,619	*-110.8%*	-9,359	7,777	7,730	*-221.1%*	*-220.3%*
Profit for the period	**139,237**	**101,171**	***37.6%***	**80,540**	**58,696**	**55,533**	***45.0%***	***37.2%***

Cost to income ratio	**44.7%**	**41.1%**	***3.7%***	**45.1%**	**44.3%**	**42.8%**	***2.3%***	***0.8%***
ROAE	**22.5%**	**19.5%**	***3.0%***	**25.5%**	**19.3%**	**21.0%**	***4.5%***	***6.2%***
ROAA	**4.2%**	**3.4%**	***0.8%***	**4.9%**	**3.5%**	**3.6%**	***1.3%***	***1.4%***

1H 2016 to 1H 2015 Comparison

In 1H 2016, total operating expenses amounted to GEL 134.7 million, up by GEL 21.0 million, or by 18.5%, YoY. This increase was primarily due to one-off expenses related to the Premium Listing that amounted to GEL 15.0 million. Without the effect of one-off expenses, operating costs would have increased by GEL 6.0 million, or by 5.3% YoY. This growth was mainly due to the increased staff cost, which grew by GEL 4.2 million as a result of the increased scale of business.

As a result, the cost to income ratio was 44.7% (or 41.0% without one-offs) in 1H 2016, compared to 41.1% in 1H 2015.

2Q 2016 to 2Q 2015 Comparison

In 2Q 2016, total operating expenses increased to GEL 70.4 million, up by GEL 9.3 million, or by 15.3% YoY. Without the one-off expenses mentioned above, operating costs would have increased by GEL 0.2 million, or by 0.4%.

As a result, the cost to income ratio stood at 45.1% (or 41.7% without the one-off effect) in 2Q 2016, compared to 42.8% in 2Q 2015.

2Q 2016 to 1Q 2016 Comparison

On a QoQ basis, operating expenses increased by GEL 6.1 million, or 9.4%, compared to 1Q 2016. The increase was mainly due to seasonally low operating costs in the first quarter. The increase was also due to higher Premium Listing expenses in 2Q, amounting to GEL 9.1 million, compared to GEL 5.9 million in 1Q.

As a result, the cost to income ratio stood at 45.1%, up by 0.8pp QoQ (or up by 1.4% without one-off effects in either quarter).

Income Tax

In 2Q the bank re-measured its deferred tax assets/liability per IFRS in order to reflect the change in the Georgian Tax Code in relation to corporate income tax. As at 30 June 2016, deferred tax assets/liabilities are re-measured to the amount that will be estimated to be utilized in the period from 1 July 2016 to 31 December 2016/31 December 2018. The re-measured deferred tax liability effect on P&L was GEL 17.9 million, while the equity effect was GEL 10.5 million.

Net Income

Net income for the second quarter increased by 45.0% YoY and 37.2% QoQ, and stood at GEL 80.5 million. ROE stood at 25.5% (19.9% without one-off effects), up by 4.5pp YoY and 6.2pp QoQ. ROA stood at 4.9% (3.8% without one-off effects), up by 1.3pp YoY and 1.4pp QoQ.

Net income for 1H 2016 increased by 37.6% YoY and stood at GEL 139.2 million. ROE stood at 22.5% (20.4% without one-off effects), up by 3.0pp YoY. ROA stood at 4.2% (3.8% without one-off effects), up by 0.8pp YoY.

Balance Sheet Discussion

In millions of GEL	**30-Jun-16**	**31-Mar-16**	**30-Jun-15**	***Change QoQ***	***Change YoY***
Cash, due from banks and mandatory cash balances with NBG	981.0	1,153.1	1,048.8	*-14.9%*	*-6.5%*
Loans and advances to customers (Net)	4,521.0	4,298.3	4,034.9	*5.2%*	*12.0%*
Financial securities	635.7	591.7	640.2	*7.4%*	*-0.7%*
Fixed and intangible assets & investment property	366.6	364.3	327.5	*0.6%*	*11.9%*
Other assets	268.0	246.9	222.6	*8.5%*	*20.4%*
Total assets	**6,772.2**	**6,654.4**	**6,274.0**	***1.8%***	***7.9%***
Due to credit institutions	791.0	1,002.3	991.1	*-21.1%*	*-20.2%*
Customer accounts	4,269.8	3,931.6	3,831.2	*8.6%*	*11.4%*
Debt Securities in issue	16.5	21.4	22.5	*-23.2%*	*-27.0%*
Subordinated Debt	282.8	303.4	232.7	*-6.8%*	*21.6%*
Other liabilities	97.3	115.0	120.0	*-15.4%*	*-18.9%*
Total Liabilities	**5,457.3**	**5,373.8**	**5,197.4**	***1.6%***	***5.0%***
Total equity	**1,314.9**	**1,280.6**	**1,076.6**	***2.7%***	***22.1%***

Assets

As of 30 June 2016, TBC Bank's total assets amounted to GEL 6,772.2 million, up by GEL 498.2 million, or 7.9%, YoY. This increase in total assets was mainly due to the GEL 486.1 million, or 12.0%, increase in net loans to customers. The YoY increase in total assets also resulted from a GEL 39.1 million, or 11.9%, increase in fixed and intangible assets & investment property compared to 30 June 2015. The increase was partially offset by a GEL 38.0 million, or 2.4%, decrease in liquid assets (comprising cash and cash equivalents, amounts due from other banks, mandatory cash balances and investment securities, less corporate shares).

