TBC BANK GROUP

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

For the years ended 31 December 2015, 2014 and 2013

TBC Bank Group
Consolidated Financial Statements
31 December 2015, 2014, 2013

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Independent auditor's report

To the Shareholders and Management of JSC TBC Bank:

We have audited the accompanying consolidated financial statements of JSC TBC Bank and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2015, 2014 and 2013 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSC TBC Bank and its subsidiaries as at 31 December 2015, 2014 and 2013 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Central Asia & Caucasus B.V. Georgia Branch

18 February 2016
Tbilisi, Georgia

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In thousands of GEL	Notes	31 December 2015	31 December 2014	31 December 2013
ASSETS				
Cash and cash equivalents	6	720,347	532,118	390,465
Due from other banks	7	11,042	33,704	1,708
Mandatory cash balances with the National Bank of Georgia	8	471,490	336,075	295,332
Loans and advances to customers	9	4,444,886	3,556,496	2,801,712
Investment securities available for sale	10	307,310	466,510	500,651
Bonds carried at amortized cost	11	372,092	-	-
Investments in finance leases	13	75,760	50,907	35,613
Investment properties	16	57,600	76,216	83,383
Current income tax prepayment		9,856	251	6,202
Deferred income tax asset	32	1,546	383	-
Other financial assets	12	64,317	43,857	45,049
Other assets	14	103,912	77,775	65,075
Premises and equipment	15	247,767	208,692	199,668
Intangible assets	15	44,344	37,756	23,491
Goodwill		2,726	2,726	2,726
TOTAL ASSETS		**6,934,995**	**5,423,466**	**4,451,075**
LIABILITIES				
Due to credit institutions	17	1,113,574	749,285	565,806
Customer accounts	18	4,177,931	3,322,428	2,886,883
Other financial liabilities	21	39,435	41,346	24,850
Current income tax liability		912	12,433	-
Debt securities in issue	19	21,714	20,423	4,474
Deferred income tax liability	32	29,244	23,187	27,814
Provisions for liabilities and charges	20	9,461	11,898	12,380
Other liabilities	22	40,627	34,975	31,305
Subordinated debt	23	283,648	188,015	168,274
TOTAL LIABILITIES		**5,716,546**	**4,403,990**	**3,721,786**
EQUITY				
Share capital	24	19,587	19,576	16,499
Share premium	24	407,474	405,658	242,624
Retained earnings		712,743	532,992	402,627
Share based payment reserve	25	12,755	4,624	2,032
Revaluation reserve for premises		59,532	35,096	36,735
Revaluation reserve for available-for-sale securities		5,759	8,675	10,716
Cumulative currency translation reserve		(6,590)	5,484	3,389
Net assets attributable to owners		**1,211,260**	**1,012,105**	**714,622**
Non-controlling interest	36	**7,189**	**7,371**	**14,667**
TOTAL EQUITY		**1,218,449**	**1,019,476**	**729,289**
TOTAL LIABILITIES AND EQUITY		**6,934,995**	**5,423,466**	**4,451,075**

Approved for issue and signed on 18 February 2016

Vakhtang Butskhrikidze
Chief Executive Officer

Giorgi Shagidze
Chief Financial Officer

In thousands of GEL	Notes	2015	2014	2013
Interest income	28	649,059	512,357	474,796
Interest expense	28	(236,885)	(173,709)	(192,146)
Net interest income		**412,174**	**338,648**	**282,650**
Fee and commission income	29	113,837	88,203	74,361
Fee and commission expense	29	(41,546)	(29,523)	(24,301)
Net fee and commission income		**72,291**	**58,680**	**50,060**
Gains less losses from trading in foreign currencies		64,642	39,730	37,894
Foreign exchange translation gains less losses /(losses less gains)		2,579	2,359	(5,901)
(Losses less gains)/gains less losses from derivative financial instruments		(575)	(683)	613
Other operating income	30	25,883	19,600	16,136
Other operating non-interest income		**92,529**	**61,006**	**48,742**
Provision for loan impairment	9	(72,791)	(48,672)	(32,971)
Provision for impairment of investments in finance lease	13	(967)	(77)	(98)
Recovery of / (Provision for) performance guarantees and credit related commitments	20	1,117	902	(6,459)
Provision for impairment of other financial assets	12	(3,351)	(1,236)	(2,236)
Impairment of investment securities available for sale		-	(22)	(1,142)
Operating income after provisions for impairment		**501,002**	**409,229**	**338,546**
Staff costs		(142,777)	(122,835)	(108,613)
Depreciation and amortisation	15,16	(26,286)	(24,427)	(19,993)
Provision for liabilities and charges	20	(1,102)	(5,500)	(1,315)
Administrative and other operating expenses	31	(82,964)	(73,548)	(68,692)
Operating expenses		**(253,129)**	**(226,310)**	**(198,613)**
Profit before tax		**247,873**	**182,919**	**139,933**
Income tax expense	32	(29,176)	(24,468)	(15,663)
Profit for the year		**218,697**	**158,451**	**124,270**
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Revaluation of available-for-sale investments	10	(2,436)	(1,849)	7,923
Exchange differences on translation to presentation currency		(12,075)	2,095	1,233
Income tax recorded directly in other comprehensive income	32	(479)	(192)	(255)
Items that will not be reclassified to profit or loss:				
Revaluation of premises and equipment		28,755	-	-
Income tax recorded directly in other comprehensive income	32	(4,319)	-	-
Other comprehensive income for the year		**9,446**	**54**	**8,901**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**228,143**	**158,505**	**133,171**
Profit is attributable to:				
- Owners of the Bank		218,879	157,451	121,616
- Non-controlling interest		(182)	1,000	2,654
Profit for the year		**218,697**	**158,451**	**124,270**
Total comprehensive income is attributable to:				
- Owners of the Bank		228,325	157,505	130,517
- Non-controlling interest		(182)	1,000	2,654
Total comprehensive income for the year		**228,143**	**158,505**	**133,171**
Earnings per share for profit attributable to the owners of the Bank:				
- Basic earnings per share	26	4.4	3.4	3.0
- Diluted earnings per share	26	4.4	3.4	3.0

In thousands of GEL	Note	Net assets Attributable to owners: Share capital	Share premium	Share based payments reserve	Revaluation reserve for Premises	Revaluation reserve for Available for sale securities	Cumulative currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013		**16,143**	**231,501**	**4,142**	**36,735**	**3,048**	**2,156**	**298,880**	**592,605**	**11,419**	**604,024**
Profit for the year		-	-	-	-	-	-	121,616	**121,616**	2,654	**124,270**
Other comprehensive income		-	-	-	-	7,668	1,233	-	**8,901**	-	**8,901**
Total comprehensive income for 2013		**-**	-	**-**	**-**	**7,668**	**1,233**	**121,616**	**130,517**	**2,654**	**133,171**
Share issue	24	240	7,097	-	-	-	-	-	**7,337**	-	**7,337**
Share based payment	25	-	-	2,032	-	-	-	-	**2,032**	**-**	**2,032**
Increase in share capital arising from share based payment		116	4,026	(4,142)	-	-	-	-	**-**	-	**-**
Equity contribution of owners of non-controlling shareholders		-	-	-	-	-	-	-	**-**	594	**594**
Dividends paid		-	-	-	-	-	-	(17,869)	**(17,869)**	-	**(17,869)**
Balance at 31 December 2013		**16,499**	**242,624**	**2,032**	**36,735**	**10,716**	**3,389**	**402,627**	**714,622**	**14,667**	**729,289**
Profit for the year		**-**	**-**	**-**	**-**	-	-	157,451	**157,451**	1,000	**158,451**
Other comprehensive income		-	-	-	-	(2,041)	2,095	**-**	**54**	**-**	**54**
Total comprehensive income for 2014		**-**	-	**-**	**-**	**(2,041)**	**2,095**	**157,451**	**157,505**	1,000	**158,505**
Share issue	24	3,077	172,493	-	-	-	-	-	**175,570**	**-**	**175,570**
Share based payment	25	-	-	2,592	-	-	-	-	**2,592**	**-**	**2,592**
Transaction costs recognized directly in equity		-	(9,459)	-	-	-	-	-	**(9,459)**	**-**	**(9,459)**
Purchase of additional interest from minority shareholders		-	-	-	89	-	-	(2,627)	**(2,538)**	(8,296)	**(10,834)**
Dividends paid		-	-	-	-	-	-	(26,492)	**(26,492)**	**-**	**(26,492)**
Transfer of revaluation surplus to retained earnings		-	-	-	(1,728)	-	-	2,033	**305**	-	**305**
Balance at 31 December 2014		**19,576**	**405,658**	**4,624**	**35,096**	**8,675**	**5,484**	**532,992**	**1,012,105**	**7,371**	**1,019,476**

