IMPORTANT NOTICE

STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following before continuing. This important notice applies to the attached prospectus (the "**Prospectus**"), and you are therefore advised to read this important notice carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any use of the Prospectus, you agree to be bound by the terms and conditions set out in this important notice, including any modifications to them from time to time, each time you receive any information from TBC Bank Group PLC ("**TBC PLC**"); Barclays Bank PLC ("**Barclays**"); The Bank of New York Mellon (the "**Exchange Agent**"); TBC Capital LLC (the "**Georgian Exchange Agent**"); or D.F. King Ltd (the "**Information Agent**"). Capitalised terms used but not otherwise defined in this important notice shall have the meaning given to them in the Prospectus.

THE PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If any holder of ordinary shares of TBC Bank Joint Stock Company, whether held in the form of a global depositary receipt or in the form of an ordinary share (each, a "**Share**") is in any doubt as to the contents of the Prospectus or the action it should take, such holder of Shares is advised to seek its own financial advice, including in respect of any tax consequences, immediately from its stockbroker, bank manager, legal adviser, accountant or other independent financial adviser. Any individual or company whose Shares are held on its behalf by a broker, dealer, commercial bank, custodian, trust company or other nominee, or intermediary or clearing system must contact such entity if it wishes to tender Shares in the Offer (as defined in the Prospectus).

THE PROSPECTUS DOES NOT CONTAIN OR CONSTITUTE AN OFFER TO PURCHASE, OR THE SOLICITATION OF AN OFFER TO TENDER OR SELL, SECURITIES TO OR FROM ANY PERSON LOCATED IN OR RESIDENT IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION IS UNLAWFUL. THE PLC SHARES (AS DEFINED IN THE PROSPECTUS) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN A TRANSACTION THAT IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS TO WHOM IT IS LAWFUL TO SEND THE PROSPECTUS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THESE REQUIREMENTS MAY RESULT IN A VIOLATION OF APPLICABLE LAWS.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the contents therein, you must be able to participate lawfully in the Offer. By viewing the Prospectus, you shall be deemed (in addition to the above) to have represented to TBC PLC, Barclays, the Exchange Agent, the Georgian Exchange Agent and the Information Agent that (i) you are a holder or a beneficial owner of Shares; (ii) you are not a person to whom it is unlawful to send the Prospectus or to make an invitation to tender securities for exchange under any applicable law or regulation; (iii) you consent to delivery of the Prospectus to you by electronic transmission; and (iv) you have understood and agree to the terms set forth herein.

If you have recently sold or otherwise transferred your entire holding of Shares, please inform the Information Agent accordingly.

You are also reminded that the Prospectus are available to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located or are resident.

In certain jurisdictions, the distribution of the Prospectus may be restricted by law. Under no circumstances shall the Prospectus constitute an offer to purchase, or the solicitation of an offer to tender or sell, Shares to or from any person located or resident in any jurisdiction where it is unlawful to make such offer or solicitation under applicable securities or "blue sky" or other laws. Persons into whose possession the Prospectus come are required by the TBC PLC, Barclays, the Exchange Agent, the Georgian Exchange Agent and the Information Agent to inform themselves about and to observe any such restrictions.

Barclays, which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the Financial Conduct Authority and the PRA, has been appointed as a sponsor and financial adviser for TBC PLC in connection with Admission (as defined in the Prospectus). Barclays is acting exclusively for TBC PLC and no one else in connection with Admission and will not regard any other person (whether or not a recipient of the Offer Documents) as a client in relation to Admission and will not be responsible to anyone other than TBC PLC for providing the protections afforded to clients of Barclays, nor for providing advice in relation to Admission, or any other matters described in this Prospectus. Neither Barclays nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort under statute or otherwise) to any person who is not a client of Barclays in connection with this document, any statements contained herein or otherwise.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither TBC PLC, Barclays, the Exchange Agent, the Georgian Exchange Agent nor the Information Agent, or any person who controls any of them, nor any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from TBC PLC.

This document comprises a Prospectus relating to TBC Bank Group PLC ("**TBC PLC**") and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") made under Section 73A of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), has been filed with and approved by the FCA and will be made available to the public as required by the Prospectus Rules.

Shortly before the Expiration Time (as defined below), application is expected to be made to the FCA for up to 49,362,729 ordinary shares in the share capital of TBC PLC (each, a "**PLC Offer Share**"), issued and to be issued in connection with the Offer (as defined below), to be admitted to the premium listing segment of the Official List of the UK Listing Authority (the "**Official List**") and to London Stock Exchange plc (the "**London Stock Exchange**") for such PLC Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**Admission**"). It is expected that Admission will become effective, and that unconditional dealings will commence in PLC Offer Shares on the London Stock Exchange, at 8:00 a.m. (London time) on 10 August 2016. **No application has been or will be made, or is currently contemplated, for the PLC Offer Shares to be listed on any other recognised investment exchange**.

TBC PLC and its directors (whose names appear on page 214 of this Prospectus) (the "**PLC Directors**") accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of TBC PLC and the PLC Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see Part V "Documents Incorporated by Reference" on page 51). This Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus.

Existing Holders (as defined below) should read the whole of this Prospectus, including the discussions of certain risk and other factors that should be considered in connection with an investment in PLC Offer Shares. See Part II "Risk Factors".

Recommended Tender Offer by

TBC Bank Group PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 10029943)

Tender offer (the "Offer") by TBC PLC of one PLC Offer Share for each ordinary share (each, a "Bank Share") of TBC Bank Joint Stock Company (the "Bank" or "TBC Bank"), including Bank Shares represented by global depositary receipts ("GDRs"), in connection with the proposed introduction of TBC PLC as the new holding company of the TBC Bank group of companies and the proposed application for admission of up to 49,362,729 PLC Offer Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange

Sponsor and Financial Adviser

Barclays

Expected ordinary share capital of TBC PLC immediately following Admission (and assuming full acceptance of the Offer other than with respect to certain Bank Shares currently held by members of the Bank's senior management, as described herein)

Issued and Fully Paid

Number	*Amount*
49,362,729	*£246,813,645*

Barclays Bank PLC ("**Barclays**"), which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the FCA and the PRA, has been appointed as a Sponsor and financial adviser for TBC PLC in connection with Admission. Barclays is acting exclusively for TBC PLC and no one else in connection with Admission and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to Admission and will not be responsible to anyone other than TBC PLC for providing the protections afforded to clients of Barclays, nor for providing advice in relation to Admission, or any other matters described in this Prospectus. Neither Barclays nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort under statute or otherwise) to any person who is not a client of Barclays in connection with this document, any statements contained herein or otherwise.

Apart from any responsibilities and liabilities, if any, which may be imposed on Barclays by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Barclays does not accept any responsibility whatsoever, and makes no representation or warranty express or implied, for the contents of this Prospectus, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with TBC PLC, the Bank, Admission or the Offer. Barclays accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

1 June 2016

IMPORTANT NOTICE

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by TBC PLC. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of TBC PLC or TBC Bank since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to its date.

In making an investment decision, each Existing Holder must rely on his, her or its own examination, analysis and enquiry of TBC PLC and TBC Bank and the terms of the Offer, including the merits and risks involved. The contents of this Prospectus should not be construed as legal, business or tax advice. Each Existing Holder should consult his, her or its own legal adviser, financial adviser or tax adviser for advice.

Recipients of this Prospectus are authorised to use it solely for the purpose of considering whether or not to accept the Offer and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering whether or not to accept the Offer. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

NOTICE TO OVERSEAS HOLDERS

Unless determined by TBC PLC and permitted by applicable law and regulation the Offer will not be capable of acceptance from or within Australia, Canada, Japan, Russia, Ukraine, any jurisdiction where extension or acceptance of the Offer would violate the laws of that jurisdiction (each, a "**Restricted Jurisdiction**") or the United States (except as described below under "*Notice to US Holders*". Accordingly, (unless determined otherwise by TBC PLC in its sole discretion) copies of this Prospectus, the Tender Offer Proposal, the Form of Acceptance and the Certification Form (together, the "**Tender Offer Documents**") are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in (including by way of facsimile transmission), into or from a Restricted Jurisdiction and persons receiving the Tender Offer Documents and any accompanying documents (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offer. The availability of the Offer to persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction. If such persons remain in any doubt, such persons should consult their professional adviser(s) in the relevant jurisdiction without delay.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, the PLC Offer Shares in any jurisdiction in which such offer or solicitation is unlawful. The PLC Offer Shares have not been and will not be registered under any of the applicable securities laws of a Restricted Jurisdiction. Subject to certain exceptions, the PLC Offer Shares may not be offered or sold within a Restricted Jurisdiction to any national, resident or citizen of a Restricted Jurisdiction.

NOTICE TO US HOLDERS

The Offer is being made in reliance on, and in compliance with, Regulation 14E under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the rules and regulations thereunder (to the extent applicable). The Offer is being made subject to United Kingdom disclosure requirements which are different from certain United States disclosure requirements. In addition, US investors should be aware that this document has been prepared in accordance with a United Kingdom format and style, which differs from the United States format and style. In particular, parts of this document contain information concerning the offer required by UK disclosure requirements which may be material and may not have been summarised elsewhere in the document. Furthermore, the payment and settlement procedure with respect to the Offer will comply with the relevant United Kingdom rules, which differ from United States payment and settlement procedures.

PLC Offer Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act"), or under any securities laws of any state or other jurisdiction of the

United States. PLC Offer Shares may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. PLC Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission (the "SEC"), any other federal or state securities commission in the United States or any other US regulatory authority, nor have any such authorities passed upon or endorsed the merits of the Offer or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Offer is being made in the United States in reliance on the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) of that Act. All holders of Bank Shares (including Bank Shares represented by GDRs) (the "**Existing Securities**") who intend to accept, or procure the acceptance of, the Offer will be required to complete and execute a Certification Form containing certain acknowledgements, representations, warranties and agreements.

US Holders that certify that they are qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the Securities Act, or institutional accredited investors ("**Institutional Accredited Investors**"), within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act, and otherwise satisfy the requirements and make the certifications and agreements set forth in the Certification Form and this Prospectus **("Participating US Holders")** will receive PLC Offer Shares in exchange for their Existing Securities in accordance with the terms of the Offer. The PLC Offer Shares will be "restricted securities" within the meaning of the Securities Act, subject to restrictions on transfer that may require Participating US Holders participating in the Offer to bear the financial risks of the PLC Offer Shares for an indefinite period of time. The term "US Holder" is defined in Paragraph 9.15 of Part B of Part XVII. In order to accept the Offer, Existing Holders must make the certifications and agreements as provided in the Certification Form. See Part XVII "*Conditions to and further terms of the Offer*".

TBC PLC is incorporated under the laws of England and Wales and the Bank is organised under the laws of Georgia. Some or all of the officers and directors of TBC PLC and the Bank, respectively, are residents of countries other than the United States. In addition, most of the assets of TBC PLC and the Bank are located outside the United States. As a result, it may be difficult for US shareholders to enforce their rights against TBC PLC, the Bank and their officers and directors, since TBC PLC and the Bank are located in a foreign country, and some or all of their officers and directors are residents of foreign countries. US shareholders may not be able to sue TBC PLC, the Bank or their officers or directors in a foreign court for violations of the US securities laws. It may be difficult to compel TBC PLC, the Bank or their officers and directors to subject themselves to a US court's judgment.

At any time when TBC PLC is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a holder of PLC Offer Shares issued in the Offer, TBC PLC will make available the information required pursuant to Rule 144A(d)(4) under the Securities Act to such holder, or to a prospective purchaser of their PLC Offer Shares designated by such holder, as the case may be, to the extent required to permit compliance by such holder with Rule 144A under the Securities Act in connection with the resale of such security; provided, however, that TBC PLC shall not be required to furnish such information in connection with any request made on or after the date that is one year from the later of the date the PLC Offer Shares were last acquired from TBC PLC or an "affiliate" (as defined under Rule 144 under the Securities Act) of TBC PLC.

Each US Holder is urged to consult its independent professional adviser regarding the tax consequences of acceptance of the Offer. US Holders are urged to read the information set forth in Paragraph 21 ("*US Taxation*") of Part XX "*Additional Information*".

NOTICE TO INVESTORS IN GEORGIA

This document and the information contained herein are not a public offer or advertisement of PLC Offer Shares in Georgia and are not an offer, or an invitation to make offers, to purchase, sell, exchange or transfer any securities in Georgia or to or for the benefit of any Georgian person or entity, unless and to the extent otherwise permitted under Georgian law, and must not be made publicly available in Georgia. The PLC Offer Shares have not been and will not be registered in Georgia and are not intended for "placement", "public circulation", "offering" or "advertising" (each as defined in Georgian law) in Georgia except as permitted by Georgian law.

NOTICE TO HOLDERS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of any PLC Offer Shares (including by means of a resale or other transfer) may not be made in that Relevant Member State, other than the offer in the United Kingdom contemplated in this Prospectus (this Prospectus having been approved by the UKLA (being the competent authority in the United Kingdom) and which will be published in the United Kingdom in accordance with the Prospectus Directive as implemented in the United Kingdom), except that an offer to the public in that Relevant Member State of the PLC Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if and as they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- by TBC PLC to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of Barclays for any such offers; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of PLC Offer Shares shall result in a requirement for TBC PLC to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the provisions above, the expression an "offer to the public" in relation to any PLC Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the PLC Offer Shares to be offered so as to enable an investor to decide to accept the Offer, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO HONG KONG HOLDERS

WARNING – The contents of this document have not been reviewed by any regulatory authority in the Hong Kong Special Administrative Region of the People's Republic of China. Existing Holders are advised to exercise caution in relation to the Offer. If Existing Holders are in any doubt about any of the contents of this document, they should obtain independent professional advice.

This document does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this document in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or which do not constitute an offer to the public within the meaning of that Ordinance; and no person may issue or have in its possession for the purposes of issue, this document or any invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

This document is for the exclusive use of the Existing Holders in connection with the Offer, and no steps have been taken to register or seek authorisation for the issue of this document in Hong Kong.

This document is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by Existing Holders to any other person in

Hong Kong or used for any purpose in Hong Kong other than in connection with Existing Holders' consideration of the Offer.

NOTICE TO HOLDERS IN SOUTH AFRICA

The Offer of the PLC Offer Shares is not an "offer to the public" for purposes of the South Africa Companies Act, 2008 and this document does not, nor is it intended to, constitute a registered prospectus under the said Companies Act. The PLC Offer Shares are not being offered, and the Offer is not being made in South Africa or to any person resident in or with an address in South Africa unless such person is one referred to in section 96(1)(a) of the said Companies Act who have the requisite South African exchange control and other approvals to receive and accept the Offer (and the Offer is thus capable of acceptance only by such persons). Each person responding to the Offer and who is resident in or has an address in South Africa confirms and warrants that responding to the Offer is in full compliance with all applicable law and that he has all requisite approvals, consents, licences and the like to do so.

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PART I

SUMMARY

Summaries are made up of disclosure requirements known as ''Elements''. These Elements are numbered in Sections A to E (A.1 to E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of ''not applicable''.

Section A-Introduction and Warnings		
Annexes and Element		**Disclosure requirement**
A.1	Warning	This summary should be read as an introduction to this prospectus (the ''**Prospectus**''). Any decision by you to invest in the newly issued ordinary shares in the share capital of TBC PLC (each, a ''**PLC Offer Share**'') should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, be required to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the PLC Offer Shares.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by TBC PLC or any person responsible for drawing up this Prospectus to the use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B-Issuer and any guarantor		
Annexes and Element		**Disclosure requirement**
B.1	Legal and commercial name	TBC Bank Group PLC (''**TBC PLC**''). In this summary, references to ''**TBC**'' or the ''**Group**'' mean TBC Bank Joint Stock Company (the ''**Bank**'') and its subsidiaries prior to Admission, and following Admission, TBC PLC and its subsidiaries, including the Bank and its subsidiaries.
B.2	Domicile and legal form	TBC PLC is a public limited company, incorporated in England and Wales on 26 February 2016 with registered number 10029943. TBC PLC's registered office is situated in England. TBC PLC operates under the Companies Act 2006.
B.3	Operations and principal activities	TBC is one of the leading universal banking groups in Georgia, with a total market share of 28.0% of loans and 27.3% of non-banking deposits in Georgia as at 31 March 2016, according to data published by the NBG. It holds the number one position in deposits of individuals, the number two position in loans (both to individuals and to legal entities) and in deposits of legal entities, according to NBG data, and has a particular expertise in

		the fast-growing SME and micro sectors, where TBC considers itself a market leader. TBC offers a wide range of banking products and services to its retail, corporate, SME and micro clients. TBC's lending activities include providing business, mortgage, consumer and micro loans, as well as guarantees, letters of credit and overdrafts. TBC also offers current and savings accounts and term deposits, credit and debit cards, currency exchange facilities and other products. Apart from its core activities, TBC offers certain leasing, brokerage, advisory and research, and other services through its subsidiaries. In addition, TBC has credit operations in Azerbaijan (TBC Kredit) and operations in Israel focused on deposit collection (TBC Invest).
B.4a	Significant recent trends	TBC operates primarily in Georgia and therefore its business, financial condition and results of operations are, and will continue to be, highly dependent on the general economic conditions in Georgia. While there has been continued growth in the Georgian economy during the periods under review, Georgia faced its most recent economic slowdown in the end of 2014 stemming from regional conflicts and falling oil prices. Economic turmoil in Russia, Ukraine and other regional countries affected demand for Georgian exports and remittance inflows declined, resulting in a significant deterioration of the current account balance. According to Geostat, GDP growth amounted to 4.6% in 2014, but economic activity decelerated significantly in the last months of 2014 and GDP growth was 2.8% in 2015. The Georgian banking sector grew moderately during 2015 on a constant currency basis, reflecting the overall slowdown of the Georgian economy. The deterioration in Georgia's current account balance also resulted in the significant depreciation of the Lari against the U.S. Dollar by more than 20% from November 2014 through 26 May 2016, although the Lari remained more stable against other regional currencies and the currencies of key Georgian trading partners. A significant percentage of TBC's loans are denominated in currencies other than Lari, particularly U.S. Dollars. TBC derives the majority of its total income from net interest income. Consequently, TBC's net interest margin is a significant factor in determining TBC's profitability. Although net interest margins in Georgia remain generally higher than those in most Western European countries, they have been generally declining over the past few years. The cost at which TBC is able to obtain funding for its operations directly impacts TBC's interest expense, which in turn directly affects TBC's profitability. TBC's cost of funding increased to 4.8% in the three months ended 31 March 2016 from 4.6% in the year ended 31 December 2015, compared to 4.6% and 5.9% for the years ended 31 December 2014 and 2013, respectively, which had reflected a trend of decreasing interest rates on customer deposits in the market generally. Competition in the banking sector affects how TBC operates. As at 31 March 2016, there were 19 commercial banks registered in Georgia, all of which have general banking licences issued by the NBG enabling them to perform banking transactions. The banking system is entirely privately owned and relatively concentrated, with the two largest banks, Bank of Georgia and TBC, controlling approximately 60% of both loans and deposits, nearly eight and seven times more of loans and deposits respectively than that of the next largest bank. Increasing competition in the Georgian banking sector creates increased downward pressures on TBC's net interest margin by forcing TBC to offer lower interest rates on loans, and higher interest rates on deposits, in order to remain competitive. Despite significant competition in the market, the PLC Directors believe

		that TBC continues to strengthen its market position among the top banks in Georgia that offer a wide range of corporate and retail products and services. TBC benefitted from a growing loan portfolio in 2014 and 2015, and the value of TBC's total gross loans to customers decreased slightly in the first three months of 2016. Additionally, in the periods under review, TBC has benefitted from a loan portfolio with relatively strong credit quality. The key drivers of fee and commission income are card operations, guarantees and letters of credit issuances, settlement transactions and cash transactions. In recent years TBC has benefitted from increases in fees received from most of the sources, reflecting TBC's overall strategy to increase its fee and commission income generating capabilities by growing fees from existing sources, such as debit and credit card operations, guarantees, settlement transactions and trade finance, and by introducing new commission-based products and services related to TBC's core banking business.
B.5	Group description	Prior to Admission, the group includes 10 companies, of which four, TBC Bank, TBC Kredit, TBC Leasing and TBC Capital, operate in the financial services industry, with the remaining six companies operating in related industries in order to support TBC's main activities. Prior to Admission, TBC Bank is the parent company and the largest of the TBC Bank group of companies, accounting for 96.9% of total assets as at 31 March 2016. Following Admission, in connection with the proposed introduction of TBC PLC as the new holding company of TBC Bank, the group will include TBC PLC and its consolidated subsidiaries and subsidiary undertakings from time to time, which include TBC Bank and the TBC Bank group of companies.
B.6	Major Shareholders	As of the date of this Prospectus, TBC PLC has no shareholders other than Mamuka Khazaradze and Badri Japaridze (who each hold one Subscriber Share and 25,000 Redeemable Shares). In so far as is known to the PLC Directors, the following interests (other than interests held by Directors) represent, directly or indirectly 3% or more of the issued share capital of TBC Bank. The table also shows the expected interests (other than interests held by Directors) representing, directly or indirectly 3% or more of the issued share capital in TBC PLC on Admission:

Shareholder	Number of Bank Shares held as of the date of this Prospectus[(1)]	Percentage of Bank Share Capital as of the date of this Prospectus	Percentage of TBC PLC Share Capital on Admission[(2)]
BNY (Nominees) Limited[(3)].....	35,030,870	70%	71%

Notes:
(1) Bank Shares (including Bank Shares held as GDRs).
(2) Assuming full acceptance of the Offer, other than with respect to 692,190 Bank Shares awarded as compensation to and currently held by members of the Bank Management Board ("**Non-tendered LTIP Bank Shares**").
(3) Acting in its capacity as nominee of the Depositary under the GDR programme.

Following Admission, Mamuka Khazaradze and Badri Japaridze, together with Vakhtang Butskrikidze, Temur Japaridze, Bob Meijer and David Khazaradze (together, the "**Presumed Concert Party Group**"), will directly or indirectly own 33.49% of the ordinary shares in the share capital of TBC PLC (the "**PLC Ordinary Shares**", which term includes the PLC Offer

		Shares) (assuming full acceptance of the Offer other than with respect to the Non-tendered LTIP Bank Shares). However, if TBC PLC acquires only 75% of the Bank Shares in the Offer, Mamuka Khazaradze and Badri Japaridze (together with the other members of the Presumed Concert Party Group) will together directly or indirectly own 44.04% of the PLC Ordinary Shares. Under the Listing Rules, Mamuka Khazaradze and Badri Japaridze and the other members of the Presumed Concert Party Group may therefore be controlling shareholders of TBC PLC. TBC PLC has entered into the Relationship Agreement with each of the members of the Presumed Concert Party Group to ensure that the Group can carry on an independent business as its main activity. Save as disclosed above, in so far as is known to the board of directors of TBC PLC (the "**TBC PLC Board**"), there is no other person who is or will be immediately following Admission, directly or directly interested in 3% or more of the issued share capital of TBC PLC, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over TBC PLC. The TBC PLC Board has no knowledge of any arrangements, the operation of which may at a subsequent date result in a change of control of TBC PLC. None of TBC PLC's major shareholders have or will have different voting rights attached to the shares they hold in TBC PLC. None of the holders of PLC Offer Shares will have voting rights that differ from any other holders of such shares.

B.7	Key Financial Information	The selected consolidated statement of profit or loss and other comprehensive income, key financial data and selected consolidated statement of financial position data of TBC Bank and its consolidated subsidiaries presented below as information at 31 December 2015, 2014 and 2013 have been derived from the Audited Consolidated Financial Statements, which appear elsewhere in this Prospectus. The selected consolidated statement of profit or loss and other comprehensive income data and selected consolidated statement of financial position data of TBC Bank and its consolidated subsidiaries presented below as at and for the three months ended 31 March 2016 and for the three months ended 31 March 2015 have been derived from the Unaudited Consolidated Interim Financial Statements, which appear elsewhere in this Prospectus. The additional financial data includes non-IFRS measures and was derived from data derived from the Audited Consolidated Financial Statements, Unaudited Consolidated Interim Financial Statements and unaudited consolidated management accounts.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the three months ended 31 March		For the year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	(unaudited)			**(audited)**	
			(GEL thousands)		
Interest income	174,859	146,549	649,059	512,357	474,796
Interest expense	(65,976)	(50,878)	(236,885)	(173,709)	(192,146)
Net interest income	**108,883**	**95,671**	**412,174**	**338,648**	**282,650**
Fee and commission income	29,547	25,024	113,837	88,203	74,361
Fee and commission expense	(11,250)	(8,405)	(41,546)	(29,523)	(24,301)
Net fee and commission income	**18,297**	**16,619**	**72,291**	**58,680**	**50,060**
Gains less losses from trading in foreign currencies	14,619	8,331	64,642	39,730	37,894
Foreign exchange translation of (losses less gains)/gains less losses	8	9,338	2,579	2,359	(5,901)
Gains less losses/(losses less gains) from derivative financial instruments	(363)	(438)	(575)	(683)	613
Other operating income	3,668	4,607	25,883	19,600	16,136
Other operating non-interest income	**17,932**	**21,838**	**92,529**	**61,006**	**48,742**
Provision for loan impairment	(13,067)	(29,385)	(72,791)	(48,672)	(32,971)
Provision for impairment of investments in finance lease	(185)	(103)	(967)	(77)	(98)
Recovery of/ (Provision for) performance guarantees and credit related commitments	(1,030)	820	1,117	902	(6,459)
Provision for impairment of other financial assets	(48)	(339)	(3,351)	(1,236)	(2,236)
Impairment of investment securities available for sale	(11)	—	—	(22)	(1,142)
Operating income after provisions for impairment	**130,771**	**105,121**	**501,002**	**409,229**	**338,546**
Staff costs	(34,172)	(30,853)	(142,777)	(122,835)	(108,613)
Depreciation and amortisation	(6,566)	(6,206)	(26,286)	(24,427)	(19,993)
Provision for liabilities and charges	—	—	(1,102)	(5,500)	(1,315)
Administrative and other operating expenses	(23,560)	(15,534)	(82,964)	(73,548)	(68,692)
Operating expenses	**(64,298)**	**(52,593)**	**(253,129)**	**(226,310)**	**(198,613)**
Profit before tax	**66,473**	**52,528**	**247,873**	**182,919**	**139,933**
Income tax expense	**(7,777)**	**(6,889)**	(29,176)	(24,468)	(15,663)
Profit for the period	**58,696**	**45,639**	**218,697**	**158,451**	**124,270**
Other comprehensive income for the period	**607**	**(4,830)**	**9,446**	**54**	8,901
Total comprehensive income for the period	**59,303**	**40,809**	**228,143**	**158,505**	**133,171**
Profit for the period	**58,696**	**45,639**	**218,697**	**158,451**	**124,270**

Consolidated Statement of Financial Position

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(audited)	
		(GEL thousands)		
Assets				
Cash and cash equivalents	688,118	720,347	532,118	390,465
Due from other banks	12,591	11,042	33,704	1,708
Mandatory cash balances with the NBG	452,398	471,490	336,075	295,332
Loans and advances to customers	4,298,291	4,444,886	3,556,496	2,801,712
Investment securities available for sale	224,614	307,310	466,510	500,651
Bonds carried at amortised cost	367,045	372,092	—	—
Investments in finance leases	78,950	75,760	50,907	35,613
Investment properties	69,461	57,600	76,216	83,383
Current income tax prepayment	10,671	9,856	251	6,202
Deferred income tax asset	2,301	1,546	383	—
Other financial assets	55,380	64,317	43,857	45,049
Other assets	96,920	103,912	77,775	65,075
Premises and equipment	249,756	247,767	208,692	199,668
Intangible assets	45,129	44,344	37,756	23,491
Goodwill	2,726	2,726	2,726	2,726
Total assets	**6,654,351**	**6,934,995**	**5,423,466**	**4,451,075**
Liabilities				
Due to credit institutions	1,002,300	1,113,574	749,285	565,806
Customer accounts	3,931,623	4,177,931	3,322,428	2,886,883
Other financial liabilities	38,563	39,435	41,346	24,850
Current income tax liability	468	912	12,433	—
Debt securities in issue	21,424	21,714	20,423	4,474
Deferred income tax liability	35,838	29,244	23,187	27,814
Provisions for liabilities and charges	10,491	9,461	11,898	12,380
Other liabilities	29,687	40,627	34,975	31,305
Subordinated debt	303,381	283,648	188,015	168,274
Total liabilities	**5,373,775**	**5,716,546**	**4,403,990**	**3,721,786**
Equity				
Share capital	19,612	19,587	19,576	16,499
Share premium	408,274	407,474	405,658	242,624
Retained earnings	772,225	712,743	532,992	402,627
Share based payment reserve	14,754	12,755	4,624	2,032
Revaluation reserve for premises	59,532	59,532	35,096	36,735
Revaluation reserve for available-for-sale securities	6,390	5,759	8,675	10,716
Cumulative currency translation reserve	(6,614)	(6,590)	5,484	3,389
Net assets attributable to owners	**1,274,173**	**1,211,260**	**1,012,105**	**714,622**
Non-controlling interest	**6,403**	**7,189**	**7,371**	**14,667**
Total equity	**1,280,576**	**1,218,449**	**1,019,476**	**729,289**
Total liabilities and equity	**6,654,351**	**6,934,995**	**5,423,466**	**4,451,075**

TBC's business has grown in recent years, driven primarily by growth in its loan portfolio. Net interest income increased from GEL 282.7 million in the year ended 31 December 2013 to GEL 412.2 million in the year ended 31 December 2015, reflecting increases in total loans and advances to customers from GEL 2,801.7 million as at 31 December 2013 to GEL 4,444.9 million as at 31 December 2015. In the first three months of 2016, net interest income was GEL 108.9 million, with total loans and advances to customers increasing to GEL 4,298.3 million as of 31 March 2016.

TBC's profit for the period increased by GEL 13.1 million, or 28.6%, to GEL 58.7 million for the three months ended 31 March 2016 from GEL 45.6 million for the three months ended 31 March 2015. TBC's profit for the year increased by GEL 60.2 million, or 38.0%, to GEL 218.7 million for

		the year ended 31 December 2015 from GEL 158.5 million for the year ended 31 December 2014. TBC's profit for the year increased by GEL 34.2 million, or 27.5%, to GEL 158.5 million for the year ended 31 December 2014 from GEL 124.3 million for the year ended 31 December 2013. There have been no significant changes in TBC's financial condition and operating results during the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016 or the period subsequent to 31 March 2016, the date to which TBC's last historical financial information was prepared.
B.8	Key Pro Forma Financial Information	Not applicable. There is no *pro forma* financial information.
B.9	Profit Forecast	Not applicable. There is no profit forecast or estimate.
B.10	Description of the nature of any qualification in the audit report on the historical financial information	Not applicable. There are no qualifications in the audit report on the historical financial information.
B.11	Explanation if there is insufficient working capital	Not applicable. In the opinion of TBC PLC, taking into account the facilities available to TBC PLC and the Group, the working capital available to TBC PLC and the Group is sufficient for its present requirements (for at least the next 12 months following the date of this Prospectus).

Section C-Securities		
Annexes and Element		**Disclosure requirement**
C.1	Type and class of securities	Assuming full acceptance of the Offer (other than with respect to the Non-tendered LTIP Bank Shares), TBC PLC intends to apply for up to 49,362,729 PLC Offer Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority (the "**Official List**") and to London Stock Exchange plc (the "**London Stock Exchange**") for such PLC Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**Admission**"). When admitted to trading, the PLC Offer Shares will be registered with ISIN number GB00BYT18307 and SEDOL number BYT1830, and will trade under the symbol "TBCG".
C.2	Currency of the securities issue	The currency of the issue is United Kingdom pounds sterling.
C.3	Issued share capital	As at the date of this Prospectus, the issued share capital of TBC PLC is two Subscriber Shares and 50,000 Redeemable Shares, all of which are fully paid. Following Admission, it is expected that the Subscriber Shares will be acquired by TBC PLC for nil consideration and cancelled and that the Redeemable Shares will be redeemed.

		The PLC Offer Shares will have a nominal value of £5.00 per PLC Offer Share (or such lower nominal value as the PLC Directors shall decide in order to avoid allotting the PLC Offer Shares at a discount). Following the Reduction of Capital the nominal value of the PLC Offer Shares will be reduced to £0.01.
C.4	Description of the rights attaching to the securities	The PLC Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with one another and will be entitled to all dividends and other distributions declared, made or paid by TBC PLC in respect of PLC Ordinary Shares on or after the date on which the Offer is declared wholly unconditional.
C.5	Restrictions on the free transferability of the securities	The PLC Offer Shares are freely transferable and there are no general restrictions on transfer except as described in the paragraphs below: *Transfer restrictions under the Companies Act* TBC PLC may, under the Companies Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares ("**TBC PLC Shares**"), asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, TBC PLC can apply to the court for an order directing, among other things, that any transfer of shares which are the subject of the statutory notice is void. *Transfer restrictions under the Articles* The PLC Directors may, in their absolute discretion, refuse to register the transfer of a certificated TBC PLC Share unless all of the following conditions are satisfied: it is in respect of only one class of TBC PLC Shares; it is in favour of (as the case may be) a single transferee or not more than four joint transferees; it is duly stamped (if required); and it is delivered for registration to the office or such other place as the PLC Directors may decide, accompanied by the certificate for the TBC PLC Shares to which it relates and such other evidence as the PLC Directors may reasonably require to prove the right of the transferor to make the transfer. In accordance with and subject to the provisions of the Uncertificated Securities Regulations 2001, a transfer of title to any uncertificated TBC PLC Share shall be registered unless the Regulations permit a transfer to be refused. Where notice is served by TBC PLC under section 793 of the Companies Act (a section 793 notice) on a TBC PLC Shareholder, or another person appearing to be interested in the TBC PLC Shares held by that TBC PLC Shareholder, and such TBC PLC Shareholder or other person has failed in relation to any TBC PLC Shares (the default share), to give TBC PLC the information required within 14 days from the date of service of the section 793 notice, then, unless the PLC Directors otherwise decide, where the default shares represent at least 0.25% in nominal value of the issued TBC PLC Shares of their class (excluding any TBC PLC Share of their class held as treasury shares), no transfer of any certificated default shares shall be registered unless the transfer is an excepted transfer, or such TBC PLC Shareholder is not himself or herself in default in supplying the information required and such TBC PLC Shareholder proves to the satisfaction of the PLC Directors that no person in default in supplying the information required is interested in any of the TBC PLC Shares the subject of the transfer.

C.6	Admission	Shortly before the Expiration Time, application is expected to be made to the FCA for the PLC Offer Shares, issued and to be issued in connection with the Offer, to be admitted to the premium listing segment of the Official List and to London Stock Exchange for such PLC Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.
C.7	Dividends and dividend policy	The following table provides information on the dividend payments made by the Bank on its shares in respect of the years indicated.

	Bank Shares outstanding at the Record Date[1]	Aggregate Distributed Dividends	Dividend per Bank Share	Dividend Payment as a % of Consolidated Profit (Loss) for the Period
		(GEL)	*(GEL)*	*(%)*
31 December 2015.....	49,529,688	39,128,454	0.79	25%
31 December 2014.....	41,554,000	26,492,294	0.64	21%
31 December 2013.....	41,248,750	17,869,281	0.43	18%

Note:
(1) The Record Date is a date established before the relevant general meeting of Bank Shareholders ("**GMS**") at which the amount of the dividend, if any, is declared for the previous year. For the years where no dividend was declared, the number of shares outstanding are as of 31 December of the relevant year.

The TBC PLC Board's intention is to retain the existing dividend policy of the Bank, subject to the requirements of the Companies Act. Following Admission, TBC PLC (as a holding company whose principal assets are the shares of its subsidiaries) will rely primarily on dividends and other statutorily and contractually permissible payments from its subsidiaries to generate reserves necessary to meet its obligations and to pay dividends to its shareholders. The regulatory systems under which the Group operates and certain contractual arrangements to which the Bank and/or its subsidiaries are party restrict, to a certain extent, their ability to pay dividends and/or to otherwise provide cash to TBC PLC, which may, in turn, restrict TBC PLC's ability to pay dividends.

Section D-Risks		
Annexes and Element		**Disclosure requirement**
D.1	Key information on the key risks that are specific to the issuer or its industry	There are a number of key risks relating to TBC and the banking industry in Georgia: TBC operates primarily in, and sources nearly all of its revenue from, Georgia, and therefore its business, financial condition and results of operations are, and will continue to be, highly dependent on general economic conditions in Georgia. A further material depreciation of the Lari relative to the U.S. Dollar or the Euro, changes in monetary policy, inflation, market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence, whether as a result of adverse conditions and development in Georgia or in the global economy, could each lead to a deterioration in the performance of Georgia's economy, which could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects, as well as the trading price of the PLC Ordinary Shares. As at 26 May 2016, the Lari has depreciated against the U.S. Dollar by more than 20% since November 2014, which has had and may continue to have negative effects on TBC's asset quality and overall financial

		performance. A significant percentage of TBC's loans are denominated in currencies other than Lari, particularly U.S. Dollars. The significant depreciation to date as well as any further depreciation of the Lari may result in difficulties related to the repayment of such loans, which, in turn, may lead to a decrease in the quality of TBC's loan portfolio and an increase in impairment provisions for loans extended to TBC's customers. TBC may not be able to maintain the quality of its loan portfolio, which is affected by changes in its customers creditworthiness and ability to repay their loans on time, TBC's ability to enforce its security interests on customers' collateral and whether the value of such collateral is sufficient to cover the full amounts of those loans. The quality of TBC's loan portfolio may also deteriorate due to negative developments in Georgia's economy resulting in the financial distress of TBC's customers, further depreciation of the Lari or the unavailability or limited availability of credit information concerning certain customers The majority of TBC's total income is derived from net interest income. Consequently, TBC's results of operations are affected by fluctuations in its net interest margin, which is influenced by underlying interest rates, competition for loans and deposits, customer demand and costs of funding. These are in turn influenced by global and local economic conditions, the resources of TBC's competitors and business and consumer confidence. Any decrease in interest rates on TBC's loans to its customers could have a material adverse effect on TBC's future profitability. Interest rate levels and volatility may have a material adverse effect on TBC's results, profitability and returns in a variety of different ways across its lending and deposit products. Individuals are less likely or less able to borrow when interest rates are high, and higher interest rates would also lead to higher interest costs for existing borrowers, which would affect their ability to repay their borrowings and may lead to an increased rate of default. The Georgian banking sector is very competitive and increased competition may have a negative impact on TBC's market share in deposits and loans to customers, as well as its ability to grow its deposit and loan portfolios in the future. TBC's market position may suffer if competitors deploy greater financial resources, have access to lower-cost funding (particularly subsidiaries of foreign banks) or are able to offer a broader suite of products than TBC. Increasing competition in the banking industry has already led to and may, in the future, continue to lead to increased pricing pressures on TBC's products and services. Any economic disruptions or crises in Georgia's neighbouring markets, such as the recent conflict between Russia and Ukraine resulting in the deterioration of these countries' economies, may have a material adverse effect on Georgia's economy. Any changes in the ability of Georgian manufacturers to access world export markets or any significant deterioration in relations between Azerbaijan and Armenia may have a negative effect on the economic stability of Georgia, which, in turn, could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

D.3	Key information on the key risks that are specific to the securities	There are a number of key risks that are specific to the PLC Offer Shares: Acceptance of the Offer could have adverse consequences for certain Existing Holders in certain jurisdictions (including potential adverse tax consequences). Existing Holders should seek their own independent advice with respect to the impact of the Offer and Admission on them, in particular tax advice. The market price of the PLC Ordinary Shares may fluctuate significantly in response to a number of factors, including: variations in operating results in the TBC PLC's reporting periods; divergence in financial results from stock market expectations; changes in financial estimates by securities analysts; changes in market valuation of similar companies; a perception that other market sectors may have higher growth prospects; announcements of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; legislative changes in the banking sector; any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts; future issues or sales of PLC Ordinary Shares after Admission; and general stock market price and volume fluctuations. Any of these events could result in a material decline in the price of PLC Ordinary Shares. Future sales of a substantial number of PLC Ordinary Shares after Admission could result in a significantly lower market price for PLC Offer Shares by introducing a significant increase in the supply of PLC Ordinary Shares to the market. Subsequent equity issues may also reduce the percentage ownership of TBC PLC Shareholders. Moreover, newly issued shares may have rights, preferences or privileges senior to the PLC Offer Shares. TBC PLC may not be able to pay dividends or make distributions due to contractual or legal constraints. The regulatory systems under which the Group operates and certain contractual arrangements to which the Bank and/or its subsidiaries are party restrict, to a certain extent, their ability to pay dividends and/or to otherwise provide cash to TBC PLC. Such restrictions could potentially reduce the pool of cash available to TBC PLC for distribution to holders of PLC Offer Shares. Although dividends payments on Bank Shares are declared in Lari, they may be paid to non-Georgian holders of Bank Shares in U.S. Dollars or Pounds Sterling. Following Admission, as a non-Georgian holder of Bank Shares, TBC PLC will be exposed to currency exchange rate risk between the time a dividend is declared by the Bank and the time the relevant dividend is paid.

Section E-Offering		
Annexes and Element		**Disclosure requirement**
E.1	Net proceeds and costs of the Offering	No proceeds will accrue to TBC PLC from the Offer. The estimated fees and expenses relating to the Admission, the Offer and the preparation of this Prospectus, including the FCA's and London Stock Exchange's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately U.S.$6 million (excluding taxes) and are payable by the Bank.
E.2a	Reasons for the Offering and use of proceeds	No proceeds will accrue to TBC PLC from the Offer. The Offer is a tender offer by TBC PLC for the ordinary shares of TBC Bank (each, a "**Bank Share**") and is the mechanism through which TBC PLC proposes to acquire the Bank Shares and become the new holding company for the Group. Following Admission, the Group intends to seek

		FTSE index inclusion for TBC PLC. The PLC Directors believe that the premium listing of TBC PLC and FTSE index inclusion will enable the Group to broaden its investor base and increase the liquidity of its securities. It is also anticipated that the premium listing will increase the profile of the Group and increase its exposure to a wider investor community. As a premium-listed company, TBC PLC will be subject to more extensive and rigorous ongoing reporting and compliance obligations than those to which the Bank is currently subject by virtue of the GDR Listing. In particular, TBC PLC will be required to comply with additional disclosure requirements pursuant to the Disclosure and Transparency Rules, the Listing Rules and the Corporate Governance Code which the PLC Directors believe will provide investors with enhanced transparency.
E.3	Terms and conditions of the Offer	The Offer is a tender offer by TBC PLC of one PLC Offer Share for each Bank Share, including Bank Shares represented by GDRs. The Offer is conditional upon, among other things: (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 5:00 p.m. (London time) on 4 August 2016 (or such later time(s) and/or date(s) as TBC PLC may decide, being no later than 5:00 p.m. (London time) on 30 September 2016) (the "**Expiration Time**") in respect of not less than 80% in nominal value of the Bank Shares and of the voting rights attached to those shares (or such lower percentage as TBC PLC may decide provided that this Condition will not be satisfied unless TBC PLC shall have acquired or agreed to acquire Bank Shares carrying in aggregate more than 75% of the voting rights then normally exercisable at a general meeting of the Bank); and (b) Admission or, if TBC PLC so determines, the UK Listing Authority having acknowledged to TBC PLC or its agent (and such acknowledgement not having been withdrawn) that the application for admission to the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the FCA and an acknowledgement by the London Stock Exchange that the PLC Offer Shares will be admitted to trading on the Main Market (and such acknowledgement not having been withdrawn). The remainder of the Conditions are customary for a transaction of this nature. The Offer will lapse unless all of the Conditions have been fulfilled or waived (if capable of waiver) or, where appropriate, have been determined by TBC PLC to be or remain satisfied by the 5:00 p.m. (London time) on 30 September 2016. It is expected that Admission will become effective, and that unconditional dealings will commence in PLC Offer Shares on the London Stock Exchange, at 8:00 a.m. (London time) on 10 August 2016. PLC Offer Shares will be offered to existing holders of Bank Shares (including Bank Shares represented by GDRs) and will only be offered in the United States to persons reasonably believed to be qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933, as amended, or institutional accredited investors, within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act. No action has been or will be taken in any jurisdiction that would permit a public offering of the PLC Offer Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction

		where action for that purpose is required. Accordingly, the PLC Offer Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the PLC Offer Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Investors agreeing to accept the Offer agree with each of the Group and the Sponsor to be bound by certain terms and conditions of the Offer.
E.4	Material interests	The individuals in the Presumed Concert Party Group together directly or indirectly own 26.8% of the Bank Shares as at the date of this Prospectus. Following Admission, these individuals will together directly or indirectly own between 33.49% of the PLC Ordinary Shares (assuming full acceptance of the Offer other than with respect to the Non-tendered LTIP Bank Shares) and 44.04% of the PLC Ordinary Shares (if TBC PLC acquires only 75% of the Bank Shares in the Offer).
E.5	Selling shareholder /Lock-up arrangements	Not Applicable.
E.6	Dilution	Not Applicable. There will be no dilution as a result of the Offer.
E.7	Expenses charged to the investor	Not applicable. No expenses will be charged by TBC PLC to any investor who subscribes for or purchases PLC Offer Shares pursuant to the Offer. The Bank intends to pay for the expenses of, or incidental to, Admission and the Offer.

PART II

RISK FACTORS

*PLC Offer Shares are subject to a significant degree of risk, including the risks described below. Holders of Existing Securities should carefully consider the following risk factors and the other information in this Prospectus before making any decision relating to the Offer. The following risks and uncertainties constitute the material risks and uncertainties relating to TBC PLC and the Group (references to the "**Group**" or to "**TBC**" being, prior to Admission, the Bank and its subsidiaries, and following Admission, TBC PLC and its subsidiaries, including the Bank and its subsidiaries), the markets and industries in which the Group operates, PLC Offer Shares, the Offer and TBC PLC's status as a holding company.*

Additional risks and uncertainties not currently known to TBC PLC and the PLC Directors or that TBC PLC and the PLC Directors currently deem immaterial may also have a material adverse effect on TBC PLC and the Group's business, financial condition and results of operations, which could have a negative effect on the liquidity and price of PLC Offer Shares. Any of the following risks could have a material adverse effect on TBC PLC and the Group's business, financial condition or results of operations. In such case, investors may lose all or part of the value of their original investment.

Existing Holders should read the detailed information contained in this Prospectus and should reach their own views before making any decision relating to acceptance of the Offer. Before making any decision relating to the Offer, Existing Holders should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with PLC Offer Shares and the Offer and consider them in light of their personal circumstances.

The risks identified in the "Summary" section are those that TBC PLC believes to be the most important. However, as the risks the Group faces relate to events and depend on circumstances that may or may not occur in the future, Existing Holders should consider not only the information on key risks summarised in the "Summary" but also, among other things, the risks and uncertainties described below.

Risks relating to TBC's business

TBC's business and financial performance have been and will continue to be affected by general economic conditions in Georgia and elsewhere, and any adverse developments in Georgia or global economic conditions could cause its earnings and profitability to decline

Because TBC operates primarily in, and sources nearly all of its revenue from, Georgia, its business, financial condition and results of operations are, and will continue to be, highly dependent on general economic conditions in Georgia. TBC is directly and indirectly subject to the inherent risks arising from general economic conditions in Georgia, other economies which impact the Georgian economy and the state of the global economic conditions both generally and as they specifically affect financial institutions.

Georgia faced the most recent economic slowdown in the end of 2014, stemming from regional conflicts and falling oil prices. Economic turmoil in Russia, Ukraine and other regional countries affected demand for Georgian exports and remittance inflows declined, resulting in a significant deterioration of the current account balance. According to Geostat, GDP growth amounted to 4.6% in 2014, but economic activity decelerated significantly in the last months of 2014 and GDP growth was 2.8% in 2015. Given the highly uncertain regional/global environment, as well as domestic risk factors, there can be no assurance that recent economic growth will continue or will not be reversed.

Persistent current account deficits represent the main structural weakness of the Georgian economy. Beginning in December 2014, Georgia's negative current account balance widened, driven in large part by decreases in money transfers and exports, especially from oil-producing neighbouring countries as Russia and Azerbaijan, which in turn were affected by declining oil prices. Compared to 2014, Georgia's total money transfers, foreign direct investment and exports in 2015 fell by 25.0%, 23.2% and 23.0%, respectively, while imports fell 15.3%, according to Geostat and the NBG.

The deterioration in Georgia's current account balance resulted in the significant depreciation of the Lari against the U.S. Dollar by more than 20% from November 2014 through 26 May 2016. Although the Lari remained more stable against other regional currencies and the currencies of key Georgian trading partners, its depreciation against the U.S. Dollar was particularly significant because the Georgian economy is highly dollarised. Although in recent years the dollarisation rate (defined as

foreign currency deposits as a share of total deposits across the sector) had been declining, with foreign currency deposits accounting for approximately 60% of all deposits as at 31 December 2013 and 2014, following the recent regional crises and sharp depreciation of the Lari against the U.S. Dollar, the dollarisation rate increased again to 70.1% as at 1 January 2016.

A further material depreciation of the Lari relative to the U.S. Dollar or the Euro, changes in monetary policy, inflation, market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence, whether as a result of adverse conditions and development in Georgia or in the global economy, could each lead to a deterioration in the performance of Georgia's economy, which could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects, as well as the trading price of the PLC Ordinary Shares.

Recent depreciation of the Lari against the U.S. Dollar has had and may continue to have negative effects on TBC's asset quality and overall financial performance

A significant percentage of TBC's loans (and of loans in Georgia generally) are denominated in currencies other than Lari, particularly U.S. Dollars. According to the NBG, 64.5% of loans in Georgia were denominated in foreign currencies as at 1 January 2015. As at the same date, 64.9% of TBC's total gross loans and advances to customers (before provision for loan impairment) ("**gross loans**") were denominated in foreign currencies.

As at 31 March 2016, 53.1% of TBC's total assets and 63.2% of TBC's total gross loans were denominated in U.S. Dollars. As at the same date, 75.5% of TBC's mortgage loans denominated in foreign currencies were to retail customers who earn their income in Lari and 46.4% of TBC's foreign currency loans to legal entities were to customers who earn their income in Lari. While the income of a number of Georgians are paid in U.S. Dollars via remittances from abroad and some customers hedge their exposure to some extent through the maintenance of savings in U.S. Dollars, customers may not be protected against significant fluctuations of the exchange rates of the Lari against the currency of the loan, such as the recent depreciation of the Lari against the U.S. Dollar. Although TBC takes steps to mitigate the risk of depreciation of the Lari against foreign currencies by, *inter alia*, strict management of open currency positions and by holding higher capital for foreign currency loans than for Lari-denominated loans, the significant depreciation to date as well as any further depreciation of the Lari against the U.S. Dollar or other foreign currency in which TBC's loans to customers are denominated may result in difficulties related to the repayment of such loans, which, in turn, may lead to a decrease in the quality of TBC's loan portfolio and an increase in impairment provisions for loans extended to TBC's customers. The depreciation of the Lari in 2015 had a significant impact on TBC's GEL 72.8 million provision expense for loan impairment in that year, rather than GEL 41.2 million that would have been recorded without the currency effect. In addition, the cost of risk (calculated as provision expense on gross loan amounts over the monthly averages of their respective balances) as at 31 December 2015 was 1.7%, compared to 1.1% without the currency effect.

Further depreciation of the Lari could also potentially threaten TBC's plans for portfolio growth due to the shrinkage of client credit limits and additional buffers for currency depreciation applied to clients' applications, as well as through the adoption of a more conservative approach to lending to certain industries which tend to be more vulnerable to currency devaluations.

Any of these events could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC may not be able to maintain the quality of its loan portfolio

The quality of TBC's loan portfolio is affected by changes in the creditworthiness of its customers, their ability to repay their loans on time, TBC's ability to enforce its security interests on customers' collateral, should such customers fail to repay their loans, and whether the value of such collateral is sufficient to cover the full amounts of those loans, especially on the back of the recent depreciation of the Lari, which caused a general decline in asset values. In addition, the quality of TBC's loan portfolio may deteriorate due to other reasons, such as any negative developments in Georgia's economy resulting in the financial distress or bankruptcy of TBC's customers, further depreciation of the Lari or the unavailability or limited availability of credit information concerning certain customers. Any of these factors affecting TBC's loan portfolio could result in increased provision expenses for loan impairment, which would negatively impact TBC's profitability. TBC's provision expense for loan impairment could also increase if a single large borrower defaults or a material

concentration of smaller borrowers default. In addition, although the PLC Directors believe that TBC currently has adequate provision and collateral coverage in respect of its loan portfolio, further increases in the level of TBC's Non-performing Loans could require TBC to take additional provisions, which would impair TBC's capital and, if significant, could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's risk management procedures may not be sufficient to maintain the quality of its loan portfolio, particularly as it expands. Although the PLC Directors believe that TBC's growth plan is sustainable and aligned with overall expectations for growth in the Georgian banking sector generally, there can be no assurance that the quality of TBC's loan portfolio will not be adversely affected by the increase in TBC's loan portfolio and in its customer base. In particular, although Management considers the micro segment to be lucrative, TBC may be exposed to increased risks from growth in its micro loan portfolio due to micro customers being typically of lower financial strength than more affluent customers. If the increase in TBC's loan portfolio results in a decline in its overall credit quality, this could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Any decline in TBC's net interest income or net interest margin could lead to a reduction in profitability

TBC derives the majority of its total income from net interest income. Consequently, TBC's results of operations are affected by fluctuations in its net interest margin, which is its net interest income divided by its average interest-earning assets. Factors that result in fluctuations in TBC's net interest margin include underlying interest rates, competition for loans and deposits, customer demand and costs of funding. These are in turn influenced by such factors as global and local economic conditions, the resources of TBC's competitors and business and consumer confidence. Moreover, interest rates and TBC's cost of funding are highly sensitive to many factors including monetary policies and domestic and international economic and political conditions, currency exchange rates, the dollarisation level in the banking sector (to the extent that fluctuations drive the increase in foreign currency loans and assets with lower interest rates) and the reserve policies of the National Bank of Georgia (the "**NBG**"). Any decrease in interest rates on TBC's loans to its customers, alone or in combination with increases in rates payable on deposits or other interest-bearing liabilities, or smaller decreases in such rates compared to the rates on loans, could have a material adverse effect on TBC's future net interest income, net interest margin and, accordingly, its future profitability. There can be no assurance that TBC will be able to protect itself from the negative effects of future declines in its net interest margin. Any reduction in TBC's net interest margin caused by changes in the key factors outlined above, or otherwise, could have a material adverse effect on TBC's profitability, which could, in turn, have a material adverse effect on TBC's business, financial condition and results of operations.

TBC's business and financial performance are linked to interest rate levels and volatility

Interest rate levels and volatility may have a material adverse effect on TBC's results, profitability and returns in a variety of different ways across its lending and deposit products. Interest rates are driven by factors outside of TBC's control, including the Georgian government's fiscal policies and the NBG's monetary policy, as well as regional and global economic and political conditions. A higher interest rate environment could reduce demand for TBC's primary lending products, mortgages and credit cards, and other lending products generally, as individuals are less likely or less able to borrow when interest rates are high. Higher interest rates would also lead to higher interest costs for existing borrowers, which would affect their ability to repay their borrowings and may lead to an increased rate of default. This would increase TBC's impairment charges and reduce its profitability. The occurrence of any of these events could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC faces significant competition, which may increase in the future and have an adverse impact on its business

The Georgian banking sector is very competitive, and TBC is subject to competition from both domestic and foreign-owned banks. According to the NBG, as at 31 March 2016 there were 19 commercial banks operating in Georgia. TBC competes with a number of these banks, including Bank of Georgia, Liberty Bank, ProCredit Bank, Bank Republic and VTB Georgia.

Increased competition may have a negative impact on TBC's market share in deposits and loans to customers, as well as its ability to grow its deposit and loan portfolios in the future. For example, in 2015, Bank of Georgia was able to increase its market share in retail loans and deposits more rapidly than TBC as a result of Bank of Georgia's acquisition of the Georgian operations of PrivatBank in

late 2014. Although the PLC Directors believe that TBC is well-positioned to compete in the Georgian banking sector, TBC's market position may suffer if competitors deploy greater financial resources, have access to lower-cost funding (particularly subsidiaries of foreign banks) or are able to offer a broader suite of products than TBC. TBC may be unable to introduce new products or services ahead of its competitors or before competitors stabilise their share of new markets, or may not be as successful as its competitors in syndicating loans for demanding corporate customers.

Increased competition may also have a negative impact on TBC's ability to sustain its net interest margin and fee and commission levels. Increasing competition in the banking industry has already led to and may, in the future, continue to lead to increased pricing pressures on TBC's products and services. See "*—Any decline in TBC's net interest income or net interest margin could lead to a reduction in profitability*".

Furthermore, there can be no assurance that TBC's current regulatory environment with respect to competition and anti-monopoly matters will not be subject to significant change in the future. Although there are currently no specific anti-monopoly regulations in Georgia that establish market share limits for banks, there can be no assurance that such anti-monopoly limitations will not be introduced in Georgia in the future and whether such laws or regulations would extend to commercial banks. Given the current high market share maintained by TBC, the introduction of any anti-monopoly restrictions may have an effect on the growth rates of TBC, restrict TBC's ability to make future acquisitions or lead to TBC being required to sell some of its assets or to exit or reduce its presence in some or all of its market segments.

Any of these events could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Collateral values may decline, which could adversely affect TBC's asset quality

As at 31 March 2016, TBC held collateral against its loan portfolio amounting to GEL 3,924 million, corresponding to 87.3% of TBC's total gross loans. The main forms of collateral taken by TBC in its lending to business entities are charges over real estate, equipment and inventory. The main form of collateral taken by TBC in its lending to individuals is a mortgage over residential property.

As at 31 March 2016, 61.6% of TBC's total gross loans were secured by real estate collateral. With respect to mortgage loans, TBC generally imposes a loan to value (based on a market value of the real estate used as collateral) ratio of no higher than 70% at the time the loan is advanced, although the ratio may be higher for clients with a very good risk profile. Downturns in the residential and commercial real estate markets or a general deterioration of economic conditions, such as that which occurred during 2008 and 2009 or in connection with the depreciation of the Lari in 2014 and 2015, may result in difficulty in enforcing the collateral securing TBC's loans and a decline in the value of such collateral, including to levels below the outstanding principal balance of those loans.

In addition, declining or unstable prices of collateral in Georgia may make it difficult for TBC to accurately value collateral held by it. The value of any collateral ultimately realised by TBC will depend on the value of that collateral TBC is able to realise upon foreclosure, which may be different from the current or estimated value. If the value of the collateral held by TBC declines significantly in the future, TBC could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans that are more than 90 days past due and on the amounts realised upon foreclosure. Further, changes to laws or regulations that make it more difficult to enforce or repossess collateral may impair the value of such collateral (see "*—TBC's businesses are subject to substantial regulation and oversight and future changes in regulation, fiscal or other policies are difficult to predict*"). If any of these risks materialise, they could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's loan portfolio concentration in Georgia may subject it to risks of default by its largest borrowers and exposure to particular sectors of the Georgian economy

As at 31 March 2016, 95.0% of TBC's total gross loans were to residents of Georgia, and loans to TBC's ten largest borrowers represented 9.2% of TBC's total gross loans. Furthermore, TBC's loan portfolio is exposed to certain economic sectors, including the individual, services, agriculture, consumer goods and automobile services and real estate sectors. As a result, TBC is sensitive to downturns in the Georgian economy and, in particular, in the sectors in which it has high industry concentration or its largest borrowers operate, as well as adverse changes to such borrowers' business

and financial condition. See "*—Risks Relating to Georgia—The risk of economic instability in Georgia could have a material adverse effect on TBC's business*".

A downturn in the business, financial condition, results of operations and/or prospects of TBC's largest borrowers or in the sectors to which TBC is particularly exposed may adversely affect the relevant customers' ability to repay their loans. Such events could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's strategic plans may not lead to improved profitability or an increased return on equity

TBC is pursuing several strategic initiatives intended to further leverage on what it believes to be its competitive strengths. These plans include continued sustainable growth in each of its market segments; increasing digitalisation in its multi-channel platform; developing further enhancements to its customer experience; improving operational and cost efficiency; implementing strategic HR initiatives amongst its employees; and creating an enhanced, adaptable risk management function. TBC's ability to implement these strategies is subject to a number of risks and challenges and there can be no assurance that any of these strategic initiatives will improve profitability to the extent that TBC desires or at all. Furthermore, there can be no assurance that TBC's strategy will result in an increased return on equity ("**ROE**") in future periods, or that its ROE will not decline. Any of the foregoing may have a negative impact on TBC's ability to meet its future growth plans, as well as on its business, results of operations and/or prospects.

TBC's operations and strategic plans could be impaired by a failure of its information systems

TBC relies heavily on information systems to conduct its business. TBC's information technology systems and the ability of those systems to keep pace with the expansion of TBC's business operations are crucial for TBC to meet its strategic objectives of digitalization, which entails further development of its multi-channel distribution platform, a continued shift towards more universal digitalized channels and an agile project management system, and is heavily influenced by the proper functioning and development of information technology systems. TBC's award-winning multi-channel distribution platform, which the PLC Directors believe is one of TBC's distinguishing characteristics in the market, depends heavily on information systems, particularly its remote access channels such as internet banking and mobile banking. This platform represents a significant investment by TBC and is key to TBC's strategies of optimising costs and strengthening its brand name in the market. TBC is increasingly reliant on remote distribution channels, and in 2015, 84.4% of TBC's non-cash transactions were conducted through remote channels (2014: 81.7%). Any significant or sustained disruption to TBC's information technology systems that impacts these remote distribution channels may affect TBC's reputation with banking customers, which could damage TBC's brand and position in the Georgian banking market.

TBC's banking operations in Georgia use the local Georgian core banking system, heavily complemented by in-house developed solutions. All of TBC's information systems are centralised, focused on customer needs and highly customised to TBC's business requirements. Any disruption to the functionality of TBC's information technology systems, delays in updating, developing or increasing the capacity of those systems, or breaches in the security of those systems may lead to delays in TBC's decision-making processes and risk management procedures or a disruption in TBC's business activities, any of which could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

In addition, TBC is subject to regulation regarding the use of personal customer data. TBC processes sensitive personal customer data as part of its business and therefore must comply with strict data protection and privacy laws. Although TBC seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third-party service providers, and also implements security measures to help prevent cyber-theft, TBC is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection regulation. If TBC fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, TBC could face liability under data protection laws. Any of these events could also result in the loss of the goodwill of its customers and deter new customers which could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's guidelines and policies for risk management, systems and processes may not be effective in protecting it against all the risks faced by its business and any failure to manage properly the risks which it faces could cause harm to TBC and its business prospects

Although TBC invests substantial time and effort in the development, implementation and monitoring of its risk management strategies and techniques, it may nevertheless fail to adequately manage risks under certain circumstances, particularly when it is confronted with unanticipated risks. If circumstances arise that TBC has not identified or adequately considered in its credit risk assessment methodologies or, its losses could be greater than expected. If its measures to assess and mitigate risk prove insufficient, or if its models yield inaccurate results due to rapidly changing facts or environment, TBC may experience material unexpected losses.

For example, losses relating to credit risk may arise if the risk management policies, procedures and assessment methods implemented by TBC to mitigate credit risk and to protect against credit losses prove less effective than expected. TBC employs various tools and metrics for managing risk, most of which are based on observed historical market behaviour. These tools and metrics may fail to predict future risk exposures, especially in periods of increased volatility or in periods in which there is a rapid expansion of TBC's loan portfolio.

Many businesses in Georgia have limited experience operating in competitive market conditions as compared to businesses in developed countries. Accordingly, the financial performance of Georgian businesses is generally more volatile, and the credit quality of Georgian businesses on average is less predictable, than that of similar companies doing business in more mature markets and economies. In addition, certain industries, including services, development, construction and real estate, may be highly vulnerable during economic slowdowns or during currency devaluations. Furthermore, even though TBC requires regular financial disclosure by its corporate customers, customer financial statements may not always present a complete and accurate picture of each customer's financial condition. Some of TBC's corporate customers may not have extensive credit histories, and their accounts may not be audited by a reputable external auditor. Therefore, notwithstanding TBC's credit risk evaluation procedures, TBC may be unable to correctly evaluate the current financial condition of each prospective corporate borrower and to determine accurately the ability of such corporate borrower to repay its loans when due.

Furthermore, lending to SME, micro and retail customers may carry with it greater risks than expected. SME and micro customers typically have less formalized financial statements than large companies and there is often less credit history available for such clients. The financial condition of some business borrowers and private individuals transacting business with TBC is difficult to assess and predict, as some of these borrowers have no or very limited credit history. Hence, these segments are highly vulnerable to negative developments in the Georgian economy which may result in higher levels of past-due amounts. This, in turn, could result in higher levels of provisions for loan impairment. Moreover, lending to corporate, SME, micro and retail customers has required the implementation and application of tailored models, credit policies and provisioning procedures. The ability of TBC to grow its customer base and expand its loan portfolio in these segments will depend upon its ability to continue to implement successfully its models, credit policies and provisioning procedures. In addition, the retail and micro lending sector is more susceptible to fraud than TBC's business lending segments. Any failure to control fraud in TBC's retail and micro lending portfolio could erode margins and could negatively affect TBC's financial condition.

Accordingly, the risk management systems employed by TBC may prove insufficient in measuring and predicting all unexpected events and this may have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Liquidity risk is inherent in TBC's operations

While the PLC Directors believe TBC currently has sufficient liquidity to meet its obligations, liquidity risk is inherent in banking operations and can be heightened by a number of factors, including an overreliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as, for example, the global financial crisis that commenced in 2007. Since that time credit markets worldwide have experienced, and may continue to experience, a reduction in liquidity and term-funding as a result of global economic and financial factors. The availability of credit to companies in emerging markets in particular is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence (for example, a downgrade in credit ratings, central bank or state interventions or debt restructurings

in a relevant industry) could affect the price or availability of funding for companies operating in any of these markets.

Although TBC has not defaulted on its indebtedness in the past and the PLC Directors believe that TBC will be able to make required payments in respect of its indebtedness in the future, an inability in the longer term to generate sufficient cash flow or otherwise obtain funds necessary to make such payments would increase the risk of a TBC default, following which TBC's creditors would be entitled to accelerate the maturity of such indebtedness. This could cause cross-defaults under, and potential acceleration of, certain of TBC's other indebtedness which could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Customer accounts (referred to hereinafter as "**deposits**") comprise the majority of TBC's total liabilities. In addition, Georgian legislation requires TBC to repay term deposits of individuals upon demand unless otherwise agreed between the parties (although in case of early withdrawal, the interest on such deposit may be foregone or reduced). As at 31 March 2016, TBC's 20 largest customers accounted for 14.7% of total deposits. Such concentration of deposits exposes TBC to liquidity risks if customers were to withdraw large amounts of deposits. Circumstances in which clients are more likely to withdraw deposits rapidly in large volumes include, amongst others, circumstances beyond TBC's control, such as a severe economic downturn, a loss in consumer confidence, an erosion of trust in financial institutions or a period of social or political instability. Furthermore, the lack of a mandatory deposit insurance scheme in Georgia may exacerbate bank runs during times of financial instability. The PLC Directors believe that TBC has adequate liquidity to withstand significant withdrawals of customer deposits, but the unexpected and rapid withdrawal of a substantial amount of deposits could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC is subject to operational risk inherent to its business activities

Like many other companies, TBC is exposed to operational risk. Operational risk is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. This includes the risk of loss due to employees' lack of knowledge or wilful violation of laws, rules and regulations or other misconduct. Misconduct by employees happens in the financial services industry and could involve, among other things, the improper use or disclosure of confidential information, violation of laws and regulations concerning financial abuse and money laundering, or embezzlement and fraud, any of which could result in regulatory sanctions or fines as well as serious reputational or financial harm. Misconduct by employees, including violation of TBC's own internal risk management policies, could also include binding TBC to transactions that exceed authorised limits or present unacceptable risks, or hiding unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks and losses. TBC is susceptible to and has experienced in the past, among other things, fraud by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. In September 2013, Management discovered that an employee in TBC's corporate segment falsified credit committee approvals in order to issue guarantee letters to a borrower, resulting in one of the largest frauds in TBC's history. Although the PLC Directors believe that TBC has taken appropriate measures to prevent recurrence of this type of fraud, these measures may not be, in all instances, successful. In addition, in the ordinary course of its business TBC processes a number of transactions manually, which may further increase the risk that human error or employee tampering or manipulation will result in losses that may be difficult to detect.

Furthermore, any failure or interruption in, or breach of security of, TBC's information technology systems could result in failures or interruptions in TBC's risk management, deposit servicing or loan origination systems or errors in its accounting books and records. Although TBC has back-up systems in place, including central databases, core files and registry settings and central data storages, if TBC's information systems fail, even for a short period of time (such as following the occurrence of a natural disaster), TBC might be unable to serve some customers' needs on a timely basis and might lose their business. Likewise, a temporary shutdown of TBC's information systems may result in TBC incurring costs associated with information retrieval and verification. No assurance can be given that such failures or interruptions will not occur or that TBC will adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions and any failure to properly implement any systems could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC maintains a system of controls, developed with external consultants and based on Basel II/III requirements, that is designed to monitor and control operational risk, and Management regularly reviews and updates its operational risk processes and procedures. However, there can be no assurance that TBC will not suffer losses from any failure of these controls to detect or contain operational risk in the future. Consequently, any inadequacy of TBC's internal processes or systems may result in unauthorised transactions and errors not being detected and, particularly given TBC's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. Any failure of TBC's risk management system to detect unidentified or unanticipated risks in the future, or to correct operational risks, or any failure of third parties adequately to perform outsourced activities could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Notwithstanding anything stated in this risk factor, nothing stated above should be taken as implying that TBC will be unable to comply with its obligations as a company with securities admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange.

TBC is subject to financial covenants in its debt agreements, the breach of which may cause TBC to be in default under those agreements

Most loans entered into between TBC, the European Bank for Reconstruction and Development ("**EBRD**"), Nederlandse Financierings-Maatschappij voor ontwikkelingslanden N.V. ("**FMO**") and the International Finance Corporation ("**IFC**", and together with EBRD and FMO, the "**IFI Investors**") are subject to the financial covenants set forth in the Common Terms Agreement and TBC is also party to other loan agreements that also contain financial covenants. The financial covenants in the Common Terms Agreement require TBC, in certain instances, to meet higher thresholds than are required under applicable Georgian banking regulations or to comply with additional financial metrics, such as loan to deposit ratios, net stable funding ratios and other ratios governing overdue and non-performing loans. However, if the NBG were to impose financial requirements or ratios that are more stringent than those provided in the agreements, those agreements require TBC to comply with the more stringent ratios. Other than with respect to one immaterial subsidiary of TBC Bank (whose breach of certain financial covenants in 2015 was waived by the lenders and in any event would not affect the working capital available to TBC PLC and its subsidiaries in the next 12 months regardless of such waivers), TBC has remained in compliance with all applicable financial covenants in the Common Terms Agreement and its other loan agreements. However, a failure by TBC to comply with these covenants in the longer term may constitute a default under the relevant agreements and could cause cross-defaults under, and potential acceleration of, certain of TBC's other indebtedness which could, in turn, materially adversely affect TBC's business, financial condition, results of operations and/or prospects.

Capital adequacy and regulatory ratios may constrain TBC's profitability and/or growth

TBC is required by the NBG, and the terms of various of its funding and other arrangements, to comply with certain capital adequacy ratios and other ratios. The capital adequacy regime in Georgia and globally has been subject to significant change in recent years. TBC's capital adequacy levels could be affected by a number of factors, including:

- an increase of TBC's risk-weighted assets;
- TBC's ability to raise capital;
- losses resulting from a deterioration in TBC's asset quality, a reduction in income levels, an increase in expenses or a combination of all of the above;
- a decline in the values of TBC's securities portfolio;
- changes in accounting rules or in the guidelines regarding the calculation of the capital adequacy ratios; and
- increases in minimum capital adequacy ratios imposed by the NBG.

Currently, TBC must comply with two regulatory capital adequacy requirements imposed by the NBG in line with the international standards set forth by the Basel Committee on Banking Supervision (the "**Basel Committee**"). The new Basel II/III framework, introduced by the NBG in 2013, is replacing the previous NBG Basel I-based requirements, which are phasing out gradually and will be fully removed by the end of 2017. The NBG version of the Basel II/III requirements is a more conservative version of the original Basel II/III framework, with the main difference being an

additional 75% risk weight for foreign currency denominated loans. Under the NBG version of the Basel II/III requirements, TBC's ratios of tier 1 capital to risk-weighted assets and total regulatory capital to risk-weighted assets stood at 13.3% and 16.8%, respectively, as at 31 March 2016, in excess of the minimum required levels of 8.5% and 10.5% set by the NBG. In addition to minimum requirements in place, the NBG has the right to impose a capital buffer on banks. Should the NBG impose additional capital buffers or other requirements, there is no assurance that TBC would be able to maintain the same level of return on equity.

Although the PLC Directors believe that TBC currently has and will have adequate capital for the next 12 months, TBC may seek to raise additional capital in the medium-to-long term future. TBC's ability to raise capital may be limited by numerous factors, including general economic and financial conditions, the availability of funding in the capital markets, investor confidence, sentiment towards the Georgian economy and the credit rating and financial condition, performance and/or prospects of TBC. There can be no assurance that it will be able to obtain such capital on favourable terms, in a timely manner or at all. Any failure to raise additional capital in the future (whether on favourable terms or at all) may restrict TBC's growth plans including its ability to grow its loan portfolio.

Any breach of the NBG's regulatory requirements relating to the minimum capital adequacy and other regulatory ratios may result in TBC breaching the covenants in its financing and other arrangements and TBC Bank or other entities in the TBC group being subject to administrative sanctions, which may result in an increase in the operating costs of TBC and/or, loss of reputation, or, in extreme cases, the revocation of TBC Bank's general banking licence, which would result in its inability to perform any banking operations and its liquidation.

Any of these events could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC could be negatively affected by a deterioration in the soundness or a perceived deterioration in the soundness of other financial institutions and counterparties

Given the high level of interdependence between financial institutions, TBC is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other financial institutions and intermediaries, as was the case after the bankruptcy of Lehman Brothers in 2008, given the credit, trading, clearing and other relationships and interactions. Even the perceived lack of creditworthiness of, or questions about, a counterparty could lead to market-wide liquidity problems and losses or defaults by TBC or by other institutions. This risk is sometimes referred to as ''systemic risk'' or ''contagion''. Systemic risk could have a material adverse effect on TBC's ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects.

A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions and could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's businesses are subject to substantial regulation and oversight and future changes in regulation, fiscal or other policies are difficult to predict

TBC's banking operations in Georgia are required to comply with Georgian banking regulations. In addition to mandatory capital adequacy ratios, the NBG sets lending limits and other economic ratios for banks in Georgia, including, *inter alia*, lending ratios, liquidity ratios and investment ratios. Under Georgian banking regulations, TBC Bank is required to, among other things, comply with minimum reserve requirements and mandatory financial ratios and regularly file periodic reports. In addition to its banking operations, TBC also provides other regulated financial services and offers financing products, including leasing products and brokerage services, which are subject to governmental supervision. Furthermore, if regulations change or if TBC expands its businesses, TBC may become subject to additional rules and regulations at a national, international or supranational level, which may impact TBC's operations. See ''—*Capital adequacy and regulatory ratios may constrain TBC's profitability and/or growth*''. For example, TBC's current operations in Azerbaijan (through TBC Kredit) are required to comply with Azerbaijani regulations, but if TBC were to obtain a banking licence in Azerbaijan (an opportunity which it is currently exploring), then it would become subject to Azerbaijani banking regulations, which may differ from Georgian banking

regulations. Although TBC does not anticipate that any potential banking operations that it may establish in Azerbaijan would constitute a material part of its business, it would be nevertheless be required to monitor and comply with any changes in Azerbaijani banking regulations.

In recent years, the Georgian parliament has adopted various legislative measures related to enforcement measures over properties used as collateral in financing transactions, which may have the effect of requiring banks to incur more time and cost to enforce their rights over foreclosed collateral assets. Other legislative amendments proposed but not adopted included an initiative limiting ownership of agricultural land by foreigners. Any such future amendments in law that may affect enforcement actions by commercial banks may restrict TBC's ability to enforce security granted by its customers, could have a negative effect on TBC's business, financial condition, results of operations and/or prospects.

On 3 September 2015, a new set of amendments were introduced to the Georgian banking legislation, including to the NBG Law and Banking Law, which transferred the banking and non-banking supervision from the NBG to the Financial Supervisory Agency ("**FSA**"). The amendments were criticized, including by Georgian commercial banks, and they were also claimed to be unconstitutional and violating the EU Association Agreement. The parliament of Georgia overturned the Presidential veto on the bill, but on 12 October 2015 the Constitutional Court of Georgia accepted the claim on constitutionality of the bill and suspended its applicability. While the Constitutional Court is hearing the case, the relevant laws remain in force as they were before the introduction of the Financial Supervisory Agency and the NBG remains responsible for supervision and monitoring of the financial sector. The regulatory regime of the banking sector may undergo various changes if the Constitutional Court decides that the amendments comply with the Constitution of Georgia. Any such changes may have a disruptive effect on the effectiveness of current regulations, which could have an adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Future changes in regulation, fiscal or other policies are unpredictable and there is often a delay between the announcement of a change and the publication of details of such change. Prior to the implementation or finalisation of any draft regulations, several rounds of question and answer sessions are typically held, usually followed by consultations with industry representatives prior to the implementation of any draft regulations (with any delays in the process notified in advance). For example, the NBG has indicated that it is considering introducing a new liquidity framework in Georgia (including a liquidity coverage ratio requirement in line with the Basel II/III implementation) but has yet to confirm the details or timing for the implementation of such liquidity framework. In addition, although there are some regulations in Georgia regulating business conduct rules for banks or related consumer protection loans (such as the consumer protection obligations reflected in the Regulation on Providing Bank Customers with Essential Information by Commercial Banks when Providing Banking Services), more significant regulations could be introduced in the future.

Although TBC closely monitors regulatory developments, there can be no assurance that the current regulatory environment in which TBC operates will not be subject to significant change in the future, including as a result of a change in government in Georgia, or that TBC will be able to comply with any or all resulting regulations. See "*—Risks Relating to Georgia—The risk of political instability in Georgia could have a material adverse effect on TBC's business*". Any such changes could have an adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Breaches of the terms of TBC's banking licences may inhibit or prevent TBC's ability to conduct its banking operations

All banking operations and some ancillary financial services in Georgia require licences from or registration with the NBG (or in the case of TBC Kredit, TBC Bank's subsidiary in Azerbaijan, the relevant authority in Azerbaijan). Although TBC's entities have such licences, there is no assurance that TBC's entities will be able to maintain such licences or obtain new licences if necessary in the future. Licensed entities in Georgia are subject to the NBG's supervision and are required to comply with mandatory requirements. Non-compliance with mandatory requirements may lead to revocation of licenses. Although no TBC entity has in the past breached the terms of any NBG licence, such a breach or the failure to obtain an NBG licence in the future could result in cash flow difficulties and penalties which may include temporary administration of TBC's entities by the NBG and/or fines imposed by the NBG on TBC, which may, in turn, affect TBC's ability to fulfil its payment obligations, and would have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's measures to prevent money laundering may not be effective in all material respects

TBC is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit TBC and its employees from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. TBC cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the PLC Directors believe that TBC's current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by TBC's employees, for which TBC might be held responsible.

Despite recent success in improving transparency within Georgia and its economy, less developed legislation and insufficient administrative guidance on the interpretation of such legislation increase the risk of Georgia's financial institutions being used as vehicles for money laundering. TBC has implemented additional measures aimed at preventing any member of TBC from being used as a vehicle for money laundering, including "know your customer" policies. In addition, in accordance with its anti-money laundering policy, which was updated in 2015, TBC introduced new anti-money laundering software and adopted anti-money laundering and compliance procedures in all its branches, in compliance with the Georgian Law on Facilitating the Prevention of Illicit Income Legalisation (the "**AML Law**") and other best practices.

Between 2013 and 2015, TBC paid fines in an aggregate amount of GEL 464,900 relating primarily to a very small number of transactions (approximately 300 transactions, less than 0.01% of all TBC's transactions in the period) that, in the view of the NBG, had not been reported to the FMS by TBC within the timeframes specified under relevant anti-money laundering guidelines applicable to designated transactions (such as transactions exceeding certain thresholds). TBC Bank has since introduced new software, updated its internal processes, regulations and staff training relating to anti-money laundering compliance intended to prevent the recurrence of such reporting violations in the future. Whilst as of the date of this Prospectus, no TBC group company has been accused, named or cited in connection with any occurrences of money laundering, financing of terrorist activity, fraud, or other corrupt or illegal purpose transactions or breaches of Georgian laws prohibiting such activities, there can be no assurance that attempts to launder money through TBC will not be made or that TBC's anti-money laundering measures will be effective in all material respects.

Although TBC has never been associated with money laundering and does not expect such associations in the future, any such association as a result of any failure or insufficiency of its anti-money laundering procedures, or if it were unable to comply with all of the relevant laws regarding financial assistance or money laundering, could subject TBC to significant fines as well as harm to its reputation, which could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's success depends on its ability to recruit and retain key personnel

To meet business challenges and retain the effectiveness of its operations, TBC must continue to recruit and retain appropriately skilled personnel. TBC's current senior management team includes a number of persons that the PLC Directors believe contribute significant experience and expertise in banking and ancillary financial services in Georgia, and TBC relies on these persons for the implementation of its strategy and the operation of its day-to-day activities. Furthermore, the business environment at this stage of Georgia's development depends to a significant extent on goodwill among individuals, and the personal reputation and personal relationships of certain members of TBC's senior management and TBC's significant shareholders are important to the conduct of Group's business. Such relationships have allowed TBC to develop business with many of its key corporate customers. No assurance can be given that members of TBC's senior management who possess such relationships will successfully maintain them or that such members of senior management will remain with TBC. Similarly, no assurance can be given that shareholders with such relationships will maintain them or continue to hold material interests in TBC. The loss of such relationships could have a material adverse effect on TBC's ability to achieve its key strategic objectives and, in significant cases, on TBC's business, financial condition, results of operations and/or prospects.

TBC's ability to continue to retain, motivate and attract qualified and experienced banking and management personnel is vital to TBC's business. This may require TBC to increase salaries and other employee benefits, which would increase TBC's staff costs and expenses and decrease profitability. Although the PLC Directors believe that TBC is one of the most attractive employers in the market based on high employee satisfaction and engagement results, a failure by TBC to retain key members of its senior management, train and/or hire new qualified personnel in a timely manner, could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC's insurance policies may not cover, or fully cover, certain types of losses

TBC generally maintains insurance policies covering its assets, operations and certain employees in line with general business practices in Georgia, with policy specifications and insured limits, which the PLC Directors believe are adequate. Risks that Group entities are insured against generally include employee dishonesty, electronic crime, natural disasters, theft, vandalism and third-party liability. TBC also maintains bankers' blanket bond and directors' and officers' insurance. However, there can be no assurance that all types of potential losses are insured or that policy limits would be adequate to cover them. Furthermore, the scope of insurance policies maintained by and available to TBC may vary from that of insurance policies typically maintained by financial institutions in more developed economies. Any uninsured loss or a loss in excess of insured limits could adversely affect TBC's existing operations, which could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

TBC and Georgia may not be able to maintain their credit ratings

On 6 October 2010, Moody's assigned first time Ba3/Not-Prime foreign and local currency issuer ratings to Georgia with a stable outlook. In addition, on 22 August 2014, Moody's affirmed Georgia's 'Ba3' sovereign rating and changed the outlook to positive from stable. On 22 November 2011, Standard and Poor's raised Georgia's long-term foreign and local currency ratings from 'B+' to 'BB-', with a Stable Outlook, which was affirmed on 13 November 2015.

On 21 June 2012, Fitch Ratings upgraded TBC Bank's Long-term Issuer Default Rating from 'B+' to 'BB-', with a Stable Outlook. The upgrade was driven by TBC Bank's increased standalone financial strength. At the same time, the agency upgraded TBC Bank's Viability Rating from 'B+' to 'BB-'. On 28 May 2015, Fitch Ratings affirmed TBC Bank's Viability Rating and Issuer Default Rating. Furthermore, on 23 March 2016, Moody's affirmed TBC Bank's foreign currency deposit rating at B1/NP, as well as TBC Bank's baseline credit assessment at 'Ba3'. Both ratings granted by these Rating Agencies put TBC Bank on Georgia's rating ceiling. Thereafter, on 18 May 2016, Fitch Ratings affirmed TBC Bank's Viability Rating at ''bb-'', TBC Bank's Long-term Issuer Default Rating at ''BB-'' with a stable outlook, Supporting Rating at 4 and Supporting Rating Floor of ''B''.

There can be no assurance that TBC Bank or Georgia will be able to maintain these credit ratings, and any deterioration in the general economic environment or TBC's financial condition could cause downgrades which could adversely affect TBC's liquidity and competitive position, undermine confidence in TBC, increase its borrowing costs and limit its access to capital markets, any of which could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Following Admission, certain TBC PLC Shareholders will be able to exercise significant influence over TBC PLC, its management and its operations

Following Admission, Mamuka Khazaradze and Badri Japaridze (and their concert parties) will together directly or indirectly own up to 44.04% of the ordinary shares in the share capital of TBC PLC (the ''**PLC Ordinary Shares**'', which term includes the PLC Offer Shares). Mr Khazaradze and Mr Japaridze (who are also directors of TBC PLC) will, through the votes they will be able to exercise at general meetings of TBC PLC, be able to exercise a significant degree of influence over the TBC PLC's operations and over its shareholders' meetings, such as in the election of members of TBC PLC's board of directors, and the approval of significant capital increases, transactions and dividends, if any. TBC PLC has entered into a relationship agreement (the ''**Relationship Agreement**'') with Mr Khazaradze, Mr Japaridze, Vakhtang Butskrikidze, Temur Japaridze, Bob Meijer and David Khazaradze (together, the ''**Presumed Concert Party Group**'') on 31 May 2016, which is intended to ensure that transactions and relationships between TBC PLC and the members of the Presumed Concert Party Group, when acting in any capacity, are on an arm's length basis and on a normal commercial basis. However, this concentration of ownership and voting power may delay, defer or

even prevent an acquisition by a third party or other change of control of TBC PLC and may make some transactions more difficult or impossible without the support of Mr Khazaradze and Mr Japaridze, even if such events are in the best interests of other TBC PLC Shareholders, which could have a negative impact on the market price of the PLC Ordinary Shares.

TBC is reliant on its brand and therefore there are reputational risks which could cause harm to TBC and its business prospects

The success of TBC's strategy relies significantly on the strength and appeal of TBC's brand and reputation with customers in the markets in which it operates. The PLC Directors believe that TBC's brand provides it with a key competitive advantage. However, there can be no assurance that TBC will be successful in protecting and further developing its brand and leveraging it into market share growth over more established competitors. Any circumstance that causes real or perceived damage to the TBC brand could have a material adverse effect on TBC's ability to retain customers and attract new customers. An inability by TBC to manage the risks to the TBC brand could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Changes in TBC's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations

From time to time, the International Accounting Standards Board (the "**IASB**") and/or the European Union change the IFRS that govern the preparation of TBC's financial statements. These changes can be difficult to predict and could materially affect how TBC records and reports its financial condition and results of operations. In some cases, TBC could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements. For example, changes to IFRS 9, Financial Instruments: Recognition and Measurement, are expected to impact TBC and are expected to have a material effect on TBC's financial statements, but this effect has not yet been quantified as revisions to the standard are still being proposed and no mandatory effective date has been set. The IASB may make other changes to financial accounting and reporting standards that govern the preparation of TBC's financial statements, which TBC may adopt prior to the date on which such changes become mandatory if determined to be appropriate, or which TBC may be required to adopt. Any such change in TBC's accounting policies or accounting standards could materially affect its reported financial condition and results of operations.

Risks Relating to Georgia

Emerging markets such as Georgia are generally subject to greater risks than more developed markets

Investing in securities involving emerging markets, such as Georgia, involves a higher degree of risk than investments in securities of issuers whose businesses are in more developed markets. These higher risks include, but are not limited to, higher volatility, limited liquidity, a narrow export base, current account and budget deficits, currency volatility and changes in the political, economic, social, legal and regulatory environment. 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. Emerging markets may also experience more instances of corruption of government officials and misuse of public funds than more mature markets.

In addition, international investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by "contagion" effects in the past, including following the August 1998 Russian financial crisis and the more recent regional crisis in Russia and Ukraine. This may also occur on a global scale, with an economic slowdown in one market (such as China) affecting the economies or financial markets in other emerging markets outside the region. No assurance can be given that it will not be affected by similar effects in the future, including recent volatility in the emerging markets.

As a consequence, an investment in TBC carries risks that are not typically associated with investing in more mature markets. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Georgia, including elements of information provided in this Prospectus. Prospective investors should also note that emerging economies such as Georgia's are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the

risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment decision.

Financial instability in some emerging economies tends to adversely affect their capital markets as investors move their money to more developed markets, which may be considered more stable. If market conditions and circumstances deteriorate as has been recently evidenced in the region, a decline in credit quality and in asset prices could follow, which, in turn, could lead to an increase in defaults and higher levels of non-performing debt, as well as a worsening of general economic conditions, in TBC's key market, any or all of which could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Disruptions in Georgia's neighbouring markets have had, and may continue to have, a material adverse effect on emerging markets and on Georgia

The economy of Georgia is dependent on the economies of other countries within the region, including Azerbaijan and Armenia, its two largest export markets which accounted for 10.9% and 8.2% of Georgia's total exports, respectively as at 31 December 2015, according to Geostat, Georgia is also in the process of resuming trade with Russia, Georgia's main export market until 2008. Turkey, the biggest importer to Georgia, accounted for 17.2% of Georgia's total imports as at 31 December 2015.

Any economic disruptions or crises in Georgia's neighbouring markets, such as the recent conflict between Russia and Ukraine resulting in the deterioration of these countries' economies, may have a material adverse effect on Georgia's economy. Any changes in the ability of Georgian manufacturers to access world export markets or any significant deterioration in relations between Azerbaijan and Armenia may have a negative effect on the economic stability of Georgia, which, in turn, could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

Although Georgia is not an oil producing country, the country historically received large foreign currency inflows from its oil producing neighbouring countries as Russia, Azerbaijan and Kazakhstan, mainly through money transfers, exports, tourism and foreign direct investment. The recent decline in oil prices, which resulted in the slowdown of these countries' economies, also had a negative impact on Georgia, with, for example, money transfers from Russia declining by 39% in 2015 compared to 2014. Further declines in oil prices that weaken oil driven economies in the region could have a material adverse effect on Georgia and consequently on TBC's business, financial condition, results of operations and/or prospects.

Regional tensions could have a material adverse effect on the Georgian economy

Since the restoration of its independence in 1991, Georgia has had ongoing disputes in the Abkhazia and the Tskhinvali Region/South Ossetia regions and with Russia. These disputes have led to sporadic violence and breaches of peace-keeping operations. Russia began imposing economic sanctions on Georgia beginning in early 2006, and these tensions escalated during the August 2008 conflict in the Tskhinvali Region/South Ossetia region between Georgian troops and local militias and Russian forces that crossed the international border. Georgia's economy was greatly damaged by this conflict, compounded by the effects of the global financial crisis on Georgia in late 2008 and 2009, with real GDP declining by 3.7% during the course of 2009, a 29% decline in imports and a 24% decline in exports, a decrease of 16% in the trade sector and 9% in the manufacturing sector (the two largest sectors of the Georgian economy), a decrease in foreign direct investment and a general decline in investor and consumer confidence. Since the conflict in 2008, Russia has had no diplomatic relations with Georgia and tensions between the countries remain, exacerbated by Russian troops and South Ossetian authorities moving the de-facto border between Russia and its breakaway region of South Ossetia further into Georgian-controlled territory on several occasions between 2013 and 2015.

Geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and is still ongoing. The United States and EU have imposed trade sanctions on various Russian and Crimean officials and against Russia, including several Russian banks and companies. The ongoing political instability, civil disturbances and military conflict in Ukraine, any prolongation or further escalation of the geopolitical conflict between Russia and Ukraine, any further decline in the Russian economy due to the impact of the trade sanctions, falling oil prices or currency depreciation, increasing levels of uncertainty, increasing levels of

regional, political and economic instability and any future deterioration of Georgia's relationship with Russia, may have a negative effect on the political or economic stability of Georgia.

Tensions have also recently increased between Russia and Turkey, both of which share a border with Georgia. In September 2015, direct Russian military support for the government in Syria increased, with Russian military jets carrying out bombing missions on various anti-government rebel forces. On 24 November 2015, the Turkish military shot down a Russian military jet that had allegedly violated Turkish airspace. This significantly damaged Russo-Turkish relations and resulted in the imposition by Russia of economic sanctions on Turkey, further raising tensions in the region.

Any worsening of relations between Ukraine and Russia or between Russia and Turkey, any future deterioration or worsening of Georgia's relationship with Russia, including as a result of major changes in Georgia's relations with Western governments and institutions (particularly regarding national security), changes in Georgia's importance to Western energy supplies, changes in the amount of aid granted to Georgia or the ability of Georgian manufacturers to access world export markets, may have a negative effect on the political or economic stability of Georgia, which could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects, as well as the trading price of the PLC Ordinary Shares.

The risk of political instability in Georgia could have a material adverse effect on TBC's business

Since the restoration of its independence in 1991, Georgia has undergone a substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy. Although the current government under Prime Minister Giorgi Kvirikashvili is generally seen to be business and investor friendly and to date has remained committed in principle to major economic and fiscal policies designed to liberalise the Georgian economy, various legislative initiatives discussed in the Georgian parliament have been subject to criticism by the business community. Government initiatives intended to promote a free market economy and freedom of the private sector under effective and transparent government include a recently established competition agency, the development of arbitration and a public-private partnership in the economy in order to increase the role of the private sector and effective management of the resources of the public sector. No assurance can be given that the Government plans will be implemented as announced. Furthermore, implementation of Government strategy may result in various changes in the regulatory environment of TBC, which may have negative effect on TBC's business, financial condition and/or prospects. See "*—Risks Relating to TBC's Business—TBC's businesses are subject to substantial regulation and oversight and future changes in regulation, fiscal or other policies are difficult to predict*".

While Georgia has introduced policies oriented towards the acceleration of political and economic reforms, there can be no assurance that current Government policies or economic or regulatory reforms will continue at the same pace or at all. Georgia faces several challenges, including an improving but still tense relationship with Russia and the need to implement further economic and political reforms. No assurance can be given that such reforms and economic growth will not be hindered as a result of the disruption of government continuity or any other changes affecting the stability of the Government or as a result of a rejection or reversal of reform policies.

In March 2013, the Georgian parliament unanimously adopted certain amendments to the Constitution, further limiting the powers of the President, there can be no assurance that the implementation of the constitutional amendments and/or changes to Georgian parliamentary, presidential or prime ministerial powers will not create political disruption or instability or otherwise negatively affect the political climate in Georgia. Furthermore, no assurance can be given that the next parliamentary elections scheduled in October 2016 will proceed smoothly without creating political disruption.

There can be no assurance that the Government will be able to maintain political and civil stability or that reform and economic growth will not be hindered as a result of any such events. Any of the events referred to above could have negative effects on the economy in Georgia, which could, in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects, as well as the trading price of the PLC Ordinary Shares.

Weaknesses relating to the Georgian legal system may create an uncertain environment for investment and business activity in Georgia

Georgia is continuously developing an adequate legal framework required for the proper functioning of a market economy. Several fundamental Georgian civil, criminal, tax, administrative and

commercial laws are frequently amended as per the legislative standards of continental Europe. Moreover, as a result of the conclusion of the EU-Georgia Deep and Comprehensive Free Trade Agreement ("**DCFTA**"), Georgia's laws and enforcement standards will have to be fully harmonized with the EU standards. As a result of changes in recent years, Georgian laws became especially investor-friendly, particularly in terms of starting a business, registering property, paying taxes and enforcing contracts. Georgia is highly ranked with regards to factors such as absence of corruption in the public sector and judiciary, order and security, regulatory enforcement and civil justice. Despite these favourable features of the Georgian judicial system, judges and courts in Georgia are generally less experienced in the area of business and corporate law than judges and courts in certain other countries, particularly the United States and EU countries. Georgia's future attempts on harmonization towards the EU standards may be unsuccessful and may create further uncertainties in the Georgian judicial system, which could have a negative effect on overall economic conditions in Georgia and in turn, have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects, as well as on the trading price of the PLC Ordinary Shares.

The uncertainties of the Georgian tax system could have a material adverse effect of TBC's business

In Georgia, tax laws have not been in force for significant periods of time compared to more developed market economies, and often result in unclear or non-existent implementing regulations. Moreover, such tax laws are subject to frequent changes and amendments, which can result in unusual complexities for TBC and its business generally.

A new tax code was adopted in Georgia on 17 September 2010 and came into effect on 1 January 2011 (the "**Tax Code**"). In 2011, the Georgian parliament adopted an organic law on economic liberty prohibiting the introduction of new state-wide taxes or increases in the existing tax rates (except excise) without a public referendum initiated by the Government (except in certain limited circumstances). This law became effective on 31 December 2013. Georgia is, however, a parliamentary democracy and any change in the composition of the Georgian parliament or the Government or in the President could result in a change to taxation policies. Differing opinions regarding the interpretation of various provisions of tax legislation exist both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. Whilst the PLC Directors believe that each member of TBC is currently in compliance with the tax laws affecting its operations, there can be no assurance that the relevant authorities will not take differing positions with regard to interpretative issues, which may result in one or more members of TBC facing tax adjustments or fines. In addition, there can be no assurance that in addition to the recent initiative on exempting companies from corporate tax from the reinvested amount, the current tax laws or government tax policies will not be subject to change in the future, including any changes introduced as a result of a change of government. Such changes, among other things, could include the introduction of new taxes, an increase in the tax rates applicable to one or more members of TBC or its customers or the introduction of a bank levy. Any such changes in the tax laws or governmental tax policies may have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects.

The Georgian government has introduced changes to the provisions of the Tax Code related to corporate income tax, whereby enterprise generated income that will be used for the development of the business instead of being distributed among the shareholders will not be taxable. It is expected this change will intensify the economic activity and increase the capitalisation of the private sector. The relevant amendments to the Tax Code have been adopted by the parliament of Georgia and will enter into force following the Georgian president's signature and publication. The changes should apply beginning in 2017. There can be no assurance as to when these amendments will be published and entered into force.

In addition, Georgia faces considerable difficulties in ensuring the impartiality of its court system with respect to tax claims, especially when large amounts are being contested by tax payers. The inability of the Georgian court system to constrain properly the tax authorities in connection with certain tax matters has been notorious over the past several years. Although certain steps are being taken to remedy the current situation, there can be no assurance that such practices will not continue in the future, which could have a material adverse effect on TBC's business, financial condition, results of operations and/or prospects, as well as the trading price of the PLC Ordinary Shares.

Risks relating to the Offer, TBC PLC and PLC Offer Shares

TBC PLC may not acquire the entire share capital of TBC Bank following the Offer

TBC PLC will not acquire any Bank Shares unless the conditions of the Offer are met, including the receipt of valid acceptances of the Offer in respect of more than 75% of the Bank Shares by the Expiration Time. This could result in TBC PLC acquiring less than 100% of the Bank Shares in the Offer.

Pursuant to the Georgian law governing the compulsory acquisition of shares (a "**squeeze-out**"), if TBC PLC acquires more than 95% of the Bank Shares, it will be able to compel the holders of the remaining Bank Shares to sell their shares to TBC PLC.

If TBC PLC acquires more than 75% of the Bank Shares, pursuant to Georgian law, it would be able to validly resolve upon matters within the competence of the general meeting of Bank Shareholders ("**GMS**") on a unilateral basis without convening a GMS. In such circumstances, any remaining minority shareholders of the Bank would only be entitled to receive a notification of such a resolution after it has been approved.

The percentage of Bank Shares held by TBC PLC at Admission should only have a limited impact on the returns paid to holders of TBC PLC shares ("**TBC PLC Shares**", which term includes PLC Offer Shares). Although it is TBC PLC's intention to pay dividends to holders of TBC PLC Shares approximately equivalent to the dividends received by TBC PLC as a holder of Bank Shares, the TBC PLC board of directors retains the right to reserve a portion of such dividend amounts received by TBC PLC for general corporate or investment purposes, as is typical for a holding company that does not itself generate revenue and is dependent on its operating subsidiaries for funds, although the PLC Directors expect that any such amounts reserved for general corporate purposes would generally be de minimis.

Unlike the GDRs, the Bank Shares are neither listed nor traded on any stock exchange. Following the Offer, holders of any remaining Bank Shares would hold securities for which there would be no trading market and which would accordingly have very limited (if any) liquidity. Although there are mandatory tender offer rules in Georgia, those rules do not require a majority shareholder to make a tender offer to any remaining minority shareholders in certain circumstances, including where the majority shareholder became a majority shareholder as a result of a tender offer for all shares. In addition, Georgian law does not provide minority shareholders with the right to require a majority shareholder to acquire their shares, regardless of the percentage of shares held by such majority shareholder. Accordingly, after Admission TBC PLC will not be required to make a mandatory tender offer for the remaining Bank Shares and minority shareholders in the Bank will not be able to require TBC PLC to acquire their Bank Shares.

Following Admission, the Bank intends to de-list the GDRs and terminate the GDR programme

Following Admission, the Bank intends to apply to the UK Listing Authority and the London Stock Exchange to request that the GDRs be delisted from the Official List and from the Regulated Market, respectively, and to terminate the GDR programme as soon as practicable after such delisting. Until the termination of the GDR programme, any remaining holders of GDRs have the right to cancel their GDRs and receive the relevant number of underlying Bank Shares in exchange for their GDRs; however, as such Bank Shares will represent a minority holding in a company for which there is no trading market, there is likely to be very limited liquidity, if any, in the underlying Bank Shares. In the event that the GDR programme is terminated, The Bank of New York Mellon in its role as the GDR depositary (the "**Depositary**") will sell the Bank Shares underlying any remaining GDRs and will transfer the net proceeds of such sale to the relevant holder.

TBC PLC may not achieve FTSE Index eligibility

Following Admission, TBC PLC intends to seek FTSE Index eligibility. In particular, TBC PLC will position itself for inclusion in the FTSE All-Share Index. However, as the FTSE committee exercises an element of discretion in determining whether a company is eligible for inclusion, and such discretion relates to matters outside of TBC PLC's control, such as the liquidity of its shares, there is no certainty that this will be achieved or that the benefits associated with FTSE Index inclusion will be available to the Group.

Participation in the Offer is subject to risks and uncertainties which could have an adverse effect on certain Existing Holders

Acceptance of the Offer could have adverse consequences for certain Existing Holders in certain jurisdictions (including potential adverse tax consequences). In particular, acceptance of the Offer will involve the exchange by Existing Holders of those Existing Securities for PLC Offer Shares issued by TBC PLC. Subject to the availability of any relief, such an exchange may constitute a taxable disposal of their Existing Securities. TBC PLC would intend for such a disposal to qualify for ''over relief'' where available, although such treatment will be subject to the satisfaction of any conditions relevant to the availability of such relief. Existing Holders should seek their own independent advice with respect to the impact of the Offer and Admission on them, in particular tax advice.

The market price of the PLC Ordinary Shares (including the PLC Offer Shares) may fluctuate widely in response to different factors

The market price of PLC Ordinary Shares may be subject to wide fluctuations in response to many factors. Stock markets have from time to time experienced extreme price and volume volatility which could have an adverse effect on the market price for the PLC Ordinary Shares. The market price of the PLC Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond TBC PLC's control, including: variations in operating results in the TBC PLC's reporting periods; divergence in financial results from stock market expectations; changes in financial estimates by securities analysts; changes in market valuation of similar companies; a perception that other market sectors may have higher growth prospects; announcements of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; legislative changes in the banking sector; any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts; future issues or sales of PLC Ordinary Shares after Admission; and general stock market price and volume fluctuations. Any of these events could result in a material decline in the price of PLC Ordinary Shares.

Future issues and/or sales of PLC Ordinary Shares could depress the market price of PLC Offer Shares and could dilute interests of existing TBC PLC Shareholders

Future sales of a substantial number of PLC Ordinary Shares after Admission could result in a significantly lower market price for PLC Offer Shares by introducing a significant increase in the supply of PLC Ordinary Shares to the market. Subsequent equity issues may also reduce the percentage ownership of TBC PLC Shareholders. Moreover, newly issued shares may have rights, preferences or privileges senior to the PLC Offer Shares.

If such shares are not issued on a pre-emptive basis or if certain holders of PLC Offer Shares outside the United Kingdom are not able to exercise pre-emptive rights, it may not be possible for existing TBC PLC Shareholders to participate in such future share issues, which may dilute such TBC PLC Shareholders' interests in the Group. In particular, holders of PLC Offer Shares in the United States may not be entitled to exercise these rights unless either the rights and PLC Ordinary Shares are registered under the Securities Act, or TBC PLC has available to it, and utilises, an exemption from the registration requirements of the Securities Act. There can be no assurance that TBC PLC will file any such registration statement, or that an exemption from the registration requirements of the Securities Act will be available, which would result in holders of PLC Offer Shares in the United States being unable to exercise their pre-emptive rights.

TBC PLC would expect to evaluate at the time of any rights or similar offering the costs and potential liabilities associated with any such registration statement or qualifying for an exemption from registration, as well as the indirect benefits of enabling holders of PLC Offer Shares in the United States to exercise any pre-emptive rights for PLC Ordinary Shares and any other factors considered appropriate at the time, prior to making a decision whether to file a registration statement with the SEC or utilise an exemption from the registration requirements of the Securities Act.

TBC PLC may not be able to pay dividends or make distributions due to contractual or legal constraints

Following Admission, TBC PLC (as a holding company whose principal assets are the shares of its subsidiaries) will rely primarily on dividends and other statutorily and contractually permissible payments from its subsidiaries to generate reserves necessary to meet its obligations and to pay dividends to its shareholders. Future dividends by TBC PLC will also depend, among other things, on TBC PLC's future profits, financial position, distributable reserves, holding capital requirements,

general economic conditions and other factors that the TBC PLC Board deems significant from time to time.

The regulatory systems under which the Group operates and certain contractual arrangements to which the Bank and/or its subsidiaries are party restrict, to a certain extent, their ability to pay dividends and/or to otherwise provide cash to TBC PLC. Such restrictions could potentially reduce the pool of cash available to TBC PLC for distribution to holders of PLC Offer Shares.

TBC PLC and holders of PLC Offer Shares may be exposed to foreign currency exchange rate risk between the time a dividend is declared and the time a dividend is paid

Although dividends payments on Bank Shares are declared in Lari, they may be paid to non-Georgian holders of Bank Shares in U.S. Dollars or Pounds Sterling. Following Admission, as a non-Georgian holder of Bank Shares, TBC PLC will be exposed to currency exchange rate risk between the time a dividend is declared by the Bank and the time the relevant dividend is paid. Any depreciation of the Lari in relation to U.S. Dollars or Pounds Sterling (as applicable) between the date on which the dividend is declared and the date on which the relevant dividend is paid will reduce the value of any dividends allocated to the Bank Shares in foreign currency terms. This could, in turn, affect TBC PLC's ability to pay dividends to TBC PLC Shareholders as, following Admission, TBC PLC will rely primarily on dividends and other statutorily and contractually permissible payments from its subsidiaries to generate reserves necessary to meet its obligations and to pay dividends to its shareholders. For further information, see "*—TBC PLC may not be able to pay dividends or make distributions due to contractual or legal constraints*".

In addition, holders of PLC Offer Shares whose principal currency is not the currency in which a dividend is paid by TBC PLC (the "**TBC PLC Dividend Currency**") will be exposed to currency exchange rate risk between the time a dividend is declared by TBC PLC and the time the relevant dividend is paid. Any depreciation of the TBC PLC Dividend Currency in relation to a foreign currency between the date on which the dividend is declared and the date on which the dividend is paid will reduce the value of any dividends allocated to the PLC Offer Shares in foreign currency terms.

Changes in UK tax laws or their application could have a material adverse effect on the Group

TBC PLC is incorporated in the UK and the Group intends to conduct the business of TBC PLC so that it is resident for tax purposes solely in the UK. Accordingly, it is expected to be subject to UK corporation tax on its taxable profits and chargeable gains wherever arising, subject to available exemptions or other reliefs. However, we intend that the business of TBC PLC will be limited to acting as a holding company and on this basis do not anticipate (on the basis of current law) that TBC PLC will be subject to a material level of taxation in the UK, including under the UK controlled foreign companies ("**CFC**") rules with respect to the income profits of TBC PLC's subsidiaries or affiliates which are resident for tax purposes solely in Georgia.

Tax regimes can be subject to differing interpretations and are often subject to legislative change and changes in administrative interpretation. TBC PLC's interpretation of relevant UK tax law may not coincide with that of HM Revenue and Customs ("**HMRC**"). Significant changes in UK taxation rules, law or administrative interpretation could result in increased UK tax charges, including penalties, which have a material impact in the Group. For example, on 19 July 2013, the Organisation for Economic Co-operation and Development ("**OECD**"), of which the UK is a member, published an action plan (the "**Plan**") on Base Erosion and Profit Shifting, endorsed by the Group of Twenty ("**G20**"). The Plan proposed 15 actions covering areas such as CFC rules, deductibility of interest, limiting the availability of double tax treaty benefits, avoiding double non-taxation in financing structures, transfer pricing and disclosure of worldwide tax information. OECD final reports on Base Erosion and Profit Shifting have been published and endorsed by the G20. Changes of UK tax laws based on such recommendations could have a material impact on the Group's tax charges.

TBC PLC is subject to English law and the rights of holders of PLC Offer Shares may be different from those rights associated with companies governed by other laws

As TBC PLC is incorporated under the laws of England and Wales, its corporate structure, as well as the rights and obligations of its shareholders, may be different from the rights and obligations of shareholders of Georgian companies listed on the GSE and companies governed by Georgian law. The exercise of pre-emptive and certain other shareholders' rights for Georgian or other holders of

PLC Offer Shares resident outside the United Kingdom may be more difficult and costly than the exercise of such rights if TBC PLC were a Georgian company. Resolutions of a general meeting of TBC PLC may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Georgian companies.

Judgments of foreign courts and arbitral awards may not be enforceable in Georgia

TBC PLC is incorporated in the United Kingdom, but, following Admission, its principal asset will be shares in the Bank. The Bank is a joint stock company incorporated in Georgia and is governed by the laws of Georgia. A substantial portion of the assets of the TBC in Georgia and most of the members of the Bank's management and its executive officers reside or are located in Georgia. As a result, it may not be possible for investors to effect service of process upon the Bank or certain members of its management and/or its executive officers. In addition, investors may not be able to bring an original action in Georgia based upon English law, or obtain, or enforce a foreign court judgment based upon English law in Georgia.

Subject to the satisfaction of certain conditions and certain exceptions, foreign court judgments (including judgments of the courts of England and Wales) are recognised and enforceable in Georgia under Articles 68 and 70 of the Law of Georgia on International Private Law. However, no treaty exists between the United Kingdom and Georgia or the United States and Georgia for the reciprocal enforcement of foreign court judgments and Georgian courts have limited experience enforcing foreign court judgments. As a result, investors may not be able to, or may experience significant delays in trying to, enforce judgments obtained in the English courts or any other foreign courts against TBC PLC, its management and/or the PLC Directors.

The Reduction of Capital may not be implemented on a timely basis or at all

Following Admission, the PLC Directors intend to undertake the Reduction of Capital in order to create distributable reserves in TBC PLC. Implementation of the Reduction of Capital is conditional upon, among other things, approval by the English Court. There are risks that approval will not be given or not given on acceptable terms and that the Reduction of Capital will not occur on a timely basis or at all. If any of these events happen, the Reduction of Capital will not be implemented and TBC PLC may not have distributable reserves from which to pay dividends to TBC PLC Shareholders.

PART III

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following timetable of Principal Events assumes that the Offer Period is not extended as more fully described in Part B of Part XVII "*Conditions to and Further Terms of the Offer*".

