TBC BANK

TBC Bank Announces Q1 2015 Unaudited IFRS Consolidated Results; Profit for Q1 2015 up by 27.0% YoY to GEL 45.6 million

Financial Highlights

- Total operating income in Q1 2015 up by 29.8% YoY to GEL 134.1 million
- Cost to income ratio improved to 39.2%, compared to 47.6% in Q1 2014
- Profit for Q1 2015 up by 27.0% YoY to GEL 45.6 million, delivering return on average equity (ROAE) of 17.9%
- Net interest margin (NIM) at 8.0% in Q1 2015, compared to 8.8% in Q1 2014
- Total assets reached GEL 6,002.6 million as of 31 March 2015, up by 35.3% YoY and by 10.7% QoQ
- Gross loans and advances to customers increased to GEL 4,198.2 million as of 31 March 2015, up by 43.7% YoY (by 28.6% w/o currency exchange rate effect) and by 13.3% QoQ (by 1.4% w/o currency exchange rate effect)
- Total customer deposits increased to GEL 3,724.7 million as of 31 March 2015, up by 35.3% YoY (by 21.1% w/o currency exchange rate effect) and by 12.1% QoQ (by 0.4% w/o currency exchange rate effect)
- Total equity stood at GEL 1,060.9 million as of 31 March 2015, up by 45.9% YoY and by 4.1% QoQ

Operational Highlights

- TBC Group maintained its leadership position in the retail segment with a market share of 34.3% in deposits and 30.6% in loans
- Market share in total loans increased by 0.3pp to 28.0% QoQ
    - Market share in legal entity loans decreased slightly by 0.1pp to 25.7%
- Market share in total deposits increased by 1.0pp to 29.4% QoQ
    - Market share in legal entity deposits increased by 1.1pp to 24.2%
- Bank Constanta was fully merged with TBC Bank in January 2015

Letter from the Chief Executive Officer

"We are pleased to report record high net income of GEL 45.6 million in Q1 2015 and a return on average equity (ROAE) of 17.9%. We continued to operate with a solid capital position, reinforced by strong net income for the quarter. The Bank's total capital adequacy ratio (CAR) per Basel I stood at 29.6%, and the total CAR per Basel II/III regulation stood at 15.1%, against the minimum requirement of 10.5% (or 13.5% including the capital buffer).

In Q1 2015 we successfully completed the merger with Bank Constanta, which enables us to offer TBC Bank's products in an additional 63 branches and to further expand our business in the fast-growing microfinance segment of the market.

Another important highlight is that TBC Bank, TBC Broker and the Asian Development Bank (ADB) completed the largest-ever local currency transaction issuing GEL 100 million in local bonds. The amount raised was then taken by TBC Bank as a loan to support the Bank's financing of micro, small and medium-sized enterprises (MSMEs) in the country.

In terms of the external environment, as widely expected, Georgian economic growth slowed to 3.2% YoY in Q1 2015, reflecting spillover effects from the wider region. The depreciation of the Georgian Lari against the U.S. Dollar and the slower GDP growth rate were partially a result of regional trends, including a slower growth rate in tourism and a decline in exports and remittances. However, the annual inflation rate stood at 2.5% in April 2015, well below the National Bank of Georgia (NBG) targeted inflation rate of 5.0%.

In this environment, we mainly focused on the quality of the portfolio and the rigorous management of our book. Consequently, excluding currency effects and the impact of the acquisition of the ProCredit Bank portfolio, our loan book remained broadly stable, up slightly by 0.5%. As of the same date, the share of our total gross loans represented by retail banking was 41.4%, followed by corporate banking with 33.8%, SME with 14.0% and micro with 10.9%. In terms of YoY loans book growth, we continued to outperform the market, as we increased our market share by 1.5pp to 28.0%.

As of 31 March 2015, total customer deposits reached GEL 3,724.7 million, up by 35.3% YoY or by 12.1% QoQ.

We maintained our leadership position in the retail segment with a market share of 34.3% in retail deposits and 30.6% in retail loans. Our market shares in total assets and total loans stood at 25.5% and 28.0% respectively.

NIM was 8.0% in Q1 2015, compared to 8.8% (8.6% w/o one-off interest income) in Q1 2014, due to the declining interest rates on loans in line with the market trend and the local currency devaluation. Total non-interest income reached GEL 38.5 million in Q1 2015, up 67.6% YoY. We achieved further positive operating leverage in Q1 2015 and our cost to income ratio was down to 39.2% compared to 47.6% in Q1 2014.

As a result, we delivered a strong profit for the year of GEL 45.6 million, up by 27.0% YoY, and 17.9% ROAE.

Going forward we believe that despite the ongoing spillover effects from the region, the Georgian economy will accelerate, as illustrated by the increase in GDP growth from 1.8% in Q4 2014 to 3.2% in Q1 2015.

We believe that the actions we have taken well positioned the Bank to sustain its successful performance into the long-term. We look forward to updating the market on our continued achievements in the future."

Vakhtang Butskhrikidze
Chief Executive Officer

TBC Bank First Quarter 2015 Financial Results Conference Call

Thursday, 7 May 2015

14.00 (GMT+1) / 16.00 (CET) / 09.00 (EDT)

Hosts:

Vakhtang Butskhrikidze, CEO, and Giorgi Shagidze, CFO

TBC Bank, a leading bank in Georgia, will release its first quarter 2015 financial results on Wednesday, 7 May 2015 at 7am GMT+1 (10 am GET).

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

Date & time: Thursday, 7 May at 14.00 (GMT+1) / 16.00 (CET) / 09.00 (EDT)

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

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Results Overview Q1 2015

Income Statement Highlights

in thousands of GEL	1Q'15	4Q'14	1Q'14	*Change YoY*	*Change QoQ*
Net interest income	95,671	92,276	80,420	*19.0%*	*3.7%*
Net Fee and Commission Income	16,618	17,620	11,682	*42.3%*	*-5.7%*
Other operating non-interest income	21,838	22,416	11,259	*94.0%*	*-2.6%*
Provisioning charges	(29,008)	(18,652)	(13,008)	*123.0%*	*55.5%*
Operating income after provisions for impairment	**105,119**	**113,659**	**90,353**	***16.3%***	***-7.5%***
Operating expenses	(52,593)	(67,694)	(49,249)	*6.8%*	*-22.3%*
Profit before tax	**52,527**	**45,965**	**41,104**	***27.8%***	***14.3%***
Income tax expense	(6,889)	(5,940)	(5,165)	*33.4%*	*16.0%*
Profit for the period	**45,638**	**40,026**	**35,939**	***27.0%***	***14.0%***