In thousands of GEL	Note	Net assets Attributable to owners: Share capital	Share premium	Share based payments reserve	Revaluation reserve for Premises	Revaluation reserve for Available for sale securities	Cumulative currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Profit for the year		-	-	-	-	-	-	218,879	**218,879**	(182)	**218,697**
Other comprehensive income		-	-	-	24,436	(2,916)	(12,074)	-	**9,446**	-	**9,446**
Total comprehensive income for 2015		-	-	-	**24,436**	**(2,916)**	**(12,074)**	**218,879**	**228,325**	**(182)**	**228,143**
Share based payment	25	-	-	8,559	-	-	-	-	**8,559**	**-**	**8,559**
Transaction costs recognized directly in equity		-	1,419	-	-	-	-	-	**1,419**	**-**	**1,419**
Increase in share capital arising from share based payment		12	416	(428)	-	-	-	-	**-**	-	**-**
Dividends paid		-	-	-	-	-	-	(39,128)	**(39,128)**	**-**	**(39,128)**
Treasury shares returned		(1)	(19)	-	**-**	**-**	**-**	**-**	**(20)**	**-**	**(20)**
Balance at 31 December 2015		**19,587**	**407,474**	**12,755**	**59,532**	**5,759**	**(6,590)**	**712,743**	**1,211,260**	**7,189**	**1,218,449**

In thousands of GEL	**Note**	**2015**	**2014**	**2013**
Cash flows from operating activities				
Interest received		633,093	499,052	462,448
Interest paid		(235,157)	(182,572)	(192,482)
Fees and commissions received		111,922	95,295	74,823
Fees and commissions paid		(41,569)	(29,478)	(24,097)
Income received from trading in foreign currencies		64,642	39,730	37,894
Other operating income received		18,006	13,804	10,300
Staff costs paid		(133,354)	(116,481)	(102,115)
Administrative and other operating expenses paid		(79,669)	(74,703)	(66,849)
Income tax paid		(48,678)	(11,555)	(2,008)
Cash flows from operating activities before changes in operating assets and liabilities		**289,236**	**233,092**	**197,914**
Changes in operating assets and liabilities				
Net (increase) / decrease in due from other banks and mandatory cash balances with the National Bank of Georgia		(72,453)	(61,192)	61,275
Net increase in loans and advances to customers		(364,896)	(686,746)	(453,686)
Net increase in investment in finance lease		(12,994)	(11,889)	(9,334)
Net (increase) /decrease (in other financial assets		(13,198)	593	(23,048)
Net decrease in other assets		7,159	11,056	22,471
Net (decrease)/ increase in due to other banks		(17,351)	39,539	(30,334)
Net increase in customer accounts		249,598	336,631	297,393
Net (decrease)/increase in other financial liabilities		(415)	10,919	7,808
Net increase/(decrease) in other liabilities and provision for liabilities and charges		1,341	(5,187)	5,231
Net cash from/(used in) operating activities		**66,027**	**(133,184)**	**75,690**
Cash flows from investing activities				
Acquisition of investment securities available for sale	10	(475,417)	(845,665)	(755,433)
Proceeds from disposal of investment securities available for sale	10	-	51,369	61,626
Proceeds from redemption at maturity of investment securities available for sale	10	265,107	843,695	619,902
Acquisition of bonds carried at amortised cost		(183,084)	-	-
Proceeds from redemption of bonds carried at amortised cost		193,416	-	-
Acquisition of premises, equipment and intangible assets	15	(47,815)	(48,751)	(33,522)
Disposal of premises, equipment and intangible assets		1,306	1,245	2,470
Proceeds from disposal of investment property		22,166	15,452	18,316
Net cash (used in)/ from investing activities		**(224,321)**	**17,345**	**(86,641)**
Cash flows from financing activities				
Proceeds from other borrowed funds		582,198	370,124	159,856
Redemption of other borrowed funds		(310,267)	(252,693)	(213,057)
Proceeds from subordinated debt		60,510	6,000	45,763
Redemption of subordinated debt		(16,763)	-	-
Proceeds from debt securities in issue		-	19,334	4,474
Redemption of debt securities in issue		-	(4,474)	-
Dividends paid		(39,128)	(26,492)	(17,869)
Equity contribution of owners of non-controlling shareholders		-	-	594
Issue of ordinary shares		-	175,570	7,199
Transaction costs recognized directly in equity		-	(9,458)	-
Purchase of additional shares in subsidiaries		-	(10,923)	-
Net cash from /(used in) financing activities		**276,550**	**266,988**	**(13,040)**
Effect of exchange rate changes on cash and cash equivalents		**69,973**	**(9,496)**	**15,869**
Net increase / (decrease) in cash and cash equivalents		**188,229**	**141,653**	**(8,122)**
Cash and cash equivalents at the beginning of the year	6	532,118	390,465	398,587
Cash and cash equivalents at the end of the year	6	**720,347**	**532,118**	**390,465**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2015 for TBC Bank (the "Bank") and its subsidiaries (together referred to as the "Group" or "TBC Bank Group").

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

In 2009 the Group issued new shares and since then it does not have an ultimate controlling party. At 31 December 2015, 2014 and 2013 shareholders structure is as follows:

	Note	% of ownership interest held as at 31 December		
Shareholders		**2015**	**2014**	**2013**
Bank of New York (Nominees), Limited	25	71%	71%	-
TBC Holdings LTD		16%	16%	19%
Individuals		8%	8%	9%
Liquid Crystal International N.V. LLC		5%	5%	7%
International Finance Corporation		-	-	20%
European Bank for Reconstruction and Development		-	-	20%
Deutsche Investitions und Entwicklungsgesellschaft MBH		-	-	11%
JPMorgan Chase Bank		-	-	5%
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.		-	-	5%
Ashmore Cayman SPC		-	-	4%
Total		**100%**	**100%**	**100%**

Bank of New York is the nominal holder of the shares that have been listed on the London Stock Exchange following the IPO in June 2014.

As at 31 December 2015, 2014 and 2013, the shareholder structure by beneficiary ownership interest is as follows:

Shareholders	Ownership interest % as at 31 December		
	2015	**2014**	**2013**
Mamuka Khazaradze	14.8%	14.9%	17.8%
Badri Japaridze	7.4%	7.5%	8.9%
GDR holders - excluding IFIs	47.6%	44.3%	-
GDR holders – IFIs	23.0%	26.7%	56.0%
Other Shareholders	7.2%	6.6%	17.3%
Total	**100%**	**100%**	**100%**

GDR holders own their interest through Bank of New York, Limited. Individually the beneficiary owners might have higher ownership interest than the individuals separately disclosed in the table above. None of the GDR holders own a controlling stake. Based on internal information, IFIs held 23.0% in 2015 and 26.7% in 2014 through GDRs.