Event	Time, Date
Prospectus published	1 June 2016
Offer Period commences	2 June 2016
GDR Expiration Time	5:00 p.m. (New York time)/ 10:00 p.m. (London time) on 2 August 2016/ 1:00 a.m. (Tbilisi time) on 3 August 2016 *DTC, Euroclear and Clearstream, participants in those systems and other securities intermediaries through which GDRs are held will establish their own cut-off dates and times for the receipt of instructions by GDR Holders wishing to participate in the Offer, which will be earlier than the GDR Expiration Time. GDR Holders who hold GDRs through a broker or other securities intermediary must contact that firm or person to determine the cut-off date and time applicable to them.*
Expiration Time	5:00 p.m. (London time)/ 8:00 p.m. (Tbilisi time)/ 12:00 noon (New York time) on 4 August 2016
Announcement of result of the Offer	on or around 5 August 2016
Offer is anticipated to be declared wholly unconditional	7:00 a.m. (London time)/ 10:00 a.m. (Tbilisi time)/ 2:00 a.m. (New York time) on 10 August 2016
Admission, PLC Offer Shares unconditionally issued and commencement of dealings of PLC Offer Shares on the London Stock Exchange	8:00 a.m. (London time)/ 11:00 a.m. (Tbilisi time)/ 3:00 a.m. (New York time) on 10 August 2016
CREST Euroclear and Clearstream accounts credited for PLC Offer Shares (where applicable)	10 August 2016
Despatch of definitive share certificates in respect of PLC Offer Shares (where applicable)	by 10 October 2016
Reduction of Capital	As soon as reasonably practicable following Admission
Delisting and termination of the GDR programme	Delisting will occur not less than 20 days from announcement; termination will occur not less than 90 days after the Bank instructs the Depositary to terminate.

Unless otherwise stated, all references to times in this Prospectus are to London time. The times and dates given are based on the PLC Directors' current expectations and may be subject to change, in which event, details of the new times and dates will be notified to the UKLA, the London Stock Exchange and (as applicable) the NBG and the Georgian Exchange Agent and TBC PLC will make an appropriate announcement to a Regulatory Information Service and on the following websites: www.tbcbankgroup.com and www.tbcbank.ge. These times and dates are indicative only and assume that the Offer is declared wholly unconditional on the earliest possible date.

PART IV

INFORMATION ON THE OFFER

1. Introduction

The GDRs have been admitted to listing on the Official List and admitted to trading on the Main Market (the "**GDR Listing**") since 2014.

On 15 October 2015, the Bank announced its intention to seek a premium listing. It is proposed that a public limited liability company incorporated in England and Wales, namely TBC PLC, will be the new holding company for the Group. Following Admission, the Group intends to seek FTSE index inclusion for TBC PLC. The PLC Directors believe that the premium listing of TBC PLC and FTSE index inclusion will enable the Group to broaden its investor base and increase the liquidity of its securities. It is also anticipated that the premium listing will increase the profile of the Group and increase its exposure to a wider investor community.

Following Admission, the Group intends to maintain its robust corporate governance arrangements, which it has further strengthened in anticipation of the Offer and Admission (see further Part XVI "*Directors and Senior Management—Corporate Governance Code*" and *"Directors and Senior Management—Board Committees*"). As a premium-listed company, TBC PLC will be subject to more extensive and rigorous ongoing reporting and compliance obligations than those to which the Bank is currently subject by virtue of the GDR Listing. In particular, TBC PLC will be required to comply with additional disclosure requirements pursuant to the Disclosure and Transparency Rules, the Listing Rules and the Corporate Governance Code which the PLC Directors believe will provide investors with enhanced transparency.

As announced on the date of this Prospectus, the new corporate structure is being implemented by way of the Offer by TBC PLC for all of the issued and to be issued Bank Shares, including Bank Shares represented by GDRs. The Offer is conditional on, *inter alia*, Admission. If the Offer is declared wholly unconditional, it will result in the Bank becoming a subsidiary of TBC PLC (with TBC PLC owning more than 75% of the Bank Shares). As a result, TBC PLC would, under Georgian law, be able to unilaterally pass all shareholder resolutions of the Bank. This includes decisions relating to the share capital of the Bank, corporate transactions and changes to the Supervisory Board of the Bank. Immediately following Admission, the only assets of TBC PLC will be the ordinary share capital of the Bank, a cash balance for the payment of fees and charges incurred pursuant to the Offer and nominal cash balances. Immediately following Admission, TBC PLC will have no material liabilities save for those arising in connection with Admission and the Offer.

The PLC Directors expect that the material assets and liabilities of the Group will be unaffected by the Offer being declared wholly unconditional. In addition, the Offer will not result in any changes to the day-to-day operations of the strategy or business of the Group and, save as set out above, the PLC Directors expect that the Group will have the same operations and business in the same geographic locations before and after the Offer being declared wholly unconditional.

The formal Conditions and further terms of the Offer are set out in Parts A and B of Part XVII "*Conditions to and Further Terms of the Offer*" of this Prospectus, the Form of Acceptance and the Certification Form.

2. Summary of the Offer

2.1 ***Overview***

The Offer of PLC Offer Shares is made on the following basis:

For each Bank Share (including Bank Shares represented by GDRs): 1 PLC Offer Share

The Offer is conditional upon, among other things:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 5:00 p.m. (London time) / 8:00 p.m. (Tbilisi time)/ 12:00 noon (New York time) on 4 August 2016 (or such later time(s) and/or date(s) as TBC PLC may decide, being no later than the Long Stop Date) (the "**Expiration Time**") in respect of not less than 80% in nominal value of the Bank Shares and of the voting rights attached to those shares (or such lower percentage as TBC PLC may decide provided that this Condition will not be satisfied unless

TBC PLC shall have acquired or agreed to acquire Bank Shares carrying in aggregate more than 75% of the voting rights then normally exercisable at a general meeting of the Bank) (the "**Acceptance Condition**"); and

(b) the PLC Offer Shares being admitted to the Official List and being admitted to trading on the main market of the London Stock Exchange ("**Admission**") or, if TBC PLC so determines, the UK Listing Authority having acknowledged to TBC PLC or its agent (and such acknowledgement not having been withdrawn) that the application for admission to the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the FCA and an acknowledgement by the London Stock Exchange that the PLC Offer Shares will be admitted to trading on the Main Market (and such acknowledgement not having been withdrawn) (the "**Admission Condition**").

The remainder of the Conditions are customary for a transaction of this nature. Please see Part XVII "*Conditions to and Further Terms of the Offer*" for a more detailed description of the Conditions.

The Offer will lapse unless all of the Conditions have been fulfilled or waived (if capable of waiver) or, where appropriate, have been determined by TBC PLC to be or remain satisfied by 5:00 p.m. (London time) on 30 September 2016 (the "**Long Stop Date**").

On 11 May 2016 the NBG approved the acquisition by TBC PLC of more than 50% of the share capital of the Bank.

The Bank Shares in respect of which the Offer is accepted will be acquired by TBC PLC under the Offer fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third-party rights and interests of any nature whatsoever and together with all rights now and hereafter attaching or accruing on them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or payable on or after the date the Offer is declared wholly unconditional.

The PLC Offer Shares will be issued to Participating Holders fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third-party rights and interests of any nature whatsoever and together with all rights now and hereafter attaching or accruing on them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or payable on or after the date the Offer is declared wholly unconditional.

Further details of the PLC Offer Shares are set out in Paragraph 3.1 of this Part IV. The full Conditions and further terms of the Offer are set out in Part XVII "*Conditions to and Further Terms of the Offer*".

2.2 ***Irrevocable Undertakings and Letters of Intent***

The PLC Directors have been informed that, following due and careful consideration of the strategic and the financial consequences of the proposed transaction, the Bank Supervisory Board has concluded that the Offer is in the best interests of the Bank and the Existing Holders and considers the terms of the Offer to be fair and reasonable. Accordingly, the members of the Bank Supervisory Board and Bank Management Board intend to accept the Offer in respect of the Existing Shares that they hold (other than the Non-tendered LTIP Bank Shares), and have committed to do so in irrevocable undertakings to accept the Offer (the "**Irrevocable Undertakings**").

The Bank and TBC PLC have received the Irrevocable Undertakings from each of the PLC Directors and the Bank Directors in respect of, in aggregate, 12,458,941 Existing Securities, representing 24.9% of the existing issued share capital of the Bank as at the date of this Prospectus (the "**Bank Share Capital**").

In addition, the Bank and TBC PLC have received indicative letters of intent to accept the Offer (the "**Letters of Intent**") from Existing Holders (including EBRD, FMO and IFC) representing in aggregate 54.5% of the Bank Share Capital. In aggregate, the Bank and TBC PLC have received Irrevocable Undertakings or Letters of Intent in respect of 39,739,739 Existing Securities, representing 79.4% of the Bank Share Capital.

Further details of the Irrevocable Undertakings and Letters of Intent are set out in Paragraph 6 ("*Irrevocable Undertakings—PLC Directors and Bank Directors*") and Paragraph 7 ("*Letters of Intent—Existing Holders*") of Part XX "*Additional Information*".

3. Share capital of TBC PLC

3.1 *TBC PLC Shares*

As at the date of this Prospectus, the issued share capital of TBC PLC is two Subscriber Shares and 50,000 Redeemable Shares. Following Admission, it is expected that the Subscriber Shares will be acquired by TBC PLC for nil consideration and cancelled and that the Redeemable Shares will be redeemed.

Upon Admission:

(a) if acceptances are received in respect of all of the Bank Shares, the enlarged issued share capital of TBC PLC will be 50,054,919 PLC Offer Shares plus the Redeemable Shares;

(b) if acceptances are received in respect of 80% of the Bank Shares, the enlarged issued share capital of TBC PLC will be 40,043,935 PLC Offer Shares plus the Redeemable Shares; or

(c) if acceptances are received in respect of 75% of the Bank Shares, the enlarged issued share capital of TBC PLC will be 37,541,189 PLC Offer Shares plus the Redeemable Shares.

The TBC PLC board of directors is authorised to allot up to 56,206,527 PLC Offer Shares in connection with the Offer (being in excess of the maximum number of Ordinary Shares that would be required if the Offer is accepted in full). The PLC Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with one another and will be entitled to all dividends and other distributions declared, made or paid by TBC PLC in respect of PLC Ordinary Shares on or after the date on which the Offer is declared wholly unconditional. See Paragraph 4 – "*Dividend Policy*" below. The PLC Offer Shares will be created under the Companies Act, will be in registered form and will be capable of being held in both certificated and uncertificated form. A summary of the principal differences between the rights attaching to the PLC Offer Shares, the GDRs and the Bank Shares is set out in Part XIX "*Comparison of Shareholders Right in the Bank and Shareholder Rights in TBC PLC*" and a summary of the articles of association of TBC PLC adopted subject to the Offer being declared wholly unconditional at the general meeting held on 12 May 2016 (the "**Articles**") is set out in Part XVIII "*Summary of TBC PLC Articles of Association*".

Application will be made to the UK Listing Authority for the PLC Offer Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the PLC Offer Shares to be admitted to trading on the Main Market. When admitted to trading, the PLC Offer Shares will be registered with international security identification number ("**ISIN**") GB00BYT18307 and Stock Exchange Daily Official List ("**SEDOL**") number BYT1830. Listing of the PLC Offer Shares is not being sought on any stock exchange other than the London Stock Exchange.

It is expected that Admission will become effective and unconditional dealings in PLC Offer Shares will commence on or about 10 August 2016.

3.2 *Reduction of Share Capital*

Following Admission, the PLC Directors intend to undertake the Reduction of Capital in order to create distributable reserves for TBC PLC. The PLC Directors intend to implement a court approved reduction of capital which reduces the nominal value of the PLC Offer Shares and cancels the share premium account (if any).

The PLC Offer Shares will have a nominal value of £5.00 per PLC Offer Share (or such lower nominal value as the PLC Directors shall decide in order to avoid allotting the PLC Offer Shares at a discount). Following the Reduction of Capital the nominal value of the PLC Offer Shares will be reduced to £0.01. If there is full acceptance of the Offer, the Reduction of Capital will create a new reserve on the balance sheet of TBC PLC of approximately £246 million (assuming a reduction from £5.00 to £0.01 per PLC Offer Share). The Reduction of Capital is a legal and accounting adjustment and will not, of itself, have any direct impact on the market value of the PLC Offer Shares.

By way of a special resolution passed at a general meeting of TBC PLC held on 12 May 2016, the holders of the Subscriber Shares approved the Reduction of Capital subject to the Offer being declared wholly unconditional. The Reduction of Capital will only become effective if it is approved by the English Court pursuant to the Companies Act. As soon as possible following the date of this Prospectus, the PLC Directors intend to apply to the English Court to approve the Reduction of Capital. It is expected that the Court Hearing will be held shortly after Admission. The reserves created by the Reduction of Capital will be available for distribution subject to TBC PLC complying with the distributions provisions of the Companies Act.

Subject to Admission, the Reduction of Capital is expected to become effective on or around during the second half of 2016.

4. Dividend policy

Information on the intentions of the TBC PLC board of directors in respect of dividends is set out in Paragraph 18 ("*Dividends and dividend policy*") of Part XX "*Additional Information*". Further information on the taxation of dividends paid to holders of PLC Offer Shares is set out in Paragraphs 20 ("*UK Taxation*"), 21 ("*US Taxation*") and 22 ("*Georgian Taxation*") of Part XX "*Additional Information*".

5. Liquidity of Existing Securities following Admission and Delisting of the GDRs and Bank Shares

If the Offer is declared wholly unconditional, settlement of the Offer will lead to reduced marketability and liquidity in the Existing Securities.

In addition, following Admission, the Bank intends to apply to the UK Listing Authority and the London Stock Exchange to cancel the GDR Listing in accordance with the Listing Rules and the Admission and Disclosure Standards.

Delisting will significantly reduce the marketability and liquidity of any GDRs in respect of which the Offer has not been accepted.

Any remaining GDR holders would have the right to cancel their GDRs and receive the relevant number of underlying Bank Shares in exchange for their GDRs, but such holders would need to open a securities account in Georgia in order to hold such Bank Shares.

As soon as practicable after such delisting of the GDRs, the GDR programme will be terminated. If the Offer lapses or is withdrawn, the Bank intends to maintain the GDR Listing.

If the Offer is declared wholly unconditional then Existing Holders who do not validly accept the Offer will hold Bank Shares for which there may be no listing and accordingly, the liquidity and marketability of such shares is likely to be significantly adversely effected.

6. Compulsory Acquisition of Bank Shares

If the Offer is declared wholly unconditional and valid acceptances are received in respect of more than 95% of the Bank Shares or, if TBC PLC increases its holding to more than 95% of the Bank Shares at any time, TBC PLC may seek to compulsorily acquire any remaining Bank Shares in accordance with Georgian law.

Under Georgian law, a shareholder who holds more than 95% of a company's voting shares has the right to compulsorily acquire the shares held by the minority shareholders in the company at a fair price, which must be satisfied in cash. Accordingly, if TBC PLC acquires more than 95% of the Bank Shares, it may apply to the Georgian Court to seek approval for the compulsory acquisition of the shares in the Bank held by minority shareholders. Provided approval is given by the Georgian Court, any such order of the Georgian Court will also determine the fair price at which such shares are to be compulsorily acquired and the date of the acquisition. Georgian law requires TBC PLC to publish an announcement in the Georgian media specifying the terms of the intended compulsory acquisition at least one month prior to making any such application to the Georgian Court.

The Georgian Court has one month in which to consider an application for compulsory acquisition and the terms on which it is to be made. As part of these considerations, the Georgian Court is required to appoint an independent expert or brokerage company to prepare a report on the proposed compulsory acquisition, including determination as to the fair price for the minority shares. The shareholder applying for the order for the compulsory acquisition will be responsible for the fees of the independent expert or brokerage company (as the case may be).

In the event that TBC PLC successfully obtains such approval from the Georgian Court, JSC Kavkasreestri (the "**Georgian Registrar**") will confirm the identity of the Bank Shareholders whose Bank Shares are to be compulsorily acquired and will then transfer such shares to the account of TBC PLC. In consideration for the transfer, TBC PLC will deposit the relevant amount of cash consideration, reflecting the price determined by the Georgian Court, in an escrow account maintained by a bank, central depositary or licensed broker, who will in turn transfer the relevant amounts to such Bank Shareholders. TBC PLC has a number of possible sources of such funds

available to it, including, but not limited to, external debt funding and potential dividend payments received from the Bank, the exact source to be determined at the relevant time.

Existing Holders should note that Georgian law does not provide them with the right to require TBC PLC to acquire all of the outstanding Bank Shares not owned by it following completion of the Offer, regardless of the percentage of the Bank Shares acquired by TBC PLC pursuant to the Offer. Accordingly, Existing Holders who wish to receive PLC Offer Shares should accept the Offer.

7. Procedures for Acceptance of the Offer

FAILURE OF AN EXISTING HOLDER TO COMPLY WITH THE APPLICABLE PROCEDURES DESCRIBED BELOW MAY RESULT IN AN INVALID ACCEPTANCE OF THE OFFER WITH RESPECT TO THE RELEVANT EXISTING SECURITIES.

7.1 ***General***

Bank Shareholders who wish to accept the Offer with respect to all or any portion of their Bank Shares must follow the procedures described in Paragraph 5.2 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*", the Tender Offer Proposal, the Form of Acceptance and the Certification Form.

GDR Holders who wish to instruct the Exchange Agent to accept the Offer in respect of the Bank Shares underlying all or any portion of their GDRs must follow the procedures described in Paragraphs 5.3 and 5.4 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*" and the Certification Form, save with respect to such amendments as may be agreed by TBC PLC and the Depositary from time to time.

Existing Holders who wish to accept the Offer with respect to Bank Shares and to procure the acceptance of the Offer with respect to Bank Shares underlying GDRs must follow the individual procedures described for each of the Bank Shares and GDRs in Paragraphs 5.2, 5.3 and 5.4 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*", respectively, and the Tender Offer Proposal, Form of Acceptance and Certification Form (as applicable).

The specific procedures for accepting the Offer vary depending on whether the Existing Holder is accepting the Offer with respect to Bank Shares and, in the case of Bank Shares, whether such Bank Shares are held on an account with the Georgian Registrar, through the nominee holding of the Georgian Exchange Agent or through the nominee holding of any Georgian broker (other than the Georgian Exchange Agent) or with respect to GDRs and, in the case of GDRs, whether such GDRs are held through DTC, Euroclear or Clearstream.

See immediately below and Part B of Part XVII "*Conditions to and Further Terms of the Offer*" for further details.

7.2 ***Bank Shares***

(a) Bank Shareholders who wish to accept the Offer with respect to all or any portion of their Bank Shares must follow these procedures (as applicable):

(i) Registered owners who hold Bank Shares directly through their personal account with the Georgian Registrar must as soon as possible and, in any event, prior to the Expiration Time:

(A) open a brokerage and nominee holdings account ("**Brokerage Account**") with the Georgian Exchange Agent by providing the necessary identification documents and completing the requisite forms;

(B) complete, execute and return to the Georgian Exchange Agent a Form of Acceptance and a Certification Form;

(C) execute or procure the execution by an authorised attorney of a transfer order in the presence of the Georgian Registrar to transfer the relevant number of Bank Shares to which the Shareholder Acceptance relates into a nominee holding of the Georgian Exchange Agent prior to the Expiration Time (re-registration of title with respect to the Bank Shares may take several days and accordingly the instructions to transfer the Bank Shares to the nominee holding of the Georgian Exchange Agent should be made sufficiently in advance of the Expiration Time, so that the transfer is effective prior to the Expiration Time); and

(D) execute an instruction to the Georgian Exchange Agent with respect to transfer and delivery of PLC Offer Shares, which stipulates that unless the Bank Shareholders withdraw their acceptance prior to the Expiration Time, provided the Offer is declared wholly unconditional pursuant to the terms of the Offer, the Georgian Exchange Agent must transfer their Bank Shares to TBC PLC and accept the PLC Offer Shares as consideration for such transfer (an "**Instruction**").

(ii) Registered owners holding Bank Shares through a nominee holding of the Georgian Exchange Agent and having accounts with the Georgian Exchange Agent must as soon as possible and, in any event, prior to the Expiration Time execute an Instruction, as well as instruct the Georgian Exchange Agent as to how to complete and execute a Form of Acceptance and a Certification Form.

(iii) Registered owners holding Bank Shares through a nominee holding of any Georgian broker(s) (other than the Georgian Exchange Agent) must as soon as possible and, in any event, prior to the Expiration Time:

(A) either:

(aa) instruct the broker(s) to open a Brokerage Account with the Georgian Exchange Agent and transfer the relevant Bank Shares to the nominee holding of the Georgian Exchange Agent; or

(bb) where the broker(s) already has a Brokerage Account with the Georgian Exchange Agent, instruct the broker(s) to transfer the relevant Bank Shares to the nominee holding of the Georgian Exchange Agent;

and instruct the broker(s) to execute an Instruction, as well as instruct the broker as to how to complete and execute a Form of Acceptance and a Certification Form and return such Form of Acceptance and Certification Form to the Georgian Exchange Agent; or

(B) withdraw such Bank Shares from the nominee holding of that Georgian broker to its securities account with the Georgian Registrar and then follow the procedures and requirements set forth in Paragraph 7.(a)(i) above.

Georgian brokers (other than the Georgian Exchange Agent) may set their own cut-off dates and times for customers to give instructions to accept the Offer. Bank Shareholders who hold Bank Shares through any Georgian broker(s) (other than the Georgian Exchange Agent) must contact that firm or person to determine the cut-off date and time applicable to them.

(b) In place of delivering a Form of Acceptance, the acceptance may be made orally to the designated representative of the Georgian Exchange Agent, provided that the Georgian Exchange Agent confirms the receipt of acceptance to the relevant Bank Shareholder in writing.

(c) In order to accept the Offer a Bank Shareholder must make the certifications as provided in the Certification Form. See Paragraphs 5 and 9 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*" for further information.

(d) The attention of Bank Shareholders who are resident or located in, or citizens or residents of, jurisdictions other than the UK or Georgia is drawn to Paragraph 9 of this Part IV and Paragraph 9 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*".

7.3 ***Acceptance by Regulation S GDR Holders***

(a) GDR Holders who wish to instruct the Exchange Agent to accept the Offer with respect to all or any portion of Bank Shares underlying their Regulation S GDRs must cause an Electronic Instruction to be transmitted to the relevant Clearing System to be received by such Clearing System prior to the cut off time set by such Clearing System for acceptance of the Offer. **Each of Euroclear and Clearstream will establish its own cut-off date and time for the receipt of instructions by Regulation S GDR Holders wishing to participate in the Offer, which will be earlier than the GDR Expiration Time. Further, Euroclear and Clearstream participants and other securities intermediaries through which Regulation S GDRs are held may set their own earlier cut-off dates and times for customers to give**

instructions to accept the Offer. GDR Holders who hold Regulation S GDRs through a broker or other securities intermediary must contact that firm or person to determine the cut-off date and time applicable to them.

(b) GDR Holders holding Regulation S GDRs through Euroclear or Clearstream who instruct that the Offer be accepted on their behalf with respect to all or any portion of Bank Shares underlying their Regulation S GDRs will have the relevant Regulation S GDRs blocked in the relevant Clearing System. Regulation S GDRs subsequently withdrawn from the Offer prior to the GDR Expiration Time in accordance with Paragraph 3 of Part B of Part XVII "*Conditions and Further Terms of the Offer*" will be unblocked in the Clearing Systems.

(c) GDR Holders who hold Regulation S GDRs through Euroclear or Clearstream should print out, complete, execute and retain a Certification Form, but do not need to send it to the Exchange Agent or TBC PLC in order to validly instruct the Exchange Agent to accept the Offer (unless expressly requested to do so by the relevant Clearing System, the Exchange Agent or TBC PLC). In order to accept the Offer a GDR Holder must make the certifications as provided in the Certification Form.

(d) No cancellation fee per GDR will be payable by GDR Holders who exchange their GDRs for PLC Offer Shares pursuant to the Offer**.**

(e) The attention of GDR Holders who are resident or located in, or citizens or residents of, jurisdictions other than the UK and Georgia is drawn to Paragraph 8 of this Part IV and Paragraph 9 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*".

7.4 ***Acceptance by Rule 144A GDR Holders***

(a) GDR Holders who wish to instruct the Exchange Agent to accept the Offer with respect to all or any portion of Bank Shares underlying their Rule 144A GDRs must deliver the relevant number of Rule 144A GDRs to the Exchange Agent's DTC account (no. 2504), as soon as possible and in any event by the cut-off date and time set by DTC which will be earlier than the GDR Expiration Time.

(b) **DTC participants and other securities intermediaries through which Rule 144A GDRs are held may set their own earlier cut-off dates and times for customers to give instructions to accept the Offer. GDR Holders who hold Rule 144A GDRs through a broker or other securities intermediary must contact that firm or person to determine the cut-off date and time applicable to them**. GDR Holders wishing to accept the Offer should note that such GDR Holders must allow sufficient time for completion of the automated system procedures during the normal business hours of DTC and in any event on, or prior to, the GDR Expiration Time.

(c) GDR Holders who wish to instruct the Exchange Agent to accept the Offer with respect to all or any portion of Bank Shares underlying their Rule 144A GDRs must print out, complete and execute a Certification Form and deliver it to the Exchange Agent to be received before the GDR Expiration Time.

(d) GDR Holders who have given an instruction to accept the Offer must also complete, sign and return a Delivery Instruction Notice specifying whether they wish to receive the PLC Offer Shares to which they are entitled under the Offer in uncertificated form in CREST or in certificated form. GDR Holders wishing to receive PLC Offer Shares in uncertificated form must provide details of a valid CREST stock account in the Delivery Instruction Notice. GDR Holders wishing to receive PLC Offer Shares in certificated form must provide an address in the Delivery Instruction Notice where the PLC Offer Shares shall be delivered. The Delivery Instruction Notice must be returned to the Exchange Agent to be received before the GDR Expiration Time. The signed Delivery Instruction must bear a Medallion signature guarantee stamp. If the Exchange Agent does not receive a valid Delivery Instruction Notice from the GDR Holder by the GDR Expiration Time or the CREST details contained in such Delivery Instruction Notice are incorrect or the GDR Holder has elected to receive PLC Offer Shares in certificated form, such GDR Holder will be issued PLC Offer Shares in certificated form. The delivery of PLC Offer Shares in certificated form will take place several Business Days after the delivery of PLC Offer Shares in uncertificated form through CREST.

(e) No cancellation fee per GDR will be payable by GDR Holders who exchange their GDRs for PLC Offer Shares pursuant to the Offer.

(f) The attention of GDR Holders who are resident or located in, or citizens or residents of, jurisdictions other than the UK and Georgia is drawn to Paragraph 8 of this Part IV and Paragraph 9 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*".

8. Overseas Existing Holders

Existing Holders who are resident or located in, or citizens or nationals of, jurisdictions outside the United Kingdom and Georgia ("**Overseas Existing Holders**") or who are holding Existing Securities for such citizens or residents and any person (including, without limitation, any custodian, nominee or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom or Georgia should read Paragraph 9 of Part B of Part XVII "*Conditions to and Further Terms of the Offer*" before taking any action.

The making of the Offer to Overseas Existing Holders or to persons who are custodians, nominees of or trustees for such persons and the availability of the PLC Offer Shares to such persons may be prohibited or affected by the laws of the relevant jurisdiction. Such Overseas Existing Holders should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any Overseas Existing Holders wishing to accept the Offer to satisfy himself/herself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including obtaining any governmental, exchange control or other consents which may be required or compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such Overseas Existing Holders shall be responsible for any such issue, transfer or other taxes or duties or other payments by whomsoever payable and TBC PLC (and any person acting on behalf of TBC PLC) shall be fully indemnified and held harmless by such Overseas Existing Holders for any such issue, transfer or other taxes or duties or other payments which TBC PLC (and any person acting on behalf of TBC PLC) may be required to pay.

Overseas Existing Holders should consult their own legal, financial and tax advisers with respect to the legal, financial and tax consequences of the Offer in their particular circumstances.

The Offer is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission or telephone) of interstate or foreign commerce of, or by means of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within such Restricted Jurisdiction (unless otherwise determined by TBC PLC).

The Offer is being made in the United States in reliance on, and in compliance with, Regulation 14E under the Exchange Act. The Offer is being made subject to United Kingdom disclosure requirements which are different from certain United States disclosure requirements. In addition, US investors should be aware that this Prospectus has been prepared in accordance with a United Kingdom format and style, which differs from the United States format and style. In particular, parts of this Prospectus contain information concerning the Offer required by UK disclosure requirements which may be material and may not have been summarised elsewhere in the document. Furthermore, the payment and settlement procedure with respect to the Offer will comply with the relevant United Kingdom rules and practice, which differ from United States payment and settlement procedures. TBC PLC will comply, to the extent applicable, with the requirements of Regulation 14E under the Exchange Act in connection with the Offer.

PLC Offer Shares have not been, and will not be, registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States. PLC Offer Shares may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Offer is being made in the United States in reliance on the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) of that Act. All Existing Holders who intend to accept, or procure the acceptance of, the Offer will be required to complete and execute a Certification Form containing certain acknowledgements, representations, warranties and agreements. US Holders that certify that they are qualified institutional buyers, as defined in Rule 144A under the Securities Act, or institutional accredited investors, within the meaning of Rule 501(a)(1), (2), (3) or

(7) under the Securities Act, and otherwise satisfy the requirements set forth in the Certification Form ("**Participating US Holders**") will receive PLC Offer Shares in consideration for tendering their Existing Securities in accordance with the terms of the Offer. In order to accept the Offer, Existing Holders must make the certifications as provided in the Certification Form. See Paragraphs 5 and 9 of Part B of Part XVII *"Conditions to and Further Terms of the Offer"* for further information.

9. Settlement

Subject to the Offer being declared wholly unconditional, settlement of the PLC Offer Shares to which any Participating Holders (or the first named Existing Holder in the case of joint investors) are entitled under the Offer will be implemented within 14 days of the Offer being declared wholly unconditional through the issue and delivery of the relevant number of PLC Offer Shares as described below.

Upon allotment and issuance of the relevant PLC Offer Shares, the delivery of the relevant number of PLC Offer Shares to the Existing Holders will be effected as follows:

(a) with respect to Bank Shareholders, by delivery in uncertificated form to the account of the Bank in CREST and crediting such Bank Shareholders' direct or indirect accounts with the Georgian Exchange Agent;

(b) with respect to Regulation S GDR Holders who delivered a valid acceptance through Euroclear or Clearstream, by delivery to Euroclear or Clearstream for distribution by Euroclear or Clearstream, as applicable, to such GDR Holders; and

(c) with respect to Rule 144A GDR Holders who delivered a valid acceptance to the Exchange Agent, by delivery in uncertificated form in CREST to the accounts of such Rule 144A GDR Holders who have provided CREST delivery instructions or by delivery in certificated form if incorrect CREST delivery details have been provided or a Rule 144A GDR Holder has elected to receive such PLC Offer Shares in certificated form. If a GDR Holder has not provided valid CREST details or a name and address for delivery of PLC Offer Shares in certificated form, the PLC Offer Shares will be registered in the name of, and the certificate will be delivered to, the DTC participant that delivered the Rule 144A GDRs to the Exchange Agent.

If any Existing Securities are not accepted by TBC PLC under the Offer, including as a result of the Offer being terminated or not being declared wholly unconditional:

(a) in the case of Bank Shares, the relevant Bank Shares will be held by the Georgian Exchange Agent for the Bank Shareholders until further instructions are received;

(b) in the case of Regulation S GDRs, the Regulation S GDRs will be released for trading in accordance with Euroclear's or Clearstream's normal procedures; and

(c) in the case of Rule 144A GDRs, the Rule 144A GDRs will be returned to the account from which they were delivered to the Exchange Agent.

All remittances, communications, notices, certificates and documents of title sent by, to or from Existing Holders or their appointed agents will be sent at their own risk.

10. Taxation

The attention of Existing Holders is drawn to Paragraphs 20 to 22 (inclusive) of Part XX "*Additional Information*" which deal with taxation. An Existing Holder who is in any doubt as to his/her tax position or is subject to taxation in any jurisdiction other than the United Kingdom or Georgia, should consult an appropriate professional adviser immediately.

11. Further Information

The terms and Conditions of the Offer are set out in full in Part XVII "*Conditions to and Further Terms of the Offer*". The attention of Existing Holders is drawn to the risk factors set out in Part II "*Risk Factors*", the Conditions and further terms of the Offer set out in Part XVII "*Conditions and Further Terms of the Offer*", the information on the Group contained in Part XX "*Additional Information*" and certain financial information on the Group set out in Part XI "*Selected Consolidated Financial and Operating Information*". The attention of the Existing Holders is also drawn to Part XIX "*Comparison of Shareholder Rights in the Bank and Shareholder Rights in TBC PLC*".

Questions and requests for assistance in connection with the Offer may be directed to the Georgian Information Agent (in relation to acceptances of the Offer with respect of the Bank Shares) or the Information Agent (in relation to acceptances of the Offer with respect to the GDRs) at their respective addresses and telephone numbers set forth below.

Neither the Georgian Information Agent nor the Information Agent will provide any recommendation or investment advice in relation to the Offer.

The Tender Offer Documents and any announcements with respect to the Offer and the contact details of the Georgian Exchange Agent and the Exchange Agent are and will be made available at: www.tbcbankgroup.com and www.tbcbank.ge. For information and documentation regarding the Offer, including any required Forms of Acceptance and Certification Forms, please contact the Georgian Information Agent (in respect of Bank Shares) or the Information Agent (in respect of GDRs) at:

In respect of Bank Shares: Georgian Information Agent

TBC Capital LLC

By post:	7 Marjanishvili Street Tbilisi, 0102 Georgia
By telephone:	+(995 32) 227 27 33 +(995) 59 948 86 08
By email:	info@tbccapital.ge

In respect of GDRs: Information Agent

DF King

By post:	125 Wood Street London EC2V 7AN United Kingdom
By telephone:	US toll free: +1 800 260 1607 (line open from 8:30 am until 6:00 pm London time) UK number: +44 207 920 9700
By email:	tbcbank@dfkingltd.com

Calls to the Georgian Information Agent or Information Agent may incur additional costs, in addition to the relevant service provider's network extras. Calls to the helpline from outside Georgia or the UK or the US (as applicable) will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

For legal reasons, the helpline will only be able to provide information contained in the Tender Offer Documents and will be unable to give advice on the merits of the Offer or as to whether or not you should accept the Offer or provide any other financial, tax, legal or investment advice.

PART V

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the FCA, shall be incorporated in, and form part of, this Prospectus:

- the Audited Consolidated Financial Statements and the accompanying auditors' report (contained on pages 113 to 198, inclusive, of TBC's Annual Report 2015); and
- the Unaudited Interim Consolidated Financial Statements and the accompanying auditors' review report.

Those parts of the above documents which are not incorporated by reference in this Prospectus (including pages 1 to 112 and 199 to 200 of the Annual Report) are either not relevant for an investor or are covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus will be available for inspection free of charge on the website www.tbcbankgroup.com and in person during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus at the offices of TBC PLC at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE.

PART VI

PRESENTATION OF INFORMATION

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Group's plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, future costs, performance or growth of its loan portfolio, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development, business strategy and the trends the Group anticipates in the Georgian economy and in the industries and the political and legal environment in which it operates and other information that is not historical information. Forward-looking statements appear in various sections of this Prospectus, including, without limitation, under the headings "*Summary*", "*Risk Factors*", "*Banking Sector and Banking Regulation in Georgia*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and "*Description of Business*".

Words such as "believe", "anticipate", "estimate", "target", "potential", "expect", "intend", "predict", "project", "could", "should", "may", "will", "plan", "aim", "seek" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under Part II "*Risk Factors*", as well as those included elsewhere in this Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Accordingly, investors should not place undue reliance on forward-looking statements and, when looking at forward-looking statements, should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Bank operates. The forward-looking statements in this Prospectus speak only as of the date of this Prospectus. Accordingly TBC PLC does not undertake any obligation to update or revise any of them (whether as a result of new information, future events or otherwise) other than as required by applicable laws, the Listing Rules, the Disclosure and Transparency Rules or the Prospectus Rules of the UK Listing Authority. TBC PLC does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to TBC PLC or persons acting on TBC PLC's behalf and any projections made by third parties included in this Prospectus.

Presentation of Financial and Other Information

Financial Information

The Group's unaudited consolidated financial statements as of and for the three months ended 31 March 2016 and the notes thereto (the "**Unaudited Consolidated Interim Financial Statements**") incorporated into this Prospectus by reference, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", and the Group's audited consolidated financial statements as of and for the year ended 31 December 2015 (which contain financial information for the years ended 31 December 2015, 2014 and 2013) and the notes thereto (the "**Audited Consolidated Financial Statements**") incorporated into this Prospectus by reference, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"), including all International Accounting Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Group's operations. The Audited Consolidated Financial Statements were audited by the Bank's independent auditors, PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch, in accordance with International Standards on Auditing.

Unless otherwise stated, the financial information relating to the Group has been extracted from the audited consolidated financial statements of the Group for the relevant financial year (presented in accordance with IFRS, as adopted by the European Union). All unaudited financial information in this Prospectus has been extracted without material adjustment from the Group's unaudited management accounts. Certain amounts that appear in this Prospectus have been subject to rounding adjustments.

Non-IFRS Measures

This Prospectus includes certain non-IFRS measures, such as return on equity, return on assets, net interest margin, net interest spread, ratio of Non-performing Loans, cost to income ratio, capitalisation and other ratios, that are not required by, or presented in accordance with, IFRS. The PLC Directors believe that the presentation of these non-IFRS measures and ratios is helpful to investors because these and other similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance, financial position and liquidity. These non-IFRS measures and ratios may not be comparable to similarly titled measures or ratios used by other banks, and they should not be considered as substitutes for the information contained in the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements.

Average balance sheet and interest rate data

Unless otherwise indicated, the average balances included in this Prospectus, including average rates, cost of risk, spreads, margins, return on average total equity, return on average total assets and all ratios related to the individual retail, corporate, SME and micro segments are calculated as the average of the relevant monthly balances as at each month end during the years ended 31 December 2015, 2014 and 2013 and during the quarters ended 31 March 2016 and 2015. Balances as at 31 December 2015, 2014 and 2013 have been derived from the Audited Consolidated Financial Statements. Balances as at the remaining month ends, in each case, have been derived from the Group's unaudited consolidated management accounts prepared from the Group's accounting records and used by Management for monitoring and control purposes. Calculation of average balances using different methods of calculation could result in material differences from the figures set forth below and elsewhere in this Prospectus. All average balances and rates included in this Prospectus are unaudited.

Market, Industry and Economic Information

TBC PLC obtained certain information and statistics in this Prospectus, including certain information and statistics concerning the Georgian banking market and the Group's competitors, from private and publicly available information, including principally annual reports, industry publications, market research, press releases, filings under various securities laws and official data published by certain Georgian Government agencies. The main source for market information and foreign exchange data used in this prospectus is the National Bank of Georgia. TBC PLC obtained Georgian macroeconomic data principally from the Legal Entity of Public Law National Statistics Office of Georgia ("**Geostat**"), the Government of Georgia, the NBG and the International Monetary Fund (the "**IMF**"). TBC PLC accepts responsibility for having accurately reproduced information obtained from third parties, and, so far as TBC PLC is aware and has been able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

General Information

Unless otherwise stated all information contained in this Prospectus, including all historical financial information, is information of TBC PLC and the Group (the Group being defined as: (i) the Bank and its subsidiaries prior to closing of the Offer; and (ii) TBC PLC and its subsidiaries, including the Bank and its subsidiaries following closing of the Offer).

Recipients of this Prospectus are advised to read this Prospectus and, in particular, Part I "*Summary*", Part II "*Risk Factors*" and Part X "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for a further discussion of the factors that could affect the Group's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Prospectus may or may not occur. Existing Holders should note that the contents of these paragraphs

relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

Except to the extent expressly set out in this Prospectus, neither the contents of TBC PLC or the Bank's website (or any other website) nor the content of any website accessible from hyperlinks on TBC PLC or the Bank's website (or any other website) is incorporated into, or forms part of, this Prospectus.

Capitalised terms have the meanings ascribed to them in Part XXI "*Definitions*" of this Prospectus.

Enforceability of Foreign Judgements and Arbitral Awards

TBC PLC is incorporated in the United Kingdom, but, following Admission, its principal asset will be Bank Shares. The Bank is a joint stock company incorporated in Georgia and is governed by the laws of Georgia. A substantial portion of the assets of TBC Bank are located in Georgia and most of the members of the Bank's Management Board and its executive officers reside or are located in Georgia. As a result, it may not be possible for investors to effect service of process upon TBC Bank or any members of the Bank Management Board and/or its executive officers. In addition, investors may not be able to bring an original action in Georgia based upon English law, or obtain, or enforce a foreign court judgment based upon English law in Georgia.

Subject to the satisfaction of certain conditions, foreign court judgments (including judgments of the courts of England and Wales) are recognised and enforceable in Georgia under Articles 68 and 70 of the Law of Georgia on International Private Law. In general, foreign court judgments are recognised and enforceable in Georgia unless: (a) the matter is within the exclusive competence of Georgia; (b) there has been a violation of procedure relating to the service of process or other procedural irregularities under the law of the country of the court which rendered the judgment; (c) a dispute involving the same subject matter between the same parties has already been decided by a Georgian court or by a foreign court judgment and the relevant court judgment has been recognised in Georgia; (d) the court rendering the judgment is not considered competent to adjudicate the dispute under Georgian legislation; (e) the country whose court has rendered the judgment does not recognise judgments of Georgian courts; (f) a dispute involving the same subject matter between the same parties is already being heard in a Georgian court or (g) the judgment of the foreign court contradicts fundamental legal principles of Georgia. However, no treaty exists between the United Kingdom and Georgia or the United States and Georgia for the reciprocal enforcement of foreign court judgments and Georgian courts have limited experience enforcing foreign court judgments. As a result, investors may not be able to, or may experience significant delays in trying to, enforce judgments obtained in the English courts or any other foreign courts against TBC Bank, its management and/or its executive directors.

Georgia is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("**New York Convention**"). Therefore, an arbitral award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be recognised and enforceable in Georgia, subject to the terms of the New York Convention and compliance with the Law of Georgia on Arbitration, the Georgian civil procedure regulations and other procedures and requirements established by the Georgian legislation. However, it may be difficult to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial transactions and certain procedural ambiguities, thereby introducing delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

Currency and Exchange Rates

In this Prospectus, all references to "Lari" and "GEL" are to the lawful currency of Georgia; all references to "Dollars," "U.S. Dollars", "U.S.$" and "USD" are to the lawful currency of the United States of America; all references to "Euros", "€" and "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; and all references to "Pounds Sterling", "£" or "GBP" are to the lawful currency of the United Kingdom.

Solely for the convenience of the reader, this Prospectus contains translations of certain Lari amounts into U.S. Dollars at exchange rates as reported by the NBG and effective as of the dates specified herein. These exchange rates may differ from the actual rates used in the preparation of the Audited Consolidated Financial Statements and other financial information appearing in this Prospectus. The

inclusion of these exchange rates is not meant to suggest that the Lari amounts actually represent such U.S. Dollar amounts or that such amounts could have been converted into U.S. Dollars at any particular rate, or at all. References to "billions" are to thousands of millions.

The following table sets forth, for the years indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per U.S. Dollar.

	High	Low	Average	Period End
		(Lari per U.S. Dollar)		
2015	2.4499	1.8780	2.2750	2.3949
2014	1.9527	1.7241	1.7664	1.8636
2013	1.7376	1.6348	1.6636	1.7363
2012	1.6751	1.6193	1.6509	1.6567
2011	1.8111	1.6388	1.6853	1.6703

Source: NBG.

The following table sets forth, for the months indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per U.S. Dollar.

	High	Low	Average	Period End
		(Lari per U.S. Dollar)		
May (up to and including 26 May 2016)	2.2238	2.1459	2.1856	2.1473
April 2016	2.3177	2.2309	2.2643	2.2309
March 2016	2.4716	2.2953	2.3830	2.3679
February 2016	2.4948	2.4702	2.4840	2.4778
January 2016	2.4985	2.3966	2.4414	2.4719
December 2015	2.4107	2.3846	2.3992	2.3949
November 2015	2.4081	2.3957	2.4010	2.4051

Source: NBG.

The Lari per U.S. Dollar exchange rate as reported by the NBG on 26 May 2016 was GEL 2.1473.

PART VII

DIRECTORS, SECRETARY AND ADVISERS

Directors	Mamuka Khazaradze Badri Japaridze Vakhtang Butskhrikidze Giorgi Shagidze Nikoloz Enukidze Stefano Marsaglia Nicholas Dominic Haag Eric J. Rajendra Stephan Wilcke

Each PLC Director's business address is TBC PLC's registered address at 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom.

Company Secretary/Registered Office	TMF Corporate Administration Services Limited 5th Floor 6 St. Andrew Street London EC4A 3AE United Kingdom
Sponsor	Barclays Bank PLC 5 The North Colonnade London E14 4BB United Kingdom
Legal Adviser to TBC PLC and the Bank as to English and US Law	Baker & McKenzie LLP 100 New Bridge Street London EC4V 6JA United Kingdom
Legal Adviser to TBC PLC and the Bank as to Georgian Law	DLA Piper Georgia LLP 10 Melikishvili Avenue Tbilisi, 0179 Georgia
Legal Adviser to the Sponsor as to English and US Law	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
Legal Adviser to the Sponsor as to Georgian Law	BGI Legal BGI Advisory Services Georgia 18, Rustaveli Avenue Tbilisi, 0108 Georgia
Independent Auditors of the Bank	PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch 7 Bambis Rigi Street Business Center Mantashevi Tbilisi, 0105 Georgia
Exchange Agent	The Bank of New York Mellon 101 Barclay Street, 22 West New York, NY 10286 United States

Georgian Exchange Agent	TBC Capital LLC 7 Marjanishvili Street Tbilisi, 0102 Georgia
UK Registrar (Registrar to TBC PLC)	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA United Kingdom
Georgian Registrar (Registrar to the Bank)	Joint Stock Company Kavkasreestri 74a Chavchavadze Avenue Tbilisi, 0162 Georgia
Solicitation Agent	DF King One Ropemaker Street London EC2Y 9AW United Kingdom
Information Agent	DF King One Ropemaker Street London EC2Y 9AW United Kingdom
Georgian Information Agent	TBC Capital LLC 7 Marjanishvili Street Tbilisi, 0102 Georgia

PART VIII

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Group's capitalisation and indebtedness as at 31 March 2016. The financial information relating to the Group's capitalisation and indebtedness has been extracted without material adjustment from the Group's Unaudited Consolidated Interim Financial Statements. This information should be read in conjunction with Part X "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Unaudited Consolidated Interim Financial Statements.

	As of 31 March 2016 (unaudited) (GEL thousands)
Indebtedness[1]	
Due to credit institutions[2]	
Of which:	
Guaranteed	—
Secured[3]	314,359
Unguaranteed/unsecured[4]	541,121
Total due to credit institutions	**855,480**
Debt securities in issue	
Of which:	
Guaranteed	—
Secured	—
Unguaranteed/unsecured[4]	21,424
Total debt securities in issue	**21,424**
Subordinated Debt	
Of which	
Guaranteed	—
Secured	—
Unguaranteed/unsecured[4]	303,381
Total subordinated debt	**303,381**
Total indebtedness	**1,180,285**

	As of 31 March 2016 (unaudited) (GEL thousands)
Capitalisation[5]	
Share capital	19,612
Share premium	408,274
Share based payment reserve	14,754
Revaluation reserve for premises	59,532
Total Capitalisation	**502,172**

Notes:

(1) The statement of indebtedness does not classify customer accounts, correspondent accounts and overnight placements and deposits from banks as indebtedness as the taking of deposits is part of the core business of the Group.

(2) The amounts due to credit institutions exclude the amounts due to other banks, which comprise correspondent accounts and overnight placements and deposits from banks.

(3) The Group's secured debt due to credit institutions represents mainly the funding received from the local banks, including the NBG, and the borrowings from International Financial Institutions. These are secured with available for sale debt securities, loan portfolio and lease receivables of the Group.
(4) The Group's unguaranteed/unsecured debt includes borrowings and subordinated debt from foreign banks and International Financial Institutions and debt securities in issue.
(5) There has been no material change to the Group's capitalisation since 31 March 2016. As at 30 April 2016, the share capital and the share premium have increased by GEL 0.4 million due to accelerated vesting of 27,680 shares in accordance with the LTIP. The share based payment reserve has increased by GEL 0.8 million reflecting the vesting of shares and the accrual of the monthly share-based payment charge.
(6) The Group has no indirect or contingent indebtedness as at 31 March 2016.

TBC Bank Group PLC

TBC PLC was incorporated on 26 February 2016 and will be the new holding company for the Group from Admission. Since incorporation it has not incurred any indebtedness (except in respect of the costs of preparation for the Offer and Admission) and has no material equity reserves. The issued and fully paid up capital of TBC Bank Group PLC was £50,010 (being the Subscriber Shares and the 50,000 Redeemable Shares) as at the date of this Prospectus. No financial information for TBC PLC has been audited.

PART IX

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following tables present selected consolidated financial information of the Group as of and for the three months ended 31 March 2016 and as of and for the years ended 31 December 2015, 2014 and 2013, which has been extracted without material adjustment from, should be read in conjunction with, and is qualified in its entirety by, the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements, as well as the sections entitled "*Capitalisation and Indebtedness*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", included elsewhere in this Prospectus.

Consolidated Results of Operations

The following table sets out the principal components of the Group's consolidated statement of profit or loss and other comprehensive income for the periods indicated.

	For the three months ended 31 March		For the year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)			(audited)	
			(GEL thousands)		
Interest income	174,859	146,549	649,059	512,357	474,796
Interest expense	(65,976)	(50,878)	(236,885)	(173,709)	(192,146)
Net interest income	**108,883**	**95,671**	**412,174**	**338,648**	**282,650**
Fee and commission income	29,547	25,024	113,837	88,203	74,361
Fee and commission expense	(11,250)	(8,405)	(41,546)	(29,523)	(24,301)
Net fee and commission income	**18,297**	**16,619**	**72,291**	**58,680**	**50,060**
Gains less losses from trading in foreign currencies	14,619	8,331	64,642	39,730	37,894
Foreign exchange translation of (losses less gains)/gains less losses	8	9,338	2,579	2,359	(5,901)
Gains less losses/(losses less gains) from derivative financial instruments	(363)	(438)	(575)	(683)	613
Other operating income	3,668	4,607	25,883	19,600	16,136
Other operating non-interest income	**17,932**	**21,838**	**92,529**	**61,006**	**48,742**
Provision for loan impairment	(13,067)	(29,385)	(72,791)	(48,672)	(32,971)
Provision for impairment of investments in finance lease	(185)	(103)	(967)	(77)	(98)
Recovery of/ (Provision for) performance guarantees and credit related commitments	(1,030)	820	1,117	902	(6,459)
Provision for impairment of other financial assets	(48)	(339)	(3,351)	(1,236)	(2,236)
Impairment of investment securities available for sale	(11)	—	—	(22)	(1,142)
Operating income after provisions for impairment	**130,771**	**105,121**	**501,002**	**409,229**	**338,546**
Staff costs	(34,172)	(30,853)	(142,777)	(122,835)	(108,613)
Depreciation and amortisation	(6,566)	(6,206)	(26,286)	(24,427)	(19,993)
Provision for liabilities and charges	—	—	(1,102)	(5,500)	(1,315)
Administrative and other operating expenses	(23,560)	(15,534)	(82,964)	(73,548)	(68,692)
Operating expenses	**(64,298)**	**(52,593)**	**(253,129)**	**(226,310)**	**(198,613)**
Profit before tax	**66,473**	**52,528**	**247,873**	**182,919**	**139,933**
Income tax expense	(7,777)	(6,889)	(29,176)	(24,468)	(15,663)
Profit for the period	**58,696**	**45,639**	**218,697**	**158,451**	**124,270**
Other comprehensive income for the period	607	(4,830)	9,446	54	8,901
Total comprehensive income for the period	**59,303**	**40,809**	**228,143**	**158,505**	**133,171**

Consolidated Statement of Financial Position

The following table sets out the Group's assets, liabilities and equity as of the dates indicated.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)	(audited) (GEL thousands)		
Assets				
Cash and cash equivalents	688,118	720,347	532,118	390,465
Due from other banks	12,591	11,042	33,704	1,708
Mandatory cash balances with the NBG	452,398	471,490	336,075	295,332
Loans and advances to customers	4,298,291	4,444,886	3,556,496	2,801,712
Investment securities available for sale	224,614	307,310	466,510	500,651
Bonds carried at amortised cost	367,045	372,092	—	—
Investments in finance leases	78,950	75,760	50,907	35,613
Investment properties	69,461	57,600	76,216	83,383
Current income tax prepayment	10,671	9,856	251	6,202
Deferred income tax asset	2,301	1,546	383	—
Other financial assets	55,380	64,317	43,857	45,049
Other assets	96,920	103,912	77,775	65,075
Premises and equipment	249,756	247,767	208,692	199,668
Intangible assets	45,129	44,344	37,756	23,491
Goodwill	2,726	2,726	2,726	2,726
Total assets	**6,654,351**	**6,934,995**	**5,423,466**	**4,451,075**
Liabilities				
Due to credit institutions	1,002,300	1,113,574	749,285	565,806
Customer accounts	3,931,623	4,177,931	3,322,428	2,886,883
Other financial liabilities	38,563	39,435	41,346	24,850
Current income tax liability	468	912	12,433	—
Debt securities in issue	21,424	21,714	20,423	4,474
Deferred income tax liability	35,838	29,244	23,187	27,814
Provisions for liabilities and charges	10,491	9,461	11,898	12,380
Other liabilities	29,687	40,627	34,975	31,305
Subordinated debt	303,381	283,648	188,015	168,274
Total liabilities	**5,373,775**	**5,716,546**	**4,403,990**	**3,721,786**
Equity				
Share capital	19,612	19,587	19,576	16,499
Share premium	408,274	407,474	405,658	242,624
Retained earnings	772,225	712,743	532,992	402,627
Share based payment reserve	14,754	12,755	4,624	2,032
Revaluation reserve for premises	59,532	59,532	35,096	36,735
Revaluation reserve for available-for-sale securities	6,390	5,759	8,675	10,716
Cumulative currency translation reserve	(6,614)	(6,590)	5,484	3,389
Net assets attributable to owners	**1,274,173**	**1,211,260**	**1,012,105**	**714,622**
Non-controlling interest	**6,403**	**7,189**	**7,371**	**14,667**
Total equity	**1,280,576**	**1,218,449**	**1,019,476**	**729,289**
Total liabilities and equity	**6,654,351**	**6,934,995**	**5,423,466**	**4,451,075**

Selected Financial Ratios

The following table sets out the Group's selected financial ratios and the Bank's standalone tier 1 and total capital adequacy ratios for the periods indicated.

	For the three months ended 31 March		For the years ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited) (GEL thousands except percentages)				
Profitability ratios:					
ROAA[(1)]	3.5%	3.2%	3.4%	3.3%	3.1%
ROAE[(2)]	19.3%	17.9%	20.1%	18.4%	18.7%
Interest income to average interest earning assets	12.4%	12.3%	12.3%	12.8%	14.1%
Cost of funds[(3)]	4.8%	4.5%	4.6%	4.6%	5.9%
Net interest margin[(4)]	7.7%	8.0%	7.8%	8.5%	8.4%
Net interest spread[(5)]	7.6%	7.8%	7.7%	8.2%	8.2%
Loan yield[(6)]	13.6%	13.5%	13.6%	14.9%	16.6%
Deposit yield[(7)]	3.6%	3.7%	3.5%	3.7%	5.5%
Net fee and commission income to total income	12.6%	12.4%	12.5%	12.8%	13.1%
Efficiency ratios:					
Cost to income ratio	44.3%	39.2%	43.9%	49.4%	52.1%
Total operating expense to average total assets	3.8%	3.7%	4.0%	4.8%	5.0%
Liquidity ratios:					
Net loans to total deposits	109.3%	108.0%	106.4%	107.0%	97.0%
Liquid assets to total assets	26.0%	23.8%	27.0%	25.0%	26.6%
Leverage (times)	5.20	5.66	5.69	5.32	6.10
Asset quality:					
Allowance at period end for loan impairment to gross loans	4.3%	4.1%	4.2%	4.0%	5.3%
Impairment charge on loans to customers to gross loans to customers	1.2%	3.0%	1.7%	1.6%	1.3%
Capital Adequacy (at period end):					
Basel I Tier I capital adequacy ratio	26.6%	23.9%	24.7%	24.7%	21.6%
Basel I total capital adequacy ratio	33.3%	29.6%	31.0%	30.4%	28.6%
Basel II/III Tier I capital adequacy ratio	13.3%	12.1%	12.8%	12.4%	10.7%
Basel II/III total capital adequacy ratio	16.8%	15.1%	16.0%	15.0%	14.4%

Notes:

(1) Return on average total assets is profit for the period from continuing operations divided by average totals assets of the period.

(2) Return on average total equity is profit for the period from continuing operations attributable to Bank Shareholders divided by average total equity of the period attributable to Bank Shareholders.

(3) Cost of funds equals interest expense divided by average interest bearing liabilities of the period. Interest bearing liabilities include amounts due to credit institutions and amounts due to customers.

(4) Net interest income divided by average-interest-earning assets of the period. Interest-earning assets include placements with credit institutions with maturity up to 90 days, amounts due from credit institutions, loans to customers (gross), finance lease receivables (gross) and investment securities (interest-earning securities only).

(5) Net interest spread is calculated as the difference between cost of funds and interest income to average interest-earning assets.

(6) Loan yield equals total interest income from loans for the period divided by the average total gross loans for the same period.

(7) Customer deposit yield equals total interest expense from amounts due to customers for the period divided by the average total amounts due to customers for the same period.

PART X

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in TBC's results of operations and financial condition. Historical results may not indicate future performance. The forward-looking statements contained in this review are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such differences include, but are not limited to, those discussed in ''Presentation of Financial and Other Information-Forward-Looking Statements'' and ''Risk Factors''. In this Prospectus, the consolidated financial statements presented are those of TBC. Unless otherwise indicated, all of the financial data and discussions thereof are based on the Audited Consolidated Financial Statements, the Unaudited Consolidated Interim Financial Statements and the unaudited consolidated management accounts, and should be read in conjunction with the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements included elsewhere in this Prospectus. See ''Presentation of Financial and Certain Other Information''.

Overview

TBC is one of the leading universal banking groups in Georgia, with a total market share of 28.0% of loans and 27.3% of non-banking deposits in Georgia as at 31 March 2016, according to data published by the NBG. It holds the number one position in deposits of individuals, the number two position in loans (both to individuals and to legal entities) and in deposits of legal entities, according to NBG data, and has a particular expertise in the fast-growing SME and micro sectors, where TBC considers itself a market leader.

TBC offers a wide range of banking products and services to its retail, corporate, SME and micro clients. TBC's lending activities include providing business, mortgage, consumer and micro loans, as well as guarantees, letters of credit and overdrafts. TBC also offers current and savings accounts and term deposits, credit and debit cards, currency exchange facilities and other products. Apart from its core activities, TBC offers certain leasing, brokerage, advisory and research, and other services through its subsidiaries. In addition, TBC has credit operations in Azerbaijan (TBC Kredit) and operations in Israel focused on deposit collection (TBC Invest).

TBC has a leading and award-winning multi-channel distribution platform, with particular expertise in remote access electronic distribution channels. TBC's distribution platform in Georgia at 31 March 2016 comprised 123 branches and a broad range of pioneering electronic banking operations, including internet and mobile phone banking and electronic payment terminals. The PLC Directors believe that TBC has the most productive distribution network of any bank in Georgia by volume of loans, deposits and revenue per branch. In addition, TBC has one of the largest networks of automated teller machines (''**ATMs**'') and point of sale (''**POS**'') terminals in Georgia, consisting of 548 ATMs and 9,608 POS terminals. In addition, TBC has recently launched an innovative redesigned branch concept to further enhance customer satisfaction and improve customer experience.

TBC's operations are predominantly focused on the Georgian banking market, which operations accounted for 98.9% of TBC's total assets and 105.5% of its profit as at and for the three months ended 31 March 2016. TBC's retail and corporate segments are its key business areas, accounting for 45.4% and 30.0% of its total gross loans as at 31 March 2016, respectively. Although TBC's SME and micro businesses experienced significant growth of 16.4% and 31.8%, respectively, in value of total gross loans in 2015, these segments are still currently relatively small, accounting for 13.6% and 11.0%, respectively, as at 31 March 2016. The PLC Directors believe that TBC's SME and micro segments in particular continue to have significant growth potential.

As at 31 March 2016, TBC had total assets of GEL 6.7 billion, total gross loans and total deposits of GEL 4.5 billion and GEL 3.9 billion, respectively, and total equity of GEL 1,280.6 million. TBC's profit was GEL 58.7 million for the three months ended 31 March 2016 and GEL 218.7 million for the year ended 31 December 2015. TBC's cost to income and ROAE ratios were 44.3% and 19.3%, respectively, for the three months ended 31 March 2016 and 43.9% and 20.1%, respectively, for the year ended 31 December 2015. As at 31 March 2016 TBC had 5,153 employees.

TBC Bank is financially robust and has a high quality balance sheet, with a gross loan to deposit ratio of 114.3%, a Non-performing Loan to gross loan portfolio ratio of 4.8% and a net stable

funding ratio of 117.3% as at 31 March 2016. TBC's capital adequacy ratio has also been maintained at well above the applicable minimums required by the BIS Guidelines and the NBG. The PLC Directors believe that these capital levels provide a strong capital base to support TBC. See "*Selected Statistical and Other Information-Capital and Capital Adequacy*".

Key Factors Affecting TBC's Financial Condition and Results of Operations

TBC's financial condition and results of operations are affected by numerous factors. The PLC Directors believe that the following are of particular importance:

General economic conditions in Georgia

Because TBC operates primarily in Georgia, its financial condition and results of operations are, and will continue to be, highly dependent on the general economic conditions in Georgia. Georgian operations accounted for 97.8%, 96.8%, 96.6% and 96.8% of TBC's total interest income for the three months ended 31 March 2016, and the years ended 31 December 2015, 2014 and 2013, respectively, and 98.6%, 98.4%, 97.6% and 94.5% of TBC's total loans to customers were to Georgian borrowers as at 31 March 2016 and 31 December 2015, 2014 and 2013, respectively.

There has been continued growth in the Georgian economy during the periods under review. According to data published by Geostat, real GDP in Georgia grew by 3.4% in 2013, 4.6% in 2014 and 2.8% in 2015. While GDP growth in 2015 was supported by public and private consumption and increased investment in Georgia, the slowdown in the rate of growth in 2015, as compared to 2014, was mainly due to a regional economic slowdown that led to a decrease in exports. According to IMF forecasts, real GDP is expected to grow by 2.5% in 2016. In 2015, the composition of Georgia's GDP was well-diversified, with no industry sector accounting for more than 20% of GDP. According to the Ministry of Finance of Georgia, in 2015, Georgia's fiscal deficit, as a percentage of GDP, increased to 3.7% from 3.2% in 2014. The Georgian unemployment rate was 12.0% as at 31 December 2015 and 12.4% as at 31 December 2014. Exports of goods decreased by 23% between 2014 and 2015, while imports of goods have decreased by 15.3% between 2014 and 2015. Overall, the trade deficit of Georgia improved by U.S.$658 million, or 11.5%, between 2014 and 2015. Foreign direct investment decreased in 2015 by 23.2% to U.S.$1,351 million, compared to U.S.$1,758 million in 2014 and U.S.$942 million in 2013. Georgia's current account deficit for 2015 decreased to an estimated U.S.$ 1,641 million, compared to U.S.$1,753 million in 2014 and U.S.$938 million in 2013. The Lari/U.S. Dollar exchange rate was 2.3949 as at 31 December 2015, 1.8636 as at 31 December 2014, and 1.7363 as at 31 December 2013. Although the Lari/U.S. Dollar exchange rate remained relatively stable in 2013 and 2014, the Lari depreciated against the U.S. Dollar by 29% between 31 December 2014 and 31 December 2015. Despite its sharp depreciation against the U.S. Dollar, the "nominal effective exchange rate" of the Lari (which is equal to the weighted average exchange rate of the Lari against a basket of currencies of a number of Georgia's key trading partners) depreciated by only 4% between 2014 and 2015, according to the NBG. Since mid-March 2016, the depreciation trend of the Lari has reversed as a result of continued improvements in Georgia's trade balance and a sharp rise in inflows from tourism.

Responding to increased inflation expectations, NBG tightened its monetary policy. During 2015, the monetary policy rate increased gradually from 4.0% to 8.0%. As a result, inflation was 4.9% in December 2015, which closely aligned with the NBG's target inflation rate of 5.0%. Along with the appreciation of the Lari in the first quarter of 2016, inflation expectations began to moderate, which has allowed the NBG to gradually begin reversing its contractionary policy stance. During a meeting of the NBG's monetary policy committee held on 27 April 2016, the NBG cut the monetary policy rate from 8.0% to 7.5%. As of April 2016, consumer price index inflation stood at 3.2%.

The Georgian banking sector grew moderately during 2015 on a constant currency basis, reflecting the overall slowdown of the Georgian economy. According to the NBG, the total assets of the Georgian banking sector were GEL 25.2 billion as at 31 December 2015, compared to GEL 20.6 billion as at 31 December 2014 and GEL 17.3 billion as at 31 December 2013. Aggregate loans granted by Georgian banks grew to GEL 16.1 billion as at 31 December 2015 from GEL 13.1 billion and GEL 10.6 billion as at 31 December 2014 and 2013, respectively, and the ratio of loans to GDP as at 31 December 2015 was 50.8%, compared to 47.1% as at 31 December 2014 and 39.4% as at 31 December 2013.

TBC adopted a prudent approach and prioritised balance sheet quality over growth in 2015. TBC's total assets increased to GEL 6,935.0 million as at 31 December 2015 from GEL 5,423.5 million as at

31 December 2014 and GEL 4,451.1 million as at 31 December 2013. TBC managed to increase profitability despite the regional economic slowdown, earning a profit of GEL 218.7 million for the year ended 31 December 2015, compared to GEL 158.5 million for the year ended 31 December 2014 and GEL 124.3 million for the year ended 31 December 2013.

Yields on interest-earning assets

TBC derives the majority of its total income from net interest income. Consequently, TBC's net interest margin is a significant factor in determining TBC's profitability. Although net interest margins in Georgia remain generally higher than those in most Western European countries, they have been generally declining over the past few years, which, despite the increase rates on loans linked to the Lari refinancing rate (a result of the gradual increase in the Lari refinancing rate from 4.0% to 8.0% in 2015), is due to decreasing loan interest rates in Georgia. Increasing competition in the Georgian banking sector creates increased downward pressures on TBC's net interest margin by forcing TBC to offer lower interest rates on loans, and higher interest rates on deposits, in order to remain competitive. Decreases in interest rates on TBC's loans to customers without corresponding decreases in rates payable on deposits or other interest-bearing liabilities have a negative impact on TBC's profitability. The loan interest rates that TBC is able to offer to customers are to some extent also influenced by the monetary policy (refinancing) rates set by the NBG and by the yields on Georgian government securities, as decreases in Georgian government bond yields will generally influence market interest rates.

In addition, the proportion of loans to TBC's total interest-earning assets also impacts interest income as non-loan interest-earning assets (which are primarily amounts due from other banks, investment securities and finance leases) generally have lower yields. Gross loans and advances to customers accounted for 81.4% of TBC's total interest-earning assets as at 31 March 2016, as compared to 80.4% as at 31 December 2015, 81.1% as at 31 December 2014 and 78.8% as at 31 December 2013.

TBC's profitability is also affected by the mix of loan types in its loan portfolio. The market for corporate loans is highly competitive, with resulting downward pressure on interest rates for those loans. Competitive pressure is comparatively lower for loans in the retail, SME and micro segments, which typically have higher interest rates than do corporate loans. Corporate loans, which comprised 30.0% of TBC's total gross loans to customers as of 31 March 2016, had an average interest rate of 10.1% as at 31 March 2016, compared to retail loans (14.6%), SME loans (11.3%) and micro loans (22.3%) as at the same date. Increases in the proportion of retail, SME and micro loans in TBC's loan portfolio relative to corporate loans could have a positive effect on TBC's profitability. As at 31 March 2016, retail loans accounted for the largest portion of total gross loans to customers, representing 45.4% of the total, compared to 43.5%, 45.0% and 40.8% as at 31 December 2015, 2014 and 2013, respectively. The proportion of SME and micro loans have also increased, with SME and micro loans growing from 13.3% and 6.8%, respectively, of total gross loans as at 31 December 2013, to 14.4% and 7.4%, respectively, as at the same date in 2014, and to 13.5% and 10.6%, respectively, as at the same date in 2015 and to 13.6% and 11.0% as at 31 March 2016. Over the same period, the proportion of corporate loans in the gross loan portfolio has decreased, representing 30.0% as at 31 March 2016, compared to 32.3%, 33.2% and 39.1% of total gross loans as at 31 December 2015, 2014 and 2013, respectively. See "*Selected Statistical and Other Information—Loan Portfolio—Loans to customers by type*".

The mix of loan currencies in TBC's loan portfolio also has an impact on TBC's profitability. Because most Lari-denominated loans are short-term consumer loans with higher interest rates (such as instalment loans and credit cards), loans denominated in Lari have enjoyed higher average rates in the periods under review than loans denominated in foreign currencies. In the first three months of 2016, and in the years 2015, 2014 and 2013, TBC's Lari-denominated loans had an average rate of 19.5%, 18.4%, 19.3% and 22.6%, respectively, compared to 10.5%, 11.1%, 12.6% and 14.4%, respectively, for loans denominated in other currencies over the same periods. See "*Selected Statistical and Other Information—Average Balances and Rates*". Lari-denominated loans provide a partial hedge against currency exchange rate fluctuations for customers whose income is also denominated in Lari, and TBC actively markets its Lari-denominated consumer loans and credit cards. Lari-denominated loans made up an increasing proportion of TBC's total gross loans over the periods under review, decreasing to 34.1% as at 31 March 2016 from 35.1%, 36.8% and 30.7% as at 31 December 2015, 2014 and 2013, respectively. See "*Selected Statistical and Other Information—Loan Portfolio—Loans by currency*". If the differences in average rates continue, continued increases in the proportion of

Lari-denominated loans in TBC's loan portfolio relative to loans in foreign currencies would positively affect TBC's profitability.

Cost of funding

The cost at which TBC is able to obtain funding for its operations directly impacts TBC's interest expense, which in turn directly affects TBC's profitability. TBC's principal sources of funding are customer deposits and accounts, amounts due to other banks (including term deposits, correspondent accounts and short-term inter-bank loans from the inter-bank market, which are used by TBC to manage its short-term liquidity needs) borrowings from international credit institutions as a source of long-term funding and subordinated loans from TBC's shareholders. TBC's cost of funding (calculated as interest expense divided by the monthly average interest-bearing liabilities), increased to 4.8% in the three months ended 31 March 2016 from 4.6% in the year ended 31 December 2015, compared to 4.6% in 2014 and 5.9% for the years ended 31 December 2014 and 2013, respectively, which had reflected a trend of decreasing interest rates on customer deposits in the market generally and changes in TBC's funding mix.

Customer deposits generally have lower interest rates than loans from banks and other financial institutions, and consequently represent a less expensive source of funding. In the periods under review, TBC intends to optimise its liabilities structure and increase the proportion of customer deposits in total liabilities, which amounted to 73.2% as at 31 March 2016 and 73.1%, 75.4% and 77.6% as at 31 December 2015, 2014 and 2013, respectively.

The cost of funding was also impacted by a slight increase in the effective interest expense on customer deposits (calculated as interest expense on customer deposits over the monthly averages of their respective balances) to 3.6% in the three months ended 31 March 2016, compared to 3.5%, 3.7% and 5.5% in the years ended 31 December 2015, 2014 and 2013, respectively, which reflected a trend of decreasing interest rates on customer deposits in the market generally. In 2015, interest rates on savings accounts remained stable whereas interest rates on term deposits decreased slightly by 0.1% to 5.7%. On-demand current and savings accounts are often either non-interest bearing or are subject to lower interest rates than term deposits, and a higher proportion of such current and savings accounts in TBC's deposit portfolio will reduce TBC's effective interest expense on deposits. For example, TBC's Lari-denominated deposits, a significant proportion of which consists of such current and savings accounts, may have a lower average rate (4.7%, 3.8%, 3.5% and 5.0% in the three months ended 31 March 2016, and the years 2015, 2014 and 2013, respectively) than deposits denominated in foreign currencies (3.2%, 3.5%, 3.8% and 5.7% in the same periods, respectively), despite the fact that Lari-denominated term deposits and savings accounts typically have higher interest rates than term deposits and savings accounts denominated in U.S. Dollars. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Credit quality of loan portfolio

In the periods under review, TBC has benefitted from a loan portfolio with relatively strong credit quality. Prior to December 2015, TBC Bank reported non-performing loans as loans that were 90 days past due ("**90 DPD Loans**"). As at 31 December 2015, 2014 and 2013, 90 DPD Loans accounted for 1.0%, 0.5% and 1.1% of the total outstanding principal amount of TBC's gross loan portfolio. In December 2015, TBC began applying an updated methodology for calculating non-performing loans, the definition of which was expanded to include loans in respect of which any portion of principal or interest is overdue by more than 90 days or there are identified underlying well-defined weaknesses that may prevent repayment of the credit obligation without recourse to collateral, regardless of the existence of any past due amount or the number of days past due ("**Non-performing Loans**"), which accounted for 4.8%, 4.8% and 3.1% as at 31 March 2016, 31 December 2015 and 31 December 2014, respectively. See "*Lending Policies and Procedures—Non-performing and Restructured Loans and overdue finance leases*". TBC's provision expense for loan impairment decreased by 55.5% to GEL 13.1 million for the three months ended 31 March 2016 from GEL 29.4 million for the three months ended 31 March 2015, primarily due to the recovery of provisions in the corporate segment partially related to the repayment of certain corporate loans and the technical increase in provisions in the first quarter of 2015 related to the depreciation of the Lari. If the effect of the depreciation of the Lari on provision charges in the first quarter of 2015 was eliminated, loan provision charges would have increased marginally by GEL 3.6 million for the three months ended 31 March 2016 as compared to the three months ended 31 March 2015. TBC's provision expense for loan impairment increased by GEL 24.1 million to GEL 72.8 million for the year ended 31 December 2015, from GEL 48.7 million for the year ended 31 December 2014. The

increase was primarily caused by the technical increase in provisions related to the depreciation of the Lari (65% of TBC's gross loan book in 2015 was denominated in foreign currencies, of which U.S. Dollar-denominated loans represented 95%). The PLC Directors estimate that the provision expense for loan impairment would have decreased by GEL 7.5 million in 2015 as compared to 2014 if the effect of the depreciation of the Lari on the provision expense for loan impairment was eliminated. This decrease was due to a number of factors, including an update to the provisioning methodology, which led to a loan provision recovery in the amount of GEL 7.7 million, one-off recoveries from large corporate borrowers and fewer overall net write-offs than in 2014.

The cost of risk (calculated as provision expense on gross loan amounts over the monthly averages of their respective balances) slightly increased from 1.6% as at 31 December 2014 to 1.7% (which the PLC Directors estimate would have been 1.1% if the effect of the depreciation of the Lari was eliminated and 1.3% if both the effect of the depreciation of the Lari and the change in the provisioning methodology were eliminated) as at 31 December 2015, and decreased to 1.2% as at 31 March 2016 (compared to 3.0% as at 31 March 2015). The increase for the year ended 31 December 2015 had a negative impact on TBC's profitability, while the decrease for the three months ended 31 March 2016 had a positive impact on TBC's profitability.

TBC's provision expense for loan impairment increased by GEL 15.7 million, or 47.6%, to GEL 48.7 million for the year ended 31 December 2014 from GEL 33.0 million for the year ended 31 December 2013. The increase was driven by increased charges on loans due to portfolio growth in 2014 and the depreciation of the Lari against the U.S. Dollar (63% of TBC's gross loan book in 2014 was denominated in foreign currencies, of which U.S. Dollar-denominated loans represented 96%). The increase in provision charges was partially offset by the recovery of provisions on performance guarantees and credit related commitments in 2014 due to the transfer of guarantees into loans and the reduction of provision levels on certain guarantees due to the improvement in their financial standing in 2014. The corresponding cost of risk increased from 1.3% as at 31 December 2013 to 1.6% as at 31 December 2014.

Growth in loan portfolio

TBC's interest income is affected by increases or decreases in the value of its loan portfolio impact. The value of TBC's total gross loans to customers decreased slightly in the first three months of 2016 to GEL 4,493.7 million as at 31 March 2016 due to a reduction in the corporate portfolio. Total gross loans to customers increased by 25.2% in 2015 to GEL 4,639.0 million as at 31 December 2015 from GEL 3,706.3 million as at 31 December 2014, principally driven by increases in the retail loan portfolio as well as by comparatively higher increases in the SME and micro loan portfolios. Total gross loans to customers also increased by 25.3% during 2014, from GEL 2,958.6 million as at 31 December 2013, driven by increased lending in each of the retail, corporate, SME and micro segments.

Non-interest income

Net fee and commission income (calculated as fee and commission income less fee and commission expense) amounted to GEL 18.3 million and GEL 16.6 million for the three months ended 31 March 2016 and 2015, respectively, accounting for 12.6%, and 12.4% of TBC's ''operating income'' (calculated as the sum of net interest income, net fee and commission income and other operating non-interest income), respectively, for the same periods. Net fee and commission income amounted to GEL 72.3 million, GEL 58.7 million and GEL 50.1 million for the years ended 31 December 2015, 2014 and 2013, respectively, accounting for 12.5%, 12.8% and 13.1% of TBC's operating income, respectively, for the same years. The key drivers of fee and commission income are card operations, guarantees and letters of credit issuances, settlement transactions and cash transactions. In each year, the increase in net fee and commission income was driven by increases in fees received from most of the sources, reflecting TBC's overall strategy to increase its fee and commission income generating capabilities by growing fees from existing sources, such as debit and credit card operations, guarantees, settlement transactions and trade finance, and by introducing new commission-based products and services related to TBC's core banking business. These initiatives include contactless debit and credit cards (which increase the number of card transactions), bancassurance sales of third-party insurance products, new money transfers, mobile payments and advisory and other services for its corporate and other key clients.

Operating expenses

TBC's operating expenses comprise staff costs, depreciation and amortisation expenses and administrative and other operating expenses. In the three months ended 31 March 2016, TBC incurred operating expenses of GEL 64.3 million, an increase of 22.3% compared to GEL 52.6 million in the three months ended 31 March 2015. The increase was in large part due to expenses related to this Offer and Admission and would have otherwise been 11.0% if the effects of those one-time costs were eliminated. In the year ended 31 December 2015, TBC incurred operating expenses of GEL 253.1 million, an increase of 11.9% compared to GEL 226.3 million in the year ended 31 December 2014 and GEL 198.6 million in the year ended 31 December 2013. This increase was primarily due to a GEL 19.9 million, or 16.2%, increase in staff costs from 2014 to 2015, which was primarily due to the implementation of a new management compensation system, a general increase in salaries, bonuses and various human resources costs related to an overall increase in the scale of the business and the revised accrual method for holidays in accordance with IFRS requirements implemented in the second quarter of 2015. The increase in operating expenses were also the result of a one-off impairment of intangible assets and an increase in rent expenses mainly due to the depreciation of the Lari.

The Group's cost to income ratio (calculated as operating expenses divided by operating income) was 44.3% and 39.2% in the three months ended 31 March 2016 and 2015, respectively, compared to 43.9%, 49.4% and 52.1% in the years ended 31 December 2015, 2014 and 2013, respectively. The increase in the three months ended 31 March 2016 was primarily due to one-time expenses amounting to GEL 5.9 million related to the Offer and Admission and the cost to income ratio would have otherwise been 40.2% if the effects of those one-time costs were eliminated. TBC has implemented a number of strategic initiatives to improve its cost to income ratio, including the implementation of a "Lean Banking" model to decrease service costs, the automation of certain decision making processes and the continued integration of the main administrative functions of TBC Bank and Bank Constanta intended to optimise staff costs and back office processes. See "*Description of Business—Strategy—Focus on continuous operational efficiency and cost management*".

Segment Information

For management and internal reporting purposes, TBC categorises each customer as falling within one of its retail, corporate, SME and micro segments. The following table sets forth the definitions used by TBC for the information presented as at 31 December 2014 and 31 December 2013:

Retail:	All individual customers of TBC and legal entity customers that have been granted gold-pawn loans.
Corporate:	Business customers which have annual revenue of GEL 8.0 million or more or have been granted a loan in an amount of U.S.$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 TBC as having strong growth potential.
SME:	Business customers that are not included either in the corporate or micro segments.
Micro:	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 U.S.$150,000.

In 2015, following the merger of Bank Constanta, the Bank Supervisory Board revised TBC's segment categorisations in order to further enhance control and monitoring of the Group's performance, resulting in a transfer of certain customers between segments. Accordingly, the definitions used by TBC for the information presented as at 31 December 2015 and thereafter is as follows:

Retail:	All individual customers that are not included in the other categories.
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 U.S.$ 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 U.S.$ 70,000, as well as pawn loans, credit cards and cash cover loans granted in TBC Bank Constanta branches, and/or have deposits up to U.S.$ 20,000 in urban areas and up to U.S.$ 100,000 in rural areas of the customers of TBC Bank Constanta branches. Some other customers may also be assigned to the micro segment on a discretionary basis.

In the future, TBC may reorganise its segments for management efficiency purposes. This may include the combination of the current micro and SME segments into a single MSME segment, as well as the reclassification of certain customers from one segment to another. Such a reorganisation may be undertaken in order to strengthen relationships with SME clients and to develop new and innovative solutions that better reflect client needs and market specifics.

In addition to its core banking business that TBC conducts within its retail, corporate, SME and micro segments through TBC Bank and TBC Kredit, TBC also conducts some operations that it considers ''non-core banking operations''. These operations are typically conducted by subsidiary companies and include, *inter alia*, leasing and brokerage services, card processing and payment collection services, banking software support services and certain marketing efforts in Israel. These non-core banking operations generated 3.9% of TBC's profit in the three months ended 31 March 2016 (compared to 2.1%, 1.7% and 3.2% in the years ended 31 December 2015, 2014 and 2013, respectively). TBC's Treasury Department also acts as an extra-segmental corporate centre, managing intra-segment adjustments to net interest income across all segments and recognising gains and losses from liquidity, interest rate and market risk management.

For information regarding the results of operations of TBC's segments, see ''*—Results of Operations for the Three Month Periods Ended 31 March 2016 and 2015—Segment analysis*'', ''*—Results of Operations for the Years ended 31 December 2015 and 2014 segment analysis*'', ''*—Results of Operations for the Years ended 31 December 2014 and 2013—Segment analysis*'', Note 27 to the Audited Consolidated Financial Statements and Note 18 to the Unaudited Consolidated Interim Financial Statements.

TBC primarily operates in Georgia, with all of TBC's profit for the three months ended 31 March 2016 and for the year ended 31 December 2015 generated by the TBC group companies based in Georgia, offset by small losses from TBC's operations in Azerbaijan (TBC Kredit) and Israel (TBC Invest).

Results of Operations for the Three Month Periods Ended 31 March 2016 and 2015

Consolidated results of operations

The following table sets out the main components of TBC's consolidated statements of profit or loss and other comprehensive income for the three months indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Interest income	174,859	146,549	19.3%
Interest expense	(65,976)	(50,878)	29.7%
Net interest income	**108,883**	**95,671**	13.8%
Fee and commission income	29,547	25,024	18.1%
Fee and commission expense	(11,250)	(8,405)	33.8%
Net fee and commission income	**18,297**	**16,619**	**10.1%**
Gains less losses from trading in foreign currencies and foreign exchange translations	14,627	17,669	17.2%
Gains less losses/(losses less gains) from derivative financial instruments	(363)	(438)	(17.0)%
Other operating income	3,668	4,607	(20.4)%
Other operating non-interest income	**17,932**	**21,838**	**(17.9)%**
Provision for loan impairment	(13,067)	(29,385)	(55.5)%
Provision for impairment of investments in finance lease	(185)	(103)	78.6%
(Provision for)/recovery of provision for performance guarantees and credit related commitments	(1,030)	820	(225.5)%
Provision for impairment of other financial assets	(48)	(339)	(85.7)%
Impairment of investment securities available for sale	(11)	—	NMF
Operating income after provisions for impairment	**130,771**	**105,121**	**24.4%**
Staff costs	(34,172)	(30,853)	10.8%
Depreciation and amortisation	(6,566)	(6,206)	5.8%
Administrative and other operating expenses	(23,560)	(15,534)	51.7%
Operating expenses	**(64,298)**	**(52,593)**	**22.3%**
Profit before tax	**66,473**	**52,528**	**26.6%**
Income tax expense	(7,777)	(6,889)	12.9%
Profit for the period	**58,696**	**45,639**	**28.6%**

The following table sets out certain of TBC's profitability ratios for the three months indicated.

	For the three months ended 31 March	
	2016	2015
	(unaudited)	
Profitability ratios:		
ROAA[(1)]	3.5%	3.2%
ROAE[(2)]	19.3%	17.9%
Interest income to average interest earning assets	12.4%	12.3%
Cost of funds[(3)]	4.8%	4.5%
Net interest margin[(4)]	7.7%	8.0%
Net interest spread[(5)]	7.6%	7.8%
Loan yield[(6)]	13.6%	13.5%
Deposit yield[(7)]	3.6%	3.7%
Net fee and commission income to total income	12.6%	12.4%

Notes:

(1) Return on average total assets is profit for the period from continuing operations divided by average totals assets of the period.

(2) Return on average total equity is profit for the period from continuing operations attributable to Bank Shareholders divided by average total equity of the period attributable to Bank Shareholders.

(3) Cost of funds equals interest expense divided by average interest bearing liabilities of the period. Interest bearing liabilities include amounts due to credit institutions and amounts due to customers.

(4) Net interest income divided by average-interest-earning assets of the period. Interest-earning assets include placements with credit institutions with maturity up to 90 days, amounts due from credit institutions, loans to customers (gross), finance lease receivables (gross) and investment securities (interest-earning securities only).

(5) Net interest spread is calculated as the difference between cost of funds and interest income to average interest-earning assets.

(6) Loan yield equals total interest income from loans for the period divided by the average total gross loans for the same period.

(7) Customer deposit yield equals total interest expense from amounts due to customers for the period divided by the average total amounts due to customers for the same period.

Interest income

The following table sets out the principal components of TBC's interest income for the periods indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Loans and advances to customers	154,466	132,563	16.5%
Bonds carried at amortised cost	7,880	—	100%
Investment securities available for sale	7,053	8,041	(12.3)%
Investments in leases	4,205	3,497	20.3%
Due from other banks	1,255	2,448	(48.7)%
Total interest income	**174,859**	**146,549**	**19.3%**

Total interest income increased by GEL 28.3 million, or 19.3%, to GEL 174.9 million for the three months ended 31 March 2016 from GEL 146.5 million for the three months ended 31 March 2015, with the largest increase in interest income earned on loans and advances to customers, followed by an increase in interest from bonds carried at amortised cost.

Interest income from loans to customers increased by GEL 21.9 million, or 16.5%, to GEL 154.5 million for the three months ended 31 March 2016 from GEL 132.6 million for the three months ended 31 March 2015. This increase was primarily due to an increase in the size of TBC's gross loan portfolio, which increased from GEL 4,198 million as at 31 March 2015 to GEL 4,494 million as at 31 March 2016. The yields on TBC's loans to customers have remained broadly stable, supported by the increase in rates on loans linked to the Lari refinancing rate.

Interest income from bonds carried at amortised cost and investment securities available for sale, principally comprising certificates of deposit issued by the NBG and treasury bills issued by the Ministry of Finance of Georgia, increased by GEL 6.9 million, to GEL 14.9 million for the three

months ended 31 March 2016 from GEL 8.0 million for the three months ended 31 March 2015. The increased yield on such securities mainly related to the gradual increase of the Lari refinancing rate from 4.5% as of 31 March 2015 to 8.0% as of 31 March 2016.

Interest income from investments in leases increased by GEL 0.7 million, or 20.3% to GEL 4.2 million for the three months ended 31 March 2016, from GEL 3.5 million for the three months ended 31 March 2015, which was primarily due to an increase in the average balance of investments in leases from GEL 56.2 million as at 31 March 2015 to GEL 78.3 million as at 31 March 2016.

Interest income from amounts due from other banks decreased by GEL 1.2 million, or 48.7%, to GEL 1.3 million for the three months ended 31 March 2016 from GEL 2.4 million for the three months ended 31 March 2015, due to a decrease in the average interest earning balances of amounts included in due from other banks as of 31 March 2016 as compared to 31 March 2015, as well as the accrual of negative interest rates on mandatory balances in euros with the NBG.

The following table sets out the average interest rates on TBC's interest-earning Lari and foreign currency assets, for the periods indicated:

	For the three months ended 31 March							
	2016				2015			
	GEL	U.S.$	Euro	Other	GEL	U.S.$	Euro	Other
	(unaudited) (%)							
Amounts due from credit institutions	4.3	1.1	(0.1)	0.3	2.8	3.3	3.2	6.1
Loans and advances to customers	19.5	10.5	8.2	27.8	17.8	11.0	9.9	28.4
Bonds carried at amortised cost	8.5	—	—	—	—	—	—	—
Investment securities available for sale and held to maturity	10.5	—	—	—	6.3	—	—	—
Investment in financial lease	32.7	20.2	—	—	33.4	22.7	—	—
Total interest income	**16.1**	**10.4**	**3.0**	**13.6**	**14.3**	**11.1**	**5.3**	**18.5**

Note:

* Average interest rates are calculated as interest income by currency divided by the monthly average of the respective balances and annualised.

In the three months ended 31 March 2016, currency blended average interest rates on loans to customers increased to 13.6% from 13.5% in the three months ended 31 March 2015, primarily due to the increase in the average interest rates on Lari-denominated loans to customers.

The increase in average interest rates on Lari-denominated investment securities available for sale and bonds carried at amortised cost in the three months ended 31 March 2016 compared to the three months ended 31 March 2015 was primarily due to the gradual increase of the Lari refinancing rate from 4.5% as of 31 March 2015 to 8.0% as of 31 March 2016.

Interest expense

The following table sets out the principal components of TBC's interest expense for the periods indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Customer accounts	35,778	32,512	10.0%
Due to credit institutions	22,199	12,093	83.6%
Subordinated debt	7,510	5,728	31.1%
Debt securities in issue	489	509	(4.0)%
Other	—	35	(100)%
Total interest expense	**65,976**	**50,878**	**29.7%**

Total interest expense increased by GEL 15.1 million, or 29.7%, to GEL 66.0 million for the three months ended 31 March 2016 from GEL 50.9 million for the three months ended 31 March 2015, mainly due to an increase in interest expenses on customer deposits and amounts due to credit institutions.

Interest expense on customer accounts increased by GEL 3.3 million, or 10.0%, to GEL 35.8 million for the three months ended 31 March 2016 from GEL 32.5 million for the three months ended 31 March 2015. The increase was primarily driven by a 5.6% increase in size of the portfolio, which more than offset the 0.1% decrease in the cost of client deposits to 3.6% in the first quarter of 2016. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest expense on amounts due to credit institutions increased by GEL 10.1 million, or 83.6%, to GEL 22.2 million for the three months ended 31 March 2016 from GEL 12.1 million for the three months ended 31 March 2015, mainly due to an increase in the average balances of amounts borrowed during the period and increased rates on Lari-denominated borrowings due to the refinancing rate increase during the period, which more than offset the decreased rates on foreign currency denominated borrowings. See "*Selected Statistical and Other Information—Average Balances and Rates*".

The following table sets out the average interest rates paid by TBC on its Lari and foreign currency-denominated interest-bearing liabilities for the periods indicated:

	For the three months ended 31 March							
	2016				2015			
	GEL	U.S.$	Euro	Other	GEL	U.S.$	Euro	Other
	(unaudited) (%)							
Customer accounts	4.7	3.3	2.7	3.2	3.7	3.7	3.4	4.3
Due to credit institutions and debt securities in issue[1]	10.9	5.9	1.4	11.7	4.9	7.1	2.4	0
Subordinated debt	7.7	10.4	—	—	7.9	11.1	—	—
Total interest expense	**6.8**	**4.4**	**2.7**	**4.0**	**4.0**	**4.9**	**0.9**	**0.6**

Notes:

* Average interest rates are calculated as interest expense by currency divided by the monthly average of the respective balances and annualised.

(1) Due to credit institutions includes amounts due to other banks, other borrowed funds and debt securities in issue.

The increase on average interest rates on Lari-denominated customer accounts reflected the gradual increase of the refinancing rate in the country from 4.5% as of 31 March 2015 to 8.0% as of 31 March 2016, which more than offset the decrease in interest rates on foreign currency denominated customer deposits, which was aligned with the general market trend of declining interest rates on deposits.

Fees and commissions

Fee and commission income

The following table sets out certain information on TBC's fee and commission income for the periods indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Fee and commission income (*in respect of financial assets not at fair value through profit or loss*):			
Card operations	13,282	10,761	23.4%
Guarantees issued	2,320	2,158	7.5%
Settlement transactions	8,499	6,711	26.6%
Cash transactions	2,355	2,194	7.4%
Foreign exchange operations	345	574	(39.9)%
Letters of credit	1,479	1,750	(15.5)%
Other	1,267	877	44.6%
Total fee and commission income	**29,547**	**25,024**	**18.1%**

Fee and commission income increased by GEL 4.5 million, or 18.1%, to GEL 29.5 million for the three months ended 31 March 2016 from GEL 25.0 million for the three months ended 31 March 2015, primarily as a result of increases in fees and commissions from card operations and settlement transactions due to an increase in the scale of operations.

Fee and commission expense

The following table sets out information on TBC's fee and commission expense for the periods indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Fee and commission expense (*in respect of financial instruments not at fair value through profit or loss*):			
Card operations	7,588	5,296	43.3%
Guarantees received	140	226	(37.8)%
Settlement transactions	1,240	702	76.7%
Cash transactions	559	676	(17.3)%
Foreign exchange operations	68	2	—
Letters of credit	480	544	(11.8)%
Other	1,175	959	22.3%
Total fee and commission expense	**11,250**	**8,405**	**33.8%**

Fee and commission expense increased by GEL 2.8 million, or 33.8%, to GEL 11.2 million for the three months ended 31 March 2016 from GEL 8.4 million for the three months ended 31 March 2015, primarily as a result of increases in fee and commission expense on card operations, which are linked to foreign currencies and were therefore affected by the depreciation of the Lari.

Other operating non-interest income

The following table sets out certain information on TBC's other operating non-interest income and expense items for the periods indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Gains less losses from trading in foreign currencies and foreign exchange translation	14,627	17,669	(17.2)%
Gains less losses/(losses less gains) from derivative financial instruments	(363)	(438)	(17.0)%
Other operating income:			
Gain from sale of inventories of repossessed collateral	222	572	(61.1)%
Gain from sale of investment properties	215	160	35.1%
Revenues from cash in terminal services	232	191	21.9%
Revenues from operational leasing	1,810	2,225	(18.7)%
Administrative fee income from international financial institutions	212	182	16.4%
Revenues from non-credit related fines	133	34	—
Gain on disposal of premises and equipment	65	8	—
Gain from expired liabilities related to customer loyalty programmes	—	389	—
Other	779	846	(8.2)%
Total other operating income	**3,668**	**4,607**	**(20.4)%**
Total other operating non-interest income	**17,932**	**21,838**	**(17.9)%**

Total other operating non-interest income decreased by GEL 3.9 million, or 17.9%, to GEL 17.9 million for the three months ended 31 March 2016 from GEL 21.8 million for the three months ended 31 March 2015. This decrease was mainly driven by a GEL 3.0 million decrease in gains from trading in foreign currencies and foreign exchange translations related to less volatile Lari exchange rates in the first quarter of 2016. The decrease was also driven a GEL 0.4 million reduction in revenues from operational leasing (rental income from investment properties) due to a reduction in the balance of investment properties.

Provision charges for impairment

The following table sets out certain information on TBC's provision charges for impairment for the periods indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Provision for loan impairment	13,067	29,385	(55.5)%
Provision for impairment of investments in finance lease	185	103	78.6%
Provision for/(recovery of provision) performance guarantees and credit related commitments	1,029	(820)	—
Provision for impairment of other financial assets	49	339	(85.7)%
Impairment of investment securities available for sale	11	—	—
Total provision charges for impairment	**14,340**	**29,007**	**(50.6)%**
Provision for loan impairment (balance sheet)/loans and advances to customers (before provision for loan impairment)*(%)*	4.3%	4.1%	
Provision for loan impairment/operating income before provision for loan impairment[(1)]*(%)*	9.0%	21.9%	
Non-performing and Restructured Loan coverage ratio[(2)]	90.6%	105.6%	

Notes:

(1) Operating income (before provision for loan impairment) is the sum of net interest income, net fee and commission income, gains less losses from trading in foreign currencies, foreign exchange translation gains less losses, gains less losses from derivative financial instruments and other operating income.

(2) In December 2015, TBC began applying an updated methodology for calculating non-performing loans, the definition of which was expanded to include loans in respect of which any portion of principal or interest is overdue by more than 90 days or there are identified underlying well-defined weaknesses that may prevent repayment of the credit obligation without recourse to collateral, regardless of the existence of any past due amount or the number of days past due ("**Non-performing Loans**"). See "*Lending Policies and Procedures—Provisioning Guidelines—Non-performing and Restructured Loans and overdue finance leases*". For the first quarter of 2016, the Non-performing and Restructured Loan coverage ratio for the retail, corporate, SME and micro segments was 106%, 100%, 41% and 91%, respectively.

For the three months ended 31 March 2016, TBC's total provision charges for impairment decreased by GEL 14.7 million, or 50.5%, to GEL 14.3 million from GEL 29.0 million for the three months ended 31 March 2015. Provision charges for loan impairment decreased by GEL 16.3 million, or 55.5%, to GEL 13.1 million for the three months ended 31 March 2016 from GEL 29.4 million from the three months ended 31 March 2015. The decrease was mainly driven by the higher technical provision charge related to the currency depreciation in the first quarter of 2015, as well as certain recoveries of provisions in the corporate segment partially related to the repayment of certain corporate loans in the first quarter of 2016.

Operating expenses

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Staff costs	**34,172**	**30,853**	**10.8%**
Depreciation and amortization	**6,567**	**6,206**	**5.8%**
Administrative and other operating expenses:			
Professional services	6,701	1,308	—
Advertising and marketing services	1,923	1,856	3.6%
Rent	4,341	3,624	19.8%
Utility services	1,320	1,029	28.3%
Intangible asset enhancement	1,880	1,197	57.1%
Taxes other than income	1,162	1,352	(14.0)%
Communications and supply	755	812	(7.0)%
Stationary and other office expenses	843	697	20.9%
Insurance	605	659	(8.2)%
Security services	399	391	2.1%
Premises and equipment maintenance	587	754	(22.2)%
Business trip expenses	352	335	5.1%
Transportation and vehicle maintenance	313	269	16.5%
Other	2,379	1,251	90.2%
Total administrative and other operating expenses	**23,560**	**15,534**	**51.7%**
Operating expenses	**64,299**	**52,593**	**22.3%**

Total operating expenses increased by GEL 11.7 million, or 22.3%, to GEL 64.3 million for the three months ended 31 March 2016 from GEL 52.6 million for the three months ended 31 March 2015. The increase was principally due to the one-off expenses amounting to GEL 5.9 million relating to the Offer and Admission. Without the effect of the one-off expenses, operating costs would have increased by GEL 5.8 million, or 11.0%.

Administrative and other operating expenses increased by GEL 8 million, or 51.7%, to GEL 23.6 million for the three months ended 31 March 2016, from GEL 15.5 million for the three months ended 31 March 2015. This increase was mainly driven by an increase in professional expenses related to the Offer and Admission.

Staff costs increased by GEL 3.3 million, or 10.8%, to GEL 34.2 million for the three months ended 31 March 2016, from GEL 30.9 million for the three months ended 31 March 2015. This increase is mainly driven by the implementation of a new management compensation system, a general increase in salaries, bonuses and various human resources costs related to an overall increase in the scale of the business.

Taxation

TBC reported income tax expense of GEL 7.8 million for the three months ended 31 March 2016, compared to GEL 6.9 million for the three months ended 31 March 2015. The following table sets out certain information on TBC's income tax expense for the years indicated:

	For the three months ended 31 March		
	2016	2015	Change
	(unaudited) (GEL thousands)		(%)
Current tax charge	1,922	2,743	(29.9)%
Deferred tax charge/(credit)	5,856	4,146	41.2%
Income tax expense	**7,777**	**6,889**	**12.9%**

TBC's income tax expense increased by GEL 0.9 million, or 12.9%, to GEL 7,777 million for the three months ended 31 March 2016, from GEL 6.9 million for the three months ended 31 March 2015, primarily as a result of the increase in profit before tax. As a result of certain differences between taxable income as defined under applicable Georgian legislation and income recorded according to IFRS, TBC's effective tax rate under IFRS was lower than the 15.0% Georgian corporate tax rate generally applicable to TBC.

Profit

TBC's profit for the period increased by GEL 13.1 million, or 28.6%, to GEL 58.7 million for the three months ended 31 March 2016 from GEL 45.6 million for the three months ended 31 March 2015.

Segment analysis

The following table sets out information on the financial results of TBC's segments for the three months ended 31 March 2016 and 2015:

	For the three months ended 31 March 2016					
	Retail	Corporate	SME	Micro	Corporate center and other operations	Total
			(unaudited) (GEL thousands)			
Interest income	74,574	35,366	17,380	27,146	20,393	**174,859**
Interest expense	(24,850)	(8,410)	(2,033)	(485)	(30,198)	**(65,976)**
Inter-segment interest income/ (expense)	(4,551)	(10,031)	(1,205)	(8,993)	24,780	**—**
Net interest income	**45,173**	**16,925**	**14,142**	**17,668**	**14,975**	**108,883**
Fee and commission income	19,760	4,685	3,134	1,217	751	**29,547**
Fee and commission expense	(8,628)	(826)	(1,117)	(407)	(272)	**(11,250)**
Net fee and commission income	**11,132**	**3,859**	**2,017**	**810**	**479**	**18,297**
Gains less losses from trading in foreign currencies	3,556	4,968	5,252	393	450	**14,619**
Foreign exchange translation losses less gains	—	—	—	—	8	**8**
Net gain from derivative financial instruments	—	—	—	—	(363)	**(363)**
Other operating income	574	2,134	235	44	681	**3,668**
Other operating non-interest income	**4,130**	**7,102**	**5,487**	**437**	**776**	**17,932**
Provision for loan impairment	(11,620)	8,220	(3,884)	(5,783)	—	**(13,067)**
Provision for performance guarantees and credit related commitments	124	(1,134)	(25)	5	—	**(1,030)**
Provision for impairment of investments in finance lease	—	—	—	—	(185)	**(185)**
Provision for impairment of other financial assets	(18)	5	1	12	(48)	**(48)**
Impairment of investment securities available for sale	—	—	—	—	(11)	**(11)**
Operating income after provisions for impairment	**48,921**	**34,977**	**17,738**	**13,149**	**15,986**	**130,771**
Staff costs	(16,905)	(4,524)	(3,683)	(6,649)	(2,411)	**(34,172)**
Depreciation and amortisation	(3,849)	(257)	(505)	(1,489)	(466)	**(6,566)**
Administrative and other operating expenses	(11,974)	(2,599)	(2,186)	(3,724)	(3,077)	**(23,560)**
Operating expenses	**(32,728)**	**(7,380)**	**(6,374)**	**(11,862)**	**(5,954)**	**(64,298)**
Profit before tax	**16,193**	**27,597**	**11,364**	**1,287**	**10,032**	**66,473**
Income tax expense	(1,829)	(4,215)	(1,820)	(193)	280	**(7,777)**
Profit for the period	**14,364**	**23,382**	**9,544**	**1,094**	**10,312**	**58,696**

	For the three months ended 31 March 2015					
	Retail	Corporate	SME	Micro	Corporate center and other operations	Total
			(unaudited) (GEL thousands)			
Interest income	61,146	30,750	16,447	24,220	13,986	146,549
Interest expense	(22,614)	(7,350)	(1,886)	(663)	(18,365)	(50,878)
Inter-segment interest income/ (expense)	3,264	(8,213)	(947)	(5,690)	11,586	0
Net interest income	**41,796**	**15,187**	**13,613**	**17,867**	**7,207**	**95,671**
Fee and commission income	13,380	7,981	2,472	882	309	25,024
Fee and commission expense	(5,940)	(1,494)	(819)	(143)	(9)	(8,405)
Net fee and commission income	**7,440**	**6,487**	**1,653**	**739**	**300**	**16,619**
Gains less losses from trading in foreign currencies	4,250	7,231	6,084	441	(9,675)	8,331
Foreign exchange translation losses less gains	—	—	—	—	9,338	9,338
Net gain from derivative financial instruments	—	—	—	—	(438)	(438)
Other operating income	—	—	—	—	4,607	4,607
Other operating non-interest income	**4,250**	**7,231**	**6,084**	**441**	**3,832**	**21,838**
Provision for loan impairment	(12,248)	(10,135)	(2,629)	(4,373)	—	(29,385)
Provision for performance guarantees and credit related commitments	—	663	157	—	—	820
Provision for impairment of investments in finance lease	—	—	—	—	(103)	(103)
Provision for impairment of other financial assets	—	—	—	—	(339)	(339)
Operating income after provisions for impairment	**41,238**	**19,433**	**18,879**	**14,674**	**10,897**	**105,121**
Staff costs	(11,568)	(2,729)	(2,818)	(6,277)	(7,461)	(30,853)
Depreciation and amortisation	(2,835)	(255)	(441)	(1,327)	(1,348)	(6,206)
Administrative and other operating expenses	(7,324)	(642)	(1,177)	(2,406)	(3,985)	(15,534)
Operating expenses	(21,727)	(3,626)	(4,436)	(10,010)	(12,794)	(52,593)
Profit before tax	19,511	15,807	14,443	4,664	(1,897)	52,528
Income tax expense	(2,559)	(2,073)	(1,894)	(612)	249	(6,889)
Profit for the period	**16,952**	**13,734**	**12,549**	**4,052**	**(1,648)**	**45,639**

TBC implements an intra-segment adjustment, or "transfer pricing", mechanism relating to the internal reclassification of interest income and interest expense amongst its segments. Under this mechanism, TBC's Treasury Department acts as a corporate centre that buys all the deposits from the four segments and finances all loans issued by those segments. Gains and losses from liquidity, interest rate and market risk management are attributed to the central Treasury Department. This allows TBC to fund its lending activities in all segments with the most cost-efficient available sources of funding, regardless of which segment is the source of that funding, and to fairly distribute net interest income across all segments. For example, through this transfer pricing mechanism, TBC is able to utilise retail term deposits (which are more diversified and have higher stability and longer maturity than corporate and SME accounts and incur lower costs than corporate and micro term

deposits) to fund loans issued across each of the segments. By centrally managing its loan financing activities in this manner, TBC has the ability to better apportion the profitability amongst its segments. The internal transfers made pursuant to the transfer pricing mechanism are recorded as ''inter-segment interest income/expense'' in TBC's Financial Statements. See Note 27 to the Audited Consolidated Financial Statements.

Profit for the period in the corporate segment increased by GEL 9.6 million (70.2%), from GEL 13.7 million in the three months ended 31 March 2015 to GEL 23.4 million in the three months ended 31 March 2016, driven primarily by a GEL 1.7 million increase in net interest income and a GEL 18.4 million decrease in the provision for loan impairment. The retail segment profit for the period decreased by GEL 2.6 million (15.3%) from GEL 17.0 million in the three months ended 31 March 2015 to GEL 14.4 million in the three months ended 31 March 2016, mainly due to an increase in operating expenses of GEL 11.0 million. The SME segment profit for the period decreased by GEL 1.9 million (23.9%) from GEL 12.5 million in the three months ended 31 March 2015 to GEL 9.5 million in the three months ended 31 March 2016 due to an increase in provisions for loans of GEL 1.3 million and an increase in operating expenses by GEL 1.9 million. These decreases were slightly offset by the GEL 0.5 million increase in net interest income and the GEL 0.4 million increase in net fee and commission income. Profit for the period in TBC's micro segment decreased from GEL 4.1 million in the three months ended 31 March 2015 to GEL 1.1 million in the three months ended 31 March 2016 as a result of an increase in provisions for loans by GEL 1.4 million and increase in operating expenses by GEL 1.8 million. However, segmental net income margins were under pressure due to increased costs of funding in Lari related to the increase in the refinancing rate, which was largely offset by an increase in yields on bonds carried at amortised cost and securities available for sale, which do not contribute into the segmental profitability.

For a detailed segment analysis, see Note 18 to the Unaudited Consolidated Interim Financial Statements.

Results of Operations for the Years ended 31 December 2015 and 2014

Consolidated results of operations

The following table sets out the main components of TBC's consolidated statements of profit or loss and other comprehensive income for the years indicated:

	For the year ended 31 December		
	2015	2014	Change
	(audited) (GEL thousands)		(%)
Interest income	649,059	512,357	26.7%
Interest expense	(236,885)	(173,709)	36.4%
Net interest income	**412,174**	**338,648**	**21.7%**
Fee and commission income	113,837	88,203	29.1%
Fee and commission expense	(41,546)	(29,523)	40.7%
Net fee and commission income	**72,291**	**58,680**	**23.2%**
Gains less losses from trading in foreign currencies	64,642	39,730	62.7%
Foreign exchange translation gains less losses/(losses less gains)	2,579	2,359	9.3%
(Losses less gains)/gains less losses from derivative financial instruments	(575)	(683)	(15.8)%
Other operating income	25,883	19,600	32.1%
Other operating non-interest income	**92,529**	**61,006**	**51.7%**
Provision for loan impairment	(72,791)	(48,672)	49.6%
Provision for impairment of investments in finance lease	(967)	(77)	—
Provision for/(recovery of provision) performance guarantees and credit related commitments	1,117	902	23.8%
Provision for impairment of other financial assets	(3,351)	(1,236)	171.1%
Impairment of investment securities available for sale	—	(22)	(100)%
Operating income after provisions for impairment	**501,002**	**409,229**	**22.4%**
Staff costs	(142,777)	(122,835)	16.2%
Depreciation and amortisation	(26,286)	(24,427)	7.6%
Provision for liabilities and charges	(1,102)	(5,500)	(80.0)%
Administrative and other operating expenses	(82,964)	(73,548)	12.8%
Operating expenses	(253,129)	(226,310)	11.9%
Profit before tax	**247,873**	182,919	**35.5%**
Income tax expense	(29,176)	(24,468)	19.2%
Profit for the year	**218,697**	**158,451**	**38.0%**

The following table sets out certain of TBC's profitability ratios for the years indicated:

	For the year ended 31 December	
	2015	2014
	(unaudited)	
Profitability ratios:		
ROAA[(1)]	3.4%	3.3%
ROAE[(2)]	20.1%	18.4%
Interest income to average interest earning assets	12.3%	12.8%
Cost of funds[(3)]	4.6%	4.6%
Net interest margin[(4)]	7.8%	8.5%
Net interest spread[(5)]	7.7%	8.2%
Loan yield[(6)]	13.6%	14.9%
Deposit yield[(7)]	3.5%	3.7%
Net fee and commission income to total income	12.5%	12.8%

Notes:

(1) Return on average total assets is profit for the period from continuing operations divided by average totals assets of the period.

(2) Return on average total equity is profit for the period from continuing operations attributable to Bank Shareholders divided by average total equity of the period attributable to Bank Shareholders.

(3) Cost of funds equals interest expense divided by average interest bearing liabilities of the period. Interest bearing liabilities include amounts due to credit institutions and amounts due to customers.

(4) Net interest income divided by average-interest-earning assets of the period. Interest-earning assets include placements with credit institutions with maturity up to 90 days, amounts due from credit institutions, loans to customers (gross), finance lease receivables (gross) and investment securities (interest-earning securities only).

(5) Net interest spread is calculated as the difference between cost of funds and interest income to average interest-earning assets.

(6) Loan yield equals total interest income from loans for the period divided by the average total gross loans for the same period.

(7) Customer deposit yield equals total interest expense from amounts due to customers for the period divided by the average total amounts due to customers for the same period.

Interest income

The following table sets out the principal components of TBC's interest income for the years indicated:

	For the year ended 31 December		
	2015	2014	Change
	(audited) (GEL thousands)		(%)
Loans and advances to customers	582,327	465,520	25.1%
Bonds carried at amortised cost	22,950	—	—
Investment securities available for sale	20,927	30,361	(31.1)%
Investments in leases	15,217	10,265	48.2%
Due from other banks	7,638	6,211	23.0%
Total interest income	**649,059**	**512,357**	**26.7%**

Total interest income increased by GEL 136.7 million, or 26.7%, to GEL 649.1 million for the year ended 31 December 2015 from GEL 512.4 million for the year ended 31 December 2014, with the largest increase in interest income earned on loans and advances to customers, followed by an increase in interest from bonds carried at amortised cost.

