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TBC BANK

TBC BANK

Q1 2013 UNAUDITED CONSOLIDATED IFRS RESULTS ANNOUNCEMENT

Results Overview Q1 2013

Income Statement highlights

	31-Mar-13		31-Mar-12	
In millions of GEL	GEL	USD	GEL	USD
Total Operating Income	87.6	52.8	71.3	42.9
Provisioning Charges	-19.7	-11.9	-3.4	-2.0
Non-interest expense	45.1	27.2	39.5	23.8
Profit before tax	22.8	13.7	28.3	17.1
Profit for the period	19.6	11.8	25.1	15.1

	31-Mar-13	31-Mar-12
ROAE (annualised)	12.9%	20.9%
ROAA (annualised)	2.1%	3.0%
Pre-provision ROAE (annualised)	25.9%	23.8%
Cost: Income	51.5%	55.5%
Cost of Risk (annualised)	3.1%	-0.1%

Balance Sheet and Capital Highlights

	31-Mar-13		31-Dec-12	
In millions of GEL	GEL	USD	GEL	USD
Total Assets	3,718.3	2,243.0	3,899.7	2,353.9
Gross Loans	2,528.5	1,525.3	2,536.7	1,531.2
Customer Deposits	2,387.8	1,440.4	2,486.9	1,501.1
Total equity	627.9	378.8	604.0	364.6
Tier 1 Capital	580.4	350.1	559.4	337.6
Risk weighted assets	2,752.8	1,660.6	2,761.4	1,666.8

	31-Mar-13	31-Dec-12
NPL to Gross Loans	1.3%	1.0%
BIS Tier 1 Capital Adequacy Ratio	21.1%	20.3%
BIS Total Capital Adequacy Ratio	27.5%	26.7%
Leverage (times)	5.9	6.5

Selected Operating Data

	31-Mar-13	31-Dec-12
Branches	59	58
thereof in Tbilisi	39	38
Number of Accounts	919,048	895,427
Cash-in Terminals (TBC Pay)	1,951	1,944
ATMs	237	234
POS Terminals	3,002	2,888
Long-term ratings		
Fitch	BB-	BB-
Moody's	Ba3	Ba3

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Financial Highlights Q1 2013

- Total operating income in Q1 2013 was GEL 87.6 million, up GEL 16.3 million, or 22.9%, compared to GEL 71.3 million achieved in Q1 2012;

- Pre-provision income increased by 37.9% to GEL 39.3 million, compared to GEL 28.5 million in the prior year quarter, delivering the annualized pre-provision return on average equity of 25.9%;

- Provisioning charges amounted to GEL 19.7 million, up GEL 16.3 million, compared to GEL 3.4 million in the prior year quarter;

- Net income for the first quarter of 2013 was GEL 19.6 million, compared to GEL 25.1 million in the first quarter of 2012, delivering an annualized return on average equity of 12.9%;

- Noninterest expenses were GEL 45.1 million in the quarter, up GEL 5.6 million, or 14.1%, compared to the first quarter of 2012, resulting in the positive operating leverage of 8.8 percentage points;

- Total assets reached GEL 3,718.3 million, up GEL 244.3 million, or 7.0% YoY;

- Gross loans and advances to customers reached GEL 2,528.5 million, up GEL 285.3 million, or 12.7% YoY;

- Total equity was GEL 627.9 million, up GEL 132.2 million, or 26.7% YoY.

Georgia at a Glance

GDP

GDP: USD 15.8 billion (FY 2012); GDP per capita: USD 3,520 (FY 2012); Real GDP Growth 2012: 6.1% (FY 2012); Inflation, March 2012 (YoY): -2.1%

Country ratings

Fitch Rating BB-/Stable
Standard & Poor's: BB-/Stable
Moody's rating: Ba3/Stable

Recent country achievement

- The World's No. 1 Reformer, the World Bank & IFC Doing Business Report 2013;
- Fourth Friendliest Tax Regime globally, the Forbes Tax Misery & Reform Index 2009;
- No. 9 globally on the Ease of Doing Business (Doing Business Report 2013);
- No. 1 globally in terms of registering property, the World Bank & IFC Doing Business Report 2013;

Georgian Banking Sector

Market assets, loans and deposits

During Q1 2013:

- Total Market Assets decreased by 1.6% (1.7% without exchange rate effect) and equaled GEL 14,119 million.
- Total Market Loans increased by 0.4% (0.3% without exchange rate effect) and equaled GEL 8,764 million.
- Total Market Deposits increased by 4.2% (4.2% without exchange rate effect) and equaled GEL 7,973 million.

Market profitability (NBG Based)

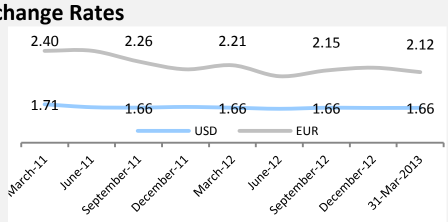
During Q1 2012:

- Net Interest Margin on Total Assets: 5.7% (a decrease of 0.2 percentage points from YE 2012)
- Cost/Income ratio: 55.8% (the reduction of 1.5 percentage points from YE 2012)

Currency rate trends

At the end of Q1 2013, USD/GEL exchange rate was 1.66, same as at the YE 2012. EUR/GEL exchange rate was 2.12, 2.7% lower than the YE 2012 rate.

Exchange Rates



Letter from the Chief Executive Officer

"The Georgian economy and the Georgian banking sector have been operating in the transition period since the October 2012 parliamentary elections in the country. Elections resulted in a smooth transition of power from one political party to another in a democratic way, which is exemplary across most of the CIS countries and provides good fundamentals for long term sustainable growth.

However, in the short term, as widely expected, it resulted in a decrease in economic activities and a relative slowdown of the GDP and the banking system growth rates. The transition period is expected to continue for a few more months.

During the first quarter of 2013, the Georgian banking sector loans increased slightly by 0.4% to GEL 8.8 billion. There was a 1.7% decrease in large corporate loans, while retail loans increased by 3.1%. During the same period, the total customer deposits increased by 4.2% and reached GEL 8.0 billion with the corporate and retail deposits increasing by 3.9% and 4.5% respectively. As of March 2013, the top 5 banks accounted for 80% of the total banking assets. The latter stood at GEL 14.1 billion as of the first quarter of 2013.

We maintained one of the leading positions in the Georgian banking sector with the largest market share in retail deposits of 35.6%[1]. Our market shares in total assets and total loans were standing at 26.3% and 28.2% respectively[2]. During the first quarter 2013, our gross loan portfolio decreased slightly by 0.3 percentage points and reached GEL 2,528 million aligned with the loans growth trend in the country.