Included in IFIs above are International Financial Institutions IFC, EBRD and FMO. DEG is included in 2013 and 2014.

Other Shareholders include individuals who have beneficiary ownership of less than 2% each (2014: less than 2%; 2013: less than 3%).

1 Introduction (Continued)

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

The Bank has 128 (2014: 59; 2013: 60) branches within Georgia. As at 31 December 2015, the Bank had 4,763 employees (2014: 3,427 employees; 2013: 2,893 employees). The significant increase in the number of branches and employees is due to the merger of the Bank with its subsidiary JSC Bank Constanta concluded in January 2015.

The Bank is a parent of a group of companies (the "Group") incorporated in Georgia and Azerbaijan, primary business activities include providing banking, leasing, brokerage card processing services to corporate and individual customers. The list of companies included in the Group is provided in Note 2. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

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

Presentation currency. These consolidated financial statements are presented in thousands of Georgian Lari ("GEL thousands"), unless otherwise indicated.

2 Summary of Significant Accounting Policies

Basis for preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of premises, available-for-sale financial assets, the initial recognition of financial instruments based on fair value and identifiable assets acquired and liabilities assumed in a business combination measured at their fair values at the acquisition date and financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3).

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The consolidated financial statements include the following principal subsidiaries:

	Ownership / voting % as of 31 December				Year of	
Subsidiary	**2015**	**2014**	**2013**	**Country**	**incorporation or acquisition**	**Industry**
United Financial Corporation JSC	98.67%	98.67%	93.32%	Georgia	1997	Card processing
TBC Capital LLC	100%	100%	100%	Georgia	1999	Brokerage
TBC Leasing JSC	99.57%	99.48%	89.53%	Georgia	2003	Leasing
TBC Kredit LLC	75%	75%	75%	Azerbaijan	2008	Non-banking credit institution
Banking System Service Company LLC	100%	100%	100%	Georgia	2009	Information services
TBC Pay LLC	100%	100%	100%	Georgia	2009	Processing
Real Estate Management Fund JSC	100%	100%	100%	Georgia	2010	Real estate management
TBC Invest LLC	100%	100%	100%	Israel	2011	PR and marketing
Bank Constanta JSC	-	100%	84.69%	Georgia	2011	Financial institution
Mali LLC	100%	100%	100%	Georgia	2011	Real estate management

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

2 Summary of Significant Accounting Policies (Continued)

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquire is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

2 Summary of Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 39.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments. Refer to Note 10.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, amounts due from the NBG, excluding mandatory reserves, and all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represent cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the National Bank of Georgia. Mandatory cash balances with the National Bank of Georgia are carried at amortised cost and represent mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Investment securities available for sale. This classification includes investment securities which the Group 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. The Group 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 for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Group'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 recognized in Other Comprehensive Income ("OCI") until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from OCI 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.

A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and reclassified from OCI. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss for the year.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Lender provides funds to borrower and receives security as collateral. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to credit institutions. The repurchase agreements are short-term in nature. Available-for-sale securities or bonds carried at amortized cost reclassified to repurchase receivables continue to be carried at fair value or amortized cost respectively in accordance with accounting policies for these categories of assets.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest rate method.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with original maturity of more than three months and with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

2 Summary of Significant Accounting Policies (Continued)

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value.

Bonds carried at amortised cost. Investment securities which the Group intends to hold for an indefinite period and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices have been classified as available for sale investments in the financial statements for the year ended 31 December 2014. In 2015 the Group has reassessed its intention with regard to some of the securities under this category and has identified certain investments that the Group has both the intention and ability to hold to maturity. Due to the fact that transactions for such securities do not take place with sufficient frequency and volume to provide pricing information on an ongoing basis the securities are not considered to be quoted in an active market and were reclassified to loan and receivables rather that held to maturity investments. These securities are presented in the balance sheet under caption bonds carried at amortised cost.

When an available-for-sale financial asset with fixed maturity is reclassified to loans and receivables, the fair value of the financial asset on that date becomes its new amortised cost. Any previous gain or loss on that asset that has been recognised directly in other comprehensive income is amortised to profit and loss over the investment's remaining life using the effective interest method.

Impairment of financial assets carried at amortised cost. 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 the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Bank classifies its borrowers as significant and non-significant ones for impairment allowance estimation purposes and assesses for impairment individually or collectively.

Specific qualitative and quantitative events are outlined for evidence of impairment of individually and collectively assessed borrowers in order to ensure that loss event is identified as early as possible. The list of events includes but is not limited to the following:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- other events that may impact repayment capability of the borrower

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

If there is evidence that an impairment loss event on significant credit exposures has been incurred, the Bank assess 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 discounted by the exposure's original effective interest rate for fixed rate loans or current effective interest rate for variable rate loans. The Bank considers two types of sources for recoveries: cash recoveries and/or collateral recovery. 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 collateral foreclosure. The Bank uses its best estimates for assessment of future recoveries, applying scenario analysis and taking into account all relevant information available at the reporting date including adverse changes in general macroeconomic environment or the industry the borrower operates in.

2 Summary of Significant Accounting Policies (Continued)

If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, 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 exposures are grouped into a homogenous risk pools based on similar credit risk characteristics. Common credit risk characteristics of the group include but are not limited to: type of counterparty (individual vs business), type of product, past-due status of the exposure, restructuring status and type of collateral.

In order to calculate impairment allowance for collectively assessed loans pools, the Bank estimates following risk parameters: probability of default, cure rate, recovery rate, survival rate and loss give default, based on historical experience. In case there is change in internal or external environment and historical data no longer reflects current situation, the Bank adjusts 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.

The Bank reverses previously recognised impairment loss if, after the impairment was recognized, 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 borrowers' financial standing has improved or there is improvement in collateral coverage. For collectively assessed loans the Bank applies the notion of "quarantine period" defined as period necessary for an exposure to satisfy performing loans criteria's in order to be reclassified in a performing loans pool.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, investment property or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets. Inventories of repossessed assets are recorded at the lower of cost or net realisable value.

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. Performance guarantees are recorded off-balance at initiation. Fee income is recognized as earned over the lifetime of a respective contract. . At the end of each reporting period, the provision for performance guarantee contracts are measured at the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value if the discounting effect is material.

The Bank has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts. Such amounts are recognised as loans and receivables.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

2 Summary of Significant Accounting Policies (Continued)

Premises and equipment. Premises and equipment, except for land, buildings and construction in progress, are stated at cost, less accumulated depreciation and provision for impairment, where required. Cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

Following initial recognition, land, buildings and construction in progress are carried at revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed frequently enough to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period.

Any revaluation surplus is credited to the revaluation reserve for premises and equipment included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognized in profit or loss to the extent of the decrease previously charged. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is recognized in other comprehensive income and reduces revaluation reserve for premises and equipment cumulated in equity.

Depreciation on revalued buildings is charged to profit or loss. Upon disposal of revalued property, any revaluation reserve relating to the particular asset being sold or retired is transferred to retained earnings.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Premises	30 – 100 years;
Furniture and fixtures	5 – 8 years;
Computers and office equipment	3 – 8 years;
Motor vehicles	4 – 5 years;
Other equipment	2 – 10 years; and
Leasehold improvements	shorter of 7 years or the term of the underlying lease

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group.