Interest income from loans to customers increased by GEL 116.8 million, or 25.1%, to GEL 582.3 million for the year ended 31 December 2015 from GEL 465.5 million for the year ended 31 December 2014. This increase was primarily due to a 25.2% increase in the gross loan portfolio from 2014 to 2015, which more than offset the decline in loan yields to 13.6% in 2015 from 14.9% in 2014. See "*Selected Statistical and Other Information—Loan Portfolio*".

Interest income from bonds carried at amortised cost and investment securities available for sale, principally comprised of corporate bonds, certificates of deposit issued by the NBG and treasury bills issued by the Ministry of Finance of Georgia, increased by GEL 13.5 million, to GEL 43.9 million for the year ended 31 December 2015 from GEL 30.4 million for the year ended 31 December 2014.

This increase was driven by the increase in yields on such securities, which were mainly due to the gradual increase of the Lari refinancing rate from 4.0% to 8.0% during 2015. See "*Selected Statistical and Other Information—Securities Portfolio—Investment securities available for sale*".

Interest income from investments in leases increased by GEL 5.0 million, or 48.2%, to GEL 15.2 million for the year ended 31 December 2015, from GEL 10.3 million for the year ended 31 December 2014. This increase was primarily due to the increase in the average balance of investments in leases in 2015 compared to 2014, as well as the fact that a large portion of the interest income from investments in leases was in U.S. Dollars, which appreciated against the Lari in 2015. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest income from amounts due from other banks increased by GEL 1.4 million, or 23.0%, to GEL 7.6 million for the year ended 31 December 2015 from GEL 6.2 million for the year ended 31 December 2014, due to an increase in the average balance of amounts due from other banks in 2015, compared to 2014. See "*Selected Statistical and Other Information—Average Balances and Rates*".

The following table sets out the average interest rates on TBC's interest-earning Lari and foreign currency assets for the years indicated:

	For the year ended 31 December							
	2015				2014			
	GEL	U.S.$	Euro	Other	GEL	U.S.$	Euro	Other
	(unaudited) (%)							
Amounts due from credit institutions	3.1	1.5	1.5	5.3	2.7	1.9	1.6	4.2
Loans and advances to customers	18.4	10.8	9.1	29.5	19.3	12.4	11.1	27.5
Bonds carried at amortised cost	8.3	—	—	—	—	—	—	—
Investment securities available for sale	6.5	—	—	—	5.8	—	—	—
Investment in financial lease	30.8	22.6	—	—	26.6	23.5	—	—
Total interest income	**14.8**	**10.8**	**3.9**	**20.0**	**14.5**	**12.2**	**4.7**	**19.8**

Note:

* Average interest rates are calculated as interest income by currency divided by the monthly average of the respective balances.

In the year ended 31 December 2015, currency blended average interest rates on loans to customers decreased to 13.6% from 14.9% in 2014, primarily due to the decrease in average interest rates on GEL-denominated, USD-denominated and EUR-denominated loans to customers, broadly aligned with the general market trend of declining interest rates for that period.

The increase in average interest rates on GEL-denominated investment securities available for sale in the year ended 31 December 2015 compared to the year ended 31 December 2014, was primarily due to the increase in yields on such securities mainly related to the gradual increase of the Lari refinancing rate from 4.0% to 8.0% during 2015.

Interest expense

The following table sets out the principal components of TBC's interest expense for the years indicated:

	For the year ended 31 December		
	2015	2014	Change
	(audited) (GEL thousands)		(%)
Customer accounts	137,489	110,041	24.9%
Due to credit institutions	70,834	43,384	63.3%
Subordinated debt	26,363	19,069	38.2%
Debt securities in issue	2,105	928	126.8%
Other	94	287	(67.1)%
Total interest expense	**236,885**	**173,709**	**36.4%**

Total interest expense increased by GEL 63.2 million, or 36.4%, to GEL 236.9 million for the year ended 31 December 2015 from GEL 173.7 million for the year ended 31 December 2014, due to increases in interest expenses related to customer accounts and due to credit institutions.

Interest expense on customer accounts increased by GEL 27.4 million, or 24.9%, to GEL 137.5 million for the year ended 31 December 2015 from GEL 110.0 million for the year ended 31 December 2014, mainly as a result of a 25.7% increase in customer accounts, which more than offset the 0.2 percentage point decrease in the cost of client deposits from 3.7% to 3.5% in 2015. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest expense on amounts due to credit institutions increased by GEL 27.5 million, or 63.3%, to GEL 70.8 million for the year ended 31 December 2015 from GEL 43.4 million for the year ended 31 December 2014, mainly due to an increase in the average balances of borrowed funds during 2015 and increased interest rates on Lari-denominated borrowings as a result of the increase in the Lari refinancing rate during 2015, which in turn more than offset the 0.7 percentage point decrease in interest rates for U.S. Dollar-denominated borrowings. See "*Selected Statistical and Other Information-Average Balances and Rates*".

The following table sets out the average interest rates paid by TBC on its Lari and foreign currency-denominated interest-bearing liabilities for the years indicated:

	For the year ended 31 December							
	2015				2014			
	GEL	U.S.$	Euro	Other	GEL	U.S.$	Euro	Other
	(unaudited) (%)							
Customer accounts	3.8	3.5	3.3	3.9	3.5	3.9	3.7	4.4
Due to credit institutions and debt securities in issue[(1)]	8.0	6.7	2.0	8.7	5.3	7.3	5.5	9.1
Subordinated debt	8.1	11.3	—	—	10.2	10.8	—	—
Total interest expense	**5.0**	**4.6**	**3.2**	**4.6**	**3.9**	**5.0**	**3.8**	**5.3**

Notes:

* Average interest rates are calculated as interest expense by currency divided by the monthly average of the respective balances.

(1) Due to credit institutions includes amounts due to other banks, other borrowed funds and debt securities in issue.

The increase on average interest rates on Lari-denominated customer accounts reflected the gradual increase of the refinancing rate in the country from 4.5% as of 31 March 2015 to 8.0% as of 31 March 2016, which more than offset the decrease in interest rates on foreign currency denominated customer deposits, which was aligned with the general market trend of declining interest rates on deposits.

Fees and commissions

Fee and commission income

The following table sets out certain information on TBC's fee and commission income for the years indicated:

	For the year ended 31 December		
	2015	**2014**	**Change**
	(audited) (GEL thousands)		**(%)**
Fee and commission income (*in respect of financial assets not at fair value through profit or loss*):			
Card operations	49,424	35,247	40.2%
Settlement transactions	31,218	23,892	30.7%
Guarantees issued	8,949	9,140	(2.1)%
Issuance of letters of credit	5,859	6,889	(15.0)%
Cash transactions	10,930	6,507	68.0%
Foreign exchange operations	1,410	1,169	20.6%
Other	6,047	5,359	12.9%
Total fee and commission income	**113,837**	**88,203**	**29.1%**

Fee and commission income increased by GEL 25.6 million, or 29.1%, to GEL 113.8 million for the year ended 31 December 2015 from GEL 88.2 million for the year ended 31 December 2014, primarily as a result of the increase in fees and commissions from card operations and settlement transactions due to an increase in the scale of operations.

Fee and commission expense

The following table sets out information on TBC's fee and commission expense for the years indicated:

	For the year ended 31 December		
	2015	**2014**	**Change**
	(audited) (GEL thousands)		**(%)**
Fee and commission expense (*in respect of financial instruments not at fair value through profit or loss*):			
Card operations	27,169	16,053	69.2%
Guarantees received	957	1,173	(18.4)%
Cash transactions	2,707	2,592	50.5%
Settlement transactions	3,904	2,594	4.4%
Foreign exchange operations	5	62	(92.0)%
Letters of credit	2,208	2,988	(26.1)%
Other	4,597	4,061	13.2%
Total fee and commission expense	**41,546**	**29,523**	**40.7%**

Fee and commission expense increased by GEL 12.0 million, or 40.7%, to GEL 41.5 million for the year ended 31 December 2015 from GEL 29.5 million for the year ended 31 December 2015 as a result of increases in fee and commission expense on card operations and cash transactions, which are linked to foreign currencies and were therefore affected by the depreciation of the Lari.

Other operating income

The following table sets out certain information on TBC's other operating income and expense items for the years indicated:

	For the year ended 31 December		
	2015	2014	Change
	(audited) (GEL thousands)		(%)
Gains less losses from trading in foreign currencies and foreign exchange translation	67,221	42,089	59.7%
Gains less losses/(losses less gains) from derivative financial instruments	(575)	(683)	(15.8)%
Other operating income:			
Gain from sale of inventories of repossessed collateral	1,836	1,644	11.6%
Gain from sale of investment properties	4,896	5,795	(15.5)%
Gain from sale of financial options	4,692	—	—
Revenues from cash in terminal services	777	852	(8.6)%
Revenues from operational leasing	8,539	6,997	22.0%
Administrative fee income from international financial institutions	708	982	(27.9)%
Revenues from non-credit related fines	286	236	21.2%
Gain on disposal of premises and equipment	118	126	(7.0)%
Other	4,031	2,968	35.9%
Total other operating income	25,883	19,600	32.1%
Total other operating non-interest income	**92,528**	**61,006**	**51.7%**

Total other operating non-interest income increased by GEL 31.5 million, or 51.7%, to GEL 92.5 million for the year ended 31 December 2015 from GEL 61.0 million for the year ended 31 December 2014. This increase was due in part to an increase in gains from trading in foreign currencies and foreign exchange translations in the amount of GEL 25.1 million, or 59.7%, to GEL 67.2 million for the year ended 31 December 2015 from GEL 42.1 million for the year ended 31 December 2014. These gains were driven by increased volumes of trading in foreign currencies and volatility of currency exchange rates in 2015.

The increase in other operating income in 2015 from 2014 was also driven by increased revenues from operational leasing and a gain of GEL 4.7 million from the sale of a financial option related to one corporate client, which resulted from a previous loan restructuring.

Provision charges for impairment

The following table sets out certain information on TBC's provision charges for impairment for the years indicated:

	For the year ended 31 December		
	2015	2014	Change
	(audited) (GEL thousands)		(%)
Provision for loan impairment	72,791	48,672	49.6%
Provision for impairment of investments in finance lease	967	77	—
Provision for performance guarantees and credit related commitments	(1,117)	(902)	23.9%
Provision for impairment of other financial assets	3,351	1,236	—
Impairment of investment securities available for sale	—	22	—
Total provision charges for impairment	**75,992**	**49,105**	**54.8%**
Provision for loan impairment (balance sheet)/loans and advances to customers (before provision for loan impairment)*(%)*	4.2%	4.0%	
Provision for loan impairment/operating income before provision for loan impairment[(1)]*(%)*	12.6%	10.6%	
Non-performing and Restructured Loan coverage ratio[(2)]	72.7%	109.4%	
Non-performing Loan coverage ratio[(3)]	87.4%	130.5%	

Notes:

(1) Operating income (before provision for loan impairment) is the sum of net interest income, net fee and commission income, gains less losses from trading in foreign currencies, foreign exchange translation gains less losses, gains less losses from derivative financial instruments and other operating income.

(2) Non-performing and Restructured Loan coverage ratio is defined as loan loss provisions divided by the sum of Non-performing Loans and Restructured Loans. See "*Lending Policies and Procedures—Non-performing and Restructured Loans and overdue finance leases*". For 2015, the Non-performing and Restructured Loan coverage ratio for the retail, corporate, SME and micro segments was 83%, 75%, 40% and 75%, respectively.

(3) In December 2015, TBC began applying an updated methodology for calculating non-performing loans, the definition of which was expanded to include loans in respect of which any portion of principal or interest is overdue by more than 90 days or there are identified underlying well-defined weaknesses that may prevent repayment of the credit obligation without recourse to collateral, regardless of the existence of any past due amount or the number of days past due ("**Non-performing Loans**"). See "*Lending Policies and Procedures—Provisioning Guidelines—Non-performing and Restructured Loans and overdue finance leases*". For 2015, the Non-performing and Restructured Loan coverage ratio for the retail, corporate, SME and micro segments was 102%, 91%, 44% and 87%, respectively.

For the year ended 31 December 2015, TBC's total provision charges for impairment increased by GEL 26.9 million, or 54.8%, to GEL 76.0 million from GEL 49.1 million for the year ended 31 December 2014. The increase in provision charges was primarily driven by increases in the provision for loan impairment, which increased by GEL 24.1 million, or 49.6%, to GEL 72.8 million for the year ended 31 December 2015 from GEL 48.7 million, primarily as a result of the depreciation of the Lari. The PLC Directors estimate that if the effect of the depreciation of the Lari was eliminated, provision charges for loan impairment would have decreased by GEL 7.5 million in 2015 due to a number of factors including an update in the provisioning methodology, recoveries from large corporate borrowers and a lesser amount of net write offs as compared to 31 December 2014.

Operating expenses

	For the year ended 31 December		
	2015	2014	Change
	(audited) (GEL thousands)		(%)
Staff costs	**142,777**	**122,835**	**16.2%**
Depreciation and amortization	**26,286**	**24,427**	**7.6%**
Provision for liabilities and charges	**1,102**	**5,500**	**(80.0)%**
Administrative and other operating expenses:			
Professional services	8,418	11,969	(29.7)%
Advertising and marketing services	11,451	14,121	(18.9)%
Rent	16,468	11,943	37.9%
Utility services	4,501	3,681	22.3%
Intangible asset enhancement	6,062	4,371	38.7%
Impairment of intangible assets	4,982	—	—
Taxes other than on income	4,598	3,900	17.9%
Communications and supply	3,433	3,455	(0.7)%
Stationary and other office expenses	3,471	2,632	31.9%
Insurance	2,301	1,899	21.2%
Security services	1,622	1,578	2.8%
Premises and equipment maintenance	2,959	1,893	56.3%
Business trip expenses	1,589	1,610	(1.3)%
Transportation and vehicles maintenance	1,328	1,216	9.2%
Personnel training and recruitment	1,230	919	33.8%
Charity	928	898	3.4%
Loss on disposal of inventories	86	208	(58.9%)
Loss on disposal of premises and equipment	34	18	86.7%
Loss on disposal of investment properties	3	—	—
Write-down of current assets to fair value less costs to sell	(178)	190	—
Other	7,678	7,047	9.0%
Total administrative and other operating expenses	**82,964**	**73,548**	**12.8%**
Operating expenses	**253,129**	**226,310**	**11.9%**

Total operating expenses increased by GEL 26.8 million, or 11.9%, to GEL 253.1 million for the year ended 31 December 2015 from GEL 226.3 million for the year ended 31 December 2014. The increase was principally due to an increase in staff costs by GEL 19.9 million, or 16.2%, to GEL 142.8 million for the year ended 31 December 2015, from GEL 122.8 million in 2014, mainly resulting from an implementation of a new management compensation system and a general increase in salaries, bonuses and various HR management related costs related to the overall increase in the scale of the business.

Administrative and other operating expenses increased by GEL 9.4 million, or 12.8%, to GEL 83.0 million for the year ended 31 December 2015, from GEL 73.5 million for the year ended 31 December 2014, which was mainly driven by a one-off impairment of intangible assets and an increase in rent expenses primarily due to the depreciation of the Lari. Professional services decreased by GEL 3.6 million, or 29.7%, to GEL 8.4 million for the year ended 31 December 2015 primarily due to professional service expenses incurred in 2014 in connection with the initial public offering. Similarly, advertising and marketing services fell by GEL 2.7 million, or 18.9%, in the year ended 31 December 2015 as compared to 2014, reflecting the additional marketing expenses that were incurred in 2014 in relation to the initial public offering.

Taxation

TBC reported income tax expense of GEL 29.2 million for the year ended 31 December 2015, compared to GEL 24.5 million for the year ended 31 December 2014.

The following table sets out certain information on TBC's income tax expense for the years indicated:

	For the year ended 31 December		
	2015	2014	Change
	(audited) (GEL thousands)		(%)
Current tax charge	29,697	29,365	1.1%
Deferred tax charge/(credit)	(521)	(4,897)	(89.4)%
Income tax expense	**29,176**	**24,468**	**19.2%**

TBC's income tax expense increased by GEL 4.7 million, or 19.2%, to GEL 29.2 million for the year ended 31 December 2015 from GEL 24.5 million for the year ended 31 December 2014 primarily as a result of the increase in profit before tax, resulting in an effective tax rate (calculated as income tax expense as a percentage of profit before tax) of 11.8% in 2015 (compared to 13.4% in 2014). As a result of certain differences between taxable income as defined under applicable Georgian legislation and income recorded according to IFRS, TBC's effective tax rate under IFRS was lower than the 15.0% Georgian corporate tax rate generally applicable to TBC.

Profit

For the foregoing reasons, TBC's profit for the year increased by GEL 60.2 million, or 38.0%, to GEL 218.7 million for the year ended 31 December 2015 from GEL 158.5 million for the year ended 31 December 2014.

2015 segment analysis

The following table sets out information on the financial results of TBC's segments for the year ended 31 December 2015:

	As at 31 December 2015					
	Retail	Corporate	SME	Micro	Corporate center and other operations	Total
	(audited) (GEL thousands)					
Interest income	271,083	135,615	68,303	107,326	66,732	**649,059**
Interest expense	(94,656)	(31,189)	(9,376)	(2,268)	(99,396)	**(236,885)**
Inter-segment interest income/ (expense)	*12,828*	*(34,855)*	*(2,455)*	*(26,788)*	*51,270*	—
Net interest income	**189,255**	**69,571**	**56,472**	**78,270**	**18,606**	**412,174**
Fee and commission income	72,242	18,397	11,739	6,880	4,579	**113,837**
Fee and commission expense	(31,698)	(3,864)	(3,917)	(1,242)	(825)	**(41,546)**
Net fee and commission income	**40,544**	**14,533**	**7,822**	**5,638**	**3,754**	**72,291**
Gains less losses from trading in foreign currencies	15,038	23,647	21,488	1,787	2,682	**64,642**
Foreign exchange translation losses less gains	—	—	—	—	2,579	**2,579**
Net gain from derivative financial instruments	—	—	—	—	(575)	**(575)**
Other operating income	2,299	13,808	1,089	95	8,592	**25,883**
Other operating non-interest income	**17,337**	**37,455**	**22,577**	**1,882**	**13,278**	**92,529**
Provision for loan impairment	(29,004)	(15,396)	(11,628)	(16,763)	—	**(72,791)**
Provision for performance guarantees and credit related commitments	(4,113)	4,581	731	(82)	—	**1,117**
Provision for impairment of investments in finance lease	—	—	—	—	(967)	**(967)**
Provision for impairment of other financial assets	(735)	(561)	(388)	(317)	(1,350)	**(3,351)**
Profit before administrative and other expenses and income taxes	**213,284**	**110,183**	**75,586**	**68,628**	**33,321**	**501,002**
Staff costs	(69,497)	(16,947)	(16,439)	(30,470)	(9,424)	**(142,777)**
Depreciation and amortisation	(15,295)	(1,092)	(2,138)	(6,436)	(1,325)	**(26,286)**
Provision for liabilities and charges	—	—	—	—	(1,102)	**(1,102)**
Administrative and other operating expenses	(46,438)	(4,879)	(7,712)	(14,531)	(9,404)	**(82,964)**
Operating expenses	**(131,230)**	**(22,918)**	**(26,289)**	**(51,437)**	**(21,255)**	**(253,129)**
Profit before tax	**82,054**	**87,265**	**49,297**	**17,191**	**12,066**	**247,873**
Income tax expense	(11,119)	(13,384)	(7,719)	(2,578)	5,624	**(29,176)**
Profit for the year	**70,935**	**73,881**	**41,578**	**14,613**	**17,690**	**218,697**

In 2015, profit increased across each of TBC's segments. Profit for the year in the corporate segment increased by GEL 33.7 million (83.8%), from GEL 40.2 million in the year ended 31 December 2014 to GEL 73.9 million in the year ended 31 December 2015, driven primarily by the GEL 17.3 million increase in net interest income, GEL 11.2 million increase in gains less losses from trading in foreign

currencies and GEL 13.8 million increase in other operating income. These increases were partially offset by a GEL 5.9 million increase in operating expenses.

Retail segment profit for the year increased by GEL 12.1 million (20.6%) from GEL 58.8 million in the year ended 31 December 2014 to GEL 70.9 million in the year ended 31 December 2015, mainly due to the GEL 24.8 million increase in net interest income, a GEL 20.4 million increase in net fee and commission income and a GEL 7.4 million increase in other operating non-interest income. These increases were partially offset by a GEL 26.6 million increase in operating expenses and increases in provisions for loans and performance guarantees and letters of credit of GEL 7.0 million and GEL 4.1 million, respectively.

Profit for the year in TBC's micro segment doubled from GEL 7.2 million in the year ended 31 December 2014 to GEL 14.6 million in the year ended 31 December 2015 as a result of the GEL 39.4 million increase in net interest income and a GEL 3.0 million increase in net fee and commission income. These increases were partially offset by an increase in operating expenses of GEL 22.4 million and a GEL 10.7 million increase in provisions for loans.

SME segment profit for the year also increased by GEL 2.4 million (6.1%) from GEL 39.2 million in the year ended 31 December 2014 to GEL 41.6 million in the year ended 31 December 2015.

Results of Operations for the Years ended 31 December 2014 and 2013

Consolidated results of operations

The following table sets out the main components of TBC's consolidated statements of profit or loss and other comprehensive income for the years indicated:

	For the year ended 31 December		
	2014	**2013**	**Change**
	(audited) (GEL thousands)		(%)
Interest income	512,357	474,796	7.9%
Interest expense	(173,709)	(192,146)	(9.6)%
Net interest income	**338,648**	**282,650**	**19.8%**
Fee and commission income	88,203	74,361	18.6%
Fee and commission expense	(29,523)	(24,301)	21.5%
Net fee and commission income	**58,680**	**50,060**	**17.2%**
Gains less losses from trading in foreign currencies	39,730	37,894	4.8%
Foreign exchange translation gains less losses/(losses less gains)	2,359	(5,901)	—
(Losses less gains)/gains less losses from derivative financial instruments	(683)	613	—
Other operating income	19,600	16,136	21.5%
Other operating non-interest income	**61,006**	**48,742**	**25.2%**
Provision for loan impairment	(48,672)	(32,971)	47.6%
Provision for impairment of investments in finance lease	(77)	(98)	(21.9)%
Recovery of/(Provision for) performance guarantees and credit related commitments	902	(6,459)	—
Provision for impairment of other financial assets	(1,236)	(2,236)	(44.7)%
Impairment of investment securities available for sale	(22)	(1,142)	(98.1)%
Operating income after provisions for impairment	**409,229**	**338,546**	**20.9%**
Staff costs	(122,835)	(108,613)	13.1%
Depreciation and amortisation	(24,427)	(19,993)	22.2%
Provision for liabilities and charges	(5,500)	(1,315)	—
Administrative and other operating expenses	(73,548)	(68,692)	7.1%
Operating expenses	**(226,310)**	**(198,613)**	**13.9%**
Profit before tax	**182,919**	**139,933**	**30.7%**
Income tax expense	(24,468)	(15,663)	56.2%
Profit for the year	**158,451**	**124,270**	**27.5%**

The following table sets out certain of TBC's profitability ratios for the years indicated:

	For the years ended 31 December	
	2014	2013
	(unaudited)	
Profitability ratios:		
ROAA[(1)]	3.3%	3.1%
ROAE[(2)]	18.4%	18.7%
Interest income to average interest earning assets	12.8%	14.1%
Cost of funds[(3)]	4.6%	5.9%
Net interest margin[(4)]	8.5%	8.4%
Net interest spread[(5)]	8.2%	8.2%
Loan yield[(6)]	14.9%	16.6%
Deposit yield[(7)]	3.7%	5.5%
Net fee and commission income to total income	12.8%	13.1%

(1) Return on average total assets is profit for the period from continuing operations divided by average totals assets of the period.
(2) Return on average total equity is profit for the period from continuing operations attributable to Bank Shareholders divided by average total equity of the period attributable to Bank Shareholders.
(3) Cost of funds equals interest expense divided by average interest bearing liabilities of the period. Interest bearing liabilities include amounts due to credit institutions and amounts due to customers.
(4) Net interest income divided by average-interest-earning assets of the period. Interest-earning assets include placements with credit institutions with maturity up to 90 days, amounts due from credit institutions, loans to customers (gross), finance lease receivables (gross) and investment securities (interest-earning securities only).
(5) Net interest spread is calculated as the difference between cost of funds and interest income to average interest-earning assets.
(6) Loan yield equals total interest income from loans for the period divided by the average total gross loans for the same period.
(7) Customer deposit yield equals total interest expense from amounts due to customers for the period divided by the average total amounts due to customers for the same period.

Interest income

The following table sets out the principal components of TBC's interest income for the years indicated:

	For the year ended 31 December		
	2014	2013	Change
	(audited) (GEL thousands)		(%)
Loans and advances to customers	465,520	433,968	7.3%
Investment securities available for sale	30,361	30,442	(0.3)%
Investments in leases	10,265	7,356	39.5%
Due from other banks	6,211	3,030	105.0%
Total interest income	**512,357**	**474,796**	**7.9%**

Total interest income increased by GEL 37.6 million, or 7.9%, to GEL 512.4 million for the year ended 31 December 2014 from GEL 474.8 million for the year ended 31 December 2013, mainly due to increased interest income from loans to customers. Interest income from loans to customers increased by GEL 31.6 million, or 7.3%, to GEL 465.5 million for the year ended 31 December 2014 from GEL 434.0 million for the year ended 31 December 2013. This increase was primarily related to an increase in the size of TBC's gross loan portfolio, which increased by 25.3% in 2014 compared to 2013, which more than offset a decline in loan yields over the same period from 16.6% to 14.9%, aligned with declining interest rates in Georgia generally. See "*Selected Statistical and Other Information—Loan Portfolio*".

Interest income from other banks increased by GEL 3.2 million, to GEL 6.2 million for the year ended 31 December 2014 from GEL 3.0 million for the year ended 31 December 2013. This increase was driven primarily by an increase in the size of the respective average portfolio as well as the increased yields on such placements. Interest income from investment in leases increased by

GEL 2.9 million to GEL 10.3 million for the year ended 31 December 2014 from GEL 7.4 million for the year ended 31 December 2013. This increase was driven by significant growth in TBC's portfolio of investment in leases. See "*Selected Statistical and Other Information—Average Balances and Rates*".

The following table sets out the average interest rates on TBC's interest-earning Lari and foreign currency assets for the years indicated:

	For the year ended 31 December							
	2014				2013			
	GEL	U.S.$	Euro	Other	GEL	U.S.$	Euro	Other
	(unaudited) (%)							
Amounts due from credit institutions	2.7	1.9	1.6	4.2	2.5	1.1	0.5	0.5
Loans and advances to customers	19.3	12.4	11.1	27.5	22.6	14.2	12.6	29.3
Investment securities available for sale	5.8	—	—	—	6.5	—	—	—
Investment financial leases	26.6	23.5	—	—	18.5	26.8	—	—
Total interest income	**14.5**	**12.2**	**4.7**	**19.8**	**15.5**	**13.8**	**6.1**	**22.0**

Note:

* Average interest rates are calculated as interest income by currency divided by the monthly average of the respective balances.

In the year ended 31 December 2014, currency blended average interest rates on loans to customers decreased to 14.9% from 16.6% in 2013, primarily due to the decrease in average interest rates on Lari-denominated and Euro-denominated loans to customers, broadly aligned with the general market trend of declining interest rates.

The decrease in average interest rates on Lari-denominated investment securities available in the year ended 31 December 2014 compared to the year ended 31 December 2013, was primarily due to the then general market trend of declining interest rates on these securities.

Interest expense

The following table sets out the principal components of TBC's interest expense, for the years indicated:

	For the year ended 31 December		
	2014	2013	Change
	(audited) (GEL thousands)		(%)
Customer accounts	110,041	139,913	(21.4)%
Due to credit institutions	43,384	38,645	12.3%
Subordinated debt	19,069	13,182	44.7%
Debt securities in issue	928	237	—
Other	287	169	69.8%
Total interest expense	**173,709**	**192,146**	**(9.6)%**

Total interest expense decreased by GEL 18.4 million, or (9.6)%, to GEL 173.7 million for the year ended 31 December 2014 from GEL 192.1 million for the year ended 31 December 2013, mainly as a result of decreases in interest expenses on customer accounts, partially offset by increases in interest expense on amounts due to credit institutions, subordinated debt and debt securities in issue.

Interest expense on customer accounts decreased by GEL 29.9 million, or 21.4%, to GEL 110.0 million for the year ended 31 December 2014 from GEL 139.9 million for the year ended 31 December 2014, primarily due to the lower cost of client deposits at 3.7% (2013: 5.5%), which resulted from the

management's efforts to optimize the cost of funding in response to the general market trend of declining interest rates on deposits in Georgia. Consequently, the reduction in the cost of client deposits more than offset the 15.2% increase in the average customer deposit portfolio. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest expense on amounts due to credit institutions increased by GEL 4.7 million, or 12.3%, to GEL 43.4 million for the year ended 31 December 2014 from GEL 38.6 million for the year ended 31 December 2013, mainly due to an increase in the balance of the amounts due to credit institutions in 2014. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest expense on subordinated debt increased by GEL 5.9 million, or 44.7%, to GEL 19.1 million for the year ended 31 December 2014 from GEL 13.2 million for the year ended 31 December 2013, mainly due to an increase in the interest rates on subordinated loans in 2014. See "*Selected Statistical and Other Information—Average Balances and Rates*".

The following table sets out the average interest rates paid by TBC on its Lari and foreign currency-denominated interest-bearing liabilities for the years indicated:

	For the year ended							
	2014				2013			
	GEL	U.S.$	Euro	Other	GEL	U.S.$	Euro	Other
	(unaudited) (%)							
Customer accounts	3.5	3.9	3.7	4.4	5.0	5.7	5.4	5.7
Due to credit institutions and debt securities in issue[(1)]	5.3	7.3	5.5	9.1	5.1	7.4	6.2	6.2
Subordinated debt	10.2	10.8	—	—	—	10.5	—	—
Total interest expense	**3.9**	**5.0**	**3.8**	**5.3**	**5.1**	**6.3**	**5.5**	**5.7**

Notes:

* Average interest rates are calculated as interest expense by currency divided by the monthly average of the respective balances.

(1) Due to credit institutions includes amounts due to other banks, other borrowed funds and debt securities in issue.

The decreases on average interest rates on Lari-denominated and U.S. Dollar-denominated customer accounts reflected a general market decrease in interest rates for such funds, as well as a decrease in the interest rates offered by TBC in response to market competition in 2013.

Fees and commissions

Fee and commission income

The following table sets out certain information on TBC's fee and commission income for the years indicated:

	For the year ended 31 December		
	2014	2013	Change
	(audited) (GEL thousands)		(%)
Fee and commission income (*in respect of financial assets not at fair value through profit or loss*):			
Card operations	35,247	33,012	6.8%
Settlement transactions	23,892	18,543	28.9%
Guarantees issued	9,140	6,271	45.7%
Issuance of letters of credit	6,889	6,769	1.8%
Cash transactions	6,507	5,040	29.1%
Foreign exchange operations	1,169	1,550	(24.6)%
Other	5,359	3,176	68.7%
Total fee and commission income	**88,203**	**74,361**	**18.6%**

Fee and commission income increased by GEL 13.8 million, or 18.6%, to GEL 88.2 million for the year ended 31 December 2014 from GEL 74.4 million for the year ended 31 December 2013, primarily as a result of increase from settlement transactions and from guarantees, driven by the growing scale of the business.

Fee and commission expense

The following table sets out information on TBC's fee and commission expense for the years indicated:

	For the year ended 31 December		
	2014	2013	Change
	(audited) (GEL thousands)		(%)
Fee and commission expense (*in respect of financial instruments not at fair value through profit or loss*):			
Card operations	16,053	13,143	22.1%
Guarantees received	1,173	769	52.6%
Settlement transactions	2,594	2,157	20.3%
Cash transactions	2,592	1,544	67.9%
Foreign exchange operations	62	70	(11.2)%
Letters of credit	2,988	3,279	(8.9)%
Other	4,061	3,339	21.6%
Total fee and commission expense	**29,523**	**24,301**	**21.5%**

Fee and commission expense increased by GEL 5.2 million, or 21.5%, to GEL 29.5 million for the year ended 31 December 2014 from GEL 24.3 million for the year ended 31 December 2013, primarily as a result of the increase in fees and commissions from card operations, cash transactions, guarantees received, settlement transactions, reflecting the increase in the overall scale of TBC's operations in 2014 compared to 2013.

Other operating non-interest income

The following table sets out certain information on TBC's other operating non-interest income and expense items for the years indicated:

	For the year ended 31 December		
	2014	2013	Change
	(audited) (GEL thousands)		(%)
Gains less losses from trading in foreign currencies and foreign exchange translations	**42,089**	**31,993**	**31.6%**
Gains less losses/(losses less gains) from derivative financial instruments	**(683)**	**613**	—
Other operating income:			
Revenues from sale of cash-in terminals	852	760	12.1%
Revenues from operational leasing	6,997	2,980	134.8%
Gain from sale of investment properties	5,795	5,835	(0.7)%
Gain from sale of inventories of repossessed collateral	1,644	1,519	8.2%
Administrative fee income from international financial institutions	982	1,268	(22.6)%
Revenues from non-credit related fines	236	339	(30.4)%
Gain on disposal of premises and equipment	126	37	—
Other	2,968	3,398	(12.7)%
Other operating income	**19,600**	**16,136**	**21.5%**
Other operating non-interest income	**61,006**	**48,742**	**25.2%**

Total other operating non-interest income increased by GEL 12.3 million, or 25.2%, to GEL 61.0 million for the year ended 31 December 2014 from GEL 48.7 million for the year ended 31 December 2013. This increase was mainly driven by the GEL 10.1 million increase in gains from trading in foreign currencies and foreign exchange translations related to increased volumes of currency exchange operations and the increased margins on such operations, partially driven by the currency exchange rate volatility in the last quarter of 2014. Total other operating non-interest income was also supported by the increase in revenues from operational leasing (rental income from investment property) by GEL 4.0 million. These increases were partially offset by the loss of GEL 0.7 million from the fair valuation of interest rate swaps (reported under gains less losses from derivative financial instruments) entered for purposes of hedging interest rate increases in TBC's banking book. This loss compares to a gain of GEL 0.6 million in 2013.

Provision charges for impairment

The following table sets out certain information on TBC's provision charges for impairment for the years indicated:

	For the year ended 31 December		
	2014	**2013**	**Change**
	(audited) (GEL thousands)		(%)
Provision for loan impairment	48,672	32,971	47.6%
Provision for impairment of investments in finance lease	77	98	(21.9)%
Provision for/(recovery of provision) performance guarantees and credit related commitments	(902)	6,459	(114.0)%
Provision for impairment of other financial assets	1,236	2,236	(44.7)%
Impairment of investment securities available for sale	22	1,142	(98.1)%
Total provision charges for impairment	**49,105**	**42,906**	**14.4%**
Provision for loan impairment (balance sheet)/loans and advances to customers (before provision for loan impairment)*(%)*	4.0%	5.3%	
Provision for loan impairment/operating income before provision for loan impairment[(1)]*(%)*	10.6%	8.6%	
Non-performing and Restructured Loan coverage ratio[(2)]	109%	111%	

Notes:

(1) Operating income (before provision for loan impairment) is the sum of net interest income, net fee and commission income, gains less losses from trading in foreign currencies, foreign exchange translation gains less losses, gains less losses from derivative financial instruments and other operating income.

(2) Non-performing and Restructured Loan coverage ratio is defined as loan loss provisions divided by the sum of Non-performing Loans and Restructured Loans. See "*Lending Policies and Procedures—Non-performing and Restructured Loans and overdue finance leases*".

For the year ended 31 December 2014, TBC's total provision charges for impairment increased by GEL 6.2 million, or 14.4%, to GEL 49.1 million from GEL 42.9 million for the year ended 31 December 2013. The increase in provision charges was driven by increases in provisions for loan impairment, partially offset by decreases in provision for performance guarantees and credit related commitments.

For the year ended 31 December 2014, TBC's provision for loan impairment increased by GEL 15.7 million, or 47.6%, to GEL 48.7 million from GEL 33.0 million for the year ended 31 December 2013. The increase was driven by the increased charges on loans due to portfolio growth in 2014 and the depreciation of the Lari against the U.S. Dollar (63% of TBC's gross loan book in 2014 was denominated in foreign currency, of which U.S. Dollar-denominated loans represented 96%).

Provision for impairment of performance guarantees and credit related commitments decreased by GEL 7.4 million, or 114.0%, to a gain of GEL 0.9 million for the year ended 31 December 2014, from a provision of GEL 6.5 million for the year ended 31 December 2013 due to the transfer of guarantees into loans and the reduction of provision levels on certain guarantees due to the improvement in their financial standing in 2014.

Operating expenses

	For the year ended 31 December		
	2014	2013	Change
	(audited) (GEL thousands)		(%)
Staff costs	122,835	108,613	13.1%
Depreciation and amortization	24,427	19,993	22.2%
Provision for liabilities and charges	5,500	1,315	—
Administrative and other operating expenses:			
Professional services	11,969	6,247	91.6%
Advertising and marketing services	14,121	13,211	6.9%
Rent	11,943	10,809	10.5%
Utility services	3,681	3,369	9.2%
Intangible asset enhancement	4,371	3,767	16.0%
Taxes other than on income	3,900	3,043	28.1%
Communications and supply	3,455	3,103	11.3%
Stationary and other office expenses	2,632	2,360	11.5%
Insurance	1,899	1,496	26.9%
Security services	1,578	1,597	(1.2)%
Premises and equipment maintenance	1,893	2,484	(23.8)%
Business trip expenses	1,610	1,230	30.9%
Transportation and vehicles maintenance	1,216	1,215	0.1%
Other	9,280	14,761	(37.1)%
Total administrative and other operating expenses	**73,548**	**68,692**	**7.1%**
Operating expenses	**226,310**	**198,613**	**13.9%**

Total operating expenses increased by GEL 27.7 million, or 13.9% to GEL 226.3 million for the year ended 31 December 2014 from GEL 198.6 million for the year ended 31 December 2013. Out of this amount GEL 10.7 million represented one-off charges related to our initial public offering in 2014 (GEL 5.2 million), the settlement of Bank Constanta claims (GEL 4.8 million) and the costs associated with the merger with Bank Constanta (GEL 0.7 million). Without these one-off costs, total operating expenses would have increased by GEL 17.0 million, or 8.6% in 2014, compared to the previous year.

Staff costs increased by GEL 14.2 million, or 13.1%, to GEL 122.8 million for the year ended 31 December 2014, from GEL 108.6 million for the year ended 31 December 2013. Bank Constanta accounted for GEL 3.4 million, or 24.2%, of the total staff cost increase in line with the growth of Bank Constanta's business as well as the general increase in salaries, bonuses and various HR management related costs on a TBC Group level.

Depreciation and amortisation expenses increased by GEL 4.4 million, or 22.2%, to GEL 24.4 million for the year ended 31 December 2014, from GEL 20.0 million for the year ended 31 December 2013. The increase was partially driven by the change in accounting practices of Bank Constanta during preparations for its merger into TBC Bank, and partially by asset growth in general.

Administrative and other operating expenses increased by GEL 4.9 million, or 7.1%, to GEL 73.5 million for the year ended 31 December 2014, from GEL 68.7 million for the year ended 31 December 2013. This increase was driven by increases in most expense categories, primarily in expenses relating to professional services and rent. Professional services increased by GEL 5.7 million, or 91.6%, to GEL 12.0 million for the year ended 31 December 2014, from GEL 6.2 million for the year ended 31 December 2013, primarily due to one-time expenses related to the initial public offering.

Advertising and marketing expenses increased by GEL 0.9 million, or 6.9%, to GEL 14.1 million for the year ended 31 December 2014, from GEL 13.2 million for the year ended 31 December 2013, primarily due to increased marketing activities related to the initial public offering.

Taxation

TBC reported income tax expense of GEL 24.5 million for the year ended 31 December 2014, compared to GEL 15.7 million for the year ended 31 December 2013.

The following table sets out certain information on TBC's income tax expense for the years indicated:

	For the year ended 31 December		
	2014	2013	Change
	(audited) (GEL thousands)		(%)
Current tax charge	29,365	8,247	—
Deferred tax charge/(credit)	(4,897)	7,416	—
Income tax expense	**24,468**	**15,663**	**56.2%**

TBC's income tax expense increased by GEL 8.8 million, or 56.2%, to GEL 24.5 million for the year ended 31 December 2014 from GEL 15.7 million for the year ended 31 December 2013 as a result of an increase in profits.

Profit

For the foregoing reasons, TBC's profit for the year increased by GEL 34.2 million, or 27.5%, to GEL 158.5 million for the year ended 31 December 2014 from GEL 124.3 million for the year ended 31 December 2013.

Segment analysis

The following tables set out information on the financial results of TBC's segments for the years ended 31 December 2014 and 2013:

	As at 31 December 2014					
	Retail	**Corporate**	**SME**	**Micro**	**Corporate center and other operations**	**Total**
			(audited) (GEL thousands)			
Interest income	237,804	116,404	53,739	57,573	46,837	**512,357**
Interest expense	(80,808)	(21,845)	(7,196)	(192)	(63,668)	**(173,709)**
Inter-segment interest income/(expense)	*7,499*	*(42,246)*	*(3,640)*	*(18,468)*	*56,855*	—
Net interest income	**164,495**	**52,313**	**42,903**	**38,913**	**40,024**	**338,648**
Fee and commission income	46,368	18,093	9,268	3,498	10,976	**88,203**
Fee and commission expense	(26,230)	(1,312)	(906)	(911)	(164)	**(29,523)**
Net fee and commission income	**20,138**	**16,781**	**8,362**	**2,587**	**10,812**	**58,680**
Gains less losses from trading in foreign currencies	9,932	12,456	13,286	1,820	2,236	**39,730**
Foreign exchange translation losses less gains	—	—	—	—	2,359	**2,359**
Net gain from derivative financial instruments	—	—	—	—	(683)	**(683)**
Other operating income	—	—	—	—	19,600	**19,600**
Other operating non-interest income	**9,932**	**12,456**	**13,286**	**1,820**	**23,512**	**61,006**
Provision for loan impairment	(22,046)	(18,995)	(1,625)	(6,006)	—	**(48,672)**
Provision for performance guarantees and credit related commitments	—	885	17	—	—	**902**
Provision for impairment of investments in finance lease	—	—	—	—	(77)	**(77)**
Provision for impairment of other financial assets	—	—	—	—	(1,236)	**(1,236)**
Impairment of investment securities available for sale	—	—	—	—	(22)	**(22)**
Profit before administrative and other expenses and income taxes	**172,519**	**63,440**	**62,943**	**37,314**	**73,013**	**409,229**
Staff costs	(55,427)	(11,826)	(10,755)	(15,808)	(29,019)	**(122,835)**
Depreciation and amortisation	(13,132)	(780)	(1,915)	(3,579)	(5,021)	**(24,427)**
Provision for liabilities and charges	—	—	—	—	(5,500)	**(5,500)**
Administrative and other operating expenses	(36,026)	(4,432)	(4,981)	(9,600)	(18,509)	**(73,548)**
Operating expenses	**(104,585)**	**(17,038)**	**(17,651)**	**(28,987)**	**(58,049)**	**(226,310)**
Profit before tax	**67,934**	**46,402**	**45,292**	**8,327**	**14,964**	**182,919**
Income tax expense	(9,087)	(6,207)	(6,059)	(1,114)	(2,001)	**(24,468)**
Profit for the year	**58,847**	**40,195**	**39,233**	**7,213**	**12,963**	**158,451**

	As at 31 December 2013					
	Retail	Corporate	SME	Micro	Corporate center and other operations	Total
			(audited) (GEL thousands)			
Interest income	207,028	131,385	44,370	51,185	40,828	**474,796**
Interest expense	(96,144)	(35,721)	(7,622)	(426)	(52,233)	**(192,146)**
Inter-segment interest income/(expense)	*24,157*	*(50,675)*	*(3,679)*	*(15,045)*	*45,242*	—
Net interest income	**135,041**	**44,989**	**33,069**	**35,714**	**33,837**	**282,650**
Fee and commission income	40,823	15,881	7,349	2,444	7,864	**74,361**
Fee and commission expense	(17,627)	(4,688)	(1,089)	(620)	(277)	**(24,301)**
Net fee and commission income	**23,196**	**11,193**	**6,260**	**1,824**	**7,587**	**50,060**
Gains less losses from trading in foreign currencies	8,614	12,522	9,244	1,513	6,001	**37,894**
Foreign exchange translation losses less gains	—	—	—	—	(5,901)	**(5,901)**
Net gain from derivative financial instruments	—	—	—	—	613	**613**
Other operating income	—	—	—	—	16,136	**16,136**
Other operating non-interest income	**8,614**	**12,522**	**9,244**	**1,513**	**16,849**	**48,742**
Provision for loan impairment	(13,377)	(17,035)	(88)	(2,471)	—	**(32,971)**
Provision for performance guarantees and credit related commitments	—	(6,124)	(335)	—	—	**(6,459)**
Provision for impairment of investments in finance lease	—	—	—	—	(98)	**(98)**
Provision for impairment of other financial assets	—	—	—	—	(2,236)	**(2,236)**
Impairment of investment securities available for sale	—	—	—	—	(1,142)	**(1,142)**
Profit before administrative and other expenses and income taxes	**153,474**	**45,545**	**48,150**	**36,580**	**54,797**	**338,546**
Staff costs	(49,949)	(8,329)	(9,909)	(14,138)	(26,288)	**(108,613)**
Depreciation and amortisation	(11,862)	(753)	(1,904)	(2,061)	(3,413)	**(19,993)**
Provision for liabilities and charges	—	—	—	—	(1,315)	**(1,315)**
Administrative and other operating expenses	(32,693)	(3,175)	(4,135)	(10,130)	(18,559)	**(68,692)**
Operating expenses	(94,504)	**(12,257)**	**(15,948)**	**(26,329)**	**(49,575)**	**(198,613)**
Profit before tax	**58,970**	**33,288**	**32,202**	**10,251**	**5,222**	**139,933**
Income tax expense	(6,602)	(3,726)	(3,604)	(1,147)	(584)	**(15,663)**
Profit for the year	**52,368**	**29,562**	**28,598**	**9,104**	**4,638**	**124,270**

Profit for the year in the corporate segment increased by GEL 10.6 million (35.8%), from GEL 29.6 million in the year ended 31 December 2013 to GEL 40.2 million in the year ended 31 December 2014, driven primarily by a GEL 7.3 million increase in net interest income, a GEL 5.6 million increase in net fee and commission income and a GEL 7.0 million reversal of provision for guarantees and letters of credit. Retail segment profit for the year increased by GEL 6.4 million (12.2%) from GEL 52.4 million in the year ended 31 December 2013 to GEL 58.8 million in the year ended 31 December 2014, mainly due to a GEL 29.4 million increase in net interest income, which was partially offset by a GEL 8.7 million increase in provision for loans and a GEL 10.1 million increase in operating expenses. SME segment profit for the year also increased by GEL 10.6 million (37.1%) from GEL 28.6 million in the year ended 31 December 2013 to GEL 39.2 million in the year ended 31 December 2014, driven by increases in net interest income (GEL 9.8 million), net fee and commission income (GEL 2.1 million) and gains less losses from trading in foreign currencies (GEL 4.0 million). The increases in profit in each of these segments was

partially offset by a small decrease in the profit for the year of TBC's micro segment, which decreased from GEL 9.1 million in the year ended 31 December 2013 to GEL 7.2 million in the year ended 31 December 2014 as a result of increases in provisions for loans (GEL 3.5 million) and operating expenses (GEL 2.7 million).

For a detailed segment analysis, see Note 27 to the Audited Consolidated Financial Statements.

Analysis of Consolidated Financial Position

The following table sets out TBC's consolidated statements of financial position as at the dates indicated:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(audited)	
		(GEL thousands)		
Assets				
Cash and cash equivalents	688,118	720,347	532,118	390,465
Due from other banks	12,591	11,042	33,704	1,708
Mandatory cash balances with NBG	452,398	471,490	336,075	295,332
Loans and advances to customers[(1)]	4,298,291	4,444,886	3,556,496	2,801,712
Investment securities available for sale	224,614	307,310	466,510	500,651
Bonds carried at amortised cost	367,045	372,092	—	—
Investments in finance leases	78,950	75,760	50,907	35,613
Investment properties	69,461	57,600	76,216	83,383
Current income tax prepayment	10,671	9,856	251	6,202
Deferred income tax account	2,301	1,546	383	0
Other financial assets	55,380	64,317	43,857	45,049
Other assets	96,920	103,912	77,775	65,075
Premises and equipment	249,756	247,767	208,692	199,668
Intangible assets	45,129	44,344	37,756	23,491
Goodwill	2,726	2,726	2,726	2,726
Total assets	**6,654,351**	**6,934,995**	**5,423,466**	**4,451,075**
Liabilities				
Due to credit institutions	1,002,300	1,113,574	749,285	565,806
Customer accounts	3,931,623	4,177,931	3,322,428	2,886,883
Other financial liabilities	38,563	39,435	41,346	24,850
Current income tax liability	468	912	12,433	—
Debt securities in issue	21,424	21,714	20,423	4,474
Deferred income tax liability	35,838	29,244	23,187	27,814
Provisions for liabilities and charges	10,491	9,461	11,898	12,380
Other liabilities	29,687	40,627	34,975	31,305
Subordinated debt	303,381	283,648	188,015	168,274
Total liabilities	**5,373,775**	**5,716,546**	**4,403,990**	**3,721,786**
Equity				
Share capital	19,612	19,587	19,576	16,499
Share premium	408,274	407,474	405,658	242,624
Retained earnings	772,225	712,743	532,992	402,627
Share based payment reserve	14,754	12,755	4,624	2,032
Revaluation reserve for premises	59,532	59,532	35,096	36,735
Revaluation reserve for available-for-sale securities	6,390	5,759	8,675	10,716
Cumulative currency translation reserve	(6,614)	(6,590)	5,484	3,389
Net assets attributable to owners	**1,274,173**	**1,211,260**	**1,012,105**	**714,622**
Non-controlling interest	**6,403**	**7,189**	**7,371**	**14,667**
Total equity	**1,280,576**	**1,218,449**	**1,019,476**	**729,289**
Total liabilities and equity	**6,654,351**	**6,934,995**	**5,423,466**	**4,451,075**

Note:

(1) After provision for loan impairment.

Total assets

TBC had total assets of GEL 6,654.4 million as at 31 March 2016, as compared to total assets of GEL 6,935.0 million as at 31 December 2015. This 4.0% decrease was primarily due to the GEL 146.6 million (3.3%) decrease in net loans to customers to GEL 4,298.3 million, compared to GEL 4,444.9 million as at 31 December 2015, resulting from the repayments of certain corporate loans. The decrease in total assets also resulted from a GEL 137.3 million, or 7.3%, decrease in liquid assets (comprising cash and cash equivalents, amounts due from other banks, mandatory cash balances, bonds carried at amortised cost and investment securities, less corporate shares) compared to 31 December 2015.

TBC had total assets of GEL 6,935.0 million as at 31 December 2015, as compared to total assets of GEL 5,423.5 million as at 31 December 2014. This 27.9% increase was primarily due to the GEL 888.4 million (25.0%) increase in net loans to customers, the GEL 372.1 million increase in bonds carried at amortised cost, the GEL 188.2 million (35.4%) increase in cash and cash equivalents, which were partially offset by the GEL 159.2 million (34.1%) decrease in investment securities available for sale, and the GEL 22.7 million (67.2%) decrease in amounts due from other banks. The increase in loans and advances to customers was driven mainly by growth in retail and corporate net portfolios, along with the growth in the SME and micro segments. The increase in bonds carried at amortised cost was principally caused by the fact that in 2015, TBC Bank reassessed its intention with regard to some of the securities available for sale and identified certain investments that TBC was able and intended to hold to maturity and classified such securities as bonds carried at amortised cost.

As at 31 December 2014, TBC had total assets of GEL 5,423.5 million, as compared to total assets of GEL 4,451.1 million as at 31 December 2013. The GEL 972.4 million (21.8%) increase was primarily driven by the GEL 754.8 million (26.9%) increase in net loans and advances to customers, the GEL 141.7 million (36.3%) increase in cash and cash equivalents, the GEL 32.0 million (1,873.3%) increase in due from other banks, the GEL 40.7 million (13.8%) increase in mandatory cash balances with the NBG, the GEL 15.3 million (42.9%) increase in investment in finance leases, the GEL 12.7 million (19.5%) increase in other assets, the GEL 14.3 million (60.7%) increase in intangible assets and the GEL 9.0 (4.5%) increase in premises and equipment. These increases were partially offset by the GEL 7.2 million (8.6%) decrease in investment properties, the GEL 6.0 million (96%) decrease in current income tax prepayment and the GEL 1.2 million (2.6%) decrease in other financial assets. The increase in loans and advances to customers was driven mainly by growth in retail and corporate net portfolios, along with the growth in the SME and micro segments. The increase in cash and cash equivalents and due from other banks was driven mainly by an increase in customer deposits. Mandatory cash balances with the NBG increased during 2014 as a result of an increase in TBC Bank's customer accounts portfolio. The increase in investment in finance leases was driven mainly by an increase in leasing activities in 2014.The increase in other assets was driven mainly by the repossession of collateral pledged under loan agreements with customers. The increase in intangible assets was driven mainly by the procurement of various licences. The increase in premises and equipment was driven mainly by the purchase of computer equipment in 2014.

See "*Selected Statistical and Other Information—Loan Portfolio*", "*—Amounts due from Other Banks and Mandatory Cash Balances with the NBG*" and "*—Investment Securities Available for Sale.*"

Total liabilities

As at 31 March 2016, TBC had total liabilities of GEL 5,374 million as compared to total liabilities of GEL 5,716.5 million as at 31 December 2015. The GEL 342.8 million (6.0%) decrease was primarily due to the reduced legal entity deposits, which in large part was the result of legal entities withdrawing their current deposits to cover corporate income tax payments due in the first quarter of 2016. The decrease in total liabilities was also due to the decreased borrowings from the local banks and financial institutions from the NBG consistent with liquidity management needs.

As at 31 December 2015, TBC had total liabilities of GEL 5,716.5 million as compared to total liabilities of GEL 4,404.0 million as at 31 December 2014. The GEL 1,312.6 million (29.8%) increase was mainly due to the GEL 855.5 million (25.7%) increase in customer accounts, which was primarily the result of an increase in retail deposits and the GEL 377.0 million (56.8%) increase in other borrowed funds resulting from the borrowings attracted from International Financial Institutions (IFIs), as well as an increase in short-term GEL borrowing from NBG consistence with TBC's liquidity management policy.

As at 31 December 2014, TBC had total liabilities of GEL 4,404.0 million, as compared to GEL 3,721.8 million as at 31 December 2013. The GEL 682.2 million (18.3%) increase in total liabilities from 31 December 2013 to 31 December 2014 was primarily due to the GEL 183.5 million (32.4%) increases in due to credit institutions, the GEL 435.5 million (15.1%) increase in customer accounts, the GEL 16.5 million (66.4%) increase in other financial liabilities and the GEL 19.7 million (11.7%) increase in subordinated debt. The increase in customer accounts was driven by increases in retail, corporate and SME deposits. The increase in other financial liabilities was primarily due to increases in trade payables and debit or credit card payables driven by an increase in the scale of credit card operations, as well as an increase in advances received for the purchase of leasing assets. The increase in subordinated debt is due to the addition of subordinated financing arrangements with KfW in 2014, as well as the depreciation of the Lari against the U.S. Dollar.

See "*Selected Statistical and Other Information—Funding Sources*".

Total equity

As at 31 March 2016, TBC had total equity of GEL 1,281 million, as compared to total equity of GEL 1,218 million as at 31 December 2015. The GEL 62.1 million (5.1%) increase in total equity was primarily due to the GEL 59.5 million increase in retained earnings to GEL 772.2 million as at 31 March 2016.

As at 31 December 2015, TBC had total equity of GEL 1,218.4 million, as compared to total equity of GEL 1,019.5 million as at 31 December 2014. The GEL 199.2 million (19.7%) increase in total equity was primarily due to a GEL 179.8 million increase in retained earnings to GEL 712.7 million as at 31 December 2015, and a GEL 24.4 million increase in the revaluation reserve for premises to GEL 59.5 million as at 31 December 2015. These increases were primarily due to 2015 profits generated by TBC and the revaluation of land and buildings owned by TBC Bank.

Total equity comprised GEL 1,019.5 million (18.8% of total assets) as at 31 December 2014 and GEL 729.3 million (16.4% of total assets) as at 31 December 2013. The 39.8% increase in total equity from 31 December 2013 to 31 December 2014 was primarily the result of an increase in share premium from GEL 242.6 as at 31 December 2013 to GEL 405.7 as at 31 December 2014, an increase in retained earnings from GEL 402.6 million as at 31 December 2013 to GEL 533.0 million as at 31 December 2014 .

Liquidity and Capital Resources

Analysis of consolidated cash flows

The following table summarises TBC's selected consolidated statements of cash flows for the periods indicated:

	For the three months ended 31 March		For the year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	(unaudited)		(audited)		
	(GEL thousands)				
Net cash from/(used in) operating activities	49,823	(66,174)	66,027	(133,184)	75,690
Net cash from/(used in) investing activities	81,556	(124,458)	(224,321)	17,345	(86,641)
Net cash (used in)/from financing activities	(164,849)	42,855	276,550	266,988	(13,040)
Effect of exchange rates on cash and cash equivalents	1,241	45,872	69,973	(9,496)	15,869
Net increase in cash and cash equivalents	(32,229)	(101,905)	188,229	141,653	(8,122)
Cash and cash equivalents at the end of the period	**688,118**	**430,214**	**720,347**	**532,118**	**390,465**

Net cash (used in)/from operating activities

Net cash from operating activities was GEL 49.8 million and GEL (66.2) million in the three months ended 31 March 2016 and 2015, respectively. The GEL 116.0 million increase in net cash from

operating activities during the first quarter of 2016 compared to the same period in 2015 was primarily due to changes in operating assets between the two periods, particularly a net decrease in loans and advances to customers of GEL 102.2 million in the first three months of 2016 compared to a GEL 53.0 million increase in loans and advances to customers in the first three months of 2015.

Net cash from operating activities was GEL 66.0 million, GEL (133.2) million and GEL 75.7 million in the years ended 31 December 2015, 2014 and 2013, respectively. The GEL 199.2 million (149.6%) increase in net cash from operating activities during 2015 was primarily due to interest received from operating activities and a comparatively lower net increase in loans and advances to customers in 2015. The GEL 208.9 million decrease in net cash from operating activities from 2013 to 2014 was principally due to increased lending activities of TBC Bank, which more than offset the smaller net increase in cash flows from interest received and paid (an increase of GEL 316.5 million in 2014 compared to GEL 270.0 million in 2013).

Net cash used in investing activities

Net cash from investing activities was GEL 81.6 million and GEL (124.5) million in the three months ended 31 March 2015 and 2014, respectively. The GEL 206.0 million increase in net cash from investing activities during the first quarter of 2016 compared to the same period in 2015 was principally driven by a significantly lower acquisition of investment securities available for sale in the first quarter of 2016 compared to the same period in 2015.

Net cash used in investing activities was GEL 224.3 million, GEL (17.3) million and GEL 86.6 million in the years ended 31 December 2015, 2014 and 2013, respectively. The GEL 241.7 million increase in net cash used in investing activities from 2014 to 2015 was principally driven by a GEL 249.4 million higher net cash outflow of proceeds relating to the acquisition, disposal and redemption of investment securities available for sale and bonds carried at amortised cost. The increase from 2013 to 2014 resulted from an increase in proceeds from the disposal and redemption of investment securities available for sale.

Net cash (used in)/from financing activities

Net cash used in financing activities was GEL 164.8 million in the three months ended 31 March 2016, compared to net cash from financing activities of GEL 42.9 million in the three months ended 31 March 2015. The GEL 207.7 million decrease in net cash used in financing activities during the first quarter of 2016 compared to the same period in 2015 was principally driven by the redemption of other borrowed funds (GEL 410.7 million in the first three months of 2016, compared to GEL 215.2 million in the first quarter of 2015).

Net cash from financing activities was GEL 276.6 million in the year ended 31 December 2015, compared to net cash from financing activities of GEL 267.0 million and GEL (13.0) million in the years ended 31 December 2014 and 2013, respectively. The GEL 9.6 million increase in from 2014 to 2015 was principally driven by the net cash inflow from other borrowed funds. The increase in cash flows from financing activities from 2013 to 2014 was the result of issue of ordinary shares as well as net cash inflow from other borrowed funds.

Capital expenditure commitments

As at 31 March 2016, TBC's capital expenditure commitments comprised GEL 6.5 million. As at 31 December 2015, TBC had capital expenditure commitments of GEL 6.8 million relating to the procurement of IT software and certain office and computer equipment.

As at 31 December 2014, TBC had capital expenditure commitments of GEL 0.5 million relating to the purchase of intangible assets. As at 31 December 2013, TBC's capital expenditure comprised the commitment for purchase of intangible assets of GEL 2.4 million.

Funding

TBC's principal source of funding has been customer accounts. For a discussion of TBC's funding sources, see "*Selected Statistical and Other Information—Funding Sources*".

Quantitative and Qualitative Disclosures About Market Risk

For a discussion of TBC's risk management framework and principal market risks, see "*Risk Management*".

Critical Accounting Estimates and Judgments

TBC's accounting policies are integral to understanding the financial condition and results of operations presented in the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements. The preparation of the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities over the next reporting period. These estimates and judgments are regularly evaluated and are based on Management's experience and other factors, including expectations of future events that are believed by it to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions. For a discussion of TBC's critical accounting estimates and judgments in applying accounting policies, see Note 3 to the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements.

PART XI

SELECTED STATISTICAL AND OTHER INFORMATION

The following discussion sets out information with respect to the assets, liabilities and equity of TBC, together with certain selected statistical information, ratios and other data that have been derived from the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements which appear elsewhere in this Prospectus, and from unaudited consolidated management accounts. The discussions and selected statistical information and other data set forth below should be read in conjunction with the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements, as well as the information set forth under the caption ''Management's Discussion and Analysis of Financial Condition and Results of Operations'', all included elsewhere in this Prospectus.

Certain tables below present the maturity profile of loans and deposits of TBC Bank on a standalone basis. As at 31 March 2016, gross loans and deposits of TBC Bank constituted 99.0% and 100%, respectively, of TBC's total loans and deposits on a consolidated basis. As at 31 December 2015, gross loans and deposits of TBC Bank constituted 98.8% and 100%, respectively, of TBC's total loans and deposits on a consolidated basis.

Total Assets

TBC's total assets decreased by GEL 280.6 million, or 4.0%, to GEL 6,654.4 million as at 31 March 2016 from GEL 6,935.0 million as at 31 December 2015. TBC's total assets increased by GEL 1,511.5 million, or 27.9%, to GEL 6,935.0 million as at 31 December 2015 from GEL 5,423.5 million as at 31 December 2014, after having increased, in 2014, by GEL 972.4 million, or 21.8%, from GEL 4,451.1 million as at 31 December 2013. The increase as at 31 December 2015, compared to 2014, was mainly attributable to the increase in net loans and advances to customers by GEL 888.4 million, or 25.0%. As at 31 March 2016, loans and advances to customers (after provision for loan impairment) (''**net loans**'') comprised 64.6% of TBC's total assets, compared to 64.1%, 65.6% and 62.9% as at 31 December 2015, 2014 and 2013, respectively. See ''*—Loan Portfolio*''.

Total Liabilities

TBC's total liabilities decreased by GEL 342.8 million, or 6.0%, to GEL 5,373.8 million as at 31 March 2016 from GEL 5,716.5 million as at 31 December 2015. TBC's total liabilities increased by GEL 1,312.5 million, or 29.8%, to GEL 5,716.5 million as at 31 December 2015 from GEL 4,404.0 million as at 31 December 2014, after having increased, in 2014, by GEL 682.2 million, or 18.3%, from GEL 3,721.8 million as at 31 December 2013. The increase as at 31 December 2015, compared to 2014, was mainly attributable to the increase in customer deposits by GEL 855.5 million, or 25.7%.

Average Balances and Rates

Unless otherwise indicated, the average balances included in this Prospectus, including average rates, cost of risk, spreads, margins, return on average total equity, return on average total assets and all ratios related to the individual retail, corporate, SME and micro segments are calculated as the average of the relevant monthly balances as at each month end during the years ended 31 December 2015, 2014 and 2013 and during the quarters ended 31 March 2016 and 2015. Balances as at 31 December 2015, 2014 and 2013 have been derived from the Audited Consolidated Financial Statements. Balances as at the remaining month ends, in each case, have been derived from TBC's unaudited consolidated management accounts prepared from TBC's accounting records and used by Management for monitoring and control purposes. Calculation of average balances using different methods of calculation could result in material differences from the figures set forth below and elsewhere in this Prospectus. All average balances and rates included in this Prospectus are unaudited.

The following tables set out the average balances of TBC's interest-earning assets, the related interest income and average rates for the periods indicated:

	For the three months ended 31 March					
	2016			2015		
	Average balance[1]	Interest income	Average rate (%)[2]	Average balance[1]	Interest income	Average rate (%)[2]
	(unaudited) (GEL thousands, except percentages)					
Interest-earning assets						
Due from other banks[3]	**376,269**	**1,255**	***1.3%***	**292,742**	**2,448**	***3.4%***
GEL	100,874	1,084	*4.3%*	84,853	585	*2.8%*
Foreign currency	275,395	171	*0.3%*	207,890	1,863	*3.6%*
Gross loans to customers	**4,569,146**	**154,465**	***13.6%***	**3,967,675**	**132,563**	***13.5%***
GEL	1,551,284	75,315	*19.5%*	1,385,677	60,890	*17.8%*
Foreign currency	3,017,862	79,150	*10.5%*	2,581,998	71,672	*11.3%*
Investment securities available for sale and held to maturity	**642,350**	**14,933**	***9.4%***	**519,674**	**8,041**	***6.3%***
GEL	642,350	14,933	*9.4%*	519,674	8,041	*6.3%*
Foreign currency	—	—	—	—	—	—
Investments in finance leases (net)	**78,279**	**4,205**	***21.6%***	**56,232**	**3,497**	***25.2%***
GEL	9,055	735	*32.7%*	13,325	1,098	*33.4%*
Foreign currency	69,224	3,470	*20.2%*	42,907	2,399	*22.7%*
Total interest-earning assets	**5,666,044**	**174,859**	***12.4%***	**4,836,322**	**146,549**	***12.3%***
GEL	2,303,563	92,068	*16.1%*	2,003,528	70,614	*14.3%*
Foreign currency	3,362,481	82,791	*9.9%*	2,832,794	75,935	*10.9%*

Notes:

(1) Average balance is calculated as the sum of the monthly averages of the respective balances.

(2) Foreign currency assets are principally denominated in U.S. Dollars, but TBC also has foreign currency assets denominated in other currencies of both OECD and non-OECD countries. Average rate is (x) interest income divided by (y) average balance and annualised.

(3) Includes overnight deposits and correspondent accounts that are within "Cash and cash equivalents" in the Unaudited Condensed Consolidated Interim Financial Statements.

The average rate on total interest-earning assets increased to 12.4% for the three months ended 31 March 2016 from 12.3% for the three months ended 31 March 2015, mainly due to the increased yields on Lari-denominated interest earning assets primarily resulting from the increase in the NBG monetary policy rate from 4.5% as of 31 March 2015 to 8.0% as of 31 March 2016.

	For the year ended 31 December								
	2015			2014			2013		
	Average balance[1]	Interest income	Average rate (%)[2]	Average balance[1]	Interest income	Average rate (%)[2]	Average balance[1]	Interest income	Average rate (%)[2]
	(unaudited) (GEL thousands, except percentages)								
Interest-earning assets									
Due from other banks[3]	345,725	7,638	2.2%	**305,250**	**6,211**	***2.0%***	**255,709**	**3,030**	***1.2%***
GEL	99,419	3,044	3.1%	66,214	1,799	*2.7%*	62,085	1,578	*2.5%*
Foreign currency	246,306	4,595	1.9%	239,036	4,412	*1.8%*	193,624	1,453	*0.8%*
Gross loans to customers	4,278,509	582,327	13.6%	**3,120,278**	**465,520**	***14.9%***	**2,607,909**	**433,968**	***16.6%***
GEL	1,479,869	272,852	18.4%	1,079,066	208,528	*19.3%*	719,058	162,463	*22.6%*
Foreign currency	2,798,641	309,474	11.1%	2,041,212	256,992	*12.6%*	1,888,851	271,505	*14.4%*
Investment securities available for sale and bonds carried at amortised cost	597,174	43,876	7.3%	**525,298**	**30,361**	***5.8%***	**471,340**	**30,442**	***6.5%***
GEL	597,174	43,876	7.3%	525,298	30,361	*5.8%*	471,340	30,442	*6.5%*
Foreign currency	—	—	—	—	—	—	—	—	—
Investments in finance leases (net)	63,198	15,217	24.1%	**41,888**	**10,265**	***24.5%***	**29,825**	**7,356**	***24.7%***
GEL	11,386	3,505	30.8%	13,677	3,635	*26.6%*	7,796	1,443	*18.5%*
Foreign currency	51,811	11,712	22.6%	28,211	6,631	*23.5%*	22,029	5,913	*26.8%*
Total interest-earning assets	**5,284,607**	**649,059**	**12.3%**	**3,992,713**	**512,357**	***12.8%***	**3,364,783**	**474,796**	***14.1%***
GEL	2,187,849	323,278	14.8%	1,684,255	244,322	*14.5%*	1,260,279	195,925	*15.5%*
Foreign currency	3,096,758	325,781	10.5%	2,308,458	268,035	*11.6%*	2,104,504	278,870	*13.3%*

Notes:

(1) Average balance is calculated as the sum of the monthly averages of the respective balances.

(2) Foreign currency assets are principally denominated in U.S. Dollars, but TBC also has foreign currency assets denominated in other currencies of both OECD and non-OECD countries.

(3) Includes overnight deposits and correspondent accounts that are within "Cash and cash equivalents" in the Audited Consolidated Financial Statements.

The average rate on total interest-earning assets decreased to 12.3% for the year ended 31 December 2015 from 12.8% for the year ended 31 December 2014, broadly in line with the general market trend of decreasing interest rates in the country as well as the depreciation of the Lari during 2015.

The average rate on total interest-earning assets decreased to 12.8% for the year ended 31 December 2014 from 14.1% for the year ended 31 December 2013, primarily due to the decrease in the average market interest rates on loans to customers and investment securities available for sale, in line with the general market trend of decreasing interest rates on these interest-earning assets. The decrease in the overall average rate was also influenced by the depreciation of the Lari against the U.S. Dollar in 2014, resulting in an increase in interest earning assets (63% of TBC's gross loan book in 2014 was denominated in foreign currencies, of which U.S. Dollar-denominated loans represented 96%).

The following tables set out the average balances of TBC's interest-bearing liabilities, the related interest expense and average rates for the periods indicated:

	For the three months ended 31 March					
	2016			2015		
	Average balance[1]	Interest expense	Average rate (%)[2]	Average balance[1]	Interest expense	Average rate (%)[2]
	(unaudited) (GEL thousands, except percentages)					
Interest-bearing liabilities						
Due to credit institutions	**1,111,403**	**22,199**	***8.0%***	**794,453**	**12,093**	***6.2%***
GEL	484,579	13,113	*10.9%*	253,907	3,077	*4.9%*
Foreign currency	626,824	9,086	*5.8%*	540,546	9,017	*6.8%*
Customer accounts	**4,049,515**	**35,778**	***3.6%***	**3,574,965**	**32,512**	***3.7%***
GEL	931,443	10,866	*4.7%*	1,014,540	9,262	*3.7%*
Foreign currency	3,118,072	24,912	*3.2%*	2,560,425	23,250	*3.7%*
Subordinated debt	**294,385**	**7,510**	***10.3%***	**211,107**	**5,728**	***11.0%***
GEL	13,026	251	*7.7%*	6,278	122	*7.9%*
Foreign currency	281,358	7,259	*10.4%*	204,829	5,607	*11.1%*
Debt securities in issue	**21,894**	**489**	***9.0%***	21,679	509	*9.5%*
GEL	—	—	—	—	—	—
Foreign currency	21,894	489	*9.0%*	21,679	509	*9.5%*
Total interest- bearing liabilities	**5,477,197**	**65,976**	***4.8%***	**4,602,204**	**50,878**	***4.5%***
GEL	1,429,048	24,230	*6.8%*	1,274,725	12,496	*4.0%*
Foreign currency	4,048,149	41,746	*4.1%*	3,327,478	38,382	*4.7%*

Notes:

(1) Average balance is calculated as the sum of the monthly averages of the respective balances.

(2) Foreign currency liabilities are principally denominated in U.S. Dollars, but TBC also has foreign currency liabilities denominated in other currencies of both OECD and non-OECD countries. Average rate is (x) interest expense divided by (y) average balance and annualised.

The average rate on total interest-bearing liabilities increased to 4.8% for the three months ended 31 March 2016, from 4.5% for the three months ended 31 March 2015, mainly due to the increased rates on Lari-denominated interest bearing liabilities, resulting from the increase in the NBG monetary policy rate from 4.5% as of 31 March 2015 to 8.0% as of 31 March 2016, which more than offset the decline in foreign currency denominated interest bearing liabilities.

	For the year ended 31 December								
	2015			2014			2013		
	Average balance[1]	Interest expense	Average rate (%)[2]	Average balance[1]	Interest expense	Average rate (%)[2]	Average balance[1]	Interest expense	Average rate (%)[2]
	(unaudited) (GEL thousands, except percentages)								
Interest-bearing liabilities									
Due to credit institutions	990,470	70,834	*7.2%*	**661,979**	**43,384**	***6.6%***	**570,118**	**38,645**	***6.8%***
GEL	423,269	33,688	*8.0%*	222,536	11,725	*5.3%*	146,772	7,479	*5.1%*
Foreign currency	567,201	37,146	*6.5%*	439,442	31,659	*7.2%*	423,346	31,165	*7.4%*
Customer accounts[3]	3,880,155	137,489	*3.5%*	**2,940,662**	**110,041**	***3.8%***	**2,553,379**	**139,913**	***5.5%***
GEL	1,013,689	38,061	*3.8%*	839,473	29,224	*3.5%*	698,973	35,130	*5.0%*
Foreign currency	2,866,466	99,428	*3.5%*	2,101,189	80,817	*3.8%*	1,854,406	104,783	*5.7%*
Subordinated debt	235,551	26,363	*11.2%*	**176,659**	**19,069**	***10.8%***	**125,889**	**13,182**	***10.5%***
GEL	10,343	836	*8.1%*	3,280	335	*10.2%*	—	—	—
Foreign currency	225,208	25,527	*11.3%*	173,380	18,733	*10.8%*	125,889	13,182	*10.5%*
Debt securities in issue	22,676	2,105	*9.3%*	9,967	928	*9.3%*	2,949	237	*8.0%*
GEL	—	—	—	—	—	—	—	—	—
Foreign currency	22,676	2,105	*9.3%*	9,967	928	*9.3%*	2,949	237	*8.0%*
Total interest- bearing liabilities	**5,128,852**	**236,885**	***4.6%***	**3,789,267**	**173,709**	***4.6%***	**3,252,335**	**192,145**	***5.9%***
GEL	1,447,302	72,602	*5.0%*	1,065,288	41,571	*3.9%*	845,745	42,778	*5.0%*
Foreign currency	3,681,550	164,283	*4.5%*	2,723,978	132,138	*4.9%*	2,406,589	149,367	*6.2%*

Notes:

(1) Average balance is calculated as the sum of the monthly averages of the respective balances.

(2) Foreign currency liabilities are principally denominated in U.S. Dollars, but TBC also has foreign currency liabilities denominated in other currencies of both OECD and non-OECD countries.

(3) Other interest expense amounting to GEL 94,000, GEL 287,000 and GEL 169,000 for the years ended 31 December 2015, 2014 and 2013, respectively, is included in total interest-bearing liabilities.

The average rate on total interest-bearing liabilities stayed broadly stable for the year ended 31 December 2015 from 4.6% for the year ended 31 December 2014, mainly due to the increased NBG monetary policy rate and the respective increase in the GEL denominated borrowings, which more than offset decreasing foreign currency denominated customer deposits and borrowings.

The average rate on total interest-bearing liabilities decreased to 4.6% as at 31 December 2014, from 5.9% for the year ended 31 December 2013, reflecting a decrease in the average rates on customer deposits and amounts due to credit institutions. The decrease in the total average rate was primarily driven by the decrease in deposit rates on customer accounts to 3.8% in 2014, compared to 5.5% in 2013, reflecting a general trend of decreasing deposit rates in the Georgian market in 2014.

Interest-Earning Assets, Yields, Margins and Spreads

The following tables set out the net interest income, yields, margins and spreads for TBC for the periods indicated:

	For the three months ended 31 March	
	2016	2015
	(unaudited) (GEL thousands)	
Net interest income		
GEL	67,839	58,119
Foreign currency	41,045	37,552
Total	**108,883**	**95,671**

	(%)	
Yield[1] (%)		
GEL	16.1%	14.3%
Foreign currency	9.9%	10.9%
Weighted Average	**12.4%**	**12.3%**
Margin[2] (%)		
GEL	11.8%	11.8%
Foreign currency	4.9%	5.4%
Weighted Average	**7.7%**	**8.0%**
Spread[3] (%)		
GEL	9.3%	10.3%
Foreign currency	5.8%	6.2%
Weighted Average	**7.6%**	**7.8%**

Notes:

(1) "Yield" is interest income as a percentage of average interest-earning assets, calculated based on monthly averages for the three months ended 31 March 2016 and 2015 and annualised.

(2) "Margin" is net interest income as a percentage of average interest-earning assets, calculated based on monthly averages for the three months ended 31 March 2016 and 2015 and annualised.

(3) "Spread" is the difference between the average rate of interest income on interest-earning assets and the average rate of interest expense on interest-bearing liabilities and annualised.

	For the year ended 31 December		
	2015	2014	2013
		(unaudited) (GEL thousands)	
Net interest income			
GEL	250,675	202,751	153,147
Foreign currency	161,498	135,896	129,503
Total	**412,174**	**338,648**	**282,650**
		(%)	
Yield[1] (%)			
GEL	14.8%	14.5%	15.5%
Foreign currency	10.5%	11.6%	13.3%
Weighted Average	**12.3%**	**12.8%**	**14.1%**
Margin[2] (%)			
GEL	11.5%	12.0%	12.2%
Foreign currency	5.2%	5.9%	6.2%
Weighted Average	**7.8%**	**8.5%**	**8.4%**
Spread[3] (%)			
GEL	9.8%	10.6%	10.5%
Foreign currency	6.1%	6.8%	7.0%
Weighted Average	**7.7%**	**8.2%**	**8.2%**

Notes:

(1) "Yield" is interest income as a percentage of average interest-earning assets, calculated based on monthly averages for the years ended 31 December 2015, 2014 and 2013.

(2) "Margin" is net interest income as a percentage of average interest-earning assets, calculated based on monthly averages for the years ended 31 December 2015, 2014 and 2013.

(3) "Spread" is the difference between the average rate of interest income on interest-earning assets and the average rate of interest expense on interest-bearing liabilities.

For a discussion of net interest income, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Volume and Rate Analysis

The following tables set out certain information regarding changes in TBC's interest income, interest expense and net interest income due to changes in volumes and interest rates calculated as interest income/expense for the period divided by the relevant average balance of interest-earning assets/ interest-bearing liabilities for the periods indicated.

	For the three months ended 31 March 2016/2015		
	Increase/(Decrease) due to changes in		
	Volume[1]	Rate[2]	Total[3]
	(unaudited) (GEL thousands)		
Interest income attributable to:			
Due from other banks	**699**	**(1,892)**	**(1,193)**
GEL	110	389	500
Foreign currency	605	(2,298)	(1,693)
Loans and advances to customers	**20,096**	**1,807**	**21,902**
GEL	7,277	7,148	14,425
Foreign currency	12,099	(4,622)	7,477
Investment securities available for sale and bonds carried at amortised cost	**1,898**	**4,994**	**6,892**
GEL	1,898	4,994	6,892
Foreign currency			
Investments in finance leases	**1,371**	**(663)**	**708**
GEL	(352)	(11)	(363)
Foreign currency	1,471	(400)	1,071
Total interest income	**25,142**	**3,167**	**28,309**
Interest expenses attributable to:			
Due to credit institutions	**4,825**	**5,281**	**10,105**
GEL	2,795	7,241	10,036
Foreign currency	1,439	(1,370)	69
Customer accounts	**4,316**	**(1,050)**	**3,266**
GEL	(759)	2,362	1,604
Foreign currency	5,064	(3,401)	1,662
Subordinated debt	**2,260**	**(478)**	**1,782**
GEL	131	(2)	129
Foreign currency	2,095	(442)	1,653
Debt securities in issue	**5**	**(26)**	**(21)**
GEL	—	—	—
Foreign currency	5	(26)	(21)
Total interest expenses	**9,673**	**5,423**	**15,097**
Net change in net interest income	**16,413**	**(3,201)**	**13,213**

Notes:

(1) Changes in volume are changes in average outstanding balances multiplied by the prior period's average interest rate.

(2) Changes in rate are changes in average interest rate multiplied by the average outstanding balances at the end of the current period.

(3) Net changes attributable to changes in both volume and interest rate have been allocated proportionately to the changes in volume and the changes in interest rate at the ratio each component bears to the absolute value of their total.

	For the years ended 2015/2014			For the years ended 2014/2013		
	Increase/(Decrease) due to changes in			Increase/(Decrease) due to changes in		
	Volume[1]	Rate[2]	Total[3]	Volume[1]	Rate[2]	Total[3]
	(unaudited) (GEL thousands)					
Interest income attributable to:						
Due from other banks	**824**	**605**	**1,429**	**587**	**2,593**	**3.180**
GEL	902	343	1,245	105	116	221
Foreign currency	134	49	183	341	2,618	2,959
Loans and advances to customers	**172,799**	**(55,992)**	**116,807**	**85,260**	**(53,709)**	**31,551**
GEL	77,454	(13,130)	64,324	81,340	(35,275)	46,065
Foreign currency	95,362	(42,879)	52,483	21,900	(36,413)	(14,513)
Investment securities available for sale and bonds carried at amortised cost	**4,154**	**9,361**	**13,515**	**3,485**	**(3,566)**	**(81)**
GEL	4,154	9,361	13,515	3,485	(3,566)	-81
Foreign currency	—	—	—	—	—	—
Investments in finance leases	**5,222**	**(271)**	**4,951**	**2,975**	**(66)**	**2,909**
GEL	(609)	479	(130)	1,089	1,103	2,192
Foreign currency	5,547	(466)	5,081	1,659	(941)	718
Total interest income	**165,779**	**(29,077)**	**136,702**	**88,606**	**(51,045)**	**37,561**
Interest expenses attributable to:						
Due to credit institutions	**21,528**	**5,923**	**27,451**	**6,227**	**(1,488)**	**4,739**
GEL	10,576	11,387	21,963	3,861	384	4,245
Foreign currency	9,204	(3,717)	5,487	1,185	(691)	494
Customer accounts	**35,156**	**(7,708)**	**27,448**	**21,221**	**(51,093)**	**(29,872)**
GEL	6,065	2,772	8,837	7,061	(12,967)	(5,906)
Foreign currency	29,435	(10,824)	18,611	13,994	(37,910)	(23,996)
Subordinated debt	**6,357**	**937**	**7,294**	**5,316**	**570**	**5,886**
GEL	722	(222)	500	—	—	—
Foreign currency	5,600	1,193	6,793	4,973	578	5,551
Debt securities in issue	**1,183**	**(6)**	**1,177**	**563**	**128**	**691**
GEL	—	—	—	—	—	—
Foreign currency	1,183	(6)	1,177	563	128	691
Total interest expenses	**61,410**	**1,767**	**63,177**	**31,722**	**(50,158)**	**(18,436)**
Net change in net interest income	**109,574**	**(36,048)**	**73,526**	**52,748**	**3,250**	**55,998**

Notes:

(1) Changes in volume are changes in average outstanding balances multiplied by the prior period's average interest rate.

(2) Changes in rate are changes in average interest rate multiplied by the average outstanding balances at the end of the current period.

(3) Net changes attributable to changes in both volume and interest rate have been allocated proportionately to the changes in volume and the changes in interest rate at the ratio each component bears to the absolute value of their total.

Loan Portfolio

Loans to customers represent the largest part of TBC's assets. Net loans to customers represented 64.6% of total assets as at 31 March 2016, compared to 64.1% as at 31 December 2015, 65.6% as at 31 December 2014 and 62.9% as at 31 December 2013.

Total net loans to customers decreased by GEL 146.6 million, or 3.3%, to GEL 4,298.3 million as at 31 March 2016 from GEL 4,444.9 million as at 31 December 2015, after having increased, in 2015, by GEL 888.4 million, or 25.0%, from GEL 3,556.5 million as at 31 December 2014 and GEL 2,801.7 million as at 31 December 2013.

For a discussion of the impact of the average interest rates on TBC's loan portfolio for the periods ending 31 March 2016, 31 December 2015, 2014 and 2013, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Three Month Periods ended 31 March 2016 and 2015—Consolidated results of operations—Interest income*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations for the Years ended 31 December 2015 and 2014—Consolidated results of operations—Interest income*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Years ended 31 December 2014 and 2013—Consolidated results of operations—Interest income*".

Loans to customers by sector

The following table sets out an analysis of TBC's total gross loans to customers, by economic sector, as at the dates indicated:

	As at 31 December					
	2015		2014		2013	
			(audited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Individual	1,792,403	39%	1,497,911	40%	1,102,863	37%
Service	740,351	15%	575,525	15%	539,825	18%
Agriculture	342,760	7%	265,562	7%	164,441	6%
Pawn shop	260,373	6%	169,002	5%	104,652	4%
Consumer goods and automobile trading	231,061	5%	175,681	5%	130,152	5%
Real estate	222,862	5%	165,937	4%	132,321	4%
Energy	217,601	5%	216,500	6%	106,083	4%
Food industry	202,373	4%	141,283	4%	158,865	5%
Oil and gas	115,634	3%	102,912	3%	121,921	4%
Communication	113,905	2%	94,309	2%	102,547	4%
Construction	104,330	2%	95,111	3%	101,879	3%
Transportation	72,022	2%	64,720	2%	67,223	2%
Mining	49,141	1%	29,952	1%	40,346	1%
Manufacturing	37,152	1%	42,086	1%	33,609	1%
Other	137,061	3%	69,768	2%	51,853	2%
Total loans and advances to customers (before impairment)	**4,639,029**	**100%**	**3,706,260**	**100%**	**2,958,581**	**100%**

In 2016, TBC re-assessed its economic sector categorisation and has accordingly also presented the figures for gross loans to customers as at 31 December 2015 in accordance with the new allocation in order to provide a comparison for the figures as at 31 March 2016.

	As at 31 March 2016		As at 31 December 2015	
	(unaudited) ((GEL thousands)	(%)	(audited) (GEL thousands)	(%)
Individual	2,044,220	46%	2,039,612	44%
Energy & Utilities	301,548	7%	333,172	7%
Pawn Shops	268,313	6%	260,373	6%
Hospitality & Leisure	263,388	6%	266,917	6%
Food Industry	244,107	5%	255,795	6%
Real Estate	211,492	5%	222,235	5%
Trade	202,750	5%	232,599	5%
Agriculture	156,780	4%	157,193	3%
Communication	110,246	2%	114,401	2%
Automotive	107,409	2%	109,556	2%
Construction	106,943	2%	100,680	2%
Healthcare	83,644	2%	131,276	3%
Services	79,101	2%	78,365	2%
Financial Services	76,068	2%	67,901	1%
Metals and Mining	70,777	1%	75,785	2%
Transportation	56,999	1%	61,432	1%
Other	109,934	2%	131,737	3%
Total loans and advances to customers (before impairment)	**4,493,719**	**100.0%**	**4,639,029**	**100.0%**

Total gross loans to customers decreased slightly to GEL 4,493.7 million as at 31 March 2016 from GEL 4,639.0 million as at 31 December 2015. Under the new sector categorisation that took effect in 2016, loans to individuals accounted for 45.5% of total gross loans to customers as at 31 March 2016, compared to 44.0% as at 31 December 2015, and in absolute terms, gross loans to individuals increased to GEL 2,044.2 million as at 31 March 2016, from GEL 2,039.6 million as at 31 December 2015.

Under the sector categorisation used prior to 2016, loans to individuals accounted for 39%, 40% and 37% as at 31 December 2015, 2014 and 2013, respectively. Total gross loans to individuals were GEL 1,792.4 million, GEL 1,497.9 million and GEL 1,102.9 million as at 31 December 2015, 2014 and 2013, respectively, in line with the growth of TBC's loan portfolio generally over that period.

Loans to customers by type

The following table sets out an analysis of TBC's total gross loans to customers, by type of loan, as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013[1]	
	(unaudited) (GEL thousands)	(%)	(GEL thousands)	(%)	(audited) (GEL thousands)	(%)	(GEL thousands)	(%)
Corporate loans	1,347,213	30.0%	1,500,104	32.3%	1,231,729	33.2%	1,157,334	39.1%
Retail loans	2,041,315	45.4%	2,019,969	43.5%	1,666,913	45.0%	1,207,514	40.8%
Consumer loans	*896,242*	*19.9%*	*871,996*	*18.8%*	*781,043*	*21.1%*	*603,434*	*20.4%*
Mortgage loans	*894,240*	*19.9%*	*905,274*	*19.5%*	*716,868*	*19.3%*	*499,428*	*16.9%*
Other loans	*250,832*	*5.6%*	*242,699*	*5.2%*	*169,002*	*4.6%*	*104,652*	*3.5%*
SME loans	610,353	13.6%	625,628	13.5%	533,919	14.4%	392,446	13.3%
Micro loans	494,839	11.0%	493,328	10.6%	273,699	7.4%	201,287	6.8%
Gross loans to customers	**4,493,719**	**100.0%**	**4,639,029**	**100.0%**	**3,706,260**	**100%**	**2,958,581**	**100%**

Note:

(1) Since January 2015, following the merger with Bank Constanta, TBC Bank reclassified its loan and deposit portfolios. The current dynamic shows the reclassified portfolios for periods starting from 31 December 2015. Therefore 2013 and 2014 figures by segments may not be comparable with the consequent periods.

Retail loans accounted for the largest portion of total gross loans to customers, representing 45.4% of the total as at 31 March 2016, compared to 43.5%, 42.4% and 40.8% as at 31 December 2015, 2014 and 2013, respectively. The increase in the percentage of total gross loans to customers represented by retail loans as at 31 December 2015 was primarily due to the increase in mortgage and consumer loans.

Retail loans increased in absolute terms by GEL 21.3 million, or 1.1%, to GEL 2,041.3 million as at 31 March 2016, from GEL 2,020.0 million as at 31 December 2015, having increased, in 2015, by GEL 353.1 million, or 21.2%, from GEL 1,666.9 million as at 31 December 2014, and in 2014 by GEL 459.4 million, or 38.0%, from GEL 1,207.5 million as at 31 December 2013. The increase as at 31 December 2015 compared to 31 December 2014 was primarily due to the depreciation of the Lari, the increase in consumer loans and TBC's strategy to optimise the segment mix of its loan portfolio. See Part XII "*Description of Business—Strategy—Continue sustainable growth in each market segment*". Similarly, the 30.2% increase as at 31 December 2014 compared to the previous year reflected an increase in both mortgage and consumer loans, aligning with the growth in the Georgian economy generally and a related increase in the number of banking customers.

Corporate loans decreased by GEL 152.9 million, or 10.2% to GEL 1,347.2 million as at 31 March 2016, having increased by GEL 268.4 million, or 21.8%, to GEL 1,500.1 million as at 31 December 2015 from GEL 1,231.7 million as at 31 December 2014, and having increased in 2014 by GEL 74.4 million, or 6.4%, from GEL 1,157.3 million as at 31 December 2013. The increase in 2015 was primarily due to the depreciation of the Lari. The PLC Directors estimate that if the effect of the depreciation of the Lari on corporate loans in 2015 was eliminated, corporate loans would have increased by 1.7% from 2014 to 2015, reflecting the reduced demand from corporate customers as well as TBC's strategy to reduce the share of corporate loans in the total portfolio. The 6.4% increase as at 31 December 2014 compared to the previous year reflected the normalised demand from corporate customers for financing, particularly in the second half of 2014.

SME loans decreased by GEL 15.3 million, or 2.4%, to GEL 610.4 million as at 31 March 2016, having increased by GEL 91.7 million, or 17.2%, to GEL 625.6 million as at 31 December 2015 from GEL 533.9 million as at 31 December 2014, and in 2014 by GEL 141.5 million, or 36.0%, from GEL 392.4 million as at 31 December 2013. The increase as at 31 December 2015 compared to 31 December 2014 was primarily due to the depreciation of the Lari. The PLC Directors estimate that if the effect of the depreciation of the Lari and the post-merger portfolio reclassification on SME loans in 2015 was eliminated, SME loans would have decreased by 2.2% from 2014 to 2015. The 36.6% increase as at 31 December 2014 compared to the previous year was due to growth in the Georgian economy generally and a related increase in the number of banking customers.

Micro loans increased by GEL 1.5 million, or 0.3% to GEL 494.8 million as at 31 March 2016, having increased by GEL 219.6 million, or 80.2%, to GEL 493.3 million as at 31 December 2015 from GEL 273.7 million as at 31 December 2014, and by GEL 72.412 million, or 35.9%, in 2014 from GEL 201.3 million as at 31 December 2013. The increase in micro loans as at 31 December 2015, compared to as at 31 December 2014, was primarily due to continued demand for micro loans and the Bank's strategy to increase exposure to the micro segment, which is the least penetrated segment in the Georgian banking sector, as well as the re-classification of TBC's economic sectors in January 2015 as a result of which portions of TBC's SME and retail portfolios were re-classified as micro loans for periods after 2014. The increase in micro loans as at 31 December 2014 compared to the previous year was due to continued demand for micro loans, the growth in the Georgian economy generally and a related increase in the number of banking customers.

As at 31 March 2016, TBC's largest borrower accounted for 1.4% of total gross loans to customers and TBC's twenty largest borrowers accounted for 14.6% of total gross loans to customers, compared to 1.5% and 15.6%, respectively, as at 31 December 2015, 1.5% and 16.1%, respectively, as at 31 December 2014 and 2.0% and 19.5%, respectively, as at 31 December 2013.

Loans by maturity

The following table sets out information on the maturity profile of net loans to customers by TBC Bank (on a consolidated basis), by type of loan, as at 31 March 2016 (based on the contractual maturity of discounted individual payments):

	Due in					
	On demand and less than one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
	(unaudited) (GEL thousands)					
Corporate loans	100,015	69,572	281,220	535,381	261,166	1,247,354
Retail loans	156,085	110,285	445,403	864,556	405,405	1,981,734
SME loans	46,182	33,864	136,249	260,331	118,574	595,200
Micro loans	37,539	26,163	105,812	206,594	97,896	474,003
Total net loans to customers	**339,821**	**239,884**	**968,684**	**1,866,861**	**883,041**	**4,298,291**

The following table sets out information on the maturity profile of net loans to customers by TBC Bank (on a consolidated basis), by type of loan, as at 31 December 2015 (based on the contractual maturity of discounted individual payments):

	Due in					
	On demand and less than one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
	(unaudited) (GEL thousands)					
Corporate loans	156,076	120,307	293,696	616,094	205,881	1,392,054
Retail loans	117,763	125,877	384,304	779,519	556,939	1,964,402
SME loans	45,927	57,582	105,674	291,422	112,517	613,123
Micro loans	36,199	37,496	166,497	220,795	14,320	475,307
Total net loans to customers	**355,965**	**341,263**	**950,171**	**1,907,830**	**889,657**	**4,444,886**

The following table sets out an analysis of net loans to customers by TBC Bank (on a standalone basis), by maturity, as at the dates indicated (based on the contractual maturity of discounted individual payments):

	As at 31 March		As at 31 December					
	2016		2015		2014		2013[1]	
	(unaudited) (GEL thousands)	(%)	(GEL thousands)	(%)	(audited) (GEL thousands)	(%)	(GEL thousands)	(%)
Less than three months	572,949	13.4%	689,116	15.7%	463,531	15.0%	388,641	15.8%
Between three months and one year	951,704	22.3%	928,292	21.1%	586,840	19.0%	495,613	20.1%
Over one year	2,738,669	64.2%	2,780,213	63.2%	2,036,952	66.0%	1,580,982	64.1%
Net loans to customers	**4,263,323**	**100.0%**	**4,397,621**	**100.0%**	**3,087,323**	**100.0%**	**2,465,236**	**100.0%**

The maturity profile of TBC Bank's net loans to customers has been relatively stable in recent years. The largest single category of net loans to customers granted by TBC Bank have maturities over one year. Loans to customers with maturities over one year accounted for 64.2% of total net loans to customers as at 31 March 2016, compared to 63.2% as at 31 December 2015, 66.0% as at 31 December 2014 and 64.1% as at 31 December 2013. Loans to customers with maturities for less than one year accounted for 35.8% of total net loans to customers as at 31 March 2016, compared to 36.8% as at 31 December 2015, 34.0% as at 31 December 2014 and 35.9% as at 31 December 2013.

Loans by currency

The following table sets out an analysis of TBC's net loans to customers, by currency, as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	(unaudited)				(audited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Lari	1,337,238	31.1%	1,433,532	32.3%	1,215,065	34.2%	752,862	26.9%
Foreign currencies	2,961,053	68.9%	3,011,354	67.7%	2,341,431	65.8%	2,048,849	73.1%
Net loans to customers	**4,298,291**	**100.0%**	**4,444,886**	**100.0%**	3,556,496	**100.0%**	**2,801,712**	**100.0%**

The composition of TBC's net loans to customers by currency has historically been relatively stable. As at 31 March 2016, Lari-denominated loans to customers comprised 31.1% of TBC's total net loans to customers, compared to 32.3% as at 31 December 2015, 34.2% as at 31 December 2014 and 26.9% as at 31 December 2013. The decrease in Lari-denominated loans to customers as a percentage of total loans to customers as at 31 December 2015, compared to 31 December 2014, was primarily due to the depreciation of the Lari. Foreign currency-denominated loans to customers principally comprise loans to customers denominated in U.S. Dollars. Loans to customers denominated in foreign currency accounted for 68.9% of total net loans to customers as at 31 March 2016, 67.7% as at 31 December 2015, 65.8% as at 31 December 2014 and 73.1% as at 31 December 2013.

Loans by geographic location

As at 31 March 2016, 95.0% of TBC's gross loans to customers were to residents of Georgia, compared to 94.3% as at 31 December 2015, 95.5% as at 31 December 2014 and 94.2% as at 31 December 2013. A small proportion of loans to customers have been granted to borrowers outside Georgia, primarily due to the operations of TBC's subsidiary, TBC Kredit, which is incorporated and operates in Azerbaijan and accounts for the majority of loans to customers granted to clients outside Georgia. As at 31 March 2016, and 31 December 2015, 2014 and 2013, net loans to customers in Azerbaijan totalled GEL 52.2 million, GEL 65.3 million, GEL 86.6 million and GEL 70.2 million, respectively.

Amounts Due from Other Banks and Mandatory Cash Balances with the NBG

Amounts due from other banks and mandatory cash balances with the NBG together represented 7.0% of TBC's total assets as at 31 December 2015, compared to 6.8% as at 31 December 2014 and 6.7% as at 31 December 2013. Deposits placed with other banks are typically used for liquidity management purposes. Mandatory cash balances with the NBG represent amounts deposited by TBC with the NBG to meet reserve requirements.

The following table sets out a breakdown of amounts due from other banks and mandatory cash balances with the NBG as at the dates indicated:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(audited)	
		(GEL thousands)		
Due from other banks	12,591	11,042	33,704	1,708
Mandatory cash balances with the NBG	452,398	471,490	336,075	295,332

Amounts due from other banks increased by GEL 1.5 million, or 14.0% as at 31 March 2016 from GEL 11.0 million as at 31 December 2015, mainly due to relatively high liquidity in the first quarter of 2016 and increased placements of deposits in other banks. Amounts due from other banks decreased by GEL 22.7 million, or 67.2%, to GEL 11.0 million as at 31 December 2015 from GEL 33.7 million as at 31 December 2014 and from GEL 1.7 million as at 31 December 2013. The increase in 2015 was driven by excess liquidity in the market and the reduced demand for interbank borrowings, while the decrease in 2014 was driven by increases in interest rates in the interbank market, which reduced demand for interbank borrowings.

Mandatory cash balances with the NBG decreased by GEL 19.1 million, or 4.0% to GEL 452.4 million as at 31 March 2016 compared to as at 31 December 2015. Mandatory cash balances with the NBG increased by GEL 135.4 million, or 40.3%, to GEL 471.5 million as at 31 December 2015 from GEL 336.1 million as at 31 December 2014, which in turn had increased by GEL 40.7 million, or 13.8%, from GEL 295.3 million as at 31 December 2013. The decrease in the first quarter of 2016 was mainly due to a reduction in deposits during that period. The increase in 2015 was driven by increases in TBC's foreign currency borrowings with remaining maturities of less than a year, which have higher minimum reserve requirements than other borrowings. The repayment in 2015 of such borrowings from foreign banks and international financial institutions resulted in a need for TBC to hold lower levels of reserves with the NBG, which offset increases in reserves driven by growth in TBC's deposit portfolio over the same period. The increase in 2014 was primarily attributable to the increases in TBC Bank's deposit portfolio during 2014.

Investment securities available for sale

Investment securities available for sale include investment securities which TBC intends to hold for an indefinite period of time and which may be sold in response to the need for liquidity or changes in interest rates, exchange rates or equity prices. TBC classifies investments as available for sale at the time of purchase. Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when TBC's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is transferred from equity to profit or loss. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale.

The following table sets out a breakdown of TBC's portfolio of investment securities available for sale and bonds carried at amortised cost, by type of security, as at the dates indicated:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(audited)	
		(GEL thousands)		
Georgian government notes	10,266	16,398	232,934	173,974
Certificates of deposit of NBG	105,463	124,719	198,233	321,140
Corporate bonds	149,916	174,916	25,034	—
Ministry of Finance of treasury bills	313,145	350,267	476	—
Total debt securities	**578,791**	**666,300**	**456,677**	**495,114**
Corporate shares – unquoted	3,765	3,767	3,693	679
Corporate shares – quoted (VISA Inc.)[(1)]	9,103	9,335	6,140	4,858
Total investment securities available for sale and bonds carried at amortised cost	**591,659**	**679,402**	**466,510**	**500,651**

Note:

(1) VISA Inc. is a payment card company.

TBC's investment securities (comprising both investment securities available for sale and bonds carried at amortised cost) decreased by GEL 87.7 million, or 12.9%, to GEL 591.7 million as at 31 March 2016 compared to GEL 679.4 million as at 31 December 2015 as a result of a reduction in the issuance of certificates of the NBG and the redemption of such certificates in the first quarter of 2016, as well as the repayment of Lari-denominated bonds issued by the EBRD. TBC's investment securities decreased by GEL 159.2 million, or 34.1%, to GEL 307.3 million as at 31 December 2015 from GEL 466.5 million as at 31 December 2014, which in turn represented a decrease of GEL 34.1 million, or 6.8%, from GEL 500.7 million as at 31 December 2013. The increase in 2015 was mainly due to an increase in the Ministry of Finance treasury bills. The decrease in 2014 was a

result of the redemption of certificates of deposit of NBG in large amounts, which surpassed the overall volume of new issuances in the market.

The following table sets out the maturity profile of the debt securities in the portfolio of investment securities available for sale held by TBC Bank (on a standalone basis) as at 31 March 2016.

	As at 31 March 2016			
	Less than three months	From three to 12 months	Over one year	Total
	(unaudited) (GEL thousands)			
Investment securities available for sale and bonds carried at amortised cost	294,506	161,717	135,436	591,659

The following table sets out the maturity profile of the debt securities in the portfolio of investment securities available for sale held by TBC Bank (on a standalone basis) as at 31 December 2015.

	As at 31 March 2015			
	Less than three months	From three to 12 months	Over one year	Total
	(audited) (GEL thousands)			
Investment securities available for sale	307,310	—	—	307,310

The following table sets out the nominal interest rates and maturities of the debt securities included in TBC's portfolio of investment securities available for sale as at the dates indicated.

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	%	Maturity	%	Maturity	%	Maturity	%	Maturity
Georgian government notes	9.03%	1,737	8.8%	1,671 days	8.4%	1,613	8.3%	1,675 days
Certificates of deposit of NBG	9.98%	167	9.5%	164 days	4.2%	164	4.1%	163 days
Corporate bonds	10.28%	1,092	9.9%	1,042 days	4.3%	730	—	—
Ministry of Finance of Georgia Treasury Bills	10.61%	348	7.7%	365 days	6.5%	365	—	—

None of the securities held by TBC as investment securities available for sale exceeded 10% of the shareholders' equity of TBC Bank as at 31 March 2016.

Funding Sources

The following table sets out information relating to TBC's funding sources as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	(unaudited)							
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Customer accounts	3,931,623	73.2%	4,177,931	73.1%	3,322,428	75.4%	2,886,883	77.6%
Term deposits	*1,779,023*	*33.1%*	*1,805,137*	*31.6%*	*1,465,340*	*33.3%*	*1,196,071*	*32.1%*
Current (settledl demand) accounts	*2,152,601*	*40.1%*	*2,372,794*	*41.5%*	*1,857,088*	*42.2%*	*1,690,812*	*45.4%*
Amounts due to credit institutions	1,002,300	18.7%	1,113,574	19.5%	749,285	17.0%	565,806	15.2%
Subordinated debt	303,381	5.6%	283,648	5.0%	188,015	4.3%	168,274	4.5%
Other[(1)]	136,470	2.5%	141,393	2.5%	144,261	3.3%	100,823	2.7%
Total liabilities	**5,373,774**	**100.0%**	**5,716,546**	**100.0%**	**4,403,990**	**100.0%**	**3,721,786**	**100.0%**

Note:

(1) Comprises debt securities in issue, current income tax liability, deferred income tax liability, provisions for liabilities and charges, other financial liabilities, and other liabilities.

Deposits (customer accounts) represent the largest part of TBC's funding sources. Historically, TBC has had a stable and diversified customer base, primarily comprising individual deposits. As at 31 March 2016, deposits totalled GEL 3,931.6 million, of which 66.0% were deposits of individuals. Other sources of funding include amounts due to other credit institutions, subordinated debt and other borrowed funds.

The increase in the amount of deposits since 31 December 2013 has been influenced by a number of positive factors, including the general increased confidence in the banking sector, as well as TBC's competitiveness and overall growth of operations across its business segments, mainly from its retail segment.

The following tables set forth an analysis, for TBC Bank (on a standalone basis), of short-term and long-term amounts due to customers, amounts due to other banks and other financial liabilities (i) in Lari equivalents and (ii) as a percentage of their total as at the dates indicated (based on the contractual maturity of discounted individual payments). For the expected maturity gap please, see Note 33 to the Audited Consolidated Financial Statements and Note 25 to the Unaudited Consolidated Interim Financial Statements.

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
					(unaudited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Short-term[(1)]	4,070,165	78.8%	4,376,948	79.5%	3,236,084	80.3%	2,753,756	81.7%
Long-term[(2)]	1,096,327	21.2%	1,128,860	20.5%	794,028	19.7%	614,953	18.3%
Total amounts due to customers, amounts due to other banks and other financial liabilities	**5,166,493**	**100.0%**	**5,505,808**	**100.0%**	**4,321,497**	**100.0%**	**3,368,709**	**100.0%**

Note:

(1) "Short-term" means due within one year of the relevant date and includes demand loans and deposits, loans having no stated schedule of repayments and no stated maturity, and overdrafts.

(2) "Long-term" means due after more than one year from the relevant date. Georgian legislation requires TBC to repay term deposits of individuals upon demand unless otherwise agreed between the parties (although in case of early withdrawal, the interest on such deposit may be foregone or reduced). The figures in this table reflect the agreed original deposit maturities.

Customer accounts

Customer current accounts and term deposits represented 73.2% of TBC's total liabilities as at 31 March 2016, compared to 73.1% as at 31 December 2015, 75.4% as at 31 December 2014 and 77.6% as at 31 December 2013. Customer current accounts generally bear no interest and the funds can be withdrawn on demand. Term deposits have maturities ranging from one day to in excess of five years and bear interest at different rates depending on the type of deposit.

Customer accounts by account and customer type

The following table sets out a breakdown of TBC's deposits, by type of account and customer, as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	(unaudited)				(audited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
State and public organisations								
Current/settlement accounts	100,320	2.6%	152,438	3.6%	130,008	3.9%	134,518	4.7%
Term deposits	73,743	1.9%	86,828	2.1%	47,084	1.4%	72,463	2.5%
Other legal entities								
Current/settlement accounts	1,070,622	27.2%	1,276,141	30.5%	1,042,559	31.4%	935,083	32.4%
Term deposits	93,525	2.4%	126,042	3.0%	125,605	3.8%	134,143	4.6%
Individuals								
Current/settlement accounts	981,660	25.0%	944,215	22.6%	684,521	20.6%	621,211	21.5%
Term deposits	1,611,755	41.0%	1,592,267	38.1%	1,292,651	38.9%	989,465	34.3%
Total customer accounts	**3,931,623**	**100.0%**	**4,177,931**	**100.0%**	**3,322,428**	**100.0%**	**2,886,883**	**100.0%**

As at 31 March 2016, total deposits decreased by GEL 246.3 million, or 5.9%, to GEL 3,931.6 million, mainly due to corporates withdrawing funds to pay taxes due in the first quarter of 2016. As at 31 December 2015, total deposits increased by GEL 855.5 million, or 25.7%, to GEL 4,177.9 million from GEL 3,322.4 million as at 31 December 2014, after having increased by GEL 435.5 million, or 15.1%, from GEL 2,886.9 million as at 31 December 2013. The increase in total deposits as at 31 December 2015, compared to as at 31 December 2014, was primarily due to the increase in individual term deposits which increased retail deposits. The increase as at 31 December 2014, compared to as at 31 December 2013, was primarily due to the increase in term deposits of individuals as well as current deposits of legal entities.

Based on contractual maturity, TBC had GEL 407.1 million of outstanding term deposits in amounts exceeding U.S.$100,000 (or the equivalent in Lari). Of these deposits, 6.12% had three months or less remaining until maturity, 43.69% had between three and six months remaining until maturity, 32.97% had between six and 12 months remaining until maturity, and 17.22% had over 12 months remaining until maturity.

Historically, the largest portion of TBC's customer current accounts and term deposits have been individual customer accounts and term deposits, which accounted for an aggregate of 66.0% of total deposits as at 31 March 2016, 60.7% of total deposits as at 31 December 2015, 59.5% as at 31 December 2014 and 55.8% as at 31 December 2013. See "*Description of Business—Principal Business Activities—Retail banking—Retail accounts and term deposits*".

The following table sets out the average balances of, and the average interest rates on, TBC's deposits, by type of account and customer, as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	Average balance[1]	Average rate (%)[2]	Average balance[1]	Average rate (%)[2]	Average balance[1]	Average rate (%)[2]	Average balance[1]	Average rate (%)[2]
				(unaudited)				
State and public organisations								
Current/settlement accounts	90,999	9.1%	142,969	5.6%	90,923	1.5%	103,269	3.0%
Term deposits	80,108	9.5%	76,595	9.2%	68,185	3.9%	138,379	4.5%
Other legal entities								
Current/settlement accounts	1,155,279	1.7%	1,165,569	1.4%	898,279	1.9%	661,586	2.6%
Term deposits	109,996	6.2%	166,389	5.4%	128,976	6.2%	156,592	11.0%
Individuals								
Current/settlement accounts	983,914	1.6%	829,884	1.7%	648,490	1.9%	506,217	2.7%
Term deposits	1,629,219	5.3%	1,498,749	5.5%	1,105,810	6.2%	987,337	8.4%
Total customer accounts	**4,049,515**	**3.6%**	**3,880,155**	**3.5%**	**2,940,662**	**3.7%**	**2,553,379**	**5.5%**

Note:

(1) The average balance is calculated as the average of the monthly balances in the period.

(2) The average rate is calculated as the interest expense divided by the monthly average of respective balances and annualised (where applicable).

