

TBC BANK GROUP

**International Financial Reporting Standards
Condensed Consolidated Interim Financial
Information (Unaudited)**

30 June 2015

CONTENTS

REVIEW Report

UNAUDITED condensed consolidated interim Financial information

Unaudited Condensed Consolidated Interim Statement of Financial Position	1
Unaudited Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income.....	2
Unaudited Condensed Consolidated Interim Statement of Changes in Equity	3
Unaudited Condensed Consolidated Interim Statement of Cash Flows.....	4

Notes to the Unaudited Condensed Consolidated Interim Financial Information

1	Introduction.....	5
2	Summary of Significant Accounting Policies	6
3	Critical Accounting Estimates, and Judgements in Applying Accounting Policies	7
4	Adoption of New or Revised Standards and Interpretations	8
5	New Accounting Pronouncements.....	9
6	Cash and Cash Equivalents	12
7	Due from Other Banks	12
8	Mandatory cash balances with the National Bank of Georgia.....	12
9	Loans and Advances to Customers.....	12
10	Premises and Equipment.....	18
11	Due to Credit Institutions	19
12	Customer Accounts	20
13	Provisions for Performance Guarantees, Credit Related Commitments and Liabilities and Charges	21
14	Subordinated Debt.....	21
15	Share Capital.....	23
16	Share Based Payments	25
17	Earnings per Share.....	27
18	Segment Information	28
19	Interest Income and Expense	32
20	Fee and Commission Income and Expense	32
21	Other Operating Income	33
22	Administrative and Other Operating Expenses.....	33
23	Income Taxes	33
24	Contingencies and Commitments.....	34
25	Financial and Other Risk Management.....	35
26	Management of Capital.....	47
27	Fair Value Disclosures	52
28	Related Party Transactions	55



Report on review of interim financial information

To the Shareholders and Management of JSC TBC Bank:

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of JSC TBC Bank and its subsidiaries (the 'Group') as of 30 June 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch.

12 August 2015
Tbilisi, Georgia

TBC Bank Group
Condensed Consolidated Interim Statement of Financial Position
(Unaudited – see the Review Report)

<i>In thousands of GEL</i>	Note	30 June 2015 (Unaudited)	31 December 2014 (Audited)
ASSETS			
Cash and cash equivalents	6	597,580	532,118
Due from other banks	7	42,788	33,704
Mandatory cash balances with the National Bank of Georgia	8	408,456	336,075
Loans and advances to customers	9	4,034,933	3,556,496
Investment securities available for sale		204,440	466,510
Repurchase receivables		69,156	-
Investment securities held to maturity		366,639	-
Investments in finance leases		62,353	50,907
Investment properties		75,236	76,216
Current income tax prepayment		6,010	251
Deferred income tax asset		944	383
Goodwill		2,726	2,726
Intangible assets	10	40,978	37,756
Premises and equipment	10	211,250	208,692
Other financial assets		62,263	43,857
Other assets		88,292	77,775
TOTAL ASSETS		6,274,044	5,423,466
LIABILITIES			
Due to credit institutions	11	991,069	749,285
Customer accounts	12	3,831,182	3,322,428
Debt securities in issue		22,540	20,423
Current income tax liability		486	12,433
Deferred income tax liability		25,470	23,187
Provisions for liabilities and charges	13	8,202	11,898
Other financial liabilities		53,574	41,346
Other liabilities		32,231	34,975
Subordinated debt	14	232,658	188,015
TOTAL LIABILITIES		5,197,412	4,403,990
EQUITY			
Share capital	15	19,588	19,576
Share premium	15	406,058	405,658
Retained earnings		594,864	532,992
Share based payment reserve	16	5,926	4,624
Other reserves		42,653	49,255
Net assets attributable to the Bank's equity holders		1,069,089	1,012,105
Non-controlling interest		7,543	7,371
TOTAL EQUITY		1,076,632	1,019,476
TOTAL LIABILITIES AND EQUITY		6,274,044	5,423,466

Approved for issue and signed on behalf of the Management Board on 12 August 2015.


Vakhtang Butskhrikidze
Chief Executive Officer


Giorgi Shagidze
Chief Financial Officer

The notes set out on pages 5 to 56 form an integral part of this unaudited condensed consolidated interim financial information.

TBC Bank Group
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
(Unaudited – see the Review Report)

<i>In thousands of GEL</i>	Note	Six months ended	
		30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Interest income	19	306,876	246,991
Interest expense	19	(108,640)	(85,970)
Net interest income		198,236	161,021
Fee and commission income	20	52,525	39,385
Fee and commission expense	20	(17,685)	(13,716)
Net fee and commission income		34,840	25,669
Gains less losses from trading in foreign currencies		30,561	16,721
Foreign exchange translation (losses less gains) / gains less losses		4,500	(557)
(Losses less gains) / gains less losses from derivative financial instruments		(490)	(546)
Other operating income	21	9,052	9,431
Other operating non-interest income		43,623	25,049
Provision for loan impairment	9	(48,724)	(26,953)
Provision for impairment of investments in finance lease		(363)	(110)
Recovery of provision / (provision for) performance guarantees and credit related commitments	13	3,060	2,613
Provision for impairment of other financial assets		(1,232)	(619)
Impairment of investment securities available for sale		-	(22)
Operating income after provisions for impairment		229,440	186,648
Staff costs		(65,308)	(56,000)
Depreciation and amortisation		(12,302)	(10,692)
Administrative and other operating expenses	22	(36,040)	(35,604)
Operating expenses		(113,650)	(102,296)
Profit before tax		115,790	84,352
Income tax expense	23	(14,618)	(11,500)
Profit for the period		101,172	72,852
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Revaluation of available-for-sale investments		(3,258)	(7,661)
Exchange differences on translation to presentation currency		(3,010)	503
Income tax recorded directly in other comprehensive income		(334)	26
Other comprehensive (loss) / income for the period		(6,602)	(7,132)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		94,570	65,720
Profit is attributable to:			
- Owners of the Bank		101,000	72,032
- Non-controlling interest		172	820
Profit for the period		101,172	72,852
Total comprehensive income is attributable to:			
- Owners of the Bank		94,398	64,900
- Non-controlling interest		172	820
Total comprehensive income for the period		94,570	65,720
Earnings per share for profit attributable to the owners of the Bank:			
- Basic earnings per share	17	2.04	1.70
- Diluted earnings per share	17	2.03	1.69

The notes set out on pages 5 to 56 form an integral part of this unaudited condensed consolidated interim financial information.

TBC Bank Group
Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited – see the Review Report)

	Net assets Attributable to owners					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Share based payments reserve	Other reserves	Retained earnings			
<i>In thousands of GEL</i>								
Balance at 1 January 2014	16,499	242,624	2,032	50,840	402,627	714,622	14,667	729,289
Profit for the six months ended 30 June 2014	-	-	-	-	72,032	72,032	820	72,852
Other comprehensive loss for six months ended 30 June 2014	-	-	-	(7,132)	-	(7,132)	-	(7,132)
Total comprehensive income for six months ended 30 June 2014	-	-	-	(7,132)	72,032	64,900	820	65,720
Share based payment	-	-	1,157	-	-	1,157	-	1,157
Transaction costs recognized directly in equity	-	(9,245)	-	-	-	(9,245)	-	(9,245)
Purchase of additional interest from minority shareholders	-	-	-	-	(2,079)	(2,079)	(7,759)	(9,838)
Dividends paid	-	-	-	-	(26,492)	(26,492)	-	(26,492)
Share issue	3,077	172,493	-	-	-	175,570	-	175,570
Balance at 30 June 2014 (Unaudited)	19,576	405,872	3,189	43,708	446,088	918,433	7,728	926,161
Balance at 1 January 2015	19,576	405,658	4,624	49,255	532,992	1,012,105	7,371	1,019,476
Profit for the six months ended 30 June 2014	-	-	-	-	101,000	101,000	172	101,172
Other comprehensive loss for six months ended 30 June 2015	-	-	-	(6,602)	-	(6,602)	-	(6,602)
Total comprehensive income for six months ended 30 June 2015	-	-	-	(6,602)	101,000	94,398	172	94,570
Share based payment	-	-	1,730	-	-	1,730	-	1,730
Increase in share capital arising from Share Based Payment	12	416	(428)	-	-	-	-	-
Dividends paid	-	-	-	-	(39,128)	(39,128)	-	(39,128)
Treasury shares returned	-	(16)	-	-	-	(16)	-	(16)
Balance at 30 June 2015 (Unaudited)	19,588	406,058	5,926	42,653	594,864	1,069,089	7,543	1,076,632

The notes set out on pages 5 to 56 form an integral part of this unaudited condensed consolidated interim financial information.

TBC Bank Group
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited – see the Review Report)

<i>In thousands of GEL</i>	Note	Six months ended	
		30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Cash flows from operating activities			
Interest received		288,600	239,725
Interest paid		(105,674)	(93,254)
Fees and commissions received		52,232	34,658
Fees and commissions paid		(17,746)	(13,711)
Income received from trading in foreign currencies		30,561	16,721
Other operating income received		8,841	11,285
Staff costs paid		(69,570)	(60,626)
Administrative and other operating expenses paid		(37,191)	(35,684)
Income tax paid		(30,903)	(6,344)
Cash flows from operating activities before changes in operating assets and liabilities		119,150	92,770
Changes in operating assets and liabilities			
Net increase in due from other banks		(41,647)	(8,524)
Net increase in loans and advances to customers		(59,401)	(146,183)
Net increase in investment in finance lease		(2,549)	(5,411)
Net (increase)/decrease in other financial assets		(15,784)	1,912
Net increase in other assets		(8,102)	(5,180)
Net increase in due to other banks		46,864	43,177
Net increase in customer accounts		74,600	15,949
Net increase in other financial liabilities		11,217	7,812
Net increase/(decrease) in other liabilities		4,525	(507)
Net cash (used in)/from operating activities		128,873	(4,185)
Cash flows from investing activities			
Acquisition of investment securities available for sale and repurchase receivables		(324,691)	(511,130)
Proceeds from disposal of investment securities available for sale		-	51,369
Proceeds from redemption at maturity of investment securities available for sale		187,040	433,478
Acquisition of investment securities held to maturity		(126,625)	-
Proceeds from redemption at maturity of investment securities held to maturity		93,916	-
Acquisition of premises, equipment and intangible assets		(17,824)	(11,964)
Proceeds from disposal of investment property		1,226	9,700
Purchase of additional shares in subsidiaries		-	(9,838)
Net cash used in investing activities		(186,958)	(38,385)
Cash flows from financing activities			
Proceeds from other borrowed funds		345,066	211,178
Redemption of other borrowed funds		(242,765)	(168,197)
Proceeds from subordinated debt		6,562	6,000
Dividends paid		(39,128)	(26,492)
Proceeds from debt securities in issue		-	6,853
Redemption of debt securities in issue		-	(4,474)
Issue of ordinary shares		-	175,570
Transaction costs recognized directly in equity		-	(9,245)
Net cash from financing activities		69,735	191,193
Effect of exchange rate changes on cash and cash equivalents		53,812	5,345
Net increase in cash and cash equivalents		65,462	153,968
Cash and cash equivalents at the beginning of the period	1	532,118	390,465
Cash and cash equivalents at the end of the period	1	597,580	544,433

The notes set out on pages 5 to 56 form an integral part of this unaudited condensed consolidated interim financial information.

1 Introduction

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2015 for JSC TBC Bank (the “Bank”) and its subsidiaries (together referred to as the “Group” or “TBC Bank Group”).

This condensed consolidated interim financial information has been reviewed, not audited.

The Bank was incorporated on 17 December 1992 and is domiciled in Georgia. The Bank is a joint stock company limited by shares and was set up in accordance with Georgian regulations.

As at 30 June 2015 and 31 December 2014, the shareholder structure by ownership interest is as follows:

Shareholders	Note	30 June 2015 Ownership interest	31 December 2014 Ownership interest
Bank of New York (Nominees), Limited	15	70.6%	71.0%
TBC Holdings LTD		16.0%	16.1%
Individuals		7.9%	7.4%
Liquid Crystal International N.V. LLC		5.5%	5.5%
Total		100%	100%

As at 30 June 2015 and 31 December 2014, the shareholder structure by beneficiary ownership interest is as follows:

Shareholders	30 June 2015 Ownership interest	31 December 2014 Ownership interest
Mamuka Khazaradze	14.8%	14.9%
Badri Japaridze	7.4%	7.5%
GDR holders	70.6%	71.0%
Other Shareholders	7.2%	6.6%
Total	100%	100%

GDR holders own their interest through Bank of New York, Limited. Individually the beneficiary owners might have higher ownership interest than the individuals separately disclosed in the table above. None of the GDR holders own a controlling stake.

Individuals included in Other Shareholders in the table above have beneficiary ownership of less than 2% (2014: less than 2%).

Principal activity. The Bank’s principal business activity is universal banking operations that include corporate, small and medium enterprises (“SME”), retail and micro operations within Georgia. The Bank has operated under a general banking license issued by the National Bank of the Georgia (“NBG”) since 20 January 1993.

The Bank has 13 (31 December 2014: 13) branches and 115 (31 December 2014: 46) service centres within Georgia. At 30 June 2015, the Bank had 4,775 employees (31 December 2014: 3,427). The significant increase in the number of service centres and employees is due to the merger of the Bank with its subsidiary JSC Bank Constanta concluded in January 2015..

The Bank is a parent of a group of companies incorporated in Georgia, Azerbaijan and Israel, whose primary business activities include providing banking, leasing, brokerage, card processing services, to corporate and individual customers. The Bank is the Group’s main operating unit and accounts for most of the Group’s activities.