On a QoQ basis, total assets increased by GEL 117.9 million, or 1.8%. The increase was mainly due to a GEL 222.7 million, or by 5.2%, increase in net loans, which was partially offset by a GEL 161.4 million, or 9.3%, decrease in liquid assets.

The liquid assets to liability ratio stood at 23.2%, compared to 25.6% as of 30 June 2015 and 26.0% as of 31 March 2016.

As of 30 June 2016, the gross loan portfolio amounted to GEL 4,771.1 million, up by 11.4% YoY and by 4.8% QoQ. Gross loans denominated in foreign currency accounted for 66.2% of total gross loans, compared to 65.3% as of 30 June 2015 and 65.9% as of 31 March 2016. As of 30 June 2016, NPLs stood at 4.7%, compared to 4.4% and 4.8% as of 30 June 2015 and 31 March 2016, respectively. The NPLs provision coverage ratio stood at 85.6% (205.3% including the collateral), compared to 103.4% as of 30 June 2015 and 90.6% as of 31 March 2016.

Asset Quality

Foreign Currency Income Linked Borrowers

	30-Jun-16		31-Mar-16	
Segments	**FC share**	**FC linked borrowers share**	**FC share**	**FC linked borrowers share**
Retail	59.2%	34.2%	59.4%	34.0%
Consumer	25.8%	20.4%	27.1%	19.5%
Mortgage	89.6%	24.3%	87.7%	24.5%
Pawn	70.5%	95.6%	74.1%	93.1%
Corporate	82.3%	52.7%*	81.6%	53.6%**
SME	84.2%	24.2%	83.2%	25.5%
Micro	31.1%	5.0%	28.4%	5.0%
Total Loan Portfolio	66.2%	38.0%	65.9%	38.4%

(*) Pure exports account for 11.0% of total Corporate USD denominated loans.
(**) Pure exports account for 11.7% of total Corporate USD denominated loans.

PAR 30 by Segments and Currencies

Par 30	31-Jun-16			31-Mar-16			30-Jun-15		
	GEL	**FC**	**Total**	**GEL**	**FC**	**Total**	**GEL**	**FC**	**Total**
Corporate	0.0%	1.3%	**1.1%**	0.4%	1.5%	**1.3%**	0.1%	0.8%	**0.6%**
Retail	2.4%	2.8%	**2.7%**	2.8%	3.1%	**3.0%**	2.4%	2.3%	**2.3%**
SME	1.2%	3.9%	**3.5%**	1.9%	6.9%	**6.1%**	1.4%	3.1%	**2.9%**
Micro	3.5%	5.5%	**4.1%**	3.6%	7.6%	**4.7%**	2.0%	3.6%	**2.5%**
Total	**2.2%**	**2.6%**	**2.4%**	**2.5%**	**3.4%**	**3.1%**	**1.7%**	**2.0%**	**1.9%**

Total

The QoQ decrease in PAR 30 by 0.7pp was driven by improved credit quality across all segments. On a YoY basis, the increase in PAR 30 by 0.5pp was mainly driven by the macro developments in 2015.

Retail Segment

Retail segment PAR 30 decreased by 0.3pp QoQ. The YoY increase of 0.4pp is mainly driven by FC denominated mortgage and consumer loans.

Corporate

Corporate segment PAR 30 increased by 0.5pp YoY, but decreased by 0.2pp QoQ, remaining at a low level.

SME

The SME segment PAR 30 decreased by 2.6pp QoQ, and increased by 0.6pp YoY. The QoQ decrease is driven by an improved performance of the Bank's standalone portfolio in 2Q 2016.

Micro

Micro segment PAR 30 decreased by 0.6pp QoQ and increased by 1.6pp YoY. The YoY increase was mainly driven by the macro developments in 2015.

NPLs

NPLs	30-Jun-16			31-Mar-16			30-Jun-15		
	GEL	**FC**	**Total**	**GEL**	**FC**	**Total**	**GEL**	**FC**	**Total**
Corporate	1.7%	8.3%	**7.1%**	1.5%	8.7%	**7.4%**	2.4%	8.9%	**7.3%**
Retail	1.6%	3.6%	**2.8%**	1.6%	3.6%	**2.8%**	1.8%	2.8%	**2.4%**
SME	1.8%	7.0%	**6.2%**	2.4%	6.8%	**6.0%**	2.7%	4.8%	**4.4%**
Micro	2.8%	7.1%	**4.1%**	3.1%	8.6%	**4.6%**	2.2%	6.4%	**3.6%**
Total	**1.9%**	**6.1%**	**4.7%**	**2.0%**	**6.3%**	**4.8%**	**2.1%**	**5.6%**	**4.4%**

Total

NPLs stood at 4.7%, down by 0.1pp QoQ and up by 0.3pp YoY. The YoY increase in NPLs was driven by the macro developments in 2015.

Retail Segment

The NPL ratio in the retail segment was 2.8% as of 30 June 2016, stable QoQ and up by 0.4pp YoY. The YoY growth in NPLs was mainly driven by FC-denominated loans. The NPL ratio in local currency denominated loans is stable due to the good performance of the unsecured retail loans.

Corporate

The NPL ratio decreased by 0.3pp QoQ and by 0.2pp YoY. The reduction in NPLs is due to the improved quality of the portfolio.

