JSC TBC Bank GROUP Q2 2012 Results

Consolidated Reviewed IFRS Figures

"We have continued to deliver good financial performance in Q2 2012, which has contributed to our solid net profit of GEL 48.9 million, up by 2.2% Y-o-Y. These results are driven by a strong 9.3% Q-o-Q and 13.1% YTD growth of our loan portfolio and Q-o-Q increase of NIM and Spread by 90 bps. Moreover, improvement in BIS Tier 1 and Total Capital ratios Q-o-Q and YTD solidifies our plans to continue the Bank's sustainable growth in the future.

To summarize, encouraging macroeconomic forecasts along with the 1st half year financial performance provide a good foundation to believe that we are on track to meeting our full 2012 year targets and delivering against our long-term objectives."

Vakhtang Butskhrikidze, Chief Executive Officer

Financial Highlights

- Net income reached GEL 48.9 million, an increase of 2.2% Y-o-Y, delivering annualised return on equity of 19.9%;
- Net non-interest income reached GEL 41.8 million, an increase of 54.9% Y-o-Y;
- Total assets reached GEL 3,615.7 million, up by 9.6% YTD;
- Gross total loans and advances to customers were up by 9.3% Q-o-Q and 13.1% YTD reaching GEL 2,451.5 million;
- Total equity was up by 4.6% Q-o-Q and 10.6% YTD, amounting to GEL 518.6 million as at Q2 2012, resulting in solid Basel Tier 1 and Total Capital ratios;
- The number of TBC Bank customers increased by c. 30,000 Q-o-Q and 58,000 YTD.

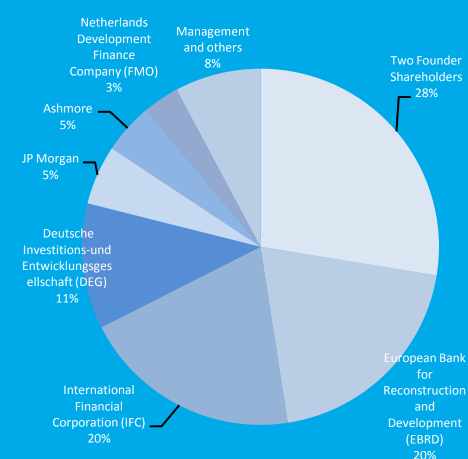
TBC at a Glance

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. TBC Bank has a wide presence within Georgia and an expanding network in the region. 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 64% of TBC Bank shares.

Key Facts

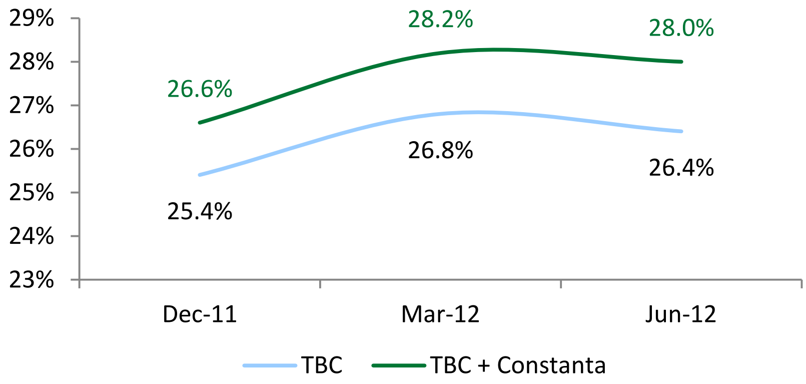
- No. 1 by Retail Deposits – 33.8% of the market share as at 30 June 2012
- A leading bank in the country with 26.9% and 28.4% of the market shares of total customer loans and total customer deposits respectively as at 30 June 2012
- 55 branches, 212 ATMs, 2,572, POS's across Georgia
- Number of employees 2,633
- Number of Accounts 809,994 (SME – 50,159; Retail –755,074; Corporate –4,761)
- TBC Bank was recently assigned BB- (Long Term IDR)/B (Short Term IDR) rating from Fitch and B1 (FC)/Ba3 (LC) from Moody's.

Shareholder Structure



Market Shares[1]

Asset Market Shares



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

In Q2 2012, TBC Bank's market share in total assets decreased by 0.4% Q-o-Q and increased by 1.0% YTD amounting to 26.4% as at 30 June 2012. TBC Group aggregated market shares including TBC and Constanta shares reached 28.0% as at 30 June 2012, a fall of 0.2% Q-o-Q and an increase of 1.4% YTD.

The Q2 2012 decrease in market share was attributable to:

- a decrease in the corporate deposit portfolio which was a result of Management's intention to release large expensive corporate deposits in order to bring down the bank's high liquidity position. And,
- a rapid increase of corporate deposits in the market resulting from an international debt raised by a large Georgian company.

[1] Market shares are calculated by the NBG and applies to TBC Bank on a stand-alone basis, for Group market shares we used aggregated market shares of TBC Bank and bank Constanta

Georgian economy

GDP
GDP for Quarter I: USD 3,409.5 million; GDP per Capita for Quarter I: USD 758; Real GDP growth: 6.8%;

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

Recent country achievement
No. 1 "reformer" named by IFC/World Bank (Doing Business Report 2011)
No. 4 in TI 2010 Global Corruption Barometer together with Iceland and
Portugal (TI 2010 Global Corruption Barometer)
No. 12 globally in Ease of Doing Business in 2010 (Doing Business Report 2011)

Georgian Banking Sector

Market assets, loans and deposits
During 2012:

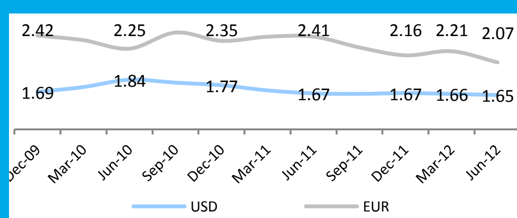
- Total Market Assets increased by 3.3% (4.2% without exchange rate effect) and equaled GEL 13,103 million
- Total Market Loans increased by 7.8% (8.9% without exchange rate effect) and equaled GEL 8,345 million.
- Total Market Deposits increased by 6.5% (7.6% without exchange rate effect) and equaled GEL 7,186 million

Market profitability (NBG Based)
During 2012:

- Net Interest Margin on Total Assets: 6.1% (a decrease of 0.3% points from YE 2011)
- Cost/Income ratio 54.9% (the reduction amounted to 4.9% points from YE 2011)
- ROE reached 15.7% (excluding extraordinary cost of Cartu bank)

Currency rate trends
As at 30 June 2012, USD/GEL exchange rate was 1.65, a decrease of 1.5% compared to the YE 2011 rate. Meanwhile, Euro/GEL exchange rate was 2.07, which is 4.2% less than the YE 2011 rate.