Our focus in the first quarter was to decrease the liquidity that had been built up to withstand any possible changes in the market following the elections as well as to decrease the cost of funds. In this regard, part of the wholesale funding was prepaid, expensive deposits were released and changes were introduced to the deposit interest rates. As a result, we decreased our liquidity, from 36.6% to 34.6%[3] and cost of funds from 7.0% to 6.7%.

We once again revised our corporate loan book to ensure that the provisioning level is adequate for the current operating outlook. As a result, we increased our provision for loan impairment by GEL 14.8 million QoQ resulting in the increase in NPL and restructured loans coverage ratio from 145.1% to 154.0% as of March 2013.

[1] Includes bank Constanta; 34.6% on a standalone basis.
[2] Includes Bank Constanta; 24.4% and 25.7% respectively on a standalone basis
[3] Defined by NBG

TBC at a Glance

TBC Bank is a leading Bank in Georgia, offering a broad range of products and services through its extensively developed retail, corporate, SME and micro banking business lines. The Bank is one of the largest financial institutions in the country in terms of retail deposits (#1), customer loans, deposits and assets (#2). Four prominent IFIs, EBRD, IFC, DEG and FMO together with JP Morgan and Ashmore hold 67% of TBC Bank shares.

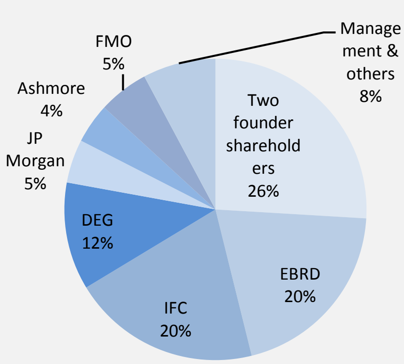
Key Facts (as of March 31, 2013)

- No 1 in Retail Deposits – 36% of market share as at 31 March 2013;
- A leading bank in the country with 28% and 26% market share of total customer loans and total assets respectively as at 31 March 2013;
- Loan book composition: Corporate (43%), Retail (39%), SME (12%), Micro (7%)
- 59 branches (110 with Bank Constanta), 237 ATMs (284 with Bank Constanta), 3,002 POS's across Georgia;
- Number of customers: over 900k; Number of employees: c. 4,000;
- Entered microfinance segment in May 2011 through acquiring Bank Constanta
- Presence in Azerbaijan-subsidiary TBC Kredit - non-banking credit organization

Ratings

- Fitch: BB- (Long Term IDR)/B (Short Term IDR) upgraded in June 2012
- Moody's: B1 (FC)/Ba3 (LC) affirmed in October 2012

Shareholder Structure



We saw sustainable increase in total operating income. In the first quarter 2013, it was GEL 87.6 million, up GEL 16.3 million, or 22.9%, compared to GEL 71.3 million achieved in Q1 2012. However, the increased provisioning charges resulted in a decrease in the net income to GEL 19.6 million, compared to GEL 25.1 million in the first quarter of 2012, delivering an annualized return on average equity of 12.9%;

Our BIS tier 1 capital ratio further improved by 0.8 percentage points QoQ and 2.6 percentage points YoY. Our noninterest expenses grew at a slower rate than our total operating income, resulting in a positive operating leverage of 8.8 percentage points. Consequently, our cost to income ratio decreased to 51.5%, compared to 55.5% as of the prior year quarter.

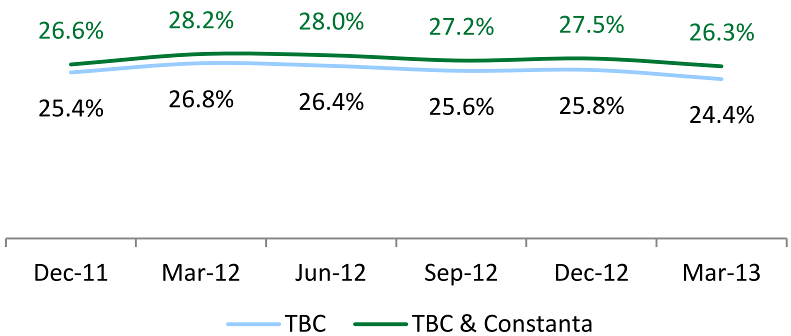
I would also highlight two prestigious "Best Bank" awards we received from the *Global Finance* magazine and the EMEA Finance magazine during the first quarter of 2013, which proves that we are off to a good start for the year.

Finally, we are witnessing an increase in customer confidence which will likely lead to an increase in economic activities and we believe that the growth rate will return to its earlier pace later in the year. TBC Bank is well positioned to reap the benefits of the accelerated economy and banking sector growth in order to meet our targets in 2013."

Vakhtang Butskhrikidze
Chief Executive Officer

Market Shares[4]

Asset Market Shares

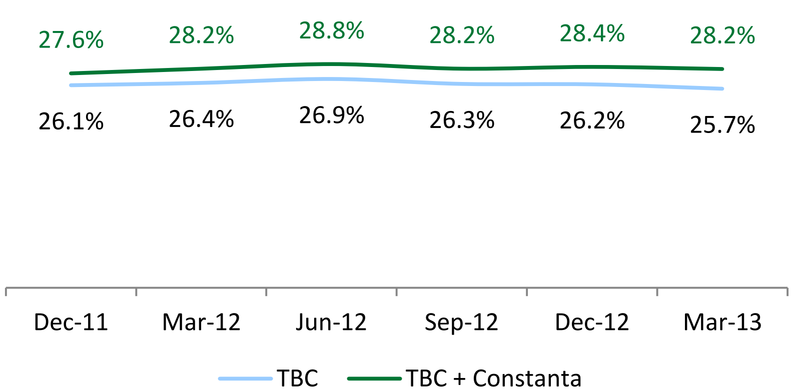


Source: NBG (National Bank of Georgia, central bank of the country)

TBC Bank's market share in total assets decreased by 1.4 percentage points QoQ and 2.4 percentage points YoY attaining 24.4% as of Q1 2013.

TBC Bank's market share, including Bank Constanta, reached 26.3% as of Q1 2013, down 1.2 percentage points QoQ and 1.9 percentage points YoY.

Loan Market Shares



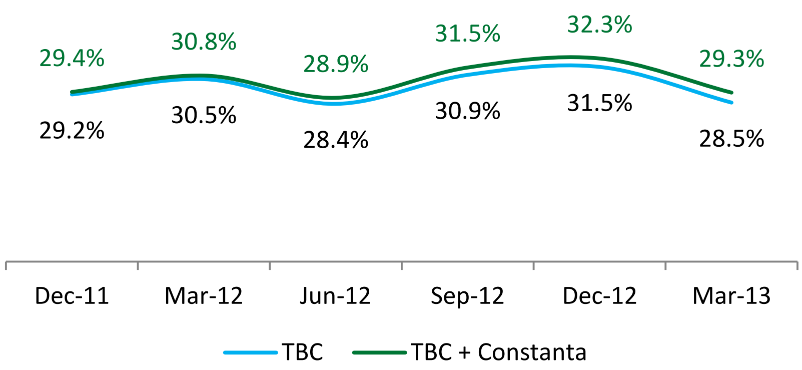
Source: NBG

TBC Bank's market share in total loans was 25.7%, down 0.6 percentage points QoQ and 0.7 percentage points YoY as of March 2013.