SME

The NPL ratio increased by 0.2pp QoQ and by 1.8pp YoY. The QoQ increase was driven by increased NPLs in TBC Kredit's portfolio related to the currency devaluation and macro developments in Azerbaijan. The YoY increase was also affected by local currency depreciation in 2015.

Micro

The decrease in the micro segment NPL ratio by 0.5pp QoQ was mainly driven by the improved performance of foreign currency denominated micro loans. The YoY increase of 0.5pp was caused by the macro developments in 2015.

NPLs Coverage

NPLs coverage	30-Jun-16		31-Mar-16		30-Jun-15	
	excl. collateral	**incl. collateral**	**excl. collateral**	**incl. collateral**	**excl. collateral**	**incl. collateral**
Corporate	86.3%	230.8%	100.2%	241.5%	107.0%	n/a
Retail	106.2%	194.4%	105.6%	197.2%	142.3%	n/a
SME	42.8%	164.0%	41.2%	183.7%	29.5%	n/a
Micro	99.3%	187.5%	91.1%	178.0%	94.0%	n/a
Total	**85.6%**	**205.3%**	**90.6%**	**213.3%**	**103.4%**	**n/a**

The NPLs provision coverage ratio stood at 85.6%, compared to 90.6% as of 31 March 2016 and 103.4% as of 30 June 2015. The YoY decrease in coverage was primarily due to the increased NPL levels. On a QoQ basis NPL coverage decreased by 5.0pp. This decrease was driven by decreased coverage on corporate loans due to the release of provision level for one large borrower, given an improved outlook of loan recovery. The NPL coverage with collateral stood at 205.3% as of 30 June 2016.

Liabilities

As of 30 June 2016, TBC Bank's total liabilities amounted to GEL 5,457.3 million, up by 5.0% YoY and by 1.6% QoQ. The YoY growth of GEL 259.9 million was primarily due to a GEL 438.6 million, or 11.4%, increase in customer deposits, which mainly resulted from growth in retail deposits. Deposits growth more than offset the GEL 200.1 million decrease in due to credit institutions, which mainly resulted from decreased borrowings from the NBG. Borrowings from the NBG decreased due to decreased GEL demand, which was caused by the NBG's decision to lower the mandatory reserve requirements in the local currency by 3%, along with an increased GEL inflow and increased liquidity on the interbank market, which enabled the Bank to replace NBG refinancing loans with short-term interbank borrowings. The rise in total liabilities was also attributable to GEL 50.2 million, or 21.6% (16.9% without currency rate effect), increase in subordinated debt.

On a QoQ basis, total liabilities increased by GEL 83.5 million, or 1.6%, primarily due to the GEL 338.2 million, or 8.6%, increase in customer deposits, which mainly resulted from the growth in corporate deposits. This more than offset the decrease in due to credit institution, which was mainly driven by the decreased borrowings from the NBG consistent with the liquidity management needs.

Liquidity

The Bank's liquidity ratio, as defined by the central bank, stood at 33.3% as of 30 June 2016, compared to 33.0% and 33.1% as of 30 June 2015 and 31 March 2016, respectively.

Total Equity

As of 30 June 2016, TBC's total equity amounted to GEL 1,314.9 million, up from GEL 1,076.6 million as of 30 June 2015 and from GEL 1,280.6 million as of 31 March 2016. This growth was primarily driven by the increased net income attributable to the Bank's owners. In 2Q 2016 the Bank distributed dividends in the amount of GEL 54.6 million (gross of taxes), which partially offset the increase in net income by GEL 80.8 million in the same period.

Regulatory Capital

As of 30 June 2016, the Bank's Basel II/III[2] tier 1 and total capital adequacy ratios (CAR) stood at 12.6% and 15.7%, respectively, compared to 12.2% and 15.1% as of 30 June 2015, and 13.3% and 16.8% as of 31 March 2016. The minimum capital requirements set by the NBG for Basel II/III tier 1 and total capital ratios are 8.5% and 10.5%, respectively. The Bank's Basel II/III tier 1 capital amounted to GEL 999.2 million, compared to GEL 831.4 million as of 30 June 2015 and GEL 994.1 million as of 31 March 2016. Risk weighted assets were GEL 7,912.5 million as of 31 June 2016, up by GEL 1,117.2 million YoY and by GEL 462.0 million QoQ.

As of 30 June 2016 the Bank's Basel I tier 1 capital ratio was 26.3%. Tier 1 capital reached GEL 1,247.6 million, compared to 1,031.3 million and 1,218.5 million as of 30 June 2015 and 31 March 2016, respectively. Risk weighted assets were GEL 4,751.2 million as of 30 June 2016, up by GEL 504.9 million YoY and by GEL 174.9 million QoQ.

[2] Starting from June 2014 the National Bank of Georgia enforced Basel II/III regulation

Results by Segments and Subsidiaries

Following the merger with Bank Constanta in January 2015, the Bank revised the segment definitions as per below:

- **Corporate** segment includes business customers that have annual revenues of GEL 8.0 million or more, or have been granted a loan in an amount equivalent to USD 1.5 million or more. Some other business customers may also be assigned to the Corporate segment on a discretionary basis;
- **Micro** segment business customers with loans below USD 70,000, as well as pawn loans, credit cards and cash cover loans granted in TBC Bank Constanta branches, and deposits up to USD 20,000 in urban areas and up to USD 100,000 in rural areas of the customers of TBC Bank Constanta branches. Some other customers may also be assigned to the Micro segment on a discretionary basis;
- **SME** segment includes business customers that are not included in either the Corporate or Micro segments. Some other legal entity customers may also be assigned to the SME segment on a discretionary basis;
- **Retail** segment includes individuals that are not included in the other categories.
- **Corporate Center and Other Operations** comprise the Treasury, other support and back office functions, and non-banking subsidiaries of the Group.