Customer accounts by currency

The following table sets out certain information relating to deposits in Lari and foreign currencies as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
					(unaudited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Customer accounts in Lari	890,339	22.6%	1,094,488	26.2%	1,032,096	31.1%	850,319	29.5%
Customer accounts in foreign currencies	3,041,284	77.4%	3,083,444	73.8%	2,290,332	68.9%	2,036,565	70.5%
Customer accounts	**3,931,623**	**100.0%**	**4,177,931**	**100.0%**	**3,322,428**	**100.0%**	**2,886,883**	**100.0%**

Lari-denominated deposits (both current accounts and term deposits) decreased as a percentage of total deposits to 22.6% as at 31 March 2016, from 26.2% as at 31 December 2015 and 31.1% as at 31 December 2014, while foreign currency-denominated deposits increased to 77.4% of total deposits as at 31 March 2016, from 73.8% of total deposits as at 31 December 2015 and 68.9% as at 31 December 2014, as TBC's customers continued to place term deposits primarily in foreign currencies, particularly the U.S. Dollar and the Euro. U.S. Dollar-denominated deposits represented 82.3% of deposits in foreign currencies as at 31 March 2016, compared to 82.6% as at 31 December 2015, 82.5% as at 31 December 2014 and 85.4% as at 31 December 2013.

Customer accounts by maturity

The following table sets out information on the maturity profile of deposits held by TBC Bank (on a standalone basis) as at the dates indicated based on their contractual maturity:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
					(unaudited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
On demand and less than one month	2,191,592	55.6%	2,402,810	57.3%	1,825,271	56.1%	1,659,354	58.8%
Between one and three months	303,085	7.7%	372,976	8.9%	280,691	8.6%	216,618	7.7%
Between three months and one year	1,037,271	26.3%	976,697	23.3%	777,589	23.9%	702,527	24.9%
Between one and five years	372,724	9.5%	396,426	9.5%	315,705	9.7%	150,100	5.3%
Over five years	35,490	0.9%	41,791	1.0%	55,280	1.7%	95,555	3.4%
Customer accounts	**3,940,163**	100.0%	**4,190,700**	**100.0%**	**3,254,535**	**100.0%**	**2,824,154**	**100.0%**

Deposits less than one month represent the largest portion of the deposits held by TBC Bank (on a standalone basis) and decreased by GEL 211.2 million, or 8.8%, to GEL 2,191.6 million as at 31 March 2016, from GEL 2,402.8 million as at 31 December 2015, GEL 1,825.3 million as at 31 December 2014 and GEL 1,659.4 million as at 31 December 2013. The increase in 2015 was mainly due to a temporary increase in the balances of several corporate customers.

Deposits with maturities of between one and five years decreased by GEL 23.7 million, or 6.0%, to GEL 372.7 million, as at 31 March 2016, having increased by GEL 80.7 million, or 25.6%, to GEL 396.4 million as at 31 December 2015 from GEL 315.7 million as at 31 December 2014, and having increased by GEL 165.6 million, or 110.3%, from GEL 150.1 million as at 31 December 2013. The significant increase in deposits with maturities of between one and five years during 2014 was a result of an increase in retail deposits, while in 2015 the increase was primarily attributable to an increase in legal entity deposits with such maturities.

Customer accounts by sector

The following table sets out the composition of TBC's deposits by reference to the economic sector of the customer, as at the dates indicated:

	As at 31 December					
	2015		2014		2013	
			(audited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Individuals	2,536,482	60.7%	1,977,172	59.5%	1,610,676	55.8%
Service	531,020	12.7%	435,414	13.1%	344,803	11.9%
Construction	133,623	3.2%	136,429	4.1%	131,427	4.6%
Transportation	135,356	3.2%	101,939	3.1%	129,096	4.5%
Consumer goods and automobile trading	162,026	3.9%	86,729	2.6%	72,739	2.5%
Oil and gas	54,711	1.3%	75,562	2.3%	147,005	5.1%
Real estate	66,551	1.6%	72,843	2.2%	57,798	2.0%
Food industry	41,142	1.0%	62,149	1.9%	97,421	3.4%
Communication	33,933	0.8%	57,677	1.7%	28,909	1.0%
Energy	97,926	2.3%	48,094	1.4%	57,179	2.0%
Manufacturing	15,800	0.4%	18,869	0.6%	21,013	0.7%
Agriculture	22,127	0.5%	17,755	0.5%	23,772	0.8%
Mining	13,380	0.3%	7,541	0.2%	21,746	0.8%
Other	333,854	8.0%	224,255	6.7%	143,299	5.0%
Total customer accounts	**4,177,931**	**100.0%**	**3,322,428**	**100.0%**	**2,886,883**	**100.0%**

In 2016, TBC re-assessed its economic sector categorisation and has accordingly also presented the figures as at 31 December 2015 in accordance with the new allocation in order to provide a comparison for the figures as at 31 March 2016.

	As at 31 March 2016		As at 31 December 2015	
	(unaudited)		(audited)	
	((GEL thousands)	(%)	(GEL thousands)	(%)
Individuals	2,593,415	66.0%	2,536,482	60.7%
Financial Services	187,470	4.8%	219,888	5.3%
Transportation	157,803	4.0%	135,356	3.2%
Services	122,657	3.1%	115,563	2.8%
Energy & Utilities	109,225	2.8%	152,636	3.7%
Construction	103,492	2.6%	118,035	2.8%
Trade	92,830	2.4%	161,417	3.9%
Government sector	87,550	2.2%	172,185	4.1%
Real Estate	68,564	1.7%	66,773	1.6%
Hotels and Leisure	68,177	1.7%	73,071	1.7%
Food Industry	49,474	1.3%	52,363	1.3%
Communication	48,334	1.2%	48,669	1.2%
Healthcare	43,882	1.1%	95,280	2.3%
Automotive	24,986	0.6%	40,058	1.0%
Metals and Mining	19,794	0.5%	16,537	0.4%
Agriculture	13,712	0.3%	10,906	0.3%
Other	140,259	3.6%	162,711	3.9%
Total customer accounts	**3,931,623**	**100.0%**	**4,177,931**	**100.0%**

TBC's two largest sources of deposits are individuals' deposits, which accounted for 66.0%, 60.7%, 59.5% and 55.8% of total deposits as at 31 March 2016 and 31 December 2015, 2014 and 2013, respectively, and deposits held by customers in the financial services, which accounted for 4.8%, and 5.3% of total deposits as at 31 March 2016 and 31 December 2015, respectively.

As at 31 March 2016, TBC's largest customer accounted for 1.9% of total deposits, and TBC's 20 largest customers accounted for 14.7% of total deposits, compared to 1.9% and 16.2%, respectively, as at 31 December 2015, 1.8% and 16.2%, respectively, as at 31 December 2014 and 3.6% and 18.2%, respectively, as at 31 December 2013. The decrease in deposits held by TBC's largest customer as at 31 December 2014, compared to 31 December 2013, resulted from reduced U.S. Dollar-denominated deposits by one of TBC Bank's corporate customers.

Other sources of funding

Amounts due to other banks

Amounts due to other banks represented 2.7% of TBC's total liabilities as at 31 March 2016, compared to 1.3% as at 31 December 2015, 2.0% as at 31 December 2014 and 1.3% as at 31 December 2013. Amounts due to other banks increased, in absolute terms, by GEL 73.5 million, or 100.4%, to GEL 146.8 million as at 31 March 2016 from GEL 73.3 million as at 31 December 2015, after having decreased, in 2015, by GEL 12.7 million, or 14.8% from GEL 86.0 million as at 31 December 2014, and in 2014 by GEL 38.7 million, or 82.0%, from GEL 47.3 million as at 31 December 2013.

Amounts due to other banks by type of account

The following table sets out the composition of TBC's amounts due to other banks by type of account as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	(unaudited)				(audited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Correspondent accounts and overnight placements	86,656	59.0%	47,342	64.6%	37,247	43.3%	4,894	10.4%
Deposits from banks	60,164	41.0%	25,936	35.4%	47,802	55.6%	42,358	89.6%
Short-term loans from banks	—	—	—	—	934	1.1%	—	—
Total amounts due to other banks	**146,820**	**100.0%**	**73,278**	**100.0%**	**85,983**	**100.0%**	**47,252**	**100.0%**

The increase as at 31 March 2016 compared to as at 31 December 2015 in total amounts due to other banks was primarily due to the increased liquidity of the Lari in the first quarter of 2016. The decrease in total amounts due to other banks as at 31 December 2015 were primarily due to reduced deposits from banks due to TBC Bank's high liquidity during the period and the reduced demand for additional interbank funding. The increase in total amounts due to other banks as at 31 December 2014, compared to 31 December 2013, was primarily due to increases in correspondent accounts and overnight placements, aligned with TBC's short term funding needs.

Amounts due to other banks by currency

The following table sets out the composition of TBC's amounts due to other banks, by currency, as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
					(unaudited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Lari	18,268	12.4%	1,818	2.5%	39,310	45.7%	12,977	27.5%
Foreign currencies	128,552	87.6%	71,461	97.5%	46,673	54.3%	34,275	72.5%
Amounts due to other banks	**146,820**	**100.0%**	**73,278**	**100.00%**	**85,983**	**100.0%**	**47,252**	**100.0%**

Amounts due to other banks were comprised 12.4%, 2.5%, 45.7% and 27.5% in Lari as at 31 March 2016 and 31 December 2015, 2014 and 2013, respectively. Amounts due to other banks were represented by 87.6%, 97.5%, 54.3% and 72.5% in foreign currencies as at 31 March 2016 and 31 December 2015, 2014 and 2013, respectively. Variations in the proportions that Lari- and foreign currency-denominated amounts bear to one another in TBC's total portfolio of amounts due to other banks are driven primarily by changes in TBC's liquidity levels, which often create a need to shift

excess liquidity in one currency to interbank borrowings denominated in another. The majority of foreign currency-denominated amounts due to other banks are denominated in U.S. Dollars, which accounted for 99.2% of foreign currency-denominated amounts due to other banks as at 31 March 2016, compared to 97.5% as at 31 December 2015, 97.5% as at 31 December 2014 and 98.7% as at 31 December 2013.

Other borrowed funds

Other borrowed funds comprise liabilities of TBC to certain international and financial institutions.

The following table sets out a breakdown of TBC's other borrowed funds by lender as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	(unaudited)				(audited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
Foreign banks and international financial institutions	624,602	73.0%	678,946	65.3%	452,469	68.2%	417,504	80.5%
Local banks and financial institutions	225,028	26.3%	355,664	34.2%	204,475	30.8%	92,987	17.9%
Other financial institutions	5,849	0.7%	5,686	0.5%	6,358	1.0%	8,063	1.6%
Total other borrowed funds	**855,480**	**100.0%**	**1,040,296**	**100.0%**	**663,302**	**100.0%**	**518,554**	**100.0%**

Loans from foreign banks and international financial institutions represented 73.0% of other borrowed funds as at 31 March 2016, compared to 65.3% as at 31 December 2015, 68.2% as at 31 December 2014 and 80.5% as at 31 December 2013. Amounts due to foreign banks and international financial institutions decreased, in absolute terms, by GEL 54.3 million, or 8.0%, to GEL 624.6 million as at 31 March 2016, having decreased from GEL 678.9 million as at 31 December 2015 and GEL 452.5 million as at 31 December 2014. The decrease in the first quarter of 2016 was primarily due to a reduction in exchange rates during the period and the respective effect on the portfolio in Lari terms, while the increases in 2015 and 2014 were due to additional loan agreements completed during the period.

Syndicated, bilateral and multilateral loans

TBC's borrowed funds include, from time to time, syndicated, bilateral and multilateral loans. As at 31 March 2016, the amount outstanding under TBC's syndicated, bilateral loans and multilateral loans was U.S.$222 million. As at the date of this Prospectus, TBC's syndicated, bilateral and multilateral loans, with an outstanding principal amount equal to or greater than U.S.$5.0 million comprise the following:

- In December 2007, TBC Bank entered into a loan agreement with EBRD for a principal amount of U.S.$12 million. The loan, which was fully drawn, was used to finance TBC's mortgage loans, matures on 8 January 2018 and interest is paid semi-annually at a rate of LIBOR plus a specified margin. TBC Bank is required under this loan agreement to comply with the financial covenants set forth in the Common Terms Agreement (as discussed below). As at 31 March 2016, U.S.$2.8 million of principal was outstanding under this loan agreement.

- In May 2008, TBC Bank entered into a term facility agreement with FMO for a principal aggregate amount of up to U.S.$15.0 million. This loan, which was fully drawn, was used to finance mortgage loans extended by TBC, matures on 15 April 2018 and interest is paid semi-annually at a rate of LIBOR plus a specified margin. TBC Bank is required under this facility agreement to comply with the financial covenants set forth in the Common Terms Agreement (as discussed below). This facility was prepaid in December 2015.

- In December 2008, TBC Bank entered into a loan agreement with Govco LLC and Citibank, N.A. in a principal amount of U.S.$44.0 million. The loan, which was fully drawn, was used to finance TBC's SME business sector and mortgage loans, matures on 17 December 2021 and interest is paid quarterly at a rate of 8.63% (comprising a fixed fee, fixed LIBOR rate and guarantee fee). This loan agreement contains covenants requiring TBC Bank to maintain certain

ratios, including a capital adequacy ratio, a ratio of liquid assets to total liabilities and a loan loss reserves to past due loans ratio, as well to maintain TBC's net worth at a certain level. As at 31 March 2016, U.S.$20.9 million of principal was outstanding under this loan agreement.

- In March 2010, TBC Kredit entered into a facility agreement with OPIC for a principal aggregate amount of up to U.S.$12.0 million. Loans drawn under this facility agreement were used to finance TBC Kredit's SME loans and real estate sector loans. The facility agreement terminates on 15 June 2021 and interest is paid semi-annually at a fixed rate for each tranche drawn equal to OPIC's cost of funds plus a specified margin. TBC Kredit is subject to certain covenants under this facility agreement including, but not limited to, a requirement to maintain its reserves in accordance with applicable laws and to maintain minimum cash reserves of U.S.$50,000. As at 31 March 2016, U.S.$6.94 million of principal was outstanding under this loan agreement.

  In February 2015, the Central Bank of Azerbaijan (the "**CBAR**") devalued the Azeri Manat by approximately 34% relative to the U.S. Dollar after a period of four years during which the Manat was effectively pegged to the U.S. Dollar. As a result, the Manat depreciated sharply against the U.S. Dollar, the Euro and other major currencies during the first quarter of 2015. In addition, the CBAR in December 2015 removed the currency peg, which resulted in a further approximately 50% depreciation of the Manat against the U.S. Dollar. These two events, the double devaluation and the move to a free floating exchange rate, had a negative impact on the creditworthiness of several of TBC Kredit's clients and resulted in a deterioration of its loan book quality, triggering breaches of certain financial covenants related to loan book quality in 2015 and in subsequent periods as the effects of the devaluations continued to be felt in the quality of TBC Kredit's loan book. These breaches did not result in any cross-defaults for either TBC Kredit or the Group. TBC Kredit obtained waivers from its lenders for these past breaches of compliance and maintains an ongoing dialogue with its lenders in order to obtain future waivers for breaches in connection with upcoming compliance tests until the effect of the double devaluation is over (as a matter of general policy in such cases, a lenders do not give upfront waivers in advance of future periods). The total amount of borrowings for which covenants were breached amounted to GEL 35.7 million (of which the largest was the facility with OPIC). This amount is not material to the Group, representing only 0.5% of the total assets of the Group as at 31 March 2016.

- In September 2011, TBC Bank entered into a loan agreement with EBRD pursuant to which EBRD provides loans in synthetic Lari denominated in U.S. Dollars in an aggregate amount of U.S.$14.5 million. TBC Bank may request that the entire amount of the outstanding loan be converted from synthetic Georgian Lari into a U.S. Dollar-denominated loan. Loans drawn under this facility, which were used by TBC to fund micro loans to customers as well as corporate loans in the agricultural sector, mature between November 2016 and August 2017. Interest is currently paid every three months at a fixed rate based on EBRD's cost of obtaining Lari plus a specified margin. This loan agreement contains covenants requiring TBC Bank to maintain certain ratios, including a capital adequacy ratio, a cumulative negative liquidity gap ratio, an open credit exposure ratio and other mandatory ratios established by the NBG. As at 31 March 2016, U.S.$5 million of principal was outstanding under this loan agreement.

- In December 2011, TBC Bank entered into a loan agreement with the DEG for a principal amount of U.S.$10.0 million. This loan, which was fully drawn, was used to finance the SME business segment, matures on 15 February 2019 and interest is paid semi-annually at a rate of LIBOR plus a specified margin. As at 31 March 2016, U.S.$4.6 million of principal was outstanding under this loan agreement.

- In July 2012, TBC Bank entered into a finance contract with EIB for a principal amount of EUR 25.0 million. This loan was drawn in U.S. Dollars for a total amount of U.S.$31.7 million, and matures between August 2019 and May 2020. This loan was utilised by TBC to finance the SME business segment. Interest on the loan is paid semi-annually at a rate of LIBOR plus a specified margin. Under the finance contract TBC Bank is required to comply with certain financial covenants including, but not limited to the capital adequacy ratio, liquidity ratio, non-performing loans ratio and exposure ratios. As at 31 March 2016, U.S.$23.7 million of principal was outstanding under this loan agreement.

- In September 2012, TBC Bank entered into a facility agreement with EBRD for a principal aggregate amount of up to U.S.$10.0 million in connection with the Caucasus Energy Efficiency Programme. The loan matures between January 2018 and January 2019 and interest is currently paid semi-annually at a rate of LIBOR plus a specified margin. As at 31 March 2016, U.S.$7 million of principal was outstanding under this loan agreement.
- In December 2012, TBC Bank entered into a finance contract with EIB for a principal amount of EUR 25.0 million. This loan was drawn in U.S. Dollars for a total amount of U.S.$31.6 million, and matures between May 2021 and December 2021. This loan was utilised by TBC to finance the SME business segment. Interest on the loan is paid semi-annually at a rate of LIBOR plus a specified margin. Under the finance contract TBC Bank is required to comply with certain financial covenants including, but not limited to the capital adequacy ratio, liquidity ratio, non-performing loans ratio and exposure ratios. As at 31 March 2016, U.S.$31.6 million of principal was outstanding under this loan agreement.
- In December 2012, TBC Bank entered into a loan agreement with Proparco for a principal amount of U.S.$20.0 million. This loan, which was fully drawn, was used by TBC to finance loans in the healthcare infrastructure sector and matures on 30 April 2018, with interest paid semi-annually at a rate of LIBOR plus Basis Swap Rate plus a specified margin. Under the loan agreement TBC Bank is required to comply with certain financial covenants including, but not limited to capital adequacy ratio, liquidity ratio, non-performing loans ratio and exposure ratios. As at 31 March 2016, U.S.$14 million of principal was outstanding under this loan agreement.
- In June 2015, TBC Bank entered into a loan agreement with BSTDB for a principal amount of U.S.$10.0 million. This loan, which was fully drawn, was used by TBC to finance the SME business segment. This loan matures on 20 June 2018 and interest is paid semi-annually at a rate of LIBOR plus a specified margin. As at 31 March 2016, U.S.$10 million of principal was outstanding under this loan agreement.
- In October 2015, TBC Bank entered into a loan agreement with BSTDB for a principal amount of U.S.$20.0 million or equivalent of GEL 48.0 million. This loan, which was fully drawn, was used by TBC to finance the SME business segment. This loan will be repaid in a bullet payment on the maturity date of 1 November 2018. The interest on the loan is paid quarterly at a rate of 3 month GEL CD quoted by NBG plus a specified margin. As at 31 March 2016, U.S.$20 million of principal was outstanding under this loan agreement.
- In February 2016, TBC Bank entered into a loan agreement with ADB for a principal amount of U.S.$50.0 million. This five year senior facility will be dedicated to extending MSME lending outside Tbilisi. This facility is available for TBC Bank in three currencies (EUR, USD and GEL), with the availability period of two years. Under the loan agreement TBC bank is required to comply with the certain financial covenants including, but not limited to capital adequacy ratio, liquidity ratio, non-performing loans ratio and exposure ratios. The facility was not utilised as at 31 March 2016.

As at the date of this Prospectus, TBC is in compliance with all financial covenants contained in the above mentioned bilateral, syndicated and multilateral loans. In addition to financial covenants, TBC Bank is also subject to various other customary covenants under its loan and facility agreements (although these vary amongst the agreements), including requirements to obtain lender consent prior to any changes in TBC Bank's legal or beneficial ownership or other change of control, and restrictions on mergers, reorganisations and certain sales and transfers of assets (including to other TBC group companies).

Subordinated debt

Subordinated debt comprises unsecured obligations of TBC, subordinated in right of payment to all present and future senior indebtedness and certain other obligations of TBC.

Subordinated debt by type

The following table sets out a breakdown of TBC's subordinated debt, by international financial institution, as at the dates indicated:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(audited)	
			(GEL thousands)	
FMO	85,899	84,715	78,951	72,815
IFC	45,747	44,823	34,766	32,222
DEG	42,027	42,851	33,290	30,968
EBRD	45,775	44,855	34,804	32,269
KfW	13,152	12,901	6,204	—
GGF	35,298	35,666	—	—
EFSE	35,303	17,837	—	—
Total subordinated debt outstanding	**303,381**	**283,648**	**188,015**	**168,274**

TBC's subordinated debt is comprised of financing arrangements entered into with Deutsche Investitions- und Entwicklungsgesellschaft mbH ("**DEG**"), IFC, FMO, EBRD, KfW, GGF and the European Fund for South East Europe ("**EFSE**"). As at the date of this Prospectus, TBC's subordinated debt, with an outstanding principal amount equal to or greater than U.S.$5.0 million, is comprised as follows:

Common Terms Agreement

In April 2009, TBC Bank entered into the common terms agreement (the "**Common Terms Agreement**") with three of its IFI Investors: EBRD, FMO and IFC. The Common Terms Agreement provides for the provision of finance through senior and subordinated loans entered into with each lender up to a maximum aggregate principal amount of U.S.$54.4 million in respect of senior loans and U.S.$44.0 million in respect of subordinated loans, respectively. As at 31 March 2016, TBC had fully-drawn all such amounts. The senior loans initially entered into pursuant to the Common Terms Agreement matured in February 2013. The subordinated loans entered into pursuant to the Common Terms Agreement (the "**Subordinated Loans**") mature on 12 November 2018. Under the Subordinated Loans, interest is paid semi-annually at a rate of LIBOR plus specific margin. In December 2015, TBC Bank prepaid the FMO portion of the loan in the amount of U.S.$7.0 million.

The Subordinated Loans and all other loans entered into between TBC Bank and the IFI Investors require TBC Bank to comply with certain financial covenants set forth in the Common Terms Agreement. These financial covenants require TBC Bank, *inter alia*, to maintain certain ratios including (but not limited to): (i) a ratio of the aggregate foreign exchange open position to capital (calculated, with respect of any foreign currency, as the difference between assets and liabilities in that foreign currency, after giving effect to certain hedges) of not more than 20.0%; (ii) a ratio of fixed assets to capital of not more than 40.0%; (iii) a loan to deposit ratio (calculated, for any period, as total customer loans divided by customer deposits) of not more than 120.0%; (iv) an aggregate negative maturity gap ratio (calculated by dividing (1) the sum of each currency maturity gap, which is a negative number that is calculated for each of the U.S. Dollar, Euro, Lari and all other applicable currencies in the Lari equivalent) by (2) capital of not less than -300%; and (v) the aggregate of on-and off-balance sheet liabilities of the Government of Georgia (except certificates of deposit issued by the NBG and the government of Georgia), budget dependent state-owned companies and sub-national governments to TBC Bank at less than 25% of capital. The financial covenants also require TBC Bank to comply with certain risk-weighted capital adequacy ratios, a net stable funding ratio (see "*Risk Management—Funding and Liquidity Risk Management*") as well as specified ratios governing related party, single client and other exposures, overdue and non-performing loans.

As at the date of this Prospectus, the Subordinated Loans entered into by TBC Bank were as follows:

- In April 2009, TBC Bank entered into a Subordinated Loan with EBRD for a principal amount of U.S.$18.5 million. This loan was used to strengthen TBC Bank's tier 2 capital. Upon the occurrence of a "Conversion Trigger Event" (defined as an event where: (i) TBC Bank's tier 1 Risk Weighted Capital Adequacy Ratio, which is TBC Bank's tier 1 capital divided by its aggregate on and off-balance sheet assets weighted in accordance with BIS Guidelines, falls below 0.5% above the minimum level required by the NBG, or (ii) TBC Bank has failed to submit two consecutive tier 1 capital adequacy reports confirming compliance with such ratio), EBRD has the option to convert the outstanding amount of the loan into shares of TBC Bank by delivering a notice to TBC Bank specifying, *inter alia*, the conversion price and conversion date. As at 31 March 2016, U.S.$18.5 million was outstanding under this Subordinated Loan.

- In April 2009, TBC Bank entered into a Subordinated Loan with FMO for a principal amount of U.S.$7.0 million. This loan was used to strengthen TBC Bank's tier 2 capital. FMO does not have the option to convert any outstanding amounts of the loan into shares of TBC Bank. As at 31 March 2016, there were no outstanding amounts under this Subordinated Loan.

- In April 2009, TBC Bank entered into a Subordinated Loan with IFC for a principal amount of U.S.$18.5 million. This loan was used to strengthen TBC Bank's tier 2 capital. Upon the occurrence of a Conversion Trigger Event (as described above), IFC has the option to convert the outstanding amount of the loan into shares of TBC Bank by delivering a notice to TBC Bank specifying, *inter alia*, the conversion price and conversion date. As at 31 March 2016, U.S.$18.5 million was outstanding under this Subordinated Loan.

Other subordinated debt

As at the date of this Prospectus, the other subordinated debt incurred by TBC Bank comprises the following:

- In February 2008, TBC Bank entered into a loan agreement with DEG in a principal amount of U.S.$10.0 million. This loan was used to strengthen TBC Bank's tier 2 capital, matures on 15 July 2018 and interest is paid semi-annually at a fixed rate. TBC Bank is required under this loan agreement to comply with certain financial covenants requiring TBC Bank, *inter alia*, to maintain certain ratios including (but not limited to): (i) a ratio of the aggregate foreign exchange open position to available capital of not more than 20.0%; (ii) liquid asset ratio not less than 20%; and (iii) loan to deposit ratio of not more than 120%. The financial covenants also require TBC Bank to comply with certain risk-weighted capital adequacy ratios, a net stable funding ratio (see " *Risk Management—Funding and Liquidity Risk Management*") as well as specified ratios governing related party, single client and other exposures, and non-performing loans. As at 31 March 2016, U.S.$10 million was outstanding under this loan agreement.

- In March 2013, TBC Bank entered into a loan agreement with DEG for a principal amount of U.S.$7.5 million. This loan was used to strengthen TBC Bank's tier 2 capital, matures on 15 June 2020 and interest is paid semi-annually at a rate of LIBOR plus a specified margin. TBC Bank is required under this loan agreement to comply with certain financial covenants including, but not limited to (i) a ratio of the aggregate foreign exchange open position to available capital of not more than 20.0%; (ii) a liquid asset ratio not less than 20%; and (iii) a loan to deposit ratio of not more than 120%. The financial covenants also require TBC Bank to comply with certain risk-weighted capital adequacy ratios, a net stable funding ratio (see "*Risk Management—Funding and Liquidity Risk Management*") as well as specified ratios governing related party, single client and other exposures, and non-performing loans. As at 31 March 2016, U.S.$7.5 million was outstanding under this loan agreement.

- In August 2013, TBC Bank entered into a subordinated term facility agreement with FMO in a principal amount of U.S.$35.0 million. The loan was used to strengthen TBC Bank's tier 2 capital, matures on 15 April 2023 and interest is paid semi-annually at a rate of LIBOR plus a specified margin. As at 31 March 2016, U.S.$35 million was outstanding under this facility agreement.

- In December 2015, TBC Bank entered into subordinated loan agreements with the European Fund for Southeast Europe (the "**EFSE**") in the amount of U.S.$15 million and the Green for Growth Fund (the "**GGF**") for another U.S.$ 15.0 million. Funds from the GGF have been

fully drawn, whereas the first tranche in the amount of U.S.$ 7.5 million was drawn from the EFSE in December 2015 and the second tranche in the amount of U.S.$ 7.5 million was drawn from the EFSE in March 2016. The loans were used to further strengthen TBC Bank's capital adequacy, enabling the Bank's continued growth in accordance with its strategy. Both loan facilities mature on 18 December 2025 and qualify as Tier II capital under current regulations. Interest is paid semi-annually at a rate of LIBOR plus a specified margin. As at 31 March 2016, U.S.$15 million was outstanding under the GGF facility agreement, U.S.$7.5 million was outstanding under the first tranche of the EFSE facility agreement and U.S.$7.5 million was outstanding under the second tranche of the EFSE facility agreement.

- In January 2015, TBC Bank entered into an amended and restated subordinated loan agreement with KfW in a principal amount of €5 million. The loan was used to strengthen TBC Bank's Tier II capital. The loan matures on 8 May 2021 and the interest is paid annually at a fixed rate. TBC Bank is required under this loan agreement to comply with certain financial covenants including, but not limited to a capital adequacy ratio, a non-performing loans ratio and a net loan to deposit ratios.

- In February 2016, TBC Bank entered into a subordinated term facility agreement with ADB in a principal amount of U.S.$50.0 million. The 10 year loan, which will be used to strengthen TBC Bank's tier 2 capital, has a two year availability period with interest paid semi-annually at a rate of LIBOR plus a specified margin. TBC Bank is required under this loan agreement to comply with prudential ratios required from time to time by NBG regulations and a net non-performing loan ratio. As at 31 March 2016, the facility was not utilised.

As at the date of this Prospectus, TBC is in compliance with all financial covenants contained in the above-mentioned subordinated debt.

Subordinated debt by maturity

The following table sets out information on the maturity profile of TBC's subordinated debt (all of which has been incurred by TBC Bank) as at the dates indicated:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
					(unaudited)			
	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)	(GEL thousands)	(%)
On demand and less than one month	3,877	1.3%	1,149	0.4%	894	0.5%	833	0.5%
Between one and three months	19,309	6.4%	155	0.1%	—	0.0%	—	0.0%
Between three months and one year	15,859	5.2%	33,042	11.6%	2,805	1.5%	1,814	1.1%
Between one and five years	143,970	47.5%	145,566	51.3%	123,160	67.7%	103,604	61.6%
Over five years	120,366	39.7%	103,736	36.6%	54,952	30.2%	62,022	36.9%
Total subordinated debt outstanding	**303,381**	**100.0%**	**283,648**	**100.0%**	**188,811**	**100.0%**	**168,274**	**100.0%**

The following table sets out the maturity profile, by lender, of TBC's subordinated debt as at 31 March 2016 (all of which has been incurred by TBC Bank):

	For the year ended 31 December										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	(unaudited) (GEL thousands)										
KFW	—	—	—	—	—	12,562	—	—	—	—	—
GGF	—	—	—	—	—	—	—	—	—	35,519	—
EFSE	—	—	—	—	—	—	—	—	—	17,759	17,759
FMO	—	—	15,068	15,068	15,068	15,068	15,068	7,534	—	—	—
DEG	—	—	23,679	—	17,759	—	—	—	—	—	—
EBRD	14,602	14,602	14,602	—	—	—	—	—	—	—	—
IFC	14,602	14,602	14,602	—	—	—	—	—	—	—	—

Contingent Liabilities and Other Off-Balance Sheet Arrangements

TBC enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the business needs of its customers. These instruments, which include guarantees and letters of credit, expose TBC to credit risk and are not reflected in TBC's consolidated balance sheet. TBC's maximum exposure to credit losses for guarantees and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected by Management to expire without being drawn, the total amount may not necessarily represent future cash requirements of TBC.

The table below sets out details of TBC's consolidated credit commitments, guarantees and commercial letters of credit as at the dates indicated:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(audited)	
		(GEL thousands)		
Performance guarantees issued	251,868	243,183	188,440	160,704
Financial guarantees issued	92,274	71,999	86,770	95,762
Undrawn credit lines	221,035	247,159	284,284	197,801
Letters of credit	57,867	96,634	145,958	133,603
Total credit related commitments and performance guarantees (before provision)	**623,044**	**658,975**	**705,452**	**587,870**
Provision for performance guarantees	(2,195)	(1,472)	(4,912)	(4,153)
Provision for credit related commitments and financial guarantees	(5,896)	(5,589)	(3,266)	(4,927)
Total credit related commitments and performance guarantees	**614,953**	**651,914**	**697,274**	**578,790**

See Note 37 to the Audited Consolidated Financial Statements and Note 24 to the Unaudited Consolidated Interim Financial Statements for details of other contingencies and commitments to which TBC is subject.

Net total credit related commitments decreased by GEL 37.0 million, or 5.7%, to GEL 615.0 million as at 31 March 2016 from GEL 651.9 million as at 31 December 2015, primarily due to undrawn credit lines and letters of credit, which were partially offset by the increased financial and performance guarantees issued. Net total credit related commitments decreased by GEL 45.4 million, or 6.5%, to GEL 651.9 million as at 31 December 2015 from GEL 697.3 million as at 31 December 2014, primarily due to the decrease in letters of credit, undrawn credit lines and financial guarantees issued, which more than offset the increase in performance guarantees issued. As at 31 December 2014, net total credit related commitments increased by GEL 118.5 million, or 20.5%, to GEL 697.3 million from GEL 578.8 million as at 31 December 2013, primarily due to the increase in undrawn credit lines, performance guarantees issued and letters of credit, which was partially offset by a decrease in financial guarantees issued.

As at 31 March 2016, the ten largest guarantees issued by TBC amounted to 24.8% of TBC's total guarantees issued and represented 12.1% of TBC's total equity, compared to 23.7% and 12.8%, respectively, as at 31 December 2015, 22.0% and 15.2%, respectively, as at 31 December 2014 and 18.1% and 14.6% as at 31 December 2013.

TBC's commitments related to undrawn credit lines decreased by GEL 26.1 million, or 10.6%, to GEL 221.0 million as at 31 March 2016 from GEL 247.2 million as at 31 December 2015, after having decreased by GEL 37.1 million, or 13.1%, from GEL 284.3 million as at 31 December 2014, and having increased by GEL 86.5 million, or 43.7%, in 2014 from GEL 197.8 million as at 31 December 2013. The decrease in commitments related to undrawn credit lines as at 31 December 2015, compared to 31 December 2014, was the disbursement of credit lines during 2014 to several corporate customers. The increase in commitments related to undrawn credit lines as at 31 December 2014, compared to 31 December 2013, was broadly aligned with TBC's overall business growth.

The following table sets out the residual maturity of TBC Bank's credit related commitments as at 31 March 2016:

	Residual maturity of credit related commitments			
	Total	Less than three months	Three to twelve months	Over one year
		(unaudited) (GEL thousands)		
Performance guarantees	2,195	2,195	—	—
Financial guarantees issued	5,896	5,896	—	—
Other credit related commitments	37,973	37,973	—	—
Total credit related commitments	**46,063**	**46,063**	**—**	**—**

As at 31 March 2016, all of credit related commitments had a residual maturity of up to thirty days.

Provisions for contingent liabilities

The following table sets out TBC's provisions for issued guarantees and letters of credit as at the dates indicated:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)	(audited) (GEL thousands)		
Provision for performance guarantees	2,195	1,472	4,912	4,153
Provision for credit related commitments and financial guarantees	5,896	5,589	3,266	4,927
Total	**8,091**	**7,061**	**8,178**	**9,080**

Provisions for performance guarantees and credit related commitments and financial guarantees increased by GEL 1.0 million, to GEL 8.1 million as at 31 March 2016 from GEL 7.1 million as at 31 December 2015, primarily due to a provision release in the fourth quarter of 2015 as a result of an update in the provisioning methodology.

Provisions for contingent liabilities decreased in 2015, primarily due to the decrease in provisions for performance guarantees. Provisions for credit related commitments and financial guarantees increased by GEL 2.3 million, to GEL 5.6 million as at 31 December 2015 from GEL 3.3 million as at 31 December 2014, primarily due to an updated provisioning methodology implemented in the last quarter of 2015.

Provisions for contingent liabilities decreased in 2014 primarily due to the decrease in provision for credit related commitments and financial guarantees, which decreased by GEL 1.6 million, to GEL 3.3 million as at 31 December 2014 from GEL 4.9 million as at 31 December 2013, primarily due to the decrease in the outstanding amount of financial guarantees issued.

Capital and Capital Adequacy

TBC's total equity increased by GEL 62.1 million, or 5.1%, to GEL 1,280.6 (comprising 19.2% of total assets) as at 31 March 2016, from GEL 1,218.4 million (comprising 17.6% of total assets) as at 31 December 2015, having increased by 19.5% from GEL 1,019.5 million (18.8% of total assets) as at 31 December 2014. As at 31 December 2014, TBC's total equity increased by GEL 290.2 million, or 39.8%, from GEL 729.3 million (16.4% of total assets) as at 31 December 2013. These increases were primarily as a result of an increased profit attributable to equity owners as well as the IPO in the first half of 2014.

TBC's capital adequacy ratio has been maintained at well above the minimum required by the BIS Guidelines with its tier 1 capital ratio (under Basel I methodology) standing at 26.6% and total capital ratio (under Basel I methodology) standing at 33.3% as at 31 March 2016, compared to the BIS minimum requirements of 4% and 8%, respectively. As at 31 March 2016, as calculated under NBG's old methodology (which is stricter than that of the BIS), TBC's tier 1 capital adequacy ratio

stood at 13.8% and its total capital ratio stood at 17.5%, compared to the NBG minimum requirements of 7.2% and 10.8%, respectively. Moreover, the NBG has also adopted Basel II/III standards under a stricter local methodology, according to which TBC's tier 1 capital adequacy ratio and its total capital ratio stood at 13.3% and 16.8% under Pillar 1, respectively, above the NBG minimum requirements of 8.5% and 10.5%, respectively.

The main difference in the calculation of TBC Bank's capital adequacy ratio in accordance with NBG Basel I-based standards and BIS Guidelines is that, for purposes of calculating the NBG ratio, a higher risk weighting is applied to loans and advances to customers denominated in foreign currencies, unless the borrower has a demonstrable source of foreign currency earnings. In January 2011, this additional risk weighting, in addition to the base risk weights applied to such loans, was increased from 150% to 175%. No such additional risk weighting is applied to the calculation of the capital adequacy ratio in accordance with BIS Guidelines. In addition, the NBG ratio is calculated on the basis of TBC Bank's standalone figures, whereas TBC's consolidated figures are used to calculate the capital adequacy ratio in accordance with BIS Guidelines. This, in turn, affects the calculation of retained earnings, risk-weighted assets and treatment of investments in subsidiaries under the two methodologies.

The following table sets out certain information regarding TBC's tier 1 and tier 2 capital ratios and its risk-weighted capital adequacy ratio, as at the dates indicated, based on BIS Guidelines, the Audited Consolidated Financial Statements and the Unaudited Consolidated Interim Financial Statements:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(unaudited)	
	(GEL thousands)			
Tier 1 capital				
Share capital	427,887	427,061	425,234	259,123
Retained earnings and disclosed reserves	786,979	725,498	537,616	404,659
Less: Goodwill	(2,726)	(2,726)	(2,726)	(2,726)
Non-controlling interest	6,403	7,189	7,371	14,667
Total tier 1 capital	**1,218,543**	**1,157,022**	**967,495**	**675,723**
Tier 2 capital				
Revaluation reserves	59,309	58,701	49,255	50,840
General reserve	58,590	59,770	49,367	40,403
Subordinated debt	189,595	173,652	122,070	131,312
Total tier 2 capital	**307,493**	**292,123**	**220,692**	**222,555**
Gross tier 1 and tier 2 available capital	**1,526,036**	**1,449,145**	**1,188,187**	**898,278**
Total risk-weighted assets	4,576,329	4,679,837	3,910,827	3,135,542
Tier 1 capital adequacy ratio (%)	26.6%	24.7%	24.7%	21.6%
Total risk-weighted capital adequacy ratio[(1)] (%)	**33.3%**	**31.0%**	**30.4%**	**28.6%**

Note:
(1) Total risk-weighted capital adequacy ratio is (a) tier 1 and tier 2 capital, divided by (b) total risk-weighted assets.

The following table sets out certain information regarding the capital adequacy ratio of TBC Bank (on a stand-alone basis), as at the dates indicated, based on NBG Basel I-based standards:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)		(unaudited)	
		(GEL thousands)		
Share capital	448,945	443,987	433,521	261,045
Retained earnings and other disclosed reserves	605,311	568,604	402,793	290,585
General loan loss provisions (up to 1.25% of risk-weighted assets)	84,008	87,037	64,627	51,038
Less intangible assets	(42,028)	(41,080)	(26,123)	(18,197)
Less Investments into subsidiary companies and capital of other banks	(50,770)	(50,840)	(117,962)	(59,129)
Subordinated debt (included in regulatory capital)	189,595	173,652	116,068	131,312
Total regulatory capital	**1,235,061**	**1,181,360**	**872,924**	**656,653**
Risk-weighted Exposures				
Credit risk weighted assets (including off-balance obligations)	5,202,839	5,304,184	4,125,740	3,340,518
Currency Induced Credit Risk	2,101,688	2,056,063	1,525,435	1,321,561
minus general and special reserves	(229,484)	(205,131)	(155,192)	(166,377)
Risk-weighted assets	**7,075,043**	**7,155,115**	**5,495,983**	**4,495,703**
Tier 1 Capital adequacy ratio	**13.8%**	**11.0%**	**12.2%**	**10.6%**
Total Regulatory Capital adequacy ratio(1)	17.5%	16.5%	15.9%	14.6%

Note:
(1) Total Regulatory Capital adequacy ratio is (a) Total Regulatory Capital divided by (b) total risk-weighted assets.

In addition, in October 2013, the NBG introduced its new NBG version of the Basel II/III capital adequacy regulations. According to these regulations, TBC is required to maintain a ratio of total regulatory capital to risk-weighted assets at 10.5% or more calculated in accordance with the new regulations. The NBG is also authorized to impose capital buffers on commercial banks in addition to minimum capital requirements. See "*Banking Sector and Banking Regulation in Georgia—Mandatory Prudential Ratios*". The primary differences between existing NBG regulations and the NBG Basel II/III regulation include the introduction of capital holding requirements for foreign-exchange and operational risks and changes in the risk weighting of different assets classes, such as increased risk weighting for investment property (250%, compared to 100% under existing NBG regulations) and decreased risk weighting for retail and mortgage exposures (35% and 75%, respectively, compared to 100% for each under existing NBG regulations).

As at 31 March 2016 and 31 December 2015, TBC Bank's capital ratios under the NBG's Basel II/III regulation are as follows:

	As at 31 March		As at 31 December					
	2016		2015		2014		2013	
	Pillar 1	Pillar 2	Pillar 1	Pillar 2	Pillar 1	Pillar 2	Pillar 1	Pillar 2
	(unaudited) (GEL thousands)							
Tier 1 capital								
Share capital	448,945	448,945	443,988	443,988	433,521	433,521	261,045	261,045
Retained earnings and disclosed reserves	605,311	605,311	568,604	568,604	402,793	402,793	290,585	290,585
General Reserves	67,272	67,272	67,469	67,469	39,727	39,727	40,460	40,460
Less: Intangible assets	(42,028)	(42,028)	(41,080)	(41,080)	(26,123)	(26,123)	(18,197)	(18,197)
Less: Revaluation reserves on assets	(67,272)	(67,272)	(67,469)	(67,469)	(39,728)	(39,728)	(40,460)	(40,460)
Less: Investments more than 10% in other commercial entities	(18,108)	(18,108)	(18,108)	(18,108)	(17,940)	(17,940)	(7,209)	(7,209)
Less: Surplus to threshold	—	—	—	—	(8,891)	(8,891)	—	—
Less: Investments in own shares	—	—	(1)	(1)	(1)	(1)	(1)	(1)
Total tier 1 capital	**994,120**	**994,120**	**953,403**	**953,403**	**783,360**	**783,360**	**526,223**	**526,223**
Tier 2 capital								
General reserve	84,008	84,008	87,037	87,037	64,627	64,627	51,038	51,038
Subordinated debt	189,595	189,595	173,652	173,652	116,068	116,068	131,312	131,312
Less: Significant investments in the tier 2 capital	(14,904)	(14,904)	(14,985)	(14,985)	(17,191)	(17,191)	(4,400)	(4,400)
Total tier 2 capital	**258,699**	**258,699**	**245,704**	**245,704**	**163,505**	**163,505**	**177,950**	**177,950**
Gross tier 1 and tier 2 available capital	**1,252,819**	**1,252,819**	**1,199,107**	**1,199,107**	**946,865**	**946,865**	**704,174**	**704,174**
Total risk-weighted assets	7,450,558	6,630,576	7,476,452	6,772,715	6,296,684	5,920,007	4,900,993	4,584,355
Tier 1 capital adequacy ratio	13.34%	14.99%	12.75%	14.08%	12.44%	13.23%	10.74%	11.48%
Total risk-weighted capital adequacy ratio (%)	**16.82%**	**18.89%**	**16.04%**	**17.70%**	**15.04%**	**15.99%**	**14.37%**	**15.36%**

For Pillar 2 capital calculation purposes TBC Bank considers additional risks, including interest rate risks, reputational and strategic risks, and uses advanced models to estimate capital charges for several risk charges.

The NBG assesses various risk categories of commercial banks (GRAPE) and analyses the adequacy of ICAAP, which could affect the capital requirements applicable to a bank. Various factors, including (but not limited to) shareholder strength and reputation and the presence of strategic investors will be analysed and taken into consideration in the assessment of each bank.

Return on Assets and Equity

The following table sets out certain selected financial ratios of TBC for the periods indicated (all of which are unaudited):

	For the three months ended 31 March	For the year ended 31 December		
	2016	2015	2014	2013
	(unaudited) (GEL thousands except percentages)			
Average total assets	6,841,910	6,350,320	4,756,539	3,961,664
Average total equity	1,247,223	1,096,129	863,082	663,919
Average total equity/average total assets (%)	18.2%	17.3%	18.1%	16.8%
Return on assets[(1)] (%)	3.5%	3.4%	3.3%	3.1%
Return on equity[(2)] (%)	19.3%	20.1%	18.4%	18.7%
Dividend payout ratio[(3)]	—	25.0%	21.0%	18.3%
Total comprehensive income attributable to owners of TBC Bank	59,303	228,325	157,505	130,517

Notes:

(1) Annual return on assets is (x) profit for the year, divided by (y) monthly average total assets. Quarterly return on assets is (a) profit for the period, divided by (b) average of total assets for the current and three previous months and annualised.

(2) Annual return on equity is (x) profit for the year attributable to owners of TBC Bank, divided by (y) monthly average total equity attributable to owners of TBC Bank. Quarterly return on equity is (a) profit for the period attributable to owners of TBC Bank, divided by (b) monthly average of total equity attributable to owners of TBC Bank for the current and three previous months and annualised.

(3) Dividend payout ratio is (x) dividends declared, divided by (y) consolidated profit for the previous year.

Average total assets increased by GEL 491.6 million, or 7.7%, to GEL 6,841.9 million for the three months ended 31 March 2016, from GEL 6,350.3 million for the year ended 31 December 2015. Average total assets increased by GEL 1,593.8 million, or 33.5%, to GEL 6,350.3 million for the year ended 31 December 2015 from GEL 4,756.5 million for the year ended 31 December 2014, primarily due to the increase in the average net loans and advances to customers and liquid assets. Average total assets increased by GEL 794.9 million, or 20.1%, to GEL 4,756.5 million for the year ended 31 December 2014 from GEL 3,961.7 million for the year ended 31 December 2013. This year-on-year increase was mainly due to an increase in the customer loan portfolio and increased liquidity.

Return on assets (on an annualised basis) increased by 0.2 percentage points to 3.5% for the three months ended 31 March 2016 from 3.2% for the corresponding period in 2015, mainly due to the increase in net profit by GEL 13.1 million, or 28.6%. Return on assets increased to 3.4% for the year ended 31 December 2015 from 3.3% in 2014, mainly due to the increase in TBC's profit for the year ended 31 December 2015. Return on assets increased to 3.3% for 2014 from 3.1% for 2013, primarily reflecting the increase in TBC's profit for the year ended 31 December 2014.

TBC's average total equity increased by GEL 151.1 million, or 13.8%, to GEL 1,247.2 million for the three months ended 31 March 2016 from GEL 1,096.1 million for the year ended 31 December 2015, having increased by GEL 233.0 million, or 27.0% from GEL 863.1 million for the year ended 31 December 2014, primarily due to the increase in net income attributable to owners of the bank. TBC's average equity increased by GEL 199.2 million, or 30.0%, to GEL 863.1 million for the year ended 31 December 2014 from GEL 663.9 million for the year ended 31 December 2013. This increase primarily reflected the net income attributable to owners of TBC Bank of GEL 157.5 million and the IPO gross proceeds of GEL 175.6 million. These increases were partially offset by the 2013 dividend payout in the first quarter of 2014 of GEL 26.5 million.

TBC's ROE (on an annualised basis) increased by 1.4 percentage points to 19.3% for the three months ended 31 March 2016 from 17.9% for the three months ended 31 March 2015, primarily due to the increase in TBC's profit during the period. TBC's ROE increased by 1.7 percentage points to 20.1% for the year ended 31 December 2015 from 18.4% for the year ended 31 December 2014, primarily due to the increase in TBC's net profit by GEL 60.2 million, or 38.0% from 2014 to 2015. TBC's ROE decreased in 2014, compared to 2013, as a result of the increase in average equity related to the Bank's IPO in 2014.

PART XII

DESCRIPTION OF BUSINESS

Overview

TBC is one of the leading universal banking groups in Georgia, with a total market share of 28.0% of loans and 27.3% of non-banking deposits in Georgia as at 31 March 2016, according to data published by the NBG. It holds the number one position in deposits of individuals, the number two position in loans (both to individuals and to legal entities) and in deposits of legal entities, according to NBG data, and has a particular expertise in the fast-growing SME and micro sectors, where TBC considers itself a market leader.

TBC offers a wide range of banking products and services to its retail, corporate, SME and micro clients. TBC's lending activities include providing business, mortgage, consumer and micro loans, as well as guarantees, letters of credit and overdrafts. TBC also offers current and savings accounts and term deposits, credit and debit cards, currency exchange facilities and other products. Apart from its core activities, TBC offers certain leasing, brokerage, advisory and research, and other services through its subsidiaries. In addition, TBC has credit operations in Azerbaijan (TBC Kredit) and operations in Israel focused on deposit collection (TBC Invest).

TBC has a leading and award-winning multi-channel distribution platform, with particular expertise in remote access electronic distribution channels. TBC's distribution platform in Georgia at 31 March 2016 comprised 123 branches and a broad range of pioneering electronic banking operations, including internet and mobile phone banking and electronic payment terminals. The PLC Directors believe that TBC has the most productive distribution network of any bank in Georgia by volume of loans, deposits and revenue per branch. In addition, TBC has one of the largest networks of automated teller machines ("**ATMs**") and point of sale ("**POS**") terminals in Georgia, consisting of 548 ATMs and 9,608 POS terminals. In addition, TBC has recently launched an innovative redesigned branch concept to further enhance customer satisfaction and improve customer experience.

TBC's operations are predominantly focused on the Georgian banking market, which operations accounted for 98.9% of TBC's total assets and 105.5% of its profit as at and for the three months ended 31 March 2016. TBC's retail and corporate segments are its key business areas, accounting for 45.4% and 30.0% of its total gross loans as at 31 March 2016, respectively. Although TBC's SME and micro businesses experienced significant growth of 16.4% and 31.8%, respectively, in value of total gross loans in 2015, these segments are still currently relatively small, accounting for 13.6% and 11.0%, respectively, as at 31 March 2016. The PLC Directors believe that TBC's SME and micro segments in particular continue to have significant growth potential.

As at 31 March 2016, TBC had total assets of GEL 6.7 billion, total gross loans and total deposits of GEL 4.5 billion and GEL 3.9 billion, respectively, and total equity of GEL 1,280.6 million. TBC's profit was GEL 58.7 million for the three months ended 31 March 2016 and GEL 218.7 million for the year ended 31 December 2015. TBC's cost to income and ROAE ratios were 44.3% and 19.3%, respectively, for the three months ended 31 March 2016 and 43.9% and 20.1%, respectively, for the year ended 31 December 2015. As at 31 March 2016 TBC had 5,153 employees.

TBC Bank is financially robust and has a high quality balance sheet, with a gross loan to deposit ratio of 114.3%, a Non-performing Loan to gross loan portfolio ratio of 4.8% and a net stable funding ratio of 117.3% as at 31 March 2016. TBC's capital adequacy ratio has also been maintained at well above the applicable minimums required by the BIS Guidelines and the NBG. The PLC Directors believe that these capital levels provide a strong capital base to support TBC. See "*Selected Statistical and Other Information—Capital and Capital Adequacy*".

On 18 May 2016, Fitch affirmed TBC Bank's Viability Rating at "bb-", TBC Bank's Long-term Issuer Default Rating at "BB-" with a stable outlook, Supporting Rating at 4, and Supporting Rating Floor of "B". On 23 March 2016, Moody's affirmed TBC Bank's foreign-currency deposit rating at "B1", local currency deposit ratings at "Ba3", and baseline credit assessments at "Ba3."

TBC has won numerous local and international awards for its business, customer service and innovative technology applications, which include being named as "Best Bank in Georgia" eight times by *Global Finance* magazine, seven times by *The Banker* and five times by *EMEA Finance* and *Euromoney*. TBC also received two global awards for its consumer internet banking from *Global Finance* magazine in 2013 and seven regional awards for its consumer and corporate internet banking

from 2012 to 2015. In 2015, TBC was also recognised for its trade finance activities, receiving global, regional and local awards from several partners and publications, including the *Trade and Forfaiting Review,* the EBRD and the ADB, for TBC's financing of Georgian ski resorts.

History

TBC Bank was founded in December 1992 by Mr Mamuka Khazaradze who was joined shortly thereafter by Mr Badri Japaridze. TBC's longstanding relationships with IFIs began with the entrance into certain debt financing arrangements in 1998, followed by IFC and DEG becoming shareholders of TBC Bank by each acquiring a 10% stake in 2000. In November 2015, DEG sold this stake. With its business initially dedicated to servicing corporate clients, TBC in 2006 began expanding its strategic focus by offering products and services to retail as well as corporate and SME business customers. EBRD, FMO, JP Morgan plc and Ashmore became shareholders of TBC Bank in 2009 as part of a recapitalisation after the severe economic downturn in 2008 and 2009, in connection with which the IFIs also provided equity and debt financing to support TBC's growth over the years. In May 2011, TBC continued its growth by acquiring an 80% shareholding in Bank Constanta, which specialises in micro-finance banking in Georgia and which was merged into TBC Bank in January 2015. In June 2014, TBC listed its GDRs on the regulated market of the London Stock Exchange.

Key Strengths

The PLC Directors believe that TBC has the following key strengths that will enable it to maintain and strengthen its position as one of the leading Georgian banking groups:

Leading positions in an attractive market

TBC is one of the two leading banks in the Georgian banking market, which together with Bank of Georgia held more than 60.3% and 60.5% of all loans and deposits in Georgia, respectively, as at 31 March 2016, with a substantial gap between them and all other banks in Georgia. TBC total assets amounted to GEL 6,654.4 million as at the same date, more than three times the assets of the next largest bank in Georgia, according to data published by the NBG. As at 31 March 2016, TBC was the largest retail bank in Georgia by value of deposits of individuals with a 34.0% market share, and was the second largest bank in Georgia in terms of loans to individuals (31.3% market share), loans to, and deposits of, legal entities (25.0% and 19.6% market share, respectively) and total assets (25.7% market share), according to data published by the NBG.

Georgia has benefited from strong economic growth in recent years. According to data prepared by the NBG, the compound annual growth rate ("**CAGR**") of Georgia's real GDP for the five year period ended 31 December 2015 was 4.3%, with 2016 real GDP growth of 2.5% forecasted by the IMF. Even in 2015, when some of Georgia's neighbouring countries experienced economic decline due to ongoing regional tensions, Georgia's real economic growth reached an estimated 2.8%, according to Geostat, Georgia has an international reputation as a country with a favourable investment environment, being ranked in the World Bank & IFC Doing Business Reports 2016 as the sixth easiest country in the world in which to start a business, ahead of major western and eastern European countries, including Germany, Poland and the Czech Republic, and one of the top reformers in the world. TBC has benefited from Georgia's recent strong macroeconomic performance and the PLC Directors believe that TBC is well placed to continue to benefit from projected growth in Georgia as a consequence of TBC's strong market share across its business segments, its focus on continued product development, and its award-winning distribution platform and multi-channel capabilities, among other factors.

In addition, the PLC Directors believe that TBC has a leading position in the attractive retail and MSME (comprising the micro and SME) sectors of the Georgian banking market. Loans in the retail and MSME sectors typically have higher margins, higher growth potential and are more resilient, and consequently more profitable, than corporate loans which are characterised by tighter margins. The PLC Directors also believe the fast-growing MSME markets in particular have significant additional growth potential and that TBC's expertise in those sectors will enable it to continue its growth in those markets. Based on the information included in publicly available reports and other public information (including reports published by competitors in the Georgian market), the PLC Directors estimate that TBC had the leading market share of MSME loans in Georgia as at 31 December 2015, although there is no official data published by the NBG or other sources regarding the MSME sector (as defined by TBC).

Strong track record of growth and profitability

TBC's successful execution on its strategy of focusing on certain key products and services has driven strong growth and profitability, allowing TBC to maintain robust margins despite increasing margin pressure in the market generally. In the three years ended 31 December 2015, TBC achieved a CAGR of the aggregate value of total loans to customers of 16.2% and a CAGR of the aggregate value of its total deposits of 13.1%. In the same three-year period, TBC achieved a profit CAGR of 20.7% whilst maintaining a high ROAE of 19.1% over that same period (in an environment of increasing capital requirements, which typically increase the cost of lending). TBC also maintained strong margins while achieving this growth, recording net interest margins of 7.8%, 8.5% and 8.4% in the years ended 31 December 2015, 2014 and 2013, respectively. TBC's strong performance was further reinforced by continuous improvement in cost efficiency, which was reflected in the declining cost to income ratio of 43.9% in 2015 (lower than TBC's 2015 target level of 45%) compared to 49.4% in 2014.

Business model focused on core banking activities in Georgia

TBC operates primarily in Georgia, with its Georgian operations accounting for 97.8%, 96.8%, 96.6% and 96.8% of TBC's total interest income for the three months ended 31 March 2016, and the years ended 31 December 2015, 2014 and 2013, respectively, allowing TBC to build on its knowledge of and position in the Georgian market. TBC has a streamlined business with a clear strategic focus on its core banking activities in Georgia. Moreover, the PLC Directors believe that TBC's business structure, with most of its subsidiaries operating in the financial services industry, clearly differentiates TBC from other diversified banking groups in Georgia, enabling TBC's operations and its Management to remain focused on traditional banking activities. This, in turn, enables TBC to maintain a straightforward and resilient balance sheet and a stable, customer-focused source of funding.

Strong brand, superior customer experience and an award-winning franchise

TBC is one of the most well-known and trusted brands in Georgia driven by, amongst other factors, its high level of customer service, strong reputation, longstanding relationships with customers, focus on social responsibility and targeted marketing campaigns. TBC has received a number of prestigious awards, including being named as "Best Bank in Georgia" eight times by *Global Finance* magazine, seven times by *The Banker* and five times by *EMEA Finance* and *Euromoney*. TBC has won numerous *The Banker* awards in Georgia.

The PLC Directors believe that superior customer experience is one of the differentiators of TBC. TBC conducts regular loyalty surveys of randomly chosen active (mass retail) customers of TBC Bank that measure customer satisfaction score ("**CSAT**") and net promoters score ("**NPS**"). The most recent CSAT and NPS surveys, conducted by independent research agencies in November and December 2015, re-confirmed that TBC has higher CSAT and NPS scores than its main competitor. In order for TBC to continue to develop this advantage, Management plans continuous improvements, including the design of branches and remote access channels, personnel professionalism, wide product range and supplementary services and improvements in its information technology systems.

A leading innovative multi-channel distribution platform

The Group believes it has a more productive, modern and visually appealing branch network in Georgia than any other bank. TBC's loan-per-branch ratio of GEL 36.5 million is higher than any other Georgian bank, and TBC's deposit-per-branch and operating income-per-branch ratios of GEL 31.6 million and GEL 1.1 million, respectively, as at 31 March 2016, are significantly higher than any other Georgian bank as at the same date, according to data published by the NBG. TBC invests significant care in the appearance of its branches, with lighting, colour and layout specifically designed to increase customer satisfaction. As part of the continuous improvement process of TBC Bank's branch network, in mid-2014 Management initiated a new strategic design concept project in partnership with Allen International, a leading strategic branding and retail design firm. In connection with this project, TBC Bank plans to update its overall design and service strategy and maximize both the efficiency and effectiveness of its branches. TBC Bank's first pilot branch was launched in December 2015, which was followed by the opening of several new branches in 2016. The PLC Directors believe that the redesigned branches, which reflect TBC Bank's welcoming, friendly and open approach to banking, will further enhance TBC Bank's customer experience.

TBC's internet-based banking services and other remote access channels complement its branches. TBC has continuously invested in developing innovative products and efficient new client servicing capabilities, including cash-in terminals and e-channels (such as internet banking and mobile banking), as well as the establishment of a call centre. TBC has won numerous local and international awards for its business, customer service and innovative technology applications, which include two global awards for its consumer internet banking from *Global Finance* magazine in 2013 and seven regional awards for its consumer and corporate internet banking from 2012 to 2015. TBC continues to implement new ways of delivering its products and services without unnecessary expense or branch network expansion, particularly through its effective utilisation of internet and mobile banking. In 2015, TBC introduced person-to-person transfers through mobile and internet banking, which enables individual clients to transfer money to another beneficiary using their mobile number as an identifier, without the need for bank account details. As at 31 December 2015, TBC's penetration ratio (calculated as the number of active users divided by the total number of active retail clients) was 30.0% for internet banking users and 15.4% for mobile banking users.

TBC is also an innovator in the credit and debit card business in Georgia. In 2013, TBC became the first bank to introduce contactless credit and debit cards in Georgia, allowing cardholding clients to make payments up to GEL 45 in a much faster way than with an ordinary card. In 2015, 72% of all transactions made with TBC credit and debit cards were contactless. In 2014, TBC introduced mobile sticker payments for the first time in Georgia. The Visa PayWave-enabled stickers are linked to regular debit cards and can be attached to any object, such as mobile phones, for easy payment.

Resilient and high quality balance sheet

TBC's primary source of funding is deposits (which accounted for 73.2% of total liabilities as at 31 March 2016), of which retail deposits accounted for 64.4% of total deposits. As at 31 March 2016, TBC's gross loan to deposit ratio was 114.3%, and its ratio of net loans to the sum of customer deposits and IFI loans was 94.3%. Other sources of funding are amounts due to credit institutions (including a range of wholesale funding from various credit institutions and international financial institutions and amounts due to other banks), which accounted for 18.7% of total liabilities as at 31 March 2016, and subordinated debt from international financial institutions (including TBC's shareholders), which accounted for 5.6% of total liabilities as at 31 March 2016. TBC has historically experienced low customer withdrawals, even during the conflict with Russia in 2008 and the global financial crisis. Since 1 January 2013, the maximum amount of deposits withdrawn during any one month represented only 1.9% of TBC's total deposits.

TBC has a well-diversified loan portfolio split across its segments, with retail, SME, micro and corporate loans accounting for 45.4%, 13.6%, 11.0% and 30.0%, respectively, of TBC's total gross loans as at 31 March 2016, and across all regions and major economic and industry sectors in Georgia. As at 31 March 2016, TBC Bank's loans to customers within its corporate segment were spread across major industries, with 21.3% of loans to the energy and utilities sector, 13.4% to the food industry, 11.1% to the hospitality and leisure sector, 10.4% to the real estate sector and the remaining 43.7% to the other sectors. Gross loans to related party customers accounted for only 0.5% of total capital calculated in accordance with BIS Guidelines as at 31 March 2016.

As a result of its prudent risk management policies, TBC maintains a high quality loan portfolio. Even after the recent depreciation of the Lari against the U.S. Dollar by more than 20% from November 2014 through 26 May 2016, TBC's loan portfolio demonstrated resilience that was largely attributable to TBC's prudent underwriting and monitoring procedures, demonstrating TBC's proactive approach towards potential client payment vulnerabilities. As at 31 March 2016, TBC's ratio of Non-performing Loans to total gross loans was 4.8%. Moreover, the PLC Directors believe that TBC's Non-performing Loan coverage ratio (defined as loan loss provisions divided by Non-performing Loans), which was 90.6% as at 31 March 2016, provides substantial protection against potential future loan losses. See "*Risk Management—Loan Classification and Provisioning Policy—Non-performing and Restructured Loans*".

In line with Management's strategy to continuously improve risk management policies, a structural and functional review was undertaken with the support of a leading international consultant. The project entailed the revision of current management practices, which were validated and further enhancement plans were established and internally approved.

TBC has a strong capital base with a tier 1 capital adequacy ratio of 26.6% and a total capital adequacy ratio of 33.3% as at 31 March 2016 in accordance with BIS Guidelines. As at 31 March

2016, TBC Bank had a tier 1 capital adequacy ratio of 13.8% and a total regulatory capital adequacy ratio of 17.5% in accordance with NBG Basel I-based methodology (which is stricter than the BIS methodology). TBC Bank's capital ratios are also higher than the Basel II/III minimum requirements, as adopted by the NBG under a stricter local methodology, with a tier 1 capital adequacy ratio of 13.3% and a total regulatory capital adequacy ratio of 16.8% as at 31 March 2016 calculated under this methodology. See "*Selected Statistical and Other Information—Capital and Capital Adequacy.*

Experienced management team and strong corporate governance standards and corporate culture

TBC has an experienced management team with a proven track record in leading TBC's operations. Four members of the Bank Management Board have been with TBC for an average of 20 years, two of which (including the Chief Executive Officer (the "**CEO**")) since 1993. All members of the Bank Management Board have significant experience in the banking and finance industry, with most having at least 10 (and some more than 20) years of banking experience. In addition, five members of the Bank Management Board have degrees from universities in Western Europe or the United States, and four have experience working in global banks or international financial institutions. Mr Butskhrikidze, the CEO, has also been named "Best Businessman of the Year" by *Georgian Times Magazine,* "Best Banker 2011" by the GUAM Organization for Democracy and Economic Development and "CEO of the Year 2014" by *EMEA Finance Magazine.*

Currently, approximately 40% of TBC's shares are held by institutional and retail investors. TBC's other shareholders include EBRD, FMO and the IFC, which, in aggregate, own 26.6% of TBC's share capital. TBC has historically benefited from the participation and expertise of these leading institutions. For example, the IFI Investors have provided strategic assistance in respect of TBC's wholesale funding, credit recovery and risk management strategies and are represented on the Bank Supervisory Board. See "*Management-Bank Supervisory Board*". TBC's shareholders have also provided senior and subordinated debt funding to TBC. See "*Selected Statistical and Other Information—Funding Sources—Other Sources of Funding—Other Borrowed Funds*".

The PLC Directors believe that the presence of the IFI Investors as TBC's shareholders has contributed to the implementation and maintenance of high corporate governance standards. TBC is a party to the Corporate Governance Code for Commercial Banks adopted by the Banking Association of Georgia in September 2009, which was drafted with the guidance of the IFC based on internationally recognised principles of good corporate governance. Following the implementation of the Basel II project in 2012, TBC introduced various new Bank Supervisory Board committees and updated its overall credit, operational, liquidity and various other risk policies. As a result of these changes, TBC further strengthened its corporate governance and became fully compliant with Basel standards.

The adoption of the Basel standards was followed by a new wave of changes in corporate governance standards that TBC introduced during the preparation process for its initial public offering, including the nomination of two independent directors to the Bank Supervisory Board. Furthermore, following Admission, TBC PLC will comply with the corporate governance requirements applicable to a premium listed company.

TBC has a strong customer-centric and customer-oriented corporate culture, which the PLC Directors believe translates into customer loyalty, profitability and sustainable growth. TBC continuously invests in staff competencies through mandatory annual trainings aimed at improving service and client orientation. TBC's strong client-oriented culture is further solidified by strong staff loyalty, which is primarily driven by the professional development and career growth opportunities that TBC provides to its employees. Management considers staff loyalty and engagement to be TBC's core values, which TBC measures through regular surveys. The latest survey conducted in December 2015 demonstrated that TBC's engagement index was 91%, as compared to 81% in 2014, significantly outperforming its benchmark.

Strategy

TBC's overall strategy is to deliver strong, sustainable growth and profitability without compromising asset quality or TBC's risk management processes. This strategy is focused on the following areas:

Continue sustainable growth in each market segment

To sustain TBC's growth and profitability within TBC's risk parameters, Management intends to expand TBC's market share mostly in the attractive retail, SME and micro segments, which are

characterised by high margins and rapid growth. Loans in the retail and MSME sectors typically have higher margins than loans to corporate customers. Management plans to increase the significance of TBC's retail, SME and micro segments relative to the corporate segment, which is characterised by high competition and downward interest margin pressure.

Retail banking

Despite TBC's strong position of being the largest bank in Georgia in terms of deposits of individuals as at 31 March 2016, Management plans to further solidify TBC's presence in the retail customer segment by becoming the leader by market share of loans to individuals in Georgia. In order to capitalise on TBC's strong position in the Georgian retail market, Management intends to leverage on TBC's strong reputation, high quality of customer experience and refined multi-channel capabilities, which the PLC Directors believe are TBC's differentiating factors. Management has significantly expanded TBC Bank's geographic coverage with the integration into TBC Bank of the branches of the former Bank Constanta in January 2015, which was rebranded under the TBC brand and included an upgraded suite of products and services. Furthermore, the PLC Directors believe that the introduction of a refined customer relationship management system developed by Oracle enhanced TBC's ability to further solidify its position in this market by improving product and service capabilities and enhancing the customer experience.

MSME banking

TBC's strategy is also to maintain its strong leadership position in the MSME segment in Georgia, which the PLC Directors believe has significant growth potential. TBC's ability to further improve its share of this market will be driven by its strong and proven SME capabilities, such as its diversified product range and value-added services, including consultancy and training for SME clients. Furthermore, with regard to micro customers, TBC has further developed the strong product offering acquired through Bank Constanta and introduced several innovative services and products that the PLC Directors believe will help TBC to capture further growth opportunities. TBC's micro customer strategy is supplemented by the wide branch coverage (via TBC Bank Constanta) across many regions and diversified products and services tailored to clients operating in rural areas. The PLC Directors believe there is significant growth potential in the under-penetrated rural market and aims to attract a significant new client base in the short term, both in terms of deposits and micro lending.

Corporate banking

TBC's corporate objective is to be the "trusted partner corporate bank" for its clients. The PLC Directors believe that TBC's innovative services, individual client approach and established reputation as one of the most trusted business partners in Georgia will help strengthen its relationship with its large existing corporate client base and developing additional clients. TBC currently offers its corporate clients diverse credit, trade finance and project finance products, as well as foreign currency forwards and swaps, hedging, insurance packages and escrow and other custodian services. TBC plans to improve its business engine through implementing strategic initiatives in the following areas: developing new capabilities and client-friendly solutions, enhancing industry specialization with full specialization in target industries and developing a value-based pricing model. In addition to these initiatives, TBC plans to further improve its finance function by focusing on customer service excellence by delivering an experience that drives client satisfaction.

To further improve corporate sales capabilities, in March 2014, in consultation with McKinsey & Company, Management introduced a large scale project to improve frontline sales capabilities and organisational structure, including the introduction of new sales tools such as an account planning system, pipelines and daily huddle boards, increased product offerings and end-to-end process enhancement for new customers. Management also plans to introduce new account planning and customer relationship management systems to strengthen TBC's sales capabilities. The incentive schemes developed with McKinsey & Company were further updated in 2015.

Further leverage TBC's award-winning multi-channel platform and increase digitalisation

Through digitalisation strategic initiatives, TBC aims to further develop its multi-channel distribution platform, significantly improve efficiency by influencing TBC's entire operations and end-to-end processes and move toward an agile project management methodology adoption aiming to transform the way TBC's information technology and business function.

Multi-channel capabilities

The PLC Directors believe that TBC's multi-channel capabilities are one of its distinguishing characteristics in the market, as evidenced by the multiple awards TBC has received from *Global Finance* magazine (see "*—Key strengths—A leading multi-channel distribution platform*"). TBC intends to further develop its multi-channel capabilities by continuously redesigning and updating its internet and mobile banking, introducing new products, adding various functionalities (including online sales) and enhancing customer experience through simplified processes such as registration, payments, and transfers.

In order to fully develop this competitive advantage, TBC intends to continue to improve and enhance its branch network with the aim of delivering a superior customer experience. As part of TBC's initiative to fully integrate Bank Constanta into TBC Bank, TBC rebranded all existing Bank Constanta branches under the TBC brand and upgraded the suite of products offered at those branches, which has significantly increased the overall quality of TBC's branch network nationwide.

In addition, TBC plans to further strengthen its ATM, POS, TBC Pay, cash-in terminal and other kiosk banking capabilities (which currently account for a significant percentage of TBC's total banking transactions) as part of its multi-channel development initiative. This ongoing multi-channel development project facilitates TBC's ability to serve more customers without the need to significantly increase the number of TBC branches, allowing staff more time to focus on sales and advisory services and enhancing the customer experience, whilst reducing overall transactional costs.

In addition, in mid-2014 Management initiated a new strategic design concept project in partnership with Allen International, a leading strategic branding and retail design firm. From 2016, TBC plans to update its overall design and service strategy and maximize both the efficiency and effectiveness of its branches. The PLC Directors believe that this initiative will significantly increase the overall quality of TBC's branch network and customer experience. *See "Principal Business Activities—Distribution Network—Branch Network".*

Other initiatives

In 2016, TBC decided to start moving from the best channels strategy focused entirely on internet and mobile banking to a more universal digitalised approach. Management plans to achieve this, *inter alia*, through process re-engineering. In 2016, Management will take the first steps towards the transformation and from 2017 will start actively promoting the trend across all areas of TBC. At the initial stages of digitalisation TBC has selected 10 processes that can be simplified and automated as much as possible. Once successful, from 2017 TBC will work more actively on automatization projects.

During 2016, Management is also planning to launch an agile transformation program and create a dedicated, cross-functional transformation team. In the initial stage, TBC will train and educate people and run several pilot projects. Ultimately, TBC aims to improve its time to market by 30% and its predictability by 80%.

Focus on continuous operational efficiency and cost management

TBC expects that improvements in its operational efficiency will lead to better customer experiences and a lower cost to income ratio, with the goal of achieving a stable cost to income ratio at or below 40% over the medium term. In 2015, Management completed the back and front office merger of Bank Constanta and realised synergies through integrating main back office functions such as IT, operations and finance. Increased automation and productivity are additional efficiency factors. These improvements follow the Bank's "Lean Banking" model initiative and multichannel project (described below), which were implemented in 2012 and have contributed to advancements in operational efficiency.

Between 2012 and 2015, TBC completed a GEL 14 million multi-channel strategic project to increase services provided through internet and mobile telephone banking channels and decrease transaction costs while improving the customer experience. TBC is also developing its automated services and operations in order to standardise its customer services and back office processes, such as the introduction of a chain of TBC Pay terminals through which customers can conduct a variety of transactions using automated processes, thereby reducing the level of human resources necessary to conduct such transactions.

The PLC Directors believe that IT capabilities represent one of the core competencies necessary for leading banks to maintain and further strengthen their positions in the market. TBC's IT strategy is

to develop IT capabilities and cutting edge technologies that support TBC's robust, long-term development, including by developing automated services and operations to standardise TBC's customer services and back office processes, which is intended to increase operational efficiency and the level of straight-through processing, as well as the Oracle Siebel CRM project. The Oracle Siebel CRM project which is aimed at improving the automation of various sales, service and call centre functions and reducing the amount of administrative time required, allowing personnel to spend more time on advisory services and sales. Implementation of the CRM system is also expected to allow TBC to benefit from more efficient cross-selling initiatives.

Further increase leading position in customer experience

The PLC Directors believe that customer experience is key to TBC's competitiveness in the market and its long-term profitability. Customer experience is considered a strength of TBC, supported by a number of internal and external market research reports that show TBC's outstanding performance in the market, with TBC maintaining a significant gap in NPS scores and other measures as compared to its competitors. TBC's ability to generate loyalty amongst its clients is critical to its strategy to maintain and grow its share of the Georgian banking market, and is a significant factor in TBC's ability to improve profitability. Customer loyalty generates repeat business and cross-selling opportunities for TBC's other products and services; provides TBC with a cheaper, more stable source of funding from long-term customer deposits; and reduces pressure on TBC's margins by lessening the need for TBC to lower its loan interest rates or raise deposit interest rates in order to attract or retain customers.

As a result, to further increase TBC's leading position among Georgian banks in customer experience (see "*—Key strengths—Strong brand, superior customer experience and an award-winning franchise*"), Management plans to intensify its effort to further strengthen this advantage and increase the gap between TBC and its competitors. Therefore, TBC decided to begin comparing its customer experience to best-in-class service providers in Georgia from other industries to develop aspirational targets. To this end, TBC worked with Peppers and Rogers group, a leading consultant in the area, to develop a roadmap for further improvements in customer experience.

In doing so, Management plans to reinforce the value of customer centricity in corporate culture, continue investing in staff competencies, further refine user experience in digital channels and introduce simpler, uniform designs and navigation and new and improved processes for managing customer experience across every channel and segment.

In 2015, TBC continued multi-channel improvements and increased the integration of the Oracle Siebel CRM with internal front-end solutions in order to further improve customer experience, better manage customer relationships, shorten the decision-making process and design tailored services.

Implement strategic HR management initiatives

The PLC Directors believe that a professional and high-quality staff is one of TBC's differentiating strengths. The PLC Directors believe that TBC has attracted the best employees and aims to maintain high levels of staff motivation in order to support further business growth and development. Management has launched a "Strategic HR Management" initiative to build a more effective organisational structure, design, culture and employee value proposition. In early 2016, Management hired Mercer, a leading consulting firm, to assist in the Strategic HR Management initiative and provide a detailed roadmap of the planned transformation.

Build and maintain a best-in-class risk management function

Management considers TBC's risk management function to be fundamental to its business. As a publicly listed company, TBC already has a robust risk management function that is constantly updated and developed according to international best practices. TBC reached a significant milestone in its risk management development across all major risk areas undertaken in consultation with Ernst & Young LLC in 2013.

In order to take the next step, TBC Bank has strengthened its risk team with professionals who joined the Bank with local and international experience. The Bank has worked with a leading international consultant to develop a three-year plan to further enhance risk management, which includes further enhancements to TBC's Risk Appetite Framework, developing advanced risk modelling capabilities, focusing on proactive risk management through improved operational risk processes and enhancing risk reporting capabilities through centralisation of the function. The plan also aims to achieve enhanced efficiency by optimizing credit processes, including underwriting,

collateral assessments and monitoring and client-level and portfolio-level monitoring of the loan book. These intiatives aim to ensure that risk management is a competitive advantage of the Bank.

Principal Business Activities

Introduction

TBC's core business is focused on providing banking and ancillary financial services to retail, corporate, SME and micro banking clients. TBC conducts the majority of its business operations in Georgia, but also services clients in Azerbaijan and markets deposit products to clients in Israel. As at 31 March 2016, corporate, retail, SME and micro loans accounted for 30.0%, 45.4%, 13.6% and 11.0% of TBC's total gross loans, respectively, and corporate and retail deposits accounted for 19.3% and 64.4% of total deposits, respectively.

TBC services its clients through a diversified multi-channel system comprising one of the largest networks of ATMs and POS terminals in Georgia, branches, internet banking, mobile phone banking (including SMS services and smartphone banking applications), call centre and TBC Pay terminals and kiosks (electronic payment terminals).

Categorisation of segments

In its core banking business, TBC categorises each customer as falling within one of its retail, corporate, SME and micro segments. See Part X "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Information*".

In the future, TBC may reorganise its segments for management efficiency purposes. This may include the combination of the current micro and SME segments into a single MSME segment, as well as the reclassification of certain customers from one segment to another. Such a reorganisation may be undertaken in order to strengthen relationships with SME clients and to develop new and innovative solutions that better reflect client needs and market specifics.

The following table sets out the allocation of TBC's total loans to customers and deposits as at 31 March 2016 and 31 December 2015, as well as the allocation of other selected items for the three months ended 31 March 2015 and the year ended 31 December 2015 across its retail, corporate, SME and micro segments.

	As at and for the three months ended 31 March 2016				
	Retail	Corporate	SME	Micro	Total
	(unaudited) (GEL thousands, except percentages)				
Gross loans to customers	2,041,315	1,347,213	610,353	494,839	4,493,719
Share of TBC's total gross loans to customers	45.4%	30.0%	13.6%	11.0%	100.0%
Customer accounts	2,530,828	760,438	571,285	69,073	3,931,623
Share of total customer accounts	64.4%	19.3	14.5	1.8	100.0%
Net interest income	45,173	16,925	14,143	17,666	108,883[1]
Provision for loan impairment	(11,621)	8,220	(3,884)	(5,783)	(13,067)
Fee and commission income	19,760	4,685	3,134	1,217	29,547[2]
Fee and commission expense	(8,628)	(826)	(1,117)	(407)	(11,250)[3]
Gains less losses from trading in foreign currencies	3,556	4,969	5,252	393	14,619[4]

Notes:
(1) Figures reflect application of intra-segment adjustments (the "transfer pricing" mechanism). Total includes GEL 15.0 million net interest income allocated to TBC's corporate centre.
(2) Total includes GEL 751 thousand fee and commission income allocated to TBC's corporate centre.
(3) Total includes GEL 272 thousand fee and commission expense allocated to TBC's corporate centre.
(4) Total includes GEL 450 million gain less losses allocated to TBC's corporate centre.

	As at and for the year ended 31 December 2015				
	Retail	Corporate	SME	Micro	Total
	(audited) (GEL thousands, except percentages)				
Gross loans to customers	2,019,969	1,500,104	625,628	493,328	4,639,029
Share of total gross loans to customers	43.5%	32.3%	13.5%	10.6%	100%
Customer accounts	2,469,878	1,001,341	633,211	73,501	4,177,931
Share of total customer accounts	59.1%	24.0%	15.2%	1.8%	100%
Net interest income	189,255	69,571	56,472	78,270	412,174[1]
Provision for loan impairment	(29,004)	(15,396)	(11,628)	(16,763)	(72,791)
Fee and commission income	72,242	18,397	11,739	6,880	113,837[2]
Fee and commission expense	(31,698)	(3,864)	(3,917)	(1,242)	(41,546)[3]
Gains less losses from trading in foreign currencies	15,038	23,647	21,488	1,787	64,642[4]

Notes:
(1) Figures reflect application of intra-segment adjustments (the "transfer pricing" mechanism). Total includes GEL 18.6 million net interest income allocated to TBC's corporate centre.
(2) Total includes GEL 4,579 thousand fee and commission income allocated to TBC's corporate centre.
(3) Total includes GEL 825 thousand fee and commission expense allocated to TBC's corporate centre.
(4) Total includes GEL 2,682 million gain less losses allocated to TBC's corporate centre.

The following table sets out TBC's yield analysis on average gross loans to customers for the three months ended 31 March 2016 and the years ended 31 December 2015, 2014 and 2013 across its retail, corporate, SME and micro segments.

	For the three months ended 31 March 2016	For the year ended 31 December		
		2015	2014	2013
		(unaudited)		
Retail	14.6%	14.9%	17.4%	20.0%
Mortgage	10.5%	*10.5%*	*10.6%*	*13.0%*
Consumer and pawn	18.0%	*18.6%*	*22.7%*	*24.5%*
Corporate	10.1%	9.6%	10.7%	12.1%
SME	11.3%	11.6%	12.3%	14.0%
Micro	22.3%	23.3%	24.8%	29.2%

Note:

* Yields on average gross loans are calculated as a ratio of interest income to the monthly averages of the respective balances (and annualised where applicable).

The following table sets out TBC's effective rates on average deposits to customers for the three months ended 31 March 2016 and the years ended 31 December 2015, 2014 and 2013 across its retail, corporate, SME and micro segments.

	For the three months ended 31 March 2016	For the years ended 31 December		
		2015	2014	2013
		(unaudited)		
Retail	3.8%	4.2%	4.6%	6.4%
Corporate	4.7%	3.3%	3.0%	4.9%
SME	1.3%	1.6%	1.6%	2.3%
Micro	2.7%	3.3%	4.2%	8.7%

Note:

* Effective rates on average deposits are calculated as interest expense divided by the monthly averages of the respective balances (and annualised where applicable).

In addition to its core banking business that TBC conducts within these four segments, TBC also conducts some operations that it considers ''non-core banking operations''. These operations are typically conducted by subsidiary companies and include, *inter alia*, leasing and brokerage services, card processing and payment collection services, banking software support services and certain marketing efforts in Israel. TBC classifies its ''non-core banking operations'' and its other support and back office functions under a ''corporate centre and other operations'' segment.

Retail banking

Overview

TBC has developed a diversified retail banking product mix, including the provision of traditional and innovative services designed to address the needs of its customers. TBC offers a full range of loan, account and deposit products through its refined multi-channel platform, with special offers and services offered to affluent clients. In addition, following the implementation of the Customer Relationship Management IT platform in 2014, TBC's sales representatives have more efficient access to comprehensive client information, allowing them to tailor sales and services to clients' individual needs. The PLC Directors believe that TBC's strong brand and reputation among its customers, results from its standards of service, the design of its branches and its qualified and well-trained staff. In addition, TBC provides certain retail banking services in Azerbaijan through TBC Kredit. As at 31 March 2016, TBC's retail segment accounted for 45.4% of TBC's total gross loans and 64.4% of total deposits.

TBC classifies its retail customers as ''high net worth'', ''affluent'' or ''mass retail'' customers. TBC's ''high net worth'' customers who have deposits of U.S.$100,000 (GEL 240,000) or more are classified as ''VIP clients''. ''Affluent'' customers with deposits of between U.S.$12,500 to U.S.$100,000

(GEL 30,000 to GEL 240,000), an outstanding loan amount of GEL30,000 or more and monthly income of at least GEL 5,000 are classified as "Status clients". As at 31 March 2016, TBC had over 2,100 VIP clients and over 9,600 Status clients. Customers who have deposits and loans of less than GEL 30,000 are categorised as "mass retail clients". As at 31 March 2016, TBC Bank (on a standalone basis) had approximately 1.1 million mass retail clients accounting for 73.0% of the total value of its retail loans and 42.0% of the total value of its retail deposits.

Retail accounts and term deposits

According to data published by the NBG, as at 31 March 2016, TBC Bank had the largest amount of deposits of individuals of any bank in Georgia, with a market share of 34.0%.

TBC offers a broad range of current and savings accounts and term deposits to its retail customers, as well as other deposit products such as Term Plus deposits, My Goal, Discounted an Coupon Certificates of Deposit and other types of savings accounts. The offering of a wide variety of deposit products is designed to allow customers to save for a designated purpose and for different terms.

- **Term Deposits:** offer higher interest rates than current or savings accounts and lock in an interest rate for a period of time chosen by the client. The interest rate can be withdrawn at the end of the term, monthly or upon opening the deposit, with higher balances and longer terms typically earn higher rates.
- **Term Plus Term Deposits:** provide flexibility and no fixed deposit schedule and allow additional investments during the life of the term deposit. TBC will accrue interest on each amount that the client deposits.
- **"My Goal" deposits:** enable a client to accumulate a desired amount of money for a particular purpose. There is no fixed deposit schedule. This deposit helps clients to collect money through monthly savings.
- **Child Deposit:** enables a client to save money for children until they reach adulthood. Compared to the other deposits, it has higher interest rate and has no fixed deposit schedule.
- **Gold Deposit:** interest is accrued in accordance with the price of gold.
- **Certificate of Deposit** (a "**CD**"): type of security representing a bank deposit. It is a bank's obligation towards the holder of the CD to fulfill all the terms and conditions incorporated in the CD. The holder of the certificate is also entitled to sell the certificate to any person without pre-arrangement with TBC; The CDs have the highest interest rate among all deposit products offered by TBC.
- **"My Safe" deposit:** designed for maximum freedom and more benefits. Clients can add or withdraw funds at any time and earn a high interest rate on the non-reducible sum monthly.
- **Saving Accounts:** provide flexibility to make withdrawals on demand.

As at 31 March 2016, TBC had nearly more than 1.1 million retail customer accounts, with GEL 951.1 million in retail current and savings accounts (on demand) and 1,579.7 million of retail term deposits (compared to GEL 910.0 million and GEL 1,559.9 million, respectively, as at 31 December 2015, GEL 684.5 million and GEL 1,292.7 million, respectively, as at 31 December 2014 and GEL 621.2 million and GEL 989.5 million, respectively, as at 31 December 2013), having terms generally ranging from three months to 24 months. As at 31 March 2016, TBC's average annual interest rates for retail term deposits was 5.3%. As at 31 March 2016, 89.0% of TBC's total retail deposits were denominated in currencies other than Lari. As at 31 March 2016, 90.3% of all retail deposits of TBC Bank (on a standalone basis) were held in Tbilisi and 9.7% in other regions in Georgia.

Deposits of individuals are a key funding source for TBC. In order to continue to attract deposits from individuals, TBC has launched integrated marketing campaigns that emphasise TBC's brand strength, convenient branches and high service quality, which TBC believes is most important for retail depositors. TBC strives to ensure that its product offerings are fine-tuned to the clients needs. TBC's branch and other sales personnel are trained in cross-selling and upselling to appeal to potential depositors and its CRM capabilities create significant additional selling opportunities. In addition, TBC continuously introduces new deposit products to its core and prospective customers, such as, in 2013, the offering of certificates of deposit.

Retail lending

According to data published by the NBG, as at 31 March 2016, TBC had the second largest amount of loans to individuals of any bank in Georgia, with a market share of 31.3%.

TBC offers different types of loan products to its retail clients, including mortgage loans, consumer loans, credit cards, pawn loans, automobile loans, student loans, instalment cards, POS loans and overdrafts. As at 31 March 2016, TBC had a total of 449,747 loans outstanding to retail customers, with a total value of GEL 2,041.3 million (compared to GEL 2,020.0 million, GEL 1,666.9 million and GEL 1,207.5 million as at 31 December 2015, 2014 and 2013, respectively), with an average interest rate of 14.6%. As at 31 March 2016, 79.4% of TBC's retail loans (including consumer loans) were collateralised, with 61.6% being secured by real estate, 16.5% by inventory and equipment, 8.1% by jewellery and 2.6% by cash deposits (see "*Lending Policies and Procedures—Collateral Policies*"). As at the same date, 59.4% of TBC's total loans to retail customers were denominated in currencies other than Lari.

The following table sets out the breakdown of the value of the most significant types of TBC's gross retail loans by product, as at 31 March 2016 and 31 December 2015, 2014 and 2013.

	Percentage of the total value of TBC's gross retail loan portfolio			
	As at 31 March	As at 31 December		
Type of Product	2016	2015	2014	2013
		(unaudited) (%)		
Mortgage loans	43.8%	44.8%	43.0%	41.4%
Consumer loans	13.8%	14.3%	18.8%	22.1%
Fast consumer loans	20.0%	19.4%	17.5%	14.6%
Credit cards	7.7%	7.3%	8.7%	10.4%
Pawn shop loans	12.3%	12.0%	10.1%	8.7%
Cash covered loans	2.4%	2.1%	1.9%	2.9%

As at 31 March 2016, 69.0% of TBC's retail loans were originated in Tbilisi and 31.0% in other regions in Georgia.

Mortgage loans

Mortgage loans accounted for 43.8% of the total value of outstanding retail loans as at 31 March 2016 and represented a total of approximately 10,281 outstanding mortgage loans with an aggregate value of GEL 894.2 million (compared to GEL 905.3 million and GEL 716.9 million as at 31 December 2015 and 2014, respectively. TBC's mortgage loans can be offered for up to 15 years for the purchase or renovation of real estate. Such loans are secured by a pledge of the real estate being purchased or a pledge of alternative property. As at 31 March 2016, 81.8% of TBC's gross mortgage loan portfolio accrued interest at fixed rates, and 18.2% accrued interest at variable rates. The average maturity period of TBC's outstanding mortgage loan portfolio as at 31 March 2016 was 10.6 years.

In 2013, the NBG launched a programme, pursuant to which it provides financing to Georgian banks secured with their GEL-denominated loan portfolio. This programme, which allows TBC Bank to issue GEL-denominated mortgage loans, is expected to support the growth of TBC Bank's overall and particularly its GEL-denominated mortgage loan book. Within this programme, TBC Bank may, from time to time, need to pledge corresponding portions of its receivables from the mortgage loans in favour of the NBG.

Consumer loans

TBC offers a variety of types of consumer loans for different purposes, including automobile loans, student loans, fast consumer loans (which are unsecured loans typically issued within one day to payroll clients) and cash cover loans (which are loans secured by customers' existing deposits). These consumer loans are offered as fixed-term, fixed-instalment loans for a period of between one month and ten years, up to a maximum principal amount of GEL 80,000, with interest rates that vary amongst loan types. TBC also offers VISA and MasterCard debit, credit and instalment cards, classifying loans made under these cards as consumer loans as well. As at 31 March 2016, TBC had

GEL 262.7 million in consumer loans outstanding (compared to GEL 288.0 million and GEL 312.7 million as at 31 December 2015 and 2014, respectively).

POS loans

Point of sale loans (also known as POS, fast consumer loans or instalment loans) are extended solely in Lari and are issued directly in retail shops in connection with the purchase of consumer goods. These loans are approved very quickly and typically have a small loan size (an average of GEL 900 as at 31 March 2016) and a maturity of less than three years. These loans had an average interest rate of 30.4% as at 31 March 2016. These loans help TBC to grow the number of clients to whom it can later cross-sell additional products. As at 31 March 2016, TBC had GEL 408.6 million in fast consumer loans outstanding (compared to GEL 392.7 million and GEL 292.5 million as at 31 December 2015 and 2014, respectively).

Credit cards and debit cards

After a period of steady growth, credit and debit card penetration in the Georgian market (calculated as the number of cards issued divided by the total population) decreased in 2015 following Bank of Georgia's acquisition of PrivatBank in late 2014, which resulted in the cancellation of a large number of credit cards that had been issued by PrivatBank (although following this cancellation, the credit card market resumed its growth in the second half of 2015). According to NBG data, credit card penetration in Georgia was estimated at 20.3% as at 31 March 2016 compared to 20.1%, 39.1% and 36.7% as at 31 December 2015, 2014 and 2013, respectively. Debit card penetration was estimated at 204.0%, 197.1%, 167.1% and 122.8% as at 31 March 2016 and 31 December 2015, 2014 and 2013, respectively.

The PLC Directors believe that TBC has a market leading position in the credit card market in Georgia based on the outstanding number of credit cards as at 31 March 2016, when it had in issue approximately 133,290 credit cards and instalment cards (which enable clients to purchase products and pay for them in instalments). TBC offers a variety of credit cards, including both Visa and MasterCard credit cards, the significant majority of which were Visa cards at the end of the first quarter of 2016. As at 31 March 2016, TBC had GEL 145 million in retail credit card loans (with an average balance of GEL 1,160 as at 31 March 2016) and GEL 13.0 million in instalment card loans outstanding (with an average balance of GEL 670 as at 31 March 2016) (compared to GEL 134.1 million and GEL 13.8 million, respectively, as at 31 December 2015, and GEL 126.8 million and GEL 18.1 million, respectively, as at 31 December 2014). These credit card loans and instalment card loans had an average interest rate of 32.3% and 34.5% as at 31 March 2016, respectively. Credit card loans are extended solely in Lari and are unsecured.

TBC also offers VISA and MasterCard debit cards that entitle their holders to make cash withdrawals and payments with their cards in any currency. Debit card holders are also offered overdraft limits. As at 31 March 2016, TBC had in issue approximately 955,289 debit cards, with GEL 11.4 million in debit card overdrafts outstanding (compared to GEL 8 million and GEL 10 million as at 31 December 2015, and 2014, respectively).

Based on data provided by Visa and MasterCard, in the Georgian market TBC had a 23.6% market share in the number of Visa cards (credit and debit) issued and an 11.2% market share in the number of MasterCard cards (credit and debit) issued with a 28.0% market share of Visa and MasterCard's transaction volume as at 31 March 2016. In 2013, TBC introduced contactless credit and debit cards, allowing cardholding clients to make payments up to GEL 45 in a much faster way than with an ordinary card. TBC is a member of VISA International and MasterCard, and is able to accept Visa and MasterCard chip cards in its ATMs and POS terminals. TBC also holds VISA and MasterCard licences for electronic commerce merchant acquiring, allowing it to accept payments online.

Furthermore, as part of TBC Bank's multi-channel strategy, in 2014, TBC introduced mobile sticker payments for the first time in Georgia. The Visa PayWave-enabled stickers are linked to regular debit cards and can be attached to any object, such as mobile phones, for easy payment. As at 31 December 2015, this product could be used on approximately 8,490 contactless POS terminals in Georgia.

Products and services to high net worth and affluent clients

TBC offers tailored services to its VIP clients, including preferential terms on banking products, personalised service quality and dedicated account managers. VIP clients enjoy many other benefits from TBC, including discounts, gifts and various events specifically held for VIP clients.

TBC Status is TBC's personal banking service specifically designed for TBC's affluent clients. The service focuses on establishing unique, long-term business relationships with each client, with banking offers tailored to customer needs and lifestyle. TBC Status has a dedicated call centre and specially designed internet and mobile banking applications for its customers. Status clients also benefit from TBC's wide range of special offerings, including shopping and event discounts.

Other retail products and services

In addition to the retail banking products and services discussed above, TBC also offers a variety of other products and services to its retail clients. Given the high dollarisation rate within the Georgian economy, foreign currency operations represent a significant revenue stream for TBC, and comprised 26.0% of TBC's retail non-interest income in 2015. TBC offers spot currency conversion transactions to its customers in all major currencies, offering preferential rates for the conversion of amounts equal to or exceeding U.S.$5,000. TBC also offers various payment and money transfer services, which are carried out through its branch network, ATMs and remote channels such as internet and telephone banking. TBC also offers derivative products such as forwards, swaps and other financial instruments to assist clients in managing currency risk exposure.

Corporate banking

Overview

TBC's corporate banking operations include lending products (including syndicated lending), accounts and term deposits, corporate cards, foreign exchange operations (including forwards and swaps), hedging, trade and project finance products (including factoring), payroll projects, escrow services, cash collection, insurance packages (through GPI Holding, a partner insurance company), leasing (through TBC Leasing) and brokerage services (through its brokerage and corporate advisory arm, TBC Capital).

TBC began its operations by focusing on corporate clients and has historically had a strong corporate banking segment, based on its well-developed relationships with many leading Georgian corporations which, with TBC's financial and advisory support, have grown with TBC over the years. TBC provides tailored financial solutions across all key corporate business sectors, with its clients grouped into 14 major industry sectors. TBC has a particularly strong corporate banking presence in the energy (including oil and gas), food industry, hospitality and leisure and healthcare sectors.

TBC offers its corporate banking services and products from its head office in Tbilisi, as well as by assisting its customers through internet banking and a call centre located in Tbilisi. In addition, every corporate client is allocated its own qualified relationship manager, who specialises in several industry groups and is familiar with the business challenges or opportunities facing the client. These relationship managers act as financial advisers, providing dedicated customer service.

As at 31 March 2016, TBC's corporate segment had approximately 1,701 clients and accounted for 30.0% of TBC's total gross loans and 19.3% of total deposits.

Corporate accounts and term deposits

According to data published by the NBG, as at 31 March 2016 TBC was the second largest holder of deposits from legal entities (comprising deposits of corporate, SME and micro clients) in Georgia, with a market share of 19.6%.

TBC offers a range of current accounts and demand and term deposits to its corporate customers, as well as deposits with specifically tailored terms. Deposit products include Term, Term Plus, Gold, Savings, My Safe Deposits and Discounted and Coupon CDs. For a description of Term Plus, and Discounted and Coupon CDs, see "*—Retail banking—Retail accounts and term deposits*".

As at 31 March 2016, TBC had a total of 3,973 corporate deposits with a value of GEL 760.4 million (compared to GEL 1,001.3 million, GEL 840.6 million and GEL 819.8 million, as at 31 December 2015, 2014 and 2013, respectively), comprising GEL 621.7 million in corporate current and savings accounts (on demand) and GEL 138.7 million of corporate term deposits as at 31 March 2016, having terms generally ranging from three months to 24 months. As at 31 March 2016, TBC's average annual interest rate for corporate term deposits was 4.1%. As at the same date, 51.7% of TBC's total corporate deposits were denominated in currencies other than Lari. As at 31 March 2016, 70.6% of TBC's total corporate non-cash transactions were conducted through remote channels.

Corporate on demand and savings accounts represent an important source of funding for TBC as they are a less expensive source of funding than term deposits. Corporate on demand accounts typically bear interest at lower rates than do term deposits.

Corporate lending

According to data published by the NBG, as at 31 March 2016, TBC Bank was the second largest bank in Georgia in terms of loans to legal entities (including corporate, SME and micro clients), with a market share of 25%.

TBC offers a wide range of different types of loans and credit lines to its corporate clients, including balance sheet finance, syndicated loans, trade finance (including factoring), overdrafts, short- to medium- term loans to finance working capital, medium- to long-term project finance loans, acquisition finance loans and energy efficiency loans (such as "energocredit" loans which are supported by EBRD and are specifically designed to promote energy efficient investment by companies), as well as other customised financing packages.

As at 31 March 2016, TBC had a total number of 542 loans outstanding to corporate customers, with a total value of GEL 1,347.2 million as at 31 March 2016 (compared to GEL 1,500.1 million, GEL 1,231.7 million and GEL 1,157.3 million, as at 31 December 2015, 2014 and 2013, respectively). As at the same date, 93.4% of TBC's loans to corporate clients were collateralised, out of which 68.4% were secured by real estate, 15.3% by inventory and equipment, 6.3% by cash deposits and 10.0% by other types of security (see "*Lending Policies and Procedures—Collateral Policies*"). As at 31 March 2016, TBC's average annual interest rate for loans to corporate clients was 10.1%. As at 31 March 2016, 81.6% of TBC's total loans to corporate customers were denominated in currencies other than Lari, and the largest single loan to one client, as a percentage of total value of gross loans, stood at 1.4%.

TBC's corporate loan portfolio is diversified with energy and utilities, food industry, hospitality and leisure and real estate constituting the biggest sector exposures, amounting to 56.2% of the total value of TBC's corporate loan portfolio as at 31 March 2016. The following table sets out the breakdown of TBC's gross corporate loan portfolio by sector, as at 31 March 2016 and 31 December 2015, 2014 and 2013.

	Percentage of the total value of TBC's gross corporate loan portfolio			
	As at 31 March	**As at 31 December**		
Type of Product	**2016**	**2015**	**2014**	**2013**
		(unaudited)		
		(%)		
Agriculture	2.4%	2.2%	1.8%	0.6%
Automotive	6.6%	6.0%	6.7%	5.1%
Communication	8.1%	7.6%	7.6%	8.9%
Construction	5.2%	4.5%	4.1%	6.2%
Energy & Utilities	21.3%	21.3%	24.4%	18.8%
Financial Services	3.9%	3.3%	4.6%	3.6%
Food Industry	13.4%	12.6%	11.8%	14.7%
Healthcare	2.3%	5.6%	9.0%	8.5%
Hospitality & Leisure	11.1%	10.3%	3.7%	7.0%
Metals and Mining	4.5%	4.4%	4.7%	5.1%
Real Estate	10.4%	10.0%	8.5%	7.9%
Services	1.1%	1.0%	1.7%	2.1%
Trade	3.9%	5.7%	4.7%	4.1%
Transportation	2.8%	2.8%	3.9%	4.9%
Other	2.8%	2.9%	2.8%	2.8%
Total	**100%**	**100%**	**100%**	**100%**

Management considers corporate to be an attractive segment that provides large cross-selling opportunities. TBC intends to strengthen its position as the most trusted partner corporate bank, although as TBC also aims to increase its retail, SME and micro lending operations, Management expects the share of corporate lending in TBC's total loan portfolio to decrease.

Trade finance products

In 1998, TBC began offering export/import financing operations, and it currently offers a wide range of trade finance products and services to its corporate customers, including the provision of guarantees and letters of credit for both domestic and international operations, import financing, pre-export financing, documentary collections and domestic and international factoring. These products and services are offered worldwide in cooperation with TBC's network of correspondent banks and international commercial banks as well as the Global Trade Finance Programme with IFC, the ADB Trade Programme and the Trade Facilitation Programme with EBRD.

As a result of TBC's active participation in these programmes, TBC received a number of awards from international banks, recognising TBC's strong presence in the trade finance business. EBRD named TBC as the ''Most Active Issuing Bank in Georgia 2014'' and awarded with the regional recognition for the TFP Deal of the Year 2014. ADB named TBC as ''Best Partner Bank in Georgia 2014'' and *Global Finance* magazine named TBC as ''Best Trade Finance Bank in Georgia 2015.'' TBC also received a global award for the Best Trade Finance Deal of the Year in 2014 from *Trade and Forfaiting Review*. The PLC Directors believe that TBC has one of the fastest growing trade finance portfolios in Georgia. As at 31 March 2016, TBC's trade finance portfolio was GEL 402.0 million and included local and international guarantees and letters of credit. As at 31 March 2016, TBC had trade finance limits from non-Georgian banks amounting to, in aggregate, GEL 103 million, from entities including EBRD, IFC, ADB, TÜRKİYE İHRACAT KREDİ BANKASI A.Ş. and BSTDB.

Brokerage and Advisory and research services

Through TBC Capital, TBC's brokerage and advisory arm, corporate clients are offered a wide range of services, including brokerage, advisory and research solutions. Advisory solutions include debt and equity financing and M&A advisory. Currently, research reports cover the energy and hospitality sectors and updates on key macro indicators of the Georgian economy, providing comprehensive analyses for investors, analysts and other interested parties who continually explore various investment opportunities in Georgia. Brokerage services include trading and custody accounts and access to all the major stock exchanges.

In 2015, TBC Capital acted as lead underwriter on two successful IFI transactions: a GEL 100 million local bond placement for ADB and a GEL 48 million bond placement for BSTDB.

Payroll services

TBC offers payroll services to its corporate clients. TBC's payroll clients also benefit from wide range of retail products which are offered to the corporate customer employees at a special terms and conditions. As at 31 March 2016, TBC had 82,068 active corporate payroll accounts.

Guarantees and other credit related commitments

TBC issues guarantees, import letters of credit and irrevocable commitments to extend credit at the request of its corporate customers. These guarantees include financial guarantees on behalf of customers and performance guarantees to provide compensation in the event that pre-specified contractual defaults occur. As at 31 March 2016, TBC had GEL 623.0 million in guarantees and other credit-related commitments outstanding. See Note 24 to the Unaudited Consolidated Interim Financial Statements.

Cash collection and shipment

TBC offers to its corporate customers cash collection services and delivery of cash in banknotes of particular denominations or coins. Cash collection services include cash collection and transportation services from collection points of TBC's customers engaged in retail trade to TBC's vaults.

Other corporate products and services

TBC offers a range of other products and services to its corporate clients, including credit cards offered to corporate customers, with cash withdrawals typically limited to U.S.$15,000 in any period of 24 hours, although terms may vary depending on the particular corporate customer's financial performance. In addition, TBC offers integration services to its corporate clients. This service allows the clients to integrate their ERP and internet banking systems, in which a payment transaction recorded in the ERP is automatically transferred to internet banking, enabling clients to eliminate the need of double booking of a single transaction. TBC also offers other products and services to its

corporate clients similar to those services offered retail clients, including foreign currency operations, money transfers and direct debit.

SME banking

Overview

Management considers the SME business as core to the country's economic development with a high level of growth potential. TBC focuses on providing financial solutions to SME customers through its diversified product range and TBC is continuously developing new products and services for its SME customers. TBC also offers loan products to SME clients in Azerbaijan through TBC Kredit.

As at 31 March 2016, TBC's SME business had approximately 70,019 clients and accounted for 13.6% of TBC's total gross loans and 14.5% of total deposits.

SME accounts and term deposits

The PLC Directors believe that the banks with the largest share of the banking market for clients in the SME sector (as defined by TBC) in Georgia are Bank of Georgia, TBC and Procredit, according to publicly available reports and other information published by its competitors. Based on the information available in these reports, the PLC Directors estimate that TBC had the leading market share of SME deposits in Georgia as at 31 March 2016, although there is no official data published by the NBG or other sources regarding the SME sector (as defined by TBC) on a standalone basis.

As at 31 March 2016, TBC had 54,556 SME deposits with a total value of GEL 571.3 million (compared to GEL 633.2 million, GEL 500.9 million and GEL 452.0 million, as at 31 December 2015, 2014 and 2013, respectively), comprising GEL 542.7 million in SME current and savings accounts (on demand) and GEL 28.6 million of SME term deposits, having terms generally ranging from three months to 24 months. As at 31 March 2016, TBC's annual interest rates for SME term deposits varied from 0.5% to 13.5%. As at the same date, 61.3% of TBC's total SME deposits were denominated in currencies other than Lari. As at 31 March 2016, 86.1% of TBC's total SME non-cash transactions were conducted through remote channels. As at 31 March 2016, 85.4% of the total value of SME deposits (representing 81.3% of the total number of such deposits) were held in Tbilisi, with the remainder in other regions in Georgia.

SME lending

Although there is no official data published by the NBG or other sources regarding the SME or micro sectors (as defined by TBC) on either a standalone or combined (MSME) basis, based on information included in publicly available reports and other public information (including reports published by competitors in the Georgian market), the PLC Directors estimate that TBC had the leading market share of MSME loans in Georgia as at 31 December 2015.

TBC offers a wide variety of loan products that are tailored specifically to SME businesses in order to meet the expectations of customers in this segment. These include short- to medium- term loans to finance working capital seasonal needs, sales growth, acquisitions, construction and expansion of production, as well as for other purposes.

As at 31 March 2016, TBC had a total number of 6,758 loans to SME accounts, with a total value of GEL 610.4 million (compared to GEL 625.6 million, GEL 533.9 million and GEL 392.4 million as at 31 December 2015, 2014 and 2013, respectively). As at the same date, 99.5% of TBC's loans to SME clients were collateralised, out of which 93.2% was secured by real estate, 2.1% by cash deposits and the remaining 4.7% by other types of security (see "*Lending Policies and Procedures—Collateral Policies*"). As at 31 March 2016, TBC's average annual interest rate for loans to SME clients was 11.3%. As at 31 March 2016, 83.2% of TBC's total loans to SME customers were denominated in currencies other than Lari.

TBC's SME business has a strong presence in various industries, including the hospitality and leisure, real estate, trade, services, food and healthcare sectors. The following table sets out the breakdown of TBC's gross SME loan portfolio by sector, as at 31 March 2016 and 31 December 2015, 2014 and 2013.

	Percentage of the total value of TBC's gross SME loan portfolio			
		As at 31 December		
Sector	As at 31 March 2016	2015	2014	2013
		(unaudited) (%)		
Agriculture	6.8%	7.5%	3.5%	2.6%
Automotive	2.3%	2.5%	2.6%	2.6%
Communication	0.1%	0.1%	0.3%	0.2%
Construction	5.3%	4.7%	7.9%	7.5%
Energy & Utilities	2.3%	2.2%	3.5%	2.8%
Financial Services	3.9%	3.0%	3.8%	3.0%
Food Industry	9.2%	9.7%	11.7%	9.9%
Healthcare	8.3%	7.3%	6.6%	8.0%
Hospitality & Leisure	17.9%	17.2%	12.1%	13.6%
Metals and Mining	1.4%	1.4%	0.9%	1.7%
Real Estate	11.5%	11.4%	11.5%	10.3%
Services	10.4%	9.9%	12.1%	14.9%
Trade	11.4%	10.5%	11.1%	12.5%
Transportation	2.1%	2.0%	1.8%	1.6%
Other	7.2%	10.5%	10.7%	8.8%
Total	**100%**	**100%**	**100%**	**100%**

As at 31 March 2016, 58.5% of the total value of SME gross loans of TBC Bank (on a standalone basis) (representing 54.5% of the total number of such loans) were originated in Tbilisi, with the remainder in other regions in Georgia.