Investment property is stated at cost less accumulated depreciation and provision for impairment, where required. Investment property is amortised on a straight line basis over expected useful lives of thirty to fifty years. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

2 Summary of Significant Accounting Policies (Continued)

Land included in investment property is not depreciated. Depreciation on other items of investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 30 to 50 years. Residual values of investment properties are estimated to be nil.

Earned rental income is recorded in profit or loss for the year within other operating income.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Intangible assets. All of the Group's intangible assets have definite useful life and primarily include capitalised computer software and licenses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets are amortised on a straight line basis over expected useful lives of two to fifteen years.

Finance lease receivables (Investment in finance lease). Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as investments in finance leases and carried at the present value of the future lease payments. Investments in finance leases are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the 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 investments in leases. The Group uses the same principal criteria to determine that there is objective evidence that an impairment loss has occurred as for loans carried at amortised costs disclosed earlier in this note. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Receivables from terminated leases. The Company recognizes receivables from terminated contracts at the moment of lease contract termination. These receivables are recognized at amount comprising difference between fair value of repossessed assets and outstanding balance of net investment in finance lease. Receivables are accounted for at amortised cost less impairment.

Prepayment for purchase of leasing assets. Prepayment for purchase of leasing assets comprise interest bearing advance payments made to purchase assets for transfer into leases. Such advances are accounted for at amortised cost less impairment. On commencement of the leases, advances towards lease contracts are transferred into net investment in finance lease.

Due to credit institutions. Amounts due to credit institutions are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

2 Summary of Significant Accounting Policies (Continued)

Subordinated debt. Subordinated debt includes long-term non-derivative liabilities to international financial institutions and is carried at amortised cost. The repayment of subordinated debt ranks after all other creditors in case of liquidation and is included in “tier 2 capital” of the Bank.

Debt securities in issue. Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value. The Group also enters into offsetting deposits with its counterparty banks to exchange currencies. Such deposits, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the deposits are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with the legislation enacted or substantively enacted by the end of reporting period in the respective territories that the Bank and its subsidiaries operate. The income tax charge/credit comprises current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

2 Summary of Significant Accounting Policies (Continued)

Uncertain tax positions. The Group's uncertain tax positions are reassessed by Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Share capital. Ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of Georgia Lari.

2 Summary of Significant Accounting Policies (Continued)

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of respective territories that the Bank and its subsidiaries operate, at the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the exchange differences previously recognised in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. At 31 December 2015 the closing rate of exchange used for translating foreign currency balances was USD 1 = 2.3949 (2014: USD 1 = GEL 1.8636; 2013: USD 1 = GEL 1.7363); EUR 1 = 2.6169 (2013: EUR 1 = GEL 2.2656; 2013: EUR 1 = GEL 2.3891).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Staff costs and related contributions. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits as well as the cash settled part of the share based payment schemes are accrued in the year in which the associated services are rendered by the employees of the Group.

Earnings per share. Earnings per share ("EPS") are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Diluted earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In calculating diluted EPS, non-vested ordinary shares are treated as outstanding on the grant date.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

2 Summary of Significant Accounting Policies (Continued)

Share based payments. Share-based payment arrangement is an agreement between the entity and another party (including an employee) that entitles the other party to receive cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity, or equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met. Under share-based compensation plan the Group receives services from management as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Increase in equity on accrued shares resulting from the equity settled parts of both schemes is accounted for under share based payment reserve. Upon meeting vesting conditions, share based payment reserve attributable to the vested shares is transferred to share capital and share premium. When portions of a single grant vest on two or more dates the entity applies graded vesting for accounting of share based payment arrangement. Vesting period of each tranche of the grant ends when the employee owns the shares with no further service restrictions. Under graded vesting scheme the expense for earlier years is higher than for later years. Each tranche is expensed over its own service period with a credit entry being equity.

Amendments of the consolidated financial statements after issue. The Bank's shareholders and management have the power to amend the consolidated financial statements after issue.

Reclassifications. In order to achieve better and more useful presentation, the management has changed the presentation of a number of financial statement line items in 2015. The following reclassifications were made to 31 December 2014 balances:

Period end	Financial statement line item	As previously reported	As reclassified	Description
31 December 2014	Net cash from investing activities	6,422	17,345	Cash outflow on purchase of additional shares in subsidiaries previously presented under investing activities is presented under financing activities
	Net cash from financing activities	277,911	266,988	

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. In management judgment, at 31 December 2015, 2014 and 2013, there were no loans and advances at other than market conditions. Terms and conditions of related party balances are disclosed in Note 41.

Impairment losses on loans and advances and finance lease receivables. The Group regularly reviews its loan portfolio and finance lease receivables to assess impairment. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans or finance lease receivables before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 5% increase or decrease between actual loss experience and the loss estimates used will result in an additional or lower charge for loan loss impairment of GEL 9,707 thousand (2014: GEL 7,488 thousand; 2013: GEL 7,843 thousand) and additional charge for impairment of finance lease receivables of GEL 37 thousand (2014: GEL 10 thousand ; 2013: GEL 9 thousand), respectively.

Impairment provisions for individually significant loans and leases are based on the estimate of discounted future cash flows of the individual loans and leases taking into account repayments and realisation of any assets held as collateral against the loan or the lease. A 5% increase or decrease in the actual future discounted cash flows from individually significant loans which could arise from a mixture of differences in amounts and timing of the cash flows will result in an additional or lower charge for loan loss provision of GEL 3,677 thousand (2014: GEL 2,081 thousand; 2013: GEL 4,215 thousand), respectively. A 5% increase or decrease in the actual future discounted cash flows from individually significant leases which could arise from a mixture of differences in amounts and timing of the cash flows will result in an additional or lower charge for provision of GEL 2 thousand (2014: GEL 2 thousand ; 2013: GEL 1 thousand), respectively.

Fair value disclosure of investment properties. Investment properties held by the Group are carried at cost. However, as per the requirements of IAS 40, the Group also discloses the fair value of investment properties as at the reporting dates. Fair value is determined by internal appraisers of the group, who hold a recognised and relevant professional qualification. In determining the fair values of investment properties, three market comparatives are identified. As comparatives are usually somewhat different from the appraised properties, the quoted prices of the comparatives were further adjusted based on the differences in their location, condition, size, accessibility, age and expected discounts to be achieved through negotiations with the vendors. Comparative prices per square meter so determined are then multiplied by the area of the valued property to arrive at the appraised value of the investment property. At 31 December 2015, investment properties comprised real estate assets located in Tbilisi and other regions of Georgia with the fair value amounting to GEL 105,972 thousand (2014: GEL 79,056 thousand; 2013: GEL 86,480 thousand).

Tax legislation. Georgian and Azerbaijani tax, currency and customs legislation is subject to varying interpretations. Refer to Note 32.

4 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2015, but did not have any material impact on the Group:

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted.

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

5 New Accounting Pronouncements (Continued)

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

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

6 Cash and Cash Equivalents

In thousands of GEL	2015	2014	2013
Cash on hand	320,363	202,384	165,385
Cash balances with the National Bank of Georgia (other than mandatory reserve deposits)	121,494	138,396	61,407
Correspondent accounts and overnight placements with other banks	219,275	100,305	79,643
Placements with and receivables from other banks with original maturities of less than three months	59,215	91,033	84,030
Total cash and cash equivalents	**720,347**	**532,118**	**390,465**

91% of correspondent accounts and overnight placements with other banks are placed with OECD banking institutions (31 December 2014: 92%; 31 December 2013: 93%).

As at 31 December 2015 GEL 59,215 thousand was placed on interbank term deposits with five non-OECD banks (31 December 2014: 91,033 thousand with four non-OECD banks; 31 December 2013: 84,030 thousand with eight non-OECD banks).