Balance Sheet and Capital Highlights

	31-Mar-15		31-Dec-14		Change QoQ	31-Mar-14		Change YoY
In millions	GEL	USD	GEL	USD		GEL	USD	
Total Assets	6,002.6	2,694.8	5,423.5	2,910.2	*10.7%*	4,437.9	2,539.3	*35.3%*
Gross Loans	4,198.2	1,884.7	3,706.3	1,988.8	*13.3%*	2,921.1	1,671.4	*43.7%*
Customer Deposits	3,724.7	1,672.1	3,322.4	1,782.8	*12.1%*	2,753.9	1,575.7	*35.3%*
Total Equity	1,060.9	476.3	1,019.5	547.0	*4.1%*	726.9	415.9	*45.9%*
Basel I Tier 1 Capital	1,013.8	455.1	967.5	519.2	*4.8%*	681.8	390.1	*48.7%*
Basel I Risk Weighted Assets	4,248.5	1,907.3	3,910.8	2,098.5	*8.6%*	3,189.1	1,824.7	*33.2%*
Basel II/III Tier 1 Capital	835.7	375.2	783.4	420.3	*6.7%*	518.3	296.6	*61.2%*
Basel II/III Risk Weighted Assets	6,923.7	3,108.3	6,296.7	3,378.8	*10.0%*	4,880.5	2,792.5	*41.9%*

Key Ratios

	1Q'15	4Q'14	1Q'14	Change YoY	Change QoQ
ROAE	17.9%	16.0%	20.0%	-2.1%	1.9%
ROAA	3.2%	3.1%	3.3%	-0.1%	0.1%
Pre-provision ROAE	29.3%	23.5%	27.3%	2.0%	5.8%
Cost to Income	39.2%	51.2%	47.6%	-8.4%	-12.0%
Cost of Risk	3.0%	1.9%	2.0%	1.0%	1.1%
NPL to Gross Loans	0.7%	0.5%	1.0%	-0.3%	0.2%
Basel I Total CAR	29.6%	30.4%	28.1%	1.5%	-0.8%
Basel II/III Total CAR	15.1%	15.0%	14.3%	0.8%	0.0%
Leverage (times)	5.7	5.3	6.1	(0.4)	0.3

Income Statement Discussion

Net Interest Income

in thousands of GEL	1Q'15	4Q'14	1Q'14	*Change YoY*	*Change QoQ*
Loans and advances to customers	132,563	124,022	112,012	*18.3%*	*6.9%*
Investment securities available for sale	8,041	7,676	7,263	*10.7%*	*4.8%*
Due from other banks	2,448	1,949	1,411	*73.5%*	*25.6%*
Investments in leases	3,497	3,133	2,081	*68.0%*	*11.6%*
Interest income	**146,549**	**136,780**	**122,767**	***19.4%***	***7.1%***
Customer accounts	32,512	28,075	27,345	*18.9%*	*15.8%*
Due to credit institutions	12,093	10,771	10,520	*14.9%*	*12.3%*
Subordinated debt	5,728	5,136	4,322	*32.5%*	*11.5%*
Debt Securities in issue	509	436	89	*471.9%*	*16.7%*
Other	35	86	70	*-49.8%*	*-59.0%*
Interest expense	**50,878**	**44,505**	**42,347**	***20.1%***	***14.3%***
Net interest income	**95,671**	**92,276**	**80,420**	***19.0%***	***3.7%***
Net interest margin	**8.0%**	**8.5%**	**8.8%**	***-0.8pp***	***-0.5pp***

Q1 2015 to Q1 2014 Comparison

Net interest income increased by 19.0% to GEL 95.7 million, compared to Q1 2014, driven by 19.4% higher interest income and 20.1% higher interest expense.

The 19.4% YoY increase in interest income to GEL 146.5 million in Q1 2015 was mainly due to the increase in interest income from loans to customers, primarily related to the average gross loan portfolio increase by 36.7% YoY, out of which 13.6% YoY increase resulted from the devaluation of the local currency. The increase in interest income more than offset the decline in loan yields over the same period to 13.5% from 15.6%, due to declining interest rates in the country and the currency depreciation. The next largest increases in interest income in absolute terms came from interest income from investments in leases and interest income from due from other banks, primarily due to an increase in the size of the respective average portfolios as well as the increased yields on such placements. Yields on average interest earning assets decreased by 1.1pp to 12.3%, compared to 13.4% in Q1 2014.

Interest expense increased by 20.1% YoY to GEL 50.9 million in Q1 2015, mainly due to higher interest expense on customer accounts. The latter increased primarily due to the 29.7% increase in the average customer deposit portfolio, out of which 12.0% YoY increase resulted from the devaluation of the local currency, which more than offset the decrease in cost of client deposits to 3.7% (Q1 2014: 4.0%). As a result of reduced interest rates on clients' deposits and other borrowed funds (6.4% in Q1 2015 compared to 7.2% in Q1 2014), the Bank's cost of funding ratio declined by 0.3pp to 4.5% in Q1 2015, compared to 4.8% in Q1 2014.

Consequently, NIM was 8.0% in Q1 2015, compared to 8.8% in Q1 2014. Due to the one-off interest income from one of the corporate loans, our interest income increased in 1Q 2014 by GEL 2.3 million. Without this one-off effect, Q1 2014 NIM would have been 8.6%.

Q1 2015 to 4Q 2014 Comparison

On a QoQ basis, net interest income increased by 3.7% as a result of 7.1% higher interest income and 14.3% higher interest expense.

The GEL 9.8 million, or 7.1%, QoQ increase in interest income mainly resulted from the increase in interest income on loans, which in turn was due to the 15.5% QoQ increase in the average gross loan portfolio, out of which 7.5% YoY increase was due to the devaluation of the local currency, and which was partially offset by 0.8pp QoQ decrease in average loan yields. The decrease in loan yields was primarily due to the seasonal high interest income on consumer loans in Q4 2014, currency devaluation, and declining market interest rates in the country. The increase in interest income was also driven by an increase in interest income from due from other banks by GEL 0.5 million, mainly driven by the increase in its yields by 1.1pp to 3.4%. The interest income from investment securities available from sale and investments from leases also increased each by GEL 0.4 million. Yields on average interest earning assets decreased by 0.3pp in Q1 2015, compared to the previous quarter, mainly due to the reduced loan yields.

The GEL 6.4 million, or 14.3% QoQ, increase in interest expense was primarily due to the increase in interest expense on customer accounts by GEL 4.4 million, or 15.8%, mainly due to the 12.7% QoQ increase in the average customer deposits portfolio, out of which 7.4% QoQ increase was due to the devaluation of the local currency. The increase in interest expense on customer deposits was also related to the increase in GEL deposits related to a government programe supporting long-term local currency funding. The increase in interest expense was also due to the increase in interest expense from other borrowed funds, which resulted from the 26.1% QoQ increase in the respective average portfolio. As a result, the cost of funding increased by 0.1pp QoQ.