Other SME products and services

TBC undertakes various initiatives in order to strengthen its relationships with its SME clients. Together with several partner organisations (including IFC, PricewaterhouseCoopers, Ernst & Young, BDO, and Asian Development Bank), TBC pioneered the launch of the first-in-Georgia SME Business Support Programme designed to help customers achieve their development goals more effectively. The SME Business Support Programme offers seven solutions custom-tailored to client needs, including trainings, conferences, consultations, a special Online Business Platform, and multi-channel banking (mobile, SMS and internet). One of the most important components of the SME Business Support Programme is the business training programme, which aims to improve SME customers' business management skills and promoting communication among them through informal networking opportunities. These training sessions are exclusive for the SME clients of TBC and cover important topics such as cost-volume-profit analysis, budgeting, tax issues, social media marketing and strategic management. Trainings have been delivered in Tbilisi and the other main cities of Georgia, with the number of participants reaching 5,000 legal entities by the end of 2015. The average customer satisfaction score is 9.5 out of 10 based on internal surveys.

Another significant component is the SME Business Support Programme website, www.tbcbusiness.ge, which is the first educational web portal designed for SMEs in the region. On this website, SMEs can find Georgian-language articles and video seminars about business management and benefit from a unique opportunity to ask questions and receive guidance on legal, tax and finance issues from such renown international brand names and leading local companies as Ernst & Young, BDO, PricewaterhouseCoopers (PWC). Additionally, www.tbcbusiness.ge includes the educational sub-platform TBC Business Academy, which is a virtual training centre with educational and interactive animated video applications. TBC Business Academy is integrated with Facebook, which means that registered users can get scores, certificates and medals and share them on their Facebook page. In 2015, the number of visits reached more than 821,600, which serves as a great benchmark for

educational content in Georgia. This innovative project has received significant recognition, including the Marketing Brilliance Award for the ''Best Product Launch'' in October 2014 which recognises the most innovative marketing and public relations achievements across different industries in Georgia.

Through the SME Business Support Programme, TBC is able to reach its SME clients at every possible channel and leverages these capabilities to provide diversified and targeted solutions for its clients. SME Conferences, another component of the Programme, provides a unique platform for client SMEs to receive comprehensive information regarding the general business environment and the most current business topics and relevant development opportunities in Georgia. Conferences are held in Tbilisi, Batumi and Kutaisi with the total number of attendees in 2015 reaching 1,000.

Another important component of the SME Business Support Programme, business consultancy services for SMEs, was launched partially in partnership with PUM (the Netherlands Senior Experts service) in 2014. Through this exclusive partnership, TBC offers a unique customized service for its SME clients encompassing a thorough analysis of their operational, business and development needs in order to select the most suitable PUM experts from their extensive, international database. The representatives of four legal entities have already successfully participated in the Programme and the bank intends to keep collaborating with PUM for future Programme purposes.

Other services offered to SME clients

TBC also offers a variety of other products and services to its SME clients similar to those services offered corporate clients, including foreign currency operations, wire transfers, business cards, payroll services, trade finance, cash collection, money transfers, direct debit and integration services.

Micro banking

Overview

With the acquisition of 80% of the share capital of Bank Constanta in May 2011, TBC significantly expanded its micro operations. At the time of the acquisition, Bank Constanta was well-established in the micro-finance market, with branches across Georgia that supplemented TBC's network and were spread over rural areas where other banks did not have a significant presence. To improve operational efficiency and leverage synergies, in 2014 TBC launched a large-scale project intended to integrate Bank Constanta fully into TBC Bank and, in January 2015, legally merged Bank Constanta into TBC Bank.

TBC's micro client base is primarily composed of farmers and individual entrepreneurs. The PLC Directors believe that the micro finance market has significant growth potential and, accordingly, micro will, in time, grow into one of the main business segments of TBC.

As at 31 March 2016, TBC's micro segment had approximately 474,654 clients and accounted for 11.0% of TBC's total gross loans and 1.8% of total deposits.

Micro accounts

The PLC Directors believe that the banks with the largest share of the banking market for clients in the micro sector (as defined by TBC) in Georgia are TBC, Bank of Georgia and FINCA, according to publicly available reports and other information published by its competitors. Based on the information available in these reports, the PLC Directors estimate that TBC had a leading market share of micro deposits in Georgia as at 31 March 2016, although there is no official data published by the NBG or other sources regarding the micro sector (as defined by TBC) on a standalone basis.

TBC offers different types of current and savings accounts and term deposits to its micro clients. As at 31 March 2016, TBC's average annual interest rate for micro term deposits was 5.8%. As at the same date, 65.6% of TBC's total micro deposits were denominated in currencies other than Lari.

As at 31 March 2016, 51.2% of the total value of micro deposits (representing 28.6% of the total number of such deposits) were held in Tbilisi, with the remainder in other regions in Georgia.

Micro lending

Although there is no official data published by the NBG or other sources regarding the SME or micro sectors (as defined by TBC) on either a standalone or combined (MSME) basis, based on information included in publicly available reports and other public information (including reports published by competitors in the Georgian market), the PLC Directors estimate that TBC had the leading market share of MSME loans in Georgia as at 31 December 2015.

TBC offers specifically designed short- to medium- term loans to its micro clients, up to a maximum of U.S.$150,000 per loan. The loans are granted for various specific purposes, such as increasing working capital, purchasing fixed assets and expanding borrowers' businesses, and include the following:

- **Mini loans**: these loans are designed for micro business owners active in any field, who are in need of a small amount of cash either for business or personal purposes. The maximum loan amount is GEL 6,000 with a maximum maturity period of 36 months.
- **Micro loans:** these loans are offered to micro clients with growing businesses in need of cash to fund expansion. The maximum loan amount is U.S.$150,000, with a maximum maturity period of 84 months.
- **Agricultural loans:** these loans are offered specifically to micro clients operating in the agricultural sector. The maximum loan amount is U.S.$150,000, with a maximum maturity period of 60 months.
- **Seasonal loans:** these loans are designed for businesses operating in the tourism sector in need of cash to expand their business activities. These loans provide payment options and grace periods tailored to the particular borrower's business needs. The payment options and grace periods are determined on an individual customer basis. The maximum loan amount is U.S.$150,000, with a maximum maturity period of 84 months.

As at 31 March 2016, TBC had a total number of 85,953 loans to micro customers, with a total value of GEL 494.9 million (compared to GEL 493.3 million, GEL 273.7 million and GEL 201.3 million as at 31 December 2015, 2014 and 2013, respectively). As at the same date, 99.8% of TBC's loans to micro clients were collateralised, out of which 94.5% were secured by real estate and the remaining 5.5% by other types of security (see "*Lending Policies and Procedures—Collateral Policies*"). As at 31 March 2016, TBC's average annual interest rate for loans to micro clients was 22.3%. As at the same date, 28.4% of TBC's total loans to micro customers were denominated in currencies other than Lari.

The following table sets out the breakdown of TBC's gross micro lending by sector, as at 31 March 2016 and 31 December 2015, 2014 and 2013.

	Percentage of the total value of TBC's gross micro loan portfolio			
	As at 31 March	As at 31 December		
Sector	2016	2015	2014	2013
		(unaudited)		
		%		
Agriculture	16.7%	15.7%	57.2%	47.1%
Automotive	0.8%	0.7%	—	—
Communication	0.0%	0.1%	0.0%	0.0%
Construction	0.8%	0.7%	0.1%	0.2%
Energy & Utilities	0.1%	0.1%	0.0%	0.1%
Financial Services	0.0%	—	—	—
Food Industry	1.4%	1.3%	0.5%	0.9%
Healthcare	0.3%	0.3%	—	—
Hospitality & Leisure	1.1%	1.0%	—	—
Individual	51.3%	53.2%	—	—
Metals and Mining	0.2%	0.2%	0.0%	0.1%
Pawn Shops	3.5%	3.6%	—	—
Real Estate	0.3%	0.2%	0.4%	0.5%
Services	0.2%	0.2%	38.1%	47.1%
Trade	16.3%	16.6%	0.3%	0.4%
Transportation	1.4%	1.4%	2.5%	2.4%
Other	5.6%	4.7%	0.9%	1.4%
Total	**100%**	**100%**	**100%**	**100%**

As at 31 March 2016, 24.5% of the total value of micro gross loans (representing 18.0% of the total number of such loans) were originated in Tbilisi, with the remainder in other regions in Georgia.

Other micro products and services

A significant portion of the micro segment's income is generated from money transfer services. This service enables customers to send and receive money through TBC's diversified branch network. To reach as many customers as possible, if a TBC branch is not present in a specific area, TBC communicates with its clients via ''consuls''. TBC also offers a variety of other products and services to its micro clients, similar to those services offered to its other business clients, including foreign currency operations, direct debit, and cash delivery services.

The micro segment introduced several innovative products in 2015, including a tablet loan issue product where all mini loans (defined as less than GEL 6,000) are issued and disbursed on site using tablets and pre-printed nameless debit cards, without having to bring the client into a branch. If the loan is approved, the client receives the debit card with the approved amount. The whole process takes around 60 minutes from application to approval and to disbursement.

Also introduced in 2015 is the concept of TBC Corners. These are ''franchise'' mini branches opened in shops, pharmacies and post offices in the regions in order to enhance distribution channels and penetrate new locations quickly and with low costs. Loans in the amount of GEL 100 to GEL 500, fast transfer, and account service are available at TBC Corners.

Bancassurance

Under TBC's standard loan agreement, retail clients are required to maintain life and/or property insurance on their mortgage and consumer loans. TBC offers such insurance to customers as an intermediary in partnership with GPI Holding, a member of Vienna Insurance Group.

Since January 2014, TBC has also offered voluntary insurance products provided by GPI Holding under a bancassurance agreement. These products include payment protection insurance (PPI), motor holding insurance, motor third party liability insurance and business travel insurance. In the future, TBC may explore opportunities to begin offering its own insurance products, including through the creation of a new, in-house insurance business or via the acquisition of an established insurance business.

Other operations

Although the vast majority of its operations are conducted in Georgia (representing 98.9% of TBC's assets as at 31 March 2016), TBC also operates in Azerbaijan and Israel through subsidiaries, TBC Kredit and TBC Invest, respectively. Acquired in 2008, TBC Kredit is a non-banking credit organisation focused on SME and retail customers, with extensive experience in dealing with various types of loans, including SME, consumer and mortgage loans. TBC currently holds a 75.0% equity interest in TBC Kredit.

TBC is currently exploring opportunities to expand its operations in Azerbaijan by obtaining a banking licence from the competent regulatory body in Azerbaijan. TBC has obtained the NBG's initial approval to commence the process for obtaining the licence in Azerbaijan, which typically takes one to two years. This process would require, *inter alia*, that TBC establish the bank with a local Azerbaijani partner and that the partners together contribute a minimum of AZN 50 million (approximately GEL 73.5 million) to the capital of the new bank, with TBC likely contributing up to AZN 45 million of that amount. TBC may commence this process, including the investment of the capital contribution, in the second half of 2016. The new bank would be a subsidiary of TBC Bank, which would expect to consolidate TBC Kredit into the new bank at some point following its establishment.

In addition to its core banking business that TBC conducts within its retail, corporate, SME and micro segments through TBC Bank and TBC Kredit, TBC also conducts some operations that it considers ''non-core banking operations''. These operations are typically conducted by subsidiary companies and include, *inter alia*, leasing and brokerage services, card processing and payment collection services, banking software support services and certain marketing efforts in Israel. These non-core banking operations accounted for 2.1% of TBC's assets in the three months ended 31 March 2016 (compared to 1.9%, 1.9% and 1.6% in the years ended 31 December 2015, 2014 and 2013, respectively). TBC's Treasury Department also acts as an extra-segmental corporate centre, managing intra-segment adjustments to net interest income across all segments and recognising gains and losses from liquidity, interest rate and market risk management.

TBC Invest is a wholly-owned subsidiary established by TBC Bank in 2011 to act as an intermediary, providing Israeli clients with information and access to the Georgian banking system. It offers information to individuals (primarily Georgian emigrants) and companies (mostly Israeli businessman connected with Georgia and family offices) in Israel regarding TBC's products and services, fees and interest rates.

In addition, TBC offers leasing services in Georgia through TBC Leasing, its majority-owned subsidiary (together with ERBD). TBC Leasing was established in 2004 and as at 31 March 2016 had a 72.8% market share of the leasing market (based on estimates of the PLC Directors). TBC offers finance leasing, leaseback, residual leases, and service leases, under which TBC Leasing purchases a specified asset (such as machinery or equipment) and leases it to the customer for a term ranging from 24 to 60 months, following which ownership of the asset is either turned over to the customer or held by TBC Leasing. Leasing arrangements are primarily entered into with customers in the construction, medical, agriculture, transportation and service sectors. TBC Leasing's diversified customer base provides TBC with significant cross-selling opportunities and growth potential.

TBC also offers its customers in Georgia a variety of products and brokerage services through TBC Capital, a wholly-owned subsidiary of TBC Bank. TBC's subsidiaries JSC United Financial Corporation and TBC Pay LLC are involved in processing payment cards and supplying payments collection services to providers of self-service machines and POS, WAP and Windows terminals. Another subsidiary, JSC Real Estate Management Fund, manages property repossessed by TBC for future sale and Banking Systems Service Company (BSSC) LLC provides technical services and software support to the electronic banking systems (such as POS and cash machines).

Distribution network

TBC has developed a leading sophisticated multi-channel distribution platform that allows it to service its customers through a combination of a brick-and-mortar branch network and a variety of award-winning remote channels. These remote channels include technologically state-of-the-art options (such as internet and mobile phone banking) as well as more traditional options (such as ATMs, cash-in terminals and a call centre).

Branch network

As at 31 March 2016, TBC Bank's branch network comprised 123 branches of TBC Bank (each of which employs an average of 38 staff and has a surface area of approximately 486 square metres), consisting of service centres, full branches and micro outlets. TBC Bank has 55 branches located in Tbilisi and 68 in other parts of Georgia. The branches of the former Bank Constanta are mostly located in rural areas of Georgia where TBC previously did not have a branch presence.

TBC Bank's branches are highly standardised, with the aim of delivering a superior customer experience in line with, and enhancing, TBC's brand. Following Bank Constanta's legal merger into TBC Bank, TBC rebranded all existing Bank Constanta branches under a TBC brand and upgraded the suite of products offered at those branches, which significantly increased the geographic scope of TBC's retail banking offerings. In the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, TBC opened a total of 31 new branches and incurred total expenses of GEL 2.7 million in connection with its branch network expansion.

In December 2015, TBC launched a redesigned branch concept to further improve its customer experience offering. The new design, which the PLC Directors believe reflects TBC's welcoming, user-friendly and transparent approach to banking, was developed in partnership with Allen International, a strategic design consultant focused on financial services.

The re-designed branches leverage TBC's strength in multi-channel banking and feature state-of-the-art e-banking tools and technology. The design is intended to minimise physical and psychological barriers between TBC and its customers, thus creating a unique, customer-centric layout. The new concept was developed specifically for TBC as a result of comprehensive tailored studies of the TBC's existing branches and its clients' needs and aspirations.

Remote access channels

TBC aims to provide the best multi-channel experience in Georgia, achieved through a programme of continuous improvements intended to help TBC to consistently outperform competitors with best-in-class digital banking touch points including internet banking, mobile banking, tablet banking, SMS/text banking, kiosk banking (cash-in terminals), ATMs, public website and social networks. TBC's

goal is to deploy digital banking platform that excels both in functionality and design and incorporates nearly all retail banking sales and services in one space.

TBC's goal is to transform the branch-based, traditional 9 a.m. to 5 p.m. banking experience into a modern, automated, omni-channel, 24/7 banking experience and offer a new wave of digital banking services in Georgia. TBC has partially recognised this goal through its multi-channel platform, which is based on the following strategic pillars:

- Creating a user experience and state-of-the-art, simple and intuitive designs that are simple and intuitive to use and that help to increase the value and comfort of TBC's e-banking services
- The use of Mobile First implementation to cater to TBC's mobile-centric customer segment. In line with this approach, TBC completely redesigned its PDA mobile banking in 2014 and continues to update its iPhone and Android applications by adding new features to enhance user experience.
- Aiming to continually develop service offerings that generate solutions to TBC's customer needs. TBC was the first organisation in Georgia to introduce fully native iPhone, iPad and BlackBerry banking applications and person-to-person transfers through mobile and internet banking using client mobile numbers as identifiers instead of IBAN.
- CRM integration that allows TBC to customize and tailor digital offerings and services to our customers. In 2015, TBC introduced a pre-approved loan feature in internet banking that allows certain customers to receive a loan online in a matter of minutes.
- Maintaining adequate security and stability to preserve TBC's trustworthiness and reliability.

The quality of the TBC's digital experience has also been reinforced by highly positive user feedback, such as the five-star ratings that TBC's iPhone & Android mobile banking applications maintain on App Store and Google Play. In 2015, TBC also received its fourth consecutive Best Consumer and Corporate Digital Bank in Georgia award by *Global Finance* magazine. TBC's consumer digital banking was also recognised as having the Best SMS Banking 2015 in the Central & Eastern European (CEE) region as well as Best Integrated Corporate Banking Site in the CEE 2015. TBC was also shortlisted for ''Omnichannel FS Provider of the Year'' by FStech Awards.

Since 2013, TBC has succeeded in migrating its existing customers and attracting new customers and transactions to internet banking. In March 2016, TBC sold 4.8% of all pre-approved loans, 11.3% of all credit cards and limit increases and 42.2% of all deposits in digital channels, and TBC has implemented more aggressive digital sales targets in 2016.

As at 31 March 2016, TBC had approximately 220,000 active internet or mobile phone banking customers, representing 31.5% of TBC's total active retail customers, including 196,402 ''active'' internet banking users (who utilised TBC's internet banking services during the three previous months) and 120,979 ''active'' mobile phone banking users (who utilised TBC's mobile banking services during the three previous months). The importance of remote access channels for TBC's operations is significant. In the three months ended 31 March 2016, 80.7% of TBC's retail financial transactions (which does not include POS transactions) were conducted through remote channels, compared to 79.1% in the year ended 31 December 2015 and 80.8% in 2014. In December 2015, 38.6%, 13.3%, 20.9%, 19.8% and 6.0% of the total number of TBC Bank's retail business transactions were conducted through ATMs, internet banking, branches, cash-in terminals and mobile banking, respectively.

In addition, as at 31 March 2016, TBC operated a network of 548 ATMs (356 by TBC Bank), 9,608 POS terminals (9,316 of which have contactless payment capabilities), 2,352 cash-in terminals, located within TBC's branches, at shopping centres, supermarkets and other locations throughout Georgia. Cash-in terminals allow clients to perform various transactions remotely: clients can pay loans, utility bills, car parking fees and parking fines, mobile and internet bills through these terminals. TBC has recently introduced payments by cards through these terminals.

TBC also offers its clients a customer call centre in Tbilisi through which transactions between customer accounts and interbank transfers up to GEL 5,000 can be conducted, in addition to typical call centre client services. As at 31 March 2016 TBC's call centre employed approximately 290 staff.

At the beginning of 2016, TBC introduced a new mobile payment service (mPOS) for Georgian merchants, which was primarily created for merchants lacking access to the relevant infrastructure, or

sufficient revenue, to use traditional point of sale (POS) services. This new mobile payment service allows a greater number of merchants to accept digital payments, and is intended to improve the consumer's shopping experience, as paying with mPOS is faster than paying in cash and waiting for change. The consumer can simply tap their contactless card in front of a secure reader to make quick and low value purchases.

The new mobile payment service is based on GoSwiff's mCommerce Platform, which is designed to suit the needs of a range of clients, from one-man outlets to large companies. The platform has all the elements TBC requires, including reliable near field communication (NFC) card readers from Miura Systems, easy to use mobile application, merchant reward programs to encourage transactions and consumer loyalty tools to better engage with customers.

This new service introduced by TBC has the capability to read and accept a full suite of credit cards, such as Visa (including payWave), MasterCard (including PayPass), Maestro and local Georgian cards. TBC plans to install over 1,000 mPOS devices in 2016.

Competition

As at 31 March 2016, there were 19 commercial banks registered in Georgia, all of which have general banking licences issued by the NBG enabling them to perform banking transactions. The banking system is entirely privately owned and relatively concentrated, with the two largest banks, Bank of Georgia and TBC, controlling approximately 60% of both loans and deposits, nearly eight and seven times more of loans and deposits respectively than that of the next largest bank. According to information published by the NBG, as at 31 March 2016, the aggregate assets of all banks in Georgia were approximately GEL 24.7 billion, with the five largest banks accounting for approximately 77.42% of such assets.

The following tables set out information on the loans and deposits of the five largest banks in Georgia by total assets as at 31 March 2016. This information is derived from data published by the NBG, which was compiled from standalone financial information filed with the NBG by Georgian banks.

	As at 31 March 2016					
	Loans to individuals		Loans to legal entities		Total loans	
	(GEL thousands)	(% of total)	(GEL thousands)	(% of total)	(GEL thousands)	(% of total)
Bank of Georgia	2,572,201	33.5%	2,609,674	31.3%	5,181,875	32.3%
TBC Bank	2,404,729	31.3%	2,090,418	25.0%	4,495,146	28.0%
Bank Republic	818,647	10.7%	400,845	4.8%	1,219,492	7.6%
Liberty Bank	699,981	9.1%	11,413	0.1%	711,394	4.4%
VTB Bank Georgia	310,446	4.0%	510,045	6.1%	820,491	5.1%
Other banks	873,690	11.4%	2,724,663	32.6%	3,598,354	22.6%
Total	**7,679,694**	**100.0%**	**8,347,058**	**100.0%**	**16,026,752**	**100.0%**

Source: NBG

	As at 31 March 2016					
	Deposits of individuals		Deposits of legal entities		Total deposits	
	(GEL thousands)	(% of total)	(GEL thousands)	(% of total)	(GEL thousands)	(% of total)
Bank of Georgia	2,501,714	33.0%	2,234,637	33.5%	4,736,351	33.2%
TBC Bank	2,575,445	34.0%	1,310,506	19.6%	3,885,951	27.3%
Bank Republic	297,931	3.9%	446,056	6.7%	743,987	5.2%
Liberty Bank	863,440	11.4%	364,660	5.5%	1,228,100	8.6%
VTB Bank Georgia	280,237	3.7%	490,520	7.4%	770,757	5.4%
Other banks	1,061,331	14%	1,824,514	27.4%	2,885,846	20.3%
Total	**7,580,098**	**100.0%**	**6,670,894**	**100.0%**	**14,250,992**	**100.0%**

Source: NBG

As at 31 March 2016, TBC Bank was the largest bank in Georgia based on deposits of individuals and the second largest bank in Georgia based on deposits of legal entities, loans to individuals, loans to legal entities and total assets. According to data published by the NBG (based on standalone financial information filed with the NBG by Georgian banks), TBC's market shares of loans to individuals and loans to legal entities were 31.3% and 25.0%, respectively, as at 31 March 2016, compared to 31.6% and 26.2%, respectively, as at 31 December 2015, 29.7% and 25.8%, respectively, as at 31 December 2014 and 27.7% and 26.9%, respectively, as at 31 December 2013. TBC's market shares of deposits of individuals and deposits of legal entities were 34.0% and 19.6%, respectively, as at 31 March 2016, compared to 34.3% and 23.4%, respectively, as at 31 December 2015, 33.7% and 23.0%, respectively, as at 31 December 2014 and 33.1% and 26.0%, respectively, as at 31 December 2013.

TBC considers its principal competitors to be domestic banks such as Bank of Georgia and Liberty Bank, and subsidiaries of foreign banks, such as ProCredit Bank, Bank Republic and VTB. The number of major competitors in the Georgian banking market has remained relatively stable recently, with TBC and Bank of Georgia maintaining their positions as the two largest banks by most measures and holding their overall market share, despite recent gains in market share by other banks vis-à-vis one another and the entry of subsidiaries of foreign credit institutions into the Georgian banking market. See Part II "*Risk Factors—Risks Relating to TBC's Business—TBC faces significant competition, which may increase in the future and have an adverse impact on its business*" and "*Banking Sector and Banking Regulation in Georgia—Commercial Banks in Georgia*".

Properties

TBC owns 2,623 square metres of land, on which its head office, located at 7 Marjanishvili Street in Tbilisi and consisting of 6,729 square metres, is built. The land and the building had a combined carrying value of GEL 34.1 million as at 31 December 2015. This building comprises of a branch of TBC Bank, a significant part of TBC's back office departments, the headquarters of TBC Capital and TBC Gallery, which is frequently used for art exhibitions. TBC also owns a 1,548 square metre office building at 7 Politkovskaia Street in Tbilisi (which had a carrying value of GEL 3.3 million as at 31 December 2015), where some of its back office functions are located.

TBC plans in the future to build a facility that will function as a new head office for the Bank, and is negotiating the acquisition of an approximately 83,000 square metre parcel of land near Lisi Lake in Tbilisi for that purpose from a company in which Mamuka Khazaradze and Badri Japaridze, who are TBC Bank shareholders and Bank Supervisory Board members, hold an interest. As consideration for the land purchase, TBC Bank would assign to the seller its right of claim on a non-performing loan secured by mortgage rights over a separate piece of land. An independent financial institution has determined the fair value of the consideration at U.S.$11.4 million. TBC Bank expects to enter into a land and mortgage rights swap for the exchange prior to Admission.

TBC also rents the head office of TBC Kredit located at 33, 28 May Street, Baku, Azerbaijan.

TBC's branch network consists of 123 branches of TBC Bank and 6 branches of TBC Kredit in Azerbaijan, out of which 56 are owned and 73 are leased. TBC also rents the premises of a data centre in Georgia.

As at 31 December 2015, the total net book value of the real estate and land owned by TBC was GEL 214.0 million, not including properties comprising repossessed collateral acquired by TBC in settlement of overdue loans, other than those classified as investment property.

Information systems

Customer service systems

All of TBC's IT solutions are centralised, focused on customer needs and highly customised to TBC's business requirements. TBC invests heavily in the further development of its IT capabilities. Beginning in 2011, TBC initiated an IT transformation programme (the "**IT Transformation**") intended to improve the customer experience, better manage customer relationships and improve product and service capabilities (including fast time to market) as well as increase operational efficiency and level of straight-through processing.

The first step of the IT Transformation was the implementation in 2011 of a multi-channel project to provide extensive remote access banking services to TBC's customers, followed in 2012 by the launch of the first ever Georgian banking applications for iPhone and Android mobile devices and for PDA

devices. This project is based on a state-of-the-art platform provided by the Czech vendor BSC. It is based on an Oracle database and IBM Websphere application server, ensuring a high level of scalability and system reliability. TBC has focused on continuously improving the customer experience with respect to its internet banking and mobile banking offerings through enriched products and services or through re-design efforts aimed at simplifying usage from the customer's point of view.

In 2012, TBC began the Oracle Siebel CRM implementation project to further enhance the customer experience and increase sales performance by improving cross-selling and up-selling capabilities. The CRM platform was implemented in the areas of sales automation, service management, and marketing automation. TBC further aims to leverage the already implemented functionalities.

TBC is also focused on the development of services supporting branch operations and the development of its distribution channels, including ATMs and kiosk devices. TBC is continuously looking to offload transactions to such delivery channels as ATM and kiosk terminals by offering enhanced capabilities that would increase customer experience.

In 2016, TBC began utilising the Loan Origination System from FICO with an objective of streamlining the loan origination process for all types of loans and reducing turnaround time for loan processing.

Other operational systems

TBC's banking operations in Georgia use the local Georgian core banking system (used by 12 other banks in Georgia), heavily complemented by in-house developed solutions. TBC plans to continue its operation on this existing core banking solution in the near future. TBC would focus on continuously improving the architectural defects of the core banking system and building capabilities using best-fit off-the-shelf solutions. The objective is to deliver a reliable and scalable enterprise architecture that is fully aligned with business strategy. To support this vision, TBC IT has proposed application roadmap and corresponding strategy from technology, people and process perspective.

TBC has already introduced the TIBCO BusinessWorks, Enterprise Service Bus middleware system, for the enterprise-wide integration of different software solutions to enable platform independent connectivity between various systems. All new applications are integrated through TIBCO middleware unless and until there is no reusable component involved in the integration. Currently, some integrations are point to point and any necessary changes to a system are completed by adhering to integration architecture principles, which ensures that TBC improves software architecture in a gradual manner without embarking on a massive re-engineering at this time.

TBC also utilises Qlickview business intelligence tools to aggregate, analyse and distribute sales, operational and financial information to different business users. These tools are based on ultramodern in-memory database technology and allow users to quickly analyse large amounts of data and trend information to make informed business decisions.

TBC is also in process of implementing AML solutions to control various operational risks, as well as a collection system from FICO that would facilitate effective loan collection processes.

Information security and data management

TBC initiated an information security improvement programme in 2011 which included a complete overhaul of ICT infrastructure and the establishment of risk management processes compliant with the ISO 27001 information security management system standard. As a result, TBC has in place a business continuity planning process intended to minimise data loss risks. TBC has introduced strategies for data management and data storage that accommodate international standards. All services which TBC considers to be critical are replicated in two separate data centres and additional backups are moved to a third location on a monthly basis. TBC also has systems to prevent intrusion and other types of intervention or information leakage. Information security risk management processes have been established to assure continuous improvement of practices and to address emerging risks in the future. In addition, an information security awareness programme was conducted for TBC Bank and its subsidiaries to provide employees with awareness training in relation to information security risks and policies. An international information security auditor performs information security risk assessments of TBC's information technology systems on an annual basis. TBC has a catalogue of Mission Critical Services and appropriate fail-over procedures. These procedures are updated and tested on a regular basis, at least twice a year.

Employees and Training

The following table sets out the number of TBC's employees, as at the dates indicated:

	As at 31 March 2016	As at 31 December		
		2015	2014	2013
Head office	1,762	1,868	1,612	1,384
Branches (including call centre)	2,912	2,897	1,823	1,522
Total	4,674	**4,765**	**3,435**	**2,906**
Other	479	497	1,701[(1)]	1,563[(1)]
Total	**5,153**	**5,262**	**5,136**	**4,469**

Note:

(1) Includes employees Bank Constanta, which from 2015 was merged into TBC Bank.

As at 31 March 2016, TBC had 5,153 employees, of whom 98.2% worked full time. As at the same date, 5,019 of its employees (or 97.4% of the total) were based in Georgia. TBC Bank is the largest employer within TBC, with 4,674 employees as at 31 March 2016.

The PLC Directors believe that TBC's employee turnover rate (approximately 11% in 2015) is low compared to other companies in Georgia due to TBC's competitive compensation and benefits policies, career development opportunities and its strategy of internal promotions.

TBC provides various types of non-wage compensation to employees including bonuses, paid annual leave and sick leave, competitive pension and health benefits. TBC's contributions to these benefit programmes vary according to the employees' position and salary level. Participation in the pension scheme is voluntary, and TBC's monthly contributions to the pension programme are relatively minimal (less than GEL 25 per month per employee). TBC's contribution obligations under the pension scheme terminate with an individual's employment, with no contribution obligations to that employee thereafter. TBC does not have any pension liabilities towards its employees.

TBC's employment strategy is to attract and retain skilled and well-trained employees at all levels. Its human resource management system is supported by a tailored IT system to manage personnel through recruitment, career planning, training, and performance evaluations. TBC provides mandatory training programmes on all key skills, including customer services, negotiation skills, conflict resolution, time management, business communication, team building and banking products. TBC Academy is also an in-house educational resource that provides employees an opportunity to acquire knowledge in various banking disciplines, featuring lecturers from TBC's top and middle management.

TBC has also implemented performance management systems with quantitative targets at the front office and goal-driven targets at the back office. Based on the results of performance evaluations, financial incentives are determined for the top performing employees. Certain head office staff are evaluated against a Management by Objectives (MBO) system where an employee and the respective manager agree to goals and objectives that are closely aligned with the broad organizational strategic objectives. The process includes ongoing tracking and bi-annual feedback on employee achievements. Performance Assessment and final feedback is standardised across TBC and is based on a uniform scoring system that managers are required to use. TBC's human resource management system is supported by a tailored IT system to manage personnel through career planning, training and performance evaluations.

In addition to in-house training opportunities, TBC provides support to employees for external training, financing and internationally recognised qualifications, such as CFA and ACCA, as per the relevant department's requirements. TBC also operates a scholarship fund, created in 2012, that has financed more than 20 TBC middle managers in acquiring their MBAs.

Regular communication with employees is an integral part of the TBC's corporate culture. TBC ensure its team is kept apprised of information concerning the TBC's activities through executive presentations, TBC magazine, intranet content and different corporate events organised by the human resources department. The human resources department also regularly conducts surveys to assess the attitude of our staff members and take actions accordingly.

TBC Bank is an equal opportunity employer. As part of TBC's Code of Conduct, TBC does not discriminate in employment decisions based on gender, ethnicity, religion, disability or other protected categories.

Intellectual Property

TBC has registered several trade marks and logos, including those belonging to TBC Bank and TBC Kredit. In addition, TBC has registered multiple domain names in Georgia and elsewhere. A number of software licenses granted to TBC also comprise a part of TBC's intellectual property. TBC holds copyrights in its brand music (sound logo) and the mobile banking applications. Other than trademarks, logos and copyrights, Management does not consider any of its intellectual property assets to be material to its business.

Legal Proceedings

From time to time and in the normal course of business, TBC is subject to legal actions and complaints, including those described below. However, other than as described below, during the 12 months preceding the date of this Prospectus there have been no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which TBC is aware) that may have or have had in the recent past a significant effect on the financial position or profitability of TBC PLC or the Group.

TBC Bank is currently involved in legal proceedings with Champion Murtaz Khurtsilava International Football School 2004, Ltd. ("**Murtaz**") regarding TBC Bank's collection of a defaulted loan to Murtaz and the foreclosure on and sale of collateral used by Murtaz to secure the loan. The claim is for a total amount of U.S.$10 million. On 24 January 2014, Tbilisi City Court decided in TBC Bank's favour. The judgment was appealed by Murtaz and the next hearing before the Court of Appeals is to be scheduled in the near future. The PLC Directors believe the suit is without merit and are vigorously defending it.

TBC Bank is also currently involved in legal proceedings initiated by China Chengdu Import & Export Group Co., Ltd in the Sichuan Province Higher People's Court in China regarding termination of a payment under a counter guarantee issued by a Chinese commercial bank in favour of TBC Bank. The total value of these claims is approximately U.S.$10.1 million, GEL 24.3 million of which TBC recognised as gross value of receivables as at 31 December 2015, out of which GEL 8.4 million (U.S.$3.7 million) had been accounted for as a provision in accordance with IFRS at the same date. If the claims are not decided in TBC's favour, it may result in TBC recording an additional provision expense for the remaining U.S.$6.4 million. The court of first instance in China has completed all hearings on the merits and is expected to deliver its judgment. However, in December 2015, China Chengdu Import & Export Group Co., Ltd offered to settle (TBC Bank's current settlement offer is 80% of the disputed amount). Settlement negotiations are currently pending and the Chinese court has stayed the proceedings pending a settlement agreement.

TBC Bank is also currently involved in legal proceedings initiated by JSC Mill Factory of Poti (owned by Mr. Ivane Chkhartishvili, ex-politician and Georgian businessman) regarding TBC Bank's collection of the defaulted loan and foreclosure of plaintiff's collateral assets. The plaintiff requests an annulment of the 2010 foreclosure auction and consequential damages in the amount of U.S.$32 million, seeking to hold TBC Bank and three other defendants jointly and severally liable. On December 9, 2015, the Tbilisi City Court rejected the plaintiff's claim for damages in favour of TBC Bank, but partially upheld the plaintiff's claim and declared the auction void. All parties (including TBC Bank) have challenged the first instance court judgment in respective parts and the case is currently pending before the Court of Appeals. The PLC Directors believe the suit is without merit and are vigorously defending it.

PART XIII

LENDING POLICIES AND PROCEDURES

Lending Policies

TBC Bank lends to retail, corporate, SME and micro clients, providing a variety of lending products such as loans, credit lines, overdrafts, credit cards, letters of credit and guarantees. TBC Bank's credit policies establish a framework for lending decisions reflecting TBC Bank's tolerance for credit risk. This framework includes detailed and formalised credit evaluation and collateral appraisal processes, administration and documentation, credit approval authorities at various levels, counterparty and industry concentration limits, and clearly defined roles and responsibilities of entities and staff involved in the origination, monitoring and management of credit.

TBC divides its credit portfolio into four segments in order to manage it more effectively: retail, corporate, SME and micro. The credit portfolio of each segment is governed by the rules set out in the corresponding policies and procedures, which are regularly updated.

Retail loans

Retail lending entails originating a large number of smaller value loans to individuals. TBC Bank offers its retail clients different credit facilities, such as mortgage loans, consumer and auto loans, POS loans, credit cards and overdrafts. To ensure that lending decisions are consistent, TBC Bank analyses the historical debt servicing behaviour of customers and then uses these results to set product specific lending rules, guidelines and procedures.

The loan approval procedures for retail loans depend on the type of credit facility sought. Different procedures are in place for assessment of: (i) mortgage, secured consumer, and auto loans; and (ii) unsecured consumer loans, POS loans, credit cards and overdrafts.

Applications for mortgage, consumer and auto loans originate at branches or via a call centre. For these loans, the application and approval process involves a client interview conducted by a loan officer to obtain information relating to: the intended purpose of the loan, the borrower's income, repayment capacity and credit history and collateral provided. Checks are then conducted in TBC Bank's internal database, as well as external databases (including a credit bureau maintained by JSC Credit Information Georgia (''**CIG**'')) in relation to the potential borrower's financial position and credit history. If the borrower is not a ''payroll'' client of TBC Bank (whose income is deposited directly into their TBC accounts), the potential borrower's income is verified with his or her employer during an on-site visit. In general, the collateral for the loan is appraised by an internal appraiser (or, if the borrower is related with TBC, an independent external appraiser). Following the conclusion of the initial review, the loan officer prepares a credit application for approval by the retail Loan Approval Committee, which operates from TBC Bank's head office. TBC Bank classifies its Loan Approval Committees under various ''approval levels'' according to the title and function of the individual committee members. Depending on the amount of the loan required by a customer, a respective Loan Approval Committee will review the loan request based on specified limits as to the risk level of the customer.

Applications for unsecured consumer loans and credit cards are originated at TBC Bank's branches by sales consultants or loan officers, as well as via internet banking, mobile banking, web applications, ATM, TBC pay machines and call centres. POS loan applications are originated by merchants acting as TBC's agents or TBC staff located at the merchant. The decision making process for these loans is largely automated, with borrowers receiving a credit score that reflects the outcome of the borrower's risk profile assessment based on the dedicated scorecard models and credit bureau grading. Scoring is applied once the borrower meets the minimum requirements for the product, such as age, minimum income, and other related criteria. Automated approval decisions are subject to risk determined cut-offs, and certain applications undergo a manual review process by a designated group in the Centralised Operations Processing Department or in the Retail Underwriting Department in the case of unsecured consumer loans.

Retail loan applications are processed through a special Application Processing Software that was implemented in 2007. Once the application is run through the software, it automatically takes information from all relevant databases and applies pre-defined scoring rules and approval strategies for different products. TBC Bank is currently implementing a Loan Origination System from FICO

that will further enhance the decision making process through the more efficient management of approval strategies and respective processes.

In 2014, TBC Bank implemented a comprehensive system for loan preapprovals and credit limit management. The system represents multi-layer strategies and rules for the identification of borrowers with acceptable risk profiles and the assessment of the amounts of the preapproved loans. Internal models of TBC Bank and credit bureau ratings are extensively used in the loan preapproval process for unsecured consumer loans, POS loans and credit cards. With the credit limit management system, TBC Bank is able to assess cardholders based on their credit risk profile and limit utilization behaviour, thus managing limits more efficiently and proposing limit increases to borrowers with acceptable risk profiles and higher probabilities of utilization.

In 2005, TBC Bank jointly with other Georgian banks and with Creditinfo Group, a provider of credit information solutions, established CIG to serve as a centralised credit bureau in Georgia, with which Georgian banks and micro-finance institutions share customer information. Most Georgian banks have shared negative customer credit information with CIG since 2005, and positive customer credit information since 2007. In 2011, Creditinfo Group developed a customer rating system based on the accumulated statistical data. The rating model is being revised on a yearly basis considering the updated statistical data.

Corporate loans

TBC Bank evaluates corporate banking customers on the basis of several factors, including their business model and development milestones, financial standing, market position and industry, corporate governance and ownership structure, strategy and development plan and credit history. TBC Bank also thoroughly evaluates the loan purposes (including the scope of the project that the loan is intended to finance) and loan repayment sources, as well as the quality of the collateral offered to secure the loan.

Applications for corporate loans are initially submitted to the Corporate Customers Department at TBC's head office and are analysed by a credit analyst and a banker specialising in one or more industry segments and thus aware of current industry trends and developments. The analyst is responsible for gathering sufficient information in order to assess the borrower's risk profile, structure the credit and determine the type of credit facility that best meets the applicant's needs. A thorough analysis of each credit application is conducted, including the review of information relating to the potential borrower, its owners and management, its related parties, its financial statements, the amount and purpose of the loan and the collateral offered, which is appraised by an internal appraiser (or, if the borrower is related to TBC, an independent external appraiser), and on-site visits to assess the customer's business operations. The objective of the analysis is to structure the credit facility and, to the maximum extent possible, limit all critical risks related to the borrower and the financing of the project, and to define the primary and secondary sources for the repayment of the credit. To ensure a comprehensive credit analysis process, credit granting criteria and lending guidelines are tailored for individual industries. Guidelines cover all key industries and outline target ratios within each industry, including profitability ratios, debt service capacity, leverage, interest coverage, liquidity and efficiency.

In the event that the credit analyst determines that the potential borrower is eligible for a loan, he or she will prepare a presentation containing certain key information in relation to the potential borrower and loan for the relevant Loan Approval Committee. In order to encourage consistency, TBC Bank implemented a Risk Analyst system from Moody's, where the financial data of individual borrowers is centrally stored, enabling TBC Bank to analyse a borrower's data more efficiently both from a historical developments perspective and a peer companies' analysis perspective. An underwriting credit risk manager ensures that the project analysis provided by the credit analyst is complete, all risks and mitigating factors are identified and adequately addressed and the loan is properly structured. A risk report assessing the credit application and recommending a decision is issued for the Loan Approval Committee.

Loan Approval Committees for corporate loans are classified under approval levels that are subject to specified limits as to the risk level of customers that may be approved for a loan. For corporate, these limits are determined based on a customer's total direct and related liabilities, including liabilities of related borrowers. The approval level for corporate borrowers is determined by the risk level of the customer according to TBC Bank's classification categories. A corporate loan to TBC

Bank's top 20 largest borrowers or a loan exceeding 5% of TBC Bank's regulatory capital would require the review and approval of the Bank Supervisory Board.

SME loans

TBC Bank evaluates SME banking customers on the basis of several factors, including the purpose of the proposed loan and source of repayment, the risk profile of the borrower, the borrower's repayment history and current capacity to repay, terms and conditions of the proposed credit and, where applicable, the quality of the collateral offered to secure the loan.

SME applications are submitted in the branches. A loan officer is responsible for gathering and reviewing preliminary information and determining the type of credit facility that best meets the applicant's needs. As in the case of corporate loans, a thorough analysis of each credit application is conducted, including the review of information relating to the potential borrower, its owners and management, its related parties, its financial statements, the amount and purpose of the loan and the collateral offered, which is appraised by an internal appraiser (or, if the borrower is related to TBC, an independent external appraiser), and on-site visits to assess the customer's business operations.

In the event that the loan officer determines that the potential borrower is eligible for a loan, he or she will prepare a presentation containing certain key information in relation to the potential borrower and loan for the relevant Loan Approval Committee. SME loans are reviewed by the originating branch's internal committee to ensure completeness of the loan application documents and the loan officer's analysis prior to submission to the corresponding Loan Approval Committee.

As in the case of corporate loans, Loan Approval Committees for SME loans are classified under approval levels that are subject to specified limits as to the risk level of customers that may be approved for a loan. These limits are determined based on a customer's total direct and related liabilities, including liabilities of related parties and the borrower's risk profile. In the event that all members of the relevant Loan Approval Committee agree unanimously, the loan is approved. If not, the application will either be referred to a Loan Approval Committee with a higher approval level at the request of the relevant loan officer or be rejected.

Micro loans

TBC Bank offers to its clients secured and unsecured micro business and agro loans. The loan approval procedures for unsecured micro business and agro loans up to GEL 6,000 is automated and decisions are based on scoring systems. Credit applications for these loans may originate at branches or via distant sales channels. The loan officer interviews the borrower and obtains information related to the borrower's financial standing. If the borrower satisfies the minimum requirements for the loan, the loan officer runs in the borrower's data through the dedicated Application Processing Software and a final decision is made based on predefined strategies and scoring systems embedded in the system.

Applications for larger micro business and agro loans originate at branches. For these loans the application and approval process involves a client interview conducted by a branch loan officer to obtain information relating to the intended purpose of the loan, the borrower's income, repayment capacity and credit history and the collateral offered for the loan. Collateral is appraised by an internal appraiser (or, if the borrower is related to TBC, an independent external appraiser). TBC Bank developed detailed guidelines and a product map enabling a comprehensive assessment and cross check of the borrower's business and financial capacity. Depending on the size of the loan, the loan approval decision is made by at least two people, either locally in the originating branch or in a centralised credit committee at TBC Bank's head office. Branches have different decision making limits based on the experience of the individuals involved in the loan approval process. The maximum loan amount that may be approved at the branch level is U.S.$10,000.

Loans to related parties

Loans to related parties of TBC Bank (as defined under TBC Bank's internal policies) are processed according to TBC's standard credit policies and with the level of prudence required by local legislation. All transactions with related parties at minimum require Chief Risk Officer ("**CRO**") or CEO approval. The Bank Supervisory Board must approve transactions with related parties that result in an exposure (i) to individuals exceeding the lesser of GEL 150,000 and 0.5% of regulatory capital, (ii) to legal entities exceeding the lesser of GEL 200,000 and 1% of regulatory capital, and (iii) exceeding GEL 1,000,000, in the case of liabilities secured with deposits. Bank Supervisory Board

approval is also required for transactions with related parties for products or services which would result in an annual total cash outflow from the Bank greater than GEL 200,000
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TBC's Risk Appetite Statement sets limits for single and aggregated exposure to related parties. These limits are calculated by reference to the following ratios:

- a related party exposure ratio of not more than 5% to any one related party, calculated as (i) the aggregate of on- and off-balance sheet liabilities of that related party to TBC Bank, divided by (ii) total regulatory capital required by the NBG; and
- a related party exposure ratio of not more than 15% to all related parties on an aggregate basis, calculated as (i) the aggregate of on-balance sheet and off-balance sheet liabilities of all such related parties to TBC Bank, divided by (ii) total capital (calculated in accordance with Basel I requirements).

Historically, TBC's credit exposure to related parties (as defined under IFRS) has been very small, amounting to 0.2% of TBC's gross credit portfolio as at 31 March 2016, compared 0.1%, 0.2% and 0.4% as at 31 December 2015, 2014 and 2013, respectively. Collateral for loans to related parties is appraised by external independent appraisers and subject to coverage ratios of at least 110%.

Collateral Policies

TBC requires collateral from most of its retail, corporate, SME and micro borrowers. Collateral on loans extended by TBC may include, but is not limited to, real estate, vehicles, equipment, inventory, cash deposits, precious metals, securities and third party guarantees. The collateral accepted against a loan depends on the type of credit product and on the credit risk of the borrower.

TBC's loan portfolio has historically been well-secured. As at 31 March 2016, 90.0% of TBC's loan portfolio was secured, compared to 90.0%, 90.7% and 92.9% as at 31 December 2015, 2014 and 2013, respectively. The following table sets out certain information relating to the collateralisation of TBC's gross loan portfolio, as at the dates indicated:

	As at 31 March 2016	As at 31 December		
		2015	2014	2013
		(unaudited) (% of gross loans)		
Real estate	61.6%	60.8%	60.4%	60.3%
Inventory and equipment	11.3%	10.7%	13.5%	15.6%
Cash deposits	3.1%	4.2%	3.4%	5.0%
Precious metals	6.0%	5.6%	3.9%	3.5%
Other assets	1.1%	1.0%	1.2%	1.3%
Third party guarantees	6.9%	7.7%	8.2%	7.1%
Total secured loans	**90.0%**	**90.0%**	**90.7%**	**92.9%**
Unsecured loans	**10.0%**	**10.0%**	**9.3%**	**7.1%**

Unsecured loans include fully unsecured loans and the unsecured portion of partially-secured loans (so-called ''under-collateralised assets''). The value of the collateral used to secure loans in TBC's portfolio can vary over time, and in certain cases may be lower than the carrying value of an asset. See ''*Risk Factors—Risks Relating to TBC's Business—Collateral values may decline, which could adversely affect TBC's asset quality*'' and Note 9 to the Audited Consolidated Financial Statements and Note 9 to the Unaudited Consolidated Interim Financial Statements. As at 31 March 2016, GEL 704.6 million (15.7%) of the total gross loan portfolio was under-collateralised, compared to GEL 646.4 million (13.9% of total gross loans), GEL 414.6 million (11.2% of total gross loans) and GEL 332.7 million (11.2% of total gross loans) as at 31 December 2015, 2014 and 2013, respectively.

A centralized unit for collateral management has been established in order to centralize TBC's view and strategy with respect to collateral management and ensure that collateral serves as an adequate mitigator for credit risk management purposes. Collateral provided in respect of loans is appraised, in accordance with TBC's internal policies, by TBC Bank's Internal Appraisal Group (other than in certain specific cases and loans to related parties, for which external appraisers are used). The Internal Appraisal Group is part of the collateral management unit and is independent from the loan granting process in order to ensure that adequate appraisals are obtained and proper appraisal procedures are

followed. When appraising collateral, TBC Bank applies haircuts to the market value of the asset based on the property type and its location.

Loan officers and/or appraisers inspect proposed collateral for new loans in order to determine whether it is appropriate. Collateral of significant value (defined as cases in which the value of each of the loan and the collateral exceeds U.S.$300,000) is re-evaluated annually by internal appraisers based on-site visits. Statistical methods are used to monitor the value of collateral of non-significant value. Collateral may require more frequent re-evaluation as a result of changes to the borrower's standing or market fluctuations. In case of repossession, any collateral is also re-evaluated within three months prior to repossession. Requirements relating to the frequency of re-evaluations are determined in accordance with TBC Bank's appraisal policy, which is subject to the approval of the CEO.

Credit policies outline clear guidelines for collateral registration in order to ensure that collateral is enforceable in a timely manner. As at 31 March 2016, inventories of repossessed collateral held by TBC accounted for GEL 71 million (net of provisioning), or 1.1% of TBC's total assets (compared to 1.2%,1.1% and 1.1% of TBC's total assets as at 31 December 2015, 2014 and 2013, respectively).

Portfolio Supervision

TBC Bank's risk management policies and processes are designed to identify and analyse risk in a timely manner, and monitor adherence to predefined limits by means of reliable and timely data. TBC Bank dedicates considerable resources to gain a clear and accurate understanding of the credit risk TBC Bank faces across various business segments. TBC Bank uses a robust monitoring system to timely react to macro and micro developments, identify weaknesses in the credit portfolio and outline solutions to make informed risk management decisions. Monitoring processes are tailored to the specifics of individual segments. Monitoring processes encompass individual credit exposures, overall portfolio performance and external trends that may impact the portfolio's risk profile. Early warning signals serve as an important early alert system for the detection of credit deteriorations, leading to mitigating actions.

For corporate and SME loans, monitoring is conducted by a credit analyst (for corporate loans) and loan officer (for SME loans) and is reviewed by underwriting risk managers/credit sanctioners. Regular oversight of monitorings and selective reviews are conducted by the credit risk management team. Debt repayments are monitored on a daily basis.

Comprehensive reviews of the financial standing of business borrowers and covenant checks are performed on a monthly, quarterly or semi-annual basis, with frequency depending on the industry outlook and the financial standing and business profile of the borrower. Based on the result of the monitoring, borrowers are graded according to perceived risk severity and are classified as "standard," "watch" or "sub-standard".Customers facing increased risks are subject to heightened scrutiny with respect to the frequency and complexity of monitoring, which is dependent on the risk category of the borrower. Risk categories are determined based on the customer's credit history, financial standing, trends in the borrower's industry or other factors that may negatively affect the borrower's creditworthiness. The "standard" category includes borrowers who are reasonably certain to repay loan amounts without difficulties based on available information concerning the borrower's credit exposure, the performance of the borrower's account, and the borrower's financial data. A borrower otherwise able to repay its loan (based on its then-current financial condition) is assigned to the "watch" category if potential weaknesses are revealed that, if not addressed or corrected, could result in the deterioration of the borrower's creditworthiness. Potential weaknesses include (i) financial statements of the borrower or its guarantor showing a downward trend in profitability or liquidity, (ii) delinquencies or a sudden reduction in the timeliness of loan payments, (iii) non-compliance with loan covenants, (iv) general concerns in the borrower's industry or (v) some other issues that relate to the borrower's business are revealed that require close monitoring in order to timely assess the potential negative impact on the borrower's financial standing. Borrowers with deteriorated financial standing that are unable to repay their loan with their primary source of repayment (requiring the loan to be repaid from other sources, such as sale of collateral) are assigned to the "sub-standard" category and are transferred to the dedicated restructuring unit.

Retail borrowers are monitored for timely debt repayment on a daily basis. Statistical techniques are applied to the monitoring of the overall performance of the portfolio, with a deeper analysis performed for specific sub-segments in the event there are signs of performance deterioration.

Along with the daily monitoring of debt repayments and a monthly analysis of the portfolio's performance, a dedicated unit exists for monitoring micro loans. The monitoring group undertakes site visits to the borrower's business to perform its analysis. This process enables TBC Bank to timely identify any inconsistencies with TBC Bank's lending policy and undertake corresponding actions.

The Credit Risk Management Department analyses trends of the portfolio on a monthly basis, including total credit portfolio exposure, portfolio quality, vintage analysis, concentrations, maturities, volumes and performance of Non-performing Loans, write-offs and recoveries, and presents its findings to the Bank Management Board. Furthermore, reports relating to the credit quality of the credit portfolio are presented to the Bank Supervisory Board on a quarterly basis. By comparing current data with historical figures, and by analysing forecasts the PLC Directors believe that they are able to identify risks and respond to them by amending TBC's policies in a timely fashion.

Grading policies

TBC has also established a facility grading policy with respect to retail, corporate and SME loans, which enables TBC Bank to monitor portfolio quality and identify signs of deterioration as early as possible.

For retail loans, TBC Bank (together with Experian) has developed a statistical behavioural rating model as part of the Basel II/III implementation project, which is used for loan preapprovals, retail loan decision making and portfolio quality monitoring. The model contains three separate grading systems for (a) loans secured by real estate, (b) credit limits, and (c) other retail loans, and each type is further differentiated depending on the amount of time the loan has been outstanding (with separate analyses for loans outstanding more than or less than six months). A grade is allocated to the facility based on variables relating to the borrower's demographic (including gender, work experience), credit history and payment behaviour, utilisation of facilities (frequency of credit usage and balances of loan amounts) and macroeconomic factors (such as GDP and refinance rates).

TBC's grading system for corporate and SME loans was updated in 2013 as part of the Basel II/III implementation project to enable TBC Bank to identify clients with deteriorated financials in a timely manner and closely monitor the quality of the loan portfolio. The grade allocated to corporate and SME borrowers consists of a combination of (i) the industry grade score, (ii) a general borrower score reflecting the borrower's position in the industry and its corporate governance and (iii) a borrower financial score reflecting financial conditions of the borrower and its potential ability to meet financial liabilities. TBC Bank currently is updating the grading system, together with Moody's Analytics, in order to develop tailored models for the corporate and SME segments, thus further enhancing the models' predictive power.

Provisioning guidelines

The allowance for loss is established for financial assets when there is objective evidence that a financial asset is impaired. According to TBC Bank's policy, loan loss reserves must be maintained at a level that is adequate to absorb all estimated inherent losses in TBC Bank's credit portfolio at any given point in time. TBC Bank estimates loan provisions and allowance for losses according to rules set both by the NBG and IFRS.

Provisioning levels by NBG standards are defined according to the borrower's financial condition, number of days overdue and collateral coverage of the loan. Under NBG rules, retail and micro loan provisioning is done collectively, whereas corporate and SME loan provisioning levels are assessed individually. Provisioning is conducted on a monthly basis by the Credit Risk Management Department.

According to IFRS, the credit portfolio is assessed for impairment on an individual and collective basis. For provisioning purposes, borrowers or a group of borrowers are classified as ''significant'' or ''non-significant''. Borrowers with total liabilities of GEL 2 million or more are regarded as significant. As of 31 December 2015, TBC Bank introduced a revised methodology for loan loss provisioning purposes under IFRS with the support of Deloitte, which enables TBC Bank to assess impairment allowances in a more accurate manner, due to a more granular segmentation of the portfolio and the application of various risk parameters for a more comprehensive assessment of losses. TBC Bank has also enhanced its assessment methodology with respect to individually ''significant'' borrowers through the introduction of a scenario analysis.

To assess impairment with respect to individually significant borrowers, TBC Bank outlines trigger events, which include the deterioration of the borrower's financial standing, delinquencies in loan repayments, bankruptcy proceedings, or other events that may affect the borrower's creditworthiness. If there is evidence that an impairment loss event with respect to a significant credit exposure has occurred, TBC Bank assesses the borrower on an individual basis and measures the amount of the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows. TBC Bank considers two recovery sources, which are cash recoveries and collateral recoveries. For cash recoveries the estimated recoverable amount is equal to the present value of the estimated future cash flows. Collateral recoveries reflect the cash flows that may result from a collateral foreclosure. TBC Bank estimates future recoveries by applying a scenario analysis and taking into account all relevant information available at the reporting date, including adverse changes in the general macroeconomic environment or the industry the borrower operates in. The assessment is made by credit analysts or loan officers and is reviewed by the corporate and SME Credit Risk Management Department.

If TBC Bank determines that no objective evidence exists that an individually assessed financial asset has been impaired, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. For collective assessment purposes, financial assets are grouped into homogenous risk pools based on similar credit risk characteristics, including the type of counterparty (individual or business), the type of product, the past-due status of the financial asset, the restructuring status and the type of collateral.

In order to calculate the impairment allowance for collectively assessed loan pools, TBC Bank estimates certain risk parameters, which include the probability of default, cure rate, recovery rate, survival rate and loss given default, based on historical experience. Probabilities of defaults are calculated based on migration matrixes for different overdue buckets within the portfolio and increase based on the number of payments missed, thus raising the associated impairment requirement. For recovery rate estimation purposes, the impaired portfolio is segmented based on the number of months in default and the amounts to be recovered are estimated, which decrease as the number of months in default increase. Cure rates estimate the extent to which defaulted exposures can be cured by the borrower repaying the overdue amounts in full. Exposures with a longer time in default have lower cure rates compared to newly defaulted exposures. For cured exposures, TBC Bank also estimates survival rate, which represents the probability that the exposure will be repaid or survive the one-year quarantine period and become a performing portfolio. In case there is change in the internal or external environment and historical data no longer reflects current conditions, TBC Bank adjusts the risk parameters on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

TBC Bank will reverse a previously recognised impairment loss if, after the impairment was recognised, the amount of the impairment loss decreases and the decrease is related to an objective event. The previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss. In order to reverse provisions for individually significant borrowers, there should be objective evidence that the borrower's financial standing has improved or there is an improvement in collateral coverage. For collectively assessed loans, the exposure should survive the quarantine period to be reclassified as a performing loans pool.

Analysis of loan portfolio in accordance with IFRS

The tables below set out information on changes in TBC's loan loss reserves for the periods indicated.

	Corporate loans	Consumer loans	Mortgage loans	SME loans	Micro loans	Other loans	Total
				(unaudited) (GEL thousands)			
At 1 January 2016	108,050	40,407	13,135	12,506	18,021	2,025	194,144
Charge	(8,220)	9,046	3,331	3,884	5,783	(757)	13,067
Write-offs	—	(7,611)	(1,658)	(1,483)	(3,860)	—	(14,613)
Recoveries	30	1,239	440	292	894	—	2,894
Effect of translation to presentation currency	—	(7)	(11)	(44)	—	—	(63)
At 31 March 2016	**99,859**	**43,075**	**15,236**	**15,153**	**20,836**	**1,268**	**195,428**
As % of total reserves	51.1%	22.0%	7.8%	7.8%	10.7%	0.6%	100.0%
Ratio of charge to average gross loans during the period[(1)]	(2.3)%	4.1%	1.5%	2.5%	4.8%	(1.2)%	1.2%

Note:
(1) Annualised charge for the period divided by the average monthly gross loans for the period.

	Corporate loans	Consumer loans	Mortgage loans	SME loans	Other loans	Micro loans	Total
				(audited) (GEL thousands)			
At 1 January 2015	91,226	36,753	8,889	5,288	—	7,608	149,764
Charge	15,396	22,286	4,693	11,628	2,025	16,763	72,791
Write-offs	(6,066)	(22,937)	(2,714)	(5,383)	—	(12,351)	(49,451)
Post-merger re-classification effect	—	(2,373)	(245)	25	—	2,593	(0)
Effect of translation to presentation currency	—	(256)	(276)	(1,258)	—	—	(1,790)
Recoveries	7,494	6,935	2,788	2,206	—	3,406	22,829
At 31 December 2015	**108,050**	**40,408**	**13,135**	**12,506**	**2,025**	**18,019**	**194,143**
As % of total reserves	55.7%	20.8%	6.8%	6.4%	1.0%	9.3%	100%
Ratio of charge to average gross loans during the period[(1)]	1.1%	2.9%	0.6%	2.0%	1.0%	3.6%	1.7%

Note:
(1) Annualised charge for the period divided by the average monthly gross loans for the period.

	Corporate loans	Consumer loans	Mortgage loans	SME loans	Other loans	Micro loans	Total
				(audited) (GEL thousands)			
At 1 January 2014	107,666	31,704	8,292	4,315	—	4,892	156,869
Charge	18,995	20,362	1,666	1,625	18	6,006	48,672
Write-offs	(45,901)	(21,837)	(2,726)	(3,200)	(36)	(5,547)	(79,247)
Recoveries	10,466	6,524	1,657	2,548	18	2,257	23,470
At 31 December 2014	**91,226**	**36,753**	**8,889**	**5,288**	**0**	**7,608**	**149,764**
As % of total reserves	60.9%	24.5%	5.9%	3.5%	0.0%	5.1%	100%
Ratio of charge to average gross loans during the period[(1)]	1.8%	3.1%	0.3%	0.4%	0.0%	2.6%	1.6%

Note:

(1) Annualised charge for the period divided by the average monthly gross loans for the period.

	Corporate loans	Consumer loans	Mortgage loans	SME loans	Micro loans	Total
			(audited) (GEL thousands)			
At 1 January 2013	112,975	31,156	13,186	4,820	4,361	166,498
Charge	17,035	18,029	(4,652)	88	2,471	32,971
Write-offs	(26,512)	(22,241)	(2,578)	(2,351)	(3,703)	(57,385)
Recoveries	4,168	4,760	2,336	1,758	1,763	14,785
At 31 December 2013	**107,666**	**31,704**	**8,292**	**4,315**	**4,892**	**156,869**
As % of total reserves	68.6%	20.2%	5.3%	2.8%	3.1%	100.0%
Ratio of charge to average gross loans during the period[(1)]	1.6%	3.3%	(1.1)%	0.0%	1.4%	1.3%

Note:

(1) Annualised charge for the period divided by the average monthly gross loans for the period.

Provision charges for loan impairment amounted to GEL 13.1 million for the three months ended 31 March 2016 (compared to GEL 29.4 million for the three months ended 31 March 2015, which was in large part a result of the depreciation of the Lari in 2015). Corporate loan book charges were recovered in the three months ended 31 March 2016 as the result of a decrease in the corporate loan portfolio and a decrease in the exposures of certain borrowers with relatively high provision levels.

Provision charges for loan impairment increased by GEL 24.1 million, or 49.6%, to GEL 72.8 million for the year ended 31 December 2015 from GEL 48.7 million in 2014, primarily due to the impact of the depreciation of the Lari. The PLC Directors estimate that the provision charges for loan impairment would have amounted to GEL 41.2 million at 31 December 2015 if the effect of the depreciation of the Lari on provision charges in 2015 was eliminated. Further, updates to the impairment methodology led to the release of loan provisions in the amount of GEL 7.7 million, with the biggest recovery of GEL 9.1 million attributable to the retail segment, where TBC Bank was able to estimate provision amounts more precisely as a result of a more granular segmentation of the portfolio and the enhancement of risk parameter assessments.

The provision level for loan impairment of GEL 195.4 million as at 31 March 2016 was GEL 21.2 million (12%) higher than the GEL 174.2 million provision level as at 31 March 2015, which reflects an increase attributable to several factors such as the technical effect of the depreciation of the Lari, growth in the volume of the loan portfolio and an increase in overdue amounts in the SME and micro segments. The provision level for loan impairments increased by GEL 44.4 million, or 29.6%, to GEL 194.1 million as at 31 December 2015, from GEL 149.8 million as at 31 December 2014; which was mainly driven by the effect of the depreciation of the Lari. The PLC Directors estimate that the provision level for loan impairment would have amounted to GEL 165.1 million as

at 31 December 2015 if the effect of the depreciation of the Lari on the provision level in 2015 was eliminated.

Non-performing and Restructured Loans and overdue finance leases

Prior to December 2015, TBC Bank reported non-performing loans as loans that were 90 days past due ("**90 DPD Loans**"). The following table gives information about TBC Bank's 90 DPD and Restructured Loans, calculated as a percentage of TBC's gross loan portfolio, as at 31 December 2015, 2014 and 2013:

	As at 31 December		
	2015	2014	2013
	(unaudited) (GEL thousands, except percentages)		
90 DPD and Restructured Loans	267,009	136,896	141,875
As a percentage of gross loan portfolio	5.8%	3.7%	4.8%
90 DPD Loans	47,329	19,901	31,615
As a percentage of gross loan portfolio	1.0%	0.5%	1.1%

All ratios in the tables above were calculated by dividing the total exposure of the loans by the gross loan portfolio. 90 DPD and Restructured Loans increased as a percentage of TBC's total gross loan portfolio and amounted to 5.8% as at 31 December 2015 compared to 3.7% as at 31 December 2014, primarily due to TBC Bank's proactive approach to offering restructuring to customers affected by the Lari depreciation. The share of 90 DPD Loans as a percentage of the total gross loan portfolio increased insignificantly standing at 1.0% as at 31 December 2015 compared to 0.5% as at 31 December 2014.

In December 2015, TBC began applying an updated methodology for calculating non-performing loans, the definition of which was expanded to include loans in respect of which any portion of principal or interest is overdue by more than 90 days or there are identified underlying well-defined weaknesses that may prevent repayment of the credit obligation without recourse to collateral, regardless of the existence of any past due amount or the number of days past due ("**Non-performing Loans**"). This new methodology is in line with international market standards. The following table gives information about TBC Bank's Non-performing Loans calculated as a percentage of TBC's gross loan portfolio, as at 31 March 2016 and 31 December 2015 and 2014:

	As at 31 March 2016	As at 31 December	
		2015	2014
		(audited)	
(GEL thousands, except percentages)			
Non-performing Loans	215,174	222,020	114,739
As a percentage of gross loan portfolio	4.8%	4.8%	3.1%

The following table sets out certain information about TBC Bank's Non-performing Loans, calculated as a percentage of TBC's gross loan portfolio, per segment:

	As at 31 March 2016			
	Retail	SME	Corporate	Micro
	(audited) (GEL thousands, except percentages)			
Non-performing Loans	56,446	36,768	99,623	22,877
As a percentage of gross loan portfolio	2.8%	6.0%	7.4%	4.6%

	As at 31 December 2015			
	Retail	SME	Corporate	Micro
	(audited) (GEL thousands, except percentages)			
Non-performing Loans	54,758	28,337	118,321	20,603
As a percentage of gross loan portfolio	2.7%	4.5%	7.9%	4.2%

The share of Non-performing loans in the portfolio as a percentage of TBC's total gross loan portfolio remained stable at 4.8% as at 31 March 2016, compared to 4.8% and 3.1% as at 31 December 2015 and 2014, respectively.

The NBG classifies ''non-performing loans'' as all loans subject to provisioning levels of 30% or more (pursuant to NBG provisioning guidelines), which is much broader than TBC's definition and along with Non-performing Loans defined by TBC Bank, include certain performing loans that have been assigned higher provisioning levels under NBG guidelines. Although TBC complies with the broader NBG standards, all information relating to TBC's Non-performing Loans in this Prospectus are calculated according to TBC Bank's definition.

TBC Bank restructures loans when the customer is experiencing or may be facing difficulties with loan repayment (''**Restructured Loans**''). TBC Bank restructures loans only if sufficient proof is provided that the customer will be able to repay the loan following the restructuring and that such restructuring is being made for good cause. Loans are restructured by altering the loan maturity or repayment schedule. The ratio of Restructured Loans to total gross loans was 5.4%, 5.0%, 3.2% and 3.9% as of 31 March 2016, 31 December 2015, 2014 and 2013 respectively. Restructured Loans are at minimum assigned a ''watch'' status and monitored accordingly. If, for a twelve month period following the restructuring, the borrower repays principal and interest payments on time, TBC Bank considers re-assigning the restructured loan a ''standard'' status.

In addition, TBC also held interest-earning finance leases (before provisions for impairment) totalling GEL 78.9 million as at 31 March 2016 (representing 1.2% of TBC's total assets). As at the same date, GEL 2.1 million (2.7%) of those finance leases were more than 90 days overdue.

Restructuring and collections

TBC Bank uses a comprehensive portfolio supervision system to identify weakened credit exposures in a timely manner and take early remedial actions. Collection and recoveries processes are invoked when the borrower does not meet the agreed payments or the borrower's financial standing is weakened, potentially jeopardizing the repayment of the credit.

Dedicated restructuring and recovery units are in place to manage weakened borrowers across all business segments, with collection and recovery strategies tailored for business segments and individual exposure categories.

The primary goal of restructuring units is to rehabilitate the borrower and return the exposure to the performing category. The sophistication and complexity of the rehabilitation process differs based on the type and size of the exposure. Corporate and SME borrowers are transferred to the restructuring units when there is deterioration in the borrower's financial standing, jeopardizing the repayment of the credit. However, the main source of the repayment remains the borrower's cash flow. The transfer can be triggered by a business recommendation, an underwriting risk manager reference or monitoring results. A restructuring manager assesses a customer relationship strategy and defines the turnaround plan, which considers the specifics of the circumstances and may involve a restructuring of the exposure, a decrease in the borrower's leverage (by spinning off part of the borrower's assets), raising equity, the sale of the exposures to the third parties, taking control of the borrowers' cash flows and limiting management's business decisions.

Corporate and SME borrowers are transferred to the recovery unit when there is a strong probability that a material portion of the principal amount will not be paid and the main stream of recovery is no longer the borrower's cash flow. Loan recovery plans consider all available sources of loan recovery, such as selling the borrower's assets, realising collateral or payments under guarantees. TBC Bank's goal in the recovery process is to negotiate with the borrower a loan recovery strategy and secure cash recoveries to the extent possible or negotiate repayment through the sale or repossession of collateral.

Collection functions for retail and micro loans provide support to customers who are experiencing difficulties in meeting their obligations. Such customers may miss payments, or notify TBC Bank about their difficulty with loan repayments. A centralized monitoring team monitors retail and micro borrowers in delinquency. Collection strategies are defined considering the size and type of exposure. Specific strategies are tailored for different sub-groups of customers, reflecting respective risk levels, so that greater effort is dedicated to customers with a higher risk profile. The implementation of the Debt Manager from FICO is on-going that will replace the existing collection software, further automatize the collection of unsecured retail and micro loans and improve analytical capabilities.

Retail and micro loans are generally transferred to the recovery unit at 90 days past due. Collateralized loans are transferred to the internal recovery unit, whereas TBC Bank collaborates with the external collection agencies for unsecured loans. For recovery of collateralized loans, the recovery plan is outlined considering specifics of the individual borrower and may involve loan repayments under revised schedules or the sale of collateral. Collection agencies generally negotiate with the borrowers the full repayment of the loan or loans can be rescheduled and repaid accordingly.

Once the exposure is transferred to the recovery unit, if TBC Bank is unable to negotiate acceptable terms with the borrower, TBC Bank may initiate the collateral repossession process, which is generally quick with limited legal complications, and may include court, arbitration or notary procedures.

The recovery process aims to minimize losses and carefully considers potential reputational risks. TBC Bank's collection processes comply with applicable consumer protection laws and regulations, and TBC regulates collection methods for unsecured loans in contracts with its external collection agencies.

Write-Off Policy

Loans are written off if it is evident that a loss has been sustained and no amounts will be collected in the near future. Unsecured loans are generally written off at 180 days past due, whereas secured loans are generally written off at 365 days past due. Significant loans may be written off following an assessment by the respective risk and underwriting management department considering the recovery outlooks of individual cases. Loans are written off from balance sheet accounts in accordance with standards set by the NBG.

For the three months ended 31 March 2016, the net amount of loans written off by TBC Bank (total write-offs minus recovery) was GEL 11.7 million (representing 0.3% of the total gross loan portfolio as at that date), compared to GEL 4.7 million for the three months ended 31 March 2015 (representing 0.1% of the total gross loan portfolio as at that date), which was primarily due to an increase in write-offs related to the retail and micro loan books.

For the year ended 31 December 2015, the net amount of loans written off by TBC (total write-offs minus recovery) was GEL 26.6 million (representing 0.6% of the total gross loan portfolio as at that date), compared to GEL 55.8 million for the year ended 31 December 2014 (representing 1.5% of the total gross loan portfolio as at that date) and GEL 42.6 million for the year ended 31 December 2013 (representing 1.4% of the total gross loan portfolio as at that date).

PART XIV

RISK MANAGEMENT

General

TBC Bank operates a strong and independent, business minded risk management system. The main objectives of TBC Bank's risk management system are to contribute to the development of TBC's business strategy by supporting risk-adjusted profitability maximization and guaranteeing TBC's sustainable development through the implementation of an efficient risk management system. TBC Bank has adopted four major principles to enable the accomplishment of major risk management objectives:

- **Govern risks in a transparent manner to obtain understanding and trust**. Consistency and transparency in risk related processes and policies represent preconditions for gaining trust from various stakeholders. The communication of risk goals and strategic priorities to governing bodies and the provision of a comprehensive follow-up in an accountable manner are key priorities of risk staff.
- **Promote sustainable growth and TBC Bank's resiliency through prudent risk management**. Risk management represents a backstop against excessive risk-taking. Capital adequacy management and strong forward-looking tools and decision-making ensure TBC Bank's sustainability and resiliency.
- **Ensure that risk management is an enabler of TBC Bank's strategy**. Risk staff provides assurance on the feasibility of the achievement of objectives through risk identification and management. Identification and the adequate pricing of risks, as well as risk mitigation actions, help generate desired returns and achieve planned targets.
- **Ensure that risk management represents a competitive advantage for TBC Bank**. Comprehensive, transparent and prudent risk governance facilitates understanding and trust from multiple stakeholders and ensures the sustainability and resiliency of the business model and the positioning of risk management as TBC Bank's competitive advantage and strategic enabler.

The major risks faced by TBC Bank are credit risk, liquidity risk, market risk (including interest rate risk and foreign currency risk) and operational risk. TBC Bank also governs its strategic and reputational risks. All of the components necessary for comprehensive risk governance are embedded into the risk organization structure, which is comprised of enterprise risk management, credit, financial and non-financial risks management, risk reporting and the supporting IT infrastructure, cross-risk analytical tools and techniques (such as capital adequacy management) and stress-testing.

Risk Governance Structure

TBC conducts its risk management activities within the framework of its unified risk management system. Involvement of all governance levels in risk management, clear segregation of authorities and effective communications between different structures facilitates clarity regarding TBC's strategic and risk objectives, adherence to TBC's risk appetite and sound risk management. TBC's governance structure ensures adequate oversight and accountability, as well as clear segregation of duties. The Bank Supervisory Board has the overall responsibility to set the tone at the top and monitor compliance with established objectives, while the Bank Management Board governs and directs TBC Bank's daily activities.

Both the Bank Supervisory Board and the Bank Management Board have established dedicated risk committees. The Bank Supervisory Board committees supervise the risk profile and risk governance practice within TBC Bank and are responsible for the implementation of key accounting policies and the facilitation of internal and external auditor activities. The Bank Management Board committees guide bank-wide risk management activities and monitor major risk trends to ensure the risk profile complies with TBC's established risk appetite, make decisions related to operational risk governance and are responsible for the implementation of asset-liability management policies.

The Bank Supervisory Board and senior management of TBC Bank govern risk objectives through the Risk Appetite Statement ("**RAS**"), which establishes the desired risk profile and risk limits for different economic environments. The RAS also establishes monitoring and reporting responsibilities, as well as escalation paths for different trigger events and limit breaches which prompt risk teams to establish and implement established mitigation actions. In order to effectively implement TBC's risk

appetite into TBC's day-to-day operations, RAS metrics are cascaded into more granular limits at the business unit level, establishing risk allocation across different segments and activities. The process of risk appetite setting and cascading is undertaken in parallel with the business planning process. The interactive development of business and risk plans aligns the plans by solving risk-return trade-offs in the process and increases the feasibility of achieving targets.

Bank Supervisory Board oversight, coupled with the permanent involvement of senior management in TBC risk management and the exercise of top down risk allocation by the enterprise risk management function, ensures clarity regarding risk objectives, intense monitoring of the risk profile against the risk appetite, the prompt escalation of risk-related concerns and the establishment of remediation actions.

The daily management of individual risks is based on the three lines of defence principle. While business lines are primary owners of risks, risk teams assume the function of second line of defence. This is performed through sanctioning transactions as well as tools and techniques for risk identification, analysis, measurement, monitoring and reporting. All new products and projects pass through risk teams to ensure risks are comprehensively analysed. These control arrangements guarantee that TBC Bank makes informed decisions that are adequately priced and that any risks exceeding TBC's established targets are not taken. Credit, liquidity, market, operational and other non-financial risks are each managed by dedicated teams.

TBC's strong and independent risk-management structure enables the fulfilment of all required risk management functions within the second line of defence by highly skilled professionals, with a balanced mix of credentials in banking and real sectors in local and international markets.

In addition to the risk teams that are subordinate to the CRO, the Compliance Department (which reports directly to the CEO) is specifically in charge of anti-money laundering ("**AML**") and compliance risk management. The Internal Audit Department as a third line of defence is in charge of providing independent and objective assurance and recommendations to TBC to facilitate the further improvement of operations and risk management.

The role and stature of the CRO is a critical component of TBC's sound risk governance practice. The CRO has sufficient authority, stature, independence and resources within the organization. The CRO reports on a regular basis to the Bank Supervisory Board regarding its assessment of risk results of TBC Bank, enabling independent assurance regarding the activities of different business lines. The CRO has the ability to participate in material risk-taking activities of TBC Bank in order to ensure that decisions are made within the predefined risk appetite of TBC Bank.

Detailed descriptions of various functions involved in risk management are provided below.

Enterprise Risk Management Department

The Enterprise Risk Management Department is involved in the management of the overall risk appetite, risk policy and strategy. It performs cross-risk functions such as enterprise-wide stress testing, risk aggregation, internal capital adequacy assessments ("**ICAAP**") and consolidated risk reporting. The Enterprise Risk Management Department is responsible for developing tools and practices to monitor, analyse and manage risks according to an Enterprise Risk Management Department framework, facilitate top-down risk planning and the monitoring process, establish awareness of the Enterprise Risk Management Department program throughout TBC Bank, develop risk policies, define risk appetite and tolerances and developed leading risk indicators and the risk culture.

Financial Risk Management Department

The Financial Risk Management Department is involved in the management of financial risks arising from TBC's day-to-day banking activities, including liquidity risk, interest rate risk, foreign currency risk and capital adequacy risk. It prepares various reports and analyses to assist the Bank Management Board. The Financial Risk Management Department monitors compliance with limits set by the Bank Management Board, regulators and international financial institutions, forecasts liquidity and other ratios and covenants, provides stress testing and analyses hypothetical scenarios. Day to day risk management of financial risks is performed by Treasury Department, which is subordinate to the CFO.

Credit Risk Management Department

The Credit Risk Management Department reports to the CRO and is responsible for the management of credit portfolio risk, ensuring the maintenance of a balanced loan portfolio and the correspondence of actual risks to predefined limits.

The Credit Risk Management Department prepares policies and procedures for efficient credit risk management, which are approved by the Bank Supervisory Board or Management Board, and is responsible for the timely identification and assessment of credit risks and for outlining mitigation actions regarding those risks that should be reduced. This department develops adequate tools and models for effective credit risk management, such as application and behavioural scorecards and rating models. The department also develops models for stress testing in order to assess credit exposures under various scenarios and make corresponding conclusions for capital adequacy purposes.

On a regular basis, the Credit Risk Management Department reviews and analyses portfolio dynamics, analyses underwriting standards and outlines recommendations for managing portfolio risks more efficiently.

Corporate, SME, Micro and Retail Underwriting Credit Risk Management Departments

The Corporate, SME, Micro and Retail Underwriting Credit Risk Management Departments are involved in the application approval process as members of corresponding loan approval committees. Underwriting risk managers review loan presentations on credit exposures prepared by the loan officers and credit analysts to ensure that the analysis is complete, that comprehensive information is gathered to assess the borrower's risk profile, that all relevant risks are identified and adequately addressed and that the loan is properly structured. Underwriting risk managers also oversee the monitoring process of individual transactions in order to discover in a timely manner any deterioration in a borrower's repayment capability and undertake corresponding measures. The Corporate, SME, Micro and Retail Underwriting Credit Risk Management Departments report to the CRO.

Operational Risk Management Department

The Operational Risk Management Department implements a framework for identifying, assessing, measuring and reporting operational risks. The team enables TBC Bank to identify and assess operational risk categories within TBC's processes and operations, to detect critical risk areas or groups of operations with an increased risk level; to develop response actions and impose restrictions in critical risk zones to neutralise identified risk. The Operational Risk Management Department reports to the CRO and ensures that operational risk is within TBC's risk appetite.

Compliance Department

The Compliance Department is focused on improving the entire compliance system. It is responsible for coordinating the identification, assessment and documentation of compliance risks associated with TBC's activities, including the development of new products and business practices, the proposed establishment of new types of business or customer relationships or material changes in the nature of such relationships and other related measures. The Compliance Department is authorised to plan and administer TBC's overall compliance systems, perform compliance-related direction and supervision and instruct on corrective action and other measures to branches, offices, divisions, headquarters, subsidiaries and affiliates, both in and out of Georgia, upon the occurrence of violations of compliance, all in an integrated fashion.

Anti-money laundering is one of the Compliance Department's main functions, established according to the Georgian legislation and recommendations of competent international organisations. TBC is committed to high standards of anti-money laundering and requires Management and employees to adhere to these standards in order to prevent the use of TBC's products and services for money laundering purposes. Adherence to this policy is mandatory for all TBC group companies and for all employees. TBC has developed an anti-money laundering policy and internal control procedures aimed at preventing money laundering and terrorist financing of individuals and legal entities engaged in terrorist activities, as well as procedures for the identification of customers and their beneficial owners, for the risk-based assessment of correspondent banks, clients and connected parties, for carrying out employee compliance trainings and for transaction monitoring and reporting suspicious, unusual and above threshold transactions to the Financial Monitoring Service of Georgia, a public entity that acts as Georgia's Financial Intelligence Unit. These compliance procedures aim to, amongst other things, minimise the risk of TBC Bank being used as a vehicle for money laundering

and terrorist financing, protect TBC from the reputational risks of being associated with money laundering or terrorist financing activities and ensure that banking services are provided only to clients that are honest and have a good reputation.

Internal Audit Department

The Internal Audit Department is responsible for the audit of TBC's risk management processes. This audit includes in its scope the following aspects of management: the organization and mandates of the risk management function, including all types of risk thereunder; the compliance of procedures and decisions taken pursuant to the risk management function with predefined policies and procedures, the adequacy of risk management systems and processes for identifying, measuring, assessing, controlling, responding to, and reporting on all the risks resulting from TBC's activities; the integrity of risk management information systems, including the accuracy, reliability and completeness of the data used; and the approval and maintenance of risk models, including verification of the consistency, timeliness, independence and reliability of data sources used in such models. The Internal Audit Department discusses the results of all assessments with management and reports its findings and recommendations to the Bank Supervisory Board.

Sound risk reporting systems and IT infrastructure are important tools for the efficient risk management of TBC Bank. Thus, significant emphasis and investments are made by TBC Bank to constantly drive the development of required software solutions. A comprehensive reporting framework is in place that enables intense oversight over risk developments and taking early remedial actions upon necessity.

Beyond the risk governance components described above, the compensation system comprises one of the most significant tools for introducing incentives for staff that are aligned with TBC Bank's long term interests to generate sustainable risk-adjusted returns. Risk key performance indicators ("**KPIs**") are incorporated into both business line and risk staff remunerations. The performance management framework differentiates risk staff incentives in order to safeguard independence from business areas that the risk staff supervises, while enabling the attraction and maintenance of qualified professionals. For that purpose, TBC Bank overweighs risk KPIs for risk and control staff and caps the share of variable remuneration.

For the management of each significant risk, TBC Bank puts in place policies and procedures, governance tools and techniques and methodologies for risk identification, assessment and quantification, with brief descriptions provided below. In order to establish key strategic priorities, the adopted risk management practice is periodically subject to a sophisticated review, which was performed in 2015 with the support of a leading international consultant. TBC Bank validated its current practice efficiency and established a target operating model for three-year period to further advance towards best practices. Priorities were established to put major emphasis on enhancing the independent risk management function, improving risk analysis sophistication, further advancing modeling and validation capabilities and automating processes in all possible areas. The implementation of key priorities is aimed at supporting improvements in business processes efficiency, and promoting prudent and informed risk-taking, assessment and governance. The Enterprise Risk Management Department is specifically in charge of coordinating the implementation of strategic projects. Risk management practices in place for individual risk categories are provided below.

Credit Risk Management

TBC is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. TBC's exposure to credit risk arises as a result of its lending operations and other transactions with counterparties giving rise to financial assets and includes 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 a small number of borrowers or individual industries); currency-induced credit risk (risks arising from foreign currency-denominated loans in the portfolio); and residual risks (resulting from the use of credit risk-mitigation techniques).

Comprehensive risk management methods and processes are established as part of TBC Bank's risk management framework to manage credit risk effectively. The goal of TBC's risk management system is to maximise TBC's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The main principles for TBC's credit risk management are: (i) establishing a

prudent credit risk environment; (ii) operating under a sound credit-granting process; and (iii) maintaining efficient processes for credit risk measurement, control and monitoring.

Establishing an appropriate credit risk environment

The Bank Supervisory Board and Management Board have critical roles in overseeing TBC's credit risk management functions, setting risk tolerance levels and defining plans for credit risk management tools and techniques advancements. TBC's credit policy defines the types of credit exposures TBC is willing to grant, economic sectors and corresponding restrictions, portfolio segmentation, lending limits and credit underwriting guidelines, loan grading and provisioning principles and other significant areas that are necessary for ensuring efficient credit risk management.

Policies and procedures are in place for identifying, measuring, monitoring and controlling credit risk. Policies include (but are not limited to) a detailed and formalised credit evaluation/ appraisal process, administration and documentation; credit approval authorities at various levels, including authority for approving exceptions, roles and responsibilities of units/ staff involved in the origination and management of credit; guidelines on the management of problem loans; clear guidance for internal rating systems and provisioning; lending to TBC Bank's related parties; and environmental risk management policy.

Operating under a sound credit-granting process

TBC strives to ensure a sound credit-granting process by establishing well-defined credit granting criteria and building an efficient process for the comprehensive assessment of a borrower's risk profile. See "*Lending Policies and Procedures—Lending Policies*". TBC ensures that sufficient information is collected on the borrower, its credit history, purpose and collateral. Different assessment processes are in place based on the type of credit exposure and borrower profile.

Credit decisions are based primarily on the borrower's repayment capacity. In addition, TBC uses collateral such as real estate, movable assets, cash and guarantees for mitigation purposes. TBC has appropriate processes in place to control and monitor residual risks, including those designed to ensure that collateral agreements are legally enforceable. The collateral is subject to regular re-evaluation. See "*Lending Policies and Procedures—Collateral Policies*".

Different Loan Approval Committees are in place for the approval of credit exposures to TBC Bank customers. The composition of a Loan Approval Committee depends on the type of the exposure, the aggregated liabilities of the borrower and the borrower's risk profile. Underwriting credit risk managers (as members of corresponding Loan Approval Committees) ensure that borrower and proposed credit exposure risks are comprehensively analysed. A loan to TBC Bank's top 20 largest borrowers requires the review and approval of the Bank Supervisory Board. The Bank Supervisory Board must approve transactions with related parties that result in an exposure (i) to individuals exceeding the lesser of GEL 150,000 and 0.5% of regulatory capital, (ii) to legal entities exceeding the lesser of GEL 200,000 and 1% of regulatory capital, and (iii) exceeding GEL 1,000,000, in the case of liabilities secured with deposits. Bank Supervisory Board approval is also required for transactions with related parties for products or services which would result in an annual total cash outflow from the Bank greater than GEL 200,000.

Maintaining efficient processes for credit risk measurement, control and monitoring

In order to minimise credit risk, TBC continuously monitors its credit portfolio, both at the level of individual credit granted and at TBC's overall credit portfolio. TBC has a system in place to monitor credit portfolio quality on a daily basis, analyse trends and take remedial measures as and when any deterioration occurs. The system enables TBC to ascertain whether loans are being properly serviced, the adequacy of provisions, whether the overall risk profile is within limits established by Management and general compliance with all credit regulatory limits under its Risk Appetite Statement.

At the individual borrower level, TBC regularly monitors the borrower's timely debt repayments, financial condition, use of funds and fulfilment of covenants. Collateral is re-evaluated either individually or on a portfolio level depending on the value of the collateral and size of the borrower's exposure. The corresponding policy provides procedural guidelines relating to credit risk monitoring, monitoring frequency, roles and responsibilities of individuals, periodic examination of collateral and loan covenants and the identification of any loan deterioration. TBC considers its internal rating models to be an important tool for credit risk management and monitoring purposes, both for individual credits and for the overall portfolio. An effective management information system is in

place in order to ensure the timely flow of information to the corresponding credit risk management bodies.

Concentration management is a significant function of credit risk management. TBC limits the level of credit risk it undertakes by placing limits on concentrations of: (i) single borrowers and groups of related borrowers; (ii) large borrowers (classified as connected groups of borrowers with exposure to more than 5% of TBC Bank's regulatory capital); (iii) related parties of TBC Bank; (iv) single borrowers with unsecured liability and total unsecured loans; (v) exposures across various industries and (vi) the industries of the top 20 largest borrowers in TBC Bank's loan book. These limits reflect those set by the NBG and IFI Investors, as well as internally-set limits. As at the date of this Prospectus, the PLC Directors believe that TBC is in compliance with all credit limits under its Risk Appetite Statement.

TBC Bank undertakes various stress tests in order to assess credit exposures under stressful conditions. TBC also performs annual currency-induced credit risk assessments. TBC Bank's foreign currency-denominated credit portfolio is stress tested for currency devaluations, estimating potential losses suffered by a foreign currency-denominated credit portfolio compared to a Lari-denominated credit portfolio. Management considers the results of these stress tests when calculating economic capital and assessing capital adequacy.

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. TBC 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.

Funding and Liquidity Risk Management

According to the Basel Committee's definition, 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 and Financial Services Departments and is monitored by the Bank Management Board.

The principal objectives of TBC'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'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 TBC's risk profile.

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

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 uses a liquidity coverage ratio and a net stable funding ratio (as set forth under Basel III), NBG minimum liquidity ratios, as well as stress tests and "what-if" scenario analyses.

A liquidity coverage ratio (calculated by reference to the sum of qualified liquid assets and 30-day cash inflows divided by 30-day cash outflows) is used to help manage short-term liquidity risks. TBC'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 also stress tests the results of liquidity through large shock scenarios set by the NBG. TBC calculates its internal liquidity coverage ratio and conducts stress tests on a weekly basis. TBC Bank's liquidity coverage ratios were 289%, 288%, 254% and 344% as at 31 March 2016 and 31 December 2015, 2014 and 2013, respectively.

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

TBC's net stable funding ratios are set forth in the table below:

	As at 31 March	As at 31 December	
	2016	2015	2014
Net Stable Funding Ratio	**117.3%**	**116.3%**	**114.6%**

		As at 31 March	As at 31 December	
		2016	2015	2014
	Factor	Amount		
		(unaudited)		
	(%)	(GEL thousands)		
Available stable funding	—	**5,141,501**	**5,219,116**	**4,135,922**
Capital: Tier 1 & Tier 2 Capital Instruments	—	**1,526,035**	**1,449,145**	**1,188,187**
Tier 1	100%	1,218,542	292,123	967,495
Tier 2	100%	307,493	292,123	220,692
Long Term Funding (year >= 1)	—	**585,641**	**600,268**	**489,933**
Long Term Borrowings (>=1 year)	100%	470,633	490,833	388,378
Subordinated debt not included in Tier 2	100%	74,741	75,651	62,043
Other funding (>=1 year)	100%	40,267	33,784	39,512
Other Funding	—	**3,029,825**	**3,169,703**	**2,457,802**
Total Corporate deposits	50%	380,219	500,671	416,277
Total SME deposits	80%	512,286	565,369	410,160
Total Retail deposits	80%	2,024,662	1,975,902	1,581,739
Short term Borrowings with remaining maturity (<1 year)	50%	93,136	110,588	47,674
Subordinated Debt (<1 year)	50%	19,522	17,173	1,952
Required stable funding	—	**4,383,455**	**4,489,467**	**3,610,370**
Long term Assets with remaining maturity >=1 year	—	**3,546,622**	**3,593,696**	**2,892,927**
Certificate of Deposits & Tbill's (>1year)	5%	6,772	8,624	—
Reserves in NBG (Stable part)	100%	393,587	411,585	332,363
Loans (>=1 year)	100%	2,787,763	2,819,307	2,268,629
Fixed and Intangible Assets (>=1 year)	100%	294,885	292,111	246,448
Other Assets (>=1 year)	100%	27,717	27,308	22,506
Financial lease receivables (>1 year)	100%	35,898	34,761	22,981
Short term Assets with remaining maturity <1 year	—	**806,085**	**863,175**	**682,580**
Loans (< 1 year)	50%	784,559	842,675	668,617
Financial lease receivables (<=1 year)	50%	21,526	20,500	13,963
Undrawn amount of committed credit and liquidity facilities	—	**30,748**	**32,596**	**34,863**
Unused credit lines and undisbursed amounts from loans	5%	11,052	12,358	14,214
Guarantees	5%	19,696	20,238	20,649

The PLC Directors believe 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 the strategy and sets the gross loan to deposit ratio limits. TBC's gross loan to deposit ratio (defined as total value of gross loans divided by total value of deposits) was 114.3% , 111.0%, 111.6% and 102.5% as at 31 March 2016 and 31 December 2015, 2014 and 2013, respectively.

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 follows Basel III guidelines on high-quality liquidity asset eligibility to ensure that TBC'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 has a liquidity contingency plan, updated annually, which forms part of 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.

Maturity analysis

TBC's principal sources of liquidity include deposits and customer accounts; borrowings from local and international banks and financial institutions; subordinated loans from the IFI Investors; inter-bank term deposits and short-term loans; proceeds from sales of investment securities; principal repayments on loans; interest income; and fee and commission income. See "*Selected Statistical and Other Information—Funding Sources*".

Each table below summarises the maturity analysis of TBC's financial assets and liabilities, by remaining expected discounted maturities, as at the dates indicated.

	As at 31 March 2016			
	Less than 3 months	From 3 to 12 months	Over 1 year	Total
	(unaudited) (GEL thousands)			
Assets				
Cash and cash equivalents	688,118	—	—	688,118
Due from other banks	258	3,732	8,601	12,591
Mandatory cash balances with the NBG	452,398	—	—	452,398
Loans and advances to customers	579,705	968,684	2,749,902	4,298,291
Investment securities available for sale	224,614	—	—	224,614
Bonds carried at amortised cost	69,892	161,717	135,436	367,045
Finance lease receivables	18,450	24,601	35,899	78,950
Other financial assets	31,739	6,827	16,814	55,380
Total financial assets	**2,065,174**	**1,165,561**	**2,946,652**	**6,177,387**
Liabilities				
Due to credit institutions	485,092	78,292	465,916	1,002,300
Customer accounts	347,366	47,766	3,536,491	3,931,623
Debt securities in issue	4,697	12,010	4,717	21,424
Other financial liabilities	34,414	2,120	2,029	38,563
Subordinated debt	23,186	15,859	264,336	303,381
Total financial liabilities	**867,755**	**156,047**	**4,273,489**	**5,297,291**
Total credit related commitments	46,064	—	—	46,064
Net liquidity gap at 31 March 2016	**1,151,355**	**1,009,514**	**(1,326,837)**	**834,032**

	As at 31 March 2015			
	Less than 3 months	From 3 to 12 months	Over 1 year	Total
	(unaudited) (GEL thousands)			
Assets				
Cash and cash equivalents	720,347	—	—	720,347
Due from other banks	1,290	1,059	8,693	11,042
Mandatory cash balances with National Bank of Georgia	471,490	—	—	471,490
Loans and advances to customers	697,228	950,170	2,797,488	4,444,886
Investment securities available for sale	307,310	—	—	307,310
Bonds carried at amortised cost	86,357	113,248	172,487	372,092
Finance lease receivables	16,555	24,444	34,761	75,760
Other financial assets	41,544	5,704	17,069	64,317
Total financial assets	**2,342,121**	**1,094,625**	**3,030,498**	**6,467,244**
Liabilities				
Due to credit institutions	513,415	114,093	486,066	**1,113,574**
Customer accounts	346,674	27,885	3,803,372	**4,177,931**
Debt securities in issue	32	16,916	4,766	**21,714**
Other financial liabilities	36,099	1,196	2,140	**39,435**
Subordinated debt	1,303	33,042	249,303	**283,648**
Total financial liabilities	**897,523**	**193,132**	**4,545,647**	**5,636,302**
Total credit related commitments	**44,043**	**—**	**—**	**44,043**
Net liquidity gap at 31 December 2015	**1,400,555**	**901,493**	**(1,515,149)**	**786,899**

	As at 31 March 2014			
	Less than 3 months	From 3 to 12 months	Over 1 year	Total
	(unaudited) (GEL thousands)			
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**
Investment in finance leases	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**
Total credit related commitments	**44,822**	—	—	**44,822**
Net liquidity gap at 31 December 2014	**1,249,053**	**736,261**	**(1,331,966)**	**653,348**

	As at 31 March 2013			
	Less than 3 months	From 3 to 12 months	Over 1 year	Total
	(unaudited) (GEL thousands)			
Assets				
Cash and cash equivalents	390,465	—	—	**390,465**
Due from other banks	93	—	1,615	**1,708**
Mandatory cash balances with National Bank of Georgia	295,332	—	—	**295,332**
Loans and advances to customers	445,069	623,376	1,733,267	**2,801,712**
Investment securities available for sale	500,651	—	—	**500,651**
Investment securities held to maturity	—	—	—	**—**
Finance lease receivables	7,148	11,593	16,872	**35,613**
Other financial assets	22,103	5,024	17,922	**45,049**
Total financial assets	**1,660,861**	**639,993**	**1,769,676**	**4,070,530**
Liabilities				
Due to credit institutions	156,545	90,018	319,243	**565,806**
Customer accounts	261,546	—	2,625,337	**2,886,883**
Debt securities in issue	—	4,474	—	**4,474**
Other financial liabilities	23,717	1,133	—	**24,850**
Subordinated debt	833	1,814	165,627	**168,274**
Total financial liabilities	**442,641**	**97,439**	**3,110,207**	**3,650,287**
Total credit related commitments	**44,042**	**—**	**—**	**44,042**
Net liquidity gap at 31 December 2013	**1,174,178**	**542,554**	**(1,340,531)**	**376,201**

The above analyses are based on expected maturities. Investment securities available for sale includes investment securities which TBC intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These securities can be sold on the secondary market at any time or be pledged as collateral for the purposes of obtaining loans from the NBG (where the loan equals 95% of the nominal amount of the pledged securities) or from other banks within NBG regulations and based on Management's assessment of the portfolio.

The PLC Directors believe that TBC has sufficient liquidity to meet its current on- and off-balance sheet obligations.

For further information on management of liquidity risk, see Note 33 to the Audited Consolidated Financial Statements and Note 25 to the Unaudited Consolidated Interim Financial Statements.

Market Risk

TBC 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. These risks are principally (a) risks pertaining to interest rate related instruments and equities in the ''trading book'' (financial instruments or commodities held for trading purposes); and (b) foreign exchange risk and commodities risk throughout TBC. TBC's strategy is not to be involved in trading financial instruments or investments in commodities. Accordingly, TBC's only exposure to market risk is foreign exchange risk in its ''structural book'', comprising its regular commercial banking activities having no trading, arbitrage or speculative intent.

Foreign exchange risk

TBC is exposed to currency risk that 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 TBC Bank to monitor both balance-sheet and total aggregate balance (including off-balance sheet) open currency positions and to maintain the total aggregate balance within 20% of TBC Bank's regulatory

capital. As at 31 March 2016, TBC Bank maintained a (positive) balance open currency position of 1.7% of regulatory capital and an aggregate (positive) balance open currency position of 1.1.

In addition, the Bank Supervisory Board sets further limits on open currency positions. The Bank Management Board has set limits on the level of exposure by currency and in total for both overnight and intra-day positions which are more conservative than those set by the NBG and the Bank Supervisory Board. TBC Bank's compliance with these limits is monitored daily by the heads of the Treasury and Financial Risk Management Departments and reported daily to the Bank Management Board and periodically to the Bank Supervisory Board.

Open currency positions are used to assess TBC Bank's minimum capital requirements under the ICAAP framework on a monthly basis. In addition, the Financial Risk Management Department performs stress testing on a monthly basis. See "*—Strategic Risk Management—Internal Capital Adequacy Assessment Process (ICAAP)*"

The following table sets out certain information in respect of TBC Bank's open currency positions, as at the dates indicated, where the total aggregate open position is calculated as the maximum absolute values of the outstanding aggregate long and short positions maintained in all foreign currencies on a standalone basis, according to NBG reporting standards:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
		(unaudited)		
Total aggregate open position (*GEL thousands*)	14,056	18,651	27,186	(5,180)
As a percentage of total capital (%)	1.12%	1.56%	3.11%	(0.79)%
Total aggregate open position (*U.S.$ thousands*)	13,337	17,581	(20,701)	(4,468)
As a percentage of total capital (%)	1.06%	1.47%	(2.37)%	(0.68)%
Total aggregate open position (*EUR thousands*)	525	(407)	3,550	(449)
As a percentage of total capital (%)	0.04%	(0.03)%	0.41%	(0.07)%

Each table below sets out the Lari-equivalent of TBC's financial assets and liabilities denominated in different currencies, as at the dates indicated, calculated in accordance with IFRS.

	At 31 March 2016			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position
		(unaudited) (GEL thousands)		
Georgian Lari	2,175,326	1,327,704	8,147	**855,769**
U.S. Dollars	3,536,086	3,420,836	(110,656)	**4,594**
Euros	416,966	453,931	37,515	**550**
Other	48,881	94,820	66,800	**20,861**
Total	**6,177,259**	**5,297,291**	**1,806**	**881,774**

	At 31 December 2015			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position
		(audited) (GEL thousands)		
Georgian Lari	2,442,850	1,646,864	3,430	**799,416**
U.S. Dollars	3,507,494	3,428,146	(71,933)	**7,415**
Euros	466,450	499,702	32,715	**(537)**
Other	50,436	61,531	36,285	**25,190**
Total	**6,467,230**	**5,636,243**	**497**	**831,484**

	At 31 December 2014			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position
	(audited) (GEL thousands)			
Georgian Lari	1,979,583	1,336,626	55,335	**698,292**
U.S. Dollars	2,704,810	2,573,475	(193,200)	**(61,865)**
Euros	262,113	376,934	117,668	**2,847**
Other	72,543	34,414	18,313	**56,442**
Total	**5,019,049**	**4,321,449**	**(1,884)**	**695,716**

	At 31 December 2013			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position
	(audited) (GEL thousands)			
Georgian Lari	1,438,492	994,150	(31,569)	**412,773**
U.S. Dollars	2,374,574	2,333,144	(60,192)	**(18,762)**
Euros	217,267	294,734	76,450	**(1,017)**
Other	38,917	28,259	16,532	**27,190**
Total	**4,069,250**	**3,650,287**	**1,221**	**420,184**

As at 31 December 2015, if the U.S.$/GEL exchange rate changed by +/- 10%, TBC's profit for the year would have been GEL 0.7 million lower or higher, respectively (compared to GEL 6.2 million lower or higher as at 31 December 2014, and GEL 1.9 million lower or higher as at 31 December 2013). As at 31 December 2015, if the EUR/GEL exchange rate changed by +/- 10%, TBC's profit for the year would have been GEL 0.05 million lower or higher, respectively (compared to GEL 0.3 million lower or higher as at 31 December 2014, and GEL 0.1 million lower or higher as at 31 December 2013).

Interest rate risk

Interest rate risk arises from potential changes in market interest rates that can adversely affect the value of TBC's financial assets and liabilities. This risk can arise from maturity mismatches of assets and liabilities, as well as from the repricing characteristics of such assets and liabilities. The deposits and 80% of the loans offered by TBC are at fixed interest rates, while a portion of TBC's borrowings is based on a floating rate of interest. TBC's floating rate borrowings are, to a certain extent, hedged as a result of the NBG paying a floating rate of interest on the minimum reserves that TBC holds with the NBG. Furthermore, many of TBC's loans to and deposits from customers contain a clause allowing TBC to adjust the interest rate on the loan in case of adverse interest rate movements, thereby limiting TBC's exposure to interest rate risk. The PLC Directors also believe that TBC's interest rate margins provide a reasonable buffer in order to mitigate the effect of possible adverse interest rate movement.

Each table below summarises TBC's exposure to interest rate risks and presents the aggregated amounts of TBC's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates, as at the dates indicated. Currency and interest rate swaps are not netted when assessing TBC'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. The tables consider both reserves placed with NBG and interest-bearing nostro accounts. Income on NBG reserves and nostro accounts are calculated as a benchmark minus margin, whereby the benchmark rate is the US federal funds rate and the European Central Bank rate in case of the U.S. Dollar and Euro, respectively.

In thousands of GEL	As at 31 March 2016				
	Less than 1 month	1-6 months	6-12 months	Over 1 year	Total
			(unaudited)		
Total financial assets	1,500,182	1,267,104	660,311	2,768.024	6,195,622
Total financial liabilities	1,701,593	1,128,201	696,581	1,789,151	5,315,526
Net interest sensitivity gap at 31 March 2016	(201,411)	138,904	(36,270)	978,873	880,096

In thousands of GEL	As at 31 March 2015				
	Less than 1 month	1-6 months	6-12 months	Over 1 year	Total
			(unaudited)		
Total financial assets	1,582,056	1,366,740	686,171	2,847,165	6,482,132
Total financial liabilities	1,758,301	1,310,725	678,569	1,903,627	5,651,222
Net interest sensitivity gap at 31 December 2015	(176,245)	56,015	7,602	943,538	830,910

In thousands of GEL	As at 31 March 2014				
	Less than 1 month	1-6 months	6-12 months	Over 1 year	Total
			(unaudited)		
Total financial assets	1,200,909	821,483	544,160	2,480,230	5,046,782
Total financial liabilities	1,344,464	851,412	567,667	1,584,484	4,348,027
Net interest sensitivity gap at 31 December 2014	**(143,555)**	**(29,929)**	**(23,507)**	**895,746**	**698,755**

In thousands of GEL	As at 31 March 2013				
	Less than 1 month	1-6 months	6-12 months	Over 1 year	Total
			(unaudited)		
Total financial assets	1,130,259	575,826	402,872	1,994,728	4,103,685
Total financial liabilities	1,108,374	795,569	460,247	1,317,960	3,682,150
Net interest sensitivity gap at 31 December 2013	**21,885**	**(219,743)**	**(57,375)**	**676,768**	**421,535**

As at 31 December 2015, if interest rates at that date had been 100 basis points higher or lower, with all other variables held constant, TBC's profit for the year would have been GEL 0.7 million lower or GEL 6.7 million higher, respectively (compared to GEL 1.3 million lower or GEL 4.9 million higher as at 31 December 2014, and GEL 1.3 million lower or GEL 4.4 million higher at 31 December 2013).

TBC Bank employs an advanced framework for the management of interest rate risk. In order to manage interest rate risk TBC Bank establishes appropriate limits, monitors compliance with the limits and prepares forecasts. Interest rate risk is managed by the Financial Risk Management Department and is monitored by the Bank Management Board. The Bank Management Board decides on actions that are necessary for effective interest rate risk management and follows up on their implementation.

TBC Bank measures four types of interest rate risk based on the source of the risk: (i) repricing risk; (ii) yield curve risk; (iii) basis risk; and (iv) optionality (embedded option risk).

TBC Bank considers a number of stress scenarios, including different yield curve shift scenarios and behavioural adjustments to cash flows (such as deposit withdrawals or loan prepayments), to calculate

the impact on one-year profitability and enterprise value. Appropriate limits are set by the Bank Supervisory Board and the Bank Management Board.

Under the ICAAP framework, TBC Bank reserves capital in the amount of the adverse effect of possible yield curve parallel shift scenarios on net interest income over a one-year period for Basel II Pillar 2 capital calculation purposes. As at 31 December 2015 the impact of the downward parallel shift of a yield curve of (4.8)% in GEL and a downward parallel shift of (2.4)% in USD on net interest income over a one-year period was GEL 35.7 million equivalent.

Operational Risk Management

In line with the Basel Committee's guidelines, TBC defines operational risk as the risk of loss resulting from an inadequacy or failure of internal processes, people or systems or from external events. This definition includes legal risk, but excludes strategic and reputational risks.

TBC Bank's operational risk management framework defines the roles and responsibilities of different parties for management of operational risk. The main components of this framework are the identification, assessment, measurement and reporting of operational risk, as a result of which these risks are managed, mitigated or transferred.

The Bank Management Board and the Bank Supervisory Board together set TBC's operational risk appetite and the Bank Management Board oversees compliance with the limits set therein. The Bank Management Board discusses TBC's operational risk profile and risk minimisation recommendations on a regular basis and ensures the existence of a strong internal control culture in which control activities are an integral part of TBC's regular activities.

The Operational Risk Department is responsible for the implementation of the operational risk management framework and reports to the CRO. The Operational Risk Department is also responsible for monitoring IT incident occurrences and overseeing activities targeted at solving identified problems. External consultants perform regular assessments of information security risks, which are managed based on international standards.

To minimize information security risk TBC has invested in data loss prevention and Security Information and Event Management (SIEM) systems. The data loss prevention system is designed to detect potential data breaches and prevent sensitive data from loss and misuse. SIEM technology provides real-time analysis of security alerts generated by network hardware and applications.

On top of daily activities undertaken by business units and operational risk departments, periodic risk and controls self-assessments are performed for all processes within TBC Bank based on which key risk indicators and key control indicators are established and managed.

TBC Bank adopts quantitative tools for measuring potential (both expected and unexpected) operational risk losses which are fully covered by capital. The Internal Advance Measurement model is built on internal and external loss data as well as a scenario analysis of possible events.

Major actions continuously undertaken by TBC Bank for minimising operational risk losses are:

- Embedding internal controls into TBC Bank's usual business processes.
- Implementing new technologies, increasing levels of automation and minimizing manual errors and human risk.
- Using insurance policies to transfer the risk of losses from operational risk events.
- Entering into external service-level agreements to minimise risks from inadequate outsourcing arrangements. TBC Bank has adopted an outsourcing and critical business partners management policy which defines the criteria for selecting an outsourcing partner.
- Establishing business continuity plans to ensure TBC's ability to operate on an ongoing basis and limit losses in the event of a severe business disruption. A test of the updated business continuity plans will be completed in 2016 as agreed with the NBG. TBC's existing business continuity policy and plans will be updated based on the result of a business impact analysis.
- Implementing procedures to analyse system flaws and taking corrective measures to prevent the re-occurrence of significant losses.

- Involving the Operational Risk Department in the approval process of new products and services to minimise risks relating thereto. TBC Bank has adopted new product and process implementation procedures which define the rules of implementation of new products or related processes.
- Developing a special Operational Risk Awareness programme for TBC Bank employees and providing regular training to further strengthen TBC's internal risk culture.