Exchange Rates



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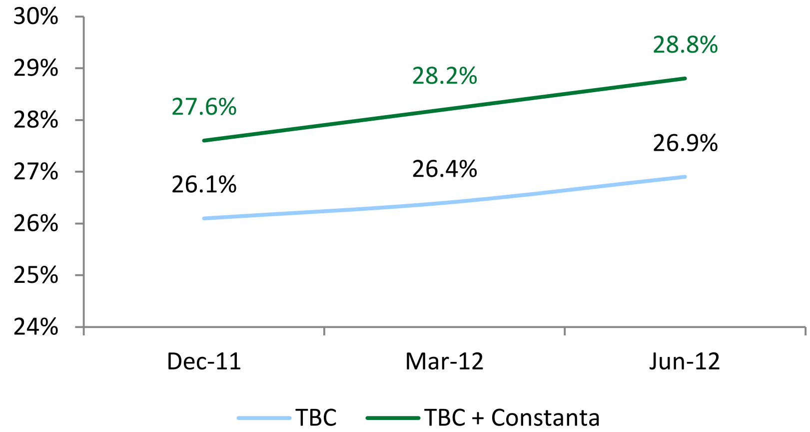
TBC BANK

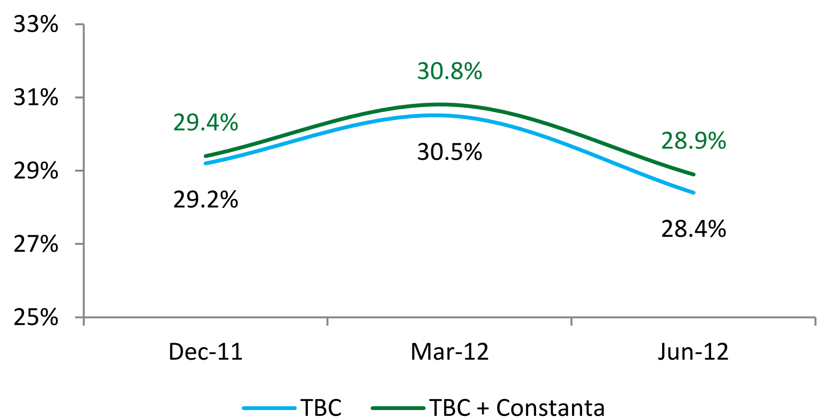
Loan Market Shares



Source: NBG

Despite the fall in total assets market share, TBC Group further increased its total loan market share in Q2 2012, resulting in 0.5% Q-o-Q and 0.8% YTD growth, amounting to 26.9% share as at Q2 2012.
From the Group's perspective, aggregated market share of TBC Bank and Bank Constanta grew by 0.6% Q-o-Q and 1.2% YTD, reaching 28.8% share as at 30 June 2012.

Deposit Market Shares



Source: NBG

Market share in total customer deposits fell by 2.1% Q-o-Q and 0.8% YTD, amounting to 28.4% share as at Q2 2012.

The Q2 2012 decrease in market share is due to:

- a decrease in the corporate deposit portfolio which was a result of Management's intention to release large expensive corporate deposits in order to bring down the bank's high liquidity position. And,

- a rapid increase of corporate deposits in the market resulting from an international debt raised by a large Georgian company.

The combined market share of TBC Bank and Bank Constanta decreased by 1.9% Q-o-Q and 0.5% YTD and equaled 28.9% as at Q2 2012.

Group Results

Income Statement Items

Group Results	**2012 1H**		**2012 Q2**		**2012 Q1**		**2011 1H**		**Q-o-Q**	**Y-o-Y**
In Millions	GEL	USD	GEL	USD	GEL	USD	GEL	USD	%	%
Interest income	221.1	134.3	114.9	70.3	106.3	64.0	160.7	93.8	8.1%	37.6%
Interest expense	-103.4	-62.8	-51.0	-31.2	-52.4	-31.5	-64.1	-37.4	-2.6%	61.2%
Net interest income	**117.8**	**71.5**	**63.9**	**39.1**	**53.9**	**32.5**	**96.6**	**56.4**	**18.5%**	**21.9%**
Provision\Impairment	-20.6	-12.5	-17.2	-10.5	-3.4	-2.0	-5.6	-3.2	406.5%	270.9%
Net Fee and Commission Income	**18.1**	**11.0**	**9.5**	**5.8**	**8.6**	**5.2**	**11.7**	**6.8**	**10.0%**	**54.7%**
Other operating income	23.8	14.4	15.0	9.1	8.8	5.3	15.3	8.9	70.8%	55.1%
Non-interest expense	-83.9	-50.9	-44.3	-27.1	-39.5	-23.8	-61.7	-36.0	12.1%	35.9%
Profit (loss) before tax	55.1	33.5	26.8	16.4	28.3	17.1	56.3	32.9	-5.5%	-2.1%
Net Income	**48.9**	**29.7**	**23.8**	**14.6**	**25.1**	**15.1**	**47.8**	**27.9**	**-5.3%**	**2.2%**

Note: 31 March 212 is based on un-audited and not reviewed consolidated accounts of the Group prepared in accordance with IFRS
30 June 2011 & 2012 is based on un-audited and reviewed consolidated accounts of the Group prepared in accordance with IFRS

Interest income

The Group's interest income reached GEL 221.1 million as at 30 June 2012, up by GEL 8.6 million or 8.1% Q-o-Q and by GEL 60.4 million or 37.6% Y-o-Y.