Consequently, on a QoQ basis, NIM decreased by 0.5pp.

Reclassification of income from Other Operating Income to Fee and Commission Income

Starting from Q4 2014, the Bank has reclassified the operating income of its subsidiaries, TBC Pay and UFC, from Other Operating Income to Fee and Commission Income. The following table gives appropriate details of the adjustment.

in thousands of GEL	Financial statement line item	As previously reported	As reclassified
	Fee and Commission Income		
	Fee and commission income from settlement	3,050	5,067
	Fee and commission income from card operations	7,005	7,326
Q1 2014	**Other Operating Income**		
	Revenues from cash-in terminal services	2,224	207
	Other operating income	1,361	1,040

Fee and Commission Income

in thousands of GEL	1Q'15	4Q'14	1Q'14	*Change YoY*	*Change QoQ*
Card operations	10,761	10,723	7,326	*46.9%*	*0.4%*
Settlement transactions	6,711	6,653	5,067	*32.4%*	*0.9%*
Guarantees issued	2,158	2,665	1,670	*29.2%*	*-19.0%*
Issuance of letters of credit	1,750	1,954	1,644	*6.4%*	*-10.5%*
Cash transactions	2,194	2,121	1,167	*88.0%*	*3.4%*
Foreign exchange operations	574	308	310	*85.1%*	*86.6%*
Other	877	1,773	963	*-9.0%*	*-50.6%*
Fee and commission income	**25,024**	**26,198**	**18,146**	***37.9%***	***-4.5%***
Card operations	5,296	5,151	3,377	*56.8%*	*2.8%*
Guarantees received	226	287	231	*-2.3%*	*-21.3%*
Cash transactions	676	635	630	*7.2%*	*6.4%*
Settlement transactions	702	877	454	*54.6%*	*-19.9%*
Foreign exchange operations	2	16	14	*-84.4%*	*-86.4%*
Letters of credit	544	663	799	*-31.8%*	*-18.0%*
Other	959	949	960	*-0.1%*	*1.1%*
Fee and commission expense	**8,405**	**8,578**	**6,464**	***30.0%***	***-2.0%***
Net Fee and Commission Income	**16,618**	**17,620**	**11,682**	***42.3%***	***-5.7%***

Q1 2015 to Q1 2014 Comparison

In Q1 2015, the net fee and commission income reached GEL 16.6 million, up by GEL 4.9 million, or by 42.3% compared to Q1 2014. This mainly resulted from an increase in net fee and commission income from card operations by GEL 1.5 million and from settlement transactions by GEL 1.4 million, driven by the growing scale of the business. The net fee and commission income from cash transactions increased by GEL 1.0 million, guarantees issued by GEL 0.5 million, issuance of letters of credit by GEL 0.4 million, and foreign exchange operations by GEL 0.3 million.

Q1 2015 to Q4 2014 Comparison

On a QoQ basis, the net fee and commission income decreased by GEL 1.0 million, or 5.7%, compared to Q4 2014, primarily due the decreased net fee and commission income from guarantees issued by GEL 0.4 million, from issuance of letters of credit and card operations each by GEL 0.1 million. These decreases more than offset the increase in the net fee and commission income from foreign exchange operations and settlement transactions by GEL 0.3 million and GEL 0.2 million respectively. Net fee and commission income from card operations remained broadly stable on a QoQ basis. In general, Q4 is the most fee-generating quarter, whereas Q1 is a seasonally low fee generating quarter.

Other Operating Non-interest Income

In Q4 2014 the Bank reclassified other operating income to fee and commission income as described above.

in thousands of GEL	**1Q'15**	**4Q'14**	**1Q'14**	***Change YoY***	***Change QoQ***
Gains less losses from trading in foreign currencies and foreign exchange translations	17,668	15,782	7,792	*126.7%*	*12.0%*
Gains less losses/(losses less gains) from derivative financial instruments	(438)	(299)	(177)	*147.3%*	*46.2%*
Revenues from cash-in terminal services	191	239	207	*-8.0%*	*-20.3%*
Revenues from operational leasing	2,225	1,957	1,579	*40.9%*	*13.7%*
Gain from sale of investment properties	160	2,699	310	*-48.5%*	*-94.1%*
Gain from sale of inventories of repossessed collateral	572	550	215	*166.0%*	*4.0%*
Administrative fee income from international financial institutions	182	252	272	*-33.1%*	*-27.7%*
Revenues from non-credit related fines	34	183	14	*146.2%*	*-81.2%*
Gain on disposal of premises and equipment	8	41	6	*27.5%*	*-81.4%*
Other	1,236	1,012	1,040	*18.8%*	*22.1%*
Other operating income	**4,608**	**6,934**	**3,644**	***26.5%***	***-33.5%***
Other operating non-interest income	**21,838**	**22,416**	**11,259**	***94.0%***	***-2.6%***

Q1 2015 to Q1 2014 Comparison

Total other operating non-interest income increased by GEL 10.6 million, or by 94.0% to GEL 21.8 million in Q1 2015, compared to the same quarter of the previous year. This increase was mainly driven by a GEL 9.9 million increase in gains from trading in foreign currencies and foreign exchange translations related to increased volumes of currency exchange operations and volatility of the currency exchange rate in Q1 2015. Total other operating non-interest income was also supported by the increase in revenues from operational leasing (rental income from investment property) by GEL 0.6 million. These increases were partially offset by the loss of GEL 0.4 million from the fair valuation of interest rate swap (reported under gains less losses from derivative financial instruments) entered for purposes of hedging interest rate increases in TBC's banking book.

Q1 2015 to Q4 2014 Comparison

On a QoQ basis, other operating non-interest income decreased by GEL 0.6 million, or by 2.6%, primarily reflecting the GEL 2.5 million decrease in gains from sales of investment property primarily due to the higher sales of such properties in 4Q 2014. This decrease more than offset the increase in trading in foreign currencies and foreign exchange translations by GEL 1.9 million.