Interest rate analysis of cash and cash equivalents is disclosed in Note 33.

Credit rating of correspondent accounts and overnight placements with other banks is as follows:

In thousands of GEL	2015	2014	2013
A+	13,245	48,873	58,192
A	1	42,452	14,904
A-	152,044	-	-
BBB+	30,304	-	-
BBB	3,039	329	1,844
BBB-	2,656	-	-
BB+	-	401	-
BB-	11,671	4,151	262
B	164	168	570
B-	-	-	1,170
Not rated	6,151	3,931	2,701
Total	**219,275**	**100,305**	**79,643**

Credit rating of placements with and receivables from other banks with original maturities of less than three months is as follows:

In thousands of GEL	2015	2014	2013
BB+	-	-	70,042
BB	-	89,165	-
BB-	-	1,868	-
B	23,769	-	-
Not rated	35,446	-	13,988
Total	**59,215**	**91,033**	**84,030**

The table contains ratings of Standard & Poor's and Fitch Ratings international agencies. When different credit ratings are designated by the agencies, the highest designated rating for this asset is used.

As of 31 December 2015 GEL 50,200 thousand (2014: GEL nil; 2013: GEL nil) of investment securities for placements with other banks under repo agreements was held as collateral.

7 Due from Other Banks

Amounts due from other banks include placements with original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts at the end of 2015, 2014 and 2013.

Credit rating of placements with other banks with original maturities of more than three months is as follows:

In thousands of GEL	2015	2014	2013
A	7,975	3,839	-
BBB+	72	56	-
BB+	-	15,924	-
BB-	1,507	-	-
B	1,268	5,970	-
Not rated	220	7,915	1,708
Total	**11,042**	**33,704**	**1,708**

At 31 December 2015 the Group had placements with original maturities of more than three months with three counterparty banks with aggregated amounts above GEL 5,000 thousand (2014: 3; 2013: nil). The total aggregate amount of these placements was GEL 16,551 thousand (2014: 29,179 thousand; 2013: nil) or 87% of the total amount due from other banks (2014: 87%; 2013: nil).

As of 31 December 2015 GEL 8,711 thousand, (2014: GEL 4,525 thousand; 2013: GEL 1,615 thousand) were kept on deposits as restricted cash under an arrangement with a credit card company or credit card related services with other banks. Refer to Note 39 for the estimated fair value of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 33.

8 Mandatory cash balances with the National Bank of Georgia

Mandatory cash balances with the National Bank of Georgia (“NBG”) represent amounts deposited with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. The Group earned up to 4% annual interest on the mandatory reserve with the NBG in 2015, 2014 and 2013.

In 2015, Fitch Ratings re-affirmed government of Georgia’s short-term sovereign credit rating of “B” and long-term credit rating of “BB-“.

9 Loans and Advances to Customers

In thousands of GEL	2015	2014	2013
Corporate loans	1,500,104	1,231,729	1,157,334
Consumer loans	871,996	781,043	603,434
Mortgage loans	905,274	716,868	499,428
Loans to small and medium enterprises	625,628	533,919	392,446
Micro loans	493,328	273,699	201,287
Others	242,699	169,002	104,652
Total loans and advances to customers (before impairment)	**4,639,029**	**3,706,260**	**2,958,581**
Less: Provision for loan impairment	(194,143)	(149,764)	(156,869)
Total loans and advances to customers	**4,444,886**	**3,556,496**	**2,801,712**

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

At 31 December 2015 loans and advances to customers carried at GEL 34,012 thousand have been pledged to local banks or other financial institutions as collateral with respect to other borrowed funds (2014: GEL 46,182 thousand; 2013: nil).

9 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2015 are as follows:

In thousands of GEL	Corpo-rate loans	Consume r loans	Mortg-age loans	Small and medium enterprises	Micro loans	Other	Total
Provision for loan impairment at 1 January 2015	**91,226**	**36,753**	**8,889**	**5,288**	**7,608**	-	**149,764**
Post-merger reclassification effect	-	(2,373)	(245)	25	2,593	-	-
Total provision for impairment during the year:	22,890	29,221	7,481	13,834	20,169	2,025	**95,620**
Provision for impairment charged to income statement during the year	15,396	22,286	4,693	11,628	16,763	2,025	**72,791**
Recoveries of loans previously written off	7,494	6,935	2,788	2,206	3,406	-	**22,829**
Amounts written off during the year as uncollectible	(6,066)	(22,937)	(2,714)	(5,383)	(12,351)	-	**(49,451)**
Effect of translation to presentation currency	-	(256)	(276)	(1,258)	-	-	**(1,790)**
Provision for loan impairment at 31 December 2015	**108,050**	**40,408**	**13,135**	**12,506**	**18,019**	**2,025**	**194,143**

Loans and advances to customers written off in 2015 included loans to customers in the gross amount of GEL 7,134 thousand issued during 2015, a previously issued performance guarantee of GEL 1,720 thousand which was transformed into loan in 2015 and GEL 40,597 thousand issued in prior years.

As of YE 2015 the Bank introduced the revised methodology for loan loss provisioning purposes. The updated methodology enables the Bank to assess impairment allowances in more accurate manner, due to more granular segmentation of the portfolio and introduction various risk parameters, such as cure rate, survival rate and credit conversion factor. Furthermore the Bank enhanced methodology for probability of default and recovery rates estimation purposes. Probabilities of defaults are calculated based on migration matrixes for different overdue buckets within the portfolio; as for recovery rates, the impaired portfolio is segmented based on months in defaults and amounts to be recovered are estimated respectively.

The Bank has also enhanced individually significant borrowers' assessment methodology, with introduction of scenario analysis. This approach enables the Bank to consider various probable scenarios of cash and/or collateral recoveries leading to more precise estimation of impairment allowance for these borrowers.

As of 31 December 2015 the Groups's allowance for loan impairment under the updated methodology amounts to GEL 194,143 thousand, with difference of GEL 7,711 thousand compared to the allowance for loan impairment if calculated based on the previous methodology (allowance under previous methodology would have been GEL 201,854 thousand). The release was mostly attributable to retail and micro segments. After 31 December 2015 the Bank continues to estimate the allowance for loan impairment under the updated methodology.

Following the merger of Constanta Bank with TBC Bank, the Group has reassessed definition of segments as disclosed in 27. Some of the clients were reallocated to different segments and relevant changes in provision groups are presented in the table above under caption Post-merger reclassification effect.

9 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2014 are as follows:

In thousands of GEL	Corporate loans	Consumer loans	Mortg-age loans	Small and medium enterprises	Micro loans	Other	Total
Provision for loan impairment at 1 January 2014	**107,666**	**31,704**	**8,292**	**4,315**	**4,892**	**-**	**156,869**
Total provision for impairment during the year:	29,461	26,886	3,323	4,173	8,263	36	**72,142**
Provision for impairment charged to income statement during the year	18,995	20,362	1,666	1,625	6,006	18	**48,672**
Recoveries of loans previously written off	10,466	6,524	1,657	2,548	2,257	18	**23,470**
Amounts written off during the year as uncollectible	(45,901)	(21,837)	(2,726)	(3,200)	(5,547)	(36)	**(79,247)**
Provision for loan impairment at 31 December 2014	**91,226**	**36,753**	**8,889**	**5,288**	**7,608**	**-**	**149,764**

Loans and advances to customers written off in 2014 included loans to customers in the gross amount of GEL 7,142 thousand issued during 2014, a previously issued performance guarantee of GEL 4,823 thousand which was transformed into loan in 2014 and GEL 67,282 thousand issued in prior years.