The following table sets out the information on the financial results of TBC Bank's segments for 1H 2016:

In thousands of GEL 11H6	Retail	Corporate	SME	Micro	Corporate Center	Total
1H 2016						
Interest income	147,516	67,370	32,849	54,638	38,653	341,026
Interest expense	-47,749	-17,910	-3,863	-930	-54,035	-124,488
Net Transfer pricing	-12,055	-14,958	-1,935	-19,066	48,014	0
Net interest income	**87,712**	**34,502**	**27,050**	**34,642**	**32,632**	**216,538**
Fee and commission income	40,732	10,330	6,624	3,020	1,523	62,228
Fee and commission expense	-17,402	-1,542	-1,748	-1,601	-252	-22,546
Net fee and commission income	**23,330**	**8,788**	**4,876**	**1,418**	**1,270**	**39,683**
Gains less losses from trading in foreign currencies	6,589	9,364	10,643	803	1,685	29,085
Foreign exchange translation gains less losses/(losses less gains)	0	0	0	0	-999	-999
Net losses from derivative financial instruments	0	0	0	0	-472	-472
(Losses less gains) / gains less losses from disposal of investment securities available for sale	0	0	0	0	8,795	8,795
Other operating income	1,118	4,811	284	67	2,082	8,363
Other operating non-interest income	**7,707**	**14,176**	**10,928**	**870**	**11,090**	**44,771**
Provision for loan impairment	-21,434	13,904	-5,879	-11,868	0	-25,277
(Provision) / recovery of provision for liabilities, charges and credit related commitments	3	-2,023	-64	8	0	-2,076
Recovery of provision / (provision) for impairment of investments in finance lease	0	0	0	0	-111	-111
(Provision) / recovery of provision for impairment of other financial assets	-187	-618	-22	-73	-294	-1,194
Recovery of impairment / (impairment) of investment securities available for sale	0	0	0	0	-11	-11
Profit before G&A expenses and income taxes	**97,131**	**68,729**	**36,889**	**24,997**	**44,577**	**272,323**
Staff costs	-35,457	-9,024	-7,587	-12,423	-4,982	-69,473
Depreciation and amortisation	-8,194	-521	-1,028	-2,919	-947	-13,610
Administrative and other operating expenses	-24,665	-6,430	-4,800	-7,819	-7,872	-51,586
Operating expenses	**-68,317**	**-15,974**	**-13,415**	**-23,161**	**-13,801**	**-134,668**
Profit before tax	**28,814**	**52,755**	**23,474**	**1,836**	**30,776**	**137,655**
Income tax expense	-2,789	-8,179	-3,801	-268	16,618	1,582
Profit for the period	**26,025**	**44,576**	**19,673**	**1,569**	**47,394**	**139,237**

The following table sets out the loans and customer deposits portfolios of TBC Bank's business segments as of 30 June 2016, 31 March 2016 and 30 June 2015.

In thousands of GEL	30-Jun-16	31-Mar-16	30-Jun-15
Loans and Advances to Customers			
Consumer	*941,543*	*896,242*	*775,392*
Mortgage	*931,980*	*894,240*	*814,511*
Pawn	*268,433*	*250,832*	*209,729*
Retail	*2,141,956*	*2,041,315*	*1,799,632*
Corporate	*1,431,937*	*1,347,213*	*1,380,488*
SME	*604,350*	*610,353*	*569,091*
Micro	*532,886*	*494,839*	*478,307*
Total loans and advances to customers (gross)	**4,711,130**	**4,493,719**	**4,227,518**
Less: Provision for loan impairment	-190,104	-195,428	-192,585
Total loans and advances to customers (net)	**4,521,026**	**4,298,291**	**4,034,933**
Customer Accounts			
Retail deposits	*2,573,584*	*2,530,828*	*2,254,095*
Corporate deposits	*982,282*	*760,438*	*912,902*
SME deposits	*640,692*	*571,285*	*596,670*
Micro deposits	*73,220*	*69,073*	*67,514*
Total customer accounts	**4,269,778**	**3,931,623**	**3,831,182**

Retail Banking

As of 30 June 2016, retail loans stood at GEL 2,142.0 million, up by 19.0% YoY and up by 4.9% QoQ, mainly related to an increase in consumer loans by 21.4% YoY and 5.1% QoQ. TBC Bank's retail loans accounted for 31.4% market share of total individual loans. As of 30 June 2016, foreign currency loans represented 59.2% of the total retail loan portfolio.

In the same period, retail deposits increased to GEL 2,573.6 million, up by 14.2% YoY and by 1.7% QoQ, and accounted for 34.5% market share of total individual deposits. The increase in retail deposits was mainly attributable to the increase in current deposits by 26.7% YoY and 6.1% QoQ. Term deposits accounted for 60.8% of the total retail deposit portfolio as of 30 June 2016. Foreign currency deposits represented 87.3% of the total retail deposit portfolio.

In 1H 2016, retail loan yields and deposit rates stood at 14.5% and 3.8% respectively, and the segment's cost of risk on loans was 2.1%. The retail segment contributed 18.7%, or GEL 26.0 million, to TBC's total net income in 1H 2016.