1 Introduction (Continued)

The condensed consolidated interim financial information includes the following principal subsidiaries:

Subsidiary	30 June 2015 Ownership interest, %	31 December 2014 Ownership interest, %	Country	Date of incorporation or acquisition	Industry
United Financial Corporation JSC	98.67%	98.67%	Georgia	1997	Card processing
TBC Broker LLC	100%	100%	Georgia	1999	Brokerage
TBC Leasing JSC	99.57%	99.48%	Georgia	2003	Leasing
TBC Kredit LLC	75%	75%	Azerbaijan	2008	Non-banking credit institution
Banking System Service Company LLC	100%	100%	Georgia	2009	Information services
TBC Pay LLC	100%	100%	Georgia	2009	Processing
Real Estate Management Fund JSC	100%	100%	Georgia	2010	Real estate management
TBC Invest LLC	100%	100%	Israel	2011	PR and marketing
Bank Constanta JSC	-	100%	Georgia	2011	Financial Institution

On 21 January 2015 the Group has completed the legal and operational process of merging JSC Bank Constanta with TBC Bank.

Registered address and place of business. The Bank's registered address is: 7 Marjanishvili Street, 0102 Tbilisi, Georgia.

Presentation currency. This condensed consolidated interim financial information is presented in thousands of Georgian Lari ("GEL thousands"), unless otherwise indicated.

2 Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this condensed consolidated interim financial information as used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Reclassifications. In order to achieve better and more useful presentation, the management has changed the presentation of a number of financial statement line items in 2015. The following reclassifications were made to 30 June 2014 balances to conform to the 30 June 2015 presentation:

Period end	Financial statement line item	As previously reported	As reclassified	Description
30 June 2014	Fee and commission income	34,498	39,385	Revenues from cash-in terminal services and card processing previously presented under other operating income are presented in fee and commission income on settlement transactions and on card operations
	Other operating income	14,318	9,431	

2 Summary of Significant Accounting Policies (Continued)

Foreign currency translation. At 30 June 2015 the closing rate of exchange used for translating foreign currency balances was USD 1 = GEL 2.2483 (31 December 2014: USD 1 = GEL 1.8636); EUR 1 = GEL 2.4992 (31 December 2014: EUR 1 = GEL 2.2656).

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

Estimates and judgements that have the most significant effect on the amounts recognised in the interim financial information are:

Impairment losses on loans and advances and finance lease receivables. The Group regularly reviews its loan portfolio and finance lease receivables to assess impairment. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans or finance lease receivables before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 5% increase or decrease between actual loss experience and the loss estimates used will result in an additional or lower charge for loan loss impairment of GEL 9,629 thousand (30 June 2014: GEL 7,311 thousand) and additional charge for impairment of finance lease receivables of GEL 22.4 thousand (30 June 2014: GEL 13.8 thousand).

Impairment provisions for individually significant loans and leases are based on the estimate of discounted future cash flows of the individual loans and leases taking into account repayments and realisation of any assets held as collateral against the loan or the lease. A 5% increase or decrease in the actual future discounted cash flows from individually significant loans which could arise from a mixture of differences in amounts and timing of the cash flows will result in an additional or lower charge for loan loss provision of GEL 3,772 thousand (30 June 2014: GEL 2,880 thousand).

A 5% increase or decrease in the actual future discounted cash flows from individually significant leases which could arise from a mixture of differences in amounts and timing of the cash flows will result in an additional or lower charge for provision of GEL 22.4 thousand (30 June 2014: GEL 0.8 thousand).

Investment securities held to maturity. Investment securities which the Group intends to hold for an indefinite period and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices have been classified as available for sale investments in the financial statements ended 31 December 2014. In 2015 the Group has reassessed its intention with regard to some of the securities under this category and has identified certain investments that the Group has both the intention and ability to hold to maturity and has reclassified them into held to maturity category. Investment securities held to maturity are carried at amortised cost.

Fair value disclosure of investment properties. Investment properties held by the Group are carried at cost. However, as per the requirements of IAS 40, the Group also discloses the fair value of investment properties as at the reporting dates. Fair value is determined by internal appraisers of the group, who hold a recognised and relevant professional qualification. In determining the fair values of investment properties, three market comparatives are identified. As comparatives are usually somewhat different from the appraised properties, the quoted prices of the comparatives are further adjusted based on the differences in their location, condition, size, accessibility, age and expected discounts to be achieved through negotiations with the vendors. Comparative prices per square meter so determined are then multiplied by the area of the valued property to arrive at the appraised value of the investment property. At 30 June 2015, investment properties comprised real estate assets located in Tbilisi and other regions of Georgia with the fair value amounting to 78,993 GEL thousand (31 December 2014: GEL 79,056 thousand).

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Tax legislation. Georgian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 23.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 28.

4 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2015:

Amendments to IAS 19 – “Defined benefit plans: Employee contributions” (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amended standard did not have material impact on the Group’s financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a ‘vesting condition’ and to define separately ‘performance condition’ and ‘service condition’; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity’s assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The amended standard did not have material impact on the Group’s financial statements.

4 Adoption of New or Revised Standards and Interpretations (Continued)

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The amended standard did not have material impact on the Group's financial statements.

5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

5 New Accounting Pronouncements (Continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment is not expected to have any material impact on the Group’s financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment is not expected to have any material impact on the Group’s financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The amendment is not expected to have any material impact on the Group’s financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment is not expected to have any material impact on the Group’s financial statements.

5 New Accounting Pronouncements (Continued)

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amended is not expected to have any material impact on the Group's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The amended is not expected to have any material impact on the Group's financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The amended is not expected to have any material impact on the Group's financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The amended is not expected to have any material impact on the Group's financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amended is not expected to have any material impact on the Group's financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

6 Cash and Cash Equivalents

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Cash on hand	362,392	202,384
Correspondent accounts and overnight placements with other banks	122,485	100,305
Cash balances with the National Bank of Georgia (other than mandatory reserve deposits)	103,689	138,396
Placements with and receivables from other banks with original maturities of less than three months	9,014	91,033
Total cash and cash equivalents	597,580	532,118

67.4% of correspondent accounts and overnight placements with other banks are placed with OECD banking institutions as at 30 June 2015 (31 December 2014: 92%).

As at 30 June 2015 GEL 9,014 thousand was placed on interbank time deposits with three non-OECD banks (31 December 2014: 91,033 thousand with five non-OECD banks).

7 Due from Other Banks

Amounts due from other banks include placements with original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts at 30 June 2015 and 31 December 2014. As of 30 June 2015, GEL 8,209 thousand (31 December 2014: GEL 4,525 thousand) were kept on deposits as restricted cash.

Refer to Note 27 for the estimated fair value of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 25.

8 Mandatory cash balances with the National Bank of Georgia

Mandatory cash balances with the National Bank of Georgia (“NBG”) represent amounts deposited with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. The Group did not earn interest on the mandatory reserve with the NBG in the six months ended 30 June 2015 and earned up to 2% annual interest in the six months ended 30 June 2014.

In 2014, Fitch Ratings re-affirmed government of Georgia’s short-term sovereign credit rating of “B” and long-term credit rating of “BB-“.

9 Loans and Advances to Customers

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Corporate loans	1,380,488	1,231,729
Mortgage loans	814,511	716,868
Consumer loans	775,392	781,043
Loans to small and medium enterprises	569,091	533,919
Micro loans	478,307	273,699
Others	209,729	169,002
Total loans and advances to customers (before impairment)	4,227,518	3,706,260
Less: Provision for loan impairment	(192,585)	(149,764)
Total loans and advances to customers	4,034,933	3,556,496

Included in the consumer loans are consumer loans, card loans, overdrafts, express and fast loans and other loans.

9 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during the six months ended 30 June 2015 are as follows:

	Corporate loans	Consumer loans	Mortgage loans	Small and medium enterprises	Micro Loans	Total
<i>In thousands of GEL</i>						
Provision for loan impairment at 1 January 2015	91,226	36,753	8,889	5,288	7,608	149,764
Post-merger reclassification effect	-	(2,373)	(245)	25	2,593	-
Total provision for impairment during the year:	16,477	19,875	9,205	3,839	10,888	60,284
Provision for impairment charged to income statement during the year	11,912	16,324	8,524	2,522	9,442	48,724
Recoveries of loans previously written off	4,565	3,551	681	1,317	1,446	11,560
Amounts written off during the period as uncollectible	-	(10,390)	(451)	(1,496)	(4,819)	(17,156)
Effect of translation to presentation currency	-	(63)	(35)	(209)	-	(307)
Provision for loan impairment at 30 June 2015	107,703	43,802	17,363	7,447	16,270	192,585

Following the merger of Constanta Bank with TBC Bank, the Group has reassessed definition of segments as disclosed in Note 18. Some of the clients were reallocated to different segments and relevant changes in provision groups are presented in the table above under caption Post-merger reclassification effect.

Movements in the provision for loan impairment during the six months ended 30 June 2014 are as follows:

	Corporate loans	Consumer loans	Mortgage loans	Small and medium enterprises	Micro Loans	Others	Total
<i>In thousands of GEL</i>							
Provision for loan impairment at 1 January 2014	107,666	31,704	8,292	4,315	4,892	-	156,869
Total provision for impairment during the year:	22,414	10,274	3,137	2,460	3,732	20	42,037
Provision for impairment charged to income statement during the year	12,636	7,501	2,464	1,568	2,766	18	26,953
Recoveries of loans previously written off	9,778	2,773	673	892	966	2	15,084
Amounts written off during the period as uncollectible	(38,714)	(8,620)	(1,035)	(1,394)	(2,901)	(20)	(52,684)
Provision for loan impairment at 30 June 2014	91,366	33,358	10,394	5,381	5,723	-	146,222

Included in the amounts written off during the period as uncollectible is the provision of GEL 20,154 thousand for a corporate loan part of which was recovered in June 2014 through repossession of financial instruments amounting to GEL 3,014 thousand which are accounted for under investment securities available for sale.

9 Loans and Advances to Customers (Continued)

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

<i>In thousands of GEL</i>	30 June 2015		31 December 2014	
	Amount	%	Amount	%
Individual	1,600,784	38%	1,497,911	40%
Service	741,320	17%	575,525	15%
Agriculture	320,590	8%	265,562	7%
Pawn shop	225,651	5%	169,002	5%
Real estate	199,535	5%	165,937	4%
Food industry	197,606	5%	141,283	4%
Consumer goods and automobile trading	188,450	4%	175,681	5%
Energy	170,423	4%	216,500	6%
Communication	110,424	3%	94,309	2%
Oil and gas	95,100	2%	102,912	3%
Construction	91,261	2%	95,111	3%
Transportation	73,409	2%	64,720	2%
Manufacturing	47,281	1%	42,086	1%
Mining	35,016	1%	29,952	1%
Other	130,668	3%	69,769	2%
Total loans and advances to customers (before impairment)	4,227,518	100%	3,706,260	100%

Service sector contains loans disbursed to consumer service, healthcare, media and financial service industries.

At 30 June 2015 the Group had 81 borrowers (31 December 2014: 71 borrowers) with aggregated loan amounts above GEL 5,000 thousand. The total aggregate amount of these loans was GEL 1,239,470 thousand (31 December 2014: GEL 1,031,720 thousand) or 29% of the gross loan portfolio (31 December 2014: 27.8%).

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 30 June 2015 is as follows:

<i>In thousands of GEL</i>	Corporate loans	Consu- mer loans	Mortga- ge loans	Small and medium enterprises	Micro loans	Others	Total
<i>Neither past due nor impaired</i>							
- Borrowers with credit history over two years	829,913	424,572	523,578	271,419	30,892	169,602	2,249,976
- New borrowers	303,008	295,903	254,368	258,778	416,820	34,541	1,563,418
Total neither past due nor impaired	1,132,921	720,475	777,946	530,197	447,712	204,143	3,813,394
<i>Past due but not impaired</i>							
- 1 to 30 days overdue	10,173	19,243	8,312	14,899	9,930	1,757	64,314
- 31 to 90 days overdue	46	349	419	905	121	3,084	4,924
- 91 to 180 days overdue	-	15	-	-	72	429	516
- 181 to 360 days overdue	2,950	-	-	1,577	7	121	4,655
- more than 360 days overdue	-	3	-	-	-	195	198
Total past due but not impaired	13,169	19,610	8,731	17,381	10,130	5,586	74,607
<i>Individually assessed impaired loans (gross)</i>							
- not overdue	214,069	-	-	-	-	-	214,069
- 1 to 30 days overdue	11,048	-	-	-	-	-	11,048
- 91 to 180 days overdue	4,884	-	-	3,142	-	-	8,026
- 181 to 360 days overdue	377	-	-	-	-	-	377
Total individually assessed impaired loans	230,378	-	-	3,142	-	-	233,520
<i>Collectively assessed impaired loans (gross)</i>							
- not overdue	3,441	8,804	14,476	7,078	6,777	-	40,576
- 1 to 30 days overdue	-	1,553	811	614	1,916	-	4,894
- 31 to 90 days overdue	85	11,438	6,746	3,485	5,117	-	26,871
- 91 to 180 days overdue	494	9,611	4,064	3,884	5,553	-	23,606
- 181 to 360 days overdue	-	3,197	1,737	2,677	1,102	-	8,713
- more than 360 days overdue	-	704	-	633	-	-	1,337
Total collectively assessed impaired loans	4,020	35,307	27,834	18,371	20,465	-	105,997
Total loans and advances to customers (before impairment)	1,380,488	775,392	814,511	569,091	478,307	209,729	4,227,518
Total provision	(107,703)	(43,802)	(17,363)	(7,447)	(16,270)	-	(192,585)
Total loans and advances to customers	1,272,785	731,590	797,148	561,644	462,037	209,729	4,034,933

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

<i>In thousands of GEL</i>	Corporate loans	Consu- mer loans	Mortgage loans	Small and medium enterprises	Micro loans	Others	Total
<i>Neither past due nor impaired</i>							
- Borrowers with credit history over two years	784,212	415,328	470,873	248,251	106,930	110,731	2,136,325
- New borrowers	290,596	323,911	235,411	267,137	154,407	56,316	1,327,778
Total neither past due nor impaired	1,074,808	739,239	706,284	515,388	261,337	167,047	3,464,103
<i>Past due but not impaired</i>							
- 1 to 30 days overdue	229	13,281	3,165	5,156	3,345	1,151	26,327
- 31 to 90 days overdue	2,377	201	40	288	151	503	3,560
- 91 to 180 days overdue	-	3	-	-	56	107	166
- 181 to 360 days overdue	-	8	-	-	-	88	96
- more than 360 days overdue	-	6	-	-	-	106	112
Total past due but not impaired	2,606	13,499	3,205	5,444	3,552	1,955	30,261
<i>Individually assessed impaired loans (gross)</i>							
- not overdue	124,483	-	-	2,506	-	-	126,989
- 1 to 30 days overdue	18,270	-	-	-	-	-	18,270
- 31 to 90 days overdue	4,227	-	-	-	-	-	4,227
- 91 to 180 days overdue	325	-	-	-	-	-	325
Total individually assessed impaired loans	147,305	-	-	2,506	-	-	149,811
<i>Collectively assessed impaired loans (gross)</i>							
- not overdue	6,783	9,267	2,089	1,119	3,383	-	22,641
- 1 to 30 days overdue	4	1,020	113	68	1,670	-	2,875
- 31 to 90 days overdue	207	7,445	2,912	4,942	1,861	-	17,367
- 91 to 180 days overdue	16	7,641	2,022	2,771	1,625	-	14,075
- 181 to 360 days overdue	-	2,189	243	1,309	268	-	4,009
- more than 360 days overdue	-	743	-	372	3	-	1,118
Total collectively assessed impaired loans	7,010	28,305	7,379	10,581	8,810	-	62,085
Total loans and advances to customers (before impairment)	1,231,729	781,043	716,868	533,919	273,699	169,002	3,706,260
Total provision	(91,226)	(36,753)	(8,889)	(5,288)	(7,608)	-	(149,764)
Total loans and advances to customers	1,140,503	744,290	707,979	528,631	266,091	169,002	3,556,496

The retail segment as at 31 December 2014 in Note 18 includes the following classes from above tables: consumer, mortgage and other. Included in other are primarily pawn-shop loans secured with precious metals.