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

Movements in the provision for loan impairment during 2013 are as follows:

In thousands of GEL	Corpo-rate loans	Consumer loans	Mortgage loans	Small and medium enterprises	Micro loans	Total
Provision for loan impairment at 1 January 2013	**112,975**	**31,156**	**13,186**	**4,820**	**4,361**	**166,498**
Total provision for/(recovery of) impairment during the year:	21,203	22,789	(2,316)	1,846	4,234	**47,756**
Provision for/(recovery of) impairment charged to income statement during the year	17,035	18,029	(4,652)	88	2,471	32,971
Recoveries of loans previously written off	4,168	4,760	2,336	1,758	1,763	14,785
Amounts written off during the year as uncollectible	(26,512)	(22,241)	(2,578)	(2,351)	(3,703)	**(57,385)**
Provision for loan impairment at 31 December 2013	**107,666**	**31,704**	**8,292**	**4,315**	**4,892**	**156,869**

Loans and advances to customers written off in 2013 included loans to customers in the gross amount of GEL 7,387 thousand issued during 2013 and GEL 49,998 thousand issued in prior years.

For terms of loans and advances to related parties, impairment provisions made against those loans and amounts written off during the year refer to Note 41.

9 Loans and Advances to Customers (Continued)

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

	2015		2014		2013	
In thousands of GEL	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Individual	1,792,403	39%	1,497,911	40%	1,102,862	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	4%
Real estate	222,862	5%	165,937	4%	132,321	5%
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%	69,769	2%	51,855	2%
Total loans and advances to customers (before impairment)	**4,639,029**	**100%**	**3,706,260**	**100%**	**2,958,581**	**100%**

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

At 31 December 2015 the Group had 84 borrowers (2014: 71 borrower; 2013: 62 borrowers) with aggregated loan amounts above GEL 5,000 thousand. The total aggregate amount of these loans was GEL 1,378,892 thousand (2014: GEL 1,031,720 thousand; 2013: GEL 910,248 thousand) or 29,7% of the gross loan portfolio (2014: 27.8%; 2013: 30.8%).

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2015 is as follows:

In thousands of GEL	Corporate loans	Consumer loans	Mortgage loans	Small and medium enterprises	Micro loans	Others	Total
Neither past due nor impaired							
- Borrowers with credit history over two years	888,642	532,152	626,293	315,062	171,222	190,261	**2,723,632**
- New borrowers	399,615	290,060	246,968	250,921	291,916	48,305	**1,527,785**
Total neither past due nor impaired	**1,288,257**	**822,212**	**873,261**	**565,983**	**463,138**	**238,566**	**4,251,417**
Past due but not impaired							
- 1 to 30 days overdue	66	15,916	5,077	22,636	11,829	1,217	**56,741**
- 31 to 90 days overdue	3,718	9,487	9,803	8,682	8,991	1,397	**42,078**
- 91 to 180 days overdue	2,829	14	-	-	33	38	**2,914**
- 181 to 360 days overdue	-	16	-	-	19	18	**53**
- more than 360 days overdue	-	3	-	-	1	18	**22**
Total past due but not impaired	**6,613**	**25,436**	**14,880**	**31,318**	**20,873**	**2,688**	**101,808**
Individually assessed impaired loans (gross)							
- not overdue	187,802	-	-	2,747	-	-	**190,549**
- 1 to 30 days overdue	10,491	-	-	5,203	-	-	**15,694**
- 31 to 90 days overdue	5,109	-	-	-	-	-	**5,109**
- 91 to 180 days overdue	940	-	-	-	-	-	**940**
- 181 to 360 days overdue	214	-	-	-	-	-	**214**
- more than 360 days overdue	350	-	-	-	-	-	**350**
Total individually assessed impaired loans	**204,906**	**-**	**-**	**7,950**	**-**	**-**	**212,856**
Collectively assessed impaired loans (gross)							
- not overdue	228	5,613	9,524	3,635	738	-	**19,738**
- 1 to 30 days overdue	100	725	858	3,532	118	-	**5,333**
- 31 to 90 days overdue	-	1,792	1,078	1,806	365	-	**5,041**
- 91 to 180 days overdue	-	9,683	2,901	4,409	6,262	951	**24,206**
- 181 to 360 days overdue	-	5,150	2,692	6,555	1,833	409	**16,639**
- more than 360 days overdue	-	1,385	80	440	1	85	**1,991**
Total collectively assessed impaired loans	**328**	**24,348**	**17,133**	**20,377**	**9,317**	**1,445**	**72,948**
Total loans and advances to customers (before impairment)	**1,500,104**	**871,996**	**905,274**	**625,628**	**493,328**	**242,699**	**4,639,029**
Total provision	**(108,050)**	**(40,408)**	**(13,135)**	**(12,506)**	**(18,019)**	**(2,025)**	**(194,143)**
Total loans and advances to customers	**1,392,054**	**831,588**	**892,139**	**613,122**	**475,309**	**240,674**	**4,444,886**

9 Loans and Advances to Customers (Continued)

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

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

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

In thousands of GEL	Corporate loans	Consumer loans	Mortgage loans	Small and medium enterprises	Micro loans	Others	Total
Neither past due nor impaired							
- Borrowers with credit history over two years	619,783	285,199	335,855	179,036	70,208	9,509	**1,499,590**
- New borrowers	342,499	284,794	152,859	198,371	124,258	92,141	**1,194,922**
Total neither past due nor impaired	**962,282**	**569,993**	**488,714**	**377,407**	**194,466**	**101,650**	**2,694,512**
Past due but not impaired							
- 1 to 30 days overdue	1,012	11,973	3,735	5,287	1,827	1,440	**25,274**
- 31 to 90 days overdue	409	58	11	635	-	1,136	**2,249**
- 91 to 180 days overdue	2,786	13	-	-	-	77	**2,876**
- 181 to 360 days overdue	-	-	-	-	-	78	**78**
- more than 360 days overdue	-	-	-	-	-	271	**271**
Total past due but not impaired	**4,207**	**12,044**	**3,746**	**5,922**	**1,827**	**3,002**	**30,748**
Individually assessed impaired loans (gross)							
- not overdue	175,635	-	-	2,335	-	-	**177,970**
- 31 to 90 days overdue	357	-	-	-	-	-	**357**
- 91 to 180 days overdue	4,303	-	-	-	-	-	**4,303**
- 181 to 360 days overdue	6,040	-	-	-	-	-	**6,040**
Total individually assessed impaired loans	**186,335**	**-**	**-**	**2,335**	**-**	**-**	**188,670**
Collectively assessed impaired loans (gross)							
- not overdue	2,727	2,145	2,191	2,075	1,349	-	**10,487**
- 1 to 30 days overdue	-	776	485	131	454	-	**1,846**
- 31 to 90 days overdue	-	8,794	2,624	1,184	1,669	-	**14,271**
- 91 to 180 days overdue	295	7,014	1,234	1,702	1,328	-	**11,573**
- 181 to 360 days overdue	1,488	2,259	434	1,529	14	-	**5,724**
- more than 360 days overdue	-	409	-	161	180	-	**750**
Total collectively assessed impaired loans	**4,510**	**21,397**	**6,968**	**6,782**	**4,994**	**-**	**44,651**
Total loans and advances to customers (before impairment)	**1,157,334**	**603,434**	**499,428**	**392,446**	**201,287**	**104,652**	**2,958,581**
Total provision	**(107,666)**	**(31,704)**	**(8,292)**	**(4,315)**	**(4,892)**	**-**	**(156,869)**
Total loans and advances to customers	**1,049,668**	**571,730**	**491,136**	**388,131**	**196,395**	**104,652**	**2,801,712**

The retail segment in Note 27 includes the following classes from above tables: consumer, mortgage and other. Included in other are primarily pawn shop loans secured with precious metals.