The increase in interest income was mainly attributable to the interest income from loans and advances to customers, which as at 30 June 2012 reached GEL 199.0 million – up by GEL 8.8 million or 9.3% Q-o-Q and GEL 54.6 million or 37.8% Y-o-Y, a result of an increase in the gross loan book in the same periods.

In terms of yields, the Group's annualized interest yield on average interest earning assets was 13.9% for the two quarters ended 30 June 2012, up from 13.7% in Q1 2012 and down from of 14.2% for the corresponding period in 2011.

Interest expense

The Group's interest expense reached GEL 103.4 million as at 30 June 2012, a decrease of GEL 1.4 million or 2.6% Q-o-Q and an increase of GEL 39.2 million or 61.2% Y-o-Y.

This increase in interest expense was mainly due to an increase in interest expense on customer deposits which reached GEL 73.6 million, up by GEL 29.2 million or 65.6% Y-o-Y. Such growth was caused by an increase in the total customer deposit portfolio on a Y-o-Y basis.

Interest expense on borrowed funds also grew by GEL 3.3 million Q-o-Q and GEL 8.8 million Y-o-Y, driven by an increase in borrowed funds.

The Group's average cost of fund decreased by 0.5% on a Q-o-Q basis reaching 6.9%, which was partially driven by the release of expensive large corporate deposits. On the other hand, cost of fund is higher compared to 6.3% in H1 2011 , resulting from a general trend of increasing interest rates on corporate deposits.

Net interest income

For the foregoing reasons, net interest income increased by GEL 10.0 million, or 18.5% Q-o-Q. The growth in net interest income was equally attributable to an increased scale of business and an improved NIM in Q2 2012, which reached 7.8%, up from 6.9% in Q1 2012.

Net Interest income increased by GEL 21.2 million, or 21.9% Y-o-Y, amounting to GEL 117.8 million as at 30 June 2012. However, H1 2012 NIM reached 7.4%, a decreased from 8.5% for the same period in 2011, which was driven by a high liquidity position that the Group held in Q1 2012 and a general trend of decreasing NIMs in the country.

Although the Management expects a slow fall in NIM in the long term, measures planned to compensate for the possible fall include (a) further leverage the increasing scale of business and (b) achieve further loan book diversification by changing the composition of the loan book through increasing the share of SME, Micro, and retail loans in the total loan portfolio.

Provision & impairment charges

In the first six months of 2012, the Group's provision and impairment charges equaled GEL 20.6 million, up by GEL 13.8 million Q-o-Q and GEL 15.1 million Y-o-Y. This growth was mainly due to an increase in the provision for loan impairment by GEL 20.1 million Q-o-Q and GEL 14.7 million Y-o-Y, reaching GEL 18.6 million as at 30 June 2012.

An increase in provisions for loan impairment drove the Group's cost of risk ratio to 1.6% in H1 2012 compared to -0.1% in Q1 2012 and 0.5% in H1 2011.

Net fee and commission income

An increased client base along with growing business activities in the country were the main drivers of the Group's fee and commission income which increased by GEL 1.3 million, or 10.6% Q-o-Q and GEL 7.5 million or 39.6% Y-o-Y, amounting to GEL 26.3 million as of 30 June 2012.

This growth was primarily attributable to the increase in card operations revenue by GEL 0.8 million or 13.6% Q-o-Q and GEL 4.2 million or 54.5% Y-o-Y, driven by a rise in the number of card by c. 44,000 Q-o-Q and c. 138,000 Y-o-Y. In addition, as a result of an increase in the total number of customer by c. 26,000 Q-o-Q and c. 55,000 Y-o-Y, revenues from settlement transactions and issued guarantees grew by GEL 0.3 million and GEL 0.1 million Q-o-Q, respectively, and by GEL 1.3 million and GEL 0.6 million Y-o-Y, respectively.

In line with an increase in fee and commission income, fee and commission expenses also grew by GEL 0.5 million or 11.9% Q-o-Q and GEL 1.1 million or 15.1% Y-o-Y, amounting to GEL 8.2 million as of 30 June 2012. This growth was also attributable to increases in card operation expenses by GEL 0.4 million or 19.6% and GEL 1.3 million or 50.0% Q-o-Q and Y-o-Y, respectively, and in the other fee and commission expenses by GEL 0.6 million and GEL 0.5 million Q-o-Q and Y-o-Y, respectively.

Consequently, net fee and commission income reached GEL 18.1 million as of 30 June 2012, up by GEL 0.9 million or 10.0% Q-o-Q and GEL 6.4 million or 54.7% Y-o-Y.

Other non-interest income

Total other non-interest income was up by GEL 6.2 million, or 70.8% Q-o-Q and GEL 8.4 million or 55.1% Y-o-Y, reaching GEL 23.8 million as at 30 June 2012.

This growth were primarily attributable to an increase of income from foreign currencies exchange operations by GEL 0.8 million or 11.2% Q-o-Q and GEL 5.1 million or 47.3% Y-o-Y and to an increase in other operating income by GEL 3.1 million or 99.4% Q-o-Q and GEL 3.7 million or 66.8% Y-o-Y, reaching to GEL 9.3 million and resulting from the gain from sale of repossessed assets and other inventory.

Non-interest expense

In line with overall business growth, non-interest expenses were up by GEL 4.8 million or 12.1% Q-o-Q and GEL 22.1 million or 35.9% Y-o-Y, amounting to GEL 83.9 million as at 30 June 2012. This growth is mainly driven by the fact that H1 2011 includes only about 30% of Bank Constanta's H1 2011 non-interest expenses while Q2 2012 and H1 2012 include bank Constanta's full Q2 2012 and 1H 2012 figures due to the fact that the bank was acquired in May 2011.