[4] Market shares are calculated based on the NBG

TBC Bank's market share, including Bank Constanta was 28.2% as of Q1 2013, down by 0.3 percentage points QoQ and maintained the same market share position on a year-on-year basis.

Deposit Market Shares



Source: NBG

The market share in total customer deposits decreased by 3.0 percentage points QoQ and 2.0 percentage points YoY, reaching 28.5% as of March 2013.

The combined market shares of TBC Bank and Bank Constanta decreased by 2.9 percentage points QoQ and 1.5 percentage points YoY, reaching 29.3% as of Q1 2013.

The decrease in the market share of total deposits was a result of the Management's decision to optimize the Bank's cost of funding and liquidity position by releasing the costly legal entity deposits (please see page 15).

Consolidated Results of Operations

Income Statement Discussion

In millions of GEL	2013 Q1	2012 Q1	2012 Q4	Change YoY	Change QoQ
Interest income	118.4	106.3	118.9	11.4%	-0.4%
Interest expense	51.4	52.4	57.0	-1.8%	-9.8%
Net interest income	**66.9**	**53.9**	**61.9**	**24.2%**	**8.2%**
Provision for loan impairment	-19.2	0.8	2.4	-2653.1%	-909.3%
Net interest income after provision for loan impairment	**47.7**	**54.6**	**64.2**	**-12.6%**	**-25.7%**
Net fee and commission income	9.4	8.6	10.8	9.3%	-12.9%
Other operating income	11.2	8.8	13.9	27.8%	-19.6%
Other provision for impairment charges	-0.5	-4.2	-4.9	-88.1%	-89.8%
Staff, depreciation and administrative and other operating expenses	-45.1	-39.5	-56.0	14.1%	-19.4%
Profit before tax	**22.8**	**28.3**	**28.2**	**-19.6%**	**-19.1%**
Income tax expense	-3.1	-3.2	-3.8	-2.5%	-16.6%
Profit for the period	**19.6**	**25.1**	**24.4**	**-21.8%**	**-19.5%**
ROAE (annualised)	**12.9%**	**20.9%**	**16.9%**	**-8.0 pp**	**-4.0 pp**

Profit for the period

Q1 2013 and Q1 2012 Comparison

Pre-provision income reached GEL 39.3 million, up GEL 10.8 million, or 37.9%, compared to GEL 28.5 million in the first quarter 2012. Due to the increase in provisioning charges (see page 11), net profit for the first quarter 2013 was GEL 19.6 million, down GEL 5.5 million, or 21.8%, compared to GEL 25.1 million in the prior year quarter. The Bank reached an annualised ROAE of 12.9% in the current year quarter, compared to 20.9% delivered in the first quarter 2012

Q1 2013 and Q4 2012 Comparison

On a quarter-on-quarter basis, the pre-provision income was up GEL 12.5 million, or 46.3%, compared to GEL 26.9 in the fourth quarter 2012. The increase in provisioning charges drove the net profit down by GEL 4.8 million, or 19.5%, compared to the previous quarter. The decrease in net profit and 7.3% QoQ increase in average total equity drove the Bank's ROAE down 4.0 percentage points, compared to 16.9% delivered in the fourth quarter 2012.

Net Interest Income

In millions of GEL	2013 Q1	2012 Q1	2012 Q4	Change YoY	Change QoQ
Loans and advances to customers	108.1	95.1	108.9	13.7%	-0.8%
Investment securities available for sale	7.4	6.1	7.3	21.3%	0.5%
Due from other banks	1.2	2.9	1.0	-58.6%	27.4%
Investments in leases	1.7	1.3	1.4	26.4%	14.9%
Investment securities held to maturity	0.0	0.8	0.2	-100.0%	-100.0%
Other	0.0	0.1	0.0	-95.7%	1.9%
Interest income	**118.4**	**106.3**	**118.9**	11.4%	-0.4%
Due to other banks	1.5	2.7	1.3	-41.8%	16.0%
Customer accounts	38.3	37.8	42.0	1.4%	-8.7%
Other borrowed funds	8.5	8.2	10.7	3.4%	-20.8%
Subordinated debt	3.1	3.8	3.0	-18.5%	2.4%
Other	0.0	0.0	0.0	#DIV/0!	6.1%
Interest expense	**51.4**	**52.4**	**57.0**	-1.8%	-9.8%
Net interest income	**66.9**	**53.9**	**61.9**	24.2%	8.2%
Net Interest Margin	**8.4%**	**7.5%**	**7.6%**	**+0.9 pp**	**+0.8 pp**

Q1 2013 and Q1 2012 Comparison

In the first quarter 2013, the net interest income was GEL 66.9 million, up GEL 13.1 million, or 24.2%, compared to GEL 53.9 million achieved in the prior year quarter. The increase was a result of 11.4% growth in interest income to GEL 118.4 million from GEL 106.3 million and the decrease of 1.8% in interest expense to GEL 51.4 million from GEL 52.4 million.

The YoY growth in interest income was due to the 12.7% increase in gross loan portfolio. In the first quarter 2013, interest income from loans was GEL 108.1 million, up GEL 13.0 million, or 13.7%, compared to GEL 95.1 million in the prior year quarter. During the first quarter 2013, loan yields remained steady at 17.3%, the yields on national bank of Georgia and government securities declined from 7.8% to 6.8% broadly aligned with the declining trend on securities and NBG refinancing rates. However, due to the decreased liquidity (gross loan book in average interest earning assets increased to 78.2%, compared to 77.2% in the first quarter 2012; for further details please see page 15) the interest yield on average interest earning assets remained fairly stable at 14.8%, up 0.1 percentage points, compared to 14.7% in the first quarter 2012.

The decrease in interest expense primarily resulted from the decrease in interest expense on subordinated loans and due to other banks by 18.5% and 41.8% respectively due to repayments of part of the both instruments. Interest expense on customer accounts increased only slightly (by GEL 0.5 million or 1.4%) to GEL 38.3 million despite the 13.4% YoY increase in total customer deposit portfolio. This was attributable to the reduction in deposit rates from 7.4% to 6.4% and the release of expensive corporate deposits.

As a result, average cost of funds was reduced to 6.7%, down 0.8 percentage point, compared to 7.4% in the prior year quarter.

The above mentioned reasons as well as decreased liquidity drove the Bank's NIM to 8.4%, up 0.9 percentage points, compared to 7.5% in the previous year quarter.

Q1 2013 and Q4 2012 Comparison

On a quarter-on-quarter basis, the net interest income increased by GEL 5.1 million, or 8.2%, compared to the fourth quarter 2012 due to the decrease in interest expense by 9.8% that also more than offset the 0.4% decrease in interest income.