9 Loans and Advances to Customers (Continued)

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

The tables above show analysis of loan portfolio based on credit quality. The Group's policy for credit risk management purposes is to classify each loan as 'neither past due nor impaired', 'past due but not impaired', 'individually assessed impaired loans' and 'collectively assessed impaired loans'. The pool of 'neither past due nor impaired loans' includes exposures which are not in overdue and are not classified as impaired. 'Past due but not impaired' loans include performing loans which are in overdue however no objective evidence of impairment was identified; and loans which were triggered but are not impaired considering that present value of expected cash and collateral recoveries are sufficient for fully repayment of exposure. 'Individually assessed impaired loans' include exposures which were assessed for impairment on an individual basis and corresponding impairment allowance was created. 'Collectively assessed impaired loans' include exposures for which objective evidence of impairment was identified and respective collective impairment allowance was created. The Group conducts collective assessment of the borrowers on a monthly basis. As for the individual assessment, it is performed quarterly.

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

- Real estate
- Movable property including fixed assets, inventory and precious metals
- Financial assets including deposits, stocks, and third party guarantees

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

The effect of collateral at 31 December 2015:

	Over-collateralised Assets		**Under-collateralised assets**	
In thousands of GEL	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Corporate loans	1,312,561	2,810,880	187,543	64,905
Consumer loans	550,890	1,355,264	321,106	19,108
Mortgage loans	891,639	2,241,109	13,635	3,935
Loans to small and medium enterprises	620,094	1,773,481	5,534	2,644
Micro loans	458,372	915,594	34,956	8,176
Others	159,081	196,058	83,618	83,257
Total	**3,992,637**	**9,292,386**	**646,392**	**182,025**

The effect of collateral at 31 December 2014:

	Over-collateralised Assets		**Under-collateralised assets**	
In thousands of GEL	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Corporate loans	1,093,300	2,515,867	138,429	44,528
Consumer loans	554,470	1,187,516	226,573	15,505
Mortgage loans	706,979	1,699,839	9,889	3,789
Loans to small and medium enterprises	526,499	1,519,665	7,420	1,036
Micro loans	271,045	400,910	2,654	1,307
Others	139,350	165,452	29,652	29,351
Total	**3,291,643**	**7,489,249**	**414,617**	**95,516**

9 Loans and Advances to Customers (Continued)

The effect of collateral at 31 December 2013:

	Over-collateralised Assets		**Under-collateralised assets**	
In thousands of GEL	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Corporate loans	1,031,716	2,111,706	125,618	95,188
Consumer loans	450,391	1,001,543	153,043	5,374
Mortgage loans	495,153	1,200,829	4,275	2,055
Loans to small and medium enterprises	379,065	1,114,849	13,381	921
Micro loans	199,440	294,962	1,847	1,538
Others	70,141	85,905	34,511	34,063
Total	**2,625,906**	**5,809,794**	**332,675**	**139,139**

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

The centralized unit for collateral management is in place in order to have central view and strategy on collateral management and ensure that collaterals serve as an adequate mitigation for credit risk management purposes. Collateral provided in respect of loans is appraised, in accordance with TBC Bank's internal policies, by the Internal Appraisal Group (other than loans to related parties, for which external appraisers are used). The Internal Appraisal Group belongs to 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. Real estate collateral of significant value is re-evaluated annually by internal appraisers. Statistical methods are used to monitor the value of real estate collateral that are of non-significant value and other types of collaterals such as movable assets and precious metals.

Included in the value of collateral are contractual value of third party guarantees, which are capped at carrying value of loan due to their nature. The value of third party guarantees in the tables above amount to GEL 358,907 thousand, GEL 307,491 thousand and GEL 222,329 thousand for the years ended 31 December 2015,2014 and 2013 respectively. These third party guarantees are not taken into consideration when assessing the impairment allowance.

Refer to Note 39 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 33. Information on related party balances is disclosed in Note 41.

10 Investment Securities Available for Sale

In thousands of GEL	**2015**	**2014**	**2013**
Corporate bonds	174,916	25,034	-
Certificates of Deposit of the National Bank of Georgia	84,849	198,233	321,140
Ministry of Finance of Georgia Treasury Bills	33,445	476	-
Georgian Government notes	998	232,934	173,974
Total debt securities	**294,208**	**456,677**	**495,114**
Corporate shares – quoted (VISA Inc)	9,335	6,140	4,858
Corporate shares – unquoted	3,767	3,693	679
Total investment securities available for sale	**307,310**	**466,510**	**500,651**

All debt securities except for corporate bonds are issued by Government of Georgia and National Bank of Georgia. Country rating of Georgia as assigned by international rating agency is BB- with stable outlook (affirmed in October 2015). 72% of corporate bonds are issued by triple A rated international financial institutions, whereas 28% is issued by A- rated IFI. Management could not reliably estimate the fair value of the Group's investment in shares of its unquoted equity investment securities available for sale. Therefore, these investments are carried at cost of GEL 3,765 thousand (2014: GEL 3,693 thousand; 2013: GEL 679 thousand). The investees have not published recent financial information about their operations, their shares are not quoted and recent trade prices are not publicly accessible.

10 Investment Securities Available for Sale (Continued)

At 31 December 2015 investment securities available for sale carried at GEL 208,467 thousand have been pledged to local banks or financial institutions as collateral with respect to other borrowed funds (2014: GEL 173,239 thousand; 2013: GEL 84,086 thousand). Refer to Note 17.

None of the debt securities available for sale are overdue or impaired.

At 31 December 2015 the principal equity investment securities available for sale are:

Name	Nature of business	Country of registration	Carrying value at 31 December		
			2015	2014	2013
Visa Inc.	Card Processing	USA	9,335	6,140	4,858
LTD Caucasus Online	Telecommunication	Georgia	3,014	3,014	-
JSC GRDC	Property development	Netherlands Antilles	365	365	365
Other			388	314	314
Total			**13,102**	**9,833**	**5,537**

The movements in investment securities available for sale are as follows:

In thousands of GEL	Note	2015	2014	2013
Carrying amount at 1 January		**466,510**	**500,651**	**407,733**
Purchases		475,417	848,679	755,433
Disposals		-	(51,369)	(61,626)
Reclassified to Bonds carried at amortised cost		(372,063)	-	-
Redemption at maturity		(265,107)	(843,695)	(619,902)
Revaluation		(2,436)	(1,849)	7,923
Interest income accrued	28	20,927	30,361	30,442
Interest income received		(15,938)	(16,246)	(18,210)
Impairment related to investment in equity security		-	(22)	(1,142)
Carrying amount at 31 December		**307,310**	**466,510**	**500,651**

11 Bonds Carried at Amortised Cost

In thousands of GEL	2015	2014	2013
Ministry of Finance Treasury Bills	316,822	-	-
Certificates of Deposit of the National Bank of Georgia	39,870	-	-
Georgian Government notes	15,400	-	-
Total Bonds carried at amortised cost	**372,092**	**-**	**-**

All debt securities except for corporate bonds are issued by Government of Georgia and National Bank of Georgia. Country rating of Georgia as assigned by international rating agency is BB- with stable outlook (affirmed in October 2015).

The movements in investment securities available for sale are as follows:

In thousands of GEL	Note	2015	2014	2013
Gross amount at 1 January		**-**	**-**	**-**
Reclassified from available-for-sale securities	10	372,063	-	-
Purchases		183,084	-	-
Redemption at maturity		(193,416)	-	-
Interest income accrual		22,950	-	-
Interest income received		(12,589)	-	-
Disposal		-	-	-
Gross amount at 31 December		**372,092**	**-**	**-**

11 Bonds Carried at Amortised Cost (Continued)

Refer to Note 39 for the disclosure of the fair value of bonds carried at amortised cost. Interest rate analysis of bonds carried at amortised cost is disclosed in Note 33.