The growth in staff costs by GEL 0.7 million or 3.3% Q-o-Q and GEL 9.1 million or 26.2% Y-o-Y was also driven by increases in salaries Y-o-Y and increases in the number of staff stemming from an growing scale of business and new branch openings.

Depreciation and amortization costs increased by 5.0% Q-o-Q and 24.4% Y-o-Y, reaching GEL 8.7 million as of 30 June 2012, driven by an increase in fixed and intangible assets by GEL 6.6 million and GEL 19.0 million Q-o-Q and Y-o-Y, respectively.

Administration costs reached GEL 31.0 million as at 30 June 2012, up by 28.5% Q-o-Q and 57.2% Y-o-Y. This increase was largely due to higher advertising and marketing costs that grew by 16.8% Q-o-Q and 60.0% Y-o-Y to GEL 5.1 million as a result of intensified marketing and advertising activities associated with the 20th anniversary of TBC Bank.

Occupancy and rent was also up by 16.4% Q-o-Q and 31.3% Y-o-Y, amounting to GEL 5.2 million as at 30 June 2012.

To summarize, the Management believes that an increase in non-interest expense, including that of salary and marketing costs, was necessary to create a strong foundation for continued profitability and sustainable growth of the Group.

Profit for the period

For the foregoing reasons, the Group's profit after tax reached GEL 48.9 million as of 30 June 2012, a decrease of GEL 1.3 million or 5.3% Q-o-Q and an increased of GEL 1.1 million or 2.2% Y-o-Y.

Balance Sheet Items

Balance Sheet	30-Jun-12		31-Mar-12		31-Dec-11		Q-o-Q	YTD
In GEL Million	GEL	USD	GEL	USD	GEL	USD	%	%
Assets	**3,615.7**	**2,197.9**	**3,474.0**	**2,092.8**	**3,300.0**	**1,975.7**	**4%**	**10%**
Cash and due from banks	563.3	342.4	628.0	378.3	665.2	398.2	-10%	-15%
Financial securities	416.7	253.3	416.5	250.9	295.4	176.8	0%	41%
Net loans	2,279.1	1,385.4	2,081.7	1,254.0	2,008.7	1,202.6	9%	13%
Fixed and intangible assets	221.4	134.6	215.8	130.0	201.0	120.4	3%	10%
Other assets	135.3	82.2	131.9	79.5	129.7	77.6	3%	4%
Liabilities	**3,097.1**	**1,882.6**	**2,978.2**	**1,794.1**	**2,831.2**	**1,695.0**	**4%**	**9%**
Due to other banks	167.8	102.0	146.4	88.2	110.4	66.1	15%	52%
Customer accounts	2,090.1	1,270.5	2,106.1	1,268.8	1,999.3	1,196.9	-1%	5%
Borrowed funds	783.8	476.4	648.7	390.8	660.3	395.3	21%	19%
Other liabilities	55.5	33.7	77.0	46.4	61.4	36.7	-28%	-10%
Capital	**518.6**	**315.2**	**495.8**	**298.6**	**468.8**	**280.7**	**5%**	**11%**

Note: 31 December 2011 is based on audited consolidated accounts of the Group prepared in accordance with IFRS
31 March 2012 is based on un-audited consolidated accounts of the Group prepared in accordance with IFRS
30 June 2012 is based on un-audited and reviewed consolidated accounts of the Group prepared in accordance with IFRS

Assets

The Group's consolidated total assets increased by GEL 141.7 million or 4.1% Q-o-Q and GEL 315.7 million or 9.6% YTD, equaling GEL 3,615.7 million as at 30 June 2012.

Such growth in assets was driven primarily by an increase in total gross loans by GEL 208.3 million or 9.3% Q-o-Q and GEL 284.1 million or 13.1% YTD, reaching GEL 2,451.5 million as at 30 June 2012, largely driven by an increase in corporate lending in both periods.

The Group's strong growth in gross loans was partially offset by a decline in cash and due from banks by 10% and 15% Q-o-Q and YTD, respectively, amounting to GEL 563.3 million as at Q2 2012 and was a consequence of the Management's effort to bring down the bank's high liquidity position in the previous quarter. As a result of this and other actions, the Bank's average liquidity ratio fell from 40.7% as at 31 March 2012 to a reasonable but still high 32.0% as at 30 June 2012.

Liabilities

The Group's consolidated total liabilities reached GEL 3,097.1 million as at 30 June 2012, up by 4.0% Q-o-Q and 9.4% YTD. An increase in Q2 was mainly attributable to the rise in borrowed funds by 20.8%, amounting to GEL 783.8 million as at 30 June 2012,that was mainly driven by short term loans used for liquidy management purposes that have already been repaid.

In terms of customer accounts, the Management released corporate customer deposits in the amount of GEL 110.7 million due to high liquidity in Q2 2012, resulting in the fall in total customer accounts by GEL 16.1 million or 0.8% Q-o-Q, reaching GEL 2,090.1 million. On an YTD basis, customer accounts grew by GEL 90.8 million or 4.5%.

Shareholders' equity

The Group's total equity reached GEL 518.6 million as at 30 June 2012, comprising a growth of 4.6% Q-o-Q and 10.6% YTD.

This growth in total equity was mainly due to the net income generated in Q1 and Q2 of 2012 in the amount of GEL 24.7 million and GEL 23.4 million, respectively.

Profitability Ratios	2012 1H	2012 Q2	2012 Q1	2011 1H
ROaE	19.9%	18.9%	20.9%	24.3%
Pre-Provision ROaE	28.3%	32.5%	23.8%	27.1%
Cost to Income	52.5%	50.2%	55.5%	49.9%
NIM	7.4%	7.8%	6.9%	8.5%
Spread	6.7%	7.2%	6.3%	7.9%
Cost of risk	1.6%	3.3%	-0.1%	0.5%

Balance Ratios	30-Jun-12	31-Mar-12	31-Dec-11
NPLs	0.9%	0.7%	0.6%
BIS Tier I Capital	18.7%	18.5%	17.9%
BIS Total Capital	24.4%	24.3%	23.8%

ROaE[1] reached 18.9% as at 2012 Q2.