Provision for Impairment

in thousands of GEL	1Q'15	4Q'14	1Q'14	*Change YoY*	*Change QoQ*
Provision for loan impairment	29,386	16,198	14,586	*NMF*	*NMF*
Provision for impairment of investments in finance lease	103	-89	9	*NMF*	*NMF*
Provision for/ (recovery of provision) performance guarantees and credit related commitments	-820	1,875	-1,799	*-54.4%*	*NMF*
Provision for impairment of other financial assets	339	669	190	*78.2%*	*-49.4%*
Impairment of investment securities available for sale	-	-	22	*-100.0%*	*NMF*
Total provision charges for impairment	**29,008**	**18,652**	**13,008**	***123.0%***	***55.5%***
Operating income after provisions for impairment	**105,119**	**113,659**	**90,353**	***16.3%***	***-7.5%***
Cost of Risk	**3.0%**	**1.9%**	**2.0%**	***1.0pp***	***1.1pp***

Q1 2015 to Q1 2014 Comparison

In Q1 2015, total provision charges increased by GEL 16.0 million to GEL 29.0 million, compared to Q1 2014. The increase was mainly driven by the increased charges on loans by GEL 14.8 million, which was principally caused by the technical increase in provisions related to the local currency devaluation (67% of our gross loan book is denominated in foreign currency, of which USD loans represent 97%). Without the effect of currency exchange rate devaluation, loan provision charges would have decreased by GEL 4.7 million. The increase in provision charges was also due to the lower recovery of provisions on performance guarantees and credit related commitments in Q1 2015, compared to Q1 2014.

In Q1 2015, the cost of risk on loans was 3.0% (1.1% w/o currency rate devaluation in Q1 2015), compared to 2.0% in the same quarter of the previous year.

Q1 2015 to Q4 2014 Comparison

On a QoQ basis, total provision charges increased by GEL 10.4 million, primarily resulting from a GEL 13.2 million increase in loan provision charges. The increase was mainly associated with the currency rate devaluation effect described above. Without currency exchange rate effect in Q1 2015 and Q4 2014, provision charges on loans would have decreased by GEL 1.0 million.

Consequently, cost of risk on loans increased by 1.1pp QoQ (down by 0.2% QoQ w/o currency rate devaluation in Q1 2015 and Q4 2014).

Operating Expenses

in thousands of GEL	**1Q'15**	**4Q'14**	**1Q'14**	***Change YoY***	***Change QoQ***
Staff costs	30,853	37,260	26,984	*14.3%*	*-17.2%*
Depreciation and amortisation	6,206	8,194	5,295	*17.2%*	*-24.3%*
Provision for liabilities and charges	0	720	-	-	*-100.0%*
Professional services	*1,308*	*3,519*	*3,686*	*-64.5%*	*-62.8%*
Advertising and marketing services	*1,856*	*4,701*	*2,683*	*-30.8%*	*-60.5%*
Rent	*3,624*	*3,143*	*2,867*	*26.4%*	*15.3%*
Utility services	*1,029*	*942*	*1,020*	*0.9%*	*9.2%*
Intangible asset enhancement	*1,197*	*1,025*	*919*	*30.2%*	*16.7%*
Taxes other than on income	*1,352*	*979*	*894*	*51.2%*	*38.1%*
Communications and supply	*812*	*994*	*775*	*4.8%*	*-18.3%*
Stationary and other office expenses	*697*	*805*	*698*	*-0.1%*	*-13.4%*
Insurance	*659*	*433*	*442*	*49.1%*	*52.2%*
Security services	*391*	*424*	*369*	*6.0%*	*-7.6%*
Premises and equipment maintenance	*754*	*694*	*338*	*123.0%*	*8.6%*
Business trip expenses	*335*	*539*	*199*	*68.6%*	*-37.7%*
Transportation and vehicles maintenance	*269*	*330*	*278*	*-3.3%*	*-18.6%*
Charity	*301*	*141*	*249*	*20.9%*	*113.6%*
Personnel training and recruitment	*247*	*405*	*68*	*262.9%*	*-39.1%*
Write-down of current assets to fair value less costs to sell	*-365*	*-48*	*10*	*NMF*	*NMF*
Loss on disposal of Inventory	*1*	*7*	*0*	*NMF*	*NMF*
Loss on disposal of investment properties	*326*	*0*	*1*	*NMF*	*NMF*
Loss on disposal of premises and equipment	*0*	*5*	*0*	*NMF*	*NMF*
Other	*741*	*2,484*	*1,474*	*-49.7%*	*-70.2%*
Administrative and other operating expenses	**15,534**	**21,520**	**16,970**	***-8.5%***	***-27.8%***
Operating expenses	**52,593**	**67,694**	**49,249**	***6.8%***	***-22.3%***
Profit before tax	**52,527**	**45,965**	**41,104**	***27.8%***	***14.3%***
Income tax expense	6,889	5,940	5,165	*33.4%*	*16.0%*
Profit for the period	**45,638**	**40,026**	**35,939**	***27.0%***	***14.0%***

Q1 2015 to Q1 2014 Comparison

In Q1 2015, total operating expenses increased to GEL 52.6 million, up by GEL 3.3 million, or by 6.8% YoY. The increase was primarily due to the increase in staff costs by GEL 3.9 million, or 14.3% YoY (primarily due to the general increase in salaries, bonuses and various HR management related costs on a TBC Group level related to the overall increase in the scale of the business). The increase in operating expenses was also due to the increase in depreciation and amortization expenses. These increases were partially offset by the reduced professional services related expenses in Q1 2015.

As a result, the cost to income ratio was 39.2% in Q1 2015, compared to 47.6% (46.3% w/o IPO related expenses) in Q1 2014.

Q1 2015 to Q4 2014 Comparison

On a QoQ basis, operating expenses decreased by GEL 15.1 million, or 22.3%, compared to Q4 2014. Without the one-off costs in 4Q 2014 related to the merger with Bank Constanta, total operating expenses would have decreased by GEL 14.4 million, or by 21.5% mainly due to the seasonally high cost of Q4. More specifically, the decrease was due to a GEL 6.4 million decrease in salaries and performance-related bonuses, a GEL 2.8 million decrease in advertising and marketing expenses, a GEL 2.2 million decrease in professional services and a GEL 2.0 million decrease in depreciation and amortization expenses due to a one-off depreciation expense in Q4 resulting from the merger preparation period.

As a result, the cost to income ratio was down by 12.0pp QoQ, and down by 11.4pp QoQ excluding one-off charges in Q4 2014.