Corporate Banking

As of 30 June 2016, corporate loans amounted to GEL 1,431.9 million, up by 3.7% YoY and up by 6.3% QoQ. Foreign currency loans accounted for 82.3% of the total corporate loan portfolio.

As of the same date, corporate deposits totaled GEL 982.3 million, up by 7.6% YoY and by 29.2% QoQ, due to the attraction of several large new clients as well as movements of large accounts. Foreign currency corporate deposits represented 50.1% of the total corporate deposit portfolio.

In 1H 2016, corporate loan yields and deposit rates stood at 9.9% and 4.0%, respectively. In the same period, the cost of risk on loans was -2.0%. In terms of profitability, the corporate segment's net profit reached GEL 44.6 million, or 32.0% of the Bank's total net income.

SME Banking

As of 30 June 2016, SME loans amounted to GEL 604.3 million, up by 6.2% YoY and down by 1.0% QoQ, due to the transfer of several SME loans to Corporate. Foreign currency loans accounted for 84.2% of the total SME portfolio.

As of the same date, SME deposits stood at GEL 640.7 million, up by 7.4% YoY and by 12.1% QoQ, partly due to a seasonally low deposit portfolio in the first quarter related to the corporate income tax payments. Foreign currency SME deposits represented 57.6% of the total SME deposit portfolio.

In 1H 2016, SME loan yields and deposit rates stood at 10.9% and 1.3%, respectively while the cost of risk on loans was 2.0%. In terms of profitability, net profit for the SME segment amounted to GEL 19.7 million, or 14.1%, of TBC's total net income.

Micro Banking

As of 30 June 2016 micro loans totaled GEL 532.9 million, up by 11.4% YoY and up 7.7% QoQ. Foreign currency loans represented 31.1% of the total micro loan portfolio.

As of the same date, micro customer deposits amounted to GEL 73.2 million, up by 8.5% YoY and down by 6.0% QoQ. Foreign currency micro deposits represented 60.5% of the total micro deposit portfolio.

In 1H 2016, micro loan yields and deposit rates stood at 22.1% and 2.7%, respectively. In the same period, the cost of risk on loans was 4.8%. In terms of profitability, the micro segment's net profit reached GEL 1.6 million, or 1.1% of TBC's total net income.

Annexes

Subsidiaries

Subsidiary	Ownership / voting % as of 30 June 2016	Country	Year of incorporation or acquisition	Industry	Total Assets (after elimination)	
					Amount GEL'000	**% in TBC Group**
United Financial Corporation JSC	98.7%	Georgia	1997	Card processing	10,917	0.16%
TBC Capital LLC	100.0%	Georgia	1999	Brokerage	820	0.01%
TBC Leasing JSC	99.6%	Georgia	2003	Leasing	101,989	1.51%
TBC Kredit LLC	75.0%	Azerbaijan	2008	Non-banking credit institution	53,914	0.80%
Banking System Service Company LLC	100.0%	Georgia	2009	Information services	524	0.01%
TBC Pay LLC	100.0%	Georgia	2009	Processing	24,881	0.37%
Mali LLC	100.0%	Georgia	2011	Real estate management	210	0.00%
Real Estate Management Fund JSC	100.0%	Georgia	2010	Real estate management	1,442	0.02%
TBC Invest LLC	100.0%	Israel	2011	PR and marketing	242	0.00%

Consolidated Balance Sheet

In thousands of GEL	30-Jun-16	31-Mar-16	30-Jun-15
Cash and cash equivalents	344,205	688,118	597,580
Due from other banks	12,256	12,591	42,788
Mandatory cash balances with National Bank of Georgia	624,502	452,398	408,456
Loans and advances to customers (Net)	4,521,026	4,298,291	4,034,933
Investment securities available for sale	242,450	224,614	204,440
Repurchase receivables	42,347	0	69,156
Investment securities held to maturity	350,885	367,045	366,639
Investments in finance leases	77,043	78,950	62,353
Investment properties	69,984	69,461	75,236
Goodwill	2,726	2,726	2,726
Intangible assets	45,954	45,129	40,978
Premises and equipment	250,654	249,756	211,250
Other financial assets	75,692	55,380	62,263
Deferred income tax asset	2,326	2,301	944
Current income tax prepayment	10,871	10,671	6,010
Other assets	99,304	96,921	88,292
TOTAL ASSETS	**6,772,226**	**6,654,351**	**6,274,044**
LIABILITIES			
Due to Credit Institutions	790,971	1,002,300	991,069
Customer accounts	4,269,778	3,931,623	3,831,182
Current income tax liability	406	468	486
Debt Securities in issue	16,460	21,424	22,540
Deferred income tax liability	7,323	35,838	25,470
Provisions for liabilities and charges	11,537	10,491	8,202
Other financial liabilities	49,834	38,563	53,574
Subordinated debt	282,815	303,381	232,658
Other liabilities	28,177	29,686	32,230
TOTAL LIABILITIES	**5,457,302**	**5,373,774**	**5,197,413**
EQUITY			
Share capital	19,623	19,612	19,587
Share premium	408,649	408,274	406,058
Retained earnings	798,443	772,225	594,863
Share based payment reserve	17,469	14,753	5,926
Other reserves	64,574	59,309	42,653
TOTAL EQUITY	**1,308,759**	**1,274,174**	**1,069,087**
Non-controlling interest	6,165	6,403	7,543
TOTAL EQUITY	**1,314,924**	**1,280,577**	**1,076,631**
TOTAL LIABILITIES AND EQUITY	**6,772,226**	**6,654,351**	**6,274,044**