Compliance Risk Management and Anti-Money Laundering

TBC Bank has established a compliance function that is represented by a three-level structure consisting of a Compliance Department, the CEO and the Bank Supervisory Board. The Compliance Department is responsible for, *inter alia*, assisting with the identification and assessment of compliance risk in all business activities; advising on compliance policy, processes, rules and standards; assessing the impact of new laws, regulations and guidelines; assessing the adequacy of internal compliance processes; helping with the coordination of responses to requests from external regulators and ensuring that TBC follows appropriate procedures including anti-money laundering, conflicts of interest, protection of non-public customer information and insider trading. The Compliance Department is accountable to the Bank Supervisory Board, and acts independently within TBC Bank.

TBC's anti-money laundering programme, established in accordance with Georgian law, is a part of TBC's compliance framework. The anti-money laundering unit of the Compliance Department is responsible for anti-money laundering issues. The anti-money laundering policy and complementary internal standards and procedures include Georgian Law requirements, as well as measures based on recommendations from international bodies, such as the Financial Action Task Force, Basel, United Nations and the Office of Foreign Assets Control, and contain ''Know Your Customer'' procedures, methods for the assessment of correspondent banks', processing and retaining documentation, maintaining and updating its client database, operational standards, risk-based assessment of customers, due diligence procedures, identification of suspicious transactions and transactions that are subject to mandatory reporting to the Financial Monitoring Service of Georgia (the ''**FMS**''). The anti-money laundering policy (and any amendments thereto) is approved by the Bank Management Board and the Bank Supervisory Board. TBC Bank's anti-money laundering policy and all related internal instructions and standards are available to all employees through TBC Bank's intranet.

To adhere to anti-money laundering policy requirements, TBC Bank has implemented automated solutions for (i) client screening against sanctioned lists during the on-boarding process and international money transfers, (ii) anti-money laundering risk assessment of clients, products and services and (iii) revealing suspicious behaviour on client's accounts. An automated process is performed through Siron products provided by FICO-Tonbeller.

The Compliance Department delivers face-to-face trainings in anti-money laundering and compliance topics which are tailored for different target groups, including new employees. Training in anti-money laundering and other compliance issues is conducted annually and is followed by staff testing on an annual basis.

TBC's anti-money laundering compliance activities are reviewed by TBC's Internal Audit Department annually and are subject to review by the NBG every one to three years. Between 2013 and 2015, TBC paid fines in an aggregate amount of GEL 464,900 relating primarily to a very small number of transactions (approximately 300 transactions, less than 0.01% of all TBC's transactions in the period) that, in the view of the NBG, had not been reported to the FMS by TBC within the timeframes specified under relevant anti-money laundering guidelines applicable to designated transactions (such as transactions exceeding certain thresholds). TBC Bank has since introduced new software, updated its internal processes, regulations and staff training relating to anti-money laundering compliance intended to prevent the recurrence of such reporting violations in the future. Since the review in 2014, TBC's anti-money laundering compliance activities have not been reviewed by the NBG. As of the date of this Prospectus, no TBC group company has been accused, named or cited in connection with any occurrences of money laundering, financing of terrorist activity, fraud, or other corrupt or illegal purpose transactions or breaches of Georgian laws prohibiting such activities.

To comply with the provisions of the US Foreign Account Tax Compliance Act (''**FATCA**''), the Bank and its subsidiary ''foreign financial institutions'' (as defined by FATCA) were registered with the US Internal Revenue Service in May 2014. In compliance with FATCA requirements, the Bank adjusted its client onboarding and preexisting account review processes. Under Georgia's ''Model 1''

intergovernmental agreement with the United States, the Bank is obliged to submit the FATCA reports to the Georgian Ministry of Finance, which then uploads the information to the IRS. The Bank has already submitted its first such report.

Reputational Risk Management

TBC's business model is built on public trust and therefore aims to ensure that no activities are undertaken which may result in an adverse reputational impact. The maintenance of a strong reputation on the part of customers, counterparties, shareholders, investors, debtholders, market analysts and other relevant parties or regulators is considered to be a key to access to sources of funding and business model sustainability.

The PLC Directors believe that one of TBC's key strengths is its well-known and trusted brand, and is consequently very protective of the strong reputation that TBC has developed in the Georgian banking market. TBC's risk management efforts include:

- Monitoring TBC's reputation, addressing matters damaging that reputation and using the feedback of external stakeholders to gain insights or receive early warning signals of potential concerns.
- Identifying and reporting reputational risk-related matters by both business units and risk staff in their daily interactions with clients as well as through the process of project and product development.
- Escalating concerns to top governing bodies for prompt reactions.
- Restricting activities that may cause reputational damage to TBC Bank, such as projects and activities having negative environmental or social impacts.

Strategic Risk Management

Strategic risk is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to changes in the business environment, both internal and external. This risk is a function of the compatibility of TBC's strategic goals, the business strategies developed and resources employed to achieve strategic goals, and the quality of implementation of those goals.

The aim of strategic risk management efforts is to maintain TBC's strategic risk at defined levels in accordance with its strategic objectives. To achieve this, TBC has created a strategic risk management system and a system of early reaction intended to prevent critical losses due to strategic risks. The strategic risk management system consists of the following main stages: (i) identification, (ii) measurement, (iii) monitoring and (iv) control and mitigation.

The Bank Management Board has overall responsibility for TBC's strategic objectives and key principles of the strategic risk management framework. The primarily responsibility for strategic risk assessment, management, monitoring and control lies with the Strategic Planning and Budgeting Department and TBC's business segments.

An analysis of TBC Bank's actual performance compared to its stated goals is reported to the Bank Management Board on a regular basis. This report includes the level of strategic risk for the period and its dynamic, mitigating actions undertaken to address these risks, potential strategic risks for future periods and recommendations.

Internal Capital Adequacy Assessment Process (ICAAP)

Following the adoption of the Basel II/III requirements by the NBG, TBC is subject to two capital adequacy requirements under Pillar 1. The new Basel II/III framework introduced by the NBG is replacing the previous NBG Basel I-based requirements, which are phasing out gradually and will be fully eliminated by the end of 2017. The NBG sets forth detailed instructions for the calculations that are based on Basel guidelines, but are a more conservative version of the Basel framework, with the main difference being an additional 75% risk weight for foreign currency denominated loans. Consequently, TBC Bank's capital adequacy ratios are more conservative than comparable Basel II/III based ratios of many international banks.

Beyond the compliance with Pillar 1 minimum requirements, TBC has implemented ICAAP, whereby TBC Bank assesses all material risks that it faces and reserves capital for each. TBC has obtained detailed feedback from and is working with the NBG on further improvement of ICAAP

documentation. In 2012, TBC undertook a special Basel II/III implementation project. Throughout the project TBC introduced unexpected loss calculation models with the support of Ernst & Young. Additionally, various initiatives were undertaken to enhance TBC's risk management practice as a precondition for complying with Pillar 2 requirements. The major components included:

- *Corporate governance enhancement*: (i) Bank Supervisory Board-level committees have been established in respect of risks, ethics and compliance, corporate governance and remuneration; (ii) Bank Supervisory Board and Management Board regulations have been upgraded to reflect Basel regulation requirements; (iii) a centralised internal control function has been established and (iv) the centralised compliance function has been set up to coordinate the compliance risk, ensure effective monitoring of compliance with laws and regulations, supervisory requirements and internal regulations;

- *Risk management strategy*: (i) A risk strategy aligned with TBC's business strategy has been developed and has been approved by the Bank Supervisory Board;

- *Credit risk management*: The expert rating model for the assessment of corporate and SME borrowers has been updated. A statistical behavioural rating model has been developed for retail loans in compliance with Basel regulation;

- *Liquidity Risk management*: In addition to its existing Liquidity Coverage Ratio model (mismatch model) in order to be in line with the best practices, TBC has introduced a net stable funding ratio model and an upgraded liquidity contingency plan;

- *Interest rate risk management*: An interest rate risk management model has been developed according to industry best practices. See "*—Interest Rate Risk Management*";

- *Operational risk management*: An internal advance measurement (AMA) model has been developed to calculate capital for operational risk. See *"—Operational Risk Management*";

- *Reputational risk management*: A reputational risk management system is in place to ensure clients' loyalty, the investment attractiveness of TBC and TBC's general relationship with all types of stakeholder perspectives. See "*—Reputational Risk Management*";

- *Strategic risk management*: A strategic risk management function has been set up to maintain strategic risk at predefined levels in accordance with TBC's strategic objectives. See "*—Strategic Risk Management*";

- *Stress testing*: A model has been developed to measure unexpected losses in the event of potentially unfavourable low-probability, high-impact shocks. Enterprise wide stress tests are run on a quarterly basis to enable TBC to maintain a level of capital necessary to endure deteriorating economic conditions.;

- *Internal audit*: A Basel-compliant risk-based audit approach has been introduced, and a risk-oriented long term audit plan has been developed addressing all TBC's activities. The plan is reviewed on a yearly basis; and

- *Data management:* A data management framework has been introduced to improve data quality.

The table below summarises the risks faced by TBC and the approaches used to calculate capital charges for each risk identified:

Key areas	Pillar I of Basel II/III	Pillar II
Credit risk	Standardised approach	Standardised approach
Currency induced credit risk (CICR)	NBG assessment	Bank assessment
Market Risk	Standardised approach	Standardised approach
Operational risk	Basic Indicator Approach	Advanced Measurement Approach
Interest rate risk in the banking book	—	Advanced Approach
Reputation risk	—	Benchmarking
Strategic risk	—	Benchmarking
Concentration risk	—	Bank assessment

Under ICAAP, TBC Bank's economic capital is calculated in order to cover all material risks other than liquidity risk (for which a liquidity contingency plan, rather than capital, is required).

TBC defines the relevant stress scenarios for all material risk types measured using advanced models to determine the separate effects of potentially extreme conditions on the value of corresponding risk sensitive exposures. In addition to risk level stress tests, TBC also performs enterprise wide stress tests ("**EWST**") to confirm that existing capital is sufficient to withstand severe stress events. The stress parameters used in EWST are based on the most severe GDP decline that have occurred in Georgia and its peer countries and other variables, including exchange rates, unemployment, interest rates, Consumer Price Index levels and real estate price levels over the previous eight years. The results of EWST are expressed as the amount of capital needed (per risk type) in order to withstand the full potential losses resulting from the specified stress events.

TBC also uses stress testing for capital planning purposes. The purpose of such stress tests is to determine the minimum capital buffer required for TBC to withstand a moderate stress event without breaching minimum capital adequacy requirements.

TBC uses stress testing to provide Management with information relating to risk mitigation and economic capital management. This information is not used in isolation, but in combination with other risk management measures. The results are periodically reported to the Bank Management Board and the Supervisory Board.

The results of ICAAP, as at 31 March 2014, are set forth in the tables below.

	As at 31 March 2016	
	Basel II	
Capital Adequacy Ratios	**Pillar I**	**Pillar II (ICAAP)**
	(unaudited)	
Tier 1 Capital Adequacy Ratio	13.3%	14.9%
Total Regulatory Capital Adequacy Ratio	16.8%	18.8%
Minimum Requirements		
Tier 1	8.5%	NA
Total	**10.5%**	**NA**

	As at 31 March 2016	
Risk Weighted Assets	**Pillar 1 RWA**	**Pillar 2 RWA**
	(unaudited) (GEL thousands)	
Credit risk	4,966,756	4,966,75
FX induced credit risk	1,893,118	635,109
Market risk	14,056	14,056
Operational risk	576,628	135,889
Strategic risk	NA	119,316
Reputational risk	NA	119,316
Concentration risk	NA	402,431
Interest rate risk	NA	285,694
Total Risk Weighted Exposures	**7,450,558**	**6,678,567**

Capital	As at 31 March 2016	
	Basel II	
	Pillar I	Pillar II
	(unaudited) (GEL thousands)	
Required Capital		
Tier 1 Capital	633,297	567,678
Total Capital	782,309	701,250
Regulatory Capital (Current)		
Tier 1 Capital	994,119	994,119
Total Capital	1,252,819	1,252,819
Excess capital		
Tier 1	360,822	426,441
Total	**470,510**	**551,569**

The results of ICAAP, as at 31 December 2013, are set forth in the tables below.

Capital Adequacy Ratios	As at 31 December 2015	
	Basel II	
	Pillar I	Pillar II (ICAAP)
	(unaudited)	(unaudited)
Tier 1 Capital Adequacy Ratio	12.8%	14.1%
Total Regulatory Capital Adequacy Ratio	16.0%	17.7%
Minimum Requirements		
Tier 1	8.5%	NA
Total	**10.5%**	**NA**

Risk Weighted Assets	As at 31 December 2015	
	Pillar 1 RWA	Pillar 2 RWA
	(unaudited) (GEL thousands)	
Credit Risk	5,454,483	5,113,279
FX induced credit risk	1,892,063	635,992
Market Risk	18,651	18,651
Operational Risk	452,089	140,909
Strategic risk	—	114,201
Reputational risk	—	114,201
Concentration risk	—	456,256
Interest rate risk	—	178,857
Total Risk Weighted Exposures	**7,817,286**	**6,772,346**

Capital	As at 31 December 2015	
	Basel II	
	Pillar I	Pillar II
	(unaudited) (GEL thousands)	
Required Capital		
Tier 1 Capital	635,467	588,701
Total Capital	1,009,271	727,219
Regulatory Capital (Current)		
Tier 1 Capital	953,403	953,403
Total Capital	1,199,107	1,199,10
Excess capital		
Tier 1	317,936	364,702
Total	**189,836**	**471,888**

EWST stress-test results indicate that TBC Bank is adequately capitalized to withstand any mild stress without breaching regulatory minimum requirement and has adequate resources to withstand losses in severe stress scenarios.

PART XV

BANKING SECTOR AND BANKING REGULATION IN GEORGIA

Introduction

The Georgian banking sector consists of Georgian banks, non-bank deposit-taking institutions, qualified credit institutions and micro-finance organisations. While commercial banks provide a wide range of banking services, the other non-bank institutions provide only limited financial services, such as non-bank deposit-taking institutions accepting deposits from and issuing loans to their members only, or micro-finance organisations issuing micro-finance loans. Generally, all credit institutions in Georgia are required to be licensed or registered by the NBG.

The principal laws regulating the Georgian banking sector are the Organic Law on the National Bank of Georgia (the "**NBG Law**"), which was adopted in September 2009 (which replaced the previous Organic Law on the National Bank of Georgia adopted in June 1995) and the Banking Law, which was adopted in 1996. The NBG Law sets out the principal responsibilities of the NBG. The Banking Law (i) sets out the list of permitted and prohibited activities for banks, and (ii) establishes the framework for the registration and licensing of banks in Georgia and the regulation of banking activity supervision.

Commercial Banks in Georgia

According to data published by the NBG, as at 1 April 2016, there were 19 commercial banks and foreign bank branches operating in Georgia, 18 of which (including one branch of a foreign banking institution) had foreign capital participation. As at 31 December 2015, the total assets of the Georgian banking sector (including both domestic commercial banks and branches of foreign banks located in Georgia) was GEL 25.1 billion, as compared to GEL 20.6 billion as at 31 December 2014. The five largest banks accounted for approximately 77.74% of the total assets of the Georgian banking sector as at 31 December 2015.

The following table sets forth the aggregate balance sheet of the Georgian banking sector as at the dates indicated:

	As at 31 December		
	2015	2014	2013
		(GEL millions)	
Cash	1,141.6	997.1	911.4
Balances on Correspondent Accounts	4,651.3	3,200.2	3,020.4
Securities for Dealing Operations	14.1	20.7	23.8
Investment Securities[(1)]	2,263.5	1,927.7	1,491.1
Net Loans	15,070.1	12,266.6	9,862.8
Accrued Interest and Dividends Receivable	201.1	180.1	134.4
Equity Investments	134.6	504.9	354.0
Fixed Assets	1,153.0	1,043.9	1,021.0
Other Assets	536.1	476.2	449.9
Total Assets	**25,165.4**	**20,617.4**	**17,271.9**
Deposits of Banks	1,158.3	808.4	623.3
Demand Deposits	6,253.6	5,193.0	4,492.9
Term deposits	8,093.2	6,424.0	5,171.7
Total Non-Bank Deposits	14,346.8	11,617.1	9,664.6
Accrued Interest and Dividends Payable	182.2	167.1	208.2
Borrowed Funds	4,534.5	3,977.8	3,570.3
Other Liabilities	1,431.0	460.2	312.0
Total Liabilities	**21,652.7**	**17,030.6**	**14,378.5**
Paid-in Capital	997.8	1,105.5	1,001.4
Capital Reserves	1,100.1	1,460.0	1,202.2
Retained Profits	1,414.9	1,021.3	689.8
Equity Capital	**3,512.7**	**3,586.8**	**2,893.4**
Total Liabilities and Equity Capital	**25,165.4**	**20,617.4**	**17,271.9**

Note:

(1) "Investment securities" comprise local currency-denominated Treasury bills, Treasury bonds and the NBG's Certificates of Deposits, all of which are eligible as collateral for the NBG's refinancing facility as well as overnight and intraday loans.

Source: NBG

Lending to customers is the primary activity of banks operating in Georgia. According to data published by the NBG, the overall quality of loans granted by Georgian banks remains stable in 2015. The ratio of Non-performing loans (which the NBG classifies as loans subject to provisioning levels of at 30% or more under NBG provisioning guidelines) to total loans was 7.5% as at 31 December 2015, 7.6% as at 31 December 2014, and 7.5% as at 31 December 2013.

The NBG has never imposed any restrictions on deposit withdrawals and the NBG does not, and is not authorised to, guarantee deposits. As at 31 December 2015, non-bank deposits accounted for 66.3% of total liabilities. As at 31 December 2014, non-bank deposits accounted for 68.2% of total liabilities, while as at 31 December 2013 non-bank deposits accounted for 67.3% of total liabilities.

Foreign investment

There are no legal or regulatory barriers on foreign investment in the Georgian banking sector. Direct competition from foreign banks is not, however, significant at present.

Based on information published by the NBG, commercial banks with foreign capital participation accounted for 93% of total commercial bank capital in Georgia as at 31 December 2015. Georgia's two largest banks have significant foreign ownership: the shares of the holding company of Bank of Georgia and a majority of the shares of TBC Bank (represented by GDRs) are listed on the London Stock Exchange. See "*Shareholders and Related Party Transactions—Shareholders*".

Other major foreign investors in the Georgian banking sector include the ProCredit Group, Société Générale, Liberty Investments Holding, VTB Bank, Xinjiang HuaLing Industry & Trade (Group) and Pasha Bank.

The NBG

The NBG is the central bank of Georgia and is responsible for the supervision of the banking sector. Between 2008 and 2009, the supervisory functions of the NBG related to commercial banks and non-bank depositary institutions (except for the supervision of minimum reserve requirements), were transferred to the Financial Supervisory Agency. The NBG Law abolished the Financial Services Agency and transferred powers to supervise financial institutions and the capital markets to the NBG.

On 3 September 2015 the new set of amendments were introduced to the Georgian banking legislation, including to the NBG Law and Banking Law, which transferred the banking and non-banking supervision from the NBG to the Financial Supervisory Agency (''**FSA**''). The legislative changes introduced on 3 September 2015 were largely criticized by various interested groups and were referred to the Constitutional Court of Georgia for consideration of their compliance with the Constitution of Georgia. On 12 October 2015 the Constitutional Court accepted the claim for consideration and suspended the implementation of the amendments. Pursuant to the decision of the Constitutional Court, until it decides on the claim, the NBG shall continue to carry out functions of the FSA, including the functions described in ''Banking Supervision'' below.

The NBG's main objective is to maintain price stability. NBG ensures the stability and transparency of the financial system and fosters sustainable economic growth. The NBG is responsible for implementing monetary and foreign exchange policies, supervising the banking sector (including through the setting of minimum reserve requirements), regulating other financial services (including securities), dealing with foreign reserves and acting as the fiscal agent and banker for the Government.

The NBG is an autonomous public entity. The supreme governing body of the NBG is a board, which consists of seven members. The president of Georgia proposes board candidates to the Georgian parliament, and the Georgian parliament endorses candidates for a seven-year term. The board then selects the president of the NBG, whose appointment is subject to confirmation by the president of Georgia. The president of the NBG nominates two vice presidents of the NBG. These appointments are also subject to confirmation by the president of Georgia.

Banking Supervision

The NBG is the regulator and supervisor of the financial services sector in Georgia (except insurance), including in respect of, *inter alia*, banks, non-bank depositary institutions – credit unions, qualified credit institutions, securities market participants, micro-finance organisations, currency exchange bureaus and money remittance services. The NBG is responsible for the licensing of banks, non-bank depositary institutions and securities market participants in Georgia. In addition, the NBG oversees the registration of micro-finance organisations, qualified credit institutions, currency exchange bureaus and providers of money remittance services and investment funds. The NBG is authorised to issue and revoke licences, carry out on- and off-site inspections and impose restrictions and sanctions. The NBG is also authorised to place banks and non-bank depositary institutions into temporary administration, liquidation or insolvency regimes, as the case may be.

The NBG performs regulation of financial institutions in line with risk-based supervision principles and organises banking supervision through specialised function units. The NBG is gradually introducing reforms to create a more advanced risk-based approach to supervision and further harmonise its regulations with relevant EU directives and Basel II/III principles. This advanced risk-based supervisory regime was recognised in a financial sector assessment program conducted jointly by IMF and the World Bank in 2014 as maintaining a conservative approach aimed at detecting vulnerabilities at an early stage and efficiently and effectively allocating supervisory resources.

Licensing

Commercial banks must obtain a licence from the NBG for, and banks are permitted to engage only in, ''banking activities'' as defined in the Banking Law, which include: (i) receiving interest-earning and interest-free deposits and other returnable means of payment; (ii) extending consumer loans, mortgage loans and other credits (whether secured or unsecured), and engaging in factoring operations with and without the right of recourse and trade finance (including the granting of

guarantees, letters of credit, acceptance finance and forfeiting); (iii) buying, selling, paying and receiving monetary instruments (such as notes, cheques and certificates of deposit), securities, futures and options with debt instruments or interest rates, currency and interest instruments, debt instruments, foreign exchange, precious metals and precious stones; (iv) cash and non-cash settlement operations and the provision of cash collection services; (v) issuing payment instruments and managing their circulation (including payment cards, cheques and bills of exchange); (vi) interest-free banking services; (vii) intermediary services on the financial markets; (viii) trust operations on behalf of clients and funds management; (ix) safekeeping and accounting for valuables including securities; (x) credit-information services; (xi) activities of the central depositary as determined by the Securities Market Law; (xii) leasing property; (xiii) provision of payment services, operation of a payment system and acting as settlement agent; and (xiv) activities incidental to each of the above types of services.

The Banking Law provides that any banking activities related to securities shall be regulated by the Securities Market Law and that, prior to tendering interest-free banking services, a commercial bank must present a description of the relevant service for the approval of the NBG.

Mandatory prudential ratios

The NBG sets limits and rules for calculating capital adequacy, single party and other credit exposures, liquidity ratios and open currency positions. The prudential ratios currently imposed by the NBG are mainly set out in the Regulation on Supervision and Regulation of the Activities of Commercial Banks (NBG President Order No. 69/04 of 28 June 2013). Other NBG regulations related to capital adequacy requirements are also described below. The key mandatory ratios in relation to the commercial banking sector include the following:

Capital adequacy ratios: With NBG President Order No. 100/04 of 28 October 2013 ("**Order 100/04**"), the NBG introduced a local version of Basel II/III regulations in Georgia. From June 2014 commercial banks had to start complying with the following minimum capital adequacy requirements established by Order No. 100/04:

- primary tier 1 capital ratio must be at least 7%;
- tier 1 capital ratio must be at least 8.5%; and
- regulatory capital ratio must be at least 10.5%.

During the transitional period (2014-2017), the following capital adequacy ratios set by NBG President Order No. 18/04 of 12 February 2015 ("Order No. 18/04") apply in parallel with the above-mentioned requirements:

- tier 1 capital ratio (i.e., in respect of a bank, the ratio of its tier 1 capital to risk-weighted assets) of minimum 8%; and
- regulatory capital ratio (i.e. the ratio of bank's regulatory capital to risk-weighted assets) of minimum 12%.

Order No. 18/04 is phasing out gradually and the minimum requirements for a particular year are defined by multiplying the above-mentioned ratios by adjustment factors applicable to the relevant year, i.e. 95% for 2015, 90% for 2016 and 80% for 2017.

The NBG is authorized to impose capital buffers on commercial banks in addition to minimum capital requirements.

Related party lending ratios: Credit to an insider (or his or her other liabilities to a bank) must not exceed 5% of the bank's regulatory capital. The aggregate amount of all credits (and other liabilities) extended to all insiders must not exceed 25% of the bank's regulatory capital.

Lending ratios: Credit to an outsider (or his or her other liabilities to a bank) must not exceed 15% of the bank's regulatory capital. Aggregate of all credits (and other liabilities) extended to a group of related outsiders may not exceed 25% of the bank's regulatory capital. Total large loans and other liabilities (defined as loans to a single borrower or a group of related borrowers in excess of 5% of regulatory capital) extended to borrowers may not exceed 200% of the bank's regulatory capital.

Unsecured loans: Unsecured loans must not exceed 25% of a bank's total loan portfolio.

Liquidity ratios: Average liquid assets held by the bank must not be less than 30% of average liabilities over the course of any month, although the NBG may grant exceptions to this limit on a case-by-case basis.

Investment ratios: Total investments in the capital of legal entities must not exceed 50% of the bank's share capital. The carrying value of a bank's fixed assets together with the total investments in the capital of legal persons must not exceed 70% of bank's share capital.

Open exchange position: The cumulative open exchange position (which includes off-balance sheet items) must not exceed 20% of a bank's regulatory capital.

Provisioning

Banks are required to set aside adequate provisions to cover potential losses on loans and other risk assets. These provisions are reviewed and reported to the NBG on a monthly basis. Pursuant to the ''Regulation on Asset Classification and Creation and Use of Reserves for Losses by Commercial Banks'', approved by order of the NBG President No. 51/04 of 17 June 2014, loans are classified into five groups according to their risk exposure and subject to varying provisioning requirements: ''standard'', ''watch'', ''doubtful'', ''substandard'' and ''loss''.

The NBG has established the following provisioning requirements for loan loss reserves: 2% for standard loans, 10% for loans on watch, 30% for sub-standard loans, 50% for doubtful loans and 100% for bad loans (classified as ''loss'').

Regulatory capital

The NBG has established minimum regulatory capital requirements for commercial banks. Pursuant to NBG Order No. 144 dated 23 May 2006, the minimum amount of regulatory capital for each commercial bank in Georgia and foreign branches operating in Georgia must be at least GEL 12.0 million.

Anti-monopoly policy

The NBG is responsible for promoting a competitive environment in the banking sector. For that purpose, the NBG may collaborate with the Competition Agency to investigate cases of infringement of competition. There is no other regulatory body that is permitted to regulate anti-monopoly policies in the Georgian banking sector.

Reserve requirements

Under the NBG Law, the NBG may establish reserve requirements for banks and it may impose a fine on a bank that fails to comply with these reserve requirements. These requirements are determined separately in Lari and foreign currencies depending on the average attracted funds, in order to promote the continued development of the domestic interbank market. Based on NBG Order No. 10/04 (dated 11 February 2011) (as subsequently amended), the minimum reserve requirements (applicable starting from 16 June 2016) are set at 7% for Lari funds with a remaining term of up to 365 days and 20% for foreign currency funds (for borrowed funds with a remaining term of between 365 and 730 days, the minimum reserve requirement is defined at 10%). The requirements do not further distinguish between funds borrowed from residents or non-residents. The amount of capital funds borrowed from the NBG and resident commercial banks (or equivalent funds) and various other liabilities are also not included in calculation of the relevant reserves.

Corporate governance

General

Georgia has not adopted a code of corporate governance. However, international principles of sound corporate governance are included in number of major banking regulations. Furthermore, under the Banking Law, banks must observe the international practice in case the NBG has not issued detailed regulation with respect to specific banking activity. The NBG facilitates and supervises adherence to best practice guidelines. TBC invests significantly in continuous improvements of its internal practice in order to meet both bank-specific regulatory recommendations and the Group's intention to uphold and maintain strong corporate governance standards.

TBC is a party to the Corporate Governance Code for Commercial Banks adopted by the Banking Association of Georgia in September 2009, which was drafted with the guidance of the IFC and is based on internationally recognised principles of good corporate governance.

The Banking Law imposes certain governance rules in respect of shareholdings in, and management of, commercial banks. Executive officers may not form a majority on the supervisory board of banks. In addition, executive officers who serve on the supervisory board may not participate in the resolution of issues concerning board supervision, including the approval of board reports.

Based on the Banking Law, the owners of a significant stake (more than 10% of either the authorised share capital or of the fully paid-up issued share capital held directly or indirectly) in Georgian banks must comply with certain criteria. The NBG has also established "fit and proper" criteria for the regulation of a bank's management and supervisory board (as described below).

Regulation of commercial bank employees and supervisory board members

Pursuant to the Regulation on Compatibility Criteria of Administrators of Commercial Banks (Order No. 50/04 dated 17 June 2014, the "**Regulation on Compatibility Criteria**"), persons discharging managerial or supervisory functions of commercial banks must fulfil the "fit and proper" compatibility criteria in order to ensure they are fit for their position.

The "fit and proper" compatibility criteria apply to the following persons discharging managerial or supervisory functions: members of the supervisory board, audit committee and the management board of commercial banks; heads and deputy heads of branches of commercial banks and similar subdivisions (as well as persons acting in such capacity), chief and deputy accountants of commercial banks, and other persons discharging managerial or supervisory functions of commercial banks who are authorized to undertake responsibilities independently or jointly with one or more persons on behalf of such banks (each referred to as "**Administrator**").

According to the Regulation on Compatibility Criteria, any person to be appointed as an Administrator of a commercial bank must comply with the following compatibility criteria:

- each member of the bank's supervisory board, audit committee, management board, head and deputy of a branch or similar structural unit must have a university degree in economics, finance, banking, business administration, auditing, accounting or law;
- a member of a commercial bank's supervisory board must have relevant qualifications and professional experience.
- the chief accountant and deputy chief accountant of the bank must have a university degree in economics, finance, banking, business administration, auditing or accounting;
- each member of the bank's management board must have relevant qualifications and professional experience and at least four years' experience in the finance sector, including two years as a senior manager (head or deputy head of a structural unit);
- the director and deputy director of a branch and the head and deputy head of a department (service centre) of a bank must have relevant qualifications and professional experience and at least three years' experience in the finance sector, including one year as a senior manager (as head or deputy head of a structural unit);
- the chief accountant and deputy chief accountant of the bank must have at least three years' experience working in the finance sector;
- the chief accountant and deputy chief accountant of a branch must have at least two years' experience working in the finance sector;
- a person to be appointed as a director, head or deputy head of the branch and other similar structural unit (and persons acting in their capacity), bank's chief accountant and deputy chief accountant may not be a member of the supervisory board or the audit committee of the same bank and/or of any other commercial bank, non-bank depositary institution-credit union and/or an Administrator of any other enterprise;
- a person to be appointed to the supervisory board of a bank may not be an Administrator of another commercial bank registered in Georgia, except when this other commercial bank is controlling or controlled by the bank;
- a person to be appointed to the supervisory board of a bank may not be a member of a supervisory board or a management board of more than seven enterprises registered in Georgia;

- a member of the supervisory board, management board or audit committee of a bank may not be in a 1st or 2nd degree of kinship (i.e. spouse, child, close relative) to a member of management or supervisory board of the same bank;
- the chief accountant and deputy chief accountant of a bank may not be a 1st or 2nd degree of kinship (i.e. spouse, child, close relative) to a director or deputy director of the same bank.

As an additional requirement a person may not be an Administrator of bank if he/she:

(a) has taken part in any operation or transaction that has

  (1) resulted in substantial damages for a commercial bank or a non-bank depositary institution – credit union and violated the rights of their depositaries or other creditors; and/or

  (2) caused insolvency or bankruptcy of a commercial bank or a non-bank depositary institution – credit union;

(b) has abused his/her authority as an Administrator of a commercial bank or a non-bank depositary institution – credit union;

(c) has previously served as an Administrator of a commercial bank or a non-bank depositary institution – credit union and as a result of his/her activities, the commercial bank or the non-bank depositary institution – credit union became insolvent;

(d) has failed to fulfil one or more financial obligation towards a commercial bank or a non-bank depositary institution – credit union;

(e) has been declared insolvent (bankrupt);

(f) has been convicted of a grave or especially grave offence, terrorism financing and/or money laundering or other economic crime;

(g) has been declared legally incapable by the court;

(h) has no relevant skills and qualification required for the position held.

Banking law further specifies that a person may not be appointed to the management or supervisory board of a bank if he/she is not authorised to hold such a seat pursuant to law. The NBG is authorised to establish additional compliance criteria for members of the management board and supervisory board of a bank with a normative act.

Acquisition of interests in Georgian banks and ongoing shareholder reporting obligations

Pursuant to the Banking Law, a person who has been convicted of a grave or especially grave offence, terrorism financing, money laundering or other economic crimes, may not hold a significant shareholding (defined for these purposes as more than 10% of either the authorised share capital or of the fully paid-up issued share capital directly or indirectly held) in a commercial bank.

Under the Banking Law, a person intending to acquire shares in a Georgian bank, and who (or whose beneficial owner(s)) as a result of such acquisition would directly or indirectly own more than 10%, 25% or 50% of the share capital of the bank, must submit a declaration to, and obtain prior approval from, the NBG. Acquisitions of more than 10% of a Georgian bank's share capital without NBG approval are deemed to be null and void. If there are grounds for suspicion, the NBG may request a bank to submit a declaration as to the direct, indirect or beneficial holders of more than 10% of its share capital, and may temporarily or indefinitely suspend the voting rights of such shareholder or require such shareholder to reduce its shareholding to 10%. The NBG is entitled to deny approval if the transaction may endanger stability of Georgia's financial sector, result in breach of requirements established by international organisations or by Georgia's international agreements or if the person wishing to acquire shares in a commercial bank fails to provide all necessary information about the origin of funds used to purchase such shares. The NBG is authorised to establish additional compliance criteria for holders of significant shareholding with a normative act.

There are certain reporting obligations related to the ownership of a significant shareholding of a Georgian bank. Pursuant to the Banking Law, a commercial bank is required to submit to the NBG, together with its annual report, information on the direct and beneficial holders of more than 10% of its share capital (NBG Order No. 145 of 23 May 2006 sets lower threshold of 5%). Such information must be prepared in reliance on the information available to the commercial bank, which must also note whether or not it confirms the accuracy thereof. In addition, any person that directly or

indirectly beneficially owns more than 10% of shares of a bank must submit a declaration to the NBG in April of each calendar year as to the amount of its shareholdings as at 31 December of the preceding calendar year.

Reporting requirements

All banks are subject to inspection by the NBG. Inspectors may examine a bank's accounts, books, documents and other records and those of its subsidiaries and may require its offices, employees and agents to provide any and all information and documents upon their request. On-site inspections are risk-based, concentrating on loan portfolio quality, asset qualification, collateral quality and loan application decisions.

Banks are required to submit the audited annual IFRS financial statements and related external audit reports to the NBG and to publish them. Banks are also required to submit different mandatory NBG rules-based financial reports to the NBG, in a specially designed template on a regular basis.

Deposit insurance

Currently, no mandatory deposit insurance scheme is in place in Georgia. However, according to the EU Association Agreement, certain provisions on deposit-guarantee schemes must be implemented within six years of the entry into force of the EU Association Agreement. Georgia may consider different levels of thresholds than the ones outlined in the Directive 94/19/EC and will submit a proposal to the Association Council established on the basis of the EU Association Agreement taking into account the developments of local market in Georgia, no later than five years after the entry into force of the EU Association Agreement.

Insolvency Regime

The NBG is entitled to cancel and revoke the banking licence of any bank that becomes insolvent, as well as under certain other circumstances. Upon revocation of its licence, the bank is liquidated in accordance with the procedure set forth in the Banking Law.

If the liquidated commercial bank was a payment system operator or a settlement agent, then upon appointment, the liquidator must settle any transfer orders received by the system prior to its appointment, establish settlement positions of the system participants and/or execute settlement in accordance with the Law of Georgia on the Payment System and Payment Service, as applicable. In the commercial bank liquidation process, creditors holding financial collateral are entitled to the preferential satisfaction of their claim secured by such financial collateral. During the liquidation period, any secured claims will be repaid to the bank's creditors in accordance with the terms of the relevant security agreement (up to the value of the security). The proceeds of the bankruptcy estate of an insolvent bank is required to be distributed among all its other creditors in the following order:

- *first*: all claims of the NBG and other lenders which arose after revocation of the bank's licence;
- *second*: amounts on the accounts of natural persons not exceeding GEL 1,500;
- *third*: amounts on the accounts of natural persons not paid under the second item above;
- *fourth*: amounts on the accounts of legal entities;
- *fifth*: indebtedness to the Georgian State Budget, including claims secured by tax liens; and
- *sixth*: all other claims against the bank.

If there are insufficient funds to fully cover all claims listed in the second, third, fourth and fifth categories above, all of the claims of each creditor within the relevant category shall be paid on a pro-rata basis and the claims of the subsequent category shall be paid only after the claims of the previous category have been fully paid.

Anti-Money Laundering Legislation

The Law of Georgia on Facilitating Elimination of the Legalisation of Illegal Income (the "**AML Law**") came into force on 1 January 2004. The AML Law strengthened control over the movement of funds within Georgia and introduced a new independent public law entity, Financial Monitoring Service (the "**FMS**"), to monitor and supervise anti-money laundering and counter terrorism financing measures and to issue decrees setting out further preventative measures and reporting requirements.

A number of decrees have been implemented and amendments made to the AML Law since its adoption, including, *inter alia*, a requirement for enhanced due diligence measures to be applied when business relationships are established with politically exposed persons. In addition, following amendments to the Georgian Criminal Code between 2006 and 2008, all material elements of money laundering and terrorist financing crimes are explicitly covered under Georgian criminal legislation, including in relation to legal persons. Amendments were made to Georgian criminal legislation in 2005 to align it with the Council of Europe Strasbourg Convention of 1990 on ''Laundering Search, Seizure and Confiscation of the Proceeds of Crime''.

The FMS operates as an independent body, which reports to the Government of Georgia. The FMS conducts its activities in close cooperation with MONEYVAL (the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism), of which Georgia is a member, and in accordance with Financial Action Task Force recommendations and EU directives, notwithstanding the fact that Georgia is not a member of either of the latter two bodies.

On 8-11 December 2015, the 49th plenary session of MONEYVAL took place. The plenary acknowledged the significant progress achieved by Georgia in the implementation of the Financial Action Task Force recommendations for combating money laundering and terrorism financing. In particular, the committee recognized that the Georgian authorities addressed the majority of shortcomings identified in the 2012 evaluation report and decided to remove Georgia from the regular follow-up process.

Under the AML Law, all banks, are obliged to monitor and report to the FMS all suspicious transactions, irrespective of value, and certain types of transactions listed in the AML Law if the value of a transaction (or any group of related transactions) exceeds GEL 30,000 (or the foreign currency equivalent). If the FMS receives a report of a transaction that it believes may be related to money laundering or the financing of terrorism, the report must be forwarded to the appropriate departments of the General Prosecutor's Office of Georgia and to the Ministry of Internal Affairs of Georgia.

Most banks and other financial institutions employ compliance officers who adhere to the ''Core Principles for Effective Banking Supervision'' published by the Basel Committee on Banking Supervision in practice. In addition, banks are obliged to comply with the statutory ''Know Your Client'' regulations introduced by the FMS. These standards established a number of processes to identify customers and potentially suspicious transactions, in order to reduce instances of money laundering.

The NBG is authorised to carry out on-site and off-site inspections of anti-money laundering issues arising in the financial sector and has dedicated budget resources and personnel to carry out such inspections and report to the FMS on any breach of the AML Law or related regulations.

In March 2014, the Government of Georgia approved the Action Plan (as amended in December 2015) for the implementation strategy for the Fight against Money Laundering and Terrorist Financing (2014-2017). The document has been developed based on 40 recommendations of the Financial Action Task Force to strengthen the current systems to fight against money laundering and terrorist financing. The body responsible for supervising the implementation of the Action Plan is the Interagency Coordinating Council, comprised of the relevant government bodies.

Banking Sector Initiatives

The NBG has not issued a document discussing banking system development strategy since 2006, at which time the NBG set out a number of objectives, including the development of a mandatory deposit insurance system, improvement of the principles of capital adequacy calculation, creation of a credit history agency and legislative amendments to develop financial and capital markets. Although the NBG has not issued an updated development strategy document, in the annual reports the NBG provides additional insights into the main trends of the banking sector, the main risks that the banks are facing as well as ongoing regulatory reforms. The NBG has taken certain steps aimed at implementing several targets, including those related to capital adequacy calculation and the application of prudential regulations in a manner consistent with Basel I. Although a credit history agency (CIG) was created in 2004, much remains to be achieved in this regard.

The NBG is also expected to introduce capital conservation and counter cyclicality buffers, although the NBG will not necessarily increase capital requirements on commercial banks. According to the

NBG, the current minimum Basel II/III capital ratio (10.5%) incorporates a 2.5% requirement for the conservation buffer. At a later stage, the NBG expects to segregate it explicitly by defining the minimum ratio at 8%. Furthermore, under current requirements the countercyclical buffer is to some extent accounted for under current ratios in the form of an additional 75% risk weighting for foreign currency denominated exposures (CICR). The NBG expects that with the introduction of an additional countercyclical buffer, the risk weight for CICR would decrease so that part of the current capital charge intended for countercyclical purposes would be netted and risk-weighted assets would accordingly be decreased. The countercyclical buffer normally ranges between zero and 2.5% based on the status of the credit cycle but, as the NBG does not believe that overheating is currently evidenced, the existing capital requirements incorporate only part of the 2.5% countercyclical buffer. The NBG has the right to impose individual capital adequacy requirements on commercial banks based on their risk profiles. See Part XI "*Selected Statistical and Other Information-Capital and Capital Adequacy*".

Banking Regulation in Azerbaijan

TBC is currently exploring opportunities to expand its operations in Azerbaijan by obtaining a banking licence from the competent regulatory body in Azerbaijan. This process, which typically takes one to two years, would require, *inter alia*, that TBC establish the bank with a local Azerbaijani partner and that the partners together contribute a minimum of AZN 50 million (approximately GEL 73.5 million) to the capital of the new bank. See Part XII "*Description of Business-Other operations*".

On 10 March 2016 the President of the Republic of Azerbaijan established the Chamber for Control of Financial Markets (the "**Chamber**"). The Chamber assumed the functions of several state bodies: the State Committee for Securities, the State Insurance Supervision Service of the Ministry of Finance and the Financial Monitoring Service under the Central Bank of the Republic of Azerbaijan (the "**CBAR**"). Under the new regulation, the Chamber assumed responsibility for many of the functions that were previously overseen by the CBAR, and the Chamber is now the public legal entity that licenses, regulates and supervises participants of the securities market, investment funds, insurance and credit organizations (banks, non-banking credit organizations and postal operators) and payment systems and ensures transparency and flexibility in its supervision.

Azerbaijani banks are required to maintain minimum total regulatory capital of AZN 50 million. The Chamber monitors compliance with the capital adequacy requirements and currently requires Azerbaijani banks to adhere to the statutory capital methodology calculated using statutory accounting information and monthly reporting of capital ratios. It is expected that aspects of Basel III will be implemented in the Republic of Azerbaijan in the coming years. According to current requirements, the Tier I capital shall not be less than 50% of the bank's total regulatory capital. The minimum capital ratios are 6% for Tier I capital and 12% for total capital. Tier II capital may equal but not exceed Tier I capital.

PART XVI

DIRECTORS AND SENIOR MANAGEMENT

PLC Directors

The following table sets out the name, age, position and term of appointment of each of the PLC Directors.

Name	Year of Birth	Position	Term of appointment/ Reappointment
Mamuka Khazaradze.....	1966	Chairman	3 years
Badri Japaridze	1960	Deputy Chairman	3 years
Vakhtang Butskhrikidze.....	1970	CEO	3 years
Giorgi Shagidze.....	1975	CFO	3 years
Nikoloz Enukidze.....	1970	Senior Independent Non-Executive Director	3 years
Stefano Marsaglia	1955	Independent Non-executive Director	3 years
Nicholas Haag.....	1958	Independent Non-Executive Director	3 years
Eric Rajendra	1958	Independent Non-Executive Director	3 years
Stephan Wilcke	1970	Independent Non-Executive Director	3 years

The business address of each of the PLC Directors is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom. Biographical details of each of the PLC Directors, together with details of their responsibilities within the Group are set out below.

Mamuka Khazaradze graduated from the Technical University of Georgia in 1988 and also holds a diploma from Harvard Business School. Between 1988 and 1989, he worked as an engineer at the Projecting-Technological Scientific Research Institute in Tbilisi. In 1991 and 1992, respectively, he founded and became the President of TBC Bank. In 1995 he founded IDS Borjomi Georgia, Borjomi Beverages Co. N.V., where he held the position of President until 2004, and between 1999 and 2002, he acted as Vice Chairman of the Supervisory Board of Microfinance Bank of Georgia. In 2004, Mr. Khazaradze also founded the Georgian Reconstruction and Development Company, of which he is still the President. Between 1997 and 2007, he was also Vice President of the Olympic Committee of Georgia. Since 2000 he has been a partner and the President of NGO New Movement, and since 2010 has served as the Chairman of the Board of the American Academy in Tbilisi and the Chairman of the Supervisory Board of Lisi Lake Development. In 2014, Mr. Khazaradze was recognised as Entrepreneur of the Year in Georgia by Ernst & Young, the year this prestigious awards programme was launched in the country. Mr. Khazaradze has been the Chairman of the Bank Supervisory Board since TBC Bank's incorporation in 1992.

Badri Japaridze graduated from the faculty of psychology of Tbilisi State University in 1982 and also holds a postgraduate qualification from the Faculty of Psychology of Moscow State University. In 2001 he also completed an executive course at the London School of Economics and Political Science. Between 1990 and 1992, Mr. Japaridze was a member of the Parliament of Georgia. In 1992, he was appointed as Head of the Foreign Relations Department at TBC Bank and was appointed as Vice President of TBC Bank in 1993. In 1996, he was elected as Chairman of the Board of TBC TV LLC, a position he still retains. Since 1995, he has held the position of Vice President of IDS Borjomi Georgia, a Georgian branch of IDS Borjomi Beverages Co. N.V., of which he is a co-founder, and acted as a member of the Board of that company between 2004 and 2010. In 1995, Mr. Japaridze was elected to the Bank Supervisory Board and has held the position of Vice Chairman of the Bank Supervisory Board since 1996. Since 2004, he has also acted as a member of the Supervisory Board of the American Chamber of Commerce in Georgia and the Georgian Reconstruction and Development Company, of which he is co-founder. Mr. Japaridze was elected to the Supervisory Board of the EU-Georgian Business Council in 2006 and later became the Vice Chairman. In 2008, he was elected to the Supervisory Board of Geoplant, a position he retains today. Mr. Japaridze is also the Chairman of the Supervisory Board of TBC Kredit and the Vice Chairman of the Supervisory Board of TBC Leasing.

Vakhtang Butskhrikidze joined TBC Bank as a Senior Manager of the Credit Department in 1993 and was elected as Deputy Chairman of the Bank Management Board in 1994. He became Chairman of the Bank Management Board in 1996. Since 1998, he has held the position of CEO of TBC Bank

and has headed a number of TBC's committees. Vakhtang is also a member of the Supervisory Boards of the Association of Banks of Georgia and is Chairman of the Financial Committee of the Business Association of Georgia. Since 2011 he has also held the position of member of the Supervisory Board of the Partnership Fund, Georgia. In 2016, Vakhtang joined the Visa Central & Eastern Europe, Middle East and Africa (CEMEA) Business Council. In his earlier career, Vakhtang acted as Junior Specialist at the Institute of Economics, Academy of Sciences of Georgia, as well as an Assistant to the Minister of Finance of Georgia between 1992 and 1993. In 2001, Vakhtang was honoured with the ''Best Businessman of the Year'' award by Georgian Times Magazine and in 2011, he was recognised as the ''Best Banker 2011'' by GUAM – Organization for Democracy and Economic Development award. Vakhtang was also named as the CEO of the Year 2014 in Central and Eastern Europe and the CIS by EMEA Finance magazine. Vakhtang obtained an MBA from the European School of Management in Tbilisi in 2001. He graduated from Tbilisi State University in 1992 with a degree in Economics and holds post graduate qualifications from the Institute of Economics, Academy of Sciences of Georgia.

Giorgi Shagidze became Deputy CEO and Chief Financial Officer of TBC Bank and was appointed to the Bank Management Board in 2010. From 2011 until its merger with TBC Bank in 2015, he served as a member of the Supervisory Board of Bank Constanta. Giorgi also is a Board Member of the Georgian Stock Exchange. Prior to joining TBC Bank, Giorgi acted as a Global Operations Executive for Barclays Bank Plc between 2008 and 2010. In his earlier career, Giorgi worked at the Agro Industrial Bank of Georgia at various positions including as the Head of the Credit Investment Department and Head of International Payments between 1996 and 2001. Between 2001 and 2005, he worked at Tbiluniversalbank, where he held the positions of CEO, Deputy CEO, and Head of IT and Branch Manager. In 2005, he became Director of the Distribution Channels Division at Bank of Georgia before becoming Deputy CEO of Peoples Bank of Georgia in 2005. Giorgi obtained an MBA degree from the University of Cambridge Judge Business School in 2008. He graduated from Tbilisi State University in 1997 with a degree in Economics.

Nikoloz Enukidze graduated from Tbilisi State University with a degree in Physics in 1993 and obtained an MBA from the University of Maryland in 1996. Mr Enukidze has served as Managing Director of Corporate Finance for Concorde Capital, a leading Ukrainian investment banking firm; Assistant Director at ABN AMRO Corporate Finance in London for four years; Senior Manager of Business Development of Global One Communications LLC based in Reston, Virginia; and three years at ABN AMRO Corporate Finance in Moscow. After years of experience in the financial services industry, Mr. Enukidze served as Vice Chairman of the Supervisory Board of Bank of Georgia and was one of the key people leading the bank to a successful IPO on the London Stock Exchange, the first ever IPO in London for a company from the Caucasus region. In 2008, Mr. Enukidze was appointed as Chairman of the Bank of Georgia Board and he led the bank through the international and local financial crisis. Prior to joining TBC, Mr Enukidze also served as Chairman of the Supervisory Board of Galt & Taggart Securities. At present, as founder of Nine Oaks Advisors, Mr. Enukidze acts as financial adviser and investor on projects in Central and Eastern Europe. Since 2011 he has also served as an independent Director of the Supervisory Board and member of the Audit Committee of TMM Real Estate Development PLC, a Ukrainian real estate development company listed on the Deutsche Börse since 2007, and since 2014 as the Chairman of the Supervisory Board of JSC Caucasus Minerals. Mr Enukidze was born and raised in Tbilisi and is a Georgian and British national. Mr. Enukidze was appointed to the Bank Supervisory Board as an independent member in 2013.

Stefano Marsaglia graduated from Turin University with a degree in Economics and Commerce in 1978. Mr. Marsaglia has 35 years of experience in the financial services industry with particular expertise in corporate and investment banking in Europe and Latin America. In 1987, he was appointed Deputy Managing Director and Head of Investment Banking for Southern Europe at UBS and served as Assistant Director at Morgan Grenfell from 1983 to 1987. Mr Marsaglia acted as Managing Director, Global Head of Financial Institutions and Co-Head of Investment Banking for Europe at Rothschild between 1992 and 2010, and as the Chairman of Global Financial Institutions of the Investment Banking Division at Barclays Bank, London between 2010 and 2014. Mr Marsaglia currently serves as Executive Chairman of Corporate and Investment Banking at Mediobanca, London. Mr. Marsaglia was appointed to the Bank Supervisory Board in 2014.

Nicholas Haag earned an M.A. from the University of Oxford with a degree in Modern Studies in Geography in 1980. Mr. Haag has 32 years of experience working in the financial services industry,

with a significant emphasis on equity capital markets. His experience includes seven years at Barclays Bank between 1980 and 1987 in various capital markets and project finance roles, including as the Head of Equity Syndicate, Barclays de Zoete Wedd (BZW); ten years at Banque Paribas, Paribas Capital Markets between 1989 and 1999, initially as Deputy Head of Global Equity Capital Markets and later Senior Banker and Head of European Client Coverage (ex-France); two years at ING Barings between 1999 and 2001 as Managing Director and Global Head of Technology Banking Group; six years at ABN AMRO between 2001 and 2007 based in London as the Global Head of Technology Banking, Member of Global TMT Management Committee, Senior Managing Director and Member of the Senior Credit Committee; four years with the Royal Bank of Scotland between 2008 and 2012 and RBS Hoare Govett as Managing Director, Head of London Equity Capital Markets and Member of the Global Equities Origination Management Committee. Since 2012, he has served as a senior independent adviser to the Chairman of the Management Board and since 2013 as a member of the Supervisory Board of Credit Bank of Moscow and a financial consultant specializing in capital raisings and stock exchange flotations. He also serves as an Independent Non-executive Director of Bayport Management Limited. Since 2012 he has acted as sole Director of his own consulting company, Nicdom Limited. Mr. Haag was appointed to the Bank Supervisory Board in 2013.

Eric Rajendra graduated from Brandeis University (B.A.), earned his M.A. at the Fletcher School in 1982 (Tufts University in cooperation with Harvard University) and conducted postgraduate research at INSEAD Business School in the areas of Financial Markets and institutions. Mr. Rajendra is also a graduate of the Australian Institute of Company Directors and was formerly an Adjunct Professor of Strategy at INSEAD. During 2005-2014, he held the position of Senior Advisor to the IFC and has served as a Board Director or Consulting Advisor on selected emerging markets financial institutions where the World Bank Group has an equity interest, as well as leading strategic initiatives for the firm. Prior to joining the IFC, he was a Vice President at Capgemini and a Vice President at Electronic Data Systems; in both institutions he was a key leader of the financial services practice. From 2010 to 2012 he was a member of the Board of Directors at Orient Express Bank. During 2006-2014 he was a member of the Board of Directors of LOCKO-Bank where he is also the Chairman of the Audit and Risk Committee. He started his career as a banker at JP Morgan Chase Bank in 1982 and later became a partner at McKinsey & Company. Mr. Rajendra was appointed to the Bank Supervisory Board in 2010.

Stephan Wilcke graduated from UWC Atlantic in 1990 and also holds a Master's Degree from Oxford University. From 1993 to 2000, he worked at Oliver, Wyman & Co. as a strategy consultant, becoming a partner in 1998. From 2000 to 2007, he worked at Apax Partners as an investment professional, becoming a partner in 2005. From 2008 to 2009, he acted as advisor to the European Central Bank, the Bundesbank and the Luxembourg Central Bank in connection with the collapse of Lehman Brothers and the subsequent failures of Landsbanki and Glitnir. Thereafter, he served as CEO of the UK Government Asset Protection Agency from 2009 to 2011. In 2011, Mr. Wilcke joined the board of OneSavings Bank as a non-executive director, stepping up to become Executive Chairman in early 2012 and stepping back into a Non-Executive Director role after taking the bank through its initial public offering in 2014. He has been a Commissioner of the Jersey Financial Services Commission since 2012, served as Supervisory Board Vice Chairman of the Nova Ljubljanska Banka from 2012 to 2013 and was a Council Member of the Hellenic Financial Stability Fund from 2013 to 2015. Mr. Wilcke became Chairman of the Audit & Risk Committee of BIMA/Milvik S.A. in 2014 and Non-Executive Chairman of Amigo Loans in 2015. He has served as Non-Executive Director and Investment Committee member of the investment firm EMF Capital Partners Ltd. since 2012, and in 2015 Mr. Wilcke co-founded his own investment firm, Rozes Invest Ltd.

Key Senior Managers – Bank Supervisory Board and Bank Management Board

The key senior managers of the Group comprise, in addition to the PLC Directors, members of the Bank Supervisory Board and the Bank Management Board (members of the Bank Supervisory Board and the Bank Management Board, together, the "**Bank Directors**"). As required under Georgian law, the Bank has (and has had since its founding) a two-tier board structure comprising a Bank Supervisory Board comprising only non-executive directors, including the Bank's Chairman, and a Bank Management Board led by the Bank's Chief Executive Officer. Details of the members of the Bank Supervisory Board and the Bank Management Board are set out below.

Interaction between the TBC PLC Board and the Bank Supervisory Board / Bank Management Board

Following Admission, TBC PLC will own not less than 75% of the Bank Shares. In accordance with Georgian law, as a result, TBC PLC will be the controlling shareholder of the Bank. It will be able to unilaterally pass shareholder resolutions relating to the Bank, including those relating to the share capital of the Bank and corporate transactions by the Bank. In particular, the TBC PLC Board will, by exercising the voting rights of TBC PLC in the Bank, be able to control the composition of the Bank Supervisory Board. In turn, the Bank Supervisory Board appoints and dismisses the members of the Bank Management Board. The TBC PLC Board will have reserved to it key decisions relating to leadership of the Group, its values and standards, long-term objectives, commercial and investment strategy. The TBC PLC Board will also have reserved to it approval rights relating to, amongst other matters, the Group's budgets, oversight of the Group's operations, material new investments and acquisitions, borrowings and other material transactions. The TBC PLC Board will consider information from the Bank and the rest of the Group in considering decisions. Through these control and information rights, the TBC PLC Board will oversee the Group, including the Bank Supervisory Board. In turn, the Bank Supervisory Board will operate a supervisory role over the Bank Management Board.

Bank Supervisory Board

Operating under the direction of the PLC board of directors, the Bank Supervisory Board is responsible for supervising the Bank Management Board. The Bank Supervisory Board also assists the Bank Management Board by giving advice. Subject to the overall directions of the TBC PLC Board, the Bank Supervisory Board will continue to supervise the Bank's business, risk strategy and financial soundness. In particular, it will monitor compliance with established objectives. Without limiting the ability for approvals of the TBC PLC Board as further described above, the approval of the Bank Supervisory Board is required for material acquisitions, borrowings, investments and other transactions of the Bank. In performing their duties, the Bank Supervisory Board members are required to act in the best interests of the Bank and its shareholders. The Bank Supervisory Board approves the remuneration and other conditions of employment for each member of the Bank Management Board. Certain resolutions of the Bank Management Board are subject to the prior approval of the Bank Supervisory Board. Although not a formal requirement, it is the intention of the Group that the Bank Supervisory Board have the same members as TBC PLC's Board of Directors; however, at the date of this Prospectus the Bank Supervisory Board does not yet include Vakhtang Butskhrikidze, Giorgi Shagidze and Stephan Wilcke, each of whom is expected to be appointed to the Bank Supervisory Board in September 2016. In addition, Irina Schmidt is also a member of the Bank Supervisory Board as at the date of this Prospectus prior to the expiration of her in June 2016. For biographical details of each of the Bank Supervisory Board members, please see "*—PLC Directors*", above. The members of the Bank Supervisory Board can be contacted through the Bank's principal place of business, 7 Marjanishvili St. Tbilisi, Georgia 0102.

Bank Management Board

The Bank Management Board is an executive body that is responsible for the day-to-day management of the Bank (with the exception of the functions reserved to the General Meeting of Shareholders and the Bank Supervisory Board). The Bank Management Board is accountable to the shareholders of the Bank and the Bank Supervisory Board and its members are appointed by the Bank Supervisory Board for renewable terms of four years and are also dismissed by the Bank Supervisory Board. The number of the members on the Bank Management Board at any time is determined by the Bank Supervisory Board, provided the number of directors in the Bank Management Board shall not be less than three. Banking regulations contain certain limitations as to who may become a member of the Bank Management Board and criteria that each member must fulfil (see Part XV "*Banking Sector and Banking Regulation in Georgia—Corporate governance—Regulation of commercial bank employees and supervisory board members*").

The following table sets out the name, age, current position and term of appointment of the members of the Bank Management Board.

Name	Year of Birth	Position	Expiration of Term of office/ Reappointment
Vakhtang Butskhrikidze.....	1970	Chief Executive Officer	2018
Paata Gadzadze.....	1970	First Deputy CEO	2018
Giorgi Shagidze.....	1975	Deputy CEO (Chief Financial Officer)	2018
Vano Baliashvili	1978	Deputy CEO (Chief Operations Officer)	2018
George Tkhelidze	1978	Deputy CEO (Chief Risk Officer)	2018
David Tsiklauri	1981	Deputy CEO (Corporate Banking)	2018
Nino Masurashvili.....	1975	Deputy CEO (Retail & SME Banking)	2018
Nikoloz Kurdiani	1982	Deputy CEO (Micro Banking)	2018

Each of the members of the Bank Management Board can be contacted through the Bank's principal place of business at 7 Marjanishvili St. Tbilisi, Georgia 0102. For the biographical details of Vakhtang Butskhrikidze and Giorgi Shagidze, please see "*—PLC Directors*", above. The biographical details of each of the other members of the Bank Management Board are set out below.

Paata Gadzadze joined TBC Bank in 1994 as Deputy General Director of TBC Bank and was appointed to the Bank Management Board in 1996. In 2005, he was also Head of the Credit Department. Paata has held the position of First Deputy CEO since 1998. Since 2014, he has held the position of the member of the Supervisory Board of TBC Leasing. Since 2016, Paata serves as a lecturer at the Free University, Georgia. Between 2000 and 2004, he also served as CEO of Georgian Pension and Insurance Holding. In his earlier career, Paata was an Assistant to the Minister of State Property Management between 1992 and 1994. Paata also held the position of a lecturer at the European School of Management in Tbilisi between 1994 and 2004. Paata graduated from Tbilisi State University in 1992 with a degree in Economics and holds a postgraduate qualification from the Institute of Economics, Academy of Sciences of Georgia.

Vano Baliashvili joined TBC in 1999 as Head of Service, Internal Audit and Control. He became Finance Division Chief in 2000 and has held the position of Deputy CEO, Chief Operating Officer since 2002. Since 2008, Vano has also held the position of Chairman of the Supervisory Board of UFC. Between 1993 and 1995, he held the positions of Intern Accountant and Accountant at Commercial Bank Sandro and Chief Accountant at Commercial Bank Shalen. Between 1995 and 1999, he held the positions of Economist, Foreign Exchange Division, Head of the Foreign Exchange Department, and Head of the Internal Audit Department at JSC TbilCredit Bank. Vano graduated from Tbilisi State University in 1992 with a degree in Economics and obtained an MBA from the European School of Management in Tbilisi. In 2011 he obtained a Master's Certificate in Project Management from George Washington University School of Business.

George Tkhelidze joined TBC Bank in 2014 from Barclays Investment Bank, where he held the position of Vice President in the Financial Institutions Group (FIG), EMEA since June 2011. Prior to this, from September 2009 he was an Associate Director in Barclays Debt Finance and Restructuring Teams. During his career with Barclays in London, George worked on and executed multiple M&A, debt and capital markets transactions with European financial institutions. In his earlier career in Georgia, George held various managerial positions at ALDAGI insurance company, where he also served as Chief Executive Officer. George graduated from the London Business School with an MBA degree (2009). He also holds a Master of Laws degree (LL.M) in International Commercial Law from the University of Nottingham (2002) and Graduate Diploma in Law from Tbilisi State University (2000).

David Tsiklauri joined TBC Bank in 2014 from Deutsche Bank, where he served as the Vice President of the Capital Markets and Treasury Solutions team since 2011. He has specific expertise in the origination, structuring and execution of public and private transactions and principal investment trades in several countries, including the Emerging Markets. Prior to this, David worked as an Associate in the Debt Capital Markets Department at Deutsche Bank. In his earlier career, he served as the Head of Investor Relations at TBC Bank during 2005-2006. David obtained his MBA degree from London Business School in 2008. He also holds MSE and BSE degrees from the Georgian Technical University.

Nino Masurashvili joined TBC in 2000 as a Manager in the Planning and Control Department and became head of that department in 2002. Between 2004 and 2005, she acted as Head of the Sales Department and Retail Bank Coordinator. Nino was appointed as Deputy CEO, Retail and SME Banking in 2006. Between 2006 and 2008, Nino was the Chairman of the Supervisory Board of UFC. During 2011-2015 she also held a position of a member of the Supervisory Board of Bank Constanta until its full merger with TBC Bank. Since 2011, Nino has been a member of the Supervisory Board of TBC Kredit. In her earlier career, she held the positions of Credit Account Manager, Credit Officer, Financial Analyst (Financial Department) and Head of the Financial Analysis and Forecasting Department at JSC TbilCom Bank Between 1995 and 2000. Between 1998 and 2000, she also held the position of Accountant at the Barents Group. Nino graduated from Tbilisi State University in 1996 with a degree in Economics and obtained an MBA degree from the European School of Management in Tbilisi.

Nikoloz Kurdiani has more than ten years of experience in the banking industry which includes five years at UniCredit Group in Austria, Turkey and Kazakhstan. Immediately before joining TBC Bank in 2014, Mr. Kurdiani was Managing Director at Kaspi Bank, a leading retail bank in Kazakhstan. Prior to obtaining his MBA degree in 2007, he served as Head of the Retail Banking Division of Bank Republic Georgia, Société Générale Group, and also held several positions at Bank of Georgia between 2003 and 2006. He has expertise in post-acquisition integration and restructuring, as well as retail and SME banking. Between 2008 and 2010, Nika held the position of Senior Sales Support Expert at the CEE Retail Division of Bank Austria, UniCredit Group, responsible for Turkey, Kazakhstan, Ukraine and Serbia. Between 2010 and 2013, he was Head of the Retail Division of ATF Bank, UniCredit Group in Kazakhstan. Nika obtained his MBA degree from IE Business School in 2007. He also holds an MSc degree in International Economics from the Georgian Technical University and completed BBA studies at Ruhr-University Bochum in Germany and the Caucasus School of Business.

TBC PLC Share Dealing Code

TBC PLC will adopt, with effect from Admission, a share dealing code which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules.

TBC PLC Inside Information Disclosure Policy

TBC PLC will adopt, with effect from Admission, an Inside Information Disclosure Policy. The policy is designed to contribute to the maintenance of an orderly market in TBC PLC's listed securities and to prevent market abuse, insider dealing and other similar offences by:

- ensuring the timely identification and escalation of inside information;
- denying access to inside information to persons other than those who require it for the exercise of his or her functions;
- ensuring the timely release of inside information where such disclosure is required;
- ensuring any inside information that is released meets the appropriate standard;
- co-ordinating the announcement of inside information using appropriate information services; and
- setting parameters for dealing with rumours and market speculation, and refraining from commenting on such matters unless appropriate public disclosure is required.

The policy will apply to all other members of the Group and their respective directors, officers and employees.

Corporate Governance Code

The TBC PLC Board is committed to the highest standards of corporate governance. The Corporate Governance Code recommends that at least half of the TBC PLC Board (excluding the Chairman) should comprise independent non-executive directors. The Corporate Governance Code states that the board should determine whether a director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The TBC PLC Board comprises nine directors. The TBC PLC Board considers Nikoloz Enukidze, Stefano Marsaglia, Nicholas Haag, Eric Rajendra and Stephan Wilcke to be independent non-executive directors. The TBC PLC Board views each of these non-executive directors

to be independent of management judgment and character and free from any business or other relationship which could materially interfere with their exercise of independent judgment. On Admission, TBC PLC's Senior Independent Director will be Nikoloz Enukidze.

On and following Admission, the TBC PLC Board complies and intends to comply with the requirements of the Corporate Governance Code, save that, the Chairman is, for the purposes of the Corporate Governance Code, not considered to have been independent on his appointment as Chairman due to his role as founder of the Group. The TBC PLC Board is unanimously of the opinion that he is an extremely valuable asset to TBC PLC bringing a wealth of experience of the banking sector in Georgia and that therefore he should continue as Chairman after Admission.

The Corporate Governance Code further recommends that directors should be subject to annual re-election. TBC PLC intends to comply with this recommendation.

Following Admission, Mamuka Khazaradze and Badri Japaridze, together with the other members of the Presumed Concert Party Group, will directly or indirectly own 33.49% of the PLC Ordinary Shares (assuming full acceptance of the Offer other than with respect to the Non-tendered LTIP Bank Shares). However, if TBC PLC acquires only 75% of the Bank Shares in the Offer, Mamuka Khazaradze and Badri Japaridze (together with the other members of the Presumed Concert Party Group) will together directly or indirectly own 44.04% of the PLC Ordinary Shares. Under the Listing Rules, Mamuka Khazaradze, Badri Japaridze and the other members of the Presumed Concert Party Group may therefore be controlling shareholders of TBC PLC. A 'controlling shareholder' is, broadly, a shareholder which, together with its concert parties, holds 30% or more of the voting rights in the relevant company. For so long as TBC PLC has controlling shareholders, any election or re-election of an independent director by the shareholders must also be approved by independent shareholders (being shareholders other than the controlling shareholders). If the approval of independent shareholders to the appointment of a director is not obtained, TBC PLC may propose a further shareholder resolution to appoint that person between 90 and 120 days after the vote on the first resolution. Independent shareholder approval is not required for any such second resolution. Furthermore, in the event that TBC PLC wishes the FCA to cancel the listing of the PLC Ordinary Shares on the premium segment of the Official List or transfer the PLC Ordinary Shares to the standard listing segment of the Official List, TBC PLC must obtain at a general meeting the prior approval of: (a) a majority of not less than 75 per cent. of the votes attaching to the PLC Ordinary Shares voted on the resolution; and (b) a majority of the votes attaching to the PLC Ordinary Shares voted on the resolution excluding any PLC Ordinary Shares voted by a controlling shareholder.

In all other circumstances, Mamuka Khazaradze, Badri Japaridze and the other members of the Presumed Concert Party Group have, and will have, the same voting rights attached to the PLC Ordinary Shares as all other TBC PLC Shareholders.

Board Committees

As envisaged by the Corporate Governance Code, the TBC PLC Board has established three principal committees, being the Audit, Remuneration and Corporate Governance and Nomination Committees. It has also established a Risks, Ethics and Compliance Committee. The terms of reference for each of these committees are summarised below. The members of such committees are appointed by the TBC PLC Board.

TBC PLC Audit Committee

The members of the TBC PLC Audit Committee are Nicholas Haag (Chairman of the Audit Committee), Nikoloz Enukidze, Stefano Marsaglia, Eric Rajendra and Stephan Wilcke, all of whom are considered by the TBC PLC Board to be independent. See "*—TBC PLC Corporate Governance Policy and Board Committees*" above.

The TBC PLC Audit Committee will have responsibility for: (i) recommending the financial statements to the TBC PLC and for reviewing the Group's financial reporting and accounting policies, including formal announcements and trading statements relating to the Group's financial performance; (ii) the relationship with the internal and external auditors and for assessing the role and effectiveness of the internal audit function; (iii) reviewing the Group's procedures for detecting, monitoring and managing the risk of fraud; (iv) recommending to the TBC PLC Board the appointment, re-appointment and removal of the external auditors; (v) reviewing the nature, scope and results of the annual external audit; (vi) recommending the audit fee and on an annual basis

assesses the effectiveness and independence of the external auditors; and (vii) keeping under review the Group's internal controls and systems for assessing and mitigating financial and non-financial risk.

TBC PLC Remuneration Committee

The members of the TBC PLC Remuneration Committee are Stefano Marsaglia (Chairman of the Remuneration Committee), Nikoloz Enukidze, Nicholas Haag and Eric Rajendra, all of whom are considered by the TBC PLC Board to be independent. See "*—TBC PLC Corporate Governance Policy and Board Committees*" above.

The TBC PLC Remuneration Committee is constituted to determine and make recommendations to the TBC PLC Board the framework or broad policy for the remuneration of the Deputy CEO, the Chairman of TBC PLC, the Executive Directors and such other members of the executive management as it is designated to consider. The TBC PLC Remuneration Committee shall also oversee any major changes in employee benefits structures within the Group. The TBC PLC Remuneration Committee is also required to produce a report of TBC PLC's remuneration policy and practices to be included in TBC PLC's annual report and ensure each year that it is put to shareholders for approval.

TBC PLC Corporate Governance and Nomination Committee

The members of the TBC PLC Corporate Governance and Nomination Committee are Eric Rajendra (Chairman of the Nomination Committee), Badri Japaridze, Nikoloz Enukidze and Stephan Wilcke, three of whom are considered by the TBC PLC Board to be independent. See "*—TBC PLC Corporate Governance Policy and Board Committees*" above.

The TBC PLC Corporate Governance and Nomination Committee is constituted to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the TBC PLC Board. The committee is required to give consideration to succession planning for directors and other senior executives; and make recommendations for new appointments of executive and non-executive directors and on the membership of board committees to the TBC PLC Board. The committee will also oversee the annual review of board effectiveness.

TBC PLC Risks, Ethics and Compliance Committee

The members of the TBC PLC Risks, Ethics and Compliance Committee are Nikoloz Enukidze (Chairman of the Risks, Ethics and Compliance Committee), Stefano Marsaglia, Nicholas Haag, Eric Rajendra and Stephan Wilcke. The TBC PLC Risks, Ethics and Compliance Committee will be responsible for taking all the day-to-day decisions relating to the Group apart from those that are reserved for the TBC PLC Board.

Relationship Agreement

Following Admission, Mamuka Khazaradze and Badri Japaridze, together with the other members of the Presumed Concert Party Group, will directly or indirectly own up to 44.04% of the PLC Ordinary Shares. They have entered into the Relationship Agreement, which governs their and their respective associates conduct (when acting in any capacity) in relation to TBC PLC. The Relationship Agreement is intended to ensure that the Group is capable of carrying on an independent business as its main activity at all times after Admission. The Relationship Agreement complies with the requirements of the Listing Rules.

See Paragraph 26 ("*Other Material Agreements*") of Part XX "*Additional Information*" for further details of the Relationship Agreement.

PART XVII

CONDITIONS TO AND FURTHER TERMS OF THE OFFER

PART A

CONDITIONS TO THE OFFER

1. Conditions of the Offer

1.1 The Offer will be subject to the Conditions as set out below, each of which may be waived (to the extent any such Condition is capable of being waived) by TBC PLC at any time, in whole or in part, in its sole discretion:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than the Expiration Time being 5:00 p.m. (London time) / 8:00 p.m. (Tbilisi time) / 12:00 noon (New York time) on the day on which the Offer Period expires (or such later time(s) and/or date(s) as TBC PLC may decide) in respect of not less than 80% in nominal value of the Bank Shares and of the voting rights attached to those shares (or such lower percentage as TBC PLC may decide provided that this condition will not be satisfied unless TBC PLC shall have acquired or agreed to acquire Bank Shares carrying in aggregate more than 75% of the voting rights then normally exercisable at a general meeting of the Bank) (the "**Acceptance Condition**");

(b) TBC PLC having applied to Euroclear UK for admission of the PLC Offer Shares to CREST as participating securities and no notification having been received from Euroclear UK on or before Admission that such admission or facility for holding and settlement has been or is to be refused;

(c) Admission or, if TBC PLC so determines, the UK Listing Authority having acknowledged to TBC PLC or its agent (and such acknowledgement not having been withdrawn) that the application for admission of the PLC Offer Shares to the premium listing segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the FCA and an acknowledgement by the London Stock Exchange that the PLC Offer Shares will be admitted to trading on the Main Market (and such acknowledgement not having been withdrawn) (the "**Admission Condition**");

(d) all statutory and regulatory obligations in any jurisdiction having been complied with in each case in respect of the Offer and all Authorisations necessary or appropriate in any jurisdiction for or in respect of the Offer and the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, the Bank or any other member of the Group by TBC PLC having been obtained in terms and in a form satisfactory to TBC PLC from all appropriate Third Parties and all such Authorisations necessary, appropriate or desirable to carry on the business of any member of the Group in any jurisdiction having been obtained and all such Authorisations remaining in full force and effect at the time at which the Offer is declared wholly unconditional and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations, including without limitation the approval by the NBG of the acquisition by TBC PLC of more than 50% of the share capital of the Bank (which approval was obtained on 11 May 2016);

(e) no Third Party (including without limitation, any banking or anti-trust regulators) having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and in each case, not having withdrawn the same), or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision, order or change to published practice (and in each case, not having withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order, which, in each case, would or might reasonably be expected to directly or indirectly prevent or prohibit, restrict, restrain, or delay or otherwise interfere with the implementation of, or impose additional conditions or

obligations with respect to, or otherwise challenge, impede, interfere or require amendment of the Offer in any material respect or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, the Group by TBC PLC;

(f) there being no material provision of any material arrangement, agreement, lease, licence, franchise, permit or other instrument to which any member of the Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject or any event or circumstance which, as a consequence of the Offer or the acquisition or the proposed acquisition by TBC PLC of any shares or other securities (or the equivalent) in the Bank or because of a change in the control or management of any member of the Group or otherwise, could or might reasonably be expected to result in (to an extent that is material in the context of the Group take as a whole) the value of any member of the Group or its financial or trading position or prospects being prejudiced or materially adversely affected, and no event having occurred which, under any provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would or might result in any such circumstances; and

(g) in TBC PLC's opinion, no other event or development shall have occurred that would materially or adversely affect the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of TBC PLC, or its subsidiaries or affiliates, or any member of the Group (including, without limitation, the commencement of war, armed hostilities, terrorist action or any other national calamity) that would or might prohibit, prevent, restrict or delay consummation of the Offer or have a material adverse effect on the Group taken as a whole, shall have occurred.

2. Waiver and amendment of the Offer

2.1 The Conditions are for TBC PLC's sole benefit and may be asserted by TBC PLC regardless of the circumstances giving rise to any such Condition (including any action or inaction of TBC PLC), and any such Condition may be waived (to the extent that any such Condition is capable of being waived) by TBC PLC, in whole or in part, at any time and from time to time in its reasonable judgment. TBC PLC's failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to any particular facts or circumstances shall not be deemed a waiver with respect to any other facts or circumstances; and each such right shall be deemed an on-going right which may be asserted at any time. Any determination by TBC PLC concerning the events described in this Part A of Part XVII shall, subject to Applicable Laws, be final and binding.

2.2 TBC PLC expressly reserves the right, at its sole discretion, and at any time prior to the Expiration Time to extend the Offer Period to any time before the Long Stop Date by giving written notice of any such extension to the Georgian Exchange Agent and the Exchange Agent and by making a public announcement of such changes to the Offer. See further Paragraphs 1.1, 1.2 and 2 of Part B of this Part XVII. Any extension or other amendment to the Offer will also be communicated to Bank Shareholders via registered mail, publication of the changes in a newspaper of appropriate circulation in Georgia and through being displayed at the registered office of the Bank (or as otherwise required from time to time under Georgian law).

2.3 In addition to its rights under Paragraph 2.2 above, TBC PLC reserves the right, at its sole discretion, and at any time prior to Admission, to terminate the Offer and not accept for exchange any Bank Shares for any reason, including if any of the Conditions referred to above have not been satisfied or upon the occurrence and during the continuance of any of the adverse events specified in Paragraph 1 (e) – (g) above, in each case by giving written notice to the Georgian Exchange Agent and Exchange Agent, by making a public announcement of such termination see (Paragraph 2 of Part B of this Part XVII for further information), and communicating such termination to Bank Shareholders in accordance with Georgian law as set out in Paragraph 2.2 above.

3. Certain terms of the Offer

3.1 If the Offer lapses or is withdrawn, it will cease to be capable of further acceptance and Participating Holders and TBC PLC will cease to be bound by acceptances or instructions to accept, as the case may be, submitted before the time the Offer lapses or is withdrawn.

3.2 The Offer will lapse unless the above Conditions have been fulfilled or waived (if capable of a waiver), or, where appropriate, have been determined by TBC PLC to be or remain satisfied, by the Long Stop Date.

PART B

FURTHER TERMS OF THE OFFER

1. Acceptance period

1.1 The Offer will remain open for acceptance until the Expiration Time being 5:00 p.m. (London time) / 8:00 p.m. (Tbilisi time) / 12:00 noon (New York time) on the day on which the Offer Period expires. TBC PLC reserves the right (but will not be obliged) to extend the Offer Period and, in such event, will give written notice of such extension to the Georgian Exchange Agent and the Exchange Agent and make a public announcement of such extension in the manner described in Paragraph 2 of this Part B of Part XVII.

1.2 The right of TBC PLC to extend the Offer Period in such manner may be exercised from time to time so that the Offer Period may be extended to any time before the Long Stop Date. There can be no assurance, however, that TBC PLC will extend the Offer Period and, if no such extension is made and the Conditions (save for the Admission Condition) have not been met by the Expiration Time, the Offer will lapse and no Bank Shares will be acquired pursuant to the Offer.

1.3 The Offer, whether revised or not, will not be capable of being declared wholly unconditional after the Long Stop Date.

1.4 For the purposes of determining, at any particular time, whether the Acceptance Condition is satisfied, TBC PLC is not bound to take into account any Existing Securities which have been issued or unconditionally allotted or which arise as the result of the exercise of subscription or conversion rights in each case during the Offer Period before the determination takes place unless the Bank or its agent has given written notice containing relevant details of the allotment, issue, subscription or conversion before that time to TBC PLC or the Georgian Exchange Agent or the Exchange Agent on behalf of TBC PLC at one of the addresses specified below (see Paragraph 5 for more details). Notification by e-mail or facsimile or other electronic transmission or copies will not be sufficient to constitute written notice for this purpose.

1.5 If the Offer lapses for any reason:

(a) it will not be capable of further acceptance;

(b) Bank Shareholders who have accepted the Offer and GDR Holders who have given an instruction to accept the Offer will cease to be bound by:

(i) in the case of Bank Shareholders, Shareholder Acceptances received; and

(ii) in the case of GDR Holders, instructions to accept the Offer received;

(c) in the case of Bank Shares, the relevant Bank Shares will be held by the Georgian Exchange Agent for the Bank Shareholders until further instructions are received;

(d) in the case of Regulation S GDRs, the Regulation S GDRs will be released for trading in accordance with Euroclear's or Clearstream's normal procedures; and

(e) in the case of Rule 144A GDRs, the Rule 144A GDRs will be returned to the account from which they were delivered to the Exchange Agent.

2. Announcements

2.1 Without prejudice to Paragraph 3.2 of this Part B of Part XVII, by 8:00 a.m. (London time) / 11:00 a.m. (Tbilisi time) / 3:00 a.m. (New York time) within four Business Days following the Expiration Time, TBC PLC will make an appropriate announcement through a Regulatory Information Service. Such announcement will state the total number of Bank Shares which TBC PLC may count towards the satisfaction of the Acceptance Condition and the percentage of Bank Shares represented by this figure.

2.2 Any decision to extend the time and/or date by which the Conditions have to be fulfilled will be announced through a Regulatory Information Service. The announcement will state the next Expiration Time.

2.3 In computing the number of Existing Securities represented by acceptances for the announcement, TBC PLC may include or exclude, for announcement purposes, Shareholder Acceptances not in all respects in order and/or not accompanied by a Form of Acceptance and/or not accompanied by a Certification Form or which are subject to verification.

2.4 In this Part XVII, references to the making of an announcement or the giving of notice by or on behalf of TBC PLC include the release of an announcement by TBC PLC's public relations consultants or by Barclays, in each case on behalf of TBC PLC, to the press and the delivery by hand or telephone or facsimile transmission or other electronic transmission of an announcement through a Regulatory Information Service. An announcement made otherwise than through a Regulatory Information Service will be notified simultaneously through a Regulatory Information Service. Any extension or other amendment to the Offer will also be communicated to Bank Shareholders via registered mail, publication of the changes in a newspaper of appropriate circulation in Georgia and through being displayed at the registered office of the Bank (or as otherwise required from time to time under Georgian Law).

3. Rights of withdrawal

3.1 **Subject to Applicable Laws, except as provided by this Paragraph 3, instructions to accept, acceptances of and elections under the Offer will be irrevocable**.

3.2 In this Paragraph 3, "**written notice**" (including any letter of appointment, direction or authority) means notice in writing signed by the relevant Existing Holder (or its agent(s) duly appointed in writing and evidence of whose appointment satisfactory to TBC PLC is produced with the notice). A notice which is postmarked in, or otherwise appears to TBC PLC or its agents to have been sent from, a Restricted Jurisdiction may not be treated as valid.

3.3 **Up to the Expiration Time, any Bank Shareholder may withdraw its acceptance of the Offer by written notice signed by the accepting Bank Shareholder (or its agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to TBC PLC, is produced with the notice) given by post or by hand (during normal business hours only) to the Georgian Exchange Agent at the details set out below (see Paragraph 5.2(d) of this Part B of Part XVII for further details)**.

3.4 **Following publication of a supplementary prospectus (as defined by FSMA) by TBC PLC in respect of the PLC Offer Shares, Participating Holders who accepted the Offer prior to publication of the supplementary prospectus have a right of withdrawal which arises pursuant to section 87Q of FSMA. Bank Shareholders who wish to withdraw their acceptance of the Offer must do so by written notice given by post or by hand (during normal business hours only) to the Georgian Exchange Agent at the details set out below (see Paragraph 5.2(d) of this Part B of Part XVII for further details) and a GDR Holder may withdraw its instructions to accept the Offer in accordance with the policies and procedures of the relevant Clearing System, in each case during the period of two Business Days beginning with the first Business Day after the date on which the supplementary prospectus was published**.

3.5 Existing Securities in respect of which acceptances have been validly withdrawn in accordance with Paragraphs 3.3 or 3.4 may subsequently be re-assented to the Offer by following one of the procedures described in Paragraph 5 of this Part B of Part XVII while the Offer remains open for acceptance.

3.6 All questions as to the validity (including time of receipt) of any notice of withdrawal will be determined by TBC PLC, whose determination will be final and binding. Subject to Applicable Laws, none of TBC PLC, the Bank, Barclays, the Georgian Exchange Agent nor the Exchange Agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification or for any determination under this Paragraph 3 of Part B of Part XVII.

4. Revised Offer

4.1 Although no such revision is contemplated, if the Offer is revised, the benefit of the revised Offer will, subject to Paragraph 5 of this Part B of Part XVII, be made available to any Existing Holder who has accepted, or submitted an instruction to accept, the Offer and who has not validly withdrawn such acceptance or instruction to accept (a "**Previous Acceptor**") if any such revised Offer(s) represents, on the date on which it is announced, an improvement (or no

diminution) in the terms previously offered or in the overall value retained and/or received by an Existing Holder. The acceptance, or the instruction to accept, by or on behalf of an Existing Holder will, subject to Paragraph 5 of this Part B of Part XVII, be deemed to be an acceptance of, or an instruction to accept, as the case may be, the revised Offer and will constitute the separate appointment of each of the Georgian Exchange Agent, the Exchange Agent or TBC PLC as its attorney and/or agent with authority:

(a) to accept the revised Offer on behalf of such Previous Acceptor;

(b) if the revised Offer includes alternative form(s) of consideration, to make elections for and/or accept such alternative form(s) of consideration on his or her behalf in the proportions the attorney and/or agent in its absolute discretion thinks fit; and

(c) to execute on its behalf and in its name all such further documents (if any) and to do all things (if any) as may be required to give effect to such acceptances and/or elections.

4.2 In making any election and/or acceptance, the attorney and/or agent will take into account the nature of any previous acceptance(s) or election(s) made by or on behalf of the Previous Acceptor and other facts or matters it may reasonably consider relevant.

4.3 In circumstances where the Offer is revised in accordance with the terms of this Paragraph 4 of Part B of Part XVII, TBC PLC will make any new or revised information concerning the Offer or the Tender Offer Documents (to the extent it decides necessary or as required by Applicable Laws) available on the websites: www.tbcbankgroup.com and www.tbcbank.ge, as well as communicating such information to Bank Shareholders in accordance with Paragraph 2.4 above (to the extent it decides necessary or as required by Applicable Laws).

5. Acceptance Procedures

FAILURE OF AN EXISTING HOLDER TO COMPLY WITH THE APPLICABLE PROCEDURES DESCRIBED BELOW MAY RESULT IN AN INVALID ACCEPTANCE OF THE OFFER WITH RESPECT TO THE RELEVANT EXISTING SECURITIES.

5.1 Acceptance and Delivery

(a) Existing Holders wishing to accept the Offer must follow the applicable procedures outlined in this Part B of Part XVII, the Tender Offer Proposal, the Form of Acceptance (if applicable) and the Certification Form. The specific procedures for accepting the Offer vary depending on whether the Existing Holder is accepting the Offer with respect to Bank Shares (and in the case of Bank Shares, whether such Bank Shares are held in an account of the Georgian Registrar or through a nominee holding of the Georgian Exchange Agent or another Georgian broker) or with respect to GDRs (and in the case of GDRs, whether such GDRs are held through DTC, Euroclear or Clearstream).

5.2 Acceptance by Bank Shareholders

(a) Bank Shareholders who wish to accept the Offer with respect to all or any portion of their Bank Shares must follow the procedures, including arranging for the transfer of the relevant Bank Shares to the nominee holding of the Georgian Exchange Agent (to the extent not already so held), set forth in this Part B of Part XVII, the Tender Offer Proposal, and in the Form of Acceptance and the Certification Form that both accompany this Prospectus and the Tender Offer Proposal.

(b) A Form of Acceptance and Certification Form must be duly completed and executed by or on behalf of the relevant Bank Shareholder accepting the Offer. For these purposes an eligible Bank Shareholder means a holder of Bank Shares that is considered to be the "registered owner" (*registrirebuli mesakutre*) under Georgian Law with respect to the relevant Bank Shares held either in a personal account or nominal holdings account with the Georgian Registrar.

(c) Bank Shareholders holding Bank Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee may be charged a fee by the brokerage firm or similar nominee for processing the acceptance(s) on their behalf.

(d) A duly completed and executed original hard copy of the Form of Acceptance and Certification Form must be delivered by hand, mail or courier to the Georgian Exchange Agent as soon as possible and, in any event, prior to the Expiration Time, together with all documents required to be attached thereto, as follows:

If by Hand, Mail or Overnight Courier:

TBC Capital LLC

7 Marjanishvili Street
Tbilisi, 0102
Georgia

or in place of delivering a Form of Acceptance, the acceptance may be made orally to the designated representative of the Georgian Exchange Agent, provided that the Georgian Exchange Agent confirms the receipt of acceptance to the relevant Bank Shareholder in writing.

(e) The Form of Acceptance and Certification Form and documents required to be attached thereto must be delivered during the normal business hours of the Georgian Exchange Agent on a Business Day.

(f) In addition to providing a Shareholder Acceptance and Certification Form pursuant to Paragraphs (b), (d) and (e) above, in order for an acceptance of the Offer with respect to Bank Shares to be treated as valid:

(i) Registered owners who hold Bank Shares directly through their personal account with the Georgian Registrar must as soon as possible and, in any event, prior to the Expiration Time:

(A) open a Brokerage Account with the Georgian Exchange Agent by providing the necessary identification documents and completing the requisite forms;

(B) execute or procure the execution by an authorised attorney of a transfer order in the presence of the Georgian Registrar to transfer the relevant number of Bank Shares to which the Shareholder Acceptance relates into a nominee holding of the Georgian Exchange Agent prior to the Expiration Time (re-registration of title with respect to the Bank Shares may take several days and accordingly the instructions to transfer the Bank Shares to the nominee holding of the Georgian Exchange Agent should be made sufficiently in advance of the Expiration Time, so that the transfer is effective prior to the Expiration Time); and

(C) execute an Instruction.

(ii) Registered owners holding Bank Shares through a nominee holding of the Georgian Exchange Agent and having accounts with Georgian Exchange Agent must as soon as possible and, in any event, prior to the Expiration Time execute an Instruction, as well as instruct the Georgian Exchange Agent as to how to complete and execute a Form of Acceptance and a Certification Form.

(iii) Registered owners holding Bank Shares through a nominee holding of a Georgian broker(s) (other than the Georgian Exchange Agent) must as soon as possible and, in any event, prior to the Expiration Time:

(A) either:

(aa) instruct the broker(s) to open a Brokerage Account with the Georgian Exchange Agent and transfer the relevant Bank Shares to the nominee holding of the Georgian Exchange Agent; or

(bb) where the broker(s) already has the Brokerage Account with the Georgian Exchange Agent, instruct the broker(s) to transfer the relevant Bank Shares to the nominee holding of the Georgian Exchange Agent;

and instruct the broker(s) to execute an Instruction, as well as instruct the broker(s) as to how to complete and execute a Form of Acceptance and a Certification Form and return such Form of Acceptance and Certification Form to the Georgian Exchange Agent; or

(B) withdraw such Bank Shares from the nominee holding of that Georgian broker to its securities account with the Georgian Registrar and then follow the procedures and requirements set forth in Paragraph (f)(i) above.

Georgian brokers (other than the Georgian Exchange Agent) may set their own cut-off dates and times for customers to give instructions to accept the Offer. Bank Shareholders who hold Bank Shares through any Georgian broker(s) (other than the Georgian Exchange Agent) must contact that firm or person to determine the cut-off date and time applicable to them.

(g) Any purported acceptance of the Offer other than in accordance with the procedures set forth in the Tender Offer Documents that is incomplete or incorrect, or to which the required documents are not attached may, at TBC PLC's sole discretion, be treated as invalid and may, in TBC PLC's sole discretion, be returned to the relevant Bank Shareholder.

(h) By providing the Shareholder Acceptance with respect to all or any portion of Bank Shares held by it, a Bank Shareholder will be deemed to represent, warrant, acknowledge, undertake and agree with the Georgian Exchange Agent, TBC PLC and the Bank on behalf of itself (or if it is accepting the Offer on behalf of any other person(s) on behalf of any such person(s)) as follows:

(i) The execution of a Certification Form shall constitute:

(A) an acceptance of the Offer in respect of the number of Bank Shares specified in the Shareholder Acceptance; and

(B) an undertaking to execute any further documents, take any further action and give any further assurances which may be required to enable TBC PLC to obtain the full benefit of the Shareholder Acceptance and the Certification Form and/or to perfect any of the authorities expressed to be given thereunder and otherwise in connection with such Bank Shareholder's acceptance of the Offer,

in each case on and subject to the terms and Conditions set out or referred to in the Tender Offer Documents and that each such acceptance, election and undertaking shall, subject only to Applicable Laws, be irrevocable, provided that if (A) the total number of Bank Shares in respect of which the Offer is expressed to be accepted is greater than the number of Bank Shares comprised in the Shareholder Acceptance; or (B) the acceptance is otherwise completed incorrectly, but a Form of Acceptance is signed and/or written confirmation of acceptance is received from the Georgian Exchange Agent, it will be deemed to be an acceptance of the Offer in respect of all Bank Shares comprised in the acceptance.

(ii) The Tender Offer Documents have been made available to it (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it such availability) and it agrees (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it agrees) to all of the terms of the Offer and agrees that the acceptance of the Offer with respect to the Bank Shares pursuant to the procedures described in the Tender Offer Documents will constitute a binding agreement between it (or such other person) and TBC PLC upon the terms and subject to the Conditions, the Form of Acceptance (if any) and the Certification Form. For the purposes of the Offer, it understands (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it understands) that Bank Shares will be deemed to have been accepted by TBC PLC if, as and when, TBC PLC gives oral or written notice thereof to the Georgian Exchange Agent.

(iii) It has (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has) full power, capacity and authority to accept the Offer and to execute and deliver all documents necessary to accept the Offer and the person(s) giving the Instruction and completing and delivering the Shareholder Acceptance and Certification Form on its behalf has been duly authorised to do so and to receive the PLC Offer Shares.

(iv) It has (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has) read and relied solely on information contained in the Tender Offer Documents, such information being all that it deems (or, if it is accepting the Offer on behalf of another person, such person deems) necessary to make a decision in respect of accepting the Offer and it has (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has) satisfied itself concerning all relevant legal, tax, business, financial and other considerations relevant to its (or such other person's) acceptance of the Offer.

(v) It is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) the registered legal owner of the Bank Shares, is irrevocably and unconditionally entitled or instructed (as applicable) to transfer the beneficial ownership of the Bank Shares to which the Shareholder Acceptance relates and such Bank Shares are, subject to Applicable Laws, transferred with full title guarantee, fully paid, free from any (i) restrictions on transfer, (ii) encumbrances, (iii) rights and claims of third parties (including any pledge), (iv) attachments, or (v) court, administrative, arbitration or out-of-court disputes and together with all rights attaching to them on or after the date on which the Offer is declared wholly unconditional, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, on or after that date.

(vi) Subject to any Applicable Laws, all authority conferred or agreed to be conferred shall not be affected by, and shall survive, the death or incapacity of the Bank Shareholder (or, if it is accepting the Offer on behalf of another person, such person), and any obligation of the Bank Shareholder (or such other person) hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the Bank Shareholder (or such other person).

(vii) It understands (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it understands) that, subject to any Applicable Laws, all questions as to the form and validity of all documents (including time of receipt) and the ownership, free of liens, charges, encumbrances and other third party rights and claims of Bank Shares accepted under the Offer will be determined by TBC PLC, in its sole discretion, which determination shall be final and binding.

(viii) It recognises (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it recognises) that TBC PLC may, at its sole discretion, terminate or amend this Offer or may postpone the acceptance or exchange of the tendered Bank Shares or may not be required to accept or exchange any of the Bank Shares to which an Instruction or the Certification Form relates, and it agrees and undertakes (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it agrees and undertakes) to do all acts and things required to accept any Bank Shares returned to it.

(ix) It waives (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it waives) any and all rights in respect of the Bank Shares other than the right to receive the PLC Offer Shares to which it (or such other person) may become entitled under the Offer.

(x) It has (or, if it is accepting the Offer on behalf of another person, such person has confirmed o it that it has) observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, including corporate approvals, approvals of any regulatory body, if applicable, and any third

parties, complied with all requisite formalities in connection with any acceptance, in any relevant jurisdiction and that it has not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has not) taken or omitted to take any action in breach of the terms and Conditions of the Offer or which will or may result in TBC PLC or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer.

(xi) In relation to Bank Shares, the Shareholder Acceptance authorises (subject to the Offer being declared wholly unconditional) any directors of, or any person authorised by TBC PLC as its agent to:

(A) undertake all such acts as may be required to transfer and register such Bank Shares in the name of TBC PLC or its nominee;

(B) to vest in TBC PLC (or its nominee(s)) the full legal and beneficial ownership of Bank Shares comprised in the Shareholder Acceptance; and

(C) undertake all such acts as may be required to transfer and register the corresponding number of PLC Offer Shares in the name of the Bank Shareholder or its nominee in accordance with the Shareholder Acceptance.

(xii) The terms of the Offer, including the Conditions are deemed to be incorporated in, and form part of, the Shareholder Acceptance, which it will (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it will) read and construe accordingly.

(xiii) It will (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it will) ratify each and every act or thing which may be done or effected by TBC PLC or its agents or any of their respective directors or agents, as the case may be, in the exercise of any of the powers and/or authorities under this Paragraph 5.2 of this Part B of Part XVII.

(xiv) If any provision of this Part B of Part XVII will be unenforceable or invalid or will not operate so as to afford TBC PLC or the Georgian Exchange Agent or any of their respective directors, agents or persons authorised by them, the benefit of the authority expressed to be given therein, it will (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it will), with all practicable speed, do all such acts and things and execute all such documents that may be required or desirable to enable TBC PLC and/or the Georgian Exchange Agent and any of their respective directors, agents or persons authorised by them to secure the full benefit of this Part B of Part XVII.

(xv) The execution of the Certification Form constitutes the submission of the Bank Shareholder (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that such person so submits) to the exclusive jurisdiction of the courts of England and Wales to settle any dispute arising out of or connected with the Offer.

(xvi) The Form of Acceptance will be deemed to be delivered on the date of its delivery. For the avoidance of doubt, oral acceptance will be taken as being given on the date when the Georgian Exchange Agent confirms such acceptance to the accepting Bank Shareholder in writing. In case the Form of Acceptance (if any) is sent before the Expiration Time, but is received by the Georgian Exchange Agent after the Expiration Time, the acceptance shall be considered ineffective only if the Georgian Exchange Agent immediately notifies the relevant Bank Shareholder of the late receipt.

(i) The Certification Form requires a Bank Shareholder who holds Bank Shares to certify that:

(i) If it is (or, if it is accepting the Offer on behalf of another person and if such person has confirmed to it that such person is) a US Holder:

(A) it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) a QIB or an Institutional Accredited Investor and, if it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) acquiring PLC Offer Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB or an Institutional Accredited Investor;

(B) it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) aware, and each prospective beneficial owner of PLC Offer Shares has been advised, that the PLC Offer Shares have not been, and will not be, registered under the Securities Act, and that the offer and sale to it (or such person or other beneficial owner) is being made in a transaction exempt from registration under the Securities Act;

(C) it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) tendering Bank Shares in consideration for PLC Offer Shares for its (or such person's) own account or for the account of a QIB or an Institutional Accredited Investor as to which it (or such other person) has full investment discretion (and it has (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has) full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(D) it is aware (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is aware) that the PLC Offer Shares will be ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act;

(E) it understands and agrees (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it understands and agrees) that, although offers and sales of the PLC Offer Shares are being made to QIBs and Institutional Accredited Investors, none of such offers or sales are being made under Rule 144A, and that such PLC Offer Shares may not be reoffered, resold, pledged or otherwise transferred, except (i) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or any other exemption from the registration requirements of the Securities Act, subject to delivery to TBC PLC of an opinion of counsel (and of such other evidence that TBC PLC may reasonably require) that such transfer or sale is in compliance with the Securities Act, and in each of (i) and (ii), in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(F) it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) an institution and it (or any other such person), and each other QIB or Institutional Accredited Investor, if any, for whose account it (or any other such person) is acquiring the PLC Offer Shares (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) has the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; and

(G) it has (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has) had access to the financial and other information regarding TBC PLC that it (or any other such person) has requested in connection with its investment decision to subscribe for or acquire PLC Offer Shares and it has (or, if it is accepting the Offer on behalf of

another person, such person has confirmed to it that it has) made its own assessment concerning the relevant tax, legal and other economic considerations relevant to its (or any other such person's) investment in the PLC Offer Shares.

(ii) If it is not (or, if it is accepting the Offer on behalf of another person and if such person has confirmed to it that such person is not) a US Holder:

(A) it has not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has not) received or sent copies or originals of this document or any related documents in, into or from the United States;

(B) it has not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States;

(C) it is not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside the United States;

(D) it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) accepting the Offer from outside the United States and was outside the United States at the time of Shareholder Acceptance; and

(E) it is not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is not) accepting the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into the United States and it will not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it will not) hold or acquire any PLC Offer Shares for any person who it has reason to believe is (or, if it is accepting the Offer on behalf of another person, such person has reason to believe is) purchasing for the purpose of such offer, sale, resale or delivery.

(iii) In any event:

(A) it has not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has not) received or sent copies or originals of this document or any related documents in, into or from a Restricted Jurisdiction;

(B) it has not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction;

(C) it is not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction;

(D) if such Bank Shareholder is (or, if it is accepting the Offer on behalf of another person, such person is) a citizen, resident or national of a jurisdiction outside the United Kingdom or Georgia, it has (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has) observed the laws and regulatory requirements of the relevant jurisdiction in connection with

the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that it has not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it has not) taken or omitted to take any action that will or may result in TBC PLC, the Georgian Exchange Agent or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or the acceptance of the Offer;

(E) it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) accepting the Offer from outside a Restricted Jurisdiction and was outside those jurisdictions at the time of the Shareholder Acceptance; and

(F) it is not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is not) accepting the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into any Restricted Jurisdiction and will not (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it will not) hold or acquire any PLC Offer Shares for any person who it has reason to believe is (or, if it is accepting the Offer on behalf of another person, such person has reason to believe is) purchasing for the purpose of such offer, sale, resale or delivery.

(iv) If it (or, if it is accepting the Offer on behalf of another person, such person) is a corporation or a legal entity, it is (or, if it is accepting the Offer on behalf of another person, such person has confirmed to it that it is) duly incorporated and existing pursuant to the legislation of the jurisdiction of its incorporation, and the acceptance of the Offer and the completion and delivery of the Certification Form do not and will not violate any provisions of its constitutional documents, conflict with any agreements to which it (or such other person) is a party, or violate or be contrary to any law (regulatory act) or non-normative act, resolution, order, decision or other act of any state authority, decision, order, writ or other act of a court of any jurisdiction, court of arbitration or arbitration panel applicable to it (or such other person, as the case may be).

(j) In order to accept the Offer a Bank Shareholder (or, if it is accepting the Offer on behalf of another person, such person) must make the certifications as provided in the Certification Form.

5.3 Acceptance by Regulation S GDR Holders

(a) GDR Holders who wish to instruct the Exchange Agent to accept the Offer with respect to all or any portion of Bank Shares underlying their Regulation S GDRs must follow the procedures set forth in this Paragraph 5.3 and must cause an Electronic Instruction to be transmitted to the relevant Clearing System to be received by such Clearing System prior to the cut-off time set by such Clearing System for acceptance of the Offer.

(b) **Each of Euroclear and Clearstream will establish its own cut-off date and time for the receipt of instructions by Regulation S GDR Holders wishing to participate in the Offer, which will be earlier than the GDR Expiration Time. Further, Euroclear and Clearstream participants and other securities intermediaries through which Regulation S GDRs are held may set their own earlier cut-off dates and times for customers to give instructions to accept the Offer. GDR Holders who hold Regulation S GDRs through a broker or other securities intermediary must contact that firm or person to determine the cut-off date and time applicable to them.** GDR Holders holding Regulation S GDRs through a broker or other securities intermediary may be charged a fee by such person for processing the instruction to accept the Offer on their behalf.

(c) The transmission of an Electronic Instruction to accept the Offer through Euroclear or Clearstream in accordance with this Paragraph 5.3 will (subject to satisfying the requirements set out in this Paragraph 5.3 of Part B of Part XVII) constitute an instruction to accept the Offer in respect of the Bank Shares underlying the Regulation S GDRs that are the subject of such transmission.

(d) By giving an Electronic Instruction to accept the Offer with respect to all or any portion of their Regulation S GDRs, a Regulation S GDR Holder will be deemed to represent, warrant, acknowledge, undertake and agree with the Exchange Agent, TBC PLC and the Bank on behalf of itself (or, if it is instructing the acceptance of the Offer on behalf of another person(s), on behalf of any such person(s)) as follows:

(i) It irrevocably constitutes and appoints (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it irrevocably constitutes and appoints) the Exchange Agent as its true and lawful agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as the agent of TBC PLC) with respect to such Regulation S GDRs, with full powers of substitution and revocation (such power of attorney being deemed to be an irrevocable power coupled with an interest):

(A) subject to the Offer being declared wholly unconditional, to surrender the Regulation S GDRs to the Depositary and to direct the transfer to TBC PLC (or to such other person or persons as TBC PLC or its agents may direct), or procure the transfer to TBC PLC (or to such other person or persons as TBC PLC or its agents may direct) of, all or any of the Bank Shares underlying the Regulation S GDRs which are the subject of an Electronic Instruction; and

(B) if the Offer lapses or is withdrawn, to give instructions to Clearstream and Euroclear (as applicable) immediately after the Offer lapses to unblock all Regulation S GDRs held for the purposes of the Offer in the participant account of such GDR Holder.

(ii) The Tender Offer Documents have been made available to it (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it such availability) and it agrees (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it agrees) to all of the terms of the Offer and agrees that the acceptance of the Offer with respect to the Bank Shares underlying the Regulation S GDRs pursuant to the procedures described in the Tender Offer Documents will constitute a binding agreement between it (or such other person) and TBC PLC upon the terms and subject to the Conditions and the Certification Form. For the purposes of the Offer, it understands (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it understands) that Bank Shares underlying the Regulation S GDRs will be deemed to have been accepted by TBC PLC if, as and when, TBC PLC gives oral or written notice thereof to the Exchange Agent.

(iii) It has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) full power, capacity and authority to accept the Offer and to execute and deliver all documents necessary to accept the Offer and the person(s) (if any) giving the Electronic Instruction on its behalf has been duly authorised to do so and to receive the PLC Offer Shares.

(iv) It has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) read and relied solely on information contained in the Tender Offer Documents, such information being all that it deems (or, if it is instructing the acceptance of the Offer on behalf of another person, such person deems) necessary to make a decision in respect of accepting the Offer and it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) satisfied itself concerning all relevant legal, tax, business, financial and other considerations relevant to its (or such other person's) instruction to accept the Offer.

(v) It is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the Regulation S GDRs comprised or deemed to be comprised in the Electronic Instruction and that such Regulation S GDRs may be sold with full title guarantee, fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests of any nature whatsoever and together with all rights attaching to them on or after the date on which the Offer is declared wholly unconditional.

(vi) All authority conferred or agreed to be conferred shall not be affected by, and shall survive, the death or incapacity of the Regulation S GDR Holder, and any obligation of the Regulation S GDR Holder (or such other person) hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the Regulation S GDR Holder (or such other person).

(vii) It understands (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it understands) that all questions as to the form and validity of all documents (including time of receipt) and the ownership, free of liens, charges, encumbrances and other third party rights and claims of Regulation S GDRs and of Bank Shares underlying such Regulation S GDRs accepted under the Offer will be determined by TBC PLC, in its sole discretion, which determination shall be final and binding.

(viii) It recognises (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it recognises) that TBC PLC may, at its sole discretion, terminate or amend this Offer or may postpone the acceptance or exchange of the tendered Bank Shares underlying the Regulation S GDRs included in the Offer or may not be required to accept or exchange any of the Bank Shares underlying the Regulation S GDRs to which the Electronic Instruction relates.

(ix) It waives (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it waives) any and all rights in respect of the Regulation S GDRs other than the right to receive the PLC Offer Shares to which it may become entitled under the Offer.

(x) It has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, including corporate approvals, approvals of any regulatory body, if applicable, and any third parties, complied with all requisite formalities in connection with any acceptance, in any relevant jurisdiction and that it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) taken or omitted to take any action in breach of the terms and Conditions of the Offer or which will or may result in TBC PLC or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer.

(xi) It will (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it will) do all such acts and things as shall, in the opinion of TBC PLC, be necessary or expedient to vest in TBC PLC or its nominee(s) the Bank Shares underlying the Regulation S GDRs comprised or deemed to be comprised in the Electronic Instruction and to enable the Exchange Agent to perform its functions as Exchange Agent for the purposes of the Offer.

(xii) It will (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it will) ratify each and every act or thing which may be done or effected by TBC PLC, the Exchange Agent, the Depositary or any of their respective directors or agents, as the case may be, in the exercise of any of the powers and/or authorities under this Paragraph 5.3 of this Part B of Part XVII.

(xiii) If any provision of this Part B of Part XVII shall be unenforceable or invalid or shall not operate so as to afford TBC PLC or the Exchange Agent or any of their respective directors, agents or persons authorised by them, the benefit of the authorities and powers of attorney expressed to be given therein it will, with all practicable speed, do all such acts and things and execute all such documents that may be required or desirable to enable TBC PLC, the Exchange Agent and/or the Depositary and any of their respective directors, agents or persons authorised by them to secure the full benefit of this Part B of Part XVII.

(xiv) The making of an Electronic Instruction constitutes the submission of the GDR Holder (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that such person so submits) to the exclusive jurisdiction of the courts of England and Wales to settle any dispute arising out of or connected with the Offer, except in relation to those matters over which the courts of Georgia have exclusive jurisdiction.

(e) **GDR Holders who hold Regulation S GDRs through Euroclear and Clearstream must print out, complete, execute and retain a Certification Form, but do not need to send it to the Exchange Agent or TBC PLC in order to validly instruct the Exchange Agent to accept the Offer (unless expressly requested to do so by the relevant Clearing System).**

(f) The Certification Form requires a GDR Holder who holds Regulation S GDRs to certify that:

(i) If it is (or, if it is instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to it that such person is) a US Holder:

(A) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) a QIB or an Institutional Accredited Investor and, if it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) acquiring PLC Offer Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB or an Institutional Accredited Investor;

(B) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) aware, and each prospective beneficial owner of PLC Offer Shares has been advised, that the PLC Offer Shares have not been, and will not be, registered under the Securities Act, and that the offer and sale to it (or such person or other beneficial owner) is being made in a transaction exempt from registration under the Securities Act;

(C) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) tendering GDRs in consideration for PLC Offer Shares for its (or such person's) own account or for the account of a QIB or an Institutional Accredited Investor as to which it (or such other person) has full investment discretion (and it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(D) it is aware (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is aware) that the PLC Offer Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(E) it understands and agrees (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it understands and agrees) that, although offers and sales of the PLC Offer Shares are being made to QIBs and Institutional Accredited Investors, none of such offers or sales are being made under Rule 144A, and that such PLC Offer Shares may

not be reoffered, resold, pledged or otherwise transferred, except (i) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or any other exemption from the registration requirements of the Securities Act, subject to delivery to TBC PLC of an opinion of counsel (and of such other evidence that TBC PLC may reasonably require) that such transfer or sale is in compliance with the Securities Act, and in each of (i) and (ii), in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(F) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) an institution and it, and each other QIB or Institutional Accredited Investor, if any, for whose account it (or any other such person) is acquiring the PLC Offer Shares (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) has the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; and

(G) it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) had access to the financial and other information regarding TBC PLC that it has requested in connection with its investment decision to subscribe for or acquire PLC Offer Shares and it has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to its (or any other such person's) investment in the PLC Offer Shares.