Balance Sheet Discussion

In millions of GEL	**31-Mar-15**	**31-Dec-14**	**31-Mar-14**	***Change QoQ***	***Change YoY***
Cash, due from banks and mandatory cash balances with NBG	872.0	901.9	627.2	*-3.3%*	*39.0%*
Loans and advances to customers (Net)	4,024.0	3,556.5	2,772.6	*13.1%*	*45.1%*
Financial securities	579.1	466.5	568.9	*24.1%*	*1.8%*
Fixed and intangible assets & investment property	328.0	322.7	309.2	*1.7%*	*6.1%*
Other assets	199.5	175.9	160.0	*13.4%*	*24.6%*
Total assets	**6,002.6**	**5,423.5**	**4,437.9**	***10.7%***	***35.3%***
Due to credit institutions	855.9	749.3	687.7	*14.2%*	*24.5%*
Customer accounts	3,724.7	3,322.4	2,753.9	*12.1%*	*35.3%*
Debt Securities in issue	22.3	20.4	4.5	*9.3%*	*394.1%*
Subordinated Debt	228.5	188.0	172.8	*21.5%*	*32.3%*
Other liabilities	110.3	123.8	92.0	*-10.9%*	*19.8%*
Total Liabilities	**4,941.7**	**4,404.0**	**3,711.0**	***12.2%***	***33.2%***
Total equity	**1,060.9**	**1,019.5**	**726.9**	***4.1%***	***45.9%***

Assets

As of 31 March 2015, TBC's total assets amounted to GEL 6,002.6 million, up by GEL 1,564.7 million, or by 35.3% YoY. This increase in total assets was mainly due to the increase in net loans to customers by GEL 1,251.4 million, or by 45.1% YoY. The YoY increase in total assets also resulted from a GEL 242.5 million, or 20.4%, increase in liquid assets (comprising cash and cash equivalents, amounts due from other banks, mandatory cash balances and investment securities available for sale less corporate shares), compared to 31 March 2014.

On a QoQ basis, total assets increased by GEL 579.1 million, or 10.7%, primarily due to a GEL 467.5 million, or 13.1%, increase in net loans and advances to customers to GEL 4,024.0 million. This increase was in turn driven mainly by growth in retail and corporate net portfolios. The asset growth was also supported by the increase in liquid assets by 5.3% to GEL 1,430.1 million. The liquid assets to liability ratio decreased to 28.9%, compared to 30.8% as of 31 December 2014.

As of 31 March 2015, the gross loan portfolio reached 4,198.2 million, up by 43.7% YoY and by 13.3% QoQ. At the same time, gross loans denominated in foreign currency accounted for 66.7% of total gross loans, compared to 65.8% as of 31 March 2014 and 63.2% as of 31 December 2014, which reflects the local currency devaluation in Q1 2015. The NPL ratio, defined as loans overdue more than 90 days relative to gross loan portfolio, stood at 0.7%, compared to 1.0% and 0.5% as of 31 March 2014 and 31 December 2014, respectively. The NPL+Restructured ratio stood at 4.4%, compared to 4.7% and 3.7% as of 31 March 2014 and 31 December 2014, respectively, and the NPL+Restructured loans coverage ratio stood at 95.0%, compared to 109.0% as of 31 March 2014 and 109.4% as of 31 December 2014.

Liabilities

As of 31 March 2015, TBC's total liabilities amounted to GEL 4,941.7 million, up by 33.2% YoY and by 12.2% QoQ.

On a YoY basis, the GEL 1,230.7 million, or 33.2%, increase in total liabilities was primarily due to the GEL 970.8 million, or 35.3%, increase in customer deposits, which was primarily driven by the increase in retail deposits, as well as a GEL 194.7 million YoY increase in other borrowed funds. The latter resulted from the EUR 20 million loan facility from European Investment Bank (EIB) in December 2014, the GEL 100 million local currency borrowing from the Asian Development Bank (ADB) and the USD 10 million trade finance facility from the OPEC Fund for International Development (OFID) in Q1 2015, as well as the currency rate devaluation since Q4 2014. The increase in total liabilities was also driven by the issuance of bonds in 2014 by the Bank's subsidiaries TBC Kredit and TBC Leasing amounting to USD 5.0 million and USD 2.0 million, respectively.

On a QoQ basis, the GEL 537.7 million, or 12.2% increase in total liabilities was primarily due to the GEL 402.2 million, or 12.1% increase in customer accounts as well as the increase in other borrowed funds due to the facilities attracted in Q1 2015 mentioned above.

Liquidity

The Bank's liquidity ratio, as defined by the National Bank of Georgia, was 33.8% as of 31 March 2015, compared to 32.1% and 31.1% as of 31 March 2014 and 31 December 2014, respectively.

Total Equity

As of 31 March 2015, TBC's total equity amounted GEL 1,060.9 million, compared to GEL 726.9 million as of 31 March 2014 and GEL 1,019.5 million as of 31 December 2014. The YoY increase in total equity was primarily driven by the net income attributable to owners of the bank and the IPO gross proceeds of GEL 175.6 million.

Regulatory Capital

As of 31 March 2015, the Bank's Basel II/III[1] tier 1 and total capital adequacy ratios (CAR) were 12.1% and 15.1%, respectively, compared to 10.6% and 14.3% as of 31 March 2014, and 12.4% and 15.0% as of 31 December 2014. The minimum capital requirements set by NBG for Basel II/III tier 1 and total capital ratios are 8.5% and 10.5% (13.5% including the capital buffer), respectively. The Bank's Basel II/III tier 1 capital reached GEL 835.7 million, compared to GEL 518.3 million as of 31 March 2014 and GEL 783.4 million as of 31 December 2014. Risk weighted assets were GEL 6,923.7 million as of 31 March 2015, up GEL 2,043.2 million YoY and up GEL 627.1 million QoQ.

The Bank's Basel I tier 1 capital ratio was 23.9%, compared to 21.4% and 24.7%% as of 31 March 2014 and 31 December 2014, respectively. Tier 1 capital reached GEL 1,013.8 million, compared to 681.8 million and 967.5 million as of 31 March 2014 and 31 December 2014, respectively. Risk weighted assets were GEL 4,248.5 million as of 31 March 2015, up by GEL 1,059.4 million YoY and by GEL 337.7 million QoQ.

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

Market Shares[2]

Asset Market Shares

TBC Bank's market share in total assets increased by 0.7pp YoY and decreased by 0.8pp QoQ, attaining 25.5% as of 31 March 2015.

Loans Market Shares

TBC Bank's market share in total loans was 28.0% as of 31 March 2015, up by 1.5pp YoY and by 0.3pp QoQ.

In terms of individual loans, the Bank maintained its leadership position in individual loans with a 30.6% market share as of 31 March 2015, up by 2.8pp YoY and by 0.8pp QoQ. The market share for legal entity loans was 25.7%, up by 0.4pp YoY and down by 0.1pp QoQ.

Deposits Market Shares

TBC Bank's market share of total deposits was 29.4% as of 31 March 2015, up by 1.3pp YoY and up by 1.0pp QoQ.

The Bank maintains its longstanding leadership in individual deposits with a market share of 34.3%, up by 1.3pp YoY and up by 0.6pp QoQ. In terms of legal entity deposits, TBC Bank's market share was 24.2%, up by 1.1pp YoY and up by 1.1pp QoQ. The Bank uses corporate deposits mainly for liquidity management purposes.