Consolidated Income Statement

In thousands of GEL	1H'16	1H'15	2Q'16	1Q'16	2Q'15
Interest income	341,026	306,876	166,167	174,859	160,327
Interest expense	(124,488)	(108,640)	(58,512)	(65,976)	(57,762)
Net interest income	**216,538**	**198,236**	**107,654**	**108,883**	**102,565**
Fee and commission income	62,228	52,525	32,681	29,547	27,501
Fee and commission expense	(22,546)	(17,685)	(11,296)	(11,250)	(9,280)
Net Fee and Commission Income	**39,683**	**34,840**	**21,385**	**18,297**	**18,221**
Gains less losses from trading in foreign currencies	29,085	30,561	14,466	14,619	22,230
Foreign exchange translation gains less losses	(999)	4,500	(1,007)	8	(4,837)
Gains less losses/(losses less gains) from derivative financial instruments	(472)	(490)	(109)	(363)	(52)
Losses less gains / (gains less losses) from disposal of investment securities available for sale	8,795	0	8,795	0	0
Other operating income	8,363	9,052	4,695	3,668	4,444
Other operating non-interest income	**44,771**	**43,623**	**26,840**	**17,931**	**21,785**
Provision for loan impairment	(25,277)	(48,723)	(12,211)	(13,067)	(19,338)
Provision for impairment of investments in finance lease	(111)	(363)	74	(185)	(259)
Provision for/ (recovery of provision) performance guarantees and credit related commitments	(2,076)	3,060	(1,047)	(1,029)	2,240
Provision for impairment of other financial assets	(1,194)	(1,232)	(1,145)	(49)	(893)
Impairment of investment securities available for sale	(11)	0	0	(11)	0
Operating income after provisions for impairment	**272,323**	**229,441**	**141,550**	**130,772**	**124,321**
Staff costs	(69,473)	(65,308)	(35,301)	(34,172)	(34,455)
Depreciation and amortisation	(13,610)	(12,302)	(7,042)	(6,567)	(6,096)
Provision for liabilities and charges	0	0	0	0	0
Administrative and other operating expenses	(51,586)	(36,042)	(28,026)	(23,560)	(20,508)
Operating expenses	**(134,668)**	**(113,651)**	**(70,369)**	**(64,299)**	**(61,058)**
Profit before tax	**137,655**	**115,790**	**71,181**	**66,474**	**63,263**
Income tax expense	1,582	(14,619)	9,359	(7,777)	(7,730)
Profit for the period	**139,237**	**101,171**	**80,540**	**58,696**	**55,533**
Profit attributable to owners of the bank	**140,261**	**100,999**	**80,778**	**59,483**	**55,460**

Key Ratios

Average Balances

Average balances included in this document are calculated as the average of the relevant monthly balances as of each month-end. Balances have been extracted from TBC's unaudited and consolidated management accounts prepared from TBC's accounting records and used by the Management for monitoring and control purposes.

Ratios (based on monthly averages, where applicable)	1H 2016	1H 2015	2Q 2016	1Q 2016	2Q 2015
ROAE[1]	22.5%	19.5%	25.5%	19.3%	21.0%
ROAA[2]	4.2%	3.4%	4.9%	3.5%	3.6%
Pre-provision ROAE	27.1%	28.6%	30.0%	23.9%	27.9%
Pre-provision ROAA	5.0%	5.0%	5.8%	4.3%	4.7%
Cost: Income[3]	44.7%	41.1%	45.1%	44.3%	42.8%
Cost of Risk[4]	1.1%	2.4%	1.1%	1.2%	1.8%
NIM[5]	7.8%	8.0%	7.9%	7.7%	7.9%
Loan yields[6]	13.5%	13.6%	13.3%	13.6%	13.6%
Deposit rates[7]	3.5%	3.6%	3.4%	3.6%	3.6%
Yields on interest earning assets [8]	12.3%	12.3%	12.2%	12.4%	12.4%
Cost of Funding[9]	4.7%	4.5%	4.5%	4.8%	4.6%
Spread[10]	7.6%	7.8%	7.7%	7.6%	7.8%
PAR 90 to gross loans[11]	1.5%	1.1%	1.5%	1.7%	1.1%
NPLs to gross loans[12]	4.7%	4.4%	4.7%	4.8%	4.4%
NPLs coverage[13]	85.6%	103.4%	85.6%	90.6%	103.4%
Provision Level to Gross Loans[14]	4.0%	4.6%	4.0%	4.3%	4.6%
BIS Tier 1[15]	26.3%	24.3%	26.3%	26.6%	24.3%
Total BIS CAR[16]	32.5%	29.8%	32.5%	33.3%	29.8%
NBG Basel II/III Tier 1 CAR[17]	12.6%	12.2%	12.6%	13.3%	12.2%
NBG Basel II/III Total CAR[18]	15.7%	15.1%	15.7%	16.8%	15.1%