In the first quarter 2013, the interest income was slightly down by GEL 0.5 million, or 0.4%, compared to GEL 118.9 million achieved in the fourth quarter of 2012, primarily driven by the 0.8% QoQ decrease in interest income from loans, mainly reflecting the decreased gross loan portfolio by 0.3%. The stable loan yields and the Bank's decreased liquidity levels (see page 15) contributed to the increase in the interest yield on average interest earning assets by 0.3 percentage points compared to the fourth quarter 2012.

In the first quarter 2013, the interest expense was down by GEL 5.6 million, or 9.8%, compared to the fourth quarter 2012. The decrease was primarily due to the reduced deposit portfolio by 4.0% on a quarter-on-quarter basis and the decreased deposit rates by 0.5 percentage points. The reduced cost of borrowed funds is attributable to the repayment of one of the loans in the first quarter of 2013. Consequently, cost of funds was reduced to 6.7%, down 0.4 percentage points, compared to 7.0% in the fourth quarter 2012.

As a result, the net interest margin (NIM) was up by 0.8 percentage points on a quarter-on-quarter basis to 8.4%.

Provision & impairment charges

In millions of GEL	2013 Q1	2012 Q1	2012 Q4	Change YoY	Change QoQ
Total provision & impairment charges	**19.7**	**3.4**	**2.5**	**479.3%**	**692.5%**
Out of which:					
Provision for loan impairment	**19.2**	**-0.8**	**-2.4**	**NMF**	**NMF**
Cost of Risk Ratio	**3.1%**	**-0.1%**	**-0.4%**	**+3.2 pp**	**+3.5 pp**

Q1 2013 and Q1 2012 Comparison

In the first quarter 2013, the Bank's provision and impairment charges equaled GEL 19.7 million, up 16.3 million, compared to GEL 3.4 million in the prior year quarter. The growth was principally due to the loan impairment charges of GEL 19.2 million in the current year quarter compared to the negative GEL 0.8 million in the respective period of 2012. The increase in loan impairment charges was primarily due to the increase in impairment charge in respect to one of the large corporate clients. The loan impairment reserve was GEL 181.3 million and its percentage in total gross loans remained stable at 7.2% as it was at the end of the prior year quarter.

Due to the increase in the provision charges for loan impairment, the Bank's cost of risk ratio increased to 3.1% compared to the negative 0.1% in the prior year quarter.

NPL ratio, defined as loans overdue more than 90 days over gross loan portfolio, was standing at 1.3%, up 0.6 percentage points YoY.

Q1 2013 and Q4 2012 Comparison

On a quarter-on-quarter basis, the increase in the Bank's provision and impairment charges reflected the GEL 21.6 million increase in provision for loan impairment due to the growth in loan impairment charges mentioned above.

The significant increase in provision for loan impairment drove the Bank's cost of risk ratio up by 3.5 percentage points compared to the negative 0.4% in the fourth quarter 2012.

NPL ratio was up 0.2 percentage point QoQ, compared to 1.0% as of the fourth quarter 2012.

Total Non-interest income

In millions of GEL	2013 Q1	2012 Q1	2012 Q4	Change YoY	Change QoQ
Fee and Commission Income	14.9	12.5	16.3	19.3%	-8.5%
Fee and Commission Expense	-5.5	-3.9	-5.5	41.5%	-0.1%
Net Fee and Commission income	**9.4**	**8.6**	**10.8**	**9.3%**	**-12.9%**
Gains less losses from trading in foreign currencies and foreign exchange translations	7.9	7.6	8.6	4.2%	-8.2%
Net losses from derivative financial instruments	-0.5	-1.9	-1.3	-75.6%	-64.8%
Other operating income	3.8	3.1	6.7	22.0%	-43.2%
Total non-interest income	**20.6**	**17.4**	**24.7**	**18.6%**	**-16.7%**

Q1 2013 and Q1 2012 Comparison

The total non-interest income in the first quarter 2013 was GEL 20.6 million, up GEL 3.2 million, or 18.6%, versus the previous year quarter, reflecting the 9.3%, or GEL 0.8 million YoY increase in net fee and commission income primarily driven by the increase in net fee and commission income from card operations by GEL 0.3 million, settlement transactions by GEL 0.4 million and issuance of letter of credit by GEL 0.5 million. The increase in total non-interest income was also driven by the increase in other operating income by GEL 0.7 million, or 22% reflecting the increased gain from sale of repossessed assets by 38.4% and the increased revenues from cash-in terminals by 43.3%. The increase in total non-interest income is also attributable to the decrease in net losses from derivative financial instruments by GEL 1.4 million, or 75.6% and the increase of gains from trading in foreign currencies and foreign exchange translations by 0.3 million, or 4.2%.

Q1 2013 and Q4 2012 Comparison

Total non-interest income in the fourth quarter of 2012 was down by GEL 4.1 million, or 16.7%, primarily reflecting the decrease in other operating income due to the reduced gain on sale of inventory by GEL 3.2 million, or 83.1%, compared to the fourth quarter 2012. The decrease was also affected by the reduced net fee and commission income by GEL 1.4 million, or 12.9%, primarily attributable to the reduced net fee and commission income from card operations by GEL 0.8 million and guarantees issued by GEL 0.9 million. The decrease was also influenced by the decrease in gains from trading in foreign currencies and foreign exchange translations by GEL 0.7 million, or 8.2%. Reduction in fees and foreign exchange operations is aligned with the seasonality of business activities and the seasonally quite first quarter.

Non-interest Expenses

In millions of GEL	2013 Q1	2012 Q1	2012 Q4	Change YoY	Change QoQ
Staff costs	25.7	21.7	23.1	18.7%	11.6%
Depreciation and amortisation	5.5	4.3	8.8	29.2%	-37.5%
Administrative and other operating expenses	13.8	13.6	24.1	1.9%	-42.6%
Non-interest Expenses	45.1	39.5	56.0	14.1%	-19.4%
Profit before tax	22.8	28.3	28.2	-19.6%	-19.1%
Income tax expense	-3.1	-3.2	-3.8	-2.5%	-16.6%
Profit for the period	**19.6**	**25.1**	**24.4**	**-21.8%**	**-19.5%**
Cost to Income Ratio	**51.5%**	**55.5%**	**64.6%**	**-7.2 pp**	**-20.3%**

Q1 2013 and Q1 2012 Comparison

Non-interest expenses during the first quarter 2013 increased by GEL 5.6 million, or 14.1%, to GEL 45.1 million.