9 Loans and Advances to Customers (Continued)

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the end of reporting period.

The tables above show analysis of loan portfolio based on credit quality. The Group's policy for credit risk management purposes is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The primary factors by which the Group considers a loan as impaired are: overdue status of loan, financial position of a borrower and fair value of related collateral. The Group conducts impairment analysis of each individual loan on a quarterly basis. Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are the following:

- real estate properties,
- inventory and equipment,
- cash covers,
- third party guarantees.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral at 30 June 2015:

<i>In thousands of GEL</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	1,065,413	2,792,608	315,075	157,704
Consumer loans	505,033	1,283,539	270,359	10,373
Mortgage loans	785,790	2,010,837	28,721	10,568
Loans to small and medium enterprises	551,451	1,760,662	17,640	4,591
Micro loans	257,664	633,068	220,643	7,470
Others	209,456	236,262	273	199
Total	3,374,807	8,716,976	852,711	190,905

The effect of collateral at 31 December 2014:

<i>In thousands of GEL</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	943,782	2,366,233	287,947	97,485
Consumer loans	496,838	1,129,883	284,205	15,843
Mortgage loans	690,576	1,683,436	26,292	9,011
Loans to small and medium enterprises	509,732	1,502,898	24,187	9,527
Micro loans	134,707	264,571	138,992	3,584
Others	163,960	189,920	5,042	4,883
Total	2,939,595	7,136,941	766,665	140,333

The effect of collateral is determined by comparison of fair value of collateral to gross loans and advances outstanding at the reporting date.

The Group's internal appraiser performed physical inspection of pledged real estate and estimated the fair value of real estate using primarily market comparison method. Fair value of inventory, equipment and other assets was determined by the Group's credit department using the Group's internal guidelines.

Refer to Note 27 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 25. Information on related party balances is disclosed in Note 28.

10 Premises and Equipment

	Premises and leasehold improvements	Office and computer equipment	Construction in progress	Total premises and equipment	Computer software licences	Total
<i>In thousands of GEL</i>						
Cost or valuation at 1 January 2014	142,683	113,273	35,619	291,575	35,681	327,256
Accumulated depreciation/amortisation	(23,678)	(68,229)	-	(91,907)	(12,190)	(104,097)
Carrying amount at 1 January 2014	119,005	45,044	35,619	199,668	23,491	223,159
Additions	217	6,794	325	7,336	5,539	12,875
Transfers	472	44	(516)	-	-	-
Transfers to Investment Property	(646)	-	-	(646)	-	(646)
Disposals	(14)	(4,511)	(67)	(4,592)	(65)	(4,657)
(Impairment charge)/reversal of impairment to profit or loss	-	(10)	2	(8)	0	(8)
Depreciation/amortisation charge	(1,579)	(6,394)	-	(7,973)	(1,979)	(9,952)
Elimination of accumulated depreciation/amortisation on disposals	-	3,270	-	3,270	64	3,334
Carrying amount at 30 June 2014	117,455	44,237	35,363	197,055	27,050	224,105
Cost or valuation at 30 June 2014	142,712	115,590	35,363	293,665	41,155	334,820
Accumulated depreciation/amortisation including accumulated impairment loss	(25,257)	(71,353)	-	(96,610)	(14,105)	(110,715)
Cost or valuation at 1 January 2015	142,724	130,543	35,267	308,534	55,231	363,765
Accumulated depreciation/amortisation	(26,622)	(73,220)	-	(99,842)	(17,475)	(117,317)
Carrying amount at 1 January 2015	116,102	57,323	35,267	208,692	37,756	246,448
Additions	562	10,411	1,556	12,529	5,964	18,493
Transfers	896	-	(896)	-	-	-
Disposals	(99)	(327)	(537)	(963)	(522)	(1,485)
(Impairment charge)/reversal of impairment to profit or loss	-	(148)	-	(148)	-	(148)
Depreciation/amortisation charge	(1,652)	(7,538)	-	(9,190)	(2,402)	(11,592)
Elimination of accumulated depreciation/amortisation on disposals	95	235	-	330	182	512
Carrying amount at 30 June 2015	115,904	59,956	35,390	211,250	40,978	252,228
Cost or valuation at 30 June 2015	144,083	140,479	35,390	319,952	60,673	380,625
Accumulated depreciation/amortisation including accumulated impairment loss	(28,179)	(80,523)	-	(108,702)	(19,695)	(128,397)

10 Premises and Equipment (Continued)

Depreciation and amortisation charge presented on the face of the condensed consolidated interim statement of comprehensive income include depreciation and amortisation charge of premises and equipment, investment properties and intangible assets.

Construction in progress consists of construction and refurbishment of branch premises and a new headquarter of the Bank. Upon completion, assets are transferred to premises.

The Group revalues premises every three years or if there are significant movements in the real estate prices on the market. Premises were revalued to market value at 6 July 2012. The valuation was carried out by an independent firm of valuers which holds recognised and relevant professional qualifications and who have recent experience in valuation of assets of similar location and category.

The basis used for the appraisal was sales comparison approach. As part of sales comparison approach, at least three market comparatives were identified. As comparatives were somewhat different from the appraised properties, the quoted prices of the comparatives were further adjusted based on the differences in their location, condition, size, accessibility, age and expected discounts to be achieved through negotiations with the vendors. Comparative prices per square meter so determined were then multiplied by the area of the valued property to arrive at the appraised value of the premises.

<i>In thousands of GEL (except for range of inputs)</i>	Fair value as of 6 July 2012 (valuation date)	Carrying value at 31 December 2014	Carrying value at 30 June 2015	Valuation technique	Other key information	Unobservable inputs	Range of unobservable inputs (weighted average)
Office buildings	54,757	56,468	56,337	Sales comparison approach	Land Buildings	Price per square meter	382 - 3,784 (577) 244 - 2,926 (704)
Branches and service centers	81,134	75,878	76,327	Sales comparison approach	Land Buildings	Price per square meter	3 - 2,468 (345) 325 - 9,864 (2,292)

11 Due to Credit Institutions*In thousands of GEL***30 June 2015** **31 December 2014****Due to other banks**

Correspondent accounts and overnight placements	15,902	37,247
Deposits from banks	54,534	47,802
Short-term loans from banks	66,555	934
Total due to other banks	136,991	85,983

Other borrowed funds

Borrowings from foreign banks and financial institutions	626,924	452,469
Borrowings from local banks and financial institutions	220,734	204,475
Borrowings from Ministry of Finance	6,420	6,358
Total other borrowed funds	854,078	663,302

Total amounts due to credit institutions**991,069****749,285**

In March 2015, TBC Kredit breached certain covenants under loan agreements with a number of foreign financial institution lenders. TBC Kredit negotiated waivers on 31 March 2015, whereby the lenders agreed to waive past breaches and increase the limit for covenants till 31 August 2015 and 31 December 2015. The carrying amount of the affected loans as at 30 June 2015 was GEL 27,003 thousand.

As at 30 June 2015 for the purposes of maturity analysis of financial liabilities (Note 25) the above-mentioned loans are included within the amounts for which repayment is expected from 1 to 6 months.

12 Customer Accounts

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
State and public organisations		
- Current/settlement accounts	144,646	130,008
- Term deposits	81,694	47,084
Other legal entities		
- Current/settlement accounts	1,105,036	1,042,559
- Term deposits	183,045	125,605
Individuals		
- Current/demand accounts	825,723	684,521
- Term deposits	1,491,038	1,292,651
Total customer accounts	3,831,182	3,322,428

State and public organisations include government owned profit oriented businesses.

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of GEL</i>	30 June 2015		31 December 2014	
	Amount	%	Amount	%
Individual	2,316,761	60%	1,977,172	60%
Trade and Service	461,382	12%	435,414	13%
Transportation	150,943	4%	101,939	3%
Construction	124,581	3%	136,429	4%
Energy	95,928	3%	48,094	1%
Consumer Goods and Automobile Trading	86,619	2%	86,729	3%
Real Estate	61,771	2%	72,843	2%
Food Industry	47,435	1%	62,149	2%
Communication	45,401	1%	57,677	2%
Oil and Gas	39,848	1%	75,562	2%
Agriculture	24,906	1%	17,755	1%
Manufacturing	22,290	1%	18,869	1%
Mining	11,930	0%	7,541	0%
Other	341,387	9%	224,255	6%
Total customer accounts	3,831,182	100%	3,322,428	100%

At 30 June 2015 the Group had 136 customers (31 December 2014: 125 customers) with balances above GEL 3,000 thousand. The aggregate balance of these customers was GEL 1,358,870 thousand (31 December 2014: GEL 1,111,385 thousand) or 35.4% (31 December 2014: 33%) of total customer accounts.

At 30 June 2015 included in customer accounts are deposits of GEL 1,798 thousand and GEL 54,103 thousand (31 December 2014: GEL 636 thousand and GEL 71,902 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees issued, respectively. Refer to Note 24.

Refer to Note 27 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 25. Information on related party balances is disclosed in Note 28.

13 Provisions for Performance Guarantees, Credit Related Commitments and Liabilities and Charges

Movements in provisions for performance guarantees, credit related commitment and liabilities and charges are as follows:

<i>In thousands of GEL</i>	Performance guarantees	Credit related commitments	Other	Total
Carrying amount at 1 January 2014	4,153	4,927	3,300	12,380
Releases less additions recorded in profit or loss	(1,023)	(1,590)	-	(2,613)
Carrying amount at 30 June 2014	3,130	3,337	3,300	9,767
Carrying amount at 1 January 2015	4,912	3,266	3,720	11,898
Releases less additions recorded in profit or loss	(897)	(2,163)	-	(3,060)
Utilisation of provision	-	-	(636)	(636)
Carrying amount at 30 June 2015	4,015	1,103	3,084	8,202

Credit related commitments and performance guarantees: Provision was created against losses incurred on performance guarantees and commitments to extend credit to borrowers whose financial conditions deteriorated.

Provisions for liabilities, charges, performance guarantees and credit related commitments are primarily expected to be utilised within twelve months after the end of reporting period.

14 Subordinated Debt

At 30 June 2015, subordinated debt comprised:

<i>In thousands of GEL</i>	Grant Date	Maturity Date	Currency	Outstanding amount in original currency	Outstanding amount in GEL
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	23-Apr-09	12-Nov-18	USD	7,076	15,909
European Bank for Reconstruction and Development	23-Apr-09	12-Nov-18	USD	18,701	42,044
Deutsche Investitions und Entwicklungsgesellschaft MBH	19-Feb-08	15-Jul-18	USD	10,409	23,404
International Financial Corporation	23-Apr-09	12-Nov-18	USD	18,683	42,006
Deutsche Investitions und Entwicklungsgesellschaft MBH	26-Jun-13	15-Jun-20	USD	7,457	16,766
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	19-Dec-13	15-Apr-23	USD	35,324	79,419
Kreditanstalt für Wiederaufbau Bankengruppe	10-Jun-14	8-May-21	GEL	6,467	6,467
Kreditanstalt für Wiederaufbau Bankengruppe	4-May-15	8-May-21	GEL	6,643	6,643
Total subordinated debt					232,658

14 Subordinated Debt (Continued)

At 31 December 2014, subordinated debt comprised:

<i>In thousands of GEL</i>	Grant Date	Maturity Date	Currency	Outstanding amount in original currency USD	Outstanding amount in GEL
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	19-Dec-13	15-Apr-23	USD	35,299	65,782
International Financial Corporation	23-Apr-09	12-Nov-18	USD	18,655	34,766
European Bank for Reconstruction and Development	23-Apr-09	12-Nov-18	USD	18,676	34,804
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	23-Apr-09	12-Nov-18	USD	7,067	13,169
Deutsche Investitions und Entwicklungsgesellschaft MBH	19-Feb-08	15-Jul-18	USD	10,410	19,400
Deutsche Investitions und Entwicklungsgesellschaft MBH	26-Jun-13	15-Jun-20	USD	7,453	13,890
Kreditanstalt für Wiederaufbau Bankengruppe	10-Jun-14	8-May-21	GEL	6,204	6,204
Total subordinated debt					188,015

The debt ranks after all other creditors in case of liquidation.