Ratio definitions

1. Return on average total equity (ROAE) equals net income attributable to owners divided by monthly average of total shareholders' equity attributable to the Bank's equity holders for the same period; Pre-provision ROAE excludes all provision charges. Annualised where applicable.
2. Return on average total assets (ROAA) equals net income of the period divided by monthly average total assets for the same period. Pre-provision ROAE excludes all provision charges. Annualised where applicable.
3. Cost to Income ratio equals total operating expenses for the period divided by the total revenue for the same period. (Revenue represents the sum of net interest income, net fee and commission income and other non-interest income).
4. Cost of risk equals provision for loan impairment divided by monthly average gross loans and advances to customers. Annualised where applicable.
5. Net interest margin (NIM) is net interest income divided by monthly average interest-earning assets. Annualised where applicable.
6. Loan yields equal interest income on loans and advances to customers divided by monthly average gross loans and advances to customers. Annualised where applicable.
7. Deposit rates equal interest expense on customer accounts divided by monthly average total customer deposits. Annualised where applicable.
8. Yields on interest earning assets equals total interest income divided by monthly average interest earning assets. Annualised where applicable.
9. Cost of funding equals total interest expense divided by monthly average interest bearing liabilities. Annualised where applicable.
10. Spread equals difference between yields on interest earning assets and cost of funding.
11. PAR 90 to gross loans ratio equals loans for which principal or interest repayment is overdue for more than 90 days divided by the gross loan portfolio for the same period.
12. NPLs to gross loans equal loans with 90 days past due on principal or interest payments, and loans with well-defined weakness, regardless of the existence of any past-due amount or of the number of days past due divided by the gross loan portfolio for the same period
13. NPLs coverage ratio equal loan loss provision divided by the NPL loans.
14. Provision Level to Gross Loans equal loan loss provision divided by the gross loan portfolio for the same period.
15. BIS Tier 1 capital adequacy ratio Tier 1 capital over total risk weighted assets, both calculated in accordance with Basel I requirements.
16. Total BIS CAR equals total capital over total risk weighted assets, both calculated in accordance with Basel I requirements.
17. NBG Basel II Tier 1 CAR equals Tier I Capital divided by total risk weighted assets, both calculated in accordance with the NBG Basel II requirements. After adoption of NBG Basel II/III requirements, the Bank also calculates its capital requirements and risk weighted assets separately for Pillar 1. Detailed instructions of Pillar 1 calculations are given by NBG. The reporting started from the end of 2012.
18. NBG Basel II Total CAR equals total capital divided by total risk weighted assets, both calculated in accordance with the NBG Basel II requirements. After adoption of NBG Basel II/III requirements, the Bank also calculates its capital requirements and risk weighted assets separately for Pillar 1. Detailed instructions of Pillar 1 calculations are given by NBG. The reporting started from the end of 2012.

Exchange Rates

To calculate the Balance Sheet items' QoQ growth without currency exchange rate effect, we used USD/GEL exchange rate of 2.3679 as of 31 March 2016. For calculations of YoY growth without currency exchange rate effect, we used USD/GEL exchange rate of 2.2483 as of 30 June 2015. The USD/GEL exchange rate as of 30 June 2016 equaled 2.3423. For P&L items growth calculations without currency effect, we used the average USD/GEL exchange rate for the following periods: 1H 2016 of 2.3239, 1H 2015 of 2.1778, 2Q 2016 of 2.2127, 1Q 2016 of 2.4351 and 2Q 2015 of 2.2816.

Additional Disclosures

Sensitivity Scenario

Sensitivity Scenario	30-Jun-16	10% Currency Devaluation Effect
NIM*		-0.1%
Cost of Risk		+0.2%
Total Capital per Basel II/III	1,242	1,245
Capital adequacy ratios per both tier 1 and total per Basel II/III and NBG regulation decrease by		0.97% - 1.02%

(*) Linear depreciation is assumed for NIM sensitivity analysis
Source: IFRS statements and Internal Reporting

FC details for Selected P/L Items

Selected P&L Items 2Q 2016	FC % of Respective Totals
Interest Income	45%
Interest Expense	63%
Fee and Commission Income	36%
Fee and Commission Expense	60%
Administrative Expenses	32%

Source: IFRS statements and Internal Reporting

Refinanced and Libor Linked B/S Items 30 June 2016

Refinance Rate Gap	*GEL* 21 m	
	GELm	% share in totals
Assets	**784**	**12%**
Securities with fixed yield(≤1y)*	314	49%
Securities with floating yield	150	24%
Loans with Floating yield	285	6%
Reserves in NBG	30	5%
Interbank loans& Deposits & Repo	4	5%
Liabilities	**763**	**16%**
Current accounts	284	7%
Saving accounts	117	3%
Refinancing Loan of NBG	138	23%
Interbank Loans &Deposits & Repo	65	32%
IFI Borrowings	159	26%

Libor Gap	*GEL* 802 m	
	GELm	% share in totals
Assets	**1,194**	**18%**
Nostro**	19	26%
NBG Reserves**	625	95%
Libor Loans	542	12%
Interest Rate Options	8.2	
Liabilities	**391**	**7%**
Senior Loans	189	31%
Subordinated Loans	202	71%

(*) 59.5% of the less than 1 year securities are maturing in 6 months
(**)Income on NBG reserves and Nostros are calculated as benchmark minus margin whereby benchmarks are correlated with Libor. From March, 2016 according to NBG regulation is it possible to apply negative interest rates on NBG reserves and correspondent accounts, therefore these two items close the gap in case of both upward and downward movement of Libor rate.
Source: IFRS Group Data