Pre-Provision ROaE[2] reached 32.5 as at 2012 Q2, up by 8.7% Q-o-Q and 1.2% Y-o-Y.

Cost to income (before provisions)[3] reached 50.2% as at 2012 Q2, down by 5.3% Q-o-Q and up 2.6% Y-o-Y.

NIM[4] up by 0.9% Q-o-Q and down by 1.1% Y-o-Y, reaching 7.8% as at 2012 Q2.

Spread[5] up by 0.9% Q-o-Q and down 1.1% Y-o-Y, amounting to 7.2% as at 2012 Q2.

Cost of risk[6] up by 3.5% Q-o-Q and 1.2% Y-o-Y, reaching 3.3% as at 2012 Q2.

NPLs[7] up by 0.2% Q-o-Q and 0.3% YTD to 0.9% as at 2012 1H.

BIS Tier I Capital[8] up by 0.2% Q-o-Q and 0.8% YTD to 18.7% as at 2012 1H.

BIS Total Capital[9] up by 0.1% Q-o-Q and 0.6% YTD to 24.4% as at 2012 1H.

Business Segment Results

Retail Banking

Retail banking at a glance

The Retail segment has the largest share in the total customer deposits portfolio of 55.8% and is the second largest segment in terms of total loans and advances to customers' portfolio, holding 34.6% of the total portfolio.

The Retail segment offers its clients a diversified product range, such as: consumer loans, mortgages loans, credit cards, installment loans and various other types of loan products. The Group also offers its retail clients deposit products that are specially designed for customers' specific needs, such as child deposits, term plus, my safe, golden deposit and others. As at 30 June 2012, the retail segment had c. 695,000 customers, c. 755,000 thousand customer deposit accounts, and c. 260,000 credit cards.

Portfolios and market shares	**30-Jun-12**		**31-Mar-12**		**31-Dec-11**		**Q-o-Q**	**YTD**
In GEL Million	GEL	USD	GEL	USD	GEL	USD	%	%
Market Share in retail Loans	23.7%		24.2%		24.1%		-0.5%	-0.4%
Retail loan portfolio	847.3	515.0	807.7	486.6	809.8	484.8	4.9%	4.6%
Market share in retail deposits	33.8%		34.2%		34.2%		-0.4%	-0.4%
Retail deposit portfolio	1,166.6	709.2	1,138.6	685.9	1,086.2	650.3	2.5%	7.4%

Source: NBG for Market shares

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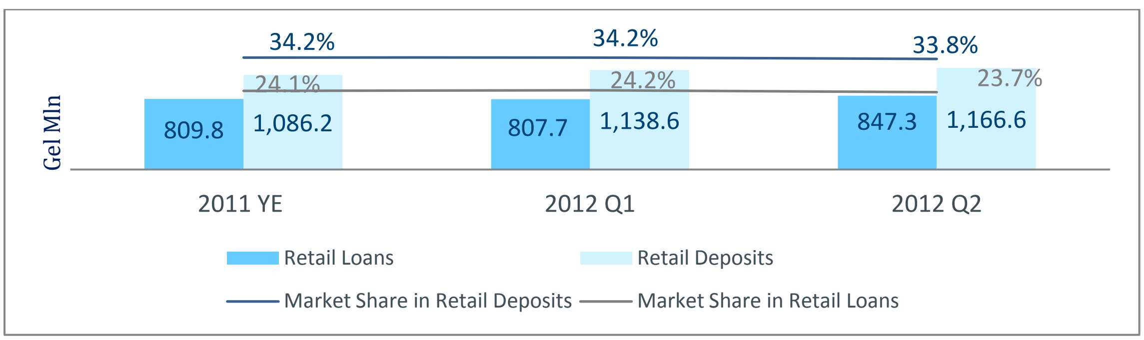

Retail loans and advances to customers

Retail loans and advances to customers increased by 4.9% Q-o-Q and 4.6% YTD, amounting to GEL 847.3 million as at 30 June 2012. GEL 39.5 million Q-o-Q growth in the retail loan book was largely driven by the increase in consumer loans by GEL 27.1 million. However, mortgage and pawn shop loans also continued a sustainable growth of GEL 9.3 million and GEL 3.2 million, respectively.

Retail customer deposits

Retail customer deposits reached GEL 1,166.6 million as at 30 June 2012, up by 2.5% Q-o-Q and 7.4% YTD. With 33.8% of the market share, TBC Bank remains the leader on the market.

Corporate Banking

Corporate banking at a glance

The Corporate segment is the largest segment in terms of loans and advances to customers, holding 48.5% share in the total portfolio and is the second largest segment in terms of the share of total customer deposits holding 30.3% of the total portfolio. The Corporate segment offers a diversified product range to its clients including balance sheet finance, trade finance, asset finance, project finance, working capital, and syndicated loans. As at 30 June 2012, the corporate segment had c. 1,500 customers, c. 4,800 customer deposit accounts, and c. 637 outstanding loans.

Portfolios and market shares	**30-Jun-12**		**31-Mar-12**		**31-Dec-11**		**Q-o-Q**	**YTD**
In GEL Million	GEL	USD	GEL	USD	GEL	USD	%	%
Market share in corporate loans	29.2%		28.0%		27.5%		1.2%	1.7%
Corporate loan portfolio	1,188.4	722.4	1,052.9	634.3	1,003.8	601.0	12.9%	18.4%
Market share in corporate deposits	23.5%		27.1%		24.9%		-3.6%	-1.4%
Corporate deposit portfolio	633.7	385.2	744.4	448.4	699.6	418.8	-14.9%	-9.4%