[2] Market shares are based on National Bank of Georgia (NBG)

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 revenue 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 70K, as well as pawn loans, credit cards and cash cover loans granted in TBC Bank Constanta branches, and deposits up to USD 20 K in urban areas and up to USD 100 K 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 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.

As a result, loans amounting to GEL 93.3 million were reclassified from the retail to the micro segment and GEL 2.0 million was reclassified from the retail to the SME segment. In deposits, GEL 54.3 million was reclassified from retail to micro deposits, GEL 1.2 million from retail to SME deposits, and GEL 8.1 million from SME to corporate deposits.

The following table sets out the information on the financial results of TBC's segments for Q1 2015:

In thousands of GEL	Retail	Corporate	SME	Micro	Corp. Center	Total
31-Mar-15						
interest income	61,146	30,750	16,447	24,221	13,986	**146,549**
interest expense	-22,614	-7,350	-1,886	-662	-18,366	**-50,878**
Intersegment interest income/(expense)	3,264	-8,213	-947	-5,690	11,586	**0**
Net interest income	**41,796**	**15,187**	**13,613**	**17,868**	**7,206**	**95,670**
Fee and commission income	13,380	7,981	2,472	882	309	**25,024**
Fee and commission expense	-5,940	-1,494	-819	-143	-9	**-8,405**
Net Fee and commission income	**7,440**	**6,486**	**1,653**	**739**	**300**	**16,618**
Gains less losses from trading in foreign currencies	4,250	7,231	6,084	441	-9,676	**8,331**
Foreign exchange translation losses less gains	-	-	-	-	9,338	**9,338**
Net gain from derivative financial instruments	-	-	-	-	-438	**-438**
Other operating income	-	-	-	-	4,608	**4,608**
Other operating noninterest income	**4,250**	**7,231**	**6,084**	**441**	**3,832**	**21,838**
Provision for loan impairment	-12,247	-10,135	-6,429	-4,373	-	**-29,385**
Provision for performance guarantees and credit related commitments	-	664	157	-	-	**820**
Provision for impairment of investments in finance lease	-	-	-	-	-103	-103
Provision for impairment of other financial assets	-	-	-	-	-339	**-339**
Profit before administrative and other expenses and income taxes	41,238	19,433	18,878	14,675	10,896	**105,120**
Staff costs	-11,568	-2,729	-2,818	-6,277	-7,461	**-30,853**
Depreciation and amortisation	-2,834	-255	-441	-1,327	-1,348	**-6,206**
Administrative and other operating expenses	-7,324	-642	-1,177	-2,405	-3,985	**-15,534**
Operating expenses	**-21,727**	**-3,626**	**-4,436**	**-10,010**	**-12,794**	**-52,593**
Profit before tax	19,511	15,807	14,442	4,665	(1,897)	52,527
Income tax expense	-2,558	-2,073	-1,894	-612	249	-6,889
Profit for the year	16,952	13,734	12,548	4,053	(1,649)	45,639

The following table sets out the loans and customer deposits portfolios of TBC's business segments as of 31 March 2015, 31 December 2014 and 31 March 2014. The growth rate shown below on a QoQ basis is based on the new segment definition and differs from the previously published data.

		As Reclassified per New Segment Definition	As Previously Reported	As Previously Reported
In thousands of GEL	**31-Mar-15**	**31-Dec-14**	**31-Dec-14**	**31-Mar-14**
Loans and Advances to Customers				
Consumer	*746,389*	*700,430*	*781,043*	*603,386*
Mortgage	*796,229*	*702,190*	*716,868*	*530,631*
Pawn	*194,775*	*169,002*	*169,002*	*114,561*
Retail	1,737,394	1,571,622	1,666,913	1,248,578
Corporate	1,418,558	1,231,729	1,231,729	1,049,789
SME	585,685	535,899	533,919	404,761
Micro	456,573	367,010	273,699	218,011
Total loans and advances to customers (gross)	**4,198,209**	**3,706,261**	**3,706,261**	**2,921,139**
Less: Provision for loan impairment	-174,178	-149,764	-149,764	-148,510
Total loans and advances to customers (net)	**4,024,031**	**3,556,496**	**3,556,496**	**2,772,629**
Customer Accounts				
Retail	2,198,572	1,921,650	1,977,173	1,649,498
Corporate	916,265	840,645	832,555	672,221
SME	546,679	500,906	507,816	427,966
Micro	63,151	59,228	4,884	4,199
Total customer accounts	**3,724,667**	**3,322,428**	**3,322,428**	**2,753,884**

31-Mar-15 *(In thousands of GEL)*	**Corporate**	**Consumer**	**Mortgage**	**SME**	**Micro**	**Total**
Provision for loan impairment at 1 January 2015	**91,226**	**36,753**	**8,889**	**5,288**	**7,610**	**149,766**
Post-merger reclassification effect	-	(2,373)	(245)	25	2,593	-
(Recovery of)/provision for impairment during the year*	10,135	8,853	3,395	2,629	4,373	**29,386**
Amounts written off during the year as uncollectible	-	(5,175)	(170)	(1,066)	(1,989)	**(8,401)**
Recoveries	25	1,733	416	828	721	**3,725**
Effect of translation to presentation currency	-	(51)	(50)	(197)	-	**(298)**
Provision for loan impairment at 31 March 2015	**101,387**	**39,740**	**12,235**	**7,508**	**13,309**	**174,178**

Retail Banking

As of 31 March 2015, retail loans stood at GEL 1,737.4 million, up by 10.5% QoQ (up by 0.1% QoQ w/o exchange rate effect) and accounted for 30.6% market share in individual loans. As of 31 March 2015, foreign currency loans represented 60.4% of the total retail loan portfolio.

As of 31 March 2015, retail deposits increased to GEL 2,198.6 million, up by 14.4% QoQ (broadly stable w/o exchange rate effect), and accounted for 34.3% market share in individual deposits. Term deposits represented 66.2% of the total retail deposit portfolio as of 31 March 2015. Foreign currency deposits represented 87.8% of the total retail deposit portfolio.

In Q1 2015, retail loan yields and deposit rates stood at 14.8% and 4.4% respectively, and the segment's cost of risk was 3.0%. The retail segment contributed to 42.1%, or GEL 19.2 million, to TBC's total net income in Q1 2015.

Corporate Banking

As of 31 March 2015, corporate loans amounted to GEL 1,418.6 million, up by 15.2% QoQ (up by 1.3% QoQ w/o exchange rate effect). As of the same date, foreign currency loans represented 75.7% of the total corporate loan portfolio.