Excluding Bank Constanta, total non-interest expenses increased by 7.8%, out of which staff costs increased by 12.3% to GEL 21.1 million from GEL 18.8 million aligned with a growing scale of business and new branch openings and corresponding increases in salaries and the number of staff on a YoY basis. In the same way, without Bank Constanta, administrative and other operating expenses decreased by 6.0% to GEL 10.3 million compared to GEL 11.0 million in the first quarter 2012, which was largely due to higher advertising and marketing costs in the prior year quarter associated with the Bank's 20th anniversary, thus resulting in a decrease in advertising and marketing expenses by 35.6% in the current year quarter.

GEL 2.9 million or 52.7% is attributable to the increase in Bank Constanta's non-interest expenses, reflecting the Constanta's business expansion, branch openings and the relative increase in advertising and marketing services related to the launching of new products in line with the business plan.

As a result, the Bank's cost to income ratio was 51.5%, down by 4.0 percentage points, compared to 55.5% in the prior year quarter.

Q1 2013 and Q4 2012 Comparison

On a quarter-on-quarter basis, non-interest expenses for the first quarter 2013 was down by GEL 10.9 million, or 19.4%, compared to GEL 56.0 million in the fourth quarter 2012. The decrease in non-interest expenses was principally due to the GEL 10.3 million, or 42.6%, decrease in administrative and other operating expenses, which was primarily driven by the 65.5% decrease in advertising and marketing services associated with the Bank's 20th anniversary during 2012. Non-interest expenses were further affected by a decrease in depreciation and amortisation expenses by GEL 3.3 million, or 37.5%, compared to the fourth quarter 2012 primarily due to the fact that the Bank started exploitation of new servers starting from late 2012 and accelerated depreciation to completely write down the old servers in December 2012.

Balance Sheet Discussion

In millions of GEL	31-Mar-13	31-Dec-12	31-Mar-12	QoQ Change %	YoY Change %
Cash and due from banks	516.1	744.2	628.0	-30.6%	-17.8%
Loans and advances to customers (Net)	2,347.2	2,370.2	2,081.7	-1.0%	12.8%
Financial securities	468.8	407.7	416.5	15.0%	12.6%
Fixed and intangible assets & investment property	245.1	245.7	215.8	-0.3%	13.5%
Other assets	141.1	131.9	131.9	7.0%	7.0%
Total assets	**3,718.3**	**3,899.7**	**3,474.0**	**-4.7%**	**7.0%**
Due to other banks	52.5	76.2	146.4	-31.1%	-64.1%
Customer accounts	2,387.8	2,486.9	2,106.1	-4.0%	13.4%
Borrowed funds & Subordinated Debt	583.7	666.0	648.7	-12.4%	-10.0%
Other liabilities	66.4	66.5	77.0	-0.2%	-13.8%
Total Liabilities	3,090.3	3,295.7	2,978.2	-6.2%	3.8%
Total equity	627.9	604.0	495.8	4.0%	26.7%

Assets

As of March 31, 2013, the total assets were GEL 3,718.3 million, down 4.7% QoQ and up 7.0% YoY. The decrease on a quarter-on-quarter basis was due to a slight decrease in net loan book by 1.0% and a relatively higher decrease in liquid assets by 15.0%. The QoQ decrease in liquid assets was due the 41.8% decrease in cash and cash equivalents and the 17.7% decrease in due from other banks, reflecting the Management's decision to decrease excess liquidity in 2013.

On a year-on-year basis, the 7.0% increase in total assets was primarily attributable to the 12.8% increase in loan book, which offset the 3.9% YOY decrease in liquid assets.

At the end of the first quarter of 2013, the gross loan portfolio reached 2,528.5 million, down 0.3% QoQ and up 12.7% YoY. The fairly stable gross loan book is aligned with the banking system growth rate in Georgia due to the transition period mentioned above. As of March 2013, the gross loans denominated in foreign currency accounted for 73.9% of total loans, compared to 77.6% at the end of March 2012, which corresponds to the decreasing trend in foreign currency denominated loans.

Liabilities

At the end of the first quarter 2013, total liabilities were GEL 3,090.3 million, down 6.2% QoQ and up 3.8% YoY. The decrease in customer accounts was attributable to the Management's intention of optimizing the liquidity and the cost of funding and releasing costly legal entity deposits. On a year-on-year basis, customer accounts have increased by 13.4%. As of March 2013, total customer deposits accounted for 77.3% of total liabilities, compared to 75.5% and 70.7% as of December 31, 2012 and March 31, 2012, respectively.

As of March 31, 2013, borrowed funds and subordinated debt were GEL 583.7 million, down 12.4% QoQ and 10.0% YoY, mainly attributable to the repayment of one of the borrowed funds as well as subordinated loans.

Liquidity

The Bank's liquidity ratio defined by the National Bank of Georgia (NBG) decreased to 34.6% as of March 2013, compared to 36.6% and 40.7% as of December 31, 2012 and March 31, 2012 respectively.

Starting from the first quarter 2013, the Management decreased the liquidity of the Bank as the government transition period has been developing smoothly and without any political instability. This liquidity was built up in the first half of 2012 in order to resist any possible uncertainty after the parliamentary elections in Georgia.

Total Equity

Total equity was GEL 627.9 million, up 4.0% QoQ and 26.7% YoY. In addition to earnings, significant YoY increase in total equity was due to the additional capital injection in an amount of GEL 25 million from the Bank's existing shareholders, including IFC (International Financial Corporation), EBRD (European Bank for Reconstruction and Development), DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH) and FMO (Nederlandsche Financierings-Maatschappij voor Ontwikkelingslanden N.V.). The increase was needed to finance the Bank's growth for 2013-2014 years.

Regulatory Capital

As of March 31, 2013, the Bank had an improved NBG tier 1 and total capital ratios of 12.3% and 14.5% respectively, compared to 11.2% and 13.7% as of 2012 and 11.5% and 13.5% as of March 2012.

The Bank's BIS tier 1 capital ratio was 21.1%, up from 20.3% and 18.5% on December 31, 2012 and March 31, 2012 respectively. The tier 1 capital ratio was positively impacted by the increase in equity and the increase from Q1 2012 is also derived from the extension of the subordinated loan facility in the amount of USD 15 million with FMO.