Source: NBG for Market shares

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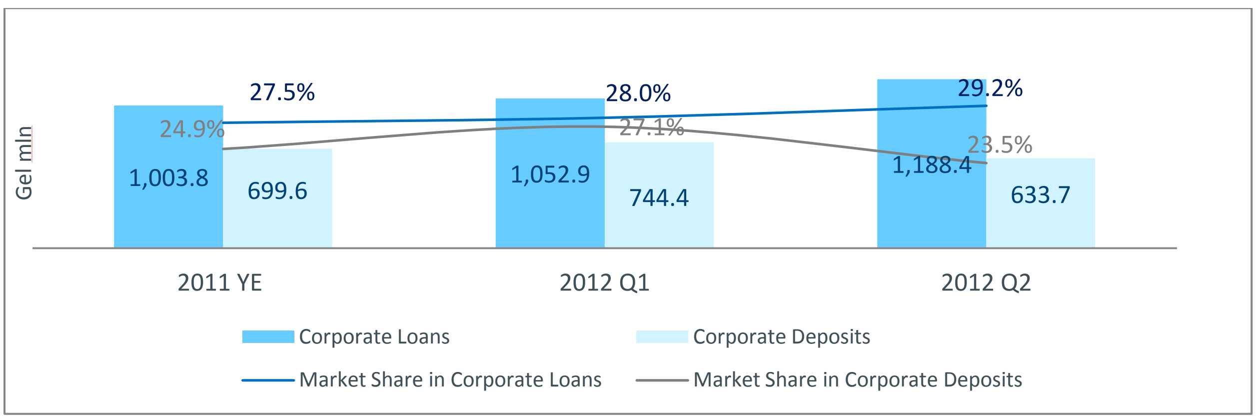


Corporate loans and advances to customers

Corporate loans and advances to customers reached GEL 1,188.4 as at 30 June 2012, up by 12.9% Q-o-Q and 18.4% YTD.

With such strong growths in both periods, TBC Bank outperformed the market growth and increased its corporate loan market share by 1.2% Q-o-Q and 1.7% YTD, reaching 29.2% as at 30 June 2012 and further solidified its position as the second largest bank on the market.

Corporate customer deposits

Corporate customer deposits fell by 14.9% Q-o-Q and 9.4% YTD, amounting to GEL 633.7 million as at 30 June 2012. This drop in the corporate deposits portfolio in Q2 2012 was a consequence of the Management's effort to reduce the bank's high liquidity position through releasing the most expensive corporate deposits. This factor together with a rapid increase of corporate deposits on the market as described above resulted in the decrease of the Bank's market share in corporate deposits by 3.6% Q-o-Q and 1.4% YTD, reaching 23.5% of the market as at 30 June 2012.

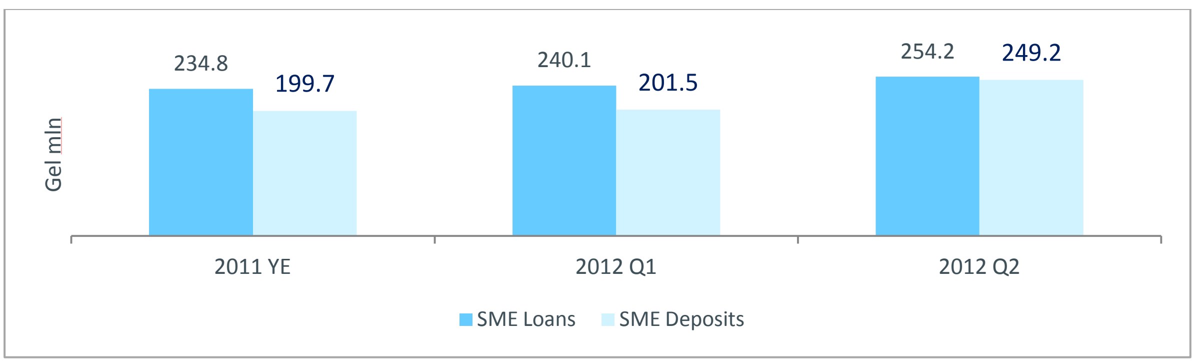
SME Banking

SME banking at a glance

The SME segment is the third largest segment of the Group holding 10.4% and 11.9% shares in total loans and advances to customers and customer deposits portfolios, respectively. The SME segment offers various types of loan and deposit products to its clients including trade finance, assets finance, project finance, and working capital loans. As at 30 June 2012, SME segment had c. 29,000 customers, c. 50,000 customer deposit accounts and c. 108,000 outstanding loans.

Portfolios[2]	**30-Jun-12**		**31-Mar-12**		**31-Dec-11**		**Q-o-Q**	**YTD**
In GEL Million	GEL	USD	GEL	USD	GEL	USD	%	%
SME loan portfolio	254.2	154.5	240.1	144.6	234.8	140.6	5.9%	8.2%
SME deposit portfolio	249.2	151.5	201.5	121.4	199.7	119.6	23.7%	24.8%

Note: 31 March 2012 figures are based on un-audited consolidated accounts of the Group prepared in accordance with IFRS
31 December 2011 figures are based on audited consolidated accounts of the Group prepared in accordance with IFRS
30 June 2012 is based on un-audited but reviewed consolidated accounts of the Group prepared in accordance with IFRS



SME loans and advances to customers

SME loans and advances to customers reached GEL 254.2 million as at 30 June 2012, up by 5.9% Q-o-Q and 8.2% YTD.

Despite the absence of SME market information, the Management believes that TBC Bank is one of the leading banks on the market, expressed in its large number of loyal customers with a continuously growing trend.

[2] 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 customer deposits

The SME customer deposits portfolio was up by 23.7% Q-o-Q and 24.8% YTD, amoutning to GEL 249.2 million as at 30 June 2012. In regards to SME deposits, the Management also believes that TBC Bank has one of the largest shares on the market, expressed in its strong customer base.