As of 31 March 2015, corporate deposits stood at GEL 916.3 million, up by 9.0% QoQ (up by 1.7% QoQ w/o exchange rate effect). As of the same date, foreign currency corporate deposits represented 44.0% of the total corporate deposit portfolio.

In Q1 2015, corporate loan yields and deposit rates stood at 9.5% and 3.3%, respectively. In the same period, the cost of risk was 3.1%. In terms of the profitability, the corporate segment's net profit reached GEL 13.7 million, or 30.1% of TBCs total net income.

SME Banking

As of 31 March 2015, SME loans increased to GEL 585.7 million, up 9.3% QoQ (down 5.3% QoQ w/o exchange rate effect). As of 31 March 2015, foreign currency loans represented 86.4% of the total SME portfolio.

As of 31 March 2015, SME deposits stood at GEL 546.7 million, up by 9.1% QoQ (up by 0.1% QoQ w/o exchange rate effect). Foreign currency SME deposits represented 62.7% of the total SME deposit portfolio.

In Q1 2015, SME loan yields and deposit rates stood at 11.7% and 1.4% respectively. In the same period, the cost of risk was 1.9%. In terms of profitability, net profit for the SME segment reached GEL 12.5 million, or 27.4%, of TBC's total net income.

Micro Banking

Micro loans reached GEL 456.6 million as of 31 March 2015, up by 24.4% QoQ (up by 16.7% QoQ w/o exchange rate effect). As of the same date, foreign currency loans represented 37.7% of the total micro loan portfolio.

As of 31 March 2015, micro customer deposits amounted to GEL 63.2 million, up 6.6% QoQ (down 3.3% QoQ w/o exchange rate effect). Foreign currency micro deposits represented 61.0% of the total micro deposit portfolio.

In Q1 2015, micro loan yields and deposit rates stood at 24.0% and 4.4% respectively. In the same period, the cost of risk was 4.3%. In terms of profitability, the micro segment's net profit reached GEL 1.8 million, or 3.9% of TBC's total net income.

Annexes

Subsidiaries

Subsidiary	Ownership / voting % as of 31 March 2015	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	7,378	0.12%
TBC Broker LLC	100.0%	Georgia	1999	Brokerage	246	0.00%
TBC Leasing JSC	99.5%	Georgia	2003	Leasing	80,185	1.34%
TBC Kredit LLC	75.0%	Azerbaijan	2008	Non-banking credit institution	95,189	1.59%
Banking System Service Company LLC	100.0%	Georgia	2009	Information services	469	0.01%
TBC Pay LLC	100.0%	Georgia	2009	Processing	23,936	0.40%
Real Estate Management Fund JSC	100.0%	Georgia	2010	Real estate management	1,409	0.02%
TBC Invest LLC	100.0%	Israel	2011	PR and marketing	93	0.00%
Mali XXI LLC	100.0%	Georgia	2011	Real estate management	77	0.00%

Asset Quality by Segments

PAR 30	31-Mar-15	31-Dec-14	31-Mar-14
Retail	2.0%	1.5%	2.7%
Corporate	1.8%	0.6%	2.3%
SME	3.0%	1.8%	2.3%
Micro	2.5%	1.4%	1.6%
Total	**2.1%**	**1.2%**	**2.4%**

NPL (PAR 90) ratio	31-Mar-15	31-Dec-14	31-Mar-14
Retail	0.8%	0.8%	1.0%
Corporate	0.3%	0.03%	1.1%
SME	1.4%	0.8%	0.8%
Micro	1.2%	0.7%	0.8%
Total	**0.7%**	**0.5%**	**1.0%**

NPL+Restructured ratio	31-Mar-15	31-Dec-14	31-Mar-14
Retail	2.8%	2.1%	2.4%
Corporate	7.1%	7.0%	9.0%
SME	2.9%	1.6%	1.7%
Micro	3.8%	2.8%	2.3%
Total	**4.4%**	**3.7%**	**4.7%**

NPL+Restructured coverage ratio	31-Mar-15	31-Dec-14	31-Mar-14
Retail	108.3%	131.9%	149.0%
Corporate	100.4%	106.2%	99.2%
SME	44.1%	60.5%	72.5%
Micro	76.6%	99.5%	107.3%
Total	**95.0%**	**109.4%**	**109.0%**

Cost of risk	Q1 2015	Q4 2014	Q1 2014
Retail	3.0%	1.6%	2.3%
Corporate	3.1%	2.6%	2.1%
SME	1.9%	0.5%	0.6%
Micro	4.3%	2.7%	2.5%
Total	**3.0%**	**1.9%**	**2.0%**

Supplementary Credit Risk Related Disclosure

31 March 2015	USD Portfolio Share	USD Linked Borrowers	PAR30		PAR90+Restr.	
			GEL	USD	GEL	USD
Corporate	71.9%	54.0%*	1.0%	2.1%	0.6%	8.5%
SME	84.2%	26.2%	1.0%	3.1%	1.2%	2.6%
Retail	56.0%	22.3%	2.2%	2.1%	2.1%	3.6%
Mortgage	84.0%	25.3%	0.1%	1.6%	0.2%	2.8%
Consumer	25.4%	11.5%	2.7%	3.8%	2.5%	6.6%

31 December 2014	USD Portfolio Share	USD Linked Borrowers	PAR30		PAR90+Restr.	
			GEL	USD	GEL	USD
Corporate	65.4%	51.0%**	0.3%	0.80%	0.50%	8.9%
SME	82.2%	17.1%	0.4%	1.90%	0.40%	1.7%
Retail	52.4%	22.0%	2.0%	1.10%	1.90%	2.6%
Mortgage	81.4%	24.0%	0.2%	0.80%	0.10%	1.9%
Consumer	22.6%	14.0%	2.4%	2.20%	2.40%	4.9%

31 March 2014	USD Portfolio Share	USD Linked Borrowers	PAR30		PAR90+Restr.	
			GEL	USD	GEL	USD
Corporate	69.6%	n/a	4.9%	1.4%	4.1%	11.3%
SME	78.7%	n/a	1.2%	2.2%	0.7%	1.2%
Retail	52.6%	n/a	3.1%	2.3%	2.7%	2.5%
Mortgage	80.6%	n/a	0.0%	2.1%	0.1%	1.9%
Consumer	24.8%	n/a	3.9%	3.1%	3.4%	4.4%

Source: IFRS Standalone; TBC internal figures

(*) Pure exports account for 15.5% of total Corporate USD denominated loans.

(**) Pure exports account for 12.5% of total Corporate USD denominated loans.