Refer to Note 27 for the disclosure of the fair value of subordinated debt. Information on related party balances is disclosed in Note 28.

15 Share Capital

<i>In thousands of GEL except for number of shares</i>	Number of vested shares	Share capital	Share premium	Total
At 1 January 2014	164,987	16,499	242,624	259,123
Share split	41,081,763	-	-	-
Shares issued	7,692,308	3,077	172,493	175,570
Transaction costs recognized directly in equity	-	-	(9,459)	(9,459)
At 31 December 2014	48,939,058	19,576	405,658	425,234
Increase in share capital arising from share based payment	30,710	12	416	428
Treasury shares returned	(1,180)	-	(16)	(16)
At 30 June 2015	48,968,588	19,588	406,058	425,646

On 4 March 2014, Shareholders of the Bank approved the split of the ordinary shares 250-for-1 and authorised for issue additional 10,445,387 shares. The total authorised number of ordinary shares amounted to 56,206,527 as at 30 June 2015 (31 December 2014: 53,090,637 shares), with a nominal value of GEL 0.4 per share (31 December 2014: GEL 0.4 per share). All issued ordinary shares are fully paid.

In accordance with Georgian legislation, the number of issued ordinary shares and relevant amounts of share capital and share premium differ from presentation above due to accounting for share based payment transactions described in note 16.

<i>In thousands of GEL except for number of shares</i>	Number of outstanding shares	Share capital	Share premium	Total
At 1 January 2014	164,987	16,499	242,624	259,123
Registering shares in the name of employees under share based payment arrangement	1,229	123	4,156	4,279
Share split	41,387,784	-	-	-
Shares issued	7,692,308	3,077	172,493	175,570
Transaction costs recognized directly in equity	-	-	(9,459)	(9,459)
At 31 December 2014	49,246,308	19,699	409,814	429,513
Registering shares in the name of employees under share based payment arrangement	284,560	113	3,850	3,963
Treasury shares returned	(1,180)	-	(16)	(16)
At 30 June 2015	49,529,688	19,812	413,648	433,460

15 Share Capital (Continued)

All ordinary shares rank equally except for 560,933 (unvested shares (31 December 2014: 307,250 unvested shares) that were registered in the name of the management under share based payment arrangement and which do not have voting rights before service conditions are met (see Note 16). These unvested shares are still included in number of outstanding shares per NBG accounting rules. All other shares carry one vote.

In June 2014, 19,684,322 shares of the Bank were sold in the form of Global Depositary Receipts (“GDRs”) on London Stock Exchange (the “LSE”) pursuant to an initial public offering to institutional investors. 7,692,308 shares in the form of GDRs were sold by the Bank while the balance was sold by the selling shareholders. Bank of New York (“BNY”) acts as a depositary of these shares. Each GDR represents 1 ordinary share of the Bank.

At the reporting date the Bank has 3,115,890 authorised shares reserved for issuance under share based payment arrangement (31 December 2014: 1,037,500 shares). For description of share based payment scheme refer to Note 16. Per management’s estimate, the total number of shares that the Bank will eventually issue under the share based payment arrangement schemes for years 2013 - 2018 approximates 2,561,940 (31 December 2014: 803,336).

Transaction costs, that is, incremental costs, are costs directly attributable to the equity transaction that otherwise would have been avoided had the equity instruments not been issued. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Included in transaction costs are fees paid to investment bankers, lawyers, underwriters and other professional advisers involved in the initial public offering.

16 Share Based Payments**June 2013 arrangement:**

In June 2013, Supervisory Board of the Bank approved a new management compensation scheme for the years 2013 – 2015 and authorised 4,150 new shares as a maximum estimated number of new shares to be issued in accordance with the scheme. Authorized numbers of new shares have increased to 1,037,500 new shares in order to reflect the share split 250-for-1 approved by the Shareholders on 4 March 2014. According to the scheme, each year, subject to predefined performance conditions, certain number of the shares will be awarded to the top management and some of the middle managers of the Group. The performance conditions are divided into (i) team goals and (ii) individual performance indicators. The total number of the shares to be awarded depends on meeting the team goals and the book value per share according to the audited IFRS consolidated financial statements of the Group for the year preceding the date of the award. The team goals primarily relate to achieving growth, profitability and portfolio quality metrics set by the Supervisory Board as well as compliance with certain regulatory requirements. The total number of shares in the bonus pool depends on achievement of team goals. Individual performance indicators are defined separately for each participant and are used to calculate the number of shares to be awarded to them out of the total bonus pool. After awards, these shares carry service conditions and before those conditions are met the shares are eligible to dividends but do not have voting rights and cannot be sold or transferred to third parties. Service conditions assume continuous employment until the gradual transfer of the full title to the scheme participants is complete. Shares of each of 2013, 2014 and 2015 tranche vest gradually on the second, third and fourth year following the performance appraisal. Eighty percent of the shares vest in the fourth year after the award. Under this compensation system the total vesting period extends to June 2019.

The shareholders and Supervisory Board have granted put options on the shares to be awarded under the new management compensation scheme. In addition, the shareholders and the Supervisory Board have granted put options on all bonus shares awarded under the previous share based payment arrangements. All of the put options became null and void upon the listing of the Bank's shares on LSE in June 2014. At no point of the operation of the share based payment scheme did the management expect the put options to be exercised. Consequently, the scheme was accounted for as equity-settled scheme and no obligation was recognised for the put options.

The Group considers 20 June 2013 as the grant date. Based on management's estimate of expected achievement of performance and service conditions 803,336 shares have been granted that will be gradually awarded to the members of the scheme as described above. The fair value of the share at the grant date, as adjusted for the effect of 250-for-1 share split, is evaluated at GEL 13,93 per share and the valuation was carried out by an external valuator. The valuation was performed by applying the income and market approaches. The market approach involved estimating market capitalization to book value of equity multiple and deal price to book value of equity multiple for comparable banks. When selecting comparable banks, the appraiser chose banks that operated in the Black Sea region and Central and Eastern Europe and had similar portfolio mix and growth priorities as TBC Bank. Income approach involved discounting free cash flows to equity estimated over 10-year horizon. When developing the projections, the following major assumptions were made:

- Over 2013-2023 period, the compound annual growth rate was assumed at 15.2% for loans and at 15.1% for customer accounts.
- The spread on the bank's customer business was assumed to gradually decline from estimated 10.2% in 2013 till it would stabilize at 5.8% in 2021.
- Over 2013-2023 period, non-interest income was forecast to average 1.8% of customer volume (i.e. gross loans and deposits).
- Year-on-year growth in various components of employee compensation was assumed at 37.6%-56.0% in 2014, 2.4%-9.8% in 2015 and was then assumed to gradually decline to 2.1%-3.6% in 2023. Year-on-year growth in administrative expenses was assumed at 38.3% in 2014, 10.4% in 2015 and was then assumed to gradually decline to 3.3% in 2023.
- The Bank's terminal value was estimated using Gordon growth model, applying US long-term inflation forecast (2.1%) as the Bank's terminal cash flows growth rate.
- Bank's cost of equity was estimated at 15.10%.

The final valuation was based on income approach, with market approach serving as a reasonableness check on the result obtained by the income approach. The value of Bank's equity so calculated was then divided by the number of ordinary shares issued as of valuation date and further reduced with the discount for lack of control.

16 Share Based Payments (Continued)**June 2015 arrangement:**

In June 2015, Supervisory Board of the Bank approved new management compensation for top and middle management and authorised 3,115,890 new shares as a maximum estimated number of new shares to be issued in accordance with the scheme. The new system will be used for the years 2015 through 2018 and it will replace the system introduced in June 2013 meaning that performance evaluation as well as respective compensation for 2015 year-end results will be paid under the new system. According to the scheme, each year, subject to predefined performance conditions, certain number of the shares will be awarded to the top management and most of the middle managers of the Group. The performance conditions are divided into (i) corporate and (ii) individual key performance indicators (KPIs). The corporate KPIs are mainly related to achieving, profitability, efficiency and portfolio quality metrics set by the Supervisory Board as well as non-financial indicators in respect of customer experience and employee engagement. Individual performance indicators are defined separately for each participant and are used to calculate the number of shares to be awarded to them. According to the scheme, members of top management will also receive the fixed number of shares. After awards, all the shares carry service conditions and before those conditions are met the shares are eligible to dividends but do not have voting rights and cannot be sold or transferred to third parties. Service conditions assume continuous employment until the gradual transfer of the full title to the scheme participants is complete. Shares of each of 2015, 2016, 2017 and 2018 tranche vest gradually on the second, third and fourth year following the performance appraisal. Eighty percent of the shares vest in the fourth year after the award. Under this compensation system the total vesting period extends to March 2022.

The Group considers 17 June 2015 as the grant date. As of 30 June 2015 based on management's best estimate of achievement of targets 1,755,970 shares have been granted that will be gradually awarded to the members of the scheme as described above. The fair value of the share at the grant date equalled to GEL 24.64 per share as quoted on London Stock Exchange.

The Bank also pays personal income tax on behalf of equity settled scheme beneficiaries, which is accounted as cash settled part. Tabular information on both of the schemes is given below:

In GEL except for number of shares	30 June 2015	30 June 2014 (not adjusted for the share split)
Number of unvested shares at the beginning of the period	803,336	2,797
Number of shares granted	1,755,970	-
Increase in the number of unvested shares due to 250-for-1 split	-	696,453
Change in estimate of number of shares expected to vest based on performance conditions	2,633	32,750
Number of shares vested	(30,710)	-
Number of unvested shares at the end of the period	2,531,229	732,000
Value at grant date per share according to June 2013 scheme (GEL)	13.93	13.93
Value at grant date per share according to June 2015 scheme (GEL)	24.64	-
Expense on equity-settled part (GEL thousand)	1,730	1,157
Expense on cash-settled part (GEL thousand)	1,299	595
Expense recognised as staff cost during the period (GEL thousand)	3,029	1,752

Liability in respect of the cash-settled part of the award amounted to GEL 1,891 thousand as at 30 June 2015 (31 December 2014: GEL 1,710 thousand).

Staff costs related to equity settled part of the share based payment schemes are recognised in the income statement on a straight line basis over the vesting period of each relevant tranche and corresponding entry is credited to share based payment reserve in equity.

17 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares in issue during the period.

<i>In thousands of GEL except for number of shares</i>	30 June 2015	30 June 2014
Profit for the period attributable to the owners of the Bank (excluding the profit attributable to the shares encumbered under the share based payment scheme – refer to Note 16)	99,855	71,583
Weighted average number of ordinary shares in issue	48,954,328	42,054,230
Basic earnings per ordinary share attributable to the owners of the Bank (expressed in GEL per share)	2.04	1.70

Diluted earnings per share are calculated by dividing the profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares adjusted for the effects of all dilutive potential ordinary shares during the period:

<i>In thousands of GEL except for number of shares</i>	30 June 2015	30 June 2014
Profit for the period attributable to the owners of the Bank (excluding the profit attributable to the shares encumbered under the share based payment scheme – refer to Note 16)	100,639	71,840
Weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares during the period	49,606,970	42,432,313
Diluted earnings per ordinary share attributable to the owners of the Bank (expressed in GEL per share)	2.03	1.69

18 Segment Information

The chief operating decision maker which is the Management Board reviews the Group's internal reporting in order to assess performance and allocate resources. In 2015, following the merger of Bank Constanta the Board has revised the definition of segments in order to further enhance the control and monitoring of the Group's performance. This has resulted in a transfer of certain customers between segments. Comparative information has not been updated due to impracticability.

The operating segments determined as at 30 June 2014 were as follows:

- Corporate – business customers which 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 significant legal entity customers may also be assigned the status of being a corporate customer, on a discretionary basis; for example, if they are regarded by the Group as having strong growth potential.
- SME – business customers that are not included either in the corporate or micro segments.
- Micro – all business customers of Bank Constanta, that have been granted loans by and/or have deposits with Bank Constanta, the amount of which in neither case exceeds USD 150 thousand.
- Retail – all individual customers of the Group as well as customers that have been granted gold-pawn loans.
- Corporate Center and Other Operations – comprise the Treasury, other support and back office functions, and non-banking subsidiaries of the Group.

The operating segments according to the new definition are now determined as follows:

- Corporate – all 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;
- SME – all 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;
- Micro – all 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/or have deposits up to USD 20 thousand in urban areas and up to USD 100 thousand 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;
- Retail – all individual customers that are not included in the other categories.
- Corporate Center and Other Operations – comprise the Treasury, other support and back office functions, and non-banking subsidiaries of the Group.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted profit before income tax.

The reportable segments are the same as the operating segments.

The vast majority of the entity's revenues are attributable to Georgia. A geographic analysis of origination of the Group's assets and liabilities is given in note 25.