Yields and Rates

Yields and Rates	1H 2016	2Q'16	1Q'16	4Q'15	3Q'15	2Q'15
Loan yields	**13.5%**	**13.3%**	**13.6%**	**13.6%**	**13.6%**	**13.6%**
Retail loan yields GEL	*20.1%*	*20.2%*	*20.2%*	*20.4%*	*20.0%*	*20.0%*
Retail loan yields FX	*10.6%*	*10.2%*	*10.9%*	*11.3%*	*11.6%*	*11.6%*
Retail Loan Yields	**14.5%**	**14.3%**	**14.6%**	**14.9%**	**15.0%**	**14.9%**
Corporate loan yields GEL	13.4%	13.7%	13.2%	*12.5%*	*11.1%*	*10.1%*
Corporate loan yields FX	9.1%	8.8%	9.3%	*8.7%*	*9.3%*	*9.3%*
Corporate Loan Yields	**9.9%**	**9.7%**	**10.1%**	**9.6%**	**9.7%**	**9.5%**
SME loan yields GEL	13.7%	13.2%	14.2%	*13.0%*	*12.8%*	*11.3%*
SME loan yields FX	10.4%	10.0%	10.7%	*10.9%*	*11.3%*	*11.9%*
SME Loan Yields	**10.9%**	**10.5%**	**11.3%**	**11.3%**	**11.6%**	**11.8%**
Micro loan yields GEL	24.8%	24.9%	24.6%	*25.1%*	*24.7%*	*24.7%*
Micro loan yields FX	15.7%	14.9%	16.6%	*17.9%*	*18.8%*	*19.5%*
Micro Loan Yields	**22.1%**	**22.0%**	**22.3%**	**23.0%**	**22.8%**	**22.8%**
Deposit rates	**3.5%**	**3.4%**	**3.6%**	**3.4%**	**3.4%**	**3.6%**
Retail deposit rates GEL	4.0%	4.1%	3.9%	*3.6%*	*3.8%*	*3.7%*
Retail deposit rates FX	3.8%	3.7%	3.9%	*4.0%*	*4.2%*	*4.3%*
Retail Deposit Yields	**3.8%**	**3.7%**	**3.9%**	**4.0%**	**4.1%**	**4.2%**
Corporate deposit rates GEL	7.0%	7.5%	6.7%	*5.3%*	*4.6%*	*4.6%*
Corporate deposit rates FX	1.4%	1.3%	1.7%	*1.8%*	*1.7%*	*1.6%*
Corporate Deposit Yields	**4.0%**	**4.0%**	**4.1%**	**3.4%**	**3.1%**	**3.3%**
SME deposit rates GEL	2.4%	2.5%	2.4%	*2.0%*	*1.6%*	*1.5%*
SME deposit rates FX	0.5%	0.4%	0.7%	*1.4%*	*1.5%*	*1.6%*
SME Deposit Yields	**1.3%**	**1.3%**	**1.3%**	**1.6%**	**1.6%**	**1.6%**
Micro deposit rates GEL	3.2%	3.2%	3.2%	*2.7%*	*2.9%*	*4.0%*
Micro deposit rates FX	2.4%	2.1%	2.5%	*2.7%*	*2.9%*	*3.1%*
Micro Deposit Yields	**2.7%**	**2.6%**	**2.8%**	**2.7%**	**2.9%**	**3.4%**
Yields on Securities	**9.2%**	**9.1%**	**9.4%**	**8.5%**	**7.4%**	**6.8%**

Source: IFRS Consolidated

Loan Quality per NBG

Sub-Standard, Doubtful and Loss (SDL) Loans Ratio per NBG

	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
SDL Loans as % of Gross Loans	**6.9%**	**7.2%**	**6.8%**	**7.5%**	**6.8%**

Source: NBG

Cross Sell Ratio/Active Products

	Jun-16	May-16	Apr-16	Mar-16
Cross Sell Ratio	3.47	3.43	3.47	3.43
Number of Active Products (in millions)	2.55	2.48	2.45	2.40

Source: Internal reporting figures

Diversified Deposit Base

Status: monthly income >=3,000 GEL or loans/deposits >=30,000 GEL
VIP*: deposit >=100,000 USD; Non-residents: >=50,000 USD

31 March 2016	Volume Of Deposits	Number Of Deposits
MASS	42%	96%
STASUS	19%	3.7%
VIP	25%	0.5%
WM	15%	0.1%

Source: Internal reporting figures

Loan concentration

	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Top 20 Borrowers as % of total portfolio	14.4%	14.6%	15.6%	17.3%	16.2%
Top 10 Borrowers as % of total portfolio	9.0%	9.2%	9.9%	11.7%	10.5%
Related Party Loans as % of total portfolio	0.1%	0.2%	0.1%	0.1%	0.1%

Source: IFRS consolidated

Sales Breakdown (for products offered through Multichannel)

	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Digital Channels	25%	27%	21%	25%	12%
Call Center	27%	23%	28%	15%	11%
Branches	48%	51%	51%	60%	77%

Number of Transactions in Digital Channels ('000)

	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
IB Number of Transactions	1,797	1,669	1,729	1,511	1,493
MB Number of Transactions	1,485	1,151	1,008	780	639

Penetration Ratios of Digital Channels

	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
IB Penetration Ratio	29.6%	28.1%	30.0%	24.1%	21.0%
MB Penetration Ratio	19.1%	17.3%	15.4%	12.1%	10.5%