Consolidated Balance Sheet

In thousands of GEL	31-Mar-15	31-Dec-14	31-Mar-14
Cash and cash equivalents	430,213	532,118	329,568
Due from other banks	40,829	33,704	2,619
Mandatory cash balances with National Bank of Georgia	400,948	336,075	294,990
Loans and advances to customers (Net)	4,024,031	3,556,496	2,772,629
Investment securities available for sale	569,113	466,510	568,865
Repurchase receivables	9,980	0	0
Investments in finance leases	58,775	50,907	38,548
Investment properties	75,606	76,216	83,331
Goodwill	2,726	2,726	2,726
Intangible assets	39,965	37,756	26,672
Premises and equipment	212,434	208,692	199,171
Other financial assets	48,510	43,857	44,092
Deferred income tax asset	400	383	0
Current income tax prepayment	8,021	251	4,858
Other assets	81,040	77,776	69,822
TOTAL ASSETS	**6,002,591**	**5,423,466**	**4,437,891**
LIABILITIES			
Due to Credit Institutions	855,887	749,285	687,731
Customer accounts	3,724,667	3,322,428	2,753,884
Current income tax liability	364	12,433	0
Debt Securities in issue	22,321	20,423	4,517
Deferred income tax liability	27,795	23,187	27,882
Provisions for liabilities and charges	10,675	11,899	10,581
Other financial liabilities	45,919	41,346	30,619
Subordinated debt	228,514	188,015	172,787
Other liabilities	25,540	34,974	22,955
TOTAL LIABILITIES	**4,941,682**	**4,403,990**	**3,710,956**
EQUITY			
Share capital	19,576	19,576	16,499
Share premium	405,658	405,658	241,231
Retained earnings	578,532	532,992	410,935
Share based payment reserve	5,248	4,624	2,658
Other reserves	44,424	49,255	42,426
TOTAL EQUITY	**1,053,438**	**1,012,105**	**713,749**
Non-controlling interest	7,471	7,371	13,186
TOTAL EQUITY	**1,060,909**	**1,019,477**	**726,935**
TOTAL LIABILITIES AND EQUITY	**6,002,591**	**5,423,466**	**4,437,891**

Consolidated Income Statement

In thousands of GEL	1Q'15	4Q'14	1Q'14
Interest income	146,549	136,780	122,767
Interest expense	-50,878	-44,505	-42,347
Net interest income	**95,671**	**92,276**	**80,420**
Fee and commission income	25,024	26,198	18,146
Fee and commission expense	-8,405	-8,578	-6,464
Net Fee and Commission Income	**16,618**	**17,620**	**11,682**
Gains less losses from trading in foreign currencies	8,331	14,618	9,493
Foreign exchange translation gains less losses	9,338	1,164	-1,701
Gains less losses/(losses less gains) from derivative financial instruments	-438	-299	-177
Other operating income	4,608	6,934	3,644
Other operating non-interest income	**21,838**	**22,416**	**11,259**
Provision for loan impairment	-29,386	-16,198	-14,586
Provision for impairment of investments in finance lease	-103	89	-9
Provision for/ (recovery of provision) performance guarantees and credit related commitments	820	-1,875	1,799
Provision for impairment of other financial assets	-339	-669	-190
Impairment of investment securities available for sale	0	0	-22
Operating income after provisions for impairment	**105,119**	**113,659**	**90,353**
Staff costs	-30,853	-37,260	-26,984
Depreciation and amortisation	-6,206	-8,194	-5,295
Provision for liabilities and charges	0	-720	0
Administrative and other operating expenses	-15,534	-21,520	-16,970
Operating expenses	**-52,593**	**-67,694**	**-49,249**
Profit before tax	**52,527**	**45,965**	**41,104**
Income tax expense	-6,889	-5,940	-5,165
Profit for the period	**45,638**	**40,026**	**35,939**
Profit attributable to owners of the bank	45,539	39,901	35,415

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 Management for monitoring and control purposes.

Ratios (based on monthly averages, where applicable)	1Q'15	4Q'14	1Q'14
ROAE[1]	17.9%	16.0%	20.0%
ROAA[2]	3.2%	3.1%	3.3%
Pre-provision ROAE	29.3%	23.5%	27.3%
Pre-provision ROAA	5.3%	4.5%	4.5%
Cost: Income[3]	39.2%	51.2%	47.6%
Cost of Risk[4]	3.0%	1.9%	2.0%
NIM[5]	8.0%	8.5%	8.8%
Loan yields[6]	13.5%	14.3%	15.6%
Deposit rates[7]	3.7%	3.5%	4.0%
Yields on interest earning assets [8]	12.3%	12.6%	13.4%
Cost of Funding[9]	4.5%	4.4%	4.8%
Spread[10]	7.8%	8.2%	8.6%
NPLs to gross loans[11]	0.7%	0.5%	1.0%
NPLs+Restructured loans to gross loans[12]	4.4%	3.7%	4.7%
Provision Level to Gross Loans[13]	4.1%	4.0%	5.1%
NPLs+Restructured loans coverage ratio[14]	95.0%	109.4%	109.0%
BIS Tier 1[15]	23.9%	24.7%	21.4%
Total BIS CAR[16]	29.6%	30.4%	28.1%
NBG Basel II Tier 1 CAR[17]	12.1%	12.4%	10.6%
NBG Basel II Total CAR[18]	15.1%	15.0%	14.3%

For the readers' convenience, below are the ratios calculated based on quarterly average balances.

Selected Ratios Calculated Based on Quarterly Averages

Ratios (based on quarterly averages where applicable)	1Q'15	4Q'14	1Q'14
ROAE	17.9%	16.0%	20.1%
ROAA	3.2%	3.0%	3.3%
Pre-provision ROAE	29.3%	23.5%	27.5%
Pre-provision ROAA	5.3%	4.4%	4.5%
Cost of Risk	3.0%	1.9%	2.0%
NIM	8.1%	8.3%	8.7%
Loan yields	13.6%	14.2%	15.5%
Deposit rates	3.7%	3.5%	3.9%
Yields on interest earning assets	12.4%	12.3%	13.3%
Cost of Funding	4.5%	4.3%	4.7%
Spread	7.9%	8.1%	8.6%

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. NPLs 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+restructured loans to gross loans equal NPLs plus those restructured loans that are overdue by 90 days or less divided by the gross loan portfolio for the same period.
13. Provision Level to Gross Loans equal loan loss provision divided by the gross loan portfolio for the same period.
14. NPLs+Restructured loans coverage ratio equal loan loss provision divided by the sum of NPLs plus those restructured loans that are overdue by 90 days or less.
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

For calculations of QoQ growth without currency exchange rate effect, we used USD/GEL exchange rate of 1.8636 as of December 2014. For calculations of YoY growth without currency exchange rate effect, we used USD/GEL exchange rate of 1.7477 as of March 2014. The USD/GEL exchange rate as of March 2015 amounted to 2.2275.

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 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 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.