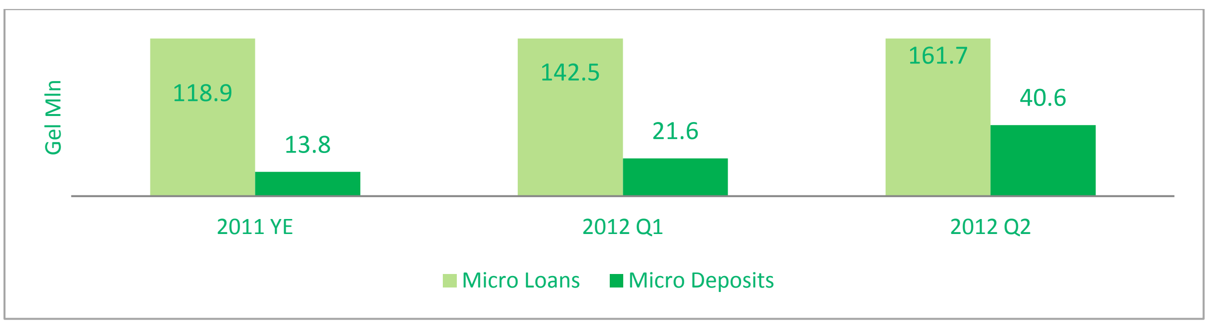
Micro Banking

Micro banking at a glance

Since the acquisition of Bank Constanta in May 2011, the Group classifies its micro-finance customers as all customers of Bank Constanta. The Micro segment is the smallest, but the fastest growing segment of the Group, holding 6.6% share of the total loans and advances to customers portfolio and 1.9% of the total customer deposits portfolio. The Micro segment offers various types of loan and deposit products tailored to its client needs. As at 30 June 2012, the Micro segment had c. 36,000 customer deposit accounts and c. 47,000 outstanding loans.

Portfolios[3]	30-Jun-12		31-Mar-12		31-Dec-11		Q-o-Q	YTD
In GEL Million	GEL	USD	GEL	USD	GEL	USD	%	%
Micro loans portfolio	161.7	98.3	142.5	85.9	118.9	71.2	13.4%	35.9%
Micro deposits portfolio	40.6	24.7	21.6	13.0	13.8	8.3	87.6%	193.9%

Note: 31 March 2012 figures are based on un-audited consolidated accounts of the Group prepared in accordance with IFRS
31 December 2011 figures are based on audited consolidated accounts of the Group prepared in accordance with IFRS
30 June 2012 is based on un-audited but reviewed consolidated accounts of the Group prepared in accordance with IFRS



Micro loans and advances to customers

Micro loans and advances to customers reached GEL 161.7 million as at 30 June 2012, comprising a growth of 13.4% Q-o-Q and 35.9% YTD. Despite the absence of the micro segment market data, the Management believes that the Group is a very strong player on the micro segment, which is driven by Bank Constanta's long and established presence on the micro market.

Micro customer deposits

Micro customer deposits grew by 87.6% Q-o-Q and 193.9% YTD, amounting to GEL 40.6 million as at 30 June 2012. The historically small size of Bank Constanta's customer deposits portfolio was primarily due to the absence of NBG license for attracting deposit at Bank Constanta. This limitation was lifted in August 2011 and therefore the Group intends to intensify its efforts in increasing the micro customer deposits portfolio.

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

TBC Kredit

TBC Kredit at a glance

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

Balance Sheet	**30-Jun-12**		**31-Mar-12**		**31-Dec-11**		**Q-o-Q**	**YTD**
In Millions	GEL	USD	GEL	USD	GEL	USD	%	%
Assets	**53.2**	**32.4**	**48.9**	**29.5**	**50.9**	**30.5**	**8.8%**	**4.5%**
Net loans	50.5	30.7	46.1	27.7	45.2	27.0	9.7%	11.8%
Liabilities	**33.8**	**20.6**	**29.7**	**17.9**	**31.9**	**19.1**	**13.7%**	**6.2%**
Borrowed funds	23.3	14.1	25.8	15.5	25.4	15.2	-9.8%	-8.5%
Capital	**19.4**	**11.8**	**19.2**	**11.6**	**19.1**	**11.4**	**1.1%**	**1.8%**

Note: 31 March 2012 figures are based on un-audited consolidated accounts of the Group prepared in accordance with IFRS
31 December 2011 figures are based on audited consolidated accounts of the Group prepared in accordance with IFRS
30 June 2012 is based on un-audited but reviewed consolidated accounts of the Group prepared in accordance with IFRS

Assets

TBC Kredit's total assets reached GEL 53.2 million as at 30 June 2012, up by 8.8% Q-o-Q and 4.5% YTD, which was primarily due to increases in the loan portfolio in Q1 and Q2 2012.

Apart from changes in the loan portfolio, no major changes occurred in the balance sheets structure in Q2 2012.

Liabilities

In line with total assets, TBC Kredit's total liabilities also grew by 13.7% Q-o-Q and 6.2% YTD, amounting to GEL 33.8 million as at 30 June 2012. This increase in total liabilities was mainly driven by the growth in loans due to other banks by GEL 6.4 million Q-o-Q.

This growth of GEL 6.4 million in loans due to other banks was partially offset by the decrease in borrowed funds from foreign banks and financial institutions, which fell by GEL 2.5 million Q-o-Q.

Capital

TBC Kredit's capital increased by GEL 0.2 million or 1.1% Q-o-Q and by GEL 0.3 million or 1.8% YTD, amounting to GEL 19.4 million as at 30 June 2012 and was primarily driven by the growth in net profit generated in Q1 and Q2 of 2012.