(ii) If it is not (or, if it is instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to it that such person is not) a US Holder:

(A) it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) received or sent copies or originals of this document or any related documents in, into or from the United States;

(B) it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States;

(C) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside the United States;

(D) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) giving an instruction to accept the Offer from outside the United States and was outside the United States at the time of the input and delivery of the Electronic Instruction; and

(E) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into the United States and it will not hold or acquire any PLC Offer Shares for any person who it has reason to believe is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has reason to believe is) purchasing for the purpose of such offer, sale, resale or delivery.

(iii) In any event:

(A) it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) received or sent copies or originals of this document or any related documents in, into or from a Restricted Jurisdiction;

(B) it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction;

(C) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction;

(D) if such GDR Holder is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person is) a citizen, resident or national of a jurisdiction outside the United Kingdom or Georgia, it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) taken or omitted to take any action that will or may result in TBC PLC, the Exchange Agent or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or the instruction to accept the Offer;

(E) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) giving an instruction to accept the Offer from outside a Restricted Jurisdiction and was outside those jurisdictions at the time of the input and delivery of the Electronic Instruction; and

(F) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into any Restricted Jurisdiction and will not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it will not) hold or acquire any PLC Offer Shares for any person who it has reason to believe is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has reason to believe is) purchasing for the purpose of such offer, sale, resale or delivery.

(iv) If it (or, if it is instructing the acceptance of the Offer on behalf of another person, such person) is a corporation or a legal entity, it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) duly incorporated and existing pursuant to the legislation of the jurisdiction of its incorporation, and the acceptance of the Offer does not and will not violate any provisions of its constitutional documents, conflict with any agreements to which it (or such other person) is a party, or violate or be contrary to any law (regulatory act) or non-normative act, resolution, order, decision or other act of any state

authority, decision, order, writ or other act of a court of any jurisdiction, court of arbitration or arbitration panel applicable to it (or such other person, as the case may be).

(g) A GDR Holder (or, if it is instructing the acceptance of the Offer on behalf of another person, such person) must make the certifications as provided in the Certification Form in order to accept the Offer.

(h) GDR Holders holding Regulation S GDRs through Euroclear or Clearstream who wish to instruct that the Offer be accepted on their behalf with respect to all or any portion of Bank Shares underlying their Regulation S GDRs must transmit an instruction to Euroclear or Clearstream (as applicable) in the form specified by that Clearing System. That message will result in the relevant Regulation S GDRs being blocked in the relevant Clearing System, and the Clearing System will report to the Exchange Agent the amount of Regulation S GDRs as to which instructions have been received. Regulation S GDRs subsequently withdrawn from the Offer prior to the GDR Expiration Time in accordance with Paragraph 3 of this Part B of Part XVII will be unblocked in the Clearing Systems.

(i) By submitting or delivering an Electronic Instruction through the Clearing Systems, Regulation S GDR Holders will, and will be deemed to, authorise the relevant Clearing System to disclose their identity, holdings and Clearing System account details to the Depositary, the Exchange Agent, TBC PLC, the Bank and their officers, employees and advisors.

(j) No cancellation fee per GDR will be payable by GDR Holders who exchange their GDRs for PLC Offer Shares pursuant to the Offer.

5.4 Acceptance by Rule 144A GDR Holders

(a) GDR Holders who wish to instruct the Exchange Agent to accept the Offer with respect to all or any portion of Bank Shares underlying their Rule 144A GDRs must deliver the relevant Rule 144A GDRs to the Exchange Agent's DTC account (no. 2504) through DTC's automated system as soon as possible and at the very latest by the cut-off date and time set by DTC which will be earlier than the GDR Expiration Time.

(b) **DTC participants and other securities intermediaries through which Rule 144A GDRs are held may set their own earlier cut-off dates and times for customers to give instructions to accept the Offer. GDR Holders who hold Rule 144A GDRs through a broker or other securities intermediary must contact that firm or person to determine the cut-off date and time applicable to them.** GDR Holders holding Rule 144A GDRs through a broker or other securities intermediary may be charged a fee by such person for processing the instruction to accept the Offer on their behalf.

(c) The delivery of Rule 144A GDRs in accordance with this Paragraph 5.4 will (subject to satisfying the requirements set out in this Paragraph 5.4 of Part B of Part XVII) constitute an instruction to accept the Offer in respect of the Bank Shares underlying the Rule 144A GDRs that are so delivered.

(d) GDR Holders who wish to instruct the Exchange Agent to accept the Offer with respect to all or any portion of Bank Shares underlying their Rule 144A GDRs must print out, complete and execute a Certification Form and return it by hand delivery, mail or courier to the Exchange Agent to be received before the GDR Expiration Time as follows:

BNY Mellon Depositary Receipts
101 Barclay Street, Floor 22nd West
New York, NY 10286
Attn: Agness Moskovits/Mark Gendler

(e) The Certification Form requires a GDR Holder who holds Rule 144A GDRs to certify that:

(i) If it is (or, if it is instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to it that such person is) a US Holder:

(A) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) a QIB or an Institutional Accredited Investor and, if it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) acquiring PLC Offer Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB or an Institutional Accredited Investor;

(B) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) aware, and each prospective beneficial owner of PLC Offer Shares has been advised, that the PLC Offer Shares have not been, and will not be, registered under the Securities Act, and that the offer and sale to it (or such person or other beneficial owner) is being made in a transaction exempt from registration under the Securities Act;

(C) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) tendering GDRs in consideration for PLC Offer Shares for its (or such person's) own account or for the account of a QIB or an Institutional Accredited Investor as to which it (or such other person) has full investment discretion (and it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(D) it is aware (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is aware) that the PLC Offer Shares will be ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act;

(E) it understands and agrees (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it understands and agrees) that, although offers and sales of the PLC Offer Shares are being made to QIBs and Institutional Accredited Investors, none of such offers or sales are being made under Rule 144A, and that such PLC Offer Shares may not be reoffered, resold, pledged or otherwise transferred, except (i) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or any other exemption from the registration requirements of the Securities Act, subject to delivery to TBC PLC of an opinion of counsel (and of such other evidence that TBC PLC may reasonably require) that such transfer or sale is in compliance with the Securities Act, and in each of (i) and (ii), in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(F) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) an institution and it, and each other QIB or Institutional Accredited Investor, if any, for whose account it (or any other such person) is acquiring the PLC Offer Shares (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) has the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; and

(G) it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) had access to the financial and other information regarding TBC PLC that it has requested in connection with its investment decision to subscribe for or acquire PLC Offer Shares and it

has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to its (or any other such person's) investment in the PLC Offer Shares.

(ii) If it is not (or, if it is instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to it that such person is not) a US Holder:

(A) it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) received or sent copies or originals of this document or any related documents in, into or from the United States;

(B) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside the United States;

(C) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) giving an instruction to accept the Offer from outside the United States and was outside the United States at the time of the input and delivery of the Instruction; and

(D) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into the United States and it will not hold or acquire any PLC Offer Shares for any person who it has reason to believe is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has reason to believe is) purchasing for the purpose of such offer, sale, resale or delivery.

(iii) In any event:

(A) it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) received or sent copies or originals of this document or any related documents in, into or from a Restricted Jurisdiction;

(B) it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction;

(C) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction;

(D) if such GDR Holder is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person is) a citizen, resident or national of a jurisdiction outside the United Kingdom or Georgia, it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not)

taken or omitted to take any action that will or may result in TBC PLC, the Exchange Agent or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or the instruction to accept the Offer;

(E) it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) giving an instruction to accept the Offer from outside a Restricted Jurisdiction and was outside those jurisdictions at the time of the input and delivery of the Instruction; and

(F) it is not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into any Restricted Jurisdiction and will not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it will not) hold or acquire any PLC Offer Shares for any person who it has reason to believe is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has reason to believe is) purchasing for the purpose of such offer, sale, resale or delivery.

(iv) If it (or, if it is instructing the acceptance of the Offer on behalf of another person, such person) is a corporation or a legal entity, it is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) duly incorporated and existing pursuant to the legislation of the jurisdiction of its incorporation, and the acceptance of the Offer and the completion and delivery of the Certification Form do not and will not violate any provisions of its constitutional documents, conflict with any agreements to which it (or such other person) is a party, or violate or be contrary to any law (regulatory act) or non-normative act, resolution, order, decision or other act of any state authority, decision, order, writ or other act of a court of any jurisdiction, court of arbitration or arbitration panel applicable to it (or such other person, as the case may be).

(f) A GDR Holder (or, if it is instructing the acceptance of the Offer on behalf of another person, such person) must make the certifications as provided in the Certification Form in order to accept the Offer.

(g) By giving an Instruction to accept the Offer with respect to all or any portion of Bank Shares underlying their Rule 144A GDRs, a Rule 144A GDR Holder will represent, warrant, acknowledge, undertake and agree with the Exchange Agent, TBC PLC and the Bank on behalf of itself (or, if it is instructing the acceptance of the Offer on behalf of another person(s), on behalf of any such person(s)) as follows:

(i) It irrevocably constitutes and appoints (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it irrevocably constitutes and appoints) the Exchange Agent as its true and lawful agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as the agent of TBC PLC) with respect to such Rule 144A GDRs, with full powers of substitution and revocation (such power of attorney being deemed to be an irrevocable power coupled with an interest):

(A) subject to the Offer being declared wholly unconditional, to surrender the Rule 144A GDRs to the Depositary and to direct the transfer to TBC PLC (or to such other person or persons as TBC PLC or its agents may direct), or procure the transfer to TBC PLC (or to such other person or persons as TBC PLC or its agents may direct) of, all or any of the Bank Shares underlying the Rule 144A GDRs which are the subject of an Instruction; and

(B) if the Offer lapses or is withdrawn, to give instructions to DTC immediately after the Offer lapses to transfer all Rule 144A GDRs held by the Exchange Agent for the purposes of the Offer to the respective DTC participant accounts from which those Rule 144A GDRs were tendered.

(ii) The Tender Offer Documents have been made available to it (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it such availability) and it agrees (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it agrees) to all of the terms of the Offer and agrees that the acceptance of the Offer with respect to the Bank Shares underlying the Rule 144A GDRs pursuant to the procedures described in the Tender Offer Documents will constitute a binding agreement between it (or such other person) and TBC PLC upon the terms and subject to the Conditions and the Certification Form. For the purposes of the Offer, it understands (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it understands) that Bank Shares underlying the Rule 144A GDRs will be deemed to have been accepted by TBC PLC if, as and when, TBC PLC gives oral or written notice thereof to the Exchange Agent.

(iii) It has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) full power, capacity and authority to accept the Offer and to execute and deliver all documents necessary to accept the Offer and the person(s) (if any) giving the Instruction on its behalf has been duly authorised to do so and to receive the PLC Offer Shares.

(iv) It has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) read and relied solely on information contained in the Tender Offer Documents, such information being all that it deems (or, if it is instructing the acceptance of the Offer on behalf of another person, such person deems) necessary to make a decision in respect of accepting the Offer and it has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) satisfied itself concerning all relevant legal, tax, business, financial and other considerations relevant to its (or such other person's) instruction to accept the Offer.

(v) It is (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it is) irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the Rule 144A GDRs comprised or deemed to be comprised in the Instruction and that such Rule 144A GDRs may be sold with full title guarantee, fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests of any nature whatsoever and together with all rights attaching to them on or after the date on which the Offer is declared wholly unconditional.

(vi) All authority conferred or agreed to be conferred shall not be affected by, and shall survive, the death or incapacity of the Rule 144A GDR Holder, and any obligation of the Rule 144A GDR Holder (or such other person) hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the Rule 144A GDR Holder (or such other person).

(vii) It understands (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it understands) that all questions as to the form and validity of all documents (including time of receipt) and the ownership, free of encumbrances, of Rule 144A GDRs and of Bank Shares underlying such Rule 144A GDRs accepted under the Offer will be determined by TBC PLC, in its sole discretion, which determination shall be final and binding.

(viii) It recognises (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it recognises) that TBC PLC may, at its sole discretion, terminate or amend this Offer or may postpone the acceptance or exchange of the tendered Bank Shares underlying the Rule 144A GDRs included in the Offer or may not be required to accept or exchange any of the Bank Shares underlying the Rule 144A GDRs to which the Instruction relates, and it agrees and undertakes (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it agrees and undertakes) to do all acts and things required to accept any Rule 144A GDRs returned to it.

(ix) It waives (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it waives) any and all rights in respect of the Rule 144A GDRs other than the right to receive the PLC Offer Shares to which it may become entitled under the Offer, or to receive the Rule 144A GDRs if the Offer lapses or is terminated by TBC PLC.

(x) It has (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has) observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, including corporate approvals, approvals of any regulatory body, if applicable, and any third parties, complied with all requisite formalities in connection with any acceptance, in any relevant jurisdiction and that it has not (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it has not) taken or omitted to take any action in breach of the terms and Conditions of the Offer or which will or may result in TBC PLC or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer.

(xi) It will (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it will) do all such acts and things as shall, in the opinion of TBC PLC, be necessary or expedient to vest in TBC PLC or its nominee(s) the Bank Shares underlying the Rule 144A GDRs comprised or deemed to be comprised in the Instruction and to enable the Exchange Agent to perform its functions as Exchange Agent for the purposes of the Offer.

(xii) It will (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that it will) ratify each and every act or thing which may be done or effected by TBC PLC, the Exchange Agent, the Depositary or any of their respective directors or agents, as the case may be, in the exercise of any of the powers and/or authorities under this Paragraph 5.4 of this Part B of Part XVII.

(xiii) If any provision of this Part B of Part XVII shall be unenforceable or invalid or shall not operate so as to afford TBC PLC or the Exchange Agent or any of their respective directors, agents or persons authorised by them, the benefit of the authorities and powers of attorney expressed to be given therein it will, with all practicable speed, do all such acts and things and execute all such documents that may be required or desirable to enable TBC PLC, the Exchange Agent and/or the Depositary and any of their respective directors, agents or persons authorised by them to secure the full benefit of this Part B of Part XVII.

(xiv) The making of an Instruction constitutes the submission of the GDR Holder (or, if it is instructing the acceptance of the Offer on behalf of another person, such person has confirmed to it that such person so submits) to the exclusive jurisdiction of the courts of England and Wales to settle any dispute arising out of or connected with the Offer, except in relation to those matters over which the courts of Georgia have exclusive jurisdiction.

(h) GDR Holders who have given an instruction to accept the Offer in accordance with this Paragraph 5.4 must also complete and return a Delivery Instruction Notice specifying whether they wish to receive the PLC Offer Shares to which they are entitled under the Offer in uncertificated form in CREST or in certificated form. **The Delivery Instruction Notice must bear an original manual signature and a Medallion signature guarantee and must be returned to the Exchange Agent in the manner described in Paragraph 5.4(e) above to be received before the GDR Expiration Time.**

(i) GDR Holders wishing to receive PLC Offer Shares in uncertificated form must provide details of a valid CREST stock account in the Delivery Instruction Notice. GDR Holders wishing to receive PLC Offer Shares in certificated form must provide an address in the Delivery Instruction Notice where the PLC Offer Shares shall be delivered.

(j) **If the Exchange Agent does not receive the Delivery Instruction Notice from the GDR Holder by the GDR Expiration Time or the CREST details contained in such Delivery Instruction Notice are incorrect or the GDR Holder has elected to receive PLC Offer Shares**

in certificated form, such GDR Holder will be issued PLC Offer Shares in certificated form. The delivery of PLC Offer Shares in certificated form will take place several Business Days after the delivery of PLC Offer Shares in uncertificated form through CREST. If a GDR Holder has not provided valid CREST details or a name and address for delivery of PLC Offer Shares in certificated form, the PLC Offer Shares will be registered in the name of, and the certificate will be delivered to, the DTC participant that delivered the Rule 144A GDRs to the Exchange Agent.

(k) Please note that any GDR Holder who gives an instruction to accept the Offer and sends a Delivery Instruction Notice to the Exchange Agent should continue to maintain its DTC securities account until the settlement of the Offer.

(l) No cancellation fee per GDR will be payable by GDR Holders who exchange their GDRs for PLC Offer Shares pursuant to the Offer.

5.5 General

(a) Existing Holders who wish to accept the Offer with respect to Bank Shares and to procure the acceptance of the Offer with respect to Bank Shares underlying GDRs must follow the individual procedures outlined above for each type of security.

(b) With respect to any Bank Shares or GDRs that are owned of record by two or more joint owners, to accept, or procure the acceptance of, the Offer all such owners must provide a Shareholder Acceptance (if applicable) and a Certification Form. If the Offer is accepted with respect to any Bank Shares or Bank Shares underlying GDRs and such Bank Shares GDRs are registered in different names, it is necessary to complete, execute and deliver a separate Form of Acceptance (or give acceptance orally) (if applicable) and complete, execute and (if applicable) deliver a separate Certification Form for each different registration.

6. Method of delivery

THE METHOD OF DELIVERY OF ANY DOCUMENTS, INCLUDING, WITH RESPECT TO BANK SHARES NOT HELD THROUGH DTC, EUROCLEAR OR CLEARSTREAM, ANY GDRs ACCEPTED, ANY FORM OF ACCEPTANCE, ANY CERTIFICATION FORM, AND ANY OTHER REQUIRED DOCUMENTS, IS AT THE OPTION AND SOLE RISK OF THE EXISTING HOLDERS. ANY DOCUMENTS TO BE PROVIDED PURSUANT HERETO, WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE GEORGIAN EXCHANGE AGENT OR THE EXCHANGE AGENT (AS THE CASE MAY BE).

7. Determinations of Validity

(a) All questions as to the validity, form, eligibility (including time of receipt) and valid acceptance of Existing Securities will be determined by TBC PLC (or the Georgian Exchange Agent or the Exchange Agent, as the case may be, on TBC PLC's behalf), in its sole discretion, which determination shall (subject to Applicable Laws) be final and binding. TBC PLC reserves the absolute right to reject any or all acceptances determined not to be in appropriate form, invalid or incomplete or to refuse to accept any Bank Shares and GDRs if, in the opinion of TBC PLC's counsel, accepting such Bank Shares or GDRs would be unlawful. TBC PLC also reserves the absolute right to waive any of the Conditions (to the extent that any such Condition is capable of being waived) or any defect in any acceptance, whether generally or with respect to any particular Bank Share(s), GDR(s) or Existing Holder(s). TBC PLC's interpretations of the terms and Conditions (including the Form of Acceptance, the Certification Form and the instructions thereto), the Tender Offer Proposal and this Prospectus shall (subject to Applicable Laws) be final and binding.

(b) NONE OF TBC PLC, THE BANK, THEIR BOARDS OF DIRECTORS, SUPERVISORY OR MANAGEMENT BOARDS (AS THE CASE MAYBE), THE GEORGIAN EXCHANGE AGENT OR THE EXCHANGE AGENT OR ANY OTHER PERSON IS OR WILL BE OBLIGATED TO GIVE ANY NOTICE OF ANY DEFECT OR IRREGULARITY IN ANY ACCEPTANCE, AND NONE OF THEM ACCEPTS OR WILL INCUR ANY LIABILITY FOR FAILURE TO GIVE ANY SUCH NOTICE.

8. Delivery of PLC Offer Shares and Return of Existing Securities

8.1 PLC Offer Shares will be delivered to the accounts of Euroclear and Clearstream in CREST and credited to the accounts of accepting Existing Holders or their nominees with Euroclear or Clearstream (or in CREST, in the case of Rule 144A GDR Holders who have accepted the Offer and provided CREST delivery instructions). In the case of Regulation S GDR Holders, PLC Offer Shares will be credited to the Euroclear or Clearstream account in which their Regulation S GDRs were held. In the case of Bank Shareholders, PLC Offer Shares will be delivered to the account of the Bank in CREST and credited to the accounts of such Bank Shareholders or their nominees with the Georgian Exchange Agent.

8.2 Following Admission, transactions in PLC Offer Shares will settle in CREST. PLC Offer Shares which are credited to Euroclear or Clearstream accounts may be transferred to CREST using standard market processes. If they are in any doubt as to the process, Existing Holders should contact their bank, brokerage or nominee firm.

8.3 The PLC Offer Shares to be delivered to Participating Holders will be allotted and issued by TBC PLC on or about the day of Admission and delivered as provided for in the Tender Offer Documents.

8.4 If any Bank Shares are not accepted by TBC PLC under the Tender Offer, including as a result of termination or lapsing of the Offer, they will be held by the Georgian Exchange Agent. In such case, the Georgian Exchange Agent will notify the relevant Bank Shareholder that it is returning the relevant Bank Shares to it as well as the number of Bank Shares so returned and await until further instructions are received.

8.5 If any Regulation S GDRs are not accepted by TBC PLC under the Offer, including as a result of termination or lapsing of the Offer, they will be released for trading in accordance with Euroclear's or Clearstream's normal procedures.

8.6 If any Rule 144A GDRs are not accepted by TBC PLC under the Tender Offer, including as a result of the termination or lapsing of the Offer, they will be returned to the account from which they were delivered to the Exchange Agent.

8.7 All remittances, communications, notices, certificates and documents of title sent by, to or from Existing Holders or their appointed agents will be sent at their own risk.

9. Overseas Existing Holders

General

9.1 **The implications of the Offer for, and the distribution of the Tender Offer Documents to, Overseas Existing Holders or to persons who are custodians, nominees of or trustees for such persons and the availability of the PLC Offer Shares to such persons may be affected by the laws of the relevant jurisdictions. Overseas Existing Holders should inform themselves about and observe any applicable legal or regulatory requirements. If Overseas Existing Holders are in any doubt about their position, they should consult their appropriate adviser in the relevant jurisdiction**.

9.2 It is the responsibility of any person into whose possession the Tender Offer Documents come or who wishes to accept the Offer to satisfy themselves/itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer and the distribution of the Tender Offer Documents, including the obtaining of any governmental, exchange control and other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes, levies or other requisite payments due in such jurisdiction. Any such Overseas Existing Holder shall be responsible for any such issue, transfer or other taxes or levies or other payments by whomsoever payable and TBC PLC (and any person acting on behalf of TBC PLC) shall be fully indemnified and held harmless by such Overseas Existing Holders for any such issue, transfer or other taxes or levies or other payments which TBC PLC (and any person acting on behalf of TBC PLC) may be required to pay.

9.3 Unless determined by TBC PLC and permitted by applicable law and regulation, the Offer will not be capable of acceptance from or within, any Restricted Jurisdiction and the Offer cannot be accepted by any use, means or instrumentality or otherwise from any Restricted Jurisdiction.

9.4 Copies of the Tender Offer Documents are not being (unless determined otherwise by TBC PLC in its sole discretion), and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, (including by way of facsimile transmission) into or from any Restricted Jurisdiction, including to Existing Holders with registered addresses in a Restricted Jurisdiction or to persons whom TBC PLC knows to be custodians, trustees or nominees holding Existing Securities for persons with registered addresses in a Restricted Jurisdiction. Persons receiving those documents (including, without limitation, custodians, nominees and trustees) should not distribute, forward, send or mail them in, into or from a Restricted Jurisdiction or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the Offer, and so doing may render any purported acceptance of the Offer invalid.

9.5 Persons wishing to accept or give an instruction to accept the Offer must not use the mails of any Restricted Jurisdiction or any such means, instrumentality or facility for any purpose directly or indirectly relating to acceptance of the Offer. Existing Holders (including custodians, nominees or trustees) who may have a contractual or legal obligation, or may otherwise intend, to forward the Tender Offer Documents, should read the further details in this regard which are contained in this Paragraph 9 of this Part B of Part XVII before taking any action. Envelopes containing any Form of Acceptance or Certification Form, evidence of title or other documents relating to the Offer should not be postmarked in, or otherwise dispatched from, a Restricted Jurisdiction and all acceptors must provide addresses outside a Restricted Jurisdiction for the receipt of the consideration to which they are entitled under the Offer or for the return of any Form of Acceptance or Certification Form (to the extent applicable).

9.6 TBC PLC reserves the right, in its sole discretion, to investigate in relation to any Shareholder Acceptance or instructions to accept the Offer, whether the representations and warranties set out in Paragraph 5 of Part B (as applicable) of this Part XVII could have been truthfully given by the relevant Existing Holder and, if such investigation is made and as a result TBC PLC determines (for any reason) that such representations and warranties could not have been so given, such acceptance or instructions to accept may be rejected as invalid.

9.7 If any person, despite the restrictions described above, and whether pursuant to a contractual or legal obligation or otherwise, forwards this document or any related document in, into or from a Restricted Jurisdiction or uses the mails or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic transmission) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, a Restricted Jurisdiction in connection with that forwarding, that person should:

(a) inform the recipient of such fact;

(b) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and

(c) draw the attention of the recipient to this Paragraph 9.7.

9.8 Notwithstanding any other provision of this Paragraph 9 of Part B of Part XVII, TBC PLC may in its sole and absolute discretion make the Offer to a resident in a Restricted Jurisdiction if TBC PLC is satisfied, in that particular case, that to do so would not constitute a breach of any securities or other relevant legislation of a Restricted Jurisdiction.

9.9 The provisions of this Paragraph 9 may be waived, varied or modified as regards a specific Existing Holder or on a general basis by TBC PLC in its sole discretion. Subject to this discretion, the provisions of this Paragraph 9 supersede any terms of the Offer inconsistent with them.

9.10 References in this Paragraph 9 to an Existing Holder shall include the person or persons making an Instruction or Electronic Instruction (as the case may be) and the person or persons giving a Shareholder Acceptance and, in the event of more than one person giving a Shareholder Acceptance, the provisions of this Paragraph 9 shall apply to them jointly and severally.

9.11 The relevant clearances with respect to the issuance of PLC Offer Shares have not been, nor will they be, obtained from the securities commission of any province or territory of Canada; no prospectus has been lodged with, or registered by, the Australian Securities and Investments

Commission or the Japanese Ministry of Finance; and the PLC Offer Shares have not been, nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of a Restricted Jurisdiction. Accordingly, the PLC Offer Shares are not being and may not be (unless an exemption under relevant securities laws is available) offered, sold, resold or delivered, directly or indirectly, in or into any Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the relevant laws of, or require registration thereof in, such jurisdiction, or to, or for the account or benefit of, any person or resident of any Restricted Jurisdiction.

9.12 If any written notice from an Existing Holder withdrawing its Shareholder Acceptance or its instruction to accept in accordance with Paragraph 3 of this Part B of Part XVII is received in an envelope postmarked in, or which otherwise appears to TBC PLC or its agents to have been sent from, a Restricted Jurisdiction, TBC PLC reserves the right, in its absolute discretion, to treat that notice as invalid.

United States

9.13 The Offer is being made in reliance on, and in compliance with, Regulation 14E under the Securities Exchange Act. The Offer is being made subject to United Kingdom disclosure requirements which are different from certain United States disclosure requirements. In addition, US investors should be aware that this Prospectus has been prepared in accordance with a United Kingdom format and style, which differs from the United States format and style. In particular, the appendices to this Prospectus contain information concerning the Offer in accordance with UK disclosure practice which may be material and may not have been summarised elsewhere in the document. Furthermore, the payment and settlement procedure with respect to the Offer will comply with the relevant United Kingdom rules and practice, which differ from United States payment and settlement procedures. TBC PLC will comply, to the extent applicable, with the requirements of Regulation 14E under the Exchange Act in connection with the Offer.

9.14 PLC Offer Shares have not been, and will not be, registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States. PLC Offer Shares may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

9.15 In making the Offer, TBC PLC is relying on the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) of that Act. Accordingly, special requirements apply to the following persons (each a "**US Holder**"):

(a) an Existing Holder that is either (A) in the United States or (B) acting as agent, nominee, custodian, trustee or otherwise for or on behalf of a person in the United States;

(b) an Existing Holder who completes the Form of Acceptance and/or Certification Form with an address in the United States or has a registered address in the United States;

(c) an Existing Holder who inserts in its Form of Acceptance and/or Certification Form the name and address of a person or agent in the United States to whom it wishes the consideration to which it is entitled under the Offer and/or any documents to be sent;

(d) an Existing Holder whose acceptance is received in an envelope postmarked in, or which otherwise appears to TBC PLC or its agents to have been sent from, the United States; or

(e) any other Existing Holder that appears to TBC PLC or its agents to be in the United States.

9.16 All Existing Holders who intend to accept, or procure the acceptance of, the Offer will be required to complete and execute a Certification Form containing certain acknowledgements, representations, warranties and agreements. US Holders that certify that they are qualified institutional buyers, as defined in Rule 144A under the Securities Act, or institutional accredited investors, within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act, and otherwise satisfy the requirements set forth in the Certification Form and this Prospectus ("**Participating US Holders**") will receive PLC Offer Shares in consideration for tendering their Existing Securities in accordance with the terms of the Offer. The PLC Offer Shares will be "restricted securities" within the meaning of the Securities Act, subject to restrictions on transfer

that may require Participating US Holders participating in the Offer to bear the financial risks of the PLC Offer Shares for an indefinite period of time. In order to accept the Offer US Holders must make the certifications as provided in the Certification Form.

10. Fees and Expenses

10.1 Other than as described below, no fees will be paid to brokers, dealers or others by either TBC PLC or the Bank in connection with the Offer. TBC Bank is paying the costs of printing and mailing materials to Existing Holders, certain legal and filing fees and the fees and expenses of the Georgian Information Agent, the Information Agent, the Georgian Exchange Agent, the Exchange Agent, the Georgian Registrar and Equiniti Limited (the "**UK Registrar**"). TBC Bank will also cover the cost of re-registration of Bank Shares with the Georgian Registrar with respect to the Offer, including with respect to the return of Bank Shares if the Offer lapses or is withdrawn. However, brokers, dealers or other persons may charge Existing Holders a fee for soliciting acceptances with respect to Bank Shares and/or GDRs pursuant to the Offer. Existing Holders will pay all share transfer taxes, if any, with respect to the transfer and acceptance of the Offer with respect to their Bank Shares and GDRs. Any fees charged by Georgian depositaries shall be borne by the accepting Existing Holders.

10.2 Georgian Exchange Agent, Exchange Agent and Information Agents

TBC PLC has retained TBC Capital LLC to act as the Georgian Exchange Agent, The Bank of New York Mellon as the Exchange Agent, TBC Capital LLC as the Georgian Information Agent and DF King as the Information Agent for the Offer. TBC Capital LLC, The Bank of New York Mellon and DF King will each receive reasonable and customary compensation for their services as the Georgian Exchange Agent, Exchange Agent and Information Agents and each will be reimbursed by TBC PLC for certain out-of-pocket expenses.

10.3 Registrars

TBC PLC has entered into a services agreement with the Registrars to facilitate the process of accepting the Offer with respect to Bank Shares. The Registrars will receive reasonable and customary compensation related to an Offer of this nature and will be reimbursed by TBC PLC for certain out-of-pocket expenses and share registrar fees charged on transfers of Bank Shares held by Bank Shareholders directly with the Georgian Registrar.

11. CREST

11.1 CREST is a paperless settlement procedure enabling securities to be evidenced without a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of shares under the CREST system. TBC PLC has applied for the PLC Offer Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the PLC Offer Shares following Admission may take place within the CREST system if any TBC PLC Shareholder so wishes.

11.2 CREST is a voluntary system and holders of PLC Offer Shares who wish to receive and retain certificates will be able to do so. Investors applying for PLC Offer Shares under the Offer may, however, elect to receive PLC Offer Shares in uncertificated form if they are a system-member (as defined in the CREST Regulations) in relation to CREST.

12. Additional Information

12.1 If the Offer is accepted with respect to any Bank Shares that are owned of record by two or more joint owners, all such owners must provide the Shareholder Acceptance and Certification Form.

12.2 No fractional PLC Offer Shares will be issued pursuant to the Offer.

12.3 Before the Offer may be declared wholly unconditional, the Georgian Exchange Agent and the Exchange Agent shall issue a certificate to TBC PLC (or its respective agents) which states the number of Bank Shares in respect of which acceptances have been received and not validly withdrawn, which complies with the provisions of Paragraph 2 of this Part B of Part XVII.

12.4 The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance and/or Certification Form constitute part of the terms of the Offer. Words and expressions defined in this Prospectus and the Tender Offer Proposal have the same

meanings when used in the Form of Acceptance and/or Certification Form, unless the context otherwise requires. The provisions of this Part XVII shall be deemed to be incorporated into and form part of the Form of Acceptance and/or Certification Form.

12.5 If the Offer Period is extended, a reference in the Tender Offer Documents to the Expiration Time will be deemed to refer to the expiry date of the Offer as so extended.

12.6 No acknowledgement of receipt of any Form of Acceptance and/or Certification Form, transfer by means of CREST, communication, notice, share certificate(s) or other document(s) of title will be given by or on behalf of TBC PLC (except as required bylaw). All communications, notices, certificates, documents of title and remittances to be delivered by, to or on behalf of Existing Holders (or their designated agents) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.

12.7 The Offer is being made for all of the issued and to be issued Bank Shares. Any omission or failure to despatch the Tender Offer Documents and/or notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is, or should be, made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person.

12.8 Subject to Part B of Part XVII, the Offer is made on 2 June 2016 and is capable of acceptance from and after that time. The Tender Offer Documents are available from the Georgian Exchange Agent or Exchange Agent.

12.9 All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Part B of Part XVII, the Form of Acceptance and/or Certification Form is given by way of security for the performance of the obligations of the Existing Holder and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971, to the extent not prohibited by Applicable Laws), except in the circumstances where the donor of the power of attorney, appointment or authority validly withdraws his or her acceptance or instruction to accept in accordance with Paragraph 3 of this Part B of Part XVII.

12.10 By accepting the Offer in accordance with the procedures described herein, Existing Holders further authorise TBC PLC to supply information regarding their acceptances of the Offer as required by Applicable Laws or otherwise requested by governmental or regulatory authorities.

12.11 In relation to any Instruction or Electronic Instruction made through the DTC, Euroclear or Clearstream (as the case may be), TBC PLC reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of the relevant electronic settlement system, or otherwise.

12.12 The Offer and any contractual and non-contractual obligations arising out of or connected with the Offer shall be governed by, and construed in accordance with, English law, except that the statutory tender offer provisions relating to the Bank Shares shall be governed by Georgian law. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute arising out of or connected with the Offer, except in relation to those matters over which the courts of Georgia have exclusive jurisdiction.

12.13 For the purposes of this document, (i) the time of receipt of any Electronic Instruction in the relevant settlement system shall be the time at which the relevant instruction settles in the relevant settlement system; (ii) the time of receipt of a Certification Form shall be the time when the Certification Form is delivered.

12.14 Notwithstanding any other provision of this Part B of Part XVII, TBC PLC reserves the right to treat as valid in whole or in part any acceptance or instruction to accept the Offer if received by the Georgian Exchange Agent or the Exchange Agent or otherwise on behalf of TBC PLC which is not entirely in order or in the correct form or which is not accompanied by (as applicable) the relevant document(s) or the relevant instruction or is received by it at any place or places or in any form or manner determined by either the Georgian Exchange Agent or the Exchange Agent or TBC PLC otherwise than as set out in the Tender Offer Documents. In that

event, transfer of PLC Offer Shares will not be made until after the acceptance and/or instruction to accept is entirely in order or other document(s) of title or indemnities satisfactory to TBC PLC have been received by the Georgian Exchange Agent or the Exchange Agent.

12.15 Bank Shares are to be acquired by TBC PLC under the Offer fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests of any nature whatsoever and together with all rights attaching to them on or after the date on which the Offer is declared wholly unconditional.

12.16 This Prospectus has been prepared in accordance with the Prospectus Rules of the UKLA and has been approved as such by the FCA in accordance with Section 85 of the FSMA. A copy of this Prospectus has been filed with the FCA and has been made available to the public in accordance with Paragraph 3.2.1 of the Prospectus Rules of the UKLA.

12.17 All references in this Part XVII to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).

13. Settlement and transfer of PLC Offer Shares

13.1 See Paragraph 9 ("*Settlement*") of Part IV for information on the settlement and transfer of the PLC Offer Shares.

13.2 If TBC PLC extends the Offer or if for any reason (whether before or after any Existing Securities have been accepted for tender), the acceptance of Existing Securities, or the issuance of PLC Offer Shares is delayed or if TBC PLC is unable to accept Existing Securities or issue PLC Offer Shares pursuant to the Offer, then, without prejudice to TBC PLC's rights under the Offer, Existing Securities may be retained by the Georgian Exchange Agent or the Exchange Agent, as the case may be, on behalf of TBC PLC (subject to Rule 14e-1(c) under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holder promptly after the termination or withdrawal of a tender offer), except as otherwise provided in this Part XVII.

PART XVIII

SUMMARY OF TBC PLC ARTICLES OF ASSOCIATION

The following summary description of TBC PLC's share capital and corporate structure is based on, and qualified by reference to, the Articles. This summary does not purport to give a complete overview and should be read in conjunction with the Articles, the Companies Act and regulations made thereunder, and the relevant provisions of English law, and should not be considered legal advice regarding these matters. This summary is subject to the provisions of the Companies Act, so far as they apply to or affect TBC PLC.

A summary of the principal differences between the Articles and the Charter and a summary of the significant differences between English and Georgian law are set out in Part XIX "*Comparison of Shareholder Rights in TBC PLC and GDR Holder and Shareholder Rights in the Bank*".

TBC PLC's Articles do not contain any restriction on TBC PLC's objects and accordingly, pursuant to section 31 of the Companies Act, TBC PLC's objects are unrestricted. Copies of TBC PLC's Articles and the Bank's Charter are available for inspection at the offices of TBC PLC at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE.

The Articles contain, among others, provisions to the following effect:

Voting Rights

Subject to any special rights or restrictions as regards voting for the time being attached to any class of TBC PLC Shares and certain other provisions of the Articles, on a show of hands every TBC PLC Shareholder present in person or by proxy or (in the case of a corporation) by duly authorised representative shall have one vote and on a poll every TBC PLC Shareholder present in person or by proxy shall have one vote for each TBC PLC Share of which he or she is the holder.

In the case of joint holders, unless such joint holders shall have chosen one of their number to represent them and have so notified TBC PLC in writing, the vote of the most senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names of the holders stand in the register.

Unless the PLC Directors otherwise decide, no TBC PLC Shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him or her in respect of any TBC PLC Shares of which he or she is holder or one of the joint holders have been paid.

Dividends

TBC PLC may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the PLC Directors.

The PLC Directors may pay fixed and interim dividends as appears to be justified by the profits of TBC PLC available for distribution. If the PLC Directors act in good faith, the PLC Directors shall not incur any liability to TBC PLC Shareholders for any loss they may suffer by the lawful payment on any other class of TBC PLC Shares having non-preferred or deferred rights of any such fixed or interim dividend.

The PLC Directors may, with the prior authority of an ordinary resolution of TBC PLC, direct payment of a dividend in whole or in part in specie and the PLC Directors shall give effect to such resolution. No dividend or other monies payable in respect of a share in TBC PLC shall bear interest against TBC PLC unless interest is provided by the rights attached to those shares.

The PLC Directors may deduct from any dividend or other moneys payable to a TBC PLC Shareholder on or in respect of such TBC PLC Shares all sums of money (if any) presently payable by the holder to TBC PLC on account of calls or otherwise in relation to such shares.

All unclaimed dividends may be invested or otherwise made use of by the PLC Directors for the benefit of TBC PLC until claimed. Any dividend unclaimed after a period of twelve years from the date on which such dividend was declared or became due for payment shall be forfeited and revert to TBC PLC.

The PLC Directors may, if authorised by an ordinary resolution of TBC PLC, offer those holders of a particular class of shares that have elected to receive them further shares of that class or TBC PLC Shares by way of scrip dividend instead of cash.

The PLC Directors may fix a date as the record date by reference to which a dividend will be declared or paid or a distribution, allotment or issue made, and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared, paid or made.

Capitalisation of Reserves

The PLC Directors may, with the authority of an ordinary resolution of TBC PLC: (i) resolve to capitalise any sum standing to the credit of any reserve account of TBC PLC (including share premium account, capital redemption reserve, merger reserve and profit and loss account) or any sum standing to the credit of profit and loss account (whether or not it is available for distribution); and (ii) appropriate that sum as capital to TBC PLC Shareholders in proportion to the nominal amount of share capital held by them respectively and apply that sum on their behalf in paying up in full any unissued shares or debentures of TBC PLC of a nominal amount equal to that sum and allot shares or debentures credited as fully paid to those TBC PLC Shareholders, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued TBC PLC Shares held by them respectively, or otherwise deal with such sum as directed by the resolution.

TBC PLC Shares

Subject to any relevant authority given by TBC PLC in a general meeting, the PLC Directors may exercise any power of TBC PLC to allot TBC PLC Shares, or to grant rights to subscribe for or to convert any security into TBC PLC Shares, to such persons, at such times and on such terms as the PLC Directors may decide.

Subject to any rights attached to any existing shares, any share in TBC PLC may be allotted or issued with, or have attached to it, such rights or restrictions as TBC PLC may by ordinary resolution determine, or, subject to and in default of such determination, as the PLC Directors may determine.

Subject to any rights attached to any existing shares, TBC PLC Shares may be issued which are to be redeemed or are liable to be redeemed at the option of TBC PLC or the holder, and the PLC Directors may determine the terms, conditions and manner of redemption of any TBC PLC Shares so issued.

TBC PLC may exercise all the powers conferred or permitted by the provisions of the Companies Act and regulations made thereunder of paying commission or brokerage. Subject to the provisions of the Companies Act, any such commission or brokerage may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or by the grant of an option to call for such an allotment or by any combination of such methods as the PLC Directors think fit.

Variation of Rights

The rights attached to a class of TBC PLC Shares may be varied or abrogated either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued TBC PLC Shares of that class (excluding any share in TBC PLC of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the relevant provisions of the Articles.

The rights attached to a class of TBC PLC Shares are not, unless otherwise expressly provided for in the rights attaching to those TBC PLC Shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by TBC PLC of its own shares in accordance with the provisions of the Companies Act.

Interests in TBC PLC Shares/Failure to disclose interests in TBC PLC Shares

Where notice is served by TBC PLC under section 793 of the Companies Act (a "**section 793 notice**") on a TBC PLC Shareholder, or another person appearing to be interested TBC PLC Shares held by that TBC PLC Shareholder, and the TBC PLC Shareholder or other person has failed in relation to any TBC PLC Shares (the "**default shares**"), to give TBC PLC the information required within 14

days from the date of service of the section 793 notice, the following sanctions apply, unless the PLC Directors otherwise decide:

- TBC PLC Shareholder shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of TBC PLC Shares or on a poll; and
- where the default shares represent at least 0.25% in nominal value of the issued TBC PLC Shares of their class (excluding any share in TBC PLC of their class held as treasury shares):
  - a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by TBC PLC, which has no obligation to pay interest on it, and the TBC PLC Shareholder shall not be entitled to elect, pursuant to the Articles, to receive TBC PLC Shares instead of a dividend; and
  - no transfer of any certificated default shares shall be registered unless the transfer is an excepted transfer, or the TBC PLC Shareholder is not himself or herself in default in supplying the information required; and the TBC PLC

  Shareholder proves to the satisfaction of the PLC Directors that no person in default in supplying the information required is interested in any TBC PLC Shares the subject of the transfer.

Ownership Restrictions and Related Reporting Obligations

Each TBC PLC Shareholder acknowledges that TBC PLC may from time to time directly or indirectly hold interests in shares or otherwise have the direct or indirect ability to exercise voting rights in any subsidiary undertaking of TBC PLC from time to time which is licensed and/or supervised by a regulatory authority (a "**regulated group company**") and that such holding or ability to exercise voting rights may impose regulatory requirements on the TBC PLC Shareholder or any other person (as a person indirectly interested in such a regulated group company).

No person may directly or indirectly acquire (through a transaction or series of transactions), hold and/or otherwise have the direct or indirect ability to exercise voting rights in respect of, interests in TBC PLC Shares which would result in such person directly or indirectly, alone or together with any of its related person(s), having a direct or indirect interest in shares of or ability to exercise voting rights over more than 10 per cent., 25 per cent. or 50 per cent. in the Bank (or such other percentages as a regulatory authority may determine from time to time in respect of any regulated group company) (a "**significant interest**") without the prior satisfaction of, or timely compliance with, all regulatory requirements.

If a person acquires or otherwise holds a significant interest he or she shall be required to:

- disclose to TBC PLC the identity of the ultimate beneficial owner(s) of such significant interest; and
- certify to TBC PLC that such person(s) (or such ultimate beneficial owner(s)) has/ have complied with all regulatory requirements in respect of the acquisition and/or holding (as applicable) of such significant interest.

If TBC PLC knows or has reasonable cause to believe that a person has failed to comply with the above requirements and TBC PLC determines (based on a notification by a regulatory authority or on legal advice) that such failure has, will or may cause TBC PLC and/or any of its subsidiaries to be unable to exercise, directly or indirectly, voting rights in any regulated group company and/or a regulatory authority has, will or may impose any material penalties on TBC PLC and/or any of its subsidiaries and/or any regulated group company, TBC PLC shall forthwith either:

- send a notice (a "**default notice**") to the person(s) requiring such person(s), to disclose within 30 days of the date of the default notice the identity of the ultimate beneficial owner(s) of any significant interest held by him and/or any of his related persons and certify that all regulatory requirements in respect of the relevant holding have been satisfied; or
- send a notice (a "**disenfranchisement notice**") to the relevant TBC PLC Shareholder informing him/ them that in respect of such part of his/ their holding of interests in TBC PLC Shares (including, for the avoidance of doubt, any interests in TBC PLC Shares allotted or issued after the date of the disenfranchisement notice in respect of that holding) he/ they shall not be

entitled to vote (either in person or by proxy) that holding at a general meeting or at a separate meeting of the holders of a class of shares or on a poll until 7 days after the earlier of: (i) any holding subject to a default notice is transferred pursuant to an excepted transfer (as defined in Article 65 of the Articles); or (ii) TBC PLC is reasonably satisfied that the above provisions have been complied with.

Where a default notice is served by TBC PLC and the TBC PLC Shareholder or other person fails to give TBC PLC the required disclosures and certifications in an acceptable form within 30 days of the date of the default notice and TBC PLC determines (based on a notification by a regulatory authority or on legal advice) that such failure has, will or may cause TBC PLC and/or any of its subsidiaries to be unable to exercise, directly or indirectly, voting rights in any regulated group company and/or a regulatory authority has, will or may impose any material penalties on TBC PLC and/or any of its subsidiaries and/or any regulated group company, TBC PLC shall forthwith send a disenfranchisement notice to the relevant member(s).

For the purpose of enforcing these sanctions, TBC PLC may give notice to a TBC PLC Shareholder requiring the TBC PLC Shareholder to convert the shares subject to a disenfranchisement notice held in uncertificated form to certificated form by the time stated in the notice.

For the purposes of these provisions in the Articles:

"**regulatory authority**" means the relevant regulator in relation to a regulatory requirement being, at the date of adoption of the Articles, the National Bank of Georgia (or any successor body(ies) thereto) or other entity with the authority to regulate from time to time the relevant regulatory requirement; and

"**regulatory requirement**" means a requirement pursuant to the Law of Georgia on Activities of Commercial Banks, the Law of Georgia on the Securities Market, the Law of Georgia on Insurance and other applicable laws of Georgia, Azerbaijan or other jurisdictions or rules, orders, normative acts or regulations adopted pursuant thereto (in each case as amended from time to time) to notify, seek the approval of or otherwise comply with any requirement of a regulatory authority in relation to the acquisition or holding of a significant interest.

Transfer of TBC PLC Shares

A TBC PLC Shareholder may transfer all or any of his or her certificated TBC PLC Shares by instrument of transfer in writing in any usual form or in any other form approved by the PLC Directors, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a TBC PLC Share in TBC PLC which is not fully paid) by or on behalf of the transferee. A TBC PLC Shareholder may transfer all or any of his or her uncertificated shares in accordance with the Uncertificated Securities Regulations 2001 (the "**Regulations**"). Subject to the provisions of the Regulations, the transferor of a share in TBC PLC is deemed to remain the TBC PLC Shareholder until the name of the transferee is entered in the register in respect of it.

The PLC Directors may, in their absolute discretion, refuse to register the transfer of a certificated TBC PLC Share unless all of the following conditions are satisfied:

- it is in respect of only one class of TBC PLC Shares;
- it is in favour of (as the case may be) a single transferee or not more than four joint transferees;
- it is duly stamped (if required); and
- it is delivered for registration to the office or such other place as the PLC Directors may decide, accompanied by the certificate for TBC PLC Shares to which it relates and such other evidence as the PLC Directors may reasonably require to prove the right of the transferor to make the transfer.

If the PLC Directors refuse to register the transfer of a certificated TBC PLC Share they shall, within two months after the date on which the transfer was lodged with TBC PLC, send notice of the refusal, together with their reasons for the refusal, to the transferee. An instrument of transfer which the PLC Directors refuse to register shall (except in the case of suspected fraud) be returned to the person depositing it. TBC PLC may retain all instruments of transfer which are registered, but any instrument of transfer of any share in TBC PLC which the PLC Directors refuse to register shall

(except in the case of suspected fraud) be returned to the person lodging it when notice of the refusal is given.

Subject to the provisions of the Regulations, the PLC Directors have the power to resolve that a class of TBC PLC Shares shall become a participating security and/or that a class of shares shall cease to be a participating security.

Uncertificated TBC PLC Shares of a class are not to be regarded as forming a separate class from certificated TBC PLC Shares of that class.

A TBC PLC Shareholder may, in accordance with the Regulations, change a TBC PLC Share of a class which is a participating security from a certificated share in TBC PLC to an uncertificated TBC PLC Share and from an uncertificated TBC PLC Share to a certificated TBC PLC Share.

In accordance with and subject to the provisions of the Regulations, a transfer of title to any uncertificated TBC PLC Share shall be registered unless the Regulations permit a transfer to be refused.

If the transfer of an uncertificated TBC PLC Share is refused within the time period stipulated by the Regulations, notice of the refusal shall be sent to the transferee.

TBC PLC (in its absolute discretion) may or may not charge a fee for registering the transfer of a TBC PLC Share or other document or instructions relating to or affecting the title to a TBC PLC Share or the right to transfer it or for making any other entry in the register.

Lien and Forfeiture

TBC PLC has a first and paramount lien on all partly paid TBC PLC Shares for an amount payable in respect of the TBC PLC Share, whether the due date for payment has arrived or not. The lien applies to all dividends from time to time declared or other amounts payable in respect of the TBC PLC Share.

The PLC Directors may either generally or in a particular case declare a share in TBC PLC to be wholly or partly exempt from a lien. Unless otherwise agreed with the transferee, the registration of a transfer of a share in TBC PLC operates as a waiver of TBC PLC's lien (if any) on that share in TBC PLC.

For the purpose of enforcing the lien referred to in the Articles, the PLC Directors may sell all or any of the TBC PLC Shares subject to the lien at such time or times and in such manner as it may decide provided that:

- the due date for payment of the relevant amounts has arrived; and
- the PLC Directors have served a written notice on the TBC PLC Shareholder concerned stating the amounts due, demanding payment thereof and giving notice that if payment has not been made within 14 clear days after the service of the notice that TBC PLC intends to sell the shares.

To give effect to a sale, the PLC Directors may authorise a person to transfer the TBC PLC Shares in the name and on behalf of the holder, or to cause the transfer of such TBC PLC Shares, to the purchaser or his or her nominee. The purchaser is not bound to see to the application of the purchase money and the title of the transferee is not affected by an irregularity in or invalidity of the proceedings connected with the sale.

The net proceeds of a sale effected under the Articles, after payment of TBC PLC's costs of the sale, shall be applied in or towards satisfaction of the amount in respect of which the lien exists. The balance (if any) shall be paid to the TBC PLC Shareholder immediately before the sale.

General Meetings

An annual general meeting shall be held within each period of six months beginning with the day following TBC PLC's accounting reference date, at such place or places within the United Kingdom, and at such date and time as may be decided by the PLC Directors.

The PLC Directors may, whenever they think fit, call a general meeting. The PLC Directors are also required to call a general meeting once TBC PLC has received requests from TBC PLC Shareholders representing at least 5% of the paid-up capital of TBC PLC (disregarding any treasury shares) to do so in accordance with the Companies Act and regulations made thereunder. The PLC Directors must

call a general meeting with 21 days of receiving a valid request from TBC PLC Shareholders and provide for the general meeting to be held on a date not more than 28 days after the date of the notice of meeting. Where TBC PLC Shareholders request for a general meeting identified a resolution intended to be moved at the meeting, the notice of meeting must include notice of this resolution.

An annual general meeting shall be called by not less than 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice.

The PLC Directors may determine that persons entitled to receive notices of meeting are those persons entered on the register at the close of business on a day determined by the PLC Directors, provided that, if TBC PLC is a participating issuer, the day determined by the PLC Directors may not be more than 21 days before the day that the relevant notice of meeting is being given. The notice of meeting must also specify a time (which shall not be more than 48 hours before the time for the holding of the meeting) by which a person must be entered on the register in order to have the right to attend or vote at the meeting. No business may be transacted at a general meeting unless a quorum is present. The quorum for a general meeting is two TBC PLC Shareholders present in person or by proxy and entitled to vote.

Appointment of Directors

The number of PLC Directors must not be less than two and must not be more than fifteen unless otherwise decided by TBC PLC by ordinary resolution.

The PLC Directors may appoint a person who is willing to act as a director, either to fill a vacancy or as an addition to the existing number of PLC Directors. TBC PLC may by ordinary resolution appoint any person to office as a PLC Director.

Subject to the provisions of the Companies Act and regulations made thereunder, the PLC Directors may appoint one or more of their body to hold an executive office with TBC PLC for such term and on such other terms and conditions as the PLC Directors think fit. The PLC Directors may revoke or terminate an appointment at any time, without prejudice to a claim for damages for breach of the contract of service between the PLC Director and TBC PLC or otherwise.

No person other than a PLC Director retiring (by rotation or otherwise) may be appointed or reappointed as a PLC Director at a general meeting unless:

- he or she is recommended by the PLC Directors; or
- not less than seven nor more than 42 days before the date fixed for the meeting, notice has been given to TBC PLC by a TBC PLC Shareholder (other than the person to be proposed) qualified to vote at the meeting of the intention to propose that person for appointment or reappointment.

Election, Re-election, Removal and Retirement of Directors

A PLC Director is not required to hold any TBC PLC Shares in the capital of TBC PLC.

TBC PLC may, by ordinary resolution of which special notice is given in accordance with the Companies Act and regulations made thereunder, remove any PLC Director before the expiration of his or her period of office in accordance with the Companies Act, and elect another person in place of a PLC Director so removed from office. Such removal may take place notwithstanding any provision of the Articles or of any agreement between TBC PLC and such Director, but is without prejudice to any claim the PLC Director may have for damages for breach of any such agreement.

Subject to the Articles, at each annual general meeting not less than one-third of the PLC Directors who are subject to retirement by rotation shall retire from office provided that if there are fewer than three directors who are subject to retirement by rotation, at least one shall retire from office.

If any one or more Directors were last appointed or reappointed three years or more prior to the meeting, were last appointed or reappointed at the third immediately preceding annual general meeting, or at the time of the meeting will have served more than eight years as a non-executive director of TBC PLC (excluding as the chairman of the PLC Directors), he or she or they shall retire from office and shall be counted in obtaining the number required to retire at the meeting, provided that the number of directors required to retire shall be increased to the extent necessary to comply with the Articles.

Subject to the provisions of the Articles, the PLC Directors to retire by rotation at an annual general meeting include, so far as necessary to obtain the number required, first, a PLC Director who wishes to retire and not offer himself or herself for reappointment, and, second, those Directors who have been longest in office since their last appointment or reappointment.

A PLC Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be reappointed. If he or she is not reappointed or deemed reappointed, he or she may retain office until the meeting appoints someone in his or her place or, if it does not do so, until the end of the meeting.

Powers of the TBC PLC Board

Subject to the Articles and to directions given by special resolution of TBC PLC, the business and affairs of TBC PLC shall be managed by the PLC Directors who may exercise all the powers of TBC PLC whether relating to the management of the business or not. No alteration of the Articles and no direction given by TBC PLC shall invalidate a prior act of the PLC Directors which would have been valid if the alteration had not been made or the direction had not been given. The provisions of the Articles giving specific powers to the PLC Directors do not limit the general powers given to the PLC Directors.

The TBC PLC Board may delegate to one of the PLC Directors holding executive office any of their powers, authorities and discretions for such time and on such terms and conditions as they think fit. In particular, without limitation, the TBC PLC Board may grant the power to sub-delegate, and may retain or exclude the right of the TBC PLC Board to exercise the delegated powers, authorities or discretions collaterally with the PLC Director. The TBC PLC Board may at any time revoke the delegation or alter such terms and conditions. The TBC PLC Board may delegate any of their powers, authorities and discretions, for such time and on such terms and conditions as they think fit, to a committee, the majority of which consists of PLC Directors.

The TBC PLC Board may establish any local or divisional boards or agencies for managing any of the affairs of TBC PLC in any specified locality, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local or divisional board, or any managers or agents, and may fix their remuneration. The TBC PLC Board may delegate to any local or divisional board, manager or agent so appointed any of their powers, authorities and discretions (with power to sub-delegate) and may authorise any persons to be members for the time being of any such local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies; and any such appointment or delegation may be made for such time, on such terms and subject to such conditions as the TBC PLC Board may think fit.

The TBC PLC Board may by power of attorney or otherwise appoint a person to be the agent of TBC PLC and may delegate to that person any of its powers, authorities and discretions for such purposes, for such time and on such terms and conditions as they think fit.

Proceedings of Directors

Subject to the Articles, the TBC PLC Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as they think fit. The quorum necessary for the transaction of business may be decided by the TBC PLC Board and until otherwise decided is two Directors present in person or by alternate director.

The TBC PLC Board may appoint one of their body as chairman to preside at every board meeting at which he or she is present and one or more deputy chairman or chairmen and decide the period for which he or she is or they are to hold office (and may at any time remove him or her or them from office). If no chairman or deputy chairman or chairmen is elected, or if at a meeting neither the chairman nor a deputy chairman or chairmen is present within five minutes of the time fixed for the start of the meeting, the PLC Directors and alternate PLC Directors present shall choose one of their number to be chairman. In case of an equality of votes at a meeting the chairman has a second or casting vote.

Directors' Remuneration

The PLC Directors' fees are determined by the PLC Directors from time to time except that they may not exceed £1,000,000 per annum in aggregate or such higher amounts as may from time to time

be determined by ordinary resolution of TBC PLC. The TBC PLC Board may arrange for part of such fee payable to a PLC Director to be provided in the form of fully-paid TBC PLC Shares.

The salary or other remuneration of a PLC Director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the PLC Directors, and may be in addition to or instead of a fee payable to him or her for his or her services as Director pursuant to the Articles.

Directors' Indemnification

Subject to the provisions of the Companies Act and provisions made thereunder, TBC PLC may:

(a) indemnify to any extent any person who is or was a director, or a director of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him or her) against any loss or liability, whether in connection with any negligence, default, breach of duty or breach of trust by him or her or otherwise, in relation to TBC PLC or any associated company;

(b) indemnify to any extent any person who is or was a director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any liability incurred by him or her in connection with the company's activities as trustee of an occupational pension scheme.

Where a person is indemnified against any liability in accordance with the Articles, such indemnity may extend to all costs, charges, losses, expenses and liabilities incurred by him or her in relation thereto.

Directors' Interests

A PLC Director may be or become a director or other officer of or otherwise interested in any company promoted by TBC PLC or in which TBC PLC may be interested as a holder of such company shares or otherwise and no such Director shall be accountable to TBC PLC for any remuneration or other benefits received by him or her as a director or officer of or from his or her interests in such other company unless TBC PLC otherwise directs.

A PLC Director who has directly or indirectly an interest in a transaction entered into or proposed to be entered into by TBC PLC or by a subsidiary of TBC PLC which conflicts with the interests of TBC PLC and of which he or she has actual knowledge shall disclose to TBC PLC (by notice to the PLC Directors) the nature and extent of his or her interest. Subject thereto and the provisions of the Companies Act and regulations made thereunder, any such Director shall not be liable to account to TBC PLC for any profit or gain realised by him or her on such transactions.

A notice in writing given to TBC PLC by a PLC Director that he or she is to be regarded as interested in a transaction with a specified person is sufficient disclosure of his or her interest in any such transaction entered into after the notice is given. Subject to the Articles, a PLC Director may not vote in respect of certain transactions and if he or she does so vote his or her vote shall not be counted and he or she shall not be capable of being counted towards the quorum at any meeting of the PLC Directors at which any such transaction shall come before the PLC Directors for consideration.

Subject to the provisions of the Companies Act and regulations made thereunder, a PLC Director may act by himself or herself or his or her firm in a professional capacity for TBC PLC and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a PLC Director.

Restrictions on Voting

Except as provided below, a PLC Director may not vote in respect of any contract, arrangement or any other proposal in which he or she, or a person connected to him or her, is interested. Any vote of a PLC Director in respect of a matter where he or she is not entitled to vote shall be disregarded.

A PLC Director is entitled to vote and be counted in the quorum in respect of any resolution concerning, *inter alia*, any contract, transaction or arrangement, or any other proposal:

- in which he or she has an interest, of which he or she is not aware, or which cannot be reasonably be regarded as likely to give rise to a conflict of interest;
- in which he or she has an interest only by virtue of interests in shares, debentures or other securities or otherwise in or through TBC PLC;
- which involves the giving of a guarantee, security or indemnity in respect of a debt or obligation of TBC PLC or any of its subsidiary undertakings for which he himself or she herself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- concerning an offer of securities by TBC PLC or any of its subsidiary undertakings in which he or she is or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter;
- concerning any other body corporate in which he or she is interested, provided that he or she and any connected persons do not own or have a beneficial interest in 1%, or more of any class of the equity share capital or the voting rights of such body corporate;
- relating to an arrangement for the benefit of employees of TBC PLC or any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- concerning the purchase or maintenance of insurance policy for the benefit of PLC Directors;
- concerning the giving of indemnities in favour of the PLC Directors;
- concerning the funding of expenditure by any PLC Director or Directors (i) on defending criminal, civil or regulatory proceedings or actions against him, her or them, (ii) in connection with an application to the court for relief, (iii) on defending him, her or them in any regulator investigations, or (iv) incurred doing anything to enable him, her or them to avoid incurring such expenditure; or
- in respect of which his or her interest, or the interest of PLC Directors generally, has been authorised by ordinary resolution at a general meeting of TBC PLC Shareholders.

Borrowing Powers

The TBC PLC Board may exercise all the powers of TBC PLC to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of TBC PLC or of any third party.

Service of Notices, Documents and Information on TBC PLC Shareholders

Any notice, document or information may be given, sent or supplied by TBC PLC to any TBC PLC Shareholder: (i) personally; (ii) by sending it by post in a pre-paid envelope addressed to the TBC PLC Shareholder at his registered address or to the UK address that the TBC PLC Shareholder has provided to TBC PLC; (iii) by sending it in electronic form to the electronic address specified for the purpose by the TBC PLC Shareholder (generally or specifically), provided that the TBC PLC Shareholder has agreed (generally or specifically) that the notice, document or information may be sent or supplied in that form (and has not revoked that agreement); or (iv) subject to the provisions of the Companies Act, by making it available on a website and notifying the TBC PLC Shareholder that the notice, document or information is available on that website, provided that certain conditions have been satisfied, including that the TBC PLC Shareholder has been asked by TBC PLC to agree to TBC PLC sending notices, documents and information by making them available on a website and has either agreed (generally or specifically) or has not responded to TBC PLC's request.

Winding Up

On a voluntary winding up of TBC PLC the liquidator may, on obtaining any sanction required by law, divide among TBC PLC Shareholders (excluding any TBC PLC Shareholder holding shares as treasury shares) in kind the whole or any part of the assets of TBC PLC, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of TBC PLC Shareholders as he or she, with the like sanction, shall determine. For this purpose the liquidator may set the value he or she deems fair on a

class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of TBC PLC Shareholders how the division is to be carried out between TBC PLC Shareholders or classes of TBC PLC Shareholders. The liquidator may not, however, distribute to a TBC PLC Shareholder without his or her consent an asset to which there is attached a liability or potential liability for the owner.

PART XIX

COMPARISON OF SHAREHOLDER RIGHTS IN THE BANK AND SHAREHOLDER RIGHTS IN TBC PLC

TBC PLC is incorporated in the United Kingdom, and the Bank is incorporated in Georgia. Consequently, corporate governance rules and practices applicable to, and the rights of a holder of PLC Offer Shares will differ from corporate governance rules and practices applicable to, and the rights of a holder of Bank Shares due to the differences between the respective laws and regulations of England and Wales and Georgia and the Articles of TBC PLC and the Charter of the Bank.

The following is a summary of certain provisions of the Georgia Companies Law and the Charter of the Bank that differ from the Companies Act and regulations made thereunder, the Articles of TBC PLC and other relevant laws and regulations. GDR Holders currently enjoy indirect shareholder rights in the Bank via the Bank Shares held by the Depository in accordance with the Deposit Agreement and the terms and conditions of the GDRs. The summary below is therefore relevant for GDR Holders and, where applicable, a comparison has been made between the provisions that apply to GDR Holders and those that will apply to holders of PLC Offer Shares. The summary does not purport to be a complete statement of the respective rights of TBC PLC Shareholders or GDR Holders and Bank Shareholders.

Provisions Applicable to Existing Holders	Provisions Applicable to holders of PLC Offer Shares
Authorised and Issued Share Capital	
As at the date of this Prospectus the Bank's issued share capital consists of 50,054,919 ordinary registered shares with a nominal value of GEL 0.4. The Bank's authorised share capital consists of 56,206,527 shares with a nominal value of GEL 0.4. The Bank may increase the issued share capital and the authorised but unissued share capital by resolution of the GMS. Under Georgian law, the GMS may authorise the Bank Supervisory Board or the Bank Management Board to issue new shares out of the authorised share capital. Such resolution of the GMS must specify the number and class of shares that may be issued, the minimum subscription price, the period during which the authorisation will remain valid and/or other terms.	Upon Admission, TBC PLC's issued share capital is expected to be 49,362,729 PLC Offer Shares and the Redeemable Shares (assuming full acceptance of the Offer other than with respect to the Non-tendered LTIP Bank Shares). The concept of authorised share capital no longer exists in relation to any company incorporated in England and Wales, including TBC PLC. The PLC Directors cannot issue new TBC PLC Shares unless they are authorised to do so at a general meeting approved by a simple majority vote (i.e. more than 50% of the total votes cast at the meeting) or by the Articles.
Reduction in Share Capital	
Subject to Georgian law, pursuant to the Charter, the GMS is authorised to adopt a decision on reduction of share capital. The Bank may not reduce its share capital through a redemption of Bank Shares without (i) the prior written consent of the NBG and (ii) making amendments to the Charter to the extent required.	Reductions of share capital of TBC PLC can take place in any way but must be approved by a special resolution (i.e. at least 75% of the votes cast at the meeting) of TBC PLC Shareholders at a general meeting. The reduction must also be confirmed by the English Court, which will consider the interests of creditors. The reduction must be advertised in a national newspaper seven clear days before the final hearing date where the court confirms the reduction. The reduction of capital takes effect on the registration of the court order obtained with the UK registrar of companies.

Provisions Applicable to Existing Holders	Provisions Applicable to holders of PLC Offer Shares
Share Buy-Back	
The Bank may purchase and subsequently on-sell its issued shares (treasury shares), the number of which at any given moment shall not exceed 25% of all issued shares. A Bank Shareholder may demand that the Bank purchases its shares if at the GMS the Bank Shareholder voted against a resolution for reorganisation (i.e. merger, division, transformation) of the Bank or the resolution ''materially infringing'' its rights. GDRs: A buy back of GDRs would involve a consideration of certain notification and similar issues under the UK market conduct rules. These rules would be equally applicable to buy backs of shares in TBC PLC.	A share buy-back by TBC PLC can be made out of distributable profits or the proceeds of an issue of TBC PLC Shares made for such purpose. The buy-back must be approved by TBC PLC Shareholders, either by simple majority (i.e. more than 50% of the total votes cast at the meeting) for a market purchase or a majority of 75% of the total votes cast at the meeting for an off-market purchase. The UK Listing Rules and the UK Disclosure and Transparency Rules impose additional requirements on share buy-backs by listed companies. In particular, the UK Listing Rules set out limitations on price and provisions relating to the method of purchase. Further, TBC PLC will need to send a circular to TBC PLC Shareholders with the notice of meeting to propose a resolution to authorise a purchase of TBC PLC Shares.
Amending the Articles of Association	
Amendments to the Charter require the affirmative votes of more than 50% of those present or represented at the GMS.	Amendments to articles of association require a special resolution of holders of TBC PLC Shareholders at a general meeting. Under the UK Listing Rules, TBC PLC must send to TBC PLC Shareholders a circular including (i) an explanation of the effect of the proposed amendments to the articles of association; and (ii) either the full terms of the proposed amendments, or a statement that the full terms will be available for inspection prior to and during the meeting.
Pre-emptive Rights	
Bank Shareholders have pre-emption rights to subscribe for Bank Shares upon the issue of new Bank Shares in proportion to the aggregate amount of Bank Shares they hold. Under the Charter, pre-emption rights may be restricted or excluded by resolution of the GMS approved by more than 50% of those present (in person or proxy) and voting at the GMS. The Bank Shareholders are entitled to exercise their pre-emption rights in relation to newly issued shares, for which the pre-emption rights have not been excluded at the GMS. Those Bank Shareholders willing to exercise such rights, shall acquire the shares within one month from the date of the relevant notification by the Bank.	English law and the UK Listing Rules will govern pre-emption rights in relation to TBC PLC. Broadly, TBC PLC may not, without the approval of TBC PLC Shareholders, allot ''equity securities'' for cash unless it also makes an offer to all the then TBC PLC Shareholders on the same or more favourable terms as those offered to the public. Breach of this provision renders TBC PLC, and every officer who knowingly authorised or permitted the breach, jointly and severally liable to compensate any person to whom the offer should have been made for losses suffered as a result of the breach. TBC PLC may disapply such statutory pre-emption by a special resolution of TBC PLC Shareholders at general meeting. Such disapplication must be subject to a time limit on the PLC Directors' general authority to allot TBC PLC Shares (for cash or otherwise). The UK listing rules impose similar pre-emption requirements.

Provisions Applicable to Existing Holders	Provisions Applicable to holders of PLC Offer Shares
Dividends	
The distribution of profits and payment of a dividend by the Bank are subject to compliance with the law and the Charter. Dividends may in principle only be paid out of profits and retained earnings of the Bank. The Bank Management Board prepares a proposal on the distribution of dividends which must be approved by the Bank Supervisory Board. If the Bank Supervisory Board and the Bank Management Board do not agree on the proposed dividend, the proposal of both boards shall be submitted to the GMS for approval. Under Georgian law, the dividends must be paid out within nine months from adopting a resolution on distribution of dividends. GDRs: Any dividends payable to GDR holders are payable in U.S. Dollars by the Depositary, less applicable fees, taxes and expenses under the Deposit Agreement.	Under English law, TBC PLC may by ordinary resolution declare a dividend to be paid to TBC PLC Shareholders according to their respective rights and interests, but no dividend may exceed the amount recommended by the PLC Directors. The PLC Directors may declare and pay interim dividends (including, without limitation, a dividend payable at a fixed rate) as appear to it to be justified by the profits of TBC PLC available for distribution. No interim dividend shall be declared or paid on TBC PLC Shares which do not confer preferred rights with regard to dividend if, at the time of declaration, any dividend on TBC PLC Shares which do confer a right to a preferred dividend is in arrears. Except as otherwise provided by the rights attached to TBC PLC Shares, dividends may be declared or paid in any currency.
Notice of General Meetings	
The time, place and the agenda of the GMS is published in media at least 20 days prior to the date of such GMS. Holders of Bank Shares holding at least 1% of the Bank Shares should also be notified about the GMS via registered mail.	English law requires that TBC PLC gives TBC PLC Shareholders at least 21 clear days' notice of an annual general meeting and at least 14 clear days' notice of other general meetings, provided that it has been authorised by TBC PLC Shareholders to do so and certain other requirements are satisfied. However, the Corporate Governance Code recommends that the notice and related papers be sent to TBC PLC Shareholders at least 20 working days before the meeting. General meetings (other than annual general meetings) can be held on short notice with the consent of TBC PLC Shareholders holding not less that 95% of the total voting rights of TBC PLC Shareholders who have that right. Annual general meetings can only be held on short notice with the consent of all TBC PLC Shareholders.
Convening of General Meetings	
Annual GMSs are called by the Bank Supervisory Board each year within three months from the day of preparation of the annual balance sheet. An extraordinary GMS (an "**EGM**") may be called by the Bank Supervisory Board, the Bank Management Board or by written request of the Bank Shareholder(s) holding at least 5% of Bank Shares. The Bank Shareholder(s) may request convening of a GMS only if at least one month has elapsed since the date of the prior GMS. If the Bank Shareholder(s) holding at least 5% of Bank Shares request that an EGM is convened and the only item on the agenda is the dismissal of the	The PLC Directors may, whenever they think fit, call a general meeting. The PLC Directors are also required to call a general meeting once TBC PLC has received requests from TBC PLC Shareholders representing at least 5% of TBC PLC Shares (disregarding any paid-up capital held as treasury shares) to do so in accordance with the Companies Act.

Provisions Applicable to Existing Holders	Provisions Applicable to holders of PLC Offer Shares
Bank Management Board member(s), the Bank Supervisory Board must call the meeting within 20 days, otherwise the holders of Bank Shares themselves may convene the meeting.	
It is not necessary to convene a GMS if a holder of more than 75% of the Bank Shares makes a decision regarding the issue on the agenda. Such decision is equivalent to the minutes or resolutions of a GMS. In such circumstances, the other holders of Bank Shares would simply be notified about such decision.	
Voting Rights	
Bank Shareholders have the right to attend and vote at GMSs. Each Bank Shareholders has one vote for each Bank Share it holds.	TBC PLC Shareholders have the right to attend and vote at general meetings of TBC PLC. At a general meeting every TBC PLC Shareholder who is present has one vote on a show of hands; on a vote on a poll TBC PLC, every TBC PLC Shareholder has one vote for each share it holds.
Bank Shareholders have the right to appoint a proxy by a notarised power of attorney to attend and vote at GMS on the Bank Shareholder's behalf.	The Articles provide that no holder of TBC PLC Shares is entitled to vote at a general meeting if any calls or other sums are payable by it to TBC PLC.
Resolutions are voted by poll.	Holders of TBC PLC Shares have the right to appoint a proxy, and corporations have the right to appoint a corporate representative to attend and vote at general meetings on the member's behalf.
GDRs: GDR Holders have the right to instruct the Depositary to exercise voting rights with respect to the Bank Shares underlying the GDRs in accordance with the Deposit Agreement and the terms and conditions of the GDRs. Acting on such instructions, the Depositary causes the Bank Shares to be voted in accordance with the voting rights attached to the Bank Shares described above.	Resolutions are voted on a show of hands unless a poll is demanded by (i) the chairman of the meeting, (ii) not less than five TBC PLC Shareholders entitled to vote on the resolution or (iii) TBC PLC Shareholders holding at least one-tenth of the voting rights of all the TBC PLC Shares being entitled to vote on the resolution. In addition a poll can be demanded by a TBC PLC Shareholders holding TBC PLC Shares on which they are entitled to vote on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all TBC PLC Shares being entitled to vote on the resolution.
Meetings of Shareholders	
The GMS is presided over by the chairman of the Bank Supervisory Board or, in his or her absence, by the deputy chairman. In case of an absence of the deputy chairman – the meeting is presided by one of the Directors.	The chairman (if any) of the PLC Directors presides as chairman of general meetings, failing which the PLC Directors present at the meeting may elect one of their number to be the chairman of the general meeting.
	If no Directors are present or if no Director is willing to act as chairman, the TBC PLC Shareholders present at the meeting may elect one of their number to be chairman of the meeting.

Provisions Applicable to Existing Holders	Provisions Applicable to holders of PLC Offer Shares
The GMS is quorate if it is attended by the holders more than 50% of all Voting Shares (or their representatives). If there is no quorum, the Bank Supervisory Board shall convene a new GMS with the same agenda in accordance with the procedures set by the law and the Charter. The new GMS quorum is satisfied if holders of more than 25% of the Voting Shares are present or represented. If there is no quorum at this new GMS a further new GMS shall be convened and such further GMS will be quorate irrespective of the number of attending and voting holders of Bank Shares or their representatives. The quorum for general meetings is two persons entitled to vote on the business to be transacted, each being a TBC PLC Shareholder, proxy for a TBC PLC Shareholders or corporate representative of a TBC PLC Shareholder.	If a quorum is not present within fifteen minutes (or such longer time not exceeding 45 minutes as the chairman decides to wait) after the time fixed for the start of the meeting or if there is no longer a quorum present at any time during the meeting, the meeting, if convened by or on the requisition of TBC PLC Shareholders, is dissolved. In any other case the meeting stands adjourned to such other day (being not less than ten days later) and at such other time and/or place as the chairman (or, in default, the TBC PLC Board) decides. If at the adjourned meeting a quorum is not present within fifteen minutes after the time fixed for the start of the meeting, the meeting is dissolved.
Resolutions of General Meetings Most of the resolutions at GMS are adopted by a simple majority of the votes cast, however, certain issues such as merger, division, other types of reorganization and liquidation of the Bank require a majority of more than 75% of votes present or represented at the GMS.	Under English law, there is a distinction between ordinary resolutions (which require a simple majority, being more than 50% of the total votes cast at meeting) and special resolutions (which relate to certain issues, including, among others, amendments to the articles of association, change of name, disapplication of pre-emption rights, purchase of own shares, reduction of share capital and opting-in and opting-out of takeovers) which require a majority of 75% of the total votes cast at the meeting).
Directors' Appointment and Removal The Bank Supervisory Board members are elected and dismissed by a simple majority of the votes cast at the GMS. The Bank Supervisory Board appoints the members of the Bank Management Board.	Under English law, the appointment and removal of PLC Directors is determined by the Articles, subject to certain statutory requirements and regulatory recommendations. In line with the Companies Act and regulations made thereunder, the Articles provide for the removal of any PLC Director by an ordinary resolution of which a special notice had been given.
Significant Transactions/Related Party Transactions Certain banking regulations regulate interested/ related party transactions of commercial banks. According to NBG Order No. 26/04, dated 10 March 2015 ("**Order 26**"), the Bank Supervisory Board must monitor and in certain cases approve operations with its administrators, affiliated companies and related persons (as such terms are defined in Order 26). The definition of "administrator" includes members of the Bank Supervisory Board, the Bank Management Board, as well as any person who independently or with any other person(s) is authorised to incur obligations on the Bank's behalf. No	

administrator or person related to the Bank or to the administrator is permitted to participate in any discussion concerning operations with related parties if he or she anticipates any direct or indirect gain from such transaction.

The Banking Law and Order 26 contain various limitations related to provision of loans/services to certain persons, including administrators, controlling persons and affiliated companies (as such terms are defined in Order 26). Related party transactions must be approved by the Bank Supervisory Board, which may delegate such authority (subject to certain limits defined by Order 26 and the Charter) to the Bank Management Board.

Under the Charter and applicable law certain major transactions require the approval of the GMS or Bank Supervisory Board.

Among transactions to be approved by the GMS are:

- the merger, division or transformation of the Bank into another legal entity;
- the merger of the subsidiary, in which the Bank owns more than 50% of the voting rights, with the Bank; and
- any increase in share capital of the Bank or issuance of shares or securities convertible into, exchangeable for or otherwise granting the right to acquire share capital of the Bank (including options, warrants and other rights).

Certain transactions may be carried out only with the approval of the Bank Supervisory Board, including, without limitation:

- the purchase, alienation, and disposal of property, value of which exceeds 3% of the Bank's equity determined in accordance with the IFRS and based on the last audited year-end results of the Bank;
- the sale, lease, exchange, transfer, pledge, mortgage, contribution or other disposition of the assets of the Bank or its Key Subsidiary (any subsidiary where the assets of such subsidiary account for more than 10% of the total consolidated assets of the Bank or such subsidiary has earnings before interest, tax, depreciation and amortization representing more than 10% of the Bank's total consolidated earnings before interest, tax, depreciation and amortization) exceeding 5% or more of the Bank's equity; and

Provisions Applicable to Existing Holders	Provisions Applicable to holders of PLC Offer Shares
• borrowing funds in excess of 20% of the Bank's equity.	
Shareholders' Rights of Inspection and Receipt of Information	
The annual financial statements and audit results of the Bank are published in the press. Each Bank Shareholder may request explanations from the Bank Supervisory Board and the Bank Management Board with respect to the items on the GMS agenda. The holders of 5% or more of Bank Shares may demand to review the copies of the existing and proposed agreements of the Bank, and to demand the special inspection of the financial statements and transactions of the Bank if they believe that there are certain violations.	The accounting records shall be kept at the office or, subject to the provisions of the Companies Act and regulations made thereunder, at another place decided by the TBC PLC Board and shall be available at all times for the inspection of the PLC Directors and other officers. No TBC PLC Shareholder (other than a PLC Director or other officer) has the right to inspect an accounting record or other document except if that right is conferred by the Companies Act or he or she is authorised by the PLC Directors or by an ordinary resolution of TBC PLC.
Liquidation Rights	
If the Bank is liquidated, the Bank Shareholders will receive their *pro rata* share of the assets remaining after the payment of the claims of the creditors.	On a voluntary winding up of TBC PLC the liquidator may, on obtaining any sanction required by law, divide among TBC PLC Shareholders (excluding any holder of TBC PLC Shares holding shares as treasury shares) in kind the whole or any part of the assets of TBC PLC, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of TBC PLC Shareholders as the liquidator, with the like sanction, shall determine. For this purpose the liquidator may set the value he or she deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of TBC PLC Shareholders how the division is to be carried out between TBC PLC Shareholders or classes of TBC PLC Shareholders. The liquidator may not, however, distribute to TBC PLC Shareholders without his or her consent an asset to which there is attached a liability or potential liability for the owner.
Disclosure of Information	
Under Georgian law, the Bank is required to submit annual external audit reports to the NBG and to publish annual financial statements and audit results in the press. The Bank must also submit to the NBG and to the GSE the annual, semi-annual and current reports. GDRs: The Bank currently has obligations relating to disclosure of information under the UK Listing Rules and the UK Disclosure and Transparency Rules by virtue of the listing of its GDRs on the London Stock Exchange.	TBC PLC will have obligations relating to disclosure of information which are governed by the UK Listing Rules and the UK Disclosure and Transparency Rules. Under the UK Disclosure and Transparency Rules, subject to certain exceptions, TBC PLC is obliged to notify the market as soon as possible of any inside information which directly concerns it.

Provisions Applicable to Existing Holders	Provisions Applicable to holders of PLC Offer Shares
Insider Dealing and Market Abuse Regimes	
GDRs: The rules on insider dealing set out in the UK Criminal Justice Act 1993 and the rules on market abuse set out in FSMA currently apply to the Bank by virtue of the listing of its GDRs on the London Stock Exchange.	The rules on insider dealing set out in the UK Criminal Justice Act 1993 and the rules on market abuse set out in FSMA will apply to TBC PLC.
Notification of Shareholders' Voting Rights	
If a person intends to acquire Bank Shares and/or GDRs and as a result of such acquisition, the shareholding of this person or its beneficial owner will exceed 10%, 25% or 50% of the share capital of the Bank, such person must submit a declaration to and obtain a prior approval from the NBG. In addition, any person that, directly or indirectly, beneficially owns more than 10% of the Bank Shares must submit a declaration to the NBG in April of each calendar year based on the amount of its shareholdings as of 31 December of the preceding calendar year. GDRs: Despite the listing on the London Stock Exchange, the rules relating to the notification of voting rights to the issuer and to the market under the UK Disclosure and Transparency Rules do not apply to the GDRs, however, the voting restrictions and disclosure obligations described above form terms of the GDRs.	The obligation to notify voting rights in relation to TBC PLC will be governed by the UK Disclosure and Transparency Rules, under which a person who is a shareholder of a UK company with shares admitted to trading on the London Stock Exchange is required to notify that company as soon as his or her voting rights reach, exceed or fall below 3% and each whole percentage change thereafter up to 100%. Voting rights include those held as a shareholder or otherwise through a direct or indirect holding of financial instruments. Financial instruments for these purposes include certain holdings of financial instruments, including transferable securities and options, futures, swaps, forward rate agreements and any other derivative contracts that give the holder the right to acquire shares with voting rights attached. Consequently all disclosable interests must be notified to TBC PLC within two trading days. Any information disclosed to TBC PLC in accordance with the notification of major shareholdings provisions must be disclosed by TBC PLC to a Regulatory Information Service as soon as possible and, in any event, by not later than the end of the trading day following receipt of the information. In addition, pursuant to the Articles, TBC PLC Shareholders are deemed to acknowledge that TBC PLC may from time to time directly or indirectly hold interests in certain regulated entities and the laws and regulations of the jurisdictions of those entities may impose restrictions and requirements on TBC PLC Shareholders. Pursuant to the Articles, no person may directly or indirectly acquire (through a transaction or series of transactions), hold and/or otherwise have the direct or indirect ability to exercise voting rights in respect of, interests in TBC PLC Shares which would result in such person directly or indirectly, alone or together with any of its related person(s), having a direct or indirect interest in shares of or ability to exercise voting rights over at least 10 per cent., 25 per cent. or 50 per cent. (or such other percentages as the relevant regulatory authorities may determine

from time to time) in any group company that is licensed or supervised by certain regulatory authorities without the prior satisfaction of, or timely compliance with, certain applicable regulatory requirements.

If a person acquires or otherwise holds such an interest they shall be required to:

- disclose to TBC PLC the identity of the ultimate beneficial owner(s) of such interests; and
- certify to TBC PLC that such person(s) (or such ultimate beneficial owner(s)) has/ have complied with all regulatory requirements in respect of the acquisition and/or holding (as applicable) of such interests.

If TBC PLC knows or has reasonable cause to believe that a person has failed to comply with the above requirements TBC PLC may take steps requiring such person to make the appropriate disclosures and / or temporarily disenfranchising that persons voting rights in respect of their TBC PLC Shares.

Compulsory Acquisition of Minority Shareholdings

Pursuant to article 53[4] of the Law on Entrepreneurs, a shareholder who holds more than 95% of a company's voting shares has the right to buy out the other shareholders at a "fair price" (the "**Squeeze-out**"). The buyer must apply to the court for the approval of the Squeeze-out, the determination of a fair price and for setting the date of the Squeeze-out.

The court appoints an auditor or brokerage company to determine the fair price of the shares. The auditor or the brokerage company shall compile a Squeeze-out report, which describes the terms of the Squeeze-out, the method used for determining the fair price, and the price determined by using such method.

The court reviews the application regarding Squeeze-out and decides whether to approve the Squeeze-out within one month of admitting the application from the purchaser of the shares. The court decision determines the fair price of the shares and the date for the Squeeze-out. In determining the fair price, the court shall take into consideration: (i) the market price of the relevant shares; (ii) possible future profits of the company; (iii) assets and liabilities of the company.

The compulsory acquisition provisions in the Companies Act and regulations made thereunder allow an offeror to acquire 100% of the share capital of a company in a takeover in certain circumstances.

The Act provides that where a person (the offeror) makes a takeover offer to acquire all of the shares (or all of the shares of any class) in a company (other than any shares already held by the offeror at the date of the offer), if the offeror has by virtue of acceptances of the offer acquired or unconditionally contracted to acquire (i) not less than 90% in value of the shares (or class of shares) to which the offer relates and (ii) if the shares to which the offer relates are voting shares, not less than 90% of the voting rights carried by those shares, the offeror may give notice to the holder of any of the shares (or class of shares) to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire that he or she desires to acquire those shares. The offeror is entitled and bound to acquire the shares to which the notice relates on the terms of the original takeover. A holder of any shares who receives a notice of compulsory acquisition may, within six weeks from the date of the notice, apply to the court for an order that the offeror not be entitled and

bound to acquire the holder's shares or that the offeror purchase the holder's shares on terms different to those of the original takeover offer.

Similarly, where before the end of the period within which the takeover offer can be accepted, the offeror has by virtue of acceptances of the offer acquired or unconditionally contracted to acquire not less than 90% in value of all of the shares (or all of the shares of a particular class) of a company and not less than 90% of the voting rights of a company, the holder of any shares (or class of shares) to which the offer relates who has not accepted the offer may, by written notice to the offeror, require the offeror to acquire the holder's shares. The offeror shall be entitled and bound to acquire the holder's shares on the terms of the original takeover offer or on such other terms as may be agreed. Where a holder gives the offeror a notice of compulsory acquisition, each of the offeror and the holder of the shares is entitled to apply to the court for an order that the terms on which the offeror is entitled and bound to acquire the holder's shares shall be such as the court thinks fit.

Takeover Offers

Georgian law does not regulate takeover offers except for the procedures related to tender offers and the Squeeze-out.

Takeover offers in relation to TBC PLC will be governed by English law, in particular the Companies Act and the Takeover Code. All such takeover offers are regulated by the Panel.

Mandatory Offer

According to article 53^2 of the Law on Entrepreneurs, if a shareholder acquires more than 50% of the voting shares of a company, it must make a tender offer to buy out all the remaining shares at a "fair price" within 45 days from the moment of such acquisition, or bring the number of shares under its control below the 50% threshold by selling a portion of its shares. Under the Law on Entrepreneurs, the "fair price" is determined by an auditor, or a brokerage company and it shall not be less than the highest price paid by the shareholder (making mandatory tender offer) for the company's shares over the last six months. The mandatory tender offer must be in force for at least two months and during that two-month period, the offeror would be prohibited from purchasing the shares of the target company. The mandatory tender offer rules do not apply if a shareholder acquires more than 50% of the voting shares of a company pursuant to a voluntary tender offer carried out in accordance with the Law on Securities Market in which it offered to purchase all of the remaining voting shares of the relevant company.

Under the Takeover Code, if an acquisition of TBC PLC Shares were to increase the aggregate holding of an acquiror (together with its concert parties) of TBC PLC Shares carrying 30% or more of the voting rights in TBC PLC, the acquiror and, depending upon the circumstances, its concert parties, would be required (except with the consent of the Panel) to make an offer for the outstanding TBC PLC Shares. A similar obligation to make such a mandatory offer would also arise on the acquisition of TBC PLC Shares by a person holding (together with its concert parties) TBC PLC Shares carrying between 30% and 50% of the voting rights in TBC PLC if the effect of such acquisition were to increase that person's percentage of the voting rights.

PART XX

ADDITIONAL INFORMATION

1. TBC PLC

TBC PLC was incorporated and registered in England and Wales on 26 February 2016 as a public limited company with the name TBC Bank Group PLC and with the registered number 10029943. TBC PLC's registered office and principal place of business is at 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom, United Kingdom and its telephone number is +44 (0)207 832 8917. The principal laws and legislation under which TBC PLC operates and under which the Subscriber Shares and the Redeemable Shares have been, and which the PLC Offer Shares will be, allotted and issued are the Companies Act and regulations made thereunder. On 29 April 2016, TBC PLC was issued with a trading certificate under section 761 of the Companies Act entitling it to commence business. In the event that the Offer is declared wholly unconditional, TBC PLC will become the new ultimate parent company of the Group. As TBC PLC does not provide any banking services or undertake any other authorised or regulated business in the United Kingdom, TBC PLC will not be supervised or authorised by either the FCA or the Prudential Regulatory Authority.

2. TBC PLC Corporate Resolutions and Share Capital

The share capital history of TBC PLC is set out below.

2.1 On incorporation the share capital of TBC PLC consisted of one Subscriber Share, which was issued unpaid to Abogado Nominees Limited. Following incorporation, one further Subscriber Share was issued for cash to Mamuka Khazaradze. Following that further issuance, one Subscriber Share was transferred by Abogado Nominees Limited to Badri Japaridze fornil consideration by way of a deed. On receipt, Badri Japaridze paid up in full the unpaid Subscriber Share for cash.

2.2 On 29 April 2016, in accordance with a resolution of the PLC Directors passed on the same date, TBC PLC issued 25,000 Redeemable Shares to each of Mamuka Khazaradze and Badri Japaridze paid up in full. The Redeemable Shares will have no voting rights (other than on any resolution to wind-up TBC PLC or to vary, modify, alter or abrogate the rights of the Redeemable Shares). Under the terms of the Redeemable Shares, they may be redeemed at their nominal amount at any time at the election of either TBC PLC or the holders of the Redeemable Shares. On a return of capital on winding-up or otherwise, the assets of TBC PLC available for distribution to shareholders shall be applied first repaying the amount paid up on the Redeemable Shares (that is, in aggregate, a maximum of £50,000). Apart from such return of paid-up capital, the Redeemable Shares have no rights to any assets or profits of TBC PLC and, in particular, no rights to dividends or other distributions.

2.3 On 12 May 2016, in accordance with a resolution of the PLC Directors passed on the same date, 4 PLC Ordinary Shares of £1 each were issued to each of Mamuka Khazaradze and Badri Japaridze.

2.4 Ordinary and special resolutions were passed by the sole member of TBC PLC in a general meeting held on 12 May 2016 to the effect that:

(a) every 5 PLC Ordinary Shares of £1 each were consolidated into one PLC Ordinary Shares of £5 each;

(b) subject to the Offer being declared wholly unconditional the Articles be adopted in substitution for, and to the exclusion of, the existing articles of association of TBC PLC;

(c) subject to the Offer being declared wholly unconditional the capital of TBC PLC be reduced by:

(i) cancelling and extinguishing paid-up share capital by reducing the nominal value to £0.01 of each of the PLC Offer Shares in issue at the Reduction of Capital Record Time; and

(ii) cancelling the amount of the share premium account (if any) in existence at the Reduction of Capital Record Time;

(d) in addition to the authorities contained in Paragraph 2.4(e) below, the PLC Directors be authorised to allot PLC Offer Shares up to a maximum aggregate nominal amount of £281,032,635 in connection with the Offer; provided that such power shall expire at the conclusion of TBC PLC's Annual General Meeting in 2017, save that TBC PLC may before the expiry of this authority make an offer or agreement which would or might require shares to be allotted after such expiry and the PLC Directors may allot shares in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired;

(e) subject to Admission and in addition to the authorities set out in Paragraph 2.4(d) above, the PLC Directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act to exercise all the powers of TBC PLC to allot new shares in TBC PLC or to grant rights to subscribe for or to convert any security into new shares in TBC PLC:

(i) up to a maximum aggregate nominal amount of £93,677,545 (or, if lower, such amount as is equal to one-third of the aggregate nominal value of the PLC Ordinary Shares in issue immediately following Admission) before the Reduction of Capital and £187,355 (or, if lower, such amount as is equal to one-third of the aggregate nominal value of the PLC Ordinary Shares in issue immediately following the Reduction of Capital) thereafter; and

(ii) in addition to the amount referred to in Paragraph (i) above, up to an aggregate nominal amount of £93,677,545 (or, if lower, such amount as is equal to one-third of the aggregate nominal value of the PLC Ordinary Shares in issue immediately following Admission) before the Reduction of Capital and £187,355 (or, if lower, such amount as is equal to one-third of the aggregate nominal value of the PLC Ordinary Shares in issue immediately following the Reduction of Capital) thereafter in relation to an allotment of equity securities (within the meaning of section 560(1) of the Companies Act) in connection with a rights issue,

for a period expiring at the conclusion of TBC PLC's Annual General Meeting in 2017, save that TBC PLC may before the expiry of this authority make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the PLC Directors may allot shares or grant rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

For the purposes of this resolution "rights issue" means an offer to holders of PLC Ordinary Shares made in proportion (as nearly as practicable) to their respective existing holdings of PLC Ordinary Shares and holders of other equity securities of any class if this is required by the rights attaching to those securities or, if the PLC Directors consider it necessary, as permitted by the rights attaching to those securities, to subscribe for further equity securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject to the PLC Directors having a right to make such exclusions or other arrangements as they consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems arising in, or under the laws of, any territory or any other matter;

(f) subject to Admission the PLC Directors be empowered pursuant to sections 570 and 573 of the Companies Act to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash:

(i) pursuant to the authority conferred by Paragraph 2.4(e)(i) above and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act as if section 561 of the Companies Act did not apply to the allotment, provided that the power conferred by this resolution is limited to:

(A) an allotment of equity securities in connection with a pre-emptive offer; or

(B) an allotment of equity securities otherwise than in connection with a pre-emptive offer up to a nominal amount not exceeding in aggregate £14,051,631 (or, if lower, such amount as is equal to five per cent. of the aggregate nominal value of the PLC Ordinary Shares in issue immediately following Admission)

before the Reduction of Capital has become effective and £28,103 (or, if lower, such amount as is equal to five per cent. of the aggregate nominal value of the PLC Ordinary Shares in issue immediately following the Reduction of Capital) thereafter, and

(ii) pursuant to the authority given by the resolution referred to in Paragraph 2.4(e)(ii) above as if section 561 of the Companies Act did not apply to the allotment provided that the power conferred by this resolution is limited to an allotment of equity securities in connection with a rights issue,

such power to expire at the conclusion of TBC PLC's Annual General Meeting in 2017, save that TBC PLC may before the expiry of this authority make an offer or agreement which would or might require shares to be allotted after such expiry and the PLC Directors may allot shares in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

For the purposes of this resolution:

"rights issue" has the same meaning as set out above in Paragraph 2.4(e) above;

"pre-emptive offer" means an offer of securities, open for acceptance for a period fixed by the PLC Directors, to (i) holders of PLC Ordinary Shares made in proportion (as nearly as practicable) to their respective existing holdings of PLC Ordinary Shares and (ii) holders of other equity securities of any class if this is required by the rights attaching to these securities or, if the PLC Directors consider it necessary, as permitted by the rights attaching to those securities, but subject to the PLC Directors having a right to make such exclusions or other arrangements as they consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems arising in, or under the laws of, any territory or any other matter; and

references to the allotment of equity securities shall include a sale of treasury shares;

(g) subject to Admission TBC PLC be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act) of its own shares, subject to the following conditions:

(i) the maximum aggregate number of PLC Ordinary Shares to be purchased may not be more than the number equal to 10% of the nominal amount of the PLC Ordinary Shares in issue immediately following Admission;

(ii) the minimum price (exclusive of expenses payable by TBC PLC in connection with the purchase) which may be paid for a PLC Ordinary Share is an amount equal to its nominal value;

(iii) the maximum price (exclusive of expenses payable by TBC PLC in connection with the purchase) which may be paid for each PLC Ordinary Share purchased under this authority is an amount equal to the higher of:

(A) 105% of the average of the middle market quotations for PLC Ordinary Shares as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and

(B) the higher of the price of the last independent trade of a PLC Ordinary Share and the highest current independent bid for a PLC Ordinary Share as derived from the London Stock Exchange Trading System;

(iv) this authority shall expire at the conclusion of TBC PLC's Annual General Meeting in 2017 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which may be executed wholly or partly after such expiry) unless such authority is renewed prior to such time;

(h) subject to Admission TBC PLC be authorised in accordance with the Articles to call general meetings on 14 clear days' notice;

(i) TBC PLC and all of its subsidiaries are authorised to make political donations in accordance with section 366 of the Companies Act; and

(j) the purchase by TBC PLC of the Bank Shares from the PLC Directors or certain persons connected to PLC Directors pursuant to the Offer in consideration of the issue of the relevant number of PLC Offer Shares be authorised and approved.

2.5 Immediately prior to the publication of this Prospectus, the issued share capital of TBC PLC comprised the Subscriber Shares (which were fully paid) and 50,000 Redeemable Shares (all of which were fully paid).

2.6 In the event that in connection with the Offer the issue of PLC Offer Shares with a nominal value of £5.00 would or may result in the allotment of shares at a discount, the PLC Directors shall decide on such lower nominal as is required to avoid allotting the PLC Offer Shares at a discount.

2.7 None of the Redeemable Shares will be listed or traded on any stock exchange.

2.8 Save as disclosed in this prospectus or pursuant to or in connection with the Offer:

(a) no share or loan capital of TBC PLC has been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash, to any person;

(b) no commissions, discounts, brokerages or other special terms have been granted by TBC PLC in connection with the issue or sale of any of its share or loan capital; and

(c) no share or loan capital of TBC PLC is under option or agreed conditionally or unconditionally to be put under option.

2.9 TBC PLC will be subject to the continuing obligations of the FCA and English company law with regard to the issue of shares for cash. The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) apply to the issue of shares in the capital of TBC PLC except to the extent such provisions have been disapplied in accordance with Paragraph 2.4(f) above.

2.10 It is expected that, following Admission, the Subscriber Shares will be acquired by TBC PLC for nil consideration and cancelled and that the Redeemable Shares will be redeemed. It is anticipated that the redemption of the Redeemable Shares will take place at the election of the Founders, as the holders of those shares, and that no further shareholder approval will need to be sought to do so

3. TBC PLC Articles of Association

The Articles are available for inspection at the address specified below in paragraph 34 "*—Documents Available For Inspection*" of this Part XX. A summary of the Articles is set out in Part XVIII "*Summary of TBC PLC Articles of Association*" and a comparison of the principal differences between the Articles and the Charter and a summary of the significant differences between English and Georgian law are set out in Part XIX "*Comparison of Shareholder Rights in the Bank and Shareholder Rights in TBC PLC*".

4. TBC PLC Major Shareholders

4.1 As of the date of this Prospectus, TBC PLC has no shareholders other than Mamuka Khazaradze and Badri Japaridze (who each hold one Subscriber Share and 25,000 Redeemable Shares).

4.2 In so far as is known to the PLC Directors, the following interests (other than interests held by Directors) represent, directly or indirectly 3% or more of the issued share capital of the Bank. The table also shows the expected interests (other than interests held by Directors) representing, directly or indirectly 3% or more of the issued share capital in TBC PLC on Admission:

Shareholder	Number of Bank Shares held as of the date of this Prospectus[1]	Percentage of Bank Share Capital as of the date of this Prospectus	Percentage of TBC PLC Share Capital on Admission[2]
BNY (Nominees) Limited[3]	35,030,870	70%	71%

Note:
(1) Bank Shares (including Bank Shares held as GDRs).
(2) Assuming full acceptance of the Offer other than with respect to the Non-tendered LTIP Bank Shares (as defined in Paragraph 5.3).
(3) Acting in its capacity as nominee of the Depositary under the GDR programme.

4.3 Following Admission, Mamuka Khazaradze and Badri Japaridze, together with the other members of the Presumed Concert Party Group, will directly or indirectly own 33.49% of the PLC Ordinary Shares (assuming full acceptance of the Offer other than with respect to the Non-tendered LTIP Bank Shares). However, if TBC PLC acquires only 75% of the Bank Shares in the Offer, Mamuka Khazaradze and Badri Japaridze (together with the other members of the Presumed Concert Party Group) will together directly or indirectly own 44.04% of the PLC Ordinary Shares. Under the Listing Rules, Mamuka Khazaradze and Badri Japaridze and the other members of the Presumed Concert Party Group may therefore be controlling shareholders of TBC PLC. TBC PLC has entered into the Relationship Agreement with each of the members of the Presumed Concert Party Group to ensure that the Group can carry on an independent business as its main activity. The Relationship Agreement relates to conduct of members of the Presumed Concert Party when acting in any capacity with any members of the Group.

4.4 Save as disclosed above, in so far as is known to the TBC PLC Board, there is no other person who is or will be immediately following Admission, directly or directly interested in 3% or more of the issued share capital of TBC PLC, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over TBC PLC. The TBC PLC Board has no knowledge of any arrangements, the operation of which may at a subsequent date result in a change of control of TBC PLC. None of TBC PLC's major shareholders have or will have different voting rights attached to the shares they hold in TBC PLC.

4.5 None of the holders of PLC Offer Shares will have voting rights that differ from any other holders of such shares.

5. PLC Directors' and Bank Directors' Shareholdings

5.1 The following table sets out the PLC Directors' and the Bank Director's direct and indirect shareholdings in the Existing Securities as of the date of this Prospectus and their anticipated shareholdings in TBC PLC as of the date of Admission.

	As of the date of this Prospectus	On Admission	
	Number of Existing Securities	Number of PLC Offer Shares[1]	Percentage of TBC PLC Share Capital[1]
PLC Directors:			
Mamuka Khazaradze	7,343,936	7,343,936[2]	14.88%
Badri Japaridze	3,669,878	3,669,878[2]	7.43%
Vakhtang Butskhrikidze	829,058	642,201	1.30%
Giorgi Shagidze	194,181	107,750	0.22%
Nikoloz Enukidze	10,000	10,000	0.02%
Stephan Wilcke	61,075	61,075	0.12%
Bank Directors[3]:			
Paata Gadzadze	428,037	347,299	0.70%
Vano Baliashvili	196,721	127,026	0.26%
George Tkhelidze	68,038	—	—
David Tsiklauri	65,440	—	—
Nino Masurashvili	228,472	149,776	0.30%
Nikoloz Kurdiani	56,295	—	—

Note:

(1) Assuming full acceptance of the Offer other than with respect to Non-tendered LTIP Bank Shares (as described below).

(2) Excludes the Subscriber Shares and the Redeemable Shares.

(3) Bank Directors who are not also Directors.

5.2 Prior to Admission, none of the PLC Directors or Bank Directors (except Mamuka Khazaradze and Badri Japaridze) will have an interest in TBC PLC Shares. Mamuka Khazaradze and Badri Japaridze each have an interest in 25,001 TBC PLC Shares, comprised of one Subscriber Share and 25,000 Redeemable Shares.

5.3 As part of its compensation system, the Bank has awarded bonuses in the form of Bank Shares to members of its senior management, as further described in Paragraphs 11.2 and 11.3 below. Certain of these Bank Shares will not be tendered in the Offer in order to minimise Georgian tax implications otherwise applicable to the exchange of those Bank Shares at the time of the Offer (such Bank Shares, the "**Non-tendered LTIP Bank Shares**"). These Non-tendered LTIP Bank Shares may be exchanged for PLC Ordinary Shares or acquired for cash by TBC PLC at a later date following the expiration of certain holding periods for Georgian tax purposes. Any such exchange or acquisition may be pursuant to individual arrangement or by way of a general offer to Bank Shareholders. All Directors who will hold Non-tendered LTIP Bank Shares have entered into agreements with TBC PLC to accept future offers by TBC PLC, and under which such Directors may require TBC PLC to make such offers, for the Non-tendered LTIP Bank Shares, provided such offers follow the expiration of the relevant holding period and are for a consideration equal to that in the Offer (subject to any changes to reflect subsequent alterations to TBC PLC's share capital) or, if in cash, to reflect market value at the time (and subject to any regulatory requirements or necessary shareholder consents). As at the date of this Prospectus, 692,190 Non-tendered LTIP Bank Shares were held by members of the Bank's Management Board, representing in aggregate approximately 1.38% of the Bank Share Capital.

5.4 None of the PLC Directors or the Bank Directors has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed as at the date of this Prospectus.

5.5 On 14 April 2009, certain IFI Investors entered into a sale proceeds application agreement with Mamuka Khazaradze, Badri Japaridze, Rike B.V. (a company that is majority-owned by Mamuka Khazaradze and whose other shareholders include, amongst others, certain Bank Directors) and certain other individual shareholders of TBC Bank in connection with the sale of a number of Bank Shares by these shareholders to those IFI Investors. In this agreement, as amended in June 2014, those IFI Investors have each agreed that following a sale of all of their respective Bank Shares and the fulfilment of certain conditions, each such exiting IFI Investor will distribute to these shareholders part of the proceeds they receive above a certain threshold. The parties are currently discussing a further amendment to the agreement so that from Admission the provisions would apply following a sale of PLC Ordinary Shares rather than Bank Shares.

6. Irrevocable Undertakings – PLC Directors and Bank Directors

6.1 The Bank and TBC PLC have received Irrevocable Undertakings to accept the Offer from each of the PLC Directors and the Bank Directors in respect of their interests in Existing Securities (including Bank Shares held through GDRs, but excluding Non-tendered LTIP Bank Shares. These Irrevocable Undertakings have been given in respect of, in aggregate, 12,458,941 Existing Securities (including Bank Shares held through GDRs), representing approximately 24.9% of the Bank Share Capital as at the date of this Prospectus.

6.2 The Irrevocable Undertakings will lapse if: the Offer lapses or is withdrawn or the Offer has not been declared unconditional in all respects by the Long Stop Date, without prejudice to any rights or liabilities in respect of breaches of contract committed prior to the lapsing.

7. Letters of Intent – Existing Holders

The Bank and TBC PLC have received Letters of Intent to accept the Offer from certain Existing Holders (including EBRD, FMO and IFC) in respect of, in aggregate, 27,280,798 Existing Securities (including Bank Shares represented by GDRs) representing in aggregate 54.5% of the Bank Share Capital as at the date of this Prospectus. The letters of intent are not binding on the Existing Holders in question and do not restrict the relevant Existing Holders' ability to transfer or otherwise dispose of their Existing Securities, acquire any additional Existing Securities or to vote in favour of or accept any other offer to acquire all of the Bank Shares if one were to be made.

8. PLC Directors' and Bank Directors' Terms of Appointment

8.1 The PLC Directors and Bank Directors and their functions are set out in Part XVI "*Directors and Senior Management*". The terms of their appointment are summarised below.

8.2 The compensation packages for the members of the Bank Supervisory Board and Bank Management Board (including, in respect of the Bank Management Board, the amount of Shares to be granted under the Long Term Incentive Plan) were approved in 2015. Following the incorporation of TBC PLC in February 2016, the TBC PLC Board of Directors resolved to maintain unchanged the levels of total remuneration (net of taxes) for each of the PLC Directors and the Bank Directors (except for Nikoloz Enukidze, whose remuneration increased in connection with his appointment to a senior independent board membership role, and Stephan Wilcke, whose remuneration was determined at the time of his appointment in May 2016). Accordingly, remuneration received by individuals in their roles as Directors will result in a proportionate decrease in the remuneration they receive in their roles as Bank Directors, resulting in the total remuneration received by them for all roles remaining unchanged.

9. TBC PLC Executive Directors

9.1 The following table summarises the service agreement entered into by TBC PLC with the executive directors of TBC PLC:

	Current Position	Date of Appointment of Current Term	Date of Expiration of Current Term	Monthly Base Salary (U.S.$)[1]
Vakhtang Butskhrikidze	Chief Executive Officer	2016	2017	1,509
Giorgi Shagidze.....	Deputy CEO (Chief Financial Officer)	2016	2017	754

Note:

(1) Net of UK income tax and National Insurance contributions. Monthly base salary figures in the table will be effective from September 2016.

9.2 On 12 May 2016, TBC PLC entered into a service agreement with Vakhtang Butskhrikidze. The service agreement provides for Vakhtang Butskhrikidze to act as CEO at a base salary of U.S.$1,509 per month, net of UK income tax and National Insurance contributions. TBC PLC will also reimburse the CEO for all reasonable business expenses properly incurred and paid by him. The service agreement can be terminated by either party giving to the other party not less than seven months' written notice. In addition, TBC PLC may terminate the service agreement without notice or pay in lieu of notice for cause. The service agreement contains non-compete and confidentiality provisions and is governed by English law.

9.3 On 12 May 2016, TBC PLC entered into a service agreement with Giorgi Shagidze. The service agreement provides for Giorgi Shagidze to act as Deputy CEO (CFO) at a base salary of U.S.$754 per month, net of UK income tax and National Insurance contributions. TBC PLC will also reimburse the CFO for all reasonable business expenses properly incurred and paid by him. The service agreement can be terminated by either party giving to the other party not less than seven months' written notice. In addition, TBC PLC may terminate the service agreement without notice or pay in lieu of notice for cause. The service agreement contains non-compete and confidentiality provisions and is governed by English law.

9.4 Vakhtang Butskhrikidze and Giorgi Shagidze also serve as CEO and Deputy CEO (CFO) of the Bank, respectively. The following table summarises their service agreements with the Bank:

	Current Position	Initial Year of Appointment	Date of Appointment of Current Term	Date of Expiration of Current Term	Monthly base salary (U.S.$) [1]	Shares Granted under LTIP in 2016
Vakhtang Butskhrikidze	Chief Executive Officer	1995	2016	2019	26,982	109,309
Giorgi Shagidze	Deputy CEO (Chief Financial Officer)	2010	2015	2019	13,491	54,942

Note:

(1) Net of Georgian taxes. Monthly base salary figures in the table will be effective from September 2016.