18 Segment Information (Continued)

Segment information for the reportable segments of the Group for the six months periods ended 30 June 2015 is set out below:

	Retail	Corporate	SME	Micro	Corporate center and other operations	Total
<i>In thousands of GEL</i>						
Six months ended 30 June 2015						
- Interest income	127,363	64,512	33,616	50,910	30,475	306,876
- interest expense	(46,464)	(14,637)	(4,154)	(1,225)	(42,160)	(108,640)
- Inter-segment interest income/(expense)	7,469	(17,513)	(1,687)	(12,259)	23,990	-
- Net interest income	88,368	32,362	27,775	37,426	12,305	198,236
- Fee and commission income	33,165	9,060	5,266	2,901	2,133	52,525
- Fee and commission expense	(13,664)	(1,825)	(1,641)	(443)	(112)	(17,685)
- Net fee and commission income	19,501	7,235	3,625	2,458	2,021	34,840
- Gains less losses from trading in foreign currencies	7,504	11,651	10,405	866	135	30,561
- Foreign exchange translation losses less gains	-	-	-	-	4,500	4,500
- Net gain from derivative financial instruments	-	-	-	-	(490)	(490)
- Other operating income	2,173	3,946	901	175	1,857	9,052
- Other operating non-interest income	9,677	15,597	11,306	1,041	6,002	43,623
- Provision for loan impairment	(24,848)	(11,912)	(2,522)	(9,442)	-	(48,724)
- Provision for performance guarantees and credit related commitments	-	2,844	216	-	-	3,060
- Provision for impairment of investments in finance lease	-	-	-	-	(363)	(363)
- Provision for impairment of other financial assets	-	-	-	-	(1,232)	(1,232)
- Operating income after provisions for impairment	92,698	46,126	40,400	31,483	18,733	229,440
- Staff costs	(30,362)	(7,211)	(7,647)	(14,080)	(6,008)	(65,308)
- Depreciation and amortisation	(6,810)	(499)	(970)	(2,973)	(1,050)	(12,302)
- Administrative and other operating expenses	(19,925)	(2,138)	(3,370)	(6,284)	(4,323)	(36,040)
- Operating expenses	(57,097)	(9,848)	(11,987)	(23,337)	(11,381)	(113,650)
- Profit before tax	35,601	36,278	28,413	8,146	7,352	115,790
- Income tax expense	(4,852)	(5,601)	(4,332)	(1,222)	1,389	(14,618)
- Profit for the period	30,749	30,677	24,081	6,924	8,741	101,172
30 June 2015						
- Total gross loans and advances to customers reported	1,799,632	1,380,488	569,091	478,307	-	4,227,518
- Total customer accounts reported	2,254,096	912,902	596,670	67,514	-	3,831,182
- Total credit related commitments and performance guarantees	745	323,340	34,106	-	-	358,191

18 Segment Information (Continued)

Segment information for the reportable segments of the Group for the six months periods ended 30 June 2014 is as follows:

	Retail	Corporate	SME	Micro	Corporate centre and other operations	Total
<i>In thousands of GEL</i>						
Six months ended 30 June 2014						
- Interest income	112,063	60,200	25,545	27,184	21,999	246,991
- interest expense	(39,557)	(11,313)	(3,850)	(92)	(31,158)	(85,970)
- Inter-segment interest income/(expense)	4,834	(24,463)	(1,851)	(9,199)	30,679	-
- Net interest income	77,340	24,424	19,844	17,893	21,520	161,021
- Fee and commission income	20,121	8,386	4,238	1,587	5,053	39,385
- Fee and commission expense	(11,758)	(985)	(450)	(440)	(83)	(13,716)
- Net fee and commission income	8,363	7,401	3,788	1,147	4,970	25,669
- Gains less losses from trading in foreign currencies	3,859	6,290	5,263	708	601	16,721
- Foreign exchange translation losses less gains	-	-	-	-	(557)	(557)
- Net gain from derivative financial instruments	-	-	-	-	(546)	(546)
- Other operating income	-	-	-	-	9,431	9,431
- Other operating non-interest income	3,859	6,290	5,263	708	8,929	25,049
- Provision for loan impairment	(9,982)	(12,636)	(1,569)	(2,766)	-	(26,953)
- Provision for performance guarantees and credit related commitments	-	2,443	170	-	-	2,613
- Provision for impairment of investments in finance lease	-	-	-	-	(110)	(110)
- Provision for impairment of other financial assets	-	-	-	-	(619)	(619)
- Impairment of investment securities available for sale	-	-	-	-	(22)	(22)
- Operating income after provisions for impairment	79,580	27,922	27,496	16,982	34,668	186,648
- Staff costs	(25,140)	(5,044)	(4,902)	(7,784)	(13,130)	(56,000)
- Depreciation and amortisation	(6,013)	(377)	(927)	(1,206)	(2,169)	(10,692)
- Administrative and other operating expenses	(16,743)	(2,114)	(2,415)	(4,707)	(9,625)	(35,604)
- Operating expenses	(47,896)	(7,535)	(8,244)	(13,697)	(24,924)	(102,296)
- Profit before tax	31,684	20,387	19,252	3,285	9,744	84,352
- Income tax expense	(4,312)	(2,750)	(2,624)	(448)	(1,366)	(11,500)
- Profit for the period	27,372	17,637	16,628	2,837	8,378	72,852
31 December 2014						
- Total gross loans and advances to customers reported	1,666,913	1,231,729	533,919	273,699	-	3,706,260
- Total customer accounts reported	1,977,172	832,555	507,816	4,885	-	3,322,428
- Total credit related commitments and performance guarantees	94	390,763	30,292	19	-	421,168

18 Segment Information (Continued)

Reportable segments' assets are reconciled to total assets as follows:

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Total segment assets (gross loans and advances to customers)	4,227,518	3,706,260
Provision for loan impairment	(192,585)	(149,764)
Cash and cash equivalents	597,580	532,118
Mandatory cash balances with National Bank of Georgia	408,456	336,075
Due from other banks	42,788	33,704
Investment securities available for sale	204,440	466,510
Investment securities held to maturity	366,639	-
Repurchase receivables	69,156	-
Deferred income tax asset	944	383
Current income tax prepayment	6,010	251
Other financial assets	62,263	43,857
Investments in finance leases	62,353	50,907
Other assets	88,292	77,775
Premises and equipment	211,250	208,692
Intangible assets	40,978	37,756
Investment properties	75,236	76,216
Goodwill	2,726	2,726
Total assets per statement of financial position	6,274,044	5,423,466

Reportable segments' liabilities are reconciled to total liabilities as follows:

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Total segment liabilities (customer accounts)	3,831,182	3,322,428
Due to Credit institutions	991,069	749,285
Debt securities in issue	22,540	20,423
Current income tax liability	486	12,433
Deferred income tax liability	25,470	23,187
Provisions for liabilities and charges	8,202	11,898
Other financial liabilities	53,574	41,346
Other liabilities	32,231	34,975
Subordinated debt	232,658	188,015
Total liabilities per statement of financial position	5,197,412	4,403,990

19 Interest Income and Expense

<i>In thousands of GEL</i>	Six months ended	
	30 June 2015	30 June 2014
Interest income		
Loans and advances to customers	276,401	224,992
Investment securities available for sale	11,160	14,734
Investment securities held to maturity	7,368	-
Due from other banks	4,819	2,698
Investments in leases	7,128	4,567
Total interest income	306,876	246,991
Interest expense		
Customer accounts	66,480	54,812
Due to credit institutions	28,880	21,831
Subordinated debt	12,187	8,967
Debt Securities in issue	1,027	233
Other	66	127
Total interest expense	108,640	85,970
Net interest income	198,236	161,021

20 Fee and Commission Income and Expense

<i>In thousands of GEL</i>	Six months ended	
	30 June 2015	30 June 2014
Fee and commission income		
<i>Fee and commission income in respect of financial instruments not at fair value through profit or loss:</i>		
- Card operations	22,639	15,403
- Settlement transactions	14,024	11,133
- Cash transactions	4,999	2,541
- Guarantees issued	4,301	4,361
- Issuance of letters of credit	3,142	3,206
- Foreign exchange operations	827	582
- Other	2,593	2,159
Total fee and commission income	52,525	39,385
Fee and commission expense		
<i>Fee and commission expense in respect of financial instruments not at fair value through profit or loss:</i>		
- Card operations	11,400	7,133
- Settlement transactions	1,508	1,180
- Cash transactions	1,287	1,261
- Letters of credit	1,082	-
- Guarantees received	405	2,083
- Foreign exchange operations	3	31
- Other	2,000	2,028
Total fee and commission expense	17,685	13,716
Net fee and commission income	34,840	25,669

21 Other Operating Income

<i>In thousands of GEL</i>	Six months ended	
	30 June 2015	30 June 2014
Revenues from operational leasing	4,600	3,234
Gain from sale of inventories of repossessed collateral	935	679
Gain from expired liabilities related to customer loyalty programmes	389	284
Revenues from sale of cash-in terminals	367	401
Administrative fee income from international financial institutions	335	531
Gain from sale of investment properties	187	3,033
Revenues from non-credit related fines	54	18
Gain on disposal of premises and equipment	23	59
Other	2,162	1,192
Total other operating income	9,052	9,431

Revenues from banking system services are included in section other of other operating income.

22 Administrative and Other Operating Expenses

<i>In thousands of GEL</i>	Six months ended	
	30 June 2015	30 June 2014
Rent	7,872	5,790
Advertising and marketing services	4,833	6,393
Professional services	3,817	7,199
Intangible asset maintenance	2,739	1,993
Taxes other than on income	2,382	1,946
Utility services	2,093	1,839
Communications and supply	1,793	1,600
Stationery and other office expenses	1,487	1,203
Insurance	1,319	911
Premises and equipment maintenance	1,358	734
Security services	797	755
Business trip expenses	708	774
Transportation and vehicle maintenance	607	572
Charity	541	498
Personnel training and recruitment	486	260
(Recovery)/Write-down of current assets to fair value less costs to sell	(451)	(98)
Impairment of intangible assets	326	-
Loss on disposal of Inventory	13	197
Loss on disposal of investment properties	3	1
Loss on disposal of premises and equipment	-	5
Other	3,317	3,032
Total administrative and other operating expenses	36,040	35,604

23 Income Taxes

As at 30 June 2015, the statutory income tax rate applicable to the majority of the Group's income is 15% (six months ended 30 June 2014: 15%). Interim period income tax expense is recognized based on income tax rate expected for the full financial year which equalled 12.6% (six months ended 30 June 2014: 13.6%).

24 Contingencies and Commitments

Legal proceedings. The Bank is a defendant in a number of legal claims. When determining the level of provision to be set up in respect of such claims, management uses both internal and external professional advice. The management believes that the provision recorded in this financial information is adequate.

Tax legislation. Georgian and Azerbaijani tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the period of review. To respond to the risks, the Group has engaged external tax specialists who are performing periodic reviews of Group's taxation policies and tax filings. The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and customs positions will be sustained. Accordingly, as at 30 June 2015 and 31 December 2014 no provision for potential tax liabilities has been recorded.

Operating lease commitments. Where the Group is the lessee, as at 30 June 2015, the future minimum lease payments under non-cancellable operating leases over the next year amount to GEL 4,740 thousand (31 December 2014: 4,766 thousand).

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As disclosed in Note 11, in March 2015, TBC Kredit had breached certain borrowing covenants agreed with foreign financial institution lenders for which it obtained a temporary waiver in June 2015. The Group was in compliance with all other covenants as at 30 June 2015 and with all covenants as at 31 December 2014.

Credit related commitments and financial guarantees. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e.: the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations.

24 Contingencies and Commitments (Continued)

Outstanding credit related commitments and performance guarantees are as follows:

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Performance guarantees issued	222,531	188,440
Financial guarantees issued	65,801	86,770
Undrawn credit lines	221,566	284,284
Letters of credit	69,859	145,958
Total credit related commitments and performance guarantees (before provision)	579,757	705,452
Provision for performance guarantees	(4,015)	(4,912)
Provision for credit related commitments and financial guarantees	(1,103)	(3,266)
Total credit related commitments and performance guarantees	574,639	697,274

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Non-cancellable commitments as at 30 June 2015 composed GEL 117,285 thousand (31 December 2014: GEL 138,296 thousand).

Capital expenditure commitments. At 30 June 2015, the Group has contractual capital expenditure commitments amounting to GEL 6,146 thousand (31 December 2014: 511 thousand).

25 Financial and Other Risk Management

The risk management function within the Group is carried out in respect of the following risks: credit, geographical, market (which includes principally currency and interest rate risks), liquidity, operational strategic and reputational risks. The primary objectives of the risk management function are to (i) contribute to the development of the Group's business strategy by ensuring risk adjusted profitability and (ii) guarantee the Group's sustainable development through the implementation of efficient risk management systems.

Group's risk management process encompasses all the activities that affect its risk profile and consists of the following core elements: (i) active board and senior management oversight; (ii) adequate policies and procedures aimed at effectively controlling risk exposures; (iii) adequate risk identification, measurement and management systems; and (iv) comprehensive internal controls.

The monitoring and implementation of TBC Bank's risk management function is split among eight principal risk management bodies: the Supervisory Board, the Risk, Ethics and Compliance Committee, the Audit Committee, the Management Board, the Credit Committee, the Operational Risks Committee, the Assets and Liabilities Management Committee and the Problem Loans Committee.

TBC Bank's risk management policies are implemented through a number of its departments, including the Internal Audit, Financial Risk Management, Treasury, Credit Risk Management, Corporate, SME and Retail Credit Risk Management, Operational Risk Management, Legal and Compliance Departments, each of which reports to one of the principal risk management bodies referred to above.

TBC Bank also employs a Chief Risk Officer, who reports to the Management Board and who is responsible for supervising all risk management activities across TBC Bank's business except for financial risk management, which is supervised by the Chief Financial Officer. The Chief Risk Officer is also required to ensure that TBC Bank's risk exposure level is in accordance with the defined limits set forth in TBC Bank's Risk Appetite Statement and that its operations are adequate in light of TBC Bank's risk profile. The Chief Risk Officer and Chief Financial Officer have independent access to the Chairman of the Risk, Ethics, and Compliance Committee.

25 Financial and Other Risk Management (Continued)

Credit risk. The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group's exposure to credit risk arises as a result of its lending operations and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the condensed consolidated interim statement of financial position as well as for financial and performance guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 24. The subcategories of credit risk are: counterparty credit risk (the risk default or non-fulfilment of contracts due to a deterioration in the counterparty's credit quality); concentration risk (the risk of portfolio quality deterioration due to large exposures to small number of borrowers or individual industries); currency-induced credit risks (risks arising from foreign currency-denominated loans in the portfolio); and residual risks (resulting from the use of credit risk-mitigation techniques).

For efficient management of credit risk the adequate policies and procedures are in place. The credit policies establish framework for lending decisions reflecting the Bank's tolerance for credit risk.