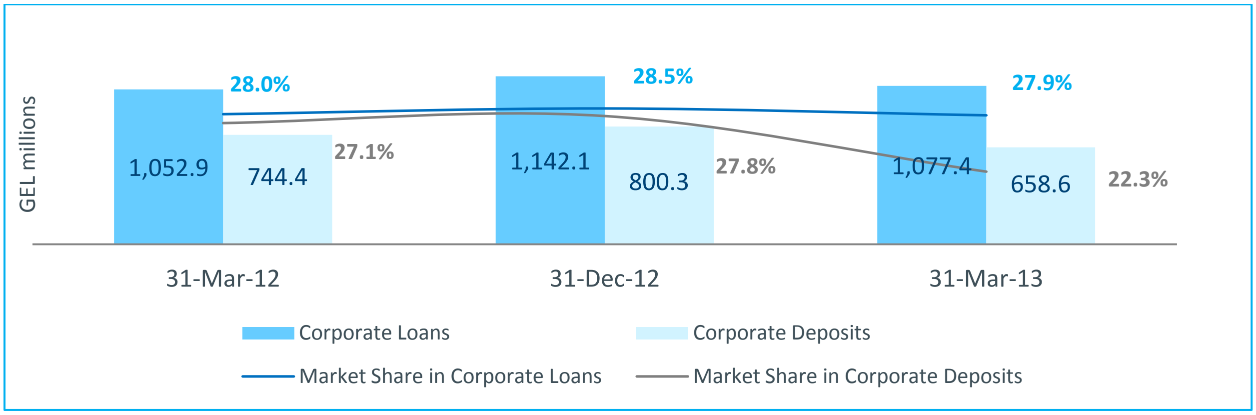
The bank has also signed a USD 7.5 million subordinated loan facility agreement that has not yet been drawn down. In addition, the bank is in discussion with the USD 25 million subordinated loan facility agreement with one of the shareholders that will further improve the Bank's capital position.

Results by Segments and Subsidiaries

Corporate Banking

As of 2012, TBC Bank was the second largest bank in terms of corporate loans and corporate deposits in the Georgian banking sector, accounting for the market share of 27.9% and 22.3% respectively.

The corporate segment represented the Bank's largest segment in total loan portfolio, accounting for 42.6% of TBC Bank's total loan portfolio as of 31 March 2013. In terms of customer deposits, corporate segment remained the Bank's second largest segment, accounting for 27.6% of the total customer deposits portfolio. The corporate segment served 4,684 accounts and 1,733 customers, offering a wide range of products, including balance sheet finance, trade finance, asset finance, project finance, working capital, and syndicated loans.



Corporate loans and advances to customers

As of March 31, 2013, corporate loans amounted to GEL 1,077.4 million, down 5.7% QoQ and up 2.3% YoY. Due to the government transition period in the country, business activity for corporate customer decreased, which led to a reduction in the corporate loan portfolio. Ultimately, market share in corporate loans reached 27.9%, down 0.1 percentage points, compared to the end of the prior year quarter.

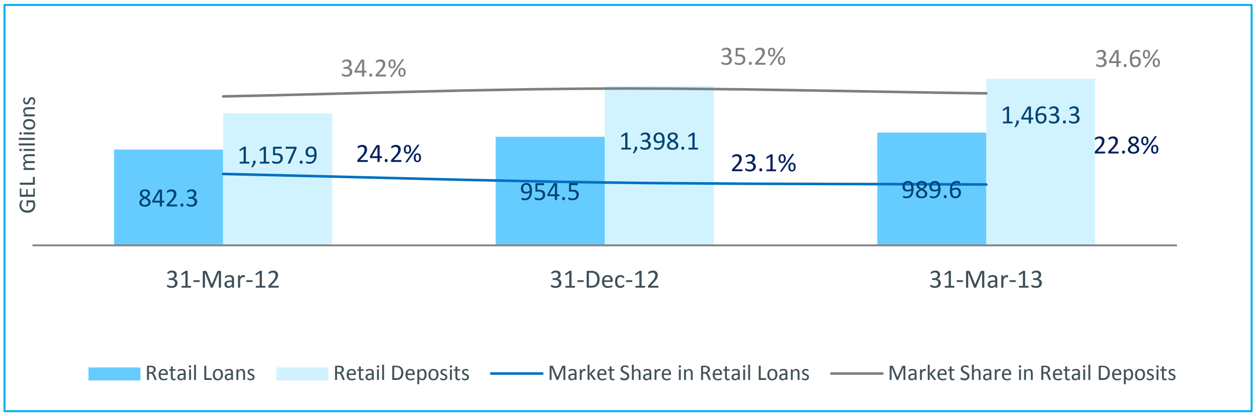
Corporate customer deposits

As of March 31, 2013, corporate deposits were GEL 658.6 million, down 17.7% QoQ and up 11.5% YoY. As of the same period, the market shares in corporate deposits reached 22.3%, down 4.8 percentage points YoY.

Retail Banking

As of 2012, TBC Bank was the largest bank in the country in terms of retail deposits and the second largest bank in terms of corporate deposits, accounting for the market share of 35.2% and 23.1% respectively.

The retail segment represented the Bank's largest segment in total deposit portfolio, accounting for 61.3% of TBC Bank's total deposit portfolio as of March 31, 2013. In terms of total customer loans, the retail segment remained the Bank's second largest segment, accounting for 39.1% of the total loan portfolio. The retail segment served 856,154 accounts and 776,195 customers, offering its clients a wide range of products, including consumer loans, mortgage loans, credit cards, installment loans, child deposits, term plus, my safe, golden deposit and others. At the end of 2012 the number of outstanding cards was around 830k, out of which credit cards accounted for 37.8% of the total number of cards. The latter increased by 30.8% on a year-on-year basis.



Retail loans and advances to customers

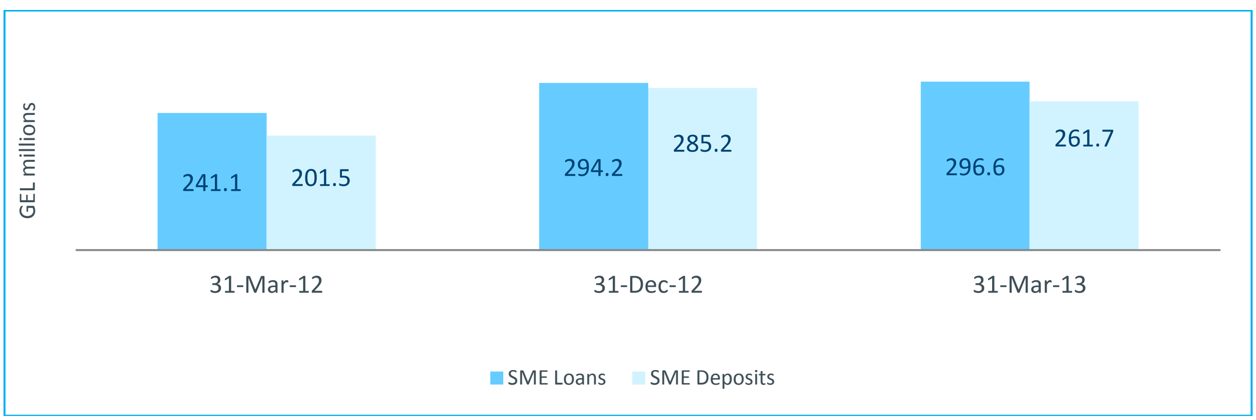
As of March 31, 2013, retail loans increased to GEL 989.6 million, up 3.7% QoQ and 17.5% YoY. During the same period, TBC Bank's market share in retail loans was 22.8%.