9.5 On 25 April 1995, the Bank entered into a service agreement with Vakhtang Butskhrikidze. The current service agreement provides for Vakhtang Butskhrikidze to act as CEO of the Bank at a base salary of U.S.$30,000 per month, net of Georgian taxes (subject to adjustment from September 2016 as described in Paragraph 9.7 below). The Bank will also reimburse its CEO for all reasonable business expenses properly incurred and paid by him. The service agreement contains non-compete and confidentiality provisions and is governed by Georgian law. For a description of termination and compensation provisions, see paragraphs 11.2 through 11.5 below.

9.6 On 18 August 2010, the Bank entered into a service agreement with Giorgi Shagidze. The current service agreement provides for Giorgi Shagidze to act as Deputy CEO (CFO) of the Bank at a base salary of U.S.$15,000 per month, net of Georgian taxes (subject to adjustment from September 2016 as described in Paragraph 9.7 below). The Bank will also reimburse its CFO for all reasonable business expenses properly incurred and paid by him. The service

agreement contains non-compete and confidentiality provisions and is governed by Georgian law. For a description of termination and compensation provisions, see paragraphs 11.2 through 11.5 below.

9.7 In September 2016, Vakhtang Butskhrikidze and Giorgi Shagidze are also expected to be appointed to the Bank Supervisory Board and will receive Bank Supervisory Board membership fees of U.S.$1,509 and U.S.$754 per month respectively, net of Georgian taxes. Starting from that time, Vakhtang Butskhrikidze and Giorgi Shagidze will act as the executive members of the TBC PLC Board with the monthly base salary as described in 9.1 above. At that time, their monthly base salary under their service agreements will be reduced by the amounts so that their net overall compensation as described in 9.5 and 9.6 remains unchanged (see Paragraph 8.2).

10. TBC PLC Non-Executive Directors

10.1 The following table summarises the letters of appointment entered into by TBC PLC with the non-executive directors of TBC PLC:

	Current Position	Date of Appointment of Current Term	Date of Expiration of Current Term	Board Membership Fee (U.S.$)[1]	Committee Membership Fee (U.S.$)[1]	Committee Chairmanship Fee (U.S.$)[1]
Mamuka Khazaradze	Chairman	2016	2017	7,121	—	—
Badri Japaridze	Deputy Chairman	2016	2017	6,893	—	—
Nikoloz Enukidze	Senior Independent Non-executive Director[2]	2016	2017	1,875	750	625
Stefano Marsaglia	Independent Non-executive Director	2016	2017	1,875	250	625
Nicholas Haag	Independent Non-executive Director	2016	2017	1,875	500	625
Eric Rajendra	Independent Non-executive Director	2016	2017	2,500	1,000	833
Stephan Wilcke	Independent Non-executive Director	2016	2017	1,875	750	—

Note:

(1) Monthly fee, net of UK income tax and National Insurance contributions. Fee amounts in the table will be effective from September 2016.

(2) Senior Independent Directorship monthly fee amounts to U.S.$ 313 net of UK income tax and National Insurance contributions.

10.2 The non-executive directors of TBC PLC are also members of the Bank Supervisory Board. The GMS appoints and dismisses the members of the Bank Supervisory Board. The term of each Bank Supervisory Board member is four years. The following table summarises the service agreements of these individuals in their capacity as members of the Bank Supervisory Board:

	Current Position	Initial Year of Appointment	Date of Appointment of Current Term	Date of Expiration of Current Term	Board Membership Fee (U.S.$)[1]	Committee Membership Fee (U.S.$)[1]	Committee Chairmanship Fee (U.S.$)[1]
Mamuka Khazaradze	Chairman of the Bank Supervisory Board	1992	2013	2017	68,539**(2)**	—	—
Badri Japaridze	Vice-Chairman of the Bank Supervisory Board	1992	2013	2017	66,345**(2)**	—	—
Nikoloz Enukidze	Member of the Bank Supervisory Board[3]	2013	2013	2017	1,875	750	625
Stefano Marsaglia	Member of the Bank Supervisory Board	2014	2014	2018	1,875	250	625
Nicholas Haag	Member of the Bank Supervisory Board	2013	2013	2017	1,875	500	625
Eric Rajendra	Member of the Bank Supervisory Board	2014	2014	2018	2,500	1,000	833

Note:

(1) Monthly fee, net of Georgian taxes. Fee amounts in the table will be effective from September 2016.

(2) Includes fees for the Bank Supervisory Board Chairmanship and Vice Chairmanship.

(3) Senior Independent Directorship monthly fee amounts to U.S.$ 313 net of UK income tax and National Insurance contributions.

10.3 Bank Supervisory Board members are eligible for board and committee membership fees. Bank Supervisory Board members do not receive any share-based bonuses.

10.4 The Bank Supervisory Board service agreements all contain confidentiality provisions and are governed by Georgian law. The Bank Supervisory Board service agreements do not provide for benefits upon termination.

10.5 In September 2016, Stephan Wilcke is expected to be appointed to the Bank Supervisory Board and will receive Bank Supervisory Board membership fees of U.S.$1,875 per month, and committee membership fees of U.S.$750 per month, each net of Georgian taxes.

11. Bank Management Board

11.1 The following table summarises the Georgian-law governed service agreements between TBC Bank and the members of the Bank Management Board (other than Vakhtang Butskhrikidze and Giorgi Shagidze, whose service agreements are described in paragraphs 9.1 through 9.7 above):

	Current Position	Initial Year of Appointment	Date of Appointment of Current Term	Date of Expiration of Current Term	Monthly base salary (U.S.$) [1]	Shares Granted under LTIP in 2016 (based on results for 2015)
Paata Gadzadze.....	First Deputy CEO	1995	2015	2019	15,000	56,505
Vano Baliashvili.....	Deputy CEO (Chief Operations Officer)	2002	2015	2019	15,000	48,794
George Tkhelidze.....	Deputy CEO (Chief Risk Officer)	2014	2014	2018	17,300	48,707
David Tsiklauri.....	Deputy CEO (Corporate Banking)	2014	2014	2018	15,000	49,126
Nino Masurashvili....	Deputy CEO (Retail & SME Banking)	2006	2015	2019	15,000	53,733
Nikoloz Kurdiani	Deputy CEO (Micro Banking)	2014	2014	2018	15,000	48,681

Note:
(1) Net of Georgian taxes.

11.2 In addition to the service agreements, the Bank Management Board members are subject to the Bank's senior management compensation system for the years 2015 through 2018 (the Long Term Incentive Plan, or "**LTIP**"). The LTIP defines the rules for awarding compensation, deals with termination of service agreements with the Bank Management Board members, their performance evaluation, etc. as well as share incentives for key members of the middle management. Prior to Admission, awards of share-based bonuses under the LTIP were made in Bank Shares.

11.3 According to the LTIPs and the service agreements, a Bank Management Board member may terminate the service agreement with at least six months' notice (or such shorter period as agreed with the Bank Supervisory Board). TBC Bank may terminate a Bank Management Board member's service agreement with one month's notice if the Bank Management Board member is classified as a "good leaver", or immediately if such member is classified as a "bad leaver" (as such terms are defined below). A "good leaver" means a Bank Management Board member whose contract is terminated (i) by TBC for any reason other than for cause (including termination following a change of control), (ii) by mutual agreement, (iii) as a result of death or disability, (iv) due to retirement at the normal retirement age (or under certain other conditions), (v) if the service agreement expired and a new contract with substantially similar terms is either (i) not offered and the failure to offer a new contract is not due to the member's actions resulting in a material loss to TBC Bank, or (ii) offered but the member refuses to sign the new contract. The Bank Management Board member will be classified as a "bad leaver" if the service agreement is terminated as a result of fraud, wilful misconduct or dishonesty that resulted in a material loss to TBC Bank. In case of termination "Good leavers" are entitled to (i) receive six months' salary as a severance compensation in the event of a dismissal of a Bank Management Board member (whether or not preceded by the expiration of their service

contract), (ii) receive deferred compensation (discussed below) on the same terms as remaining employees of the Bank adjusted as described in the LTIPs, and (iii) retain all other deferred compensation that has already been awarded, with vesting occurring in accordance with the initial plan. ''Bad leavers'' as well as Bank Management Board members leaving the Bank at their sole discretion before expiration of the service agreement must return any deferred compensation for which the condition of continuous employment has not been met (certain exceptions may apply as determined by the Bank Supervisory Board). If a ''good leaver'' is reclassified as a ''bad leaver'' during the three-year period following their dismissal, they may be required to return deferred compensation. TBC Bank may prohibit a member of the Bank Management Board from working directly or indirectly for any other bank operating in Georgia for up to six months following the termination of the service agreement.

11.4 The Bank Management Board members receive compensation in the form of fixed monthly salary and deferred compensation, which consists of (i) deferred share salary component (fixed) and (ii) deferred share bonus component (variable). The fixed portion of the deferred compensation is pre-determined, while the variable component is dependent on the fulfilment of predefined corporate and individual KPIs. The deferred compensation is subject to the condition of continuous employment. Until this condition is met, shares granted in the form of deferred compensation are subject to restrictions on sale and transfer to any party, but they are eligible for dividends. After one year of continuous employment from the date of registration of the shares in the name of the beneficiary, restrictions are removed with respect to 10% of the shares awarded, after two years, the restrictions are removed with respect to another 10% of the shares, and after three years all awarded shares become free from restrictions. The Bank Supervisory Board may decide to reduce proportionally or claw back unvested portions of deferred compensation awards if it determines that the recipient is guilty of certain acts of fraud, misconduct, causing material restatements of TBC's financial statements or if there has been a material downturn in financial performance in the element relating to the award.

11.5 The gross annual basic bonus pool for the Bank Management Board is set at the level of 416,624 shares annually (of which 89,362 are paid under the fixed portion of the share bonus), and is set at 100,000 shares for the members of the middle management in 2015 with a 10% increase in each consecutive year thereafter. The actual bonus pool is an amount between 60% and 144% of the variable part of the basic bonus pool and is determined based on the achievement level of the KPIs.

11.6 Following Admission, TBC PLC intends to maintain the LTIP, amended to enable awards of share-based bonuses to be made with PLC Shares rather than Bank Shares. Accordingly, approximately 2.6 million PLC Shares will be authorised for issuance and the PLC Directors will annually determine the PLC Share awards to be made to LTIP participants through 2018 (the expiration of the current LTIP). TBC PLC will recharge the nominal value of the TBC PLC Shares to TBC Bank.

12. Directors' and Bank Directors' Remuneration and Benefits in 2015

12.1 The aggregate amount of the salaries, share-based compensation and other benefit expenses (including any contingent or deferred compensation) incurred by the Group in respect of services provided by Directors and the Bank Directors to the Group for the year ended 31 December 2015 are set out in the table below.

	For the year ended 31 December 2015
	(audited) (GEL thousands)
Salaries and other benefits	9,939
Share-based payments compensation	11,612
Total	**21,551**

12.2 TBC also pays health insurance premiums for members of the Bank Management Board at a cost for each of approximately GEL 150 per month.

13. Loans to Directors and Bank Directors

13.1 As of 31 March 2016, the Group had outstanding loans and guarantees to Directors and Bank Directors in an amount of GEL 7,940 million.

14. Directors' and Bank Directors' Current and Past Directorships

14.1 Set out below are the directorships (unless otherwise stated) held by the PLC Directors in the five years prior to the date of this Prospectus, excluding their directorships in TBC PLC, the Bank and subsidiaries of the Bank:

	Current directorships[1]	Past directorships[1]
Mamuka Khazaradze ...	N/A	IDS Borjomi Georgia, Borjomi Beverages Co. N.V. Microfinance Bank of Georgia Georgian Reconstruction and Development Company Olympic Committee of Georgia American Academy in Tbilisi Lisi Lake Development Company
Badri Japaridze	American Chamber of Commerce in Georgia Georgian Reconstruction and Development Company EU-Georgia Business Council Geoplant LTD	DS Borjomi Georgia IDS Borjomi Georgia, Borjomi Beverages Co.N.V
Vakhtang Butskhrikidze	Association of Banks of Georgia Georgian Stock Exchange Business Association of Georgia Partnership Fund, Georgia	N/A
Giorgi Shagidze	N/A	N/A
Stefano Marsaglia.....	Corporate and Investment Banking at Mediobanca, London	N/A
Nikoloz Enukidze	TMM Real Estate Development PLC JSC Caucasus Minerals JSC Georgian Stock Exchange	White Stream Limited, UK
Nicholas Haag	Credit Bank of Moscow Nicdom Limited Bayport Management Limited	RBS Hoare Govett
Eric Rajendra.....	N/A	Orient Express Bank LOCKO-Bank
Stephan Wilcke	Milvik N.V. EMF Capital Partners Ltd Parsifal Enterprises Ltd Amigo Holdings Ltd Jersey Financial Services Commission Rozes Invest Ltd Rozes P2P Partners Ltd	NLB d.d. Virtu B.V. Hellenic Financial Stability Fund Asset Protection Agency OneSavings Bank Plc

Note:

(1) Includes membership of the supervisory board of an entity.

14.2 Set out below are the directorships (unless otherwise stated) held by the Bank Directors (save for Mamuka Khazaradze, Badri Japaridze, Vakhtang Butskhrikidze, Stefano Marsaglia, Nikoloz Enukidze, Nicholas Haag, Eric Rajendra and Giorgi Shagidze, for which see Paragraph 14.1, above) in the five years prior to the date of this Prospectus, excluding their directorships in TBC PLC, the Bank and subsidiaries of the Bank:

	Current directorships[1]	Past directorships[1]
Irina Schmidt	Bank Respublika (Azerbaijan)	N/A
Paata Gadzadze	N/A	N/A
Vano Baliashvili.....	N/A	N/A
George Tkhelidze.....	N/A	N/A
David Tsiklauri.....	N/A	N/A
Nino Masurashvili	N/A	N/A
Nikoloz Kurdiani.....	N/A	Kaspi Bank

Note:

(1) Includes membership of the supervisory board of an entity.

14.3 Within the period of five years preceding the date of this Prospectus, none of the PLC Directors or Bank Directors:

(a) has had any convictions in relation to fraudulent offences;

(b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or

(c) has received any official public incrimination and/ or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

14.4 Save for their capacities as persons beneficially interested in Existing Securities, as summarised above, as of the date of this Prospectus no Director, Bank Director or Senior Manager has any potential conflict of interest between his or her duties to TBC PLC and his or her private interest or other duties and there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any person was selected as a member of the administrative, management or supervisory bodies or as a member of senior management. Each PLC Director is permitted by his or her other directorships or employments to act in his or her capacity as a director of TBC PLC. Mamuka Khazaradze, PLC Director and Bank Director, is the brother-in-law of Badri Japaridze, PLC Director and Bank Director. None of the other PLC Directors or Bank Directors are related to one another for the purposes of the Prospectus Rules.

15. Company Secretarial Services

TMF Corporate Administration Services Limited (''**TMF**'') has been appointed to provide company secretary services to TBC PLC. TMF entered into the service agreement to provide company secretarial services on 27 April, 2016. TBC PLC has agreed to pay up to approximately £10,000 per year (excluding VAT and disbursements) for certain ongoing secretarial services. TBC PLC is also able to request additional support for additional cost. The appointment is for an initial term of one year commencing on 30 April, 2016 and renews automatically for additional annual terms unless otherwise terminated. Either party may terminate the agreement on not less than three months' notice. The agreement is governed by English law.

16. Subsidiaries

16.1 Currently, the Bank is the principal holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Bank as of 31 March 2016 were as follows:

	Registered office	Activity	Percentage of capital held	Amount of issued capital (in GEL)
JSC United Financial Corporation	Tbilisi, Georgia	Card Processing	98.67%	3,488,510
TBC Capital LLC	Tbilisi, Georgia	Brokerage	100.00%	1,691,295
JSC TBC Leasing	Tbilisi, Georgia	Leasing	99.57%	2,792,000
TBC Kredit LLC	Baku, Azerbaijan	Non-banking credit institution	75.00%	18,091,872
Banking System Service Company LLC	Tbilisi, Georgia	Information services	100.00%	75,846
TBC Pay LLC	Tbilisi, Georgia	Processing	100.00%	14,170,000
JSC Real Estate Management Fund	Tbilisi, Georgia	Real estate management	100.00%	180
TBC Invest LLC	Ramat Gan, Israel	PR and marketing	100.00%	645,225
LLC Mali XXI	Tbilisi, Georgia	Collateral asset management	100.00%	60,000
TBC Capital B.V.	Amsterdam, Netherlands	Investment vehicle	90.00%	179,202
UFC International Ltd.	British Virgin Islands	Investment vehicle holding minority shares of JSC United Financial Corporation	80.00%	693,016

16.2 Upon the Offer being declared wholly unconditional, TBC PLC will become the new holding company of the Group. TBC PLC's percentage holding in the Bank will depend upon the level of acceptances of the Offer.

16.3 The PLC Directors do not consider any of the Bank's subsidiaries to be material. Prior to the merger of JSC Bank Constanta into the Bank in January 2015, the Bank's management considered Bank Constanta to be a material subsidiary of the Bank.

17. Statutory Auditors

17.1 PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch ("**PricewaterhouseCoopers**") who are registered to carry out audit work by the Audit Committee of the Parliament of Georgia, have audited and rendered an unqualified audit report on the accounts of the Group for the three years ended 31 December 2015, 2014 and 2013 in accordance with international auditing standards. The registered address of #7 Bambis Rigi Street Business Center Mantashevi, II floor. Tbilisi, Georgia, 0105.

18. Dividends and dividend policy

18.1 The following table provides information on the dividend payments made by the Bank on its shares in respect of the years indicated.

	Bank Shares outstanding at the Record Date[(1)]	Aggregate Distributed Dividends	Dividend per Bank Share	Dividend Payment as a % of Consolidated Profit (Loss) for the Period
	(GEL)	*(GEL)*	*(%)*	
31 December 2015	49,529,688	39,128,454	0.79	25%
31 December 2014	41,554,000	26,492,294	0.64	21%
31 December 2013	41,248,750	17,869,281	0.43	18%

Note:

(1) The Record Date is a date established before the relevant GMS at which the amount of the dividend, if any, is declared for the previous year. For the years where no dividend was declared, the number of shares outstanding are as of 31 December of the relevant year.

18.2 The TBC PLC Board's intention is to retain the existing dividend policy of the Bank, subject to the requirements of the Companies Act. Following Admission, TBC PLC (as a holding company whose principal assets are the shares of its subsidiaries) will rely primarily on dividends and other statutorily and contractually permissible payments from its subsidiaries to generate reserves necessary to meet its obligations and to pay dividends to its shareholders. The regulatory systems under which the Group operates and certain contractual arrangements to which the Bank and/or its subsidiaries are party restrict, to a certain extent, their ability to pay dividends and/or to otherwise provide cash to TBC PLC, which may, in turn, restrict TBC PLC's ability to pay dividends.

19. Market Quotations

19.1 Set out below are the closing prices of the GDRs as derived from the London Stock Exchange's Daily Official List:

(a) the first Business Day of January and July, starting from 1 July 2014; and

(b) 31 May 2016 (being the latest practicable date prior to the date of this Prospectus).

Date	London Stock Exchange (GDRs)[1]
	(U.S.$)
31 May 2016	12.75
4 January 2016	10.30
1 July 2015	9.90
2 January 2015	12.50
1 July 2014	14.15

Note:

(1) The closing price is the closing price for that day's trading or, if no trading occurred on that day, the closing price on the last business day on which trading occurred.

20. UK Taxation

20.1 The following summary is intended as a general guide only. The Chancellor of the Exchequer presented the 2016 Budget to the House of Commons on 16 March 2016, and a Finance Bill giving effect to his announcement was published on 24 March 2016. The following statements are based on current UK tax law as applied in England and Wales, the Finance Bill 2016 in the form as published on 24 March 2016 (which it is assumed will be enacted without amendment), and the current published practice of HMRC (which may not be binding on HMRC) as at the date of this document. These may change, possibly with retrospective effect.

20.2 The comments below cover the principal United Kingdom tax consequences of holding PLC Offer Shares for absolute beneficial holders who are resident and, if individuals, domiciled in the UK for taxation purposes ("**TBC PLC Shareholder**"). In addition, this summary: (i) only addresses the tax consequences for TBC PLC Shareholders who hold their PLC Offer Shares as an investment (other than under an individual savings account or a self-invested personal pension) and does not address the tax consequences which may be relevant to certain other categories of TBC PLC Shareholders, such as dealers, brokers or traders in shares or securities and other persons who hold PLC Offer Shares otherwise than as an investment; (ii) does not address the tax consequences for TBC PLC Shareholders that are trustees, financial institutions, pension schemes, charities, insurance companies, collective investment schemes or persons connected with TBC PLC; (iii) only addresses the tax consequences of dividends for TBC PLC Shareholders where the dividends paid are regarded for United Kingdom tax purposes as that of TBC PLC Shareholders' own income (and not the income of some other person); (iv) only addresses the tax consequences for TBC PLC Shareholders who have not (and are not deemed to have) acquired their PLC Offer Shares by virtue of an office or employment (whether current, historic or prospective) and are not officers or employees of any member of the Group.

20.3 If any recipient of this Prospectus is in any doubt about their tax position, they should consult their own professional adviser without delay.

20.4 The statements in Paragraphs 1.6(a)-(c) "*—Stamp duty and Stamp Duty Reserve Tax—" and 23.7 "—Inheritance Tax*" below apply to all TBC PLC Shareholders, irrespective of their place of residence.

20.5 Taxation of dividends on PLC Offer Shares

(a) TBC PLC is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a TBC PLC Shareholder.

(b) An individual TBC PLC Shareholder who is resident for tax purposes in the United Kingdom and who receives a dividend from TBC PLC in the tax year 2016/2017 will be entitled to a tax-free annual allowance of £5,000. Any dividend income received by individuals in excess of this tax-free allowance will be taxed at rates of 7.5%, 32.5%, and 38.1% for basic rate, higher rate, and additional rate taxpayers respectively. Dividend income that is within the allowance will count towards an individual's basic or higher rate limits. Dividend income will be treated as the top slice of a TBC PLC Shareholder's income. An individual TBC PLC Shareholder resident outside the United Kingdom may be subject to taxation on dividend income under local law. A TBC PLC Shareholder who is resident outside the United Kingdom for tax purposes should consult his or her own tax adviser concerning his or her tax position on dividends received from TBC PLC.

(c) A TBC PLC Shareholder within the charge to U.K. corporation tax should generally be entitled to one of the exemptions from United Kingdom corporation tax in respect of dividend payments received from TBC PLC, unless certain anti-avoidance provisions are triggered. If the conditions for the exemption are not satisfied, or a TBC PLC Shareholder elects for an otherwise exempt dividend to be taxable, United Kingdom corporation tax will be chargeable on the gross amount of any dividends received from TBC PLC, at a rate of 20%. A shareholder resident outside the U.K. may be subject to foreign taxation on dividend income under applicable local law. Shareholders who are not resident for tax purposes in the U.K. should obtain their own tax advice concerning tax liabilities on dividends received from TBC PLC.

20.6 UK taxation consequences of disposing of PLC Offer Shares in the future

(a) A disposal of PLC Offer Shares by a UK resident individual TBC PLC Shareholder may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for capital gains tax ("**CGT**") purposes. The annual exemption for the tax year 2016/2017 is £11,100, meaning the first £11,100 of capital gains realized do not fall within the charge to capital gains tax. If, after all allowable deductions, an individual TBC PLC Shareholder's taxable income for the year exceeds the basic rate income tax limit, taxable chargeable gains on the disposal of shares will be taxed at 20% for higher or additional rate taxpayers and 10% for basic rate taxpayers.

(b) A disposal of PLC Offer Shares by a TBC PLC Shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment and has used, held or acquired PLC Offer Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for CGT purposes.

(c) A TBC PLC Shareholder who is an individual and who is temporarily non-resident in the United Kingdom for a period of less than five complete years may, under anti-avoidance legislation, still be liable to UK taxation on his or her return to the United Kingdom on a chargeable gain realised on the disposal or part disposal of PLC Offer Shares during the period when he or she is non-resident (subject to available exemptions and reliefs).

(d) For corporate shareholders only, subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of PLC Offer Shares by a TBC PLC Shareholder within the charge to UK corporation tax will generally be subject to corporation tax at the current rate of 20 per cent. The UK government has announced that the main rate of UK corporation tax will reduce to 19% in 2017 and to 17% in 2020. Indexation allowance may be available to reduce any chargeable gain arising on a disposal or deemed disposal, but not to create or increase the amount of any allowable loss.

20.7 Stamp duty and Stamp Duty Reserve Tax

(a) Issues of PLC Offer Shares

Neither stamp duty nor Stamp Duty Reserve Tax ("**SDRT**") will arise on the issue of PLC Offer Shares.

(b) Transfers of PLC Offer Shares

Stamp duty at the rate of 0.5% (rounded up, if necessary, to the next multiple of £5) of the amount or value of the consideration given will generally be payable on an instrument transferring PLC Offer Shares. An exemption from stamp duty will be available on an instrument transferring PLC Offer Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A charge to SDRT will also arise on an unconditional agreement to transfer PLC Offer Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date on which the agreement is made or, in the case of a conditional agreement, the date of the agreement becoming unconditional, an instrument of transfer is executed pursuant to the agreement and the instrument is duly stamped (either by paying the stamp duty or claiming an appropriate relief) or the instrument is otherwise exempt from stamp duty, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

(c) PLC Offer Shares held through CREST

Paperless transfers of PLC Offer Shares within CREST will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of PLC Offer Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise.

(d) PLC Offer Shares held through Clearance Services or Depositary Receipt Arrangements

Following the European Court of Justice decision in C-569/07 HSBC Holdings Plc and Vidacos Nominees Limited v. The Commissioners for Her Majesty's Revenue & Customs and the First-tier Tax Tribunal decision in HSBC Holdings Plc and The Bank of New York Mellon Corporation v. The Commissioners for Her Majesty's Revenue & Customs, HMRC has confirmed that 1.5% SDRT is no longer payable when new shares are issued into a clearance service or depositary receipt system.

Where PLC Offer Shares are transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the PLC Offer Shares (rounded up to the next multiple of £5 in the case of stamp duty). This liability for stamp duty or SDRT will strictly be accountable by the depositary or receipt system or clearance service operator or their nominee or agent, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depositary receipt scheme. Transfers within the clearance service, and transfers of depositary receipts, are then generally made free of SDRT or stamp duty.

Clearance service operators may elect, provided certain conditions are satisfied, for the normal rates of stamp duty or SDRT to apply to transfers of PLC Offer Shares into, and to transactions within, such services instead of the 1.5% charge outlined above. In these circumstances, SDRT rather than stamp duty at the rate of 0.5% of the amount or value of the consideration payable for the transfer will arise on any transfer of PLC Offer Shares into such a clearance service and on subsequent agreements to transfer PLC Offer Shares within such a clearance service.

The imposition of the higher 1.5% charge on transfers of shares to a clearance service or depositary receipt system is currently subject to litigation. **Accordingly specific professional advice should be sought before paying the 1.5% SDRT or stamp duty charge in any circumstances.**

20.8 Inheritance Tax

The PLC Offer Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold PLC Offer Shares, bringing them within the charge to inheritance tax. TBC PLC Shareholders should consult an appropriate tax adviser if they intend to make a gift or transfer at less than market value or intend to hold any PLC Offer Shares through trust arrangements.

21. US Taxation

21.1 The following is a general summary based on present law of certain US federal income tax considerations relevant to the exchange of PLC Offer Shares for Existing Securities pursuant to the Offer and to the ownership of PLC Offer Shares. It addresses only US Holders (as defined below) that exchange Existing Securities pursuant to the Offer, hold their Existing Securities as capital assets and use the U.S. Dollar as their functional currency. This summary is for general information only. It is not a complete description of all the tax considerations that may be relevant to a particular US Holder. It does not consider the circumstances of holders subject to special tax regimes, such as banks, insurance companies, regulated investment companies, dealers, traders in securities that elect mark-to-market treatment, insurance companies, tax exempt entities or persons holding shares or GDRs as part of a hedge, straddle, conversion or other integrated financial transaction. It does not address persons resident or ordinarily resident in the United Kingdom and persons holding Existing Securities through a permanent establishment or fixed base outside the United States. It does not consider consequences for persons that own (or are deemed to own) 10% or more (by voting power) of Existing Securities or that will own (or be deemed to own) 5% or more (by voting power or value) of the shares of TBC PLC. It does not address US state or local tax considerations, US estate or gift tax consequences or the effect of the 3.8% medicare tax on unearned income. The discussion is not a substitute for tax advice.

21.2 TBC PLC believes and this discussion assumes that TBC PLC has not been and is not likely to become a passive foreign investment company ("**PFIC**") for US federal income tax purposes. In general, a foreign corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries: (i) 75% or more of its gross income consists of passive income, such as dividends, interest, rents, royalties, and gains from the sale of assets that give rise to such income; or (ii) 50% or more of the average quarterly value of its gross assets consists of assets that produce, or are held for the production of, passive income. The United States has issued special rules addressing the treatment of foreign financial institutions under the PFIC rules. Based on those tests, TBC PLC does not believe it has been a PFIC in prior tax years or will be treated as a PFIC in the current year or in the future. However, TBC PLC's status as a PFIC must be determined annually, and it therefore could change. If TBC PLC were to be a PFIC in any year, US Holders could suffer material adverse tax consequences.

21.3 As used in this section only, "US Holder" means a beneficial owner of shares or GDRs that for US federal income tax purposes is (i) an individual citizen or resident of the United States, (ii) a corporation or other business entity organised in or under the laws of the United States or its political subdivisions, (iii) a trust (1) that elects to be treated as a United States person within the meaning of section 7701(a)(30) of the Code for US federal income tax purposes or (2) (a) over the administration of which a US court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control; or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

21.4 The US federal tax consequences to a partner in a partnership generally will depend upon the status of the partner and the activities of the partnership. US Holders that are partnerships are urged to consult their own tax advisers about the tax consequences to their partners of receiving PLC Offer Shares in connection with the Offer and owning and disposing of PLC Offer Shares or GDRs.

21.5 Holders of GDRs generally will be treated for US federal income tax purposes as holding the shares represented by the GDRs. The substitution of PLC Offer Shares for GDRs as part of the Offer will be treated as an exchange by holders of GDRs of Bank Shares for PLC Offer Shares subject to the treatment described below. After the implementation of the Offer, no gain or loss will be recognised upon the exchange of GDRs for PLC Offer Shares as long as the Depositary has not taken any action inconsistent with either the material terms of the deposit agreement or the US Holder's ownership of the underlying shares.

21.6 Share Exchange in the Offer

(a) The Bank and TBC PLC believe that the appropriate treatment of the transaction is as a tax-free reorganisation for US federal income tax purposes under section 368(a) of the US Internal Revenue Code. The proper US federal income treatment of the Offer is not certain, however, and neither the Bank nor TBC PLC has sought a ruling from US tax authorities or an opinion from US tax counsel on the proper treatment of the Offer. **Although the summary in this section assumes that the Offer constitutes a tax-free reorganisation, each Holder should consult its own tax adviser about the proper US federal, state and local income tax treatment of the Offer.**

(b) Assuming that the Offer is a tax-free reorganisation, a US Holder will recognise no gain or loss on an exchange of Bank Shares for PLC Offer Shares. A US Holder's basis in PLC Offer Shares will equal its aggregate adjusted tax basis in the Bank Shares exchanged, and its holding period in PLC Offer Shares will include the period it held the Bank Shares. If a US Holder acquired different blocks of Bank Shares at different times or at different prices, the Holder's basis and holding period in PLC Offer Shares will be determined separately for each block of shares.

(c) A US Holder may be required to attach to its tax return for the year in which it receives PLC Offer Shares a statement regarding application of the tax-free reorganisation requirements (including information about the Bank Shares it exchanged and PLC Offer Shares it received) and to maintain certain records regarding the Offer. US Holders should consult with their tax advisers regarding whether such a statement is required in their particular circumstances.

(d) If the Offer were not a tax-free reorganisation, a US Holder receiving PLC Offer Shares in exchange for Bank Shares would recognise capital gain or loss equal to the difference between (x) the fair market value of PLC Offer Shares as of the effective date of the exchange and (y) its adjusted tax basis in the Bank Shares exchanged. Any gain would be long-term gain if the US Holder held the Bank Shares for more than one year. Any loss would be long-term loss if the US Holder held the Bank Shares for more than one year. Deductions for capital losses are subject to substantial limitations. Any gain or loss generally would be treated as arising from US sources. The holder would have a tax basis in PLC Offer Shares equal to their fair market value as of the effective date of the exchange and a holding period for PLC Offer Shares beginning on the day following the exchange date.

21.7 Dividends

(a) US Holders generally must include any dividends paid on PLC Offer Shares in their gross income as ordinary income from foreign sources. Dividends will not be eligible for the dividends-received deduction generally available to corporations. Subject to applicable holding period and other limitations, the U.S. Dollar amount of dividends received on the PLC Offer Shares by certain non-corporate US Holders will be subject to taxation at a maximum rate of 20% if the dividends are ''qualified dividends.'' Dividends paid on the PLC Offer Shares should be treated as qualified dividends if (i) TBC PLC is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service (''**IRS**'') has approved for the purposes of the qualified dividend rules, (ii) TBC PLC was not, in the year prior to the year in which the dividend was paid, and is

not, in the year in which the dividend is paid, a passive foreign investment company, and (iii) the dividends satisfy certain eligibility (including holding period) criteria. The US-United Kingdom income tax treaty ("**Treaty**") has been approved by the IRS for the purpose of the qualified dividend rules. US Holders should consult their US tax advisers regarding whether dividends will be entitled to qualified dividend treatment.

(b) US Holders that receive dividends in a currency other than U.S. Dollars must include in income a U.S. Dollar amount determined at the spot rate on the date of receipt whether or not they convert the currency into U.S. Dollars at that time. A US Holder will have a basis in the non-US currency received equal to its U.S. Dollar value on the date of receipt. Gain or loss on a subsequent conversion or other disposition of the non-US currency for a different U.S. Dollar amount generally will be treated as ordinary income or loss from sources within the United States for foreign tax credit limitation purposes. If dividends received in a currency other than the U.S. Dollar are converted into U.S. Dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

21.8 Dispositions

(a) US Holders generally will recognise capital gain or loss on the sale or other disposition of PLC Offer Shares in an amount equal to the difference between their adjusted tax basis in the shares and the U.S. Dollar value of the amount realised. Any gain will be long-term gain if the US Holder has held the Bank Shares and PLC Offer Shares for a combined period longer than one year. Any loss will be long-term loss if the US Holder has held the Bank Shares and PLC Offer Shares for a combined period longer than one year or to the extent the US Holder previously received qualifying dividend income in excess of 10% of the US Holder's basis in its PLC Offer Shares. Deductions for capital losses are subject to substantial limitations. Any gain or loss generally will be treated as arising from US sources.

(b) With respect to the sale or exchange of shares, the amount realised generally will be the U.S. Dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis US Holder and (ii) the date of disposition in the case of an accrual basis US Holder. If shares are treated as traded on an "established securities market", a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the U.S. Dollar value of the amount realised by translating the amount received at the spot rate of exchange on the settlement date of the sale. A US Holder will have a tax basis in the foreign currency received equal to the U.S. Dollar amount realised. Any currency exchange gain or loss realised on a subsequent conversion of the foreign currency into U.S. Dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into U.S. Dollars on the date received by the US Holder, a cash basis or electing accrual basis US Holder should not recognise any gain or loss on such conversion.

(c) Under current United Kingdom tax law "*—United Kingdom Taxation—Taxation of Capital Gains*", no United Kingdom tax will be imposed on gain from the sale or disposition of shares. If United Kingdom tax is imposed on sales or exchanges, US Holders should consult their tax advisers as to the US tax consequences of such tax, including the possible application of the Treaty.

21.9 Reporting and Backup Withholding

(a) Payments of dividends on shares and other proceeds with respect to shares by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax return. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

(b) Backup withholding tax is not an additional tax. A holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's US federal income tax liability and may be entitled to a refund or a credit, provided the required information is furnished to the IRS in a timely manner.

(c) A US Holder may be required specifically to report the receipt of PLC Offer Shares in the Offer. A US Holder also may be required specifically to report a sale or other taxable disposition of the Bank Shares, PLC Offer Shares or GDRs to the IRS if it recognises a foreign currency or other loss from a single transaction that exceeds, in the case of an individual or trust, $50,000 in a single taxable year or, in other cases, various higher thresholds. US Holders should consult their tax advisers about these possible reporting requirements.

(d) US legislation requires certain US Holders to report information with respect to their investment in PLC Offer Shares not held through an account with certain financial institutions to the IRS. Holders who fail to report required information could become subject to substantial penalties. Holders are encouraged to consult with their own tax advisers about information reporting requirements with respect to their investment in the shares or GDRs.

THE SUMMARY ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR HOLDER. EACH HOLDER SHOULD CONSULT HIS OR HER OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF PARTICIPATING IN THE SCHEME AND HOLDING PLC OFFER SHARES UNDER THE HOLDER'S OWN CIRCUMSTANCES.

22. Georgian Taxation

The analysis below is a general overview of certain Georgian tax implications related to PLC Offer Shares prepared in accordance with Georgian tax legislation as of the date of this Prospectus. As with other areas of Georgian legislation, tax law and practice in Georgia is not as clearly established as that of more developed jurisdictions. It is therefore possible that changes may be made in the law or in the current interpretation of the law or current practice, including changes that could have a retroactive effect. Accordingly, it is possible that payments to be made to the PLC Offer Shareholders could become subject to taxation in Georgia if they are not currently, or that rates currently in effect with respect to such payments could be increased, in ways that cannot be anticipated as of the date of this Prospectus. Each holder of Bank Shares or GDRs should also consider any further tax implications that may be relevant to it under the laws and regulations of other countries in connection with its acceptance of the Offer, holding and sale of PLC Offer Shares.

Except where otherwise expressly stated, the analysis below is based on the assumption that the TBC PLC is a UK resident for taxation purposes.

22.1 Tax Consequences of Acceptance of the Offer

(a) Tax law and practice is not as clearly established in Georgia as in other more developed jurisdictions. If holders of Existing Securities (whether they are individuals or legal entities, resident or non-resident) exchange their Existing Securities for PLC Offer Shares, the Georgian tax authorities may qualify this transaction as a disposal of Bank Shares and consider the surplus gained from the exchange (if any) a Georgian source taxable surplus (similarly to surplus gained from the disposal of Bank Shares or GDRs by holders of Existing Securities not participating in the Offer). In this case, resident and non-resident legal entities will be required to pay profit tax on the surplus at a flat rate of 15% and surplus of resident and non-resident individuals will be subject to income tax at a flat rate of 20%. Legal entities and individuals will be under an obligation to properly report and pay profit/income tax to the Georgian tax authorities. However, the actual applicability of this taxation regime to non-resident legal entities and individuals is subject to considerable impracticability and lack of enforceability. Please also see Part II "*Risk Factors—Risks Relating to the Offer, TBC PLC and PLC Offer Shares—Participation in the Offer is subject to risks and uncertainties which could have an adverse effect on Existing Holders*".

(b) Further, provided that the Existing Securities meet the definition of "floating securities" (publicly traded securities admitted to trading on a stock exchange listing with a free float exceeding 25% as of the end of the reporting year or the year before), the surplus gained from the sale of such Existing Securities will not be subject to taxation in Georgia. However, there are no clear guidelines on how the free float is to be determined and whether the PLC Offer Shares listed on the London Stock Exchange (being a non-Georgian stock exchange) will be counted towards the free float for Georgian tax purposes.

(c) Certain exemptions from income tax may be available to individual holders of Existing Securities if such individuals maintain ownership of assets for more than two calendar years (although varying interpretations may preclude the applicability of such exemption). In addition, certain relief on the taxation of capital gains may be available to non-resident holders of Existing Securities (whether individuals or legal entities) pursuant to the applicable double taxation treaties.

22.2 Taxation of dividends

(a) Provided that TBC PLC is a UK resident for taxation purposes, pursuant to the Tax Code of Georgia, payments of dividends on PLC Offer Shares to TBC PLC Shareholders (whether they are individuals or legal entities, resident or non-resident) will not be subject to taxation in Georgia.

(b) As a company that is incorporated in the United Kingdom, TBC PLC will be resident in the United Kingdom for corporation tax purposes under United Kingdom domestic law. In addition, the PLC Directors intend that management of TBC PLC and its affairs will be conducted, in terms of location and structure, such that TBC PLC's place of effective management under the residence tie-breaker in Article 4(3) of the agreement between the United Kingdom and Georgia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital (the "**United Kingdom—Georgia Treaty**") will be in the United Kingdom. On this basis, the PLC Directors expect that TBC PLC should not be treated as resident in Georgia for Georgian tax purposes.

(c) It is possible that in the future, whether as a result of a change of the practice of a relevant tax authority or as a result of any change in the management or the conduct of TBC PLC's affairs, TBC PLC could become, or be regarded as having been, resident for tax purposes in Georgia. In this event, dividends paid by TBC PLC to non-resident legal entities, to non-commercial legal entities and to individuals (whether they are residents or non-residents) may be subject to dividend tax in Georgia, currently at the rate of 5%. Provided that PLC Offer Shares are considered to be publicly traded securities admitted to trading on a stock exchange listing with a free float exceeding 25% as of the end of the reporting year or the year before, dividends paid in respect of such PLC Offer Shares will not be subject to taxation in Georgia. However, there are no clear guidelines on how the free float is to be determined and whether the PLC Offer Shares listed on the London Stock Exchange (being a non-Georgian stock exchange) will be counted towards the free float for Georgian tax purposes. In addition, relief from Georgian taxation of dividends may be available to non-resident holders of PLC Offer Shares (whether individuals or legal entities) pursuant to the applicable double taxation treaties.

22.3 Taxation of sale of PLC Offer Shares

(a) The sale of PLC Offer Shares will not trigger any Georgian tax obligations on the part of the non-resident TBC PLC Shareholders. The sale of PLC Offer Shares by resident legal entities will be subject to 15% profit tax. The gain realised (if any) from the sale of the PLC Offer Shares through a Georgian brokerage company may be subject to taxation at the source of payment up to 20%.

(b) An exemption is envisaged by the Tax Code of Georgia in the case of the sale of PLC Offer Shares provided that such shares are public securities admitted to trading on stock exchange listing with free float exceeding 25% as of the end of the reporting year or the year before. However, there are no clear guidelines on how the free float is determined and whether PLC Offer Shares (which are expected to be listed on the London Stock Exchange rather than a Georgian stock exchange) will be counted towards the free float for Georgian tax purposes.

22.4 Value Added Tax

Sale (supply) of the PLC Offer Shares is exempt from Value Added Tax in Georgia. Georgian VAT payers will be obliged to report in their VAT returns the sale of the PLC Offer shares on the territory of Georgia.

22.5 Other considerations

The Tax Code of Georgia expressly provides for the tax authorities to be able to re-examine the transaction price indicated by parties buying and selling securities, subject to certain requirements.

23. GDR Facility

23.1 On 11 June 2014, the Bank entered into an English law governed deposit agreement (relating to an offering of GDRs representing Bank Shares) (the "**Deposit Agreement**") with The Bank of New York Mellon ("**BNYM**"). BNYM is the depositary (the "**Depositary**") under the Deposit Agreement. The Deposit Agreement sets out the terms of the Bank's GDR programme. The GDRs are currently admitted to the Official List and admitted to trading on the main market of the London Stock Exchange. One GDR currently represents one Bank Share. Under the terms of the GDR programme, the Depositary is entitled to receive certain remuneration and reimbursement from holders of GDRs for services provided pursuant to the Deposit Agreement.

23.2 The Deposit Agreement contains several undertakings given by the Bank, including, among others, an undertaking to: (i) use all reasonable endeavours to maintain a listing for the GDRs on the Official List and admission to trading on the London Stock Exchange; (ii) use all reasonable endeavours to appoint a successor depositary, as necessary; (iii) inform the Depositary if the shares issued by it do not rank *pari passu* with the other deposited shares; (iv) send the Depositary copies of the Bank's financial statements; and (v) send certain notices to the Depositary and the custodian. Either the Bank or the Depositary, but in the case of the Depositary only if the Bank has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice that it wants to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the custodian.

23.3 Any GDR holder who accepts the Offer will agree to the cancellation of their GDRs as part of settlement of the Offer. See, Part IV "*Information on the Offer—Procedures for acceptance of the Offer*". No cancellation fee per GDR will be payable by GDR Holders who exchange their GDRs for PLC Offer Shares pursuant to the Offer.

23.4 Shortly after Admission, it is anticipated that the GDR facility will be cancelled and the Deposit Agreement will be terminated. See Part IV "*Information on the Offer—Liquidity on Admission and in case of delisting*". If the GDR facility is cancelled after Admission, there will be no cancellation fee per GDR on the surrender of GDRs payable by any outstanding GDR holder.

24. Related Party Transactions

24.1 Save for (i) the Service Agreements with Vakhtang Butskhrikidze and Giorgi Shagidze described in Paragraph 9 "*TBC PLC Executive Directors*" and the letters of appointment with the non-executive directors described in Paragraph 10 "*TBC PLC Non-Executive Directors*" of this Part XX; (ii) an agreement dated 12 May 2016 between Mamuka Khazaradze, Badri Japaridze and TBC PLC whereby TBC PLC agreed to acquire the Subscriber Shares from Mamuka Khazaradze and Badri Japaridze for nil consideration conditionally upon and simultaneously with the issue of the first of the PLC Offer Shares, upon which the Subscriber Shares will then be cancelled; and (iii) under the terms of the Redeemable Shares either the holders (being Mamuka Khazaradze and Badri Japaridze) or TBC PLC may require that such shares be redeemed at par, and (iv) Vakhtang Butskhrikidze and Giorgi Shagidze have entered into agreements dated 12 May 2016 agreeing to accept future offers (if any) by TBC PLC for their Non-tendered LTIP Bank Shares, and under which such Directors may require TBC PLC to make such offers, provided that such offers following the expiration of the relevant holding period and are for a consideration equal to that in the Offer (subject to any changes to reflect subsequent alterations to TBC PLC's share capital) or, if in case, to reflect market value at the time (and subject to any regulatory requirements or necessary shareholder consents), since the date of its incorporation and up to the date of this Prospectus, TBC PLC has not entered into any related party transactions.

24.2 In the ordinary course of its business, the Group has engaged, and continues to engage, in transactions with related parties. Related parties include, among others, shareholders, all managers and senior personnel of the Group, companies affiliated with the Group and certain shareholders of such affiliated companies. Save as disclosed in Note 28 (Related Party Transactions) to the Unaudited Consolidated Interim Financial Statements, for the period from 1 January 2013 through the date of this Prospectus, no member of the Group has been a party to a related party transaction.

24.3 Prior to Admission, TBC Bank expects to enter into a land and mortgage rights swap with JSC Lisi Lake Development ("**LLD**"), a company in which Mamuka Khazaradze and Badri Japaridze are major shareholders. In this transaction, TBC Bank would assign to LLD its right of claim on a secured non-performing loan in exchange for title to an approximately 83,000 square metre parcel of land on which TBC may in the future build a new head office. An independent financial institution determined the fair value of the consideration at U.S.$11.4 million. See Part XII "*Description of Business—Properties*".

24.4 According to the Charter, related party transactions, other than transactions with a subsidiary (defined as an entity in which TBC Bank owns 50% or more of the voting shares/ownership interest), are subject to the approval of the Bank Supervisory Board. The Bank Supervisory Board may delegate the authority to approve related party transactions above certain limits to the Bank Management Board or to other body or officer of the Bank.

25. Material Contracts

25.1 Certain related party agreements entered into by TBC PLC or members of the Group are described in Paragraph 24 of this Part XX, the Deposit Agreement relating to the GDR facility is described in Paragraph 23 of this Part XX. In addition, the Irrevocable Undertakings and Letters of Intent are described in Paragraphs 6 and 7, respectively, of this Part XX. The following are the other contracts, not being contracts entered into in the ordinary course of business, that have either been entered into by TBC PLC or members of the Group within the two years immediately preceding the date of this Prospectus and are, or may be material or have been entered into at any time by TBC PLC and/ or members of the Group and which contain an obligation or entitlement which is material to the Group as of the date of this Prospectus.

26. Other Material Agreements

26.1 ***Relationship Agreement***

On 31 May 2016, TBC PLC entered a relationship agreement with Mamuka Khazaradze and Badri Japaridze (together, the "**Founders**") and the other members of the Presumed Concert Party Group which will, conditional only on Admission, regulate the degree of control that the members of the Presumed Concert Party Group and their associates may exercise over the management and business of the Group (the "**Relationship Agreement**"). The principal purpose of the Relationship Agreement is to ensure that TBC PLC and its subsidiaries are capable at all times of carrying on their business independently of the members of the Presumed Concert Party Group and their associates. The Relationship Agreement will take effect on Admission and will continue until the earlier of (i) the PLC Offer Shares ceasing to be admitted to listing on the Official List and (ii) no member of the Presumed Concert Party Group exercising or controlling on their own or with concert parties 20 per cent. or more of the voting share capital of TBC PLC.

Under the Relationship Agreement, for so long as it remains in force, the members of the Presumed Concert Party Group shall, and have agreed that each of their associates shall, when acting in any capacity (which could include as a shareholder or director) with any member of the Group, amongst other things:

(a) conduct all transactions and arrangements entered into between any member of the Group (on the one hand) and that member of the Presumed Concert Party Group and his associates (on the other) on an arm's length basis and on normal commercial terms and in accordance with the related party transaction rules set out in the Listing Rules;

(b) not take any action that would have the effect of preventing TBC PLC from complying with its obligations under the Listing Rules; and/or

(c) not propose or procure the proposal of any resolution of the Shareholders which is intended, or appears to be intended, to circumvent the proper application of the Listing Rules.

The PLC Directors believe that, together with TBC PLC's conflicts policy, the provisions of the Listing Rules relating to "related party transactions" and the provisions of the Companies Act relating to conflicts of interest, the terms of the Relationship Agreement will enable TBC PLC and its subsidiaries to carry on business independently from the members of the Presumed Concert Party Group and ensure that all transactions and relationships between TBC and the members of the Presumed Concert Party Group are, and will be, at arm's length and on, in the reasonable opinion of the PLC Directors, normal commercial terms.

26.2 ***Registrar Agreement***

Pursuant to a registrar agreement between TBC PLC, the Bank, and the UK Registrar dated 31 May 2016, the UK Registrar has agreed to provide TBC PLC with registry and associated services in relation to the Offer and on a continuing basis. In relation to the Offer, TBC PLC and the Bank have agreed that one of them will pay the UK Registrar a one-off fee in relation to services provided in connection with the Offer and further fees for non-Offer related services and registry services. The appointment is for a fixed term of one year, subject to renewal, and subject to early termination: (i) by giving six months prior notice in writing to the other party, provided that the earliest date on which such Agreement may be terminated shall be the expiry of the initial period of one year; and (ii) if the other party commits a material breach of any of its obligations under that Agreement, and which (if the breach is capable of remedy) that party has failed to remedy within 60 calendar days' notice in writing to remedy the breach. The registrar agreement is governed by English law.

26.3 ***Exchange Agent Agreement***

Pursuant to a GDR exchange agent agreement between TBC PLC, the Bank and the Exchange Agent dated 31 May 2016, the Exchange Agent has been appointed to act as exchange agent in connection with the Offer for those Bank Shares represented by GDRs. In return for the provision of exchange agent services by the Exchange Agent, the Bank has agreed to pay the Exchange Agent a one time fee and to reimburse the Exchange Agent for all reasonable and documented expenses incurred. The appointment will continue until the earlier of: (i) such time as all tendered Bank Shares represented by GDRs have been exchanged for PLC Offer Shares; (ii) the GDRs have been returned to holders; or (iii) 30 September 2016. The agreement is subject to early termination either: (i) by written mutual agreement of the Exchange Agent, TBC PLC and the Bank, or (ii) by the Exchange Agent, TBC PLC or the Bank on seven days' written notice in circumstances where there has been an irremediable breach by any other party or a breach which, if capable of remedy, remains unremedied within 14 days of notice of such breach being given to the defaulting party. The GDR exchange agent agreement is governed by New York State law.

26.4 ***Information Agent and Solicitation Agent Agreement***

Pursuant to an engagement letter between the Bank and D.F King Ltd. of 125 Wood Street, London EC2V 7AN, United Kingdom ("**DF King**"), dated 17 May 2016, DF King has been appointed to act as GDR Information Agent and GDR Solicitation Agent in connection with the Offer. In return for the provision of these services by DF King, the Bank has agreed to pay DF King customary fees related to an offer of this nature. The Bank has also agreed to reimburse DF King for all of its reasonable and documented expenses relating to the provision of these services. The agreement contains certain representations, warranties and indemnities given by the Bank to DF King. The appointment shall terminate on the completion, expiration or termination of the Offer. The engagement letter is governed by English law.

26.5 ***Georgian Exchange Agent Agreement***

Pursuant to an agreement between TBC PLC, the Bank and the Georgian Exchange Agent dated 31 May 2016, TBC Capital LLC has been appointed to act as Georgian Exchange Agent and Georgian Information Agent in connection with the Offer. In return for the provision of services in connection with the Offer, the Bank has agreed to pay to the Georgian Exchange Agent a fee. The Bank has also agreed to reimburse the Georgian Exchange Agent for all reasonable and documented expenses incurred by it in connection with the Offer. Unless terminated earlier, the agreement will remain effective until all of the Georgian Exchange

Agent's obligations in connection with the Offer are fulfilled. The agreement may be terminated by: (i) the mutual written agreement of all of the parties; (ii) TBC PLC and/or the Bank in circumstances where the Georgian Exchange Agent is in breach of the agreement and such breach, if capable of remedy, is not remedied within 14 days of notice of such breach being given; or (iii) by operation of law. The agreement is governed by Georgian law.

26.6 ***Sponsor Agreement***

On the date of this Prospectus, TBC PLC and the Bank entered into the Sponsor Agreement with Barclays pursuant to which Barclays was appointed to act as sponsor to TBC PLC in connection with Admission and financial adviser and broker for the Offer. The Sponsor Agreement contains certain warranties and undertakings from TBC PLC and the Bank in favour of Barclays which are customary for an agreement of this nature, together with provisions which enable Barclays, TBC PLC or the Bank to terminate the Sponsor Agreement prior to Admission in certain specified circumstances, including circumstances where any warranties are found to be untrue or inaccurate.

The Sponsor Agreement also contains certain indemnities given by the Bank in favour of Barclays in respect of, *inter alia*, claims made against Barclays or losses suffered or incurred by it in connection with Admission.

27. Working Capital

In the opinion of TBC PLC, taking into account the facilities available to TBC PLC and the Group, the working capital available to TBC PLC and the Group is sufficient for its present requirements (for at least the next 12 months following the date of this Prospectus).

28. Significant Change

There has been no significant change in the financial or trading position of the Group since 31 March 2016, the date as at which the last unaudited consolidated accounts of the Group were prepared.

Save for issuing 50,000 Redeemable Shares (which were fully paid up on 29 April 2016) there has been no significant change in the financial or trading position of TBC PLC since 26 February 2016, being its date of incorporation.

29. Takeover Bids

The City Code on Takeovers and Mergers (the "**City Code**") is issued and administered by the Panel on Takeovers and Mergers (the "**Panel**"). TBC PLC is subject to the City Code and therefore its shareholders are entitled to the protections afforded by the City Code.

Other than as provided by the City Code and Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the PLC Ordinary Shares.

29.1 Mandatory Bids

No public takeover bid has been made in relation to either TBC PLC or the Bank during the last financial year or the current financial year.

Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30% or more of the voting rights in TBC PLC, the acquirer and, depending on the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel) to make a cash offer for any outstanding PLC Ordinary Shares. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with persons acting in concert with it) an interest in shares carrying between 30 and 50% of the voting rights in TBC PLC if the effect of such acquisition were to increase that person's percentage of the voting rights. In either case, any such relevant person is normally required to extend the cash offer, at the highest price paid by it (or persons acting in concert with it) for shares in TBC PLC within the preceding twelve months, to the holders of any class of equity share capital, whether voting or non-voting, and also to the holders of any other class of transferable securities carrying voting rights.

"Acting in concert" is defined broadly in the City Code and the Panel operates a number of rebuttable presumptions that certain categories of persons are acting in concert with one another (see Paragraph 32.4).

"Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

29.2 Squeeze-out

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for PLC Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the PLC Ordinary Shares and not less than 90% of the voting rights attached to the PLC Ordinary Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10%. Such an acquisition would be made by sending a notice to the outstanding holders of PLC Ordinary Shares that stated that it would acquire compulsorily the PLC Ordinary Shares held by them and then, six weeks later, by executing a transfer of outstanding PLC Ordinary Shares in its favour and paying the consideration to TBC PLC which would hold the consideration on trust for the outstanding holders of PLC Ordinary Shares. The consideration offered to the holders of PLC Ordinary Shares whose PLC Ordinary Shares are so compulsorily acquired must, in general, be the same consideration as was available under the takeover offer.

29.3 Sell-out

The Companies Act also provides minority holders of PLC Ordinary Shares the right to be bought out in certain circumstances by an offeror that has made a takeover offer. If the takeover offer related to all of the PLC Ordinary Shares and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90% of the PLC Ordinary Shares to which the offer relates, any holder of PLC Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those PLC Ordinary Shares. The offeror is required to give a holder of PLC Ordinary Shares notice of its right to be bought out within one month of the right arising. The offeror may impose a time limit on the rights of the minority holders of PLC Ordinary Shares to be bought out, but that period cannot end less than three months after the end of the acceptance period of the relevant takeover offer. If a holder of PLC Ordinary Shares exercises its rights, the offeror is bound to acquire those PLC Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

29.4 Concert Party Presumptions

Under the City Code, persons acting in concert comprise persons who, pursuant to an agreement or an understanding (whether formal or informal), co-operate to obtain control of a company or to frustrate the successful outcome of an offer for a company. Control means an interest, or interests, in shares carrying in aggregate 30% or more of the voting rights of the company, irrespective of whether such interest or interests give de facto control. Under the City Code, a number of presumptions operate such that certain categories of persons will be presumed to be persons acting in concert with the other persons in the same category unless the contrary is established. Under presumption number 9 in the definition of "acting in concert" in the City Code, shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Code applies will be presumed to be persons acting in concert with other persons in the same category unless the contrary is established. Given the overall circumstances of the Offer, based on the information provided by TBC PLC, the Panel has determined that this presumption number 9 is only applicable the shareholders in the Presumed Concert Party Group set forth in the table below. The members of the Presumed Concert Party Group are presumed to be acting in concert for the purposes of the Code under the above-mentioned presumption number 9 and/or other presumptions under the definition of "acting in concert" in the City Code. The below table shows details of the Presumed Concert Party Group's PLC Ordinary Shares and other interests

in PLC Ordinary Shares on Admission, awards of PLC Ordinary Shares to be made in 2016 after Admission and the maximum number of PLC Ordinary Shares which may be issued to any of them under the LTIP (including any variations to it) up to 31 December 2018:

	Number of PLC Ordinary Shares on Admission[1]	Number of other interests in PLC Ordinary Shares on Admission[1]	Minimum Percentage of TBC PLC Share Capital Interests on Admission[1]	Maximum Percentage of TBC PLC Share Capital Interests on Admission[2]	PLC Ordinary Shares to be issued under the LTIP in 2016 – 2018[3]	Minimum Percentage of TBC PLC Share Capital Interests as at 31 December 2018[4]	Maximum Percentage of TBC PLC Share Capital Interests as at 31 December 2018[5]
Mamuka Khazaradze	7,343,936[6]	1,568,298[7]	18.05%	23.74%	—	14.77%	19.37%
Badri Japaridze	3,669,878[6]	1,568,298[7]	10.61%	13.95%	—	7.38%	9.68%
Vakhtang Butskrikidze	829,058[8]	—	1.68%[8]	2.21%[8]	370,070	2.41%	3.16%
Temur Japaridze	1,382	—	—	—	552	—	—
Bob Meijer	851,813	—	1.73%	2.27%	—	1.71%	2.25%
David Khazaradze	702,349	—	1.42%	1.87%	—	1.41%	1.85%
Total	**13,398,416**	**3,136,596**	**33.49%**	**44.04%**	**370,622**	**27.68%**	**36.31%**

Note:

(1) Assuming full acceptance of the Offer (other than with respect to the Non-tendered LTIP Bank Shares).

(2) Assuming 75% acceptance of the Offer.

(3) Assuming all awards to Vakhtang Butskrikidze and Temur Japaridze under the LTIP are not reduced as a result of relevant conditions not being achieved.

(4) Assuming full acceptance of the Offer (other than with respect to the Non-tendered LTIP Bank Shares), that awards to Vakhtang Butskrikidze and Temur Japaridze under the Long Term Incentive Plan are not reduced as a result of relevant conditions not being achieved, that the derivative instrument with the Georgian Co-Investment Fund to which the Founders are parties expires at the end of its term on 31 December 2017 and that no other PLC Ordinary Shares are issued.

(5) Assuming 75% acceptance of the Offer (including non-acceptable of the Offer in respect of the Non-tendered LTIP Bank Shares currently held by members of the Bank's Management Board), that awards to Vakhtang Butskrikidze and Temur Japaridze under the LTIP are not reduced as a result of relevant conditions not being achieved, that the derivative instrument with the Georgian Co-Investment Fund to which the Founders are parties expires at the end of its term on 31 December 2017 and that no other PLC Ordinary Shares are issued.

(6) Excludes the Subscriber Shares and the Redeemable Shares.

(7) The Founders will be deemed to hold an additional interest over 6.4% of the TBC Share Capital as a result of a derivative instrument entered into with the Georgian Co-Investment Fund in June 2014. The term of the derivative instrument is until 31 December 2017.

(8) Includes 186,857 Non-tendered LTIP Bank Shares.

In total, therefore, the Presumed Concert Party Group would have a total interest in shares of TBC PLC, for the purposes of the City Code, of 33.49% on Admission (assuming full acceptance of the Offer other than with respect to the Non-tendered LTIP Bank Shares) and 44.04% on Admission (assuming 75% acceptance of the Offer). Whilst the Presumed Concert Party Group's aggregate interest in shares of TBC PLC is greater than 30% but less than 50%, any potential increase in the Presumed Concert Party Group's aggregate interest in shares in TBC PLC upon awards under the LTIP would normally oblige them under Rule 9 of the City Code to make a general cash offer to all shareholders to acquire shares held by them. However, the Panel has agreed to waive the obligation to make a general offer that could otherwise arise as a result of the award of PLC Ordinary Shares to Vakhtang Butskrikidze and/or Temur Japaridze under the LTIP to the extent consistent with the above description.

34.5 Acquisitions of further PLC Ordinary Shares following Admission

Existing holders should be aware that, following Admission, the members of the Presumed Concert Party Group may therefore hold interests of between 30% and 50% of TBC PLC's voting share capital and (if the Presumed Concert Party Group was deemed to exist at the relevant time) would not, without the consent of the Panel, be able to increase their interests in PLC Ordinary Shares (other than as a result of the award of PLC Ordinary Shares under the LTIP consistent with the above description) without incurring an obligation under the City Code to make a general offer for TBC PLC.

30. General

The accounting reference date of TBC PLC is 31 December.

The estimated fees and expenses relating to the Admission, the Offer and the preparation of this Prospectus, including the FCA's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately U.S.$6 million (excluding taxes) and are payable by the Bank. No proceeds will accrue to TBC PLC from the Offer.

On Admission, PLC Offer Shares will be listed on the premium listing segment of the Official List and admitted to trading on the Main Market under ISIN GB00BYT18307. Other than the current application for admission of the PLC Offer Shares to trading on the Main Market, the PLC Offer Shares have not been admitted to trading on any recognised investment exchange nor has any application for such admission been made, nor are there intended to be, any other arrangements for there to be dealings in the PLC Offer Shares.

The PLC Offer Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where PLC Offer Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where PLC Offer Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

As at the date of this Prospectus, in so far as is known to the PLC Directors, 30.6% of the share capital in the Bank is in public hands. Immediately following Admission, assuming full acceptance of the Offer (other than with respect to the Non-tendered LTIP Bank Shares), it is currently anticipated that 31.0% of the share capital of TBC PLC will be in public hands.

The PLC Directors are not aware of any environmental issues that may affect the TBC PLC's utilisation of its tangible fixed assets.

Save as set out in this Prospectus, the Group has not agreed to make any new principal investments as of the date of this Prospectus.

TBC PLC is not dependent on patents or licences or industrial, commercial or financial contracts or new manufacturing processes which are material to its business or profitability.

31. Consents

PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia branch has given and has not withdrawn its written consent to the inclusion of its audit opinion (the "**Report**") included in the Audited Consolidated Financial Statements, incorporated by reference in the Prospectus, as described in Part V of the Prospectus, in the form and context in which it appears, and has authorised the contents of its Report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. For the purposes of Prospectus Rule 5.5.3R(2)(f), PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia branch is responsible for the Report as part of the Prospectus and has declared that it has taken all reasonable care to ensure that the information contained in the Report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the PLC Offer Shares have not been, and will not be, registered under the US Securities Act, PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia branch has not filed a consent under Section 7 of the Securities Act.

For the purposes of Prospectus Rule 5.5.3R(2)(f) the Bank Supervisory Board is responsible for the statement attributed to it in the first paragraph of Paragraph 2.2 ("*Irrevocable Undertakings and Letters of Intent*") of Part IV "*Information on the Offer*" , has consented to its inclusion in the Prospectus and declares that it has taken all reasonable care to ensure that the information contained in that statement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

32. Documents Available For Inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus at the offices of TBC PLC at 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom and at the offices of the Bank at 7 Marjanishvili Street, Tbilisi 0102, Georgia:

- Articles of Association of TBC PLC;
- the Charter;
- the Unaudited Consolidated Interim Financial Statements, including the report of PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch thereon, incorporated by reference in this Prospectus;
- the Audited Consolidated Financial Statements, including the report of PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch thereon, incorporated by reference in this Prospectus;
- service agreements and letters of appointment (as applicable) with the PLC Directors;
- written consent from PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch;
- Resolutions of the Bank Supervisory Board in respect of Part IV ("*Information on the Offer*") and Part XVI ("*Directors and Senior Management*") of this Prospectus; and
- this Prospectus.

Dated: 1 June 2016

PART XXI

DEFINITIONS

Acceptance Condition	The acceptance condition set out in Paragraph 1.1(a) of Part XVII "*Conditions to and Further Terms of the Offer*" of the Prospectus
ADB	The Asian Development Bank
Admission	Admission of the PLC Offer Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
Admission Condition	The admission condition set out in Paragraph 1.1(c) of Part XVII "*Conditions to and Further Terms of the Offer*" of the Prospectus
AML	Anti-money laundering
AML Law	The Georgian Law on Facilitating the Prevention of Illicit Income Legalisation
Articles	the articles of association of TBC PLC adopted subject to the Offer being declared wholly unconditional at the general meeting held on 12 May 2016
Audited Consolidated Financial Statements	The Group's audited consolidated financial statements as of and for the year ended 31 December 2015 (which contains financial information for the years ended 31 December 2015, 2014 and 2013) and the notes thereto
Authorisation	Any regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals
AZN	The lawful currency of the Republic of Azerbaijan
Bank Share Capital	The existing issued share capital of the Bank as at the date of this Prospectus
Bank	TBC Bank Joint Stock Company
Bank Directors	Members of the Bank Supervisory Board and the Bank Management Board
Bank Management Board	The executive body responsible for the day-to-day management of the Bank, whose members appear on page 218 of this Prospectus
Bank Supervisory Board	The governing body with responsibility for the TBC Bank's business, risk strategy and financial soundness, whose members appear on page 217 of this Prospectus
Bank Share	An ordinary share of TBC Bank Joint Stock Company
Barclays	Barclays Bank PLC
Basel Committee	The Basel Committee on Banking Supervision
Brokerage Account	A brokerage and nominee holdings account that registered owners who hold Bank Shares directly through their personal account and wish to accept the Offer must open with the Georgian Exchange Agent prior to the Expiration Time
Business Day	Any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including in foreign exchange and foreign currency deposits) in New York City, London and Tbilisi
CAGR	The compound annual growth rate
CD	A certificate of deposit

Certification Form	The certification form included in Part XXII of this Prospectus, which must be completed by Bank Shareholders and GDR Holders in order to participate in the Offer
CIG	JSC Credit Information Georgia
City Code	The City Code on Takeovers and Mergers
Clearing System	Clearstream, Euroclear or DTC, as the case may be
Clearstream	Clearstream Banking, société anonyme
Common Terms Agreement	The April 2009 common terms agreement between TBC Bank and three of its IFI Investors (EBRD, FMO and IFC)
Companies Act	The UK Companies Act 2006, as amended
Conditions	The conditions of the Offer set out in Part XVIII "Conditions to and Further Terms of the Offer" of the Prospectus
Corporate Governance Code	The UK Corporate Governance Code published in September 2014 by the Financial Reporting Council, as amended from time to time
Court Hearing	The hearing by the English Court of the claim form to confirm the Reduction of Capital under section 468 of the Companies Act
CREST	The book-entry settlement system for equity securities in the United Kingdom and Ireland operated by Euroclear UK, or any successor entity thereto
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
Deposit Agreement	The English law governed deposit agreement (relating to an offering of GDRs representing Bank Shares) entered into by the Bank with The Bank of New York Mellon on 11 June 2014
Depositary	The Bank of New York Mellon
Disclosure and Transparency Rules	The Disclosure rules and Transparency Rules produced by the FCA and forming part of the handbook of the FCA, as amended from time to time
DTC	The Depository Trust Company
EBRD	The European Bank for Reconstruction and Development
EFSE	The European Fund for South East Europe
EGM	An extraordinary GMS
Electronic Instruction	An instruction to accept the Offer in whole or in part in respect of GDRs held through Clearstream and Euroclear (as the case may be) in the form specified by the relevant Clearing System on the terms set out in this Prospectus
EU	European Union
Euroclear	Euroclear Bank S.A./N.V.
Exchange Act	The Securities Exchange Act of 1934, as amended
Exchange Agent	The Bank of New York Mellon
Existing Holder	A Holder of Existing Securities
Existing Securities	All Bank Shares issued as of the date of the Prospectus, including Bank Shares represented by GDRs
Expiration Time	5:00 p.m. (London time) / 8:00 p.m. (Tbilisi time)/ 12:00 noon (New York time) on 4 August 2016 (or such later time(s) and/or date(s) as TBC PLC may decide, being no later than the Long Stop Date)
FCA	The UK Financial Conduct Authority

FMO	Nederlandse Financierings-Maatschappij voor ontwikkelingslanden N.V.
FMS	The Financial Monitoring Service of Georgia
FSA	The Financial Supervisory Agency
FSMA	The Financial Services and Markets Act 2000
Form of Acceptance	The form of acceptance included in Part XXII, Part A of this Prospectus, to be completed by Bank Shareholders in order to participate in the Offer
Founders	Mamuka Khazaradze and Badri Japaridze
GDR	Global depositary receipt
GDR Holder	A holder of GDRs
GDR Listing	The admission of the Bank's global depositary receipts to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities
GEL	Georgian Lari, the lawful currency of Georgia
Georgian Exchange Agent	TBC Capital LLC, an advisory affiliate of TBC Bank
Georgian Information Agent	TBC Capital LLC, an advisory affiliate of TBC Bank
Georgian Registrar	JSC Kavkasreestri
Geostat	Legal Entity of the Public Law National Statistics Office of Georgia
GMS	General meeting of Bank Shareholders
Group	Prior to Admission, the Bank and its subsidiaries, and following Admission, TBC PLC and its subsidiaries, including the Bank and its subsidiaries
HMRC	HM Revenue and Customs
IFC	The International Finance Corporation
IFI Investors	EBRD, FMO and IFC
IFRS	International Financial Reporting Standards
Information Agent	DF King
Instruction	For registered holders of Bank Shares, an instruction to the Georgian Exchange Agent with respect to the transfer and delivery of PLC Offer Shares
Irrevocable Undertakings	The irrevocable undertakings to accept the Offer received by the Bank and TBC PLC from each of the PLC Directors and the Bank Directors
IRS	The United States Internal Revenue Service
Letters of Intent	The indicative letters of intent to accept the Offer received by the Bank and TBC PLC from certain Existing Holders
Listing Rules	The rules relating to admission to the Official List made under section 73A(2) of FSMA, as amended from time to time
London Stock Exchange	London Stock Exchange plc
Long Stop Date	5:00 p.m. (London time) on 30 September 2016, the date on the Offer will lapse if it has not been declared unconditional in all respects
LTIP	TBC's long term incentive plan applicable to senior management compensation

NBG	The National Bank of Georgia
NBG Law	The Organic Law on the National Bank of Georgia
New York Convention	United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards
Non-performing Loan	A loan in respect of which any portion of principal or interest is overdue by more than 90 days or there is an identified underlying well-defined weaknesses that may prevent repayment without recourse to collateral
Non-tendered LTIP Bank Shares	Bank Shares awarded to members of TBC management under the LTIP but which are not expected to be tendered in the Offer in order to minimise Georgian tax implications otherwise applicable to the conversion of those Bank Shares at the time of the Offer
Offer	The offer (including any revision, variation, renewal or extension thereof) to be made by TBC PLC to the Existing Holders to acquire all the issued and to be issued Bank Shares (including Bank Shares that are represented by GDRs) in consideration for the allotment of PLC Offer Shares on the basis of one PLC Offer Share for one Bank Share (including Bank Shares represented by GDRs)
Offer Period	The period during which the Offer will remain open for acceptance, concluding at the Expiration Time
Official List	The UK Listing Authority's Official List
Overseas Existing Holders	Existing Holders who are resident or located in, or citizens or nationals of, jurisdictions outside the United Kingdom and Georgia
Panel	The Panel on Takeovers and Mergers
Participating Holders	Existing Holders who participate in the Offer
PLC Directors	The directors of TBC PLC, whose names appear on page 214 of this Prospectus
PLC Offer Shares	Up to 49,362,729 PLC Ordinary Shares issued and to be issued in connection with the Offer
PLC Ordinary Shares	Ordinary shares in the share capital of TBC PLC
Presumed Concert Party Group	The Founders together with Vakhtang Butskrikidze, Temur Japaridze, Bob Meijer and David Khazaradze
Prospectus Directive	Directive 2003/71/EC (as amended, including by Directive 2010/73/EU#)
Prospectus Rules	The Prospectus Rules of the FCA made under Section 73A of the FSMA
QIBs	Qualified institutional buyers within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A
Redeemable Shares	The 50,000 redeemable non-voting preference shares of £1.00 each in the share capital of TBC PLC
Reduction of Capital	The proposed reduction of the nominal value of the PLC Offer Shares in issue at the Reduction of Capital Record Time and the cancellation of the amount of the share premium account (if any) in existence at the Reduction of Capital Record Time in order to create distributable reserves
Reduction of Capital Record Time	6:00 p.m. on the business day in London immediately preceding the date of the Court Hearing

Regulation S	Regulation S under the Securities Act
Relationship Agreement	The relationship agreement between TBC PLC and each member of the Presumed Concert Party Group entered into on 31 May 2016
Relevant Member State	Each Member State of the European Economic Area which has implemented the Prospectus Directive
Restricted Jurisdiction	Australia, Canada, Japan, Russia, Ukraine or any jurisdiction where extension or acceptance of the Offer would violate the laws of that jurisdiction
Restructured Loan	A loan that has been restructured by TBC Bank because the customer was experiencing or may have faced difficulties with loan repayment
ROE	Return on equity
SEC	United States Securities and Exchange Commission
Securities Act	The United States Securities Act of 1933, as amended
Shareholder Acceptance	A valid acceptance of the Offer in accordance with its terms
Sponsor	Barclays Bank PLC
Subscriber Shares	Two ordinary shares in the capital of TBC PLC, which will be acquired for nil consideration by TBC PLC following Admission and cancelled
TBC	Prior to Admission, the Bank and its subsidiaries, and following Admission, TBC PLC and its subsidiaries, including the Bank and its subsidiaries
TBC Bank	TBC Bank Joint Stock Company
TBC PLC	TBC Bank Group PLC
TBC PLC Board	The board of directors of TBC PLC
TBC PLC Shareholder	An absolute beneficial holder of a PLC Offer Share who is resident and, if an individual, domiciled in the UK for taxation purposes and does not have a permanent establishment or fixed base in any other jurisdiction with which the holding of the PLC Offer Share is connected
TBC PLC Shares	Prior to Admission, the Redeemable Shares and Subscriber Shares, and following Admission, the PLC Offer Shares
Tender Offer Documents	The Prospectus, the Tender Offer Proposal, the Form of Acceptance and the Certification Form
Tender Offer Proposal	the Georgian law document distributed to Bank Shareholders describing the Offer, dated one Business Day after the date of this Prospectus and made available from around the date of this Prospectus on the website www.tbcbankgroup.com.
UK Registrar	Equiniti Limited
UK Listing Authority, UKLA	United Kingdom Financial Conduct Authority, acting as the competent authority under Part VI of the UK Financial Services and Markets Act 2000. In this role, the United Kingdom Financial Conduct Authority is a securities regulator, focused on companies which issue securities traded in financial markets
Unaudited Consolidated Interim Financial Statements	The Group's unaudited consolidated financial statements as of and for the three months ended 31 March 2016 and 2015 and the notes thereto
US Dollars, Dollars or U.S.$	The US Dollar, the lawful currency of the United States of America

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PART XXII

ACCEPTANCE DOCUMENTS

PART A

FORM OF ACCEPTANCE

ACCEPTANCE NOTICE OF TENDER OFFER REGARDING SHARES ISSUED BY TBC BANK JSC

Acceptor (registered holder)

Name / Company: _____

Passport/ID No. / Company ID No.: _____

Permanent residence / Company office: _____

Name and position of person(s) authorised to act on behalf of the accepting shareholder: _____

Phone No.: _____

E-mail: _____

On 26 February 2016, TBC Bank Group PLC, incorporated and registered in England and Wales under the Companies Act 2006 with registered number 10029943 (the "**Offeror**"), published a tender offer proposal (the "**Tender Offer Proposal**"). The Tender Offer Proposal contains an offer by the Offeror to acquire ordinary shares, **ISIN**: GE1190003354 issued by **TBC Bank JSC**, having its registered office at 7 Marjanishvili Street, Tbilisi, Georgia 0102 (hereinafter referred to as the "**Ordinary TBC Shares**"), in consideration for newly issued ordinary shares in the share capital of TBC Bank Group PLC ("**PLC Offer Shares**") with one TBC PLC Share being issued for each tendered Ordinary TBC Share (the "**Offer**").

I hereby give my unconditional instruction to accept the Offer, including all Offer conditions stipulated in the Tender Offer Documents, relating to the number of Ordinary TBC Shares specified below.

Number of Ordinary TBC Shares:

Account No. with JSC Kavkasreestri: _____

Account maintained by: JSC Kavkasreestri _____

In _____ on _____

_____

Signature of the accepting registered holder

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other authorised independent financial adviser.

This form of acceptance notice ("Acceptance Notice") should be read in conjunction with the accompanying Tender Offer Proposal. Unless the context otherwise requires, the definitions contained in the Tender Offer Proposal also apply in this Acceptance Notice.

This Acceptance Notice does not constitute an offer to sell, or the solicitation of an offer to buy, any PLC Offer Shares, in any jurisdiction in which such offer or solicitation is unlawful. The PLC Offer Shares have not been and will not be registered under any of the applicable securities laws of Australia, Canada, Japan, Russia, Ukraine or any other jurisdiction where to do so would violate the laws of that jurisdiction (each, a "Restricted Jurisdiction"). Subject to certain exceptions, the PLC Offer Shares may not be offered or sold within a Restricted Jurisdiction or to any national, resident or citizen of a Restricted Jurisdiction.

PART B

CERTIFICATION FORM FOR BANK SHAREHOLDERS

CERTIFICATION FORM

This is the certification form for use by holders of Bank Shares who wish to accept the Offer.

TBC Bank Group PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 10029943)

Recommended tender offer (the "Offer") by TBC Bank Group PLC ("TBC PLC") of one PLC Offer Share for each ordinary share (each, a "Bank Share") of TBC Bank Joint Stock Company (the "Bank" or "TBC Bank"), including Bank Shares represented by global depositary receipts ("GDRs"), in connection with the proposed introduction of TBC PLC as the new holding company of the TBC Bank group of companies and the proposed application for admission of up to 49,362,729 PLC Offer Shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange.

BANK SHARE ISIN: GE1190003354

This document must be read in conjunction with the Tender Offer Documents. Terms used in this document and not defined shall have the meaning assigned to them in the Tender Offer Documents. All Bank Shareholders who wish to accept the Offer must complete the information below and sign this Certification Form. Bank Shareholders that are unable to certify in accordance with this Certification Form may not accept the Offer.

Bank Shareholders must send the signed Certification Form by hand delivery, mail or courier to the Georgian Exchange Agent to be received before the Expiration Time as follows:

If by Hand Delivery, Mail or Courier:

TBC Capital LLC
7 Marjanishvili Street
Tbilisi, 0102
Georgia

If a broker, nominee or other intermediary is accepting the Offer on behalf of multiple registered owners of the Bank Shares, a Certification Form must be completed and returned in respect of each registered owner.

Total number of Bank Shares tendered for acceptance in the Offer: _____

Registered owner: _____

Registered holder (if different from the registered owner): _____

_____

Telephone: _____

Fax: _____

E-mail: _____

In addition to completing and sending this signed Certification Form to the Georgian Exchange Agent, Bank Shareholders will need (1) either (i) to complete and sign a Form of Acceptance and send it to the Georgian Exchange Agent; or (ii) to make the acceptance orally to the designated representative of the Georgian Exchange Agent, provided that the Georgian Exchange Agent confirms the receipt of acceptance to the relevant Bank Shareholder in writing; and (2) to transfer, or arrange for the transfer of, the Bank Shares that they are tendering for acceptance to TBC PLC's account with the Georgian Exchange Agent in accordance with the requirements of the Tender Offer Proposal, in each case to be received by the Georgian Exchange Agent before the Expiration Time.

By accepting the Offer and completing and delivering this Certification Form, you certify, acknowledge, represent and agree to the following statements:

General Authorities and Undertakings:

1. You are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) the holder of the number of Bank Shares specified above.

2. You agree (or if you are accepting of the Offer on behalf of another person, such person has confirmed to you that it agrees) to the terms and conditions contained in the Tender Offer Documents. You confirm (or if you are accepting of the Offer on behalf of another person, such person has confirmed to you that it confirms) you are able to read and comprehend the Tender Offer Documents in the English language and do not require a translation of any of them.

US, Non-US and Restricted Jurisdiction Securities Laws Restrictions:

3. You are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) **either**:

   - A US Holder

   or

   - A Non-US Holder

   Please check the appropriate box.

4. If you are (or if you are accepting the Offer on behalf of another person and if such person has confirmed to you that it is) a US Holder:

   (a) you are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) a qualified institutional buyer as defined in Rule 144A under the Securities Act ("**QIB**"), or an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act ("**Institutional Accredited Investor**") and, if you are (or if such person) is acquiring PLC Offer Shares as a fiduciary or agent for one or more investor accounts, you confirm (or if you are accepting the Offer on behalf of another person, such person has confirmed to you) that each owner of such account is a QIB or an Institutional Accredited Investor;

   (b) you are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) aware, and each prospective registered owner of PLC Offer Shares has been advised, that the PLC Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and that the offer and sale to you or it (or to such registered owner) is being made in a transaction exempt from registration under the Securities Act;

   (c) you are acquiring PLC Offer Shares for your own account or for the account of a QIB or an Institutional Accredited Investor as to which you have full investment discretion (and you have full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof; or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is acquiring PLC Offer Shares for its own account or for the account of a QIB or an Institutional Accredited Investor as to which it has full investment discretion (and that it has full power and authority to make the acknowledgements, representations and

agreements herein through you on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(d) you are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) aware that the PLC Offer Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(e) you understand and agree (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it understands and agrees) that, although offers and sales of the PLC Offer Shares in connection with the Offer are being made to QIBs and Institutional Accredited Investors, all such offers and sales are being made pursuant to Section 4(a)(2) of the Securities Act and not pursuant to Rule 144A thereunder with respect to offers and sales to QIBs;

(f) you are an institution and you, and each other QIB or Institutional Accredited Investor, if any, for whose account you are acquiring the PLC Offer Shares in exchange for the Bank Shares (i) have such knowledge and experience in financial and business matters that you are/it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) have the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is an institution and it, and each other QIB or Institutional Accredited Investor, if any, for whose account it is acquiring the PLC Offer Shares in exchange for the Bank Shares (i) have such knowledge and experience in financial and business matters that they are/it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) have the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; and

(g) you have had (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it has had) access to the financial and other information regarding TBC PLC that you have/it has requested in connection with your/its investment decision to subscribe for or acquire PLC Offer Shares in exchange for the Bank Shares and you have/it has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to your/its investment in the PLC Offer Shares.

5. If you are (or if you are accepting the Offer on behalf of another person and if such person has confirmed to you that it is) a Non-US Holder:

(a) you have not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it has not) received or sent copies or originals of the Tender Offer Documents or any related documents in, into or from the United States;

(b) you are not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside the United States;

(c) you are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) accepting the Offer from outside the United States and you were/it was outside the United States at the time of your/its acceptance of the Offer; and

(d) you are not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is not) accepting the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into the United States and will not hold or acquire any PLC Offer Shares for any person who you have/it has reason to believe is purchasing for the purpose of such offer, sale, resale or delivery.

6. You acknowledge (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it acknowledges) that: (a) PLC Offer Shares have not been, and will not be, registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the United States; and (b) the PLC Offer Shares may not be offered, sold, pledged or otherwise transferred, except (i) outside the United States in offshore transactions in

accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

7. You acknowledge (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it acknowledges) that acquirers of PLC Offer Shares must notify any subsequent transferees of any applicable resale or transfer restrictions relating to the PLC Offer Shares as set out in Paragraph 6 of this Certification Form.

8. You have not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it has not) received or sent copies or originals of the Tender Offer Proposal or any related documents in, into or from a Restricted Jurisdiction.

9. You have not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction.

10. You are not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction.

11. If you are (or if you are accepting the Offer on behalf of another person and if such person has confirmed to you that it is) a citizen, resident or national of a jurisdiction outside the United Kingdom or Georgia, you have (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it has) observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that you have not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it has not) taken or omitted to take any action that will or may result in TBC PLC, the Bank, the Georgian Exchange Agent, the Exchange Agent, the UK Registrar, the Depositary, Barclays or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or your/its acceptance of the Offer.

12. You are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) accepting the Offer from outside a Restricted Jurisdiction and you were/it was outside those jurisdictions at the time of your/its acceptance of the Offer.

13. You are not (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is not) accepting the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into any Restricted Jurisdiction and will not hold or acquire any PLC Offer Shares for any person who you have/it has reason to believe is purchasing for the purpose of such offer, sale, resale or delivery.

14. If you are (or if you are accepting the Offer on behalf of another person and if such person has confirmed to you that it is) a corporation or a legal entity, you are (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it is) duly incorporated and existing pursuant to the legislation of the jurisdiction of your/its incorporation, and the acceptance of the Offer orally or through completion and delivery of the Form of Acceptance and the completion and delivery of this Certification Form and/or, in each case, any action envisaged in connection therewith does not and will not violate any provisions of your/its constitutional documents, conflict with any agreements to which you are/it is a party, or violate or be contrary to any law (regulatory act) or non-normative act, resolution, order, decision or other act of any state authority, decision, order, writ or other act of a court of any jurisdiction, court of arbitration or arbitration panel applicable to us/it.

Governing Law and Submission to Jurisdiction

15. You agree (and if you are accepting the Offer on behalf of another person, such person has confirmed to you that it agrees) that this Certification Form and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Certification Form shall be governed by and construed in accordance with English law, except that the statutory tender offer provisions relating to the Bank Shares shall be governed by Georgian law.

16. Your execution of this Certification Form constitutes your submission (or, if you are accepting the Offer on behalf of another person, such person has confirmed to you that such person so submits) to the exclusive jurisdiction of the courts of England and Wales to settle any dispute arising out of or connected with the Offer, except in relation to those matters over which the courts of Georgia have exclusive jurisdiction.

Reliance on Certification

17. You acknowledge and agree (or if you are accepting the Offer on behalf of another person, such person has confirmed to you that it acknowledges and agrees) that each of TBC PLC, the Bank, the Georgian Exchange Agent, the Exchange Agent, the UK Registrar, the Depositary, Barclays and each of their affiliates, employees, directors and officers and counsel may rely on the instructions, certifications, representations, acknowledgements and agreements made in this Certification Form and that such instructions, certifications, representations, acknowledgements and agreements will be deemed to be given as of the date on which you accept the Offer and at all stages of the Offer thereafter through and including the date of the distribution of the PLC Offer Shares.

Signed and delivered:

_____

[Name of certifying entity]

By:_____

Title: _____

PART C

CERTIFICATION FORM FOR REGULATION S GDR HOLDERS

CERTIFICATION FORM

This is the certification form for use by holders of Regulation S GDRs who wish to instruct the Exchange Agent to accept the Offer.

TBC Bank Group PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 10029943)

Recommended tender offer (the "Offer") by TBC Bank Group PLC ("TBC PLC") of one PLC Offer Share for each ordinary share (each, a "Bank Share") of TBC Bank Joint Stock Company (the "Bank" or "TBC Bank"), including Bank Shares represented by global depositary receipts ("GDRs"), in connection with the proposed introduction of TBC PLC as the new holding company of the TBC Bank group of companies and the proposed application for admission of up to 49,362,729 PLC Offer Shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange.

Regulation S GDR CUSIP: 87217U208
Regulation S GDR ISIN: US87217U2087
Regulation S GDR Common Code: 107237402

This document must be read in conjunction with the Prospectus. Terms used in this document and not defined shall have the meaning assigned to them in the Prospectus. All Regulation S GDR Holders who wish to instruct the Exchange Agent to accept the Offer must complete the information below and sign this Certification Form. Regulation S GDR Holders that are unable to certify in accordance with this Certification Form may not instruct the Exchange Agent to accept the Offer.

Regulation S GDR Holders do not need to return this Certification Form, but are required to complete and retain on file an original executed version and may be required to furnish such original executed Certification Form promptly upon the request of TBC PLC or the Exchange Agent at any time. If a Clearing System participant is instructing the Exchange Agent to accept the Offer on behalf of multiple Regulation S GDR Holders, a Certification Form must be completed and retained on file for record purposes by each Regulation S GDR Holder.

Euroclear/Clearstream Instruction Reference No.: _____

Total number of Regulation S GDRs as to which instructions are being given to the Exchange Agent to accept the Offer: _____

Participant name: _____

Contact person at participant: _____

Telephone: _____

Fax: _____

E-mail: _____

Address of participant: _____

In addition to completing and retaining this Certification Form, Regulation S GDR Holders will need to provide an Electronic Instruction in order to instruct the Exchange Agent to accept the Offer in accordance with the relevant procedures of, and deadlines set by, the relevant Clearing System(s). By submitting or delivering an Electronic Instruction through a Clearing System, a Regulation S GDR Holder is deemed to authorise the relevant Clearing System to disclose their identity, holdings and Clearing System account details to the Exchange Agent which may disclose such information to TBC PLC, the Bank, the Georgian Exchange Agent, the Exchange Agent, the UK Registrar, the

Depositary or their respective employees, officers or advisers. All Regulation S GDR Holders who wish to instruct the Exchange Agent to accept the Offer must submit their Electronic Instruction through the relevant Clearing System(s) and in accordance with the detailed instructions given by the Clearing System(s).

ONLY A DIRECT PARTICIPANT OF THE CLEARING SYSTEMS MAY ELECTRONICALLY CERTIFY AS TO THE STATUS OF A GDR HOLDER AND CERTAIN OTHER MATTERS, IN ACCORDANCE WITH THE CERTIFICATIONS, REPRESENTATIONS, ACKNOWLEDGMENTS AND AGREEMENTS SET FORTH BELOW. A REGULATION S GDR HOLDER THAT IS NOT A PARTICIPANT OF THE CLEARING SYSTEMS MUST ARRANGE FOR THE PARTICIPANT OF THE RELEVANT CLEARING SYSTEM THROUGH WHICH IT HOLDS GDRS ELECTRONICALLY TO ELECT AND CERTIFY AS TO ELIGIBLE GDR HOLDER STATUS ON BEHALF OF SUCH GDR HOLDER IN ACCORDANCE WITH THE INSTRUCTIONS AND PROCEDURES OF, AND DEADLINES ESTABLISHED BY, THE RELEVANT CLEARING SYSTEM. A GDR HOLDER (DIRECTLY OR INDIRECTLY THROUGH A PARTICIPANT OF THE CLEARING SYSTEMS) WHO TIMELY AND VALIDLY ELECTRONICALLY CERTIFIES ITS STATUS AS AN ELIGIBLE GDR HOLDER BY GIVING AN ELECTRONIC INSTRUCTION IN ACCORDANCE WITH THE INSTRUCTIONS AND PROCEDURES OF, AND DEADLINES ESTABLISHED BY, THE CLEARING SYSTEMS MUST HAVE CAREFULLY READ THIS CERTIFICATION FORM AND THE PROSPECTUS.

Each participant giving an Electronic Instruction certifies, acknowledges, represents and agrees to the following statements:

General Authorities and Undertakings:

1. You are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) the holder of the number of Regulation S GDRs specified in the Electronic Instruction.

2. You represent, warrant, acknowledge, undertake and agree (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it represents, warrants, acknowledges, undertakes and agrees) as provided in Paragraph 5.3(d) of Part B of Part XVII of the Prospectus.

US, Non-US and Restricted Jurisdiction Securities Laws Restrictions:

3. You are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) **either**:

   - A US Holder

   or

   - A Non-US Holder

   Please check the appropriate box.

4. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a US Holder:

   (a) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) a qualified institutional buyer as defined in Rule 144A under the Securities Act ("**QIB**"), or an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act ("**Institutional Accredited Investor**") and, if you are (or if such person) is acquiring PLC Offer Shares as a fiduciary or agent for one or more investor accounts, you confirm (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you) that each owner of such account is a QIB or an Institutional Accredited Investor;

   (b) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) aware, and each prospective beneficial owner of PLC Offer Shares has been advised, that the PLC Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and that the offer and sale to you or it (or such beneficial owner) is being made in a transaction exempt from registration under the Securities Act;

(c) you are acquiring PLC Offer Shares for your own account or for the account of a QIB or an Institutional Accredited Investor as to which you have full investment discretion (and you have full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof; or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is acquiring PLC Offer Shares for its own account or for the account of a QIB or an Institutional Accredited Investor as to which it has full investment discretion (and that it has full power and authority to make the acknowledgements, representations and agreements herein through you on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(d) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) aware that the PLC Offer Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(e) you understand and agree (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it understands and agrees) that, although offers and sales of the PLC Offer Shares are being made to QIBs and Institutional Accredited Investors, all such offers and sales are being made pursuant to Section 4(a)(2) of the Securities Act and not pursuant to Rule 144A thereunder with respect to offers and sales to QIBs;

(f) you are an institution and you, and each other QIB or Institutional Accredited Investor, if any, for whose account you are acquiring the PLC Offer Shares (i) have such knowledge and experience in financial and business matters that you are/it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) have the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is an institution and it, and each other QIB or Institutional Accredited Investor, if any, for whose account it is acquiring the PLC Offer Shares (i) have such knowledge and experience in financial and business matters that they are/it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) have the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; and

(g) you have had (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has had) access to the financial and other information regarding TBC PLC that you have/it has requested in connection with your/its investment decision to subscribe for or acquire PLC Offer Shares and you have/it has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to your/its investment in the PLC Offer Shares.

5. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a Non-US Holder:

(a) you have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) received or sent copies or originals of the Prospectus or any related documents in, into or from the United States;

(b) you have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States;

(c) you are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside the United States;

(d) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) giving an instruction to accept the Offer from outside the United States and you were/it was outside the United States at the time of the input and delivery of the Electronic Instruction; and

(e) you are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into the United States and will not hold or acquire any PLC Offer Shares for any person who you have/it has reason to believe is purchasing for the purpose of such offer, sale, resale or delivery.

6. You acknowledge (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it acknowledges) that: (a) PLC Offer Shares have not been, and will not be, registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the United States; and (b) the PLC Offer Shares may not be offered, sold, pledged or otherwise transferred, except (i) outside the United States in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

7. You acknowledge (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it acknowledges) that acquirers of PLC Offer Shares must notify any subsequent transferees of any applicable resale or transfer restrictions relating to the PLC Offer Shares as set out in Paragraph 6 of this Certification Form.

8. You have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) received or sent copies or originals of the Prospectus or any related documents in, into or from a Restricted Jurisdiction.

9. You have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction.

10. You are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction.

11. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a citizen, resident or national of a jurisdiction outside the United Kingdom or Georgia, you have (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has) observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that you have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) taken or omitted to take any action that will or may result in TBC PLC, the Bank, the Georgian Exchange Agent, the Exchange Agent, the UK Registrar, the Depositary, Barclays or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or your/its instruction to accept the Offer.

12. You are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) giving an instruction to accept the Offer from outside a Restricted Jurisdiction and you were/it was outside those jurisdictions at the time of the input and delivery of the Electronic Instruction.

13. You are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into any Restricted Jurisdiction and will not hold or acquire any PLC Offer Shares for any person who you have/it has reason to believe is purchasing for the purpose of such offer, sale, resale or delivery.

14. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a corporation or a legal entity, you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) duly incorporated and existing pursuant to the legislation of the jurisdiction of your/its incorporation, and the acceptance of the Offer and the giving of the Electronic Instruction, this Certification Form, and/ or, in each case, any action envisaged in connection therewith does not and will not violate any provisions of your/its constitutional documents, conflict with any agreements to which you are/it is a party, or violate or be contrary to any law (regulatory act) or non-normative act, resolution, order, decision or other act of any state authority, decision, order, writ or other act of a court of any jurisdiction, court of arbitration or arbitration panel applicable to you/it.

Governing law and submission to Jurisdiction:

15. You agree (and if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it agrees) that this Certification Form and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Certification Form shall be governed by and construed in accordance with English law, except that the statutory tender offer provisions relating to the Bank Shares shall be governed by Georgian law.

16. Your execution of this Certification Form constitutes your submission (or, if you are accepting the Offer on behalf of another person, such person has confirmed to you that such person so submits) to the exclusive jurisdiction of the courts of England and Wales to settle any dispute arising out of or connected with the Offer, except in relation to those matters over which the courts of Georgia have exclusive jurisdiction.

Reliance on Certification:

17. You acknowledge and agree (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it acknowledges and agrees) that each of TBC PLC, the Bank, the Georgian Exchange Agent, the Exchange Agent, the UK Registrar, the Depositary, Barclays and each of their respective affiliates, employees, directors and officers and counsel may rely on the instructions, certifications, representations, acknowledgements and agreements made in this Certification Form and that such instructions, certifications, representations, acknowledgements and agreements will be deemed to be given as of the date on which you give the Electric Instruction and at all stages of the Offer thereafter through and including the date of the distribution of the PLC Offer Shares.

Signed and delivered:

_____

[Name of certifying entity]

By:_____

Title: _____

Note: Regulation S GDR Holders do not need to return this Certification Form, but are required to complete and retain on file an original executed version and may be required to furnish such original executed Certification Form promptly upon the request of TBC PLC or the Exchange Agent at any time.

PART D

CERTIFICATION FORM FOR RULE 144A GDR HOLDERS

CERTIFICATION FORM

This is the certification form for use by holders of Rule 144A GDRs who wish to instruct the Exchange Agent to accept the Offer.

TBC Bank Group PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 10029943)

Recommended tender offer (the "Offer") by TBC Bank Group PLC ("TBC PLC") of one PLC Offer Share for each ordinary share (each, a "Bank Share") of TBC Bank Joint Stock Company (the "Bank" or "TBC Bank"), including Bank Shares represented by global depositary receipts ("GDRs"), in connection with the proposed introduction of TBC PLC as the new holding company of the TBC Bank group of companies and the proposed application for admission of up to 49,362,729 PLC Offer Shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange.

Rule 144A GDR CUSIP: 87217U109
Rule 144A GDR ISIN: US87217U1097
Rule 144A GDR Common Code: 107236503

This document must be read in conjunction with the Prospectus. Terms used in this document and not defined shall have the meaning assigned to them in the Prospectus. All Rule 144A GDR Holders who wish to instruct the Exchange Agent to accept the Offer must complete the information below and sign this Certification Form. Rule 144A GDR Holders that are unable to certify in accordance with this Certification Form may not instruct the Exchange Agent to accept the Offer. Rule 144A GDR Holders must also complete a Delivery Instruction Notice.

Rule 144A GDR Holders must send the signed Certification Form and the Delivery Instruction Notice (which must bear an original manual signature and a Medallion signature guarantee) by hand delivery, mail or courier to the Exchange Agent to be received before the GDR Expiration Time as follows:

BNY Mellon Depositary Receipts
101 Barclay Street, Floor 22nd West
New York, NY 10286
Attn: Agness Moskovits/Mark Gendler

If a DTC participant is instructing the Exchange Agent to accept the Offer on behalf of multiple Rule 144A GDR Holders, a Certification Form and a Delivery Instruction Notice must be completed and returned in respect of each Rule 144A GDR Holder.

DTC transaction reference number: _____

Total number of Rule 144A GDRs as to which instructions are being given to the Exchange Agent to accept the Offer: _____

Participant name: _____

Contact person at participant: _____

Telephone: _____

Fax: _____

E-mail: _____

Address of participant: _____

Broker name: _____

In addition to completing and sending a signed Certification Form and a Delivery Instruction Notice to the Exchange Agent and in order to instruct the Exchange Agent to accept the Offer, Rule 144A GDR Holders will need to give, or procure the giving of, an Instruction within DTC transferring the relevant number of Rule 144A GDRs to the account of the Exchange Agent (participant 2504) to be received before the GDR Expiration Time. DTC participants and other brokers and securities intermediaries though which GDRs are held may set their own earlier cut-off dates and times for customers to give instructions to accept the Offer. GDR Holders who hold Rule 144A GDRs through a broker or other securities intermediary must contact that firm or person to determine the cut-off date and time applicable to them.

By giving, or procuring the giving of, an Instruction, you certify, acknowledge, represent and agree to the following statements:

General Authorities and Undertakings:

1. You are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) the holder of the number of Rule 144A GDRs specified in the Instruction.

2. You represent, warrant, acknowledge, undertake and agree (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it represents, warrants, acknowledges, undertakes and agrees) as provided in Paragraph 5.4(i) of Part B of Part XVII of the Prospectus.

US, Non-US and Restricted Jurisdiction Securities Laws Restrictions:

3. You are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) **either**:

   - A US Holder

   or

   - A Non-US Holder

   Please check the appropriate box.

4. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a US Holder:

   (a) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) a qualified institutional buyer as defined in Rule 144A under the Securities Act ("**QIB**"), or an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act ("**Institutional Accredited Investor**") and, if you are (or if such person) is acquiring PLC Offer Shares as a fiduciary or agent for one or more investor accounts, you confirm (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you) that each owner of such account is a QIB or an Institutional Accredited Investor;

(b) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) aware, and each prospective beneficial owner of PLC Offer Shares has been advised, that the PLC Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and that the offer and sale to you or it (or such beneficial owner) is being made in a transaction exempt from registration under the Securities Act;

(c) you are acquiring PLC Offer Shares for our own account or for the account of a QIB or an Institutional Accredited Investor as to which you have full investment discretion (and you have full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof; or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is acquiring PLC Offer Shares for its own account or for the account of a QIB or an Institutional Accredited Investor as to which it has full investment discretion (and that it has full power and authority to make the acknowledgements, representations and agreements herein through you on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(d) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) aware that the PLC Offer Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(e) you understand and agree (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it understands and agrees) that, although offers and sales of the PLC Offer Shares are being made to QIBs and Institutional Accredited Investors, all such offers and sales are being made pursuant to Section 4(a)(2) of the Securities Act and not pursuant to Rule 144A thereunder with respect to offers and sales to QIBs;

(f) you are an institution and you, and each other QIB or Institutional Accredited Investor, if any, for whose account you are acquiring the PLC Offer Shares (i) have such knowledge and experience in financial and business matters that you are/it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) have the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is an institution and it, and each other QIB or Institutional Accredited Investor, if any, for whose account it is acquiring the PLC Offer Shares (i) have such knowledge and experience in financial and business matters that they are/it is capable of evaluating the risks and merits of an investment in the PLC Offer Shares and (ii) have the financial ability to bear the economic risk of an investment in the PLC Offer Shares and adequate means for providing for current needs and possible contingencies; and

(g) you have had (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has had) access to the financial and other information regarding TBC PLC that you have/it has requested in connection with your/its investment decision to subscribe for or acquire PLC Offer Shares and you have/it has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to your/its investment in the PLC Offer Shares.

5. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a Non-US Holder:

(a) you have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) received or sent copies or originals of the Prospectus or any related documents in, into or from the United States;

(b) you have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality

(including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States;

(c) you are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside the United States;

(d) you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) giving an instruction to accept the Offer from outside the United States and you were/it was outside the United States at the time of the input and delivery of the Instruction; and

(e) you are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into the United States and will not hold or acquire any PLC Offer Shares for any person who you have/it has reason to believe is purchasing for the purpose of such offer, sale, resale or delivery.

6. You acknowledge (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it acknowledges) that: (a) PLC Offer Shares have not been, and will not be, registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the United States; and (b) the PLC Offer Shares may not be offered, sold, pledged or otherwise transferred, except (i) outside the United States in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

7. You acknowledge (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it acknowledges) that acquirers of PLC Offer Shares must notify any subsequent transferees of any applicable resale or transfer restrictions relating to the PLC Offer Shares as set out in Paragraph 6 of this Certification Form.

8. You have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) received or sent copies or originals of the Prospectus or any related documents in, into or from a Restricted Jurisdiction.

9. You have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction.

10. You are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction.

11. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a citizen, resident or national of a jurisdiction outside the United Kingdom or Georgia, you have (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has) observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that you have not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it has not) taken or omitted to take any action that will or may result in TBC PLC, the Bank, the Georgian Exchange Agent, the Exchange Agent, the UK

Registrar, the Depositary, Barclays or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or your/its instruction to accept the Offer.

12. You are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) giving an instruction to accept the Offer from outside a Restricted Jurisdiction and you were/it was outside those jurisdictions at the time of the input and delivery of the Instruction.

13. You are not (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is not) making an instruction to accept the Offer with a view to the offer, sale, resale or delivery, directly or indirectly, of any PLC Offer Shares in or into any Restricted Jurisdiction and will not hold or acquire any PLC Offer Shares for any person who you have/it has reason to believe is purchasing for the purpose of such offer, sale, resale or delivery.

14. If you are (or if you are instructing the acceptance of the Offer on behalf of another person and if such person has confirmed to you that it is) a corporation or a legal entity, you are (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it is) duly incorporated and existing pursuant to the legislation of the jurisdiction of your/its incorporation, and the acceptance of the Offer and the giving of the Instruction, this Certification Form and/or, in each case, any action envisaged in connection therewith does not and will not violate any provisions of your/its constitutional documents, conflict with any agreements to which you are/it is a party, or violate or be contrary to any law (regulatory act) or non-normative act, resolution, order, decision or other act of any state authority, decision, order, writ or other act of a court of any jurisdiction, court of arbitration or arbitration panel applicable to you/it.

Governing Law and Submission to Jurisdiction:

15. You agree (and if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it agrees) that this Certification Form and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Certification Form shall be governed by and construed in accordance with English law, except that the statutory tender offer provisions relating to the Bank Shares shall be governed by Georgian law.

16. Your execution of this Certification Form constitutes your submission (or, if you are accepting the Offer on behalf of another person, such person has confirmed to you that such person so submits) to the exclusive jurisdiction of the courts of England and Wales to settle any dispute arising out of or connected with the Offer, except in relation to those matters over which the courts of Georgia have exclusive jurisdiction.

Reliance on Certification:

17. You acknowledge and agree (or if you are instructing the acceptance of the Offer on behalf of another person, such person has confirmed to you that it acknowledges and agrees) that each of TBC PLC, the Bank, the Georgian Exchange Agent, the Exchange Agent, the UK Registrar, the Depositary, Barclays and each of their respective affiliates, employees, directors and officers and counsel may rely on the instructions, certifications, representations, acknowledgements and agreements made in this Certification Form and that such instructions, certifications, representations, acknowledgements and agreements will be deemed to be given as of the date on which you give the Instruction and at all stages of the Offer thereafter through and including the date of the distribution of the PLC Offer Shares.

Signed and delivered:

_____

[Name of certifying entity]

By:_____

Title: _____

PART E

DELIVERY INSTRUCTION NOTICE FOR RULE 144A GDR HOLDERS

DELIVERY INSTRUCTION NOTICE

TBC Bank Group PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 10029943)

Recommended tender offer (the "Offer") by TBC Bank Group PLC ("TBC PLC") of one PLC Offer Share for each ordinary share (each, a "Bank Share") of TBC Bank Joint Stock Company (the "Bank" or "TBC Bank"), including Bank Shares represented by global depositary receipts ("GDRs"), in connection with the proposed introduction of TBC PLC as the new holding company of the TBC Bank group of companies and the proposed application for admission of up to 49,362,729 PLC Offer Shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange.

Rule 144A GDR CUSIP: 87217U109
Rule 144A GDR ISIN: US87217U1097
Rule 144A GDR Common Code: 107236503

From: The Bank of New York Mellon, the Exchange Agent

To: Holders of the GDRs

Dear GDR Holder:

- On 15 October 2015, the Bank announced the intention to re-domicile to the United Kingdom and list on the premium segment of the Official List. This will be implemented by means of the Offer made by TBC PLC for Bank Shares, including Bank Shares represented by GDRs, on the terms and conditions set out in the offer document published on 1 June 2016 (the "**Prospectus**").
- Under the Offer, GDR Holders who instruct acceptance of the Offer will be entitled to receive one (1) PLC Offer Share for each one (1) GDR validly tendered. You should deliver your GDRs to the Exchange Agent's DTC account (no. 2504) and insert the DTC transaction reference number below. Pursuant to the Prospectus, if you have requested to take book-entry delivery of the TBC PLC ordinary shares in CREST, you must complete, execute and return this Delivery Instruction Notice, which should be received by the Exchange Agent, The Bank of New York Mellon, not later than 5:00 p.m. (New York time)/10:00 p.m. (London time) on 2 August 2016.

  BNY Mellon Depositary Receipts
  101 Barclay Street, Floor 22nd West
  New York, NY 10286
  Attn: Agness Moskovits/Mark Gendler

☐ *REQUEST FOR BOOK-ENTRY OF PLC OFFER SHARES IN CREST: By checking this box, I/we hereby exercise my/our request to take book-entry of the PLC Offer Shares in book-entry delivery in CREST. Please use this as authorization to deliver the shares in CREST as follows:*

- ***DTC transaction reference number*** _____
- ***Number of TBC Bank JSC Rule 144A GDRs presented for exchange:*** _____
- ***Name of Local Custodian Bank/Broker in CREST to which the TBC Bank Group PLC ordinary shares are to be delivered:*** _____
- ***CREST Participant ID:*** ___ ___ ___ ___ ___
- ***Member Account ID:*** ___ ___ ___ ___ ___ ___ ___ ___

☐ *REQUEST FOR DELIVERY OF THE PLC OFFER SHARES IN CERTIFICATED FORM: By checking this box, I/we hereby exercise my/our request to take delivery of the PLC Offer Shares in certificated form. Please use this as authorization to issue a certificate and mail such certificate to the address indicated below:*

- ***DTC transaction reference number*** _____
- ***Number of TBC Bank JSC Rule 144A GDRs presented for exchange:*** _____

Share Certificate Request:

Name of Shareholder: _____

Address: _____

_____

_____

City: _____

State: _____

Country: _____

Zip Code: _____

- ***Contact Details:***

Name: _____

Telephone number: _____

PLACE MEDALLION GUARANTEE IN SPACE BELOW

Name of Firm: _____

Address: _____

(Include Zip Code)

Authorized Signature: _____

Name(s): _____

Area Code and Telephone Number: _____

Dated: _____ , 20____

If the Exchange Agent does not receive your Delivery Instruction Notice by the GDR Expiration Time or the CREST details contained in this Delivery Instruction Notice are incorrect, you will be issued PLC Offer Shares in certificated form and the delivery of the PLC Offer Shares to which you are entitled under the Offer will be delayed.