The credit risks are managed at the transaction and portfolio level. At the transaction level credit risk management includes: credit applications review, credit application rating review, approval of credits and monitoring of individual borrowers' financial standing. As for the portfolio level – credit risk management includes: definition of the risk appetite, credit portfolio analysis, industry analysis, concentrations management, rating models development, expected losses estimation, undertaking stress tests for unexpected losses estimation and development of credit policies and instructions. Loan Approval Committees are responsible to review credit applications and approve credit products. Different Loan Approval Committees are in place for the approval of credit exposures to retail, corporate, SME and micro customers. The composition of a Loan Approval Committee depends on aggregated liabilities of the borrower and the borrower's risk profile. Credit risk managers (as members of corresponding Loan Approval Committees) ensure that the borrower and proposed credit exposure risks are thoroughly analysed. A loan to a "large borrower" (a borrower with exposure to more than 5% of TBC Bank's Basel capital) requires the review and approval of the Risk, Ethics and Compliance Committee..

The Group has established portfolio monitoring systems in order to manage its credit exposure effectively. Reports are generated on a daily, weekly, monthly and quarterly basis in order to monitor the dynamics of loan portfolio of the Bank's various business segments and ensure compliance with predefined risk appetite limits.

The Credit Risk Management Department analyses trends of the portfolio on a monthly basis, including total credit portfolio exposure, concentrations, maturities, volumes and performance of non-performing loans, write-offs and recoveries, and presents its findings to the Management Board. Furthermore, reports relating to the credit quality of the credit portfolio, compliance with risk appetite limits, TBC Bank's related and connected party exposures, results of stress tests are presented to the Supervisory Board and Risk Ethics and Compliance Committee on a quarterly basis. The Bank's Credit Risk Management Department reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk as disclosed in Note 9.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Geographical risk concentrations. Assets, liabilities, credit related commitments and performance guarantees have generally been attributed to geographic regions based on the country in which the counterparty is located. Balances legally outstanding to/from off-shore companies which are closely related to Georgian counterparties are allocated to the caption "Georgia". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

25 Financial and Other Risk Management (Continued)

The geographical concentration of the Group's financial assets and liabilities at 30 June 2015 is set out below:

<i>In thousands of GEL</i>	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	504,910	82,730	9,940	597,580
Due from other banks	5,833	7,572	29,383	42,788
Mandatory cash balances with National Bank of Georgia	408,456	-	-	408,456
Loans and advances to customers	3,804,111	103,616	127,206	4,034,933
Investment securities available for sale	196,851	7,589	-	204,440
Investment securities held to maturity	366,639	-	-	366,639
Repurchase receivables	69,156	-	-	69,156
Investments in leases	62,353	-	-	62,353
Other financial assets	62,218	45	-	62,263
Total financial assets	5,480,527	201,552	166,529	5,848,608
Non-financial assets	422,910	39	2,487	425,436
Total assets	5,903,437	201,591	169,016	6,274,044
Liabilities				
Due to credit institutions	341,179	582,408	67,482	991,069
Customer accounts	3,069,388	440,527	321,267	3,831,182
Debt securities in issue	4,491	-	18,049	22,540
Other financial liabilities	50,061	3,377	136	53,574
Subordinated debt	-	232,658	-	232,658
Total financial liabilities	3,465,119	1,258,970	406,934	5,131,023
Non-financial liabilities	64,878	696	815	66,389
Total liabilities	3,529,997	1,259,666	407,749	5,197,412
Net balance sheet position	2,373,440	(1,058,075)	(238,733)	1,076,632
Performance guarantees	153,926	32,058	32,532	218,516
Credit related commitments	343,959	10,978	1,186	356,123

25 Financial and Other Risk Management (Continued)

The geographical concentration of the Group's financial assets and liabilities at 31 December 2014 is set out below:

<i>In thousands of GEL</i>	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	348,237	91,896	91,985	532,118
Due from other banks	615	3,910	29,179	33,704
Mandatory cash balances with National Bank of Georgia	336,075	-	-	336,075
Loans and advances to customers	3,397,855	71,971	86,670	3,556,496
Investment securities available for sale	460,370	6,140	-	466,510
Investments in leases	50,907	-	-	50,907
Other financial assets	43,802	55	-	43,857
Total financial assets	4,637,861	173,972	207,834	5,019,667
Non-financial assets	401,744	22	2,033	403,799
Total assets	5,039,605	173,994	209,867	5,423,466
Liabilities				
Due to credit institutions	279,445	411,605	58,235	749,285
Customer accounts	2,931,114	312,470	78,844	3,322,428
Debt securities in issue	3,718	-	16,705	20,423
Other financial liabilities	37,677	3,454	215	41,346
Subordinated debt	6,204	181,811	-	188,015
Total financial liabilities	3,258,158	909,340	153,999	4,321,497
Non-financial liabilities	81,365	178	950	82,493
Total liabilities	3,339,523	909,518	154,949	4,403,990
Net balance sheet position	1,700,082	(735,524)	54,918	1,019,476
Performance guarantees	183,528	-	-	183,528
Credit related commitments	513,746	-	-	513,746

Market risk. The Bank follows the Basel Committee's definition of market risk as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. This risk is principally made up of (a) risks pertaining to interest rate instruments and equities in the trading book and (b) foreign exchange rate risk (or currency risk) and commodities risk throughout the Bank. The Bank's strategy is not to be involved in trading book activity or investments in commodities. Accordingly, the Bank's exposure to market risk is primarily limited to foreign exchange rate risk in the structural book.

Currency risk. Foreign exchange rate risk arises from the potential change in foreign currency exchange rates, which can affect the value of a financial instrument. This risk stems from the open currency positions created due to mismatches in foreign currency assets and liabilities. The NBG requires the Bank to monitor both balance-sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20% of the Bank's regulatory capital. As at 30 June 2015, the Bank maintained an aggregate open currency position of 0.9% of regulatory capital (31 December 2014: 3.1%). The Asset/Liability Management Committee ("ALCO") has set limits on the level of exposure by currency as well as on aggregate exposure positions which are more conservative than those set by the NBG. The Bank's compliance with such limits is monitored daily by the heads of the Treasury and Financial Risk Management Departments.

25 Financial and Other Risk Management (Continued)

The Bank has in place Market Risk Management Policy, market risk management procedure and relevant methodologies which are updated annually in order to further increase effectiveness of currency risk management.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date. Gross amount of currency swap deposits is included in Derivatives. Therefore Total financial assets and liabilities below are not traceable with either balance sheet or liquidity risk management tables, where net amount of gross currency swaps is presented:

<i>In thousands of GEL</i>	At 30 June 2015				At 31 December 2014			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position
Georgian Lari	2,169,128	1,503,940	44,123	709,311	1,979,583	1,336,626	55,335	698,292
US Dollars	3,368,436	3,152,666	(238,564)	(22,794)	2,704,810	2,573,475	(193,200)	(61,865)
Euros	240,215	417,724	167,455	(10,054)	262,113	376,934	117,668	2,847
Other	70,824	56,285	17,737	32,276	72,543	34,414	18,313	56,442
Total	5,848,603	5,130,615	(9,249)	708,739	5,019,049	4,321,449	(1,884)	695,716

To assess currency risk the Bank performs value-at-risk ("VAR") sensitivity analysis on a quarterly basis. The analysis calculates the effect on the income of the Group of possible worst movement of currency rates against Georgian Lari, with all other variables held constant. To identify maximum expected losses associated with currency fluctuations, 99% confidence level is defined based on monthly changes in exchange rates over the 3 years look-back period. During the six months ended 30 June 2015 and year ended 31 December 2014, sensitivity analysis did not reveal any significant potential effect on the Group's equity:

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Maximum loss (VAR, 99% confidence level)	(2,138)	(2,572)
Maximum loss (VAR, 95% confidence level)	(1,591)	(1,886)

Interest rate risk. Interest rate risk arises from potential changes in market interest rates that can adversely affect the fair value or future cash flows of the financial instrument. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities.

The deposits and the largest part of loans offered by the Bank are at fixed interest rates, while a portion of the Bank's borrowings is based on a floating rate of interest. The Bank's floating rate borrowings are, to a certain extent, hedged by the NBG paying a floating rate on the minimum reserves that the Bank holds with the NBG. The Bank has also entered into interest rate swap agreements in order to mitigate interest rate risk. Furthermore, many of the Bank's loans to customers contain a clause allowing it to adjust the interest rate on the loan in case of adverse interest rate movements, thereby limiting the Bank's exposure to interest rate risk. Management also believes that the Bank's interest rate margins provide a reasonable buffer in order to mitigate the effect of possible adverse interest rate movement.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at amounts monitored by the management, categorised by the earlier of contractual interest re-pricing or maturity dates. Currency swaps are not netted when assessing the Group's exposure to interest rate risks. Therefore, total financial assets and liabilities below are not traceable with either balance sheet or other financial risk management tables.

25 Financial and Other Risk Management (Continued)

<i>In thousands of GEL</i>	Less than 1 year	More than 1 year	Total
30 June 2015			
Total financial assets	2,663,042	3,201,656	5,864,698
Total financial liabilities	3,466,385	1,681,137	5,147,522
Net interest sensitivity gap at 30 June 2015	(803,343)	1,520,519	717,176
31 December 2014			
Total financial assets	2,238,703	2,808,079	5,046,782
Total financial liabilities	2,763,543	1,584,484	4,348,027
Net interest sensitivity gap at 31 December 2014	(524,840)	1,223,595	698,755

At 30 June 2015, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit for the period would have been GEL 4,000 thousand (30 June 2014: GEL 943 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities. Other comprehensive income would have been GEL 897 thousand (30 June 2014: GEL 5,045 thousand) higher, as a result of an increase in the fair value of fixed rate financial assets classified as available for sale and repurchase receivables.

If interest rates had been 100 basis points higher, with all other variables held constant, profit would have been GEL 4,000 thousand (30 June 2014: GEL 943 thousand) lower, mainly as a result of higher interest expense on variable interest liabilities. Other comprehensive income would have been GEL 878 thousand (30 June 2014: GEL 4,414 thousand) lower, as a result of decrease in the fair value of fixed rate financial assets classified as available for sale and repurchase receivables.

For the management of interest rate risk on a standalone basis, the Bank has introduced an advanced model developed with the assistance of Ernst & Young LLC. The interest rate risk analysis is performed by Financial Risk Management Department monthly.

The Bank calculates impact of changes in interest rates using both Net Interest Income and Economic Value sensitivity. Net Interest Income sensitivity measures the impact of a change of interest rates along the various maturities on the yield curve on the net interest revenue for the nearest year. Economic Value measures the impact of a change of interest rates along the various maturities on the yield curve on the present value of the Group's assets, liabilities and off-balance sheet instruments. When performing Net Interest Income and Economic Value sensitivity analysis, the Bank uses parallel shifts in interest rates as well as number of different scenarios.

In order to manage Interest Rate risk the Bank establishes appropriate limits. The Bank monitors compliance with the limits and prepares forecasts. ALCO decides on actions that are necessary for effective interest rate risk management and follows up on the implementation. Periodic reporting is done to Management Board and Supervisory Board Risk, Ethics and Compliance Committee.

Liquidity Risk. Liquidity risk is the risk that TBC either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due, or can access those resources only at a high cost. Liquidity risk is managed by the Financial Risk Management and Treasury Departments and is monitored by the ALCO.

The principal objectives of the TBC Bank's liquidity risk management policy are to: (i) ensure the availability of funds in order to meet claims arising from total liabilities and off-balance sheet commitments, both actual and contingent, at an economic price; (ii) recognise any structural mismatch existing within TBC Bank's statement of financial position and set monitoring ratios to manage funding in line with well-balanced growth; and (iii) monitor liquidity and funding on an ongoing basis to ensure that approved business targets are met without compromising the risk profile of the Bank.

Liquidity risk is categorised into two risk types: funding liquidity risk and market liquidity risk.

25 Financial and other Risk Management (Continued)

Funding liquidity risk is the risk that TBC will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either its daily operations or its financial condition. To manage funding liquidity risk TBC Bank uses Liquidity Coverage ratio and Net Stable Funding ratio set forth under Basel III, as well as minimum liquidity ratio defined by the NBG. In addition the Bank performs stress tests, what if and scenarios analysis.

The Liquidity Coverage ratio is used to help manage short-term liquidity risks. The Bank's liquidity risk management framework is designed to comprehensively project cash flows arising from assets, liabilities and off-balance sheet items over certain time bands and ensure that liquidity coverage ratio limits are put in place. TBC Bank also stress tests the results of liquidity through large shock scenarios set by the NBG. TBC Bank calculates its internal liquidity coverage ratio and conducts stress tests on a weekly basis.

The Net Stable Funding ratio is used for long-term liquidity risk management to promote resilience over a longer time horizon by creating additional incentives for TBC to rely on more stable sources of funding on a continuing basis. TBC Bank also sets deposit concentration limits for large deposits and deposits of non-Georgian residents in its deposit portfolio.

Net Stable Funding ratio is calculated based on the IFRS consolidated financial statements. In addition, for internal purposes TBC Bank calculates NSFR ratio on the basis of standalone financial statements prepared in accordance with the NBG accounting rules.

Calculation of the NSFR as at 30 June 2015 and 31 December 2014 is summarized in the table below.