Retail customer deposits

As of March 31, 2013, retail deposits increased to GEL 1,463.3 million, up 4.7% QoQ and 26.4% YoY. TBC Bank's market share in retail deposits reached 34.6% at the end of the first quarter of 2013.

SME Banking[5]

As of March 31, 2013, the SME segment accounted for 11.7% and 11.0% of the Bank's total loan portfolio and total customer deposits respectively. The segment offers various types of loan and deposit products to its clients including trade finance, assets finance, project finance, and working capital loans. As of the end of the first quarter of 2013, TBC Bank served 58,210 accounts, 44,031 customers through the SME business line and had 2,212 SME outstanding loans. Transactions performed by SME customers via e-channels accounted for 84% of the total non-cash transactions.



[5] Due to the fact that NBG does not produce market data comparisons for the SME segment, it is impossible to calculate SME market shares

SME loans and advances to customers

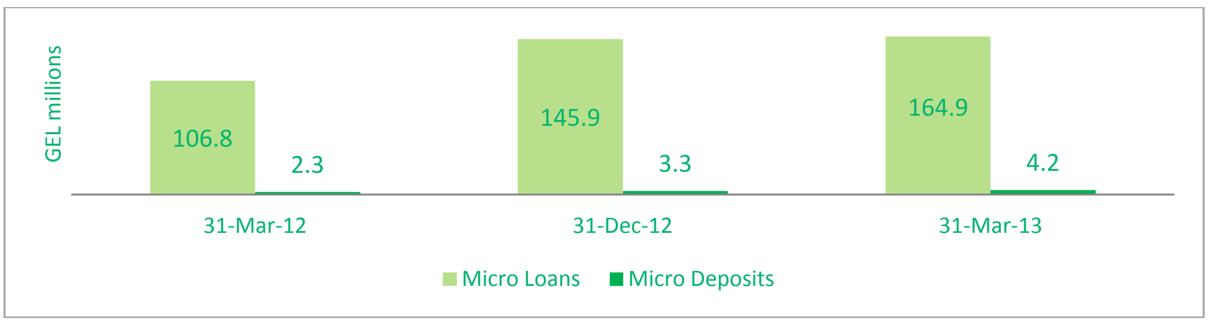
As of March 31, 2013, SME loans increased to GEL 296.6 million, up 0.8% QoQ and 23.0% YoY. Despite the absence of the SME market information, the Management believes that TBC Bank is one of the leading banks in the market, demonstrated by its large number of loyal customers with a continuously growing trend.

SME customer deposits

As of March 31, 2013, SME deposits were GEL 261.7 million, down 8.3% QoQ and up 29.9% YoY. In regards to SME deposits, the Management also believes that TBC Bank has one of the largest shares on the market, demonstrated by its strong customer base.

Micro Banking/ Bank Constanta

Since the acquisition of Bank Constanta in May 2011, the Group classifies its Micro customers as customers of Bank Constanta that do not fall under the Bank's definition of corporate, SME and retail customers. The Micro segment is the smallest, but the fastest growing segment of TBC Bank, accounting for 6.5% and 0.2% of the total loans and total customer deposits portfolios respectively. The Micro segment offers various types of loan and deposit products tailored to the needs of its client. As of March 31, 2013, TBC Bank served 286,348 accounts through its Micro segment and had 63,356 outstanding loans.



Micro loans and advances to customers

Micro loans and advances to customers reached GEL 164.9 million at the end of the first quarter of 2013 with a growth rate of 13.0% QoQ and 54.3% YoY. Despite the absence of the Micro segment market share data, the Management believes that the Group is a very strong player in the Micro segment, due to Bank Constanta's long and established presence in the Micro market.

Micro customer deposits

Micro customer deposits grew by 26.4% QoQ and 82.8% YoY, amounting to GEL 4.2 million at the end of the first quarter of 2013. Bank Constanta received a license for attracting deposits in August 2011, which explains the significant growth rates in customer deposits on both QoQ and YoY basis.

TBC Kredit

TBC Kredit, which is 75% owned by the TBC Group, is a non-banking credit organization that operates in the Micro-finance market in Azerbaijan. TBC Kredit's core business activity is dealing with different types of loans, including Micro, SME, consumer and mortgage loans. TBC Kredit has its headquarters and four branches in Azerbaijan.

In millions of GEL	31-Mar-13	31-Dec-12	31-Mar-12	QoQ Change %	YoY Change %
Net loans	59.6	59.6	46.1	0.0%	29.5%
Total assets	**63.2**	**62.2**	**48.9**	**1.6%**	**29.1%**
Borrowed funds	36.3	24.0	25.8	51.1%	40.7%
Total liabilities	**41.3**	**41.2**	**29.7**	**0.3%**	**39.0%**
Total equity	**21.9**	**21.0**	**19.2**	**4.1%**	**13.8%**

Assets

TBC Kredit's total assets reached GEL 63.2 million as of March 31, 2013, up 1.6% QoQ and 29.1% YoY. On a year-on-year basis, the increase was primarily due to increases in the net loan portfolio during the period along with the increase in cash and cash equivalents to GEL 2.3 million, up GEL 1.4 million compared to the end of the first quarter of 2012.

Liabilities

In line with total assets, TBC Kredit's total liabilities grew by 0.3% QoQ and 39.0% YoY, amounting to GEL 41.3 million as of March 31, 2013. The increase on a year-on-year basis was primarily due to a 51.1% YoY increase in other borrowed funds from foreign banks and financial institutions to GEL 36.3 million along with a 14.5% increase in due to other banks to GEL 3.8 million. On a quarter-on-quarter basis, the only slight increase in total liabilities was attributable to the GEL 12.3 million increase in borrowed funds and 12.1 million decrease in due to other banks which resulted in a 0.3% increase in total liabilities.

Equity

TBC Kredit's total equity increased by 4.1% QoQ and 13.8% YoY to GEL 21.9 million as of March 31, 2013 and was primarily driven by growth in retained earnings by 26.3% QoQ and 166.8 YoY.