Appendices

Consolidated Financial Statements

Consolidated Q2 2012, Q1 2012 and YE 2011 Balance Sheet, IFRS-based

Assets	**30-Jun-12**	**31-Mar-12**	**31-Dec-11**
Cash and cash equivalents	258.7	327.4	374.2
Due from other banks	304.6	300.7	291.0
Net loans and advances to customers	2,279.1	2,081.7	2,008.7
Investment securities available for sale	396.1	396.1	266.4
Investment securities held to maturity	20.6	20.5	29.0
Other financial assets	16.4	8.1	11.3
Investments in finance leases	21.9	23.8	22.0
Other assets	94.3	97.4	93.7
Premises and equipment	180.1	174.4	163.9
Intangible assets	12.8	11.9	10.1
Investment properties	28.5	29.5	27.1
Goodwill	2.7	2.7	2.7
Current and deferred income tax	0.0	0.0	0.0
TOTAL ASSETS	**3,615.7**	**3,474.0**	**3,300.0**
Liabilities			
Due to other banks	167.8	146.4	110.4
Customer accounts	2,090.1	2,106.1	1,999.3
Deferred income tax liability	9.7	8.0	8.0
Current income tax liability	1.7	3.9	14.2
Provisions for liabilities and charges	10.1	12.2	8.4
Other financial liabilities	14.0	25.3	11.3
Other liabilities	20.0	27.6	19.4
Other borrowed funds	643.8	505.6	517.8
Subordinated debt	140.0	143.2	142.5
TOTAL LIABILITIES	**3,097.1**	**2,978.2**	**2,831.2**
Equity			
Share capital	15.2	15.2	15.2
Share premium	203.3	203.3	203.3
Retained earnings	202.4	201.8	110.9
Share based payment reserve	6.9	6.6	6.2
Other reserves	32.2	34.5	33.2
Net Income	48.1	24.7	90.9
Net assets attributable to the Bank's equity holders	508.1	486.1	459.6
Non-controlling interest	10.5	9.7	9.1
TOTAL EQUITY	**518.6**	**495.8**	**468.8**
Total Liabilities and Equity	**3,615.7**	**3,474.0**	**3,300.0**

Note: 31 December 2011 is based on audited consolidated accounts of the Group prepared in accordance with IFRS
31 March 2012 is based on un-audited consolidated accounts of the Group prepared in accordance with IFRS
30 June 2012 is based on un-audited and reviewed consolidated accounts of the Group prepared in accordance with IFRS

Consolidated Q2 2012, Q1 2012 and Q2 2011 Income Statement, IFRS-based

In millions of GEL	**H1 2012**	**Q1 2012**	**H1 2011**
Interest income	221.1	106.3	160.7
Interest expense	-103.4	-52.4	-64.1
Net interest income	117.8	53.9	96.6
Provision for loan impairment	-18.6	0.8	-3.9
Net interest income after provision for loan impairment	99.1	54.6	92.7
Fee and commission income	26.3	12.5	18.8
Fee and commission expense	-8.2	-3.9	-7.2
Gains less losses from trading in foreign currencies	13.2	7.5	17.4
Net losses from derivative financial instruments	-1.5	-1.9	-1.1
Foreign exchange translation (losses less gains)/gains less losses	2.7	0.1	-6.6
Impairment of investment securities available for sale	0.0	0.0	0.0
Gains from disposal of investment securities available for sale	0.0	0.0	0.0
(Provision for) / recovery of liabilities, charges and credit related commitments	-1.6	-3.8	-1.3
(Provision for) / recovery of impairment of investments in finance lease	-0.1	0.0	0.3
Provision for impairment of other financial assets	-0.3	-0.3	-0.6
Impairment of investment in subsidiary	0.0	0.0	0.0
Impairment of Goodwill	0.0	0.0	0.0
Other operating income	9.3	3.1	5.6
Administrative and other operating expenses	-83.9	-39.5	-61.7
Profit before tax from continuing operations	55.1	28.3	56.3
Income tax expense	-6.2	-3.2	-8.5
Profit for the period	**48.9**	**25.1**	**47.8**
Profit is attributable to:			
- Owners of the Bank	48.1	24.7	47.6
- Non-controlling interest	0.8	0.4	0.2
Profit for the year	48.9	25.1	47.8

Note: 31 March 212 is based on un-audited and not reviewed consolidated accounts of the Group prepared in accordance with IFRS
30 June 2011 & 2012 is based on un-audited and reviewed consolidated accounts of the Group prepared in accordance with IFRS

Ratio Definitions

1. Return on average total equity (ROaE) equals net income of the period divided by average[4] total shareholders' equity for the same period;
2. Return on average total assets (ROaA) equals net income of the period divided by 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. Net interest margin is net interest income (before provision for loan impairment), divided by average interest-earning assets;
5. Interest spread is the difference between average interest rate earned on interest-earning assets and average interest rate paid on interest-bearing liabilities;
6. Cost of risk equals provision for loan impairment divided by average loans and advances to customers (before provision for loan impairment);
7. 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;
8. BIS Tier I capital adequacy ratio is in accordance to Basel I standards and is calculated by dividing end of period Tier I capital on end of period risk weighted assets;
9. BIS total regulatory capital adequacy ratio is calculated by dividing end of period total regulatory capital on end of period total risk-weighted assets;

Categorization of Segments

Corporate: legal entities which have annual revenue of GEL 8.0 million or more or have been granted a loan in an amount of U.S.$1,500,000 or more. Some other significant customers which are legal entities may also be assigned the status of being a corporate customer, on a discretionary basis; for example, if they are regarded as attractive clients by the Bank by reason of having strong growth potential.

SME: legal entities which are not included either in the corporate or micro-finance segments. Typically, such customers have been granted loans in an amount between U.S.$1,500,000 and U.S.$150,000 or have annual revenue of less than GEL 8.0 million.

Retail: all individual customers (i.e., not legal entities), other than customers of Bank Constanta.

Micro-finance: since the acquisition of Bank Constanta, the Group classifies its micro-finance customers as all customers of Bank Constanta. The maximum loan amount for these customers is U.S.$150,000. Although the Group had micro-finance customers prior to the acquisition of Bank Constanta, these did not comprise a significant portion of the Group's business and those customers were re-designated as SME customers upon the acquisition of Bank Constanta.

Exchange Rates

Solely for the convenience of the reader, certain financial information in this document is presented in U.S. Dollars. For balance sheets items, we have used the end-of-period official exchange rate as reported by the NBG as at 30 June 2012, 31 March 2012 and 31 December 2011, respectively. In the case of income statement items, we have used the average of the daily rates reported by the NBG for the periods ended 30 June 2012, 31 March 2012 and 30 June 2011.

[4] Average numbers are calculated on a quarterly period averages