25 Financial and Other Risk Management (Continued)

		30 June 2014	31 December 2014
Net Stable Funding Ratio		115.9%	114.6%
<i>In thousands of GEL</i>	Factor	Amount	
Available stable funding		<u>4,741,950</u>	<u>4,135,922</u>
Capital: Tier 1 & Tier 2 Capital Instruments		1,263,335	1,188,187
Tier 1	100%	1,031,253	967,495
Tier 2	100%	232,082	220,692
Long Term Funding (year >= 1)		579,636	489,933
Long Term Borrowings (>=1 year)	100%	471,981	388,378
Subordinated debt not included in Tier 2	100%	76,278	62,043
Other funding (>=1 year)	100%	31,377	39,512
Other Funding		2,898,979	2,457,802
Total Corporate deposits	50%	456,450	416,277
Total SME deposits	80%	531,348	410,160
Total Retail deposits	80%	1,803,276	1,581,739
Short term Borrowings with remaining maturity (<1 year)	50%	97,231	47,674
Subordinated Debt (<1 year)	50%	10,674	1,952
Required amount of stable funding		<u>4,092,710</u>	<u>3,610,370</u>
Long term Assets with remaining maturity >=1 year		3,305,444	2,892,927
Certificate of Deposits and Treasury bills	5%	10,085	-
Reserves in NGB (Stable part)	100%	376,830	332,363
Loans (>=1 year)	100%	2,607,530	2,268,629
Fixed and Intangible Assets(>=1 year)	100%	252,229	246,448
Other assets (>=1 year)	100%	31,685	22,506
Financial lease receivables (>1 year)	100%	27,085	22,981
Short term Assets with remaining maturity <1 year		758,534	682,580
Loans (< 1 year)	50%	740,900	668,617
Financial lease receivables (<=1 year)	50%	17,634	13,963
Undrawn amount of committed credit and liquidity facilities		28,732	34,863
Unused credit lines and undisbursed amounts from loans	5%	11,078	14,214
Guarantees	5%	17,654	20,649

25 Financial and Other Risk Management (Continued)

Management believes that strong and diversified funding structure is one of TBC's differentiators. TBC relies on relatively stable deposits from Georgia as the main source of funding. In order to maintain and further enhance liability structure TBC sets the targets for retail deposits in its strategy and sets the loan to deposit ratio limits.

Loan to deposit ratio was at 110.3% and 111.6%, at the 30 June 2015 and 31 December 2014 respectively.

TBC also sets deposit concentration limits for large deposits and deposits of non-Georgian residents in its deposit portfolio.

Market liquidity risk is the risk that TBC cannot easily offset or eliminate a position at the then-current market price because of inadequate market depth or market disruption. To manage market liquidity risk, TBC Bank follows Basel III guidelines on high-quality liquidity asset eligibility to ensure that the Bank's high-quality liquid assets can be sold without causing a significant movement in the price and with minimum loss of value.

In addition, TBC Bank has a **liquidity contingency plan**, which forms part of the TBC's overall prudential liquidity policy and is designed to ensure that TBC is able to meet its funding and liquidity requirements and maintain its core business operations in deteriorating liquidity conditions that could arise outside the ordinary course of its business. The plan is updated once a year. Last time it was updated in February 2015.

The Bank calculates liquidity ratio on a daily basis in accordance with the requirements of the NBG. The limit is defined by the NBG for average liquidity ratio, which is calculated as the ratio of average liquid assets to average liabilities for the respective month, including borrowings from financial institutions and part of off-balance sheet liabilities with residual maturity up to 6 months. As at 30 June 2015 the ratios were well above the prudential limit set by the NBG as follows:

	30 June 2015	31 December 2014
Average Liquidity Ratio	33.0%	31.1%

According to daily cash flow forecasts, and the surplus in liquidity standing, Treasury Department places funds in short-term liquid assets, largely made up of short-term risk-free securities, interbank deposits and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

Maturity analysis. The table below summarizes the maturity analysis of the Group's financial liabilities as at 30 June 2015 based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
<i>In thousands of GEL</i>					
Liabilities					
Due to Credit institutions	396,550	167,046	470,551	36,347	1,070,494
Customer accounts – individuals	1,219,155	877,186	269,216	15,874	2,381,431
Customer accounts – other	1,191,820	212,551	115,276	19,657	1,539,304
Other financial liabilities	36,219	14,449	2,906	-	53,574
Subordinated debt	1,874	39,320	215,575	64,176	320,945
Debt securities in issue	390	7,739	16,730	-	24,859
Gross settled forwards	266,718	70,724	-	-	337,442
Performance guarantees	23,442	73,944	131,139	610	229,135
Financial guarantees	45,396	56,543	39,934	-	141,873
Other credit related commitments	221,566	-	-	-	221,566
Total potential future payments for financial obligations	3,403,130	1,519,502	1,261,327	136,664	6,320,623

25 Financial and Other Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2014 is as follows:

<i>In thousands of GEL</i>	Less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities					
Due to Credit institutions	287,557	102,151	377,385	44,602	811,695
Customer accounts – individuals	1,027,688	737,972	250,916	24,333	2,040,909
Customer accounts – other	1,115,065	98,241	113,422	35,865	1,362,593
Other financial liabilities	39,934	1,300	112	-	41,346
Subordinated debt	1,176	19,430	178,206	70,795	269,607
Debt securities in issue	78	236	22,008	-	22,322
Gross settled forwards	190,644	60,213	-	-	250,857
Performance guarantees	27,214	53,553	114,531	517	195,815
Financial guarantees	119,510	91,717	28,024	-	239,251
Other credit related commitments	284,284	-	-	-	284,284
Total potential future payments for financial obligations	3,093,150	1,164,813	1,084,604	176,112	5,518,679

The undiscounted financial liability analysis gap does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Term Deposits included in customer accounts are classified based on remaining contractual maturities, although, in accordance with the Georgian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they partially or fully forfeit their right to accrued interest and the Group is obliged to repay such deposits upon demand of a depositor. Based on Bank's deposit retention history, the Management does not expect that many customers will require repayment on the earliest possible date, accordingly, the table does not reflect Management's expectations as to actual cash outflows.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors liquidity gap analysis based on the expected maturities. In particular, the customers' deposits are distributed in the given maturity gaps following their behavioural analysis.

25 Financial and Other Risk Management (Continued)

The expected gap may be summarised as follows at 30 June 2015:

<i>In thousands of GEL</i>	Less than 3 months	From 3 to 12 months	Over 1 year	Total
Assets				
Cash and cash equivalents	597,580	-	-	597,580
Due from other banks	21,895	12,378	8,515	42,788
Mandatory cash balances with National Bank of Georgia	408,456	-	-	408,456
Loans and advances to customers	547,249	899,106	2,588,578	4,034,933
Investment securities available for sale	204,440	-	-	204,440
Investment securities held to maturity	16,438	148,476	201,725	366,639
Repurchase receivables	45,561	23,595	-	69,156
Finance lease receivables	14,325	20,943	27,085	62,353
Other financial assets	33,987	6,050	22,226	62,263
Total financial assets	1,889,931	1,110,548	2,848,129	5,848,608
Liabilities				
Due to Credit institutions	392,824	142,210	456,035	991,069
Customer accounts	246,039	76,743	3,508,400	3,831,182
Debt securities in issue	27	6,566	15,947	22,540
Other financial liabilities	36,219	14,449	2,906	53,574
Subordinated debt	1,608	19,739	211,311	232,658
Total financial liabilities	676,717	259,707	4,194,599	5,131,023
Credit related commitments and performance guarantees				
Performance guarantees	4,015	-	-	4,015
Financial guarantees	1,103	-	-	1,103
Other credit related commitments	31,668	-	-	31,668
Credit related commitments and performance guarantees	36,786	-	-	36,786
Net liquidity gap at 30 June 2015	1,176,428	850,841	(1,346,470)	680,799
Cumulative gap at 30 June 2015	1,176,428	2,027,269	680,799	

Management believes that the Group has sufficient liquidity to meet its current on- and off-balance sheet obligations.

25 Financial and Other Risk Management (Continued)

The analysis by expected maturities may be summarised as follows at 31 December 2014:

<i>In thousands of GEL</i>	Less than 3 months	From 3 to 12 months	Over 1 year	Total
Assets				
Cash and cash equivalents	532,118	-	-	532,118
Due from other banks	14	29,179	4,511	33,704
Mandatory cash balances with National Bank of Georgia	336,075	-	-	336,075
Loans and advances to customers	534,371	770,034	2,252,091	3,556,496
Investment securities available for sale	466,510	-	-	466,510
Finance lease receivables	10,300	17,627	22,980	50,907
Other financial assets	20,280	5,965	17,612	43,857
Total financial assets	1,899,668	822,805	2,297,194	5,019,667
Liabilities				
Due to Credit institutions	285,677	82,439	381,169	749,285
Customer accounts	279,084	-	3,043,344	3,322,428
Debt securities in issue	-	-	20,423	20,423
Other financial liabilities	39,934	1,300	112	41,346
Subordinated debt	1,098	2,805	184,112	188,015
Total financial liabilities	605,793	86,544	3,629,160	4,321,497
Credit related commitments and performance guarantees				
Performance guarantees	4,912	-	-	4,912
Financial guarantees	3,266	-	-	3,266
Other credit related commitments	36,644	-	-	36,644
Credit related commitments and performance guarantees	44,822	-	-	44,822
Net liquidity gap at 31 December 2014	1,249,053	736,261	(1,331,966)	653,348
Cumulative gap at 31 December 2014	1,249,053	1,985,314	653,348	

In order to assess the possible outflow of the bank's customer accounts management applied value-at-risk analysis. The statistical data was used on the basis of a holding period of one month for a look-back period of five years with a confidence level of 99%. The value at risk analysis was performed for the following maturity gaps: (0-3 months) and (0-12 months), based on which the maximum percentage of deposits' outflow was calculated.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group. Moreover, the Group's liquidity risk management includes estimation of maturities for its current deposits. The estimation is based on statistical methods applied to historic information on fluctuations of customer account balances.

25 Financial and Other Risk Management (Continued)

Operating environment. Most of the Group's business is concentrated in Georgia. Emerging economies, such as the Georgian economy, are subject to rapid change and are vulnerable to market conditions and economic downturns elsewhere in the world. As a consequence, operations in Georgia may be exposed to certain risks that are not typically associated with those in developed markets. Nevertheless, over the last few years the Georgian government has changed number of civil, criminal, tax, administrative and commercial laws that have positively affected the overall investment climate of the country. Georgia has an international reputation as a country with a favorable investment environment. For example, in the "Doing Business 2015: Understanding Regulations for Small and Medium-Size Enterprises" report published by the IFC and the World Bank, Georgia was ranked as the fifteenth (out of 189) easiest country in the world in which to do business, ahead of all its neighboring countries and many EU Member States. Moreover, according to the World Bank & IFC Doing Business Report 2015, Georgia was ranked as the number one in the world in terms of registering property. Georgia is also acknowledged to have low corruption levels as demonstrated by the Transparency International 2013 Global Corruption Barometer.

In the first quarter of 2015 Georgian Lari depreciated against the U.S. Dollar, however it has remained relatively stable in the second quarter, with the overall depreciation of 20.6% in the first half of 2015. Georgian Lari has remained strong against the currencies of its main trading partners.

In the first half of 2015 the Georgian economy grew moderately by 2.6%. Decreased exports and remittances have put a pressure on the current account, but this has been largely offset by the reduced imports as a consequence of the National Bank's prudent strategy to maintain the free float of the Georgian currency. Imports were also positively affected by the decrease in oil prices. Furthermore, Country saw a continued positive trend in tourism. The number of international arrivals increased by 4.5% YoY in the first 6 months of 2015 driven to a large extent by growing arrivals from the EU.

26 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the NBG, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to comply with Basel Capital Accord 1988 capital adequacy ratios as stipulated by borrowing agreements. Compliance with capital adequacy ratios set by the NBG is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's CFO and Deputy CFO.

Bank and the Group complied with all internally and externally imposed capital requirements throughout six months periods ended 30 June 2015 and 30 June 2014.

NBG Capital adequacy ratio

Under the current capital requirements set by NBG banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above the set 11.4% minimum level and a ratio of Tier 1 capital to risk weighted assets above the set 7.6% minimum level. In a non-binding letter NBG disclosed intention to introduce additional buffer of 3% over any minimum in the current NBG total capital requirements as calculated in accordance with both current NBG and NBG Basel Pillar 1 guidelines. Regulatory capital is based on the Bank's standalone reports prepared in accordance with the NBG accounting rules:

26 Management of Capital (Continued)

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Share capital	437,974	433,521
Retained earnings and other disclosed reserves	449,495	402,793
General loan loss provisions (up to 1.25 % of risk – weighted assets)	76,225	64,627
Less intangible assets	(37,961)	(26,123)
Less Investments into subsidiary companies and capital of other banks	(50,401)	(117,962)
Subordinated debt (included in regulatory capital)	135,033	116,068
Total regulatory capital	1,010,365	872,924
Risk-weighted Exposures		
Credit risk weighted assets (including off-balance obligations)	4,819,329	4,125,740
Currency Induced Credit Risk	1,919,273	1,525,435
minus general and special reserves	(190,019)	(155,192)
Risk-weighted assets	6,548,583	5,495,983
Tier 1 Capital adequacy ratio	12.0%	12,2%
Total Capital adequacy ratio	15.4%	15.9%

The breakdown of the Bank's assets into the carrying amounts based on NBG accounting rules and relevant risk-weighted exposures as of the end of 30 June 2015 and 31 December 2014 are given in the tables below:

In thousands of GEL	30 June 2015	
<i>Risk weighted Exposures</i>	Carrying Value	RW amount
Cash, cash equivalents, Interbank Deposits and Securities	1,661,815	75,685
Gross Loans and accrued interests	4,187,517	5,907,981
Repossessed Assets	63,499	63,499
Fixed Assets and intangible assets	232,452	194,491
Other assets	180,648	152,385
Total	6,325,931	6,394,041
Total Off-balance	727,350	344,561
minus general and special reserves	(190,019)	(190,019)
Total Amount	6,863,262	6,548,583

<i>In thousands of GEL</i>	31 December 2014	
<i>Risk weighted Exposures</i>	Carrying Value	RW amount
Cash, cash equivalents, Interbank Deposits and Securities	1,426,453	257,522
Gross Loans and accrued interests	3,353,985	4,668,750
Repossessed Assets	67,381	67,381
Fixed Assets and intangible assets	201,721	175,598
Other assets	198,146	112,829
Total	5,247,686	5,282,080
Total Off-balance	868,270	369,095
minus general and special reserves	(155,192)	(155,192)
Total Amount	5,960,764	5,495,983