Annexes

Consolidated Income Statement

In millions of GEL	**Q1 2013**	**Q1 2012**	**Change (%)**
Interest income	118.4	106.3	11.4%
Interest expense	51.4	52.4	-1.8%
Net interest income	**66.9**	**53.9**	**24.2%**
Provision for loan impairment	-19.2	0.8	NMF
Net interest income after provision for loan impairment	**47.7**	**54.6**	**-12.6%**
Fee and commission income	14.9	12.5	19.3%
Fee and commission expense	-5.5	-3.9	41.5%
Gains less losses from trading in foreign currencies	4.9	7.5	-34.8%
Gains less losses from derivative financial instruments	-0.5	-1.9	-75.6%
Foreign exchange translation gains less losses /(losses less gains)	3.0	0.1	NMF
Provision for liabilities and charges	-0.1	-3.8	-97.5%
(Provision for) / recovery of impairment of investments in finance lease	0.0	0.0	-15.0%
Provision for impairment of other financial assets	-0.4	-0.3	19.2%
Other operating income	3.8	3.1	22.0%
Staff costs	-25.7	-21.7	18.7%
Depreciation and amortisation	-5.5	-4.3	29.2%
Administrative and other operating expenses	-13.8	-13.6	1.9%
Profit before tax	**22.8**	**28.3**	**-19.6%**
Income tax expense	-3.1	-3.2	-2.5%
Profit for the period	**19.6**	**25.1**	**-21.8%**

Consolidated Balance Sheet

In millions of GEL	31-Mar-13	31-Dec-12	Change (%)
Assets			
Cash and cash equivalents	231.8	398.6	-41.8%
Due from other banks	284.3	345.6	-17.7%
Loans and advances to customers	2,347.2	2,370.2	-1.0%
Investment securities available for sale	468.8	407.7	15.0%
Goodwill	2.7	2.7	0.0%
Current income tax prepayment	7.6	10.1	-24.8%
Other financial assets	24.0	25.3	-5.2%
Investments in finance leases	27.8	26.4	5.5%
Other assets	79.0	67.4	17.2%
Premises and equipment	192.2	192.6	-0.2%
Intangible assets	19.6	18.8	4.2%
Investment properties	33.2	34.3	-3.1%
Total assets	**3,718.3**	**3,899.7**	**-4.7%**
Liabilities			
Due to other banks	52.5	76.2	-31.1%
Customer accounts	2,387.8	2,486.9	-4.0%
Other borrowed funds	466.5	550.9	-15.3%
Current income tax liability	0.0	-	NMF
Deferred tax	20.8	20.1	3.1%
Provision for liabilities and charges	6.3	6.2	1.5%
Other financial liabilities	19.9	19.5	2.5%
Other liabilities	19.4	20.7	-6.5%
Subordinated debt	117.2	115.1	1.8%
Total liabilities	**3,090.3**	**3,295.7**	**-6.2%**
EQUITY			
Share capital	16.2	16.1	0.2%
Share premium	232.4	231.5	0.4%
Retained earnings	317.9	298.9	6.4%
Share based payment reserve	4.1	4.1	0.0%
Other reserves	44.8	41.9	6.8%
Net assets attributable to the Bank's equity holders	**615.5**	**592.6**	**3.9%**
Non-controlling interest	12.5	11.4	9.1%
Total equity	**627.9**	**604.0**	**4.0%**
Total liabilities and equity	**3,718.3**	**3,899.7**	**-4.7%**

Key Ratios

	Q1 2013	Q1 2012
ROAE, annualised[1]	12.9%	20.9%
ROAA, annualised[2]	2.1%	3.0%
Pre-provision ROAE, annualised	25.9%	23.8%
Pre-provision ROAA, annualised	4.2%	3.4%
Cost: Income[3]	51.5%	55.5%
Cost of Risk, annualised[4]	3.1%	-0.1%
NIM,annualised[5]	8.4%	7.5%
Loan yields,annualised[6]	17.3%	17.3%
Deposit rates, annualised[7]	6.4%	7.4%
Interest rate earned on interest earning assets, annualised[8]	14.8%	14.7%
Interest rate paid on interest earning liabilities/Average Cost of Funds, annualised[9]	6.7%	7.4%
Spread[10]	8.2%	7.3%
NPL/Gross Loans[11]	1.3%	0.7%
NPL & Restructured Loans Coverage[12]	154.0%	166.6%
Leverage (times)[13]	5.9	6.5
NBG Tier 1 Capital Ratio[14]	12.3%	11.5%
NBG Total Capital Ratio[15]	14.5%	13.5%
BIS Tier 1 Capital Ratio[16]	21.1%	18.5%
Total BIS Capital Ratio[17]	27.5%	24.3%

Ratio definitions

1. Return on average total equity (ROAE) equals net income of the period divided by quarterly average total shareholders' equity for the same period; Pre-provision ROAE excludes all provision charges.
2. Return on average total assets (ROAA) equals net income of the period divided by quarterly average total assets for the same period;
3. Cost to Income ratio equals administrative and other operating non-interest expenses of the period divided by the sum of net interest (before provisions for loan impairment) and net non-interest income of the same period;
4. Cost of risk equals provision for loan impairment divided by average loans and advances to customers (before provision for loan impairment);
5. Net interest margin (NIM) is net interest income (before provision for loan impairment), divided by average interest-earning assets;
6. Loan yields equal interest income on loans and advances to customers divided by quarterly average gross loans and advances to customers;
7. Deposit rates equal interest expense on customer accounts divided by quarterly average total customer deposits.
8. Interest rate earned on interest earning assets/average cost of funds equals total interest income divided by quarterly average interest earning assets
9. Cost of funding equals total interest expense divided by quarterly average interest bearing liabilities.
10. Spread equals difference between Interest rate earned on interest earning assets and cost of funding
11. Non-performing loans (NPL) ratio equals loans for which principal or interest repayment is overdue for 90 days or more divided by the gross loan portfolio for the same period;
12. NPL & Restructured Loans Coverage equals loan loss provision over non-performing loans plus restructured loans and overdue ≤ 90 days;
13. Leverage is defined as total assets over total equity
14. NBG Tier I Capital Adequacy Ratio equals Tier I Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements the National Bank of Georgia instructions;
15. NBG Total Capital Adequacy Ratio equals Total Capital divided by Total Risk Weighted Assets, both calculated in accordance with the requirements of the National Bank of Georgia instructions;
16. BIS Tier 1 capital adequacy ratio equals Basel Tier 1 capital over total risk weighted assets;
17. BIS total capital adequacy ratio equals total Basel capital over total risk weighted assets;

Categorisation of Segments

Corporate - customers as legal entities which have annual revenues of GEL 8 million or more or have been granted a loan of USD 1,500,000 or more. However a few other legal entity customers that have attractive potential for the Bank might also be assigned status of corporate customer.

SME - legal entity customers that are not included either in the Micro or Corporate segment. The vast majority of such customers have been granted loans between USD 1,500,000 and USD 150,000 or have annual revenue of less than GEL 8 million.

Retail - all retail customers of the Group.

Micro - customers of Bank Constanta that do not fall in the above categories and have been granted loans of USD 150,000 or less.

Exchange Rates

Certain financial information in this document is presented in U.S. Dollars solely for the convenience of the reader. For balance sheet items, we used the end-of-period official exchange rate as reported by the NBG as of March 31, 2013 and December 31, 2012, respectively. In the case of income statement items, we used the average of the daily rates reported by the NBG for the periods ending on March 31, 2013, and March 31, 2012.

Exchange rates used:

March 31, 2013	1.6577
December 31, 2012	1.6567
Average Q1 2013	1.6513
Average Q1 2012	1.6865

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 the Company 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 Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that, in the view of the Company, 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 the 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 the Company 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.