26 Management of Capital (Continued)

NBG Basel II Capital adequacy ratio

After adoption of NBG Basel II/III requirements, the Bank, in addition to above capital ratios, 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. The composition of the Bank's capital calculated in accordance with Basel II (Pillar I) is as follows:

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Tier 1 Capital	831,400	783,360
Tier 2 Capital	196,714	163,505
Regulatory capital	1,028,114	946,865
Risk-weighted Exposures		
Credit Risk Weighted Exposures	6,313,075	5,879,120
Risk Weighted Exposures for Market Risk	30,169	27,186
Risk Weighted Exposures for Operational Risk	452,089	390,378
Total Risk-weighted Exposures	6,795,333	6,296,684
Minimum Tier 1 ratio	8.5%	8.5%
Tier 1 Capital adequacy ratio	12.2%	12.4%
Minimum total capital adequacy ratio	10.5%	10.5%
Total Capital adequacy ratio	15.1%	15.0%

The breakdown of the Bank's assets into the carrying amounts based on NBG accounting rules and relevant risk-weighted exposures as of the end of 30 June 2015 and 31 December 2014 are given in the tables below:

<i>In thousands of GEL</i>	30 June 2015	
	Carrying Value	RW amount
Cash, cash equivalents, Interbank Exposures and Securities	1,672,044	493,042
Gross loans and accrued interests, excluding loans to JSC Bank Constanta	4,033,012	5,148,872
Repossessed Assets	63,499	63,499
Fixed Assets and intangible assets	270,414	206,435
Other assets	187,748	183,069
<i>minus general provision, penalty and interest provision</i>	(41,836)	(41,836)
Total	6,184,881	6,053,081
Total Off-balance	807,355	259,994
Market Risk	-	30,169
Operational Risk	316,462	452,089
Total Amount	7,308,698	6,795,333
	31 December 2014	
	Carrying Value	RW amount
Cash, cash equivalents, Interbank Exposures and Securities	1,524,235	682,162
Gross loans and accrued interests, excluding loans to JSC Bank Constanta	3,254,912	4,330,991
Repossessed Assets	67,381	67,381
Fixed Assets and intangible assets	227,843	187,918
Other assets	199,439	307,609
<i>minus general provision, penalty and interest provision</i>	(48,030)	(48,030)
Total	5,225,780	5,528,031
Total Off-balance	934,174	351,089
Market Risk	27,186	27,186
Operational Risk	273,265	390,378
Total Amount	6,460,405	6,296,684

26 Management of Capital (Continued)

Capital adequacy ratio under Basel Capital Accord 1988

The Group and the Bank are also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

<i>In thousands of GEL</i>	30 June 2015	31 December 2014
Tier 1 capital		
Share capital	425,646	425,234
Retained earnings and disclosed reserves	600,790	537,616
Less: Goodwill	(2,726)	(2,726)
Non-controlling interest	7,543	7,371
Total tier 1 capital	1,031,253	967,495
Tier 2 capital		
Revaluation reserves	42,653	49,255
General Reserve	54,396	49,367
Subordinated debt (included in tier 2 capital)	135,033	122,070
Total tier 2 capital	232,082	220,692
Total capital	1,263,335	1,188,187
Credit risk weighted assets (including off-balance obligations)	4,351,684	3,949,360
Less: General Reserve	(138,189)	(100,397)
Market Risk	32,848	61,864
Total Risk-weighted assets	4,246,343	3,910,827
Minimum Tier 1 ratio	4.0%	4.0%
Tier 1 Capital adequacy ratio	24.3%	24.7%
Minimum total capital adequacy ratio	8.0%	8.0%
Total Capital adequacy ratio	29.8%	30.4%

Following Basel I guidelines General Reserve is defined by the management as the minimum among the following:

- a) IFRS provisions created on loans without impairment trigger event
- b) 2% of loans without impairment trigger event
- c) 1.25% of total RWA (Risk Weighted Assets)

26 Management of Capital (Continued)

The breakdown of the Group's assets into the carrying amounts and relevant risk-weighted exposures as of the end of 30 June 2015 and 31 December 2014 are given in the tables below:

In thousands of GEL

Risk weighted Exposures

	30 June 2015	
	Carrying Value	RW amount
Cash and other cash equivalents, mandatory cash balances with the NBG, due from other banks, investment securities available for sale	1,689,059	77,914
Gross loans and accrued interests	4,227,518	3,451,420
Repossessed assets	58,675	58,675
Fixed assets and intangible assets	254,954	252,229
Other assets	236,423	236,423
Total	6,466,629	4,076,661
Total Off-balance	993,600	275,023
<i>Less: Loan loss provision minus General Reserve</i>	(138,189)	(138,189)
Market Risk	32,848	32,848
Total Amount	7,354,888	4,246,343

In thousands of GEL

Risk weighted Exposures

	31 December 2014	
	Carrying Value	RW amount
Cash and other cash equivalents, mandatory cash balances with the NBG, due from other banks, investment securities available for sale	1,368,407	63,462
Gross loans and accrued interests	3,706,260	3,035,718
Repossessed assets	60,480	60,480
Fixed assets and intangible assets	249,174	246,448
Other assets	188,909	188,909
Total	5,573,230	3,595,017
Total Off-balance	1,028,774	354,343
<i>Less: Loan loss provision minus General Reserve</i>	(100,397)	(100,397)
Market Risk	61,864	61,864
Total Amount	6,563,471	3,910,827

27 Fair Value Disclosures

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>In thousands of GEL</i>	30 June 2015				31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
<i>Investment securities available for sale</i>								
- Certificates of Deposits of National Bank of Georgia	-	36,695	-	36,695	-	198,233	-	198,233
- Ministry of Finance Treasury Bills	-	-	-	-	-	476	-	476
- Government notes	-	30,714	-	30,714	-	232,934	-	232,934
- Corporate Bonds	-	125,677	-	125,677	-	25,034	-	25,034
- Corporate shares (Visa Inc)	7,589	-	-	7,589	6,140	-	-	6,140
<i>Repurchase receivables</i>								
- Certificates of Deposits of National Bank of Georgia	-	25,586	-	25,586	-	-	-	-
Foreign exchange forwards and gross settled currency swaps, included in other financial assets and due from banks	-	6,275	-	6,275	-	618	-	618
NON-FINANCIAL ASSETS								
- Premises and leasehold improvements	-	-	132,664	132,664	-	-	132,346	132,346
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	7,589	224,947	132,664	365,200	6,140	457,295	132,346	595,781
LIABILITIES CARRIED AT FAIR VALUE								
FINANCIAL LIABILITIES								
- Interest rate swap, included in other financial liabilities	-	3,110	-	3,110	-	3,137	-	3,137
Foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	-	15,523	-	15,523	-	2,502	-	2,502
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	18,633	-	18,633	-	5,639	-	5,639

There were no transfers between levels 1 and 2 during six months ended 30 June 2015 (31 December 2014: None).

27 Fair Value Disclosures (Continued)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements:

<i>In thousands of GEL</i>	Fair value at		Valuation technique	Inputs used
	30 June 2015	31 December 2014		
ASSETS AT FAIR VALUE				
FINANCIAL ASSETS				
Certificates of Deposits of NBG, Ministry of Finance Treasury Bills, Government notes, Corporate bonds	218,672	456,677	Discounted cash flows ("DCF")	Government bonds yield curve
Foreign exchange forwards and gross settled currency swaps, included in due from banks	6,275	618	Forward pricing using present value calculations	Official exchange rate, risk-free rate
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	224,947	457,295		
LIABILITIES CARRIED AT FAIR VALUE				
FINANCIAL LIABILITIES				
<i>Other financial liabilities</i>				
- Interest rate swaps	3,110	3,137	Swap model using present value calculations	Observable yield curves
- Foreign exchange forwards included in other financial liabilities	15,523	2,502	-	Forward pricing using present value calculations
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	18,633	5,639		

There were no changes in valuation technique for level 2 and level 3 recurring fair value measurements during the six months period ended 30 June 2015 (six months period ended 30 June 2014: None).

For description of the techniques and inputs used for Level 3 recurring fair value measurement of (as well as reconciliation of movements in) premises refer to Note 10. The unobservable input to which the fair value estimate for premises is most sensitive is price per square meter: the higher the price per square meter, the higher the fair value.

27 Fair Value Disclosures (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

<i>In thousands of GEL</i>	30 June 2015				31 December 2014			
	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3	Carrying Value
FINANCIAL ASSETS								
Cash and cash equivalents	597,580	-	-	597,580	532,118	-	-	532,118
Due from other banks	-	42,788	-	42,788	33,704	-	-	33,704
Mandatory cash balances with the NBG	-	408,456	-	408,456	-	336,075	-	336,075
Loans and advances to customers:								
- Corporate loans	-	-	1,268,345	1,272,785	-	-	1,221,155	1,140,503
- Consumer loans	-	-	764,278	731,590	-	-	780,259	744,290
- Mortgage loans	-	-	808,119	797,148	-	-	729,013	707,979
- Small and micro loans	-	-	540,452	561,644	-	-	533,527	528,631
- Micro	-	-	464,053	462,037	-	-	264,303	266,091
- Others	-	-	208,707	209,729	-	-	168,231	169,002
Repurchase receivables	-	43,407	-	43,570	-	-	-	-
Investment securities held to maturity	-	352,202	-	366,639	-	-	-	-
Investments in leases	-	-	62,353	62,353	-	-	50,907	50,907
Other financial assets	-	-	55,988	55,988	-	-	43,239	43,239
NON-FINANCIAL ASSETS								
Investment properties, at cost	-	-	78,993	75,236	-	-	79,057	76,216
TOTAL ASSETS	597,580	846,853	4,251,288	5,687,543	565,822	336,075	3,869,691	4,628,755
FINANCIAL LIABILITIES								
Due to credit institutions	-	991,069	-	991,069	-	749,285	-	749,285
Customer accounts	-	2,075,406	1,765,685	3,831,182	-	1,857,089	1,483,891	3,322,428
Debt securities in issue	-	22,540	-	22,540	-	20,423	-	20,423
Other financial liabilities	-	34,941	-	34,941	-	35,707	-	35,707
Subordinated debt	-	232,658	-	232,658	-	188,015	-	188,015
TOTAL LIABILITIES	-	3,356,614	1,765,685	5,112,390	-	2,850,519	1,483,891	4,315,858

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of investment properties was estimated using market comparatives (refer to Note 3).

Amounts due to credit institutions were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

When preparing this condensed interim financial information, the management has reconsidered the significance of non-observable inputs used in the fair valuation of (a) investments in leases, (b) other financial assets and (c) investment properties. Consequently, it was concluded that these items should be presented in Level 3 of the fair value hierarchy as of 30 June 2015 and 31 December 2014 in the above table.

28 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Parties that hold more than 6% of ownership stake in the Bank or have their representatives in the Supervisory Board are considered as Significant Shareholders. Included in key management personnel are members of the Supervisory Board, the Management Board and their close family members.

At 30 June 2015, the outstanding balances with related parties were as follows:

<i>In thousands of GEL</i>	Significant shareholders	Key management personnel
Gross amount of loans and advances to customers (contractual interest rate: 7 - 23 %)	2,593	1,239
Impairment provisions for loans and advances to customers	76	7
Derivative financial liability	3,110	-
Due to credit institutions (contractual interest rate: 5 - 7 %)	64,506	-
Customer accounts (contractual interest rate: 0 - 13 %)	11,217	10,246
Subordinated debt (contractual interest rate: 9 - 12 %)	124,220	-

The income and expense items with related parties for the six months ended 30 June 2015 were as follows:

<i>In thousands of GEL</i>	Significant shareholders	Key management personnel
Interest income	287	60
Interest expense	10,732	241
Gains less losses from trading in foreign currencies	40	28
Fee and commission income	4	5
Fee and commission expense	288	-
Administrative and other operating expenses	22	119
Net loss on derivative financial instruments	(490)	-

Aggregate amounts of loans advanced to and repaid by related parties during the six months ended 30 June 2015 were:

<i>In thousands of GEL</i>	Significant shareholders	Key management personnel
Amounts advanced to related parties during the period	1,125	710
Amounts repaid by related parties during the period	(5,194)	(854)

28 Related Party Transactions (Continued)

At 31 December 2014, the outstanding balances with related parties were as follows:

<i>In thousands of GEL</i>	Significant shareholders	Key management personnel
Gross amount of loans and advances to customers (contractual interest rate: 7.5 - 23%)	5,383	1,315
Impairment provisions for loans and advances to customers	190	9
Derivative financial liability	3,137	-
Due to credit institutions (contractual interest rate: 0 - 13 %)	63,542	-
Customer accounts (contractual interest rate: 0 - 9.5 %)	5,925	7,302
Subordinated debt (contractual interest rate: 9.2 - 12 %)	102,859	-

The income and expense items with related parties for the six month ended 30 June 2014 were as follows:

<i>In thousands of GEL</i>	Significant shareholders	Key management personnel
Interest income	314	56
Interest expense	7,355	102
Gains less losses from trading in foreign currencies	44	15
Fee and commission income	4	5
Fee and commission expense	466	-
Administrative and other operating expenses	24	69
Net gain on derivative financial instruments	546	-

Aggregate amounts of loans advanced to and repaid by related parties during the six months ended 30 June 2014 were:

<i>In thousands of GEL</i>	Significant shareholders	Key management personnel
Amounts advanced to related parties during the period	352	1,362
Amounts repaid by related parties during the period	(6,742)	(1,328)

Compensation of the key management and Supervisory Board members is presented below:

<i>In thousands of GEL</i>	Expense over the six months ended		Accrued liability as of	
	30 June 2015	30 June 2014	30 June 2015	31 December 2014
Salaries and bonuses	5,322	4,448	2,157	3,929
Cash settled bonuses related to share-based compensation	1,106	490	1,573	2,012
Equity-settled share-based compensation	1,461	953	-	-
Total	7,889	5,891	3,730	5,941