At 31 December 2015 bonds carried at amortised cost at GEL 136,472 thousand have been pledged to local banks or financial institutions as collateral with respect to other borrowed funds (2014: GEL nil thousand; 2013: GEL nil). Refer to Note 17.

None of the bonds carried at amortised cost as at 31 December 2015 are overdue or impaired.

12 Other Financial Assets

In thousands of GEL	**2015**	**2014**	**2013**
Receivables on guarantees	16,435	11,728	11,660
Receivables on credit card services and money transfers	15,072	9,440	6,557
Prepayments for purchase of leasing assets	9,390	13,032	13,516
Bank assurance income receivable	4,450	1,548	705
Receivable on terminated leases	4,404	3,323	2,249
Rental income receivables	4,309	2,056	1,588
Factored receivables	2,859	-	-
Other	13,290	6,960	11,854
Less: Provision for impairment	(5,892)	(4,230)	(3,080)
Total other financial assets	**64,317**	**43,857**	**45,049**

Movements in the provision for impairment of other financial assets during 2015 are as follows:

In thousands of GEL	**Receivables on terminated leases**	**Other**	**Total**
Provision for impairment at 1 January 2015	**2,573**	**1,657**	**4,230**
Provision for impairment during the year	988	2,363	**3,351**
Amounts written off during the year as uncollectible	-	(1,721)	**(1,721)**
Recovery of amounts previously written off	-	32	**32**
Provision for impairment at 31 December 2015	**3,561**	**2,331**	**5,892**

Movements in the provision for impairment of other financial assets during 2014 are as follows:

In thousands of GEL	**Receivables on terminated leases**	**Other**	**Total**
Provision for impairment at 1 January 2014	**2,054**	**1,026**	**3,080**
Provision for impairment during the year	533	703	**1,236**
Amounts written off during the year as uncollectible	(14)	(409)	**(423)**
Recovery of amounts previously written off	-	337	**337**
Provision for impairment at 31 December 2014	**2,573**	**1,657**	**4,230**

12 Other Financial Assets (Continued)

Movements in the provision for impairment of other financial assets during 2013 are as follows:

In thousands of GEL	Receivables on terminated leases	Other	Total
Provision for impairment at 1 January 2013	**3,887**	**2,998**	**6,885**
Provision for impairment during the year	236	2,000	**2,236**
Amounts written off during the year as uncollectible	(2,069)	(4,022)	**(6,091)**
Recovery of amounts previously written off	-	50	**50**
Provision for impairment at 31 December 2013	**2,054**	**1,026**	**3,080**

Analysis by credit quality of other financial receivables is as follows:

In thousands of GEL	2015	2014	2013
Neither past due nor impairment			
- Receivables on credit card services and money transfers	15,072	9,440	6,557
- Prepayments for purchase of leasing assets	9,390	13,032	13,516
- Bank assurance income receivable	4,450	1,548	705
- Factored receivables	2,859	-	-
- Receivables on guarantees	939	836	880
- Rental income receivables	4,309	2,056	1,588
- Other	10,823	5,159	9,537
Total neither past due nor impaired	**47,842**	**32,071**	**32,783**
Past due but not impaired			
- Receivables on guarantees			
- more than 90 days overdue	15,496	10,892	10,780
Total past due but not impaired	**15,496**	**10,892**	**10,780**
Receivables individually determined to be impaired (gross)			
- Receivables on terminated leases	**4,404**	**3,323**	**2,249**
- less than 90 days overdue	-	-	-
- more than 90 days overdue	4,404	3,323	2,249
- Other receivables	**2,467**	**1,801**	**2,317**
- less than 90 days overdue	-	-	504
- more than 90 days overdue	2,467	1,801	1,813
Total individually impaired (gross)	**6,871**	**5,124**	**4,566**
Less impairment provision	**(5,892)**	**(4,230)**	**(3,080)**
Total other financial assets	**64,317**	**43,857**	**45,049**

Credit rating of other financial assets neither past due nor impaired is as follows:

In thousands of GEL	2015	2014	2013
A+	2,018	483	953
A	8,700	5,910	3,875
BBB+	286	400	214
B+	322	59	-
B	2,281	897	310
Not rated	34,235	24,322	27,431
Total	**47,842**	**32,071**	**32,783**

Receivables individually determined to be impaired include receivables on terminated leases and other receivables for which impairment provision was assessed individually. The primary factors by which the Group considers a receivable as impaired is overdue status. Receivables on terminated leases are under-collateralised, estimated fair value of collateral on these equals GEL 1,253 thousand (2014: GEL 808 thousand; 2013: GEL 95 thousand). The remaining assets are not collateralized.

13 Investments in Finance Lease

Investments in finance lease of GEL 75,760 thousand (2014: GEL 50,907 thousand; 2013: GEL 35,613 thousand) are represented by leases of equipment.

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In thousands of GEL	Due in 1 year	Due between 2 and 5 years	Total
Finance lease payments receivable at 31 December 2015	54,546	43,091	**97,637**
Unearned finance income	(13,147)	(7,992)	**(21,139)**
Impairment loss provision	(459)	(279)	**(738)**
Present value of lease payments receivable at 31 December 2015	**40,940**	**34,820**	**75,760**
Finance lease payments receivable at 31 December 2014	36,414	27,662	**64,076**
Unearned finance income	(8,380)	(4,594)	**(12,974)**
Impairment loss provision	(126)	(69)	**(195)**
Present value of lease payments receivable at 31 December 2014	**27,908**	**22,999**	**50,907**
Finance lease payments receivable at 31 December 2013	**24,775**	**20,592**	**45,367**
Unearned finance income	(5,941)	(3,636)	**(9,577)**
Impairment loss provision	(110)	(67)	**(177)**
Present value of lease payments receivable at 31 December 2013	**18,724**	**16,889**	**35,613**

At 31 December 2015 the estimated fair value of financial lease receivables was GEL 75,760 thousand (2014: GEL 50,907 thousand; 2013: GEL 35,613 thousand). Refer to Note 39.

Movements in the provision for impairment of net investment in finance lease are as follows:

In thousands of GEL	31 December 2015	31 December 2014	31 December 2013
Provision for impairment at the beginning of the year	**195**	**177**	**114**
Provision for impairment during the year	967	77	98
Amounts written off during the year as uncollectible	(424)	(59)	(35)
Provision for impairment at the end of the year	**738**	**195**	**177**

13 Investments in Finance Lease (Continued)

Analysis by credit quality of net investment in finance lease is as follows:

In thousands of GEL	31 December 2015	31 December 2014	31 December 2013
Neither past due nor impaired			
- Customers with more than two year experience	20,612	9,570	8,750
- New customers	46,431	30,442	19,854
Total neither past due nor impaired	**67,043**	**40,012**	**28,604**
Past due but not impaired			
- Less than 30 days overdue	4,285	6,213	3,261
- 31 to 90 days overdue	1,694	1,479	-
- 91 to 180 days overdue	-	424	-
- 180 days to 360 days overdue	-	67	-
Total past due but not impaired	**5,979**	**8,183**	**3,261**
Individually impaired			
- Not overdue	1,639	1,926	2,419
- 1 to 30 days overdue	332	568	603
- 31 days to 90 days overdue	33	75	59
- From 91 to 180 days	950	197	583
- From 181 to 360 days	522	-	251
- More than 360 days	-	141	10
Individually impaired gross	**3,476**	**2,907**	**3,925**
Total investment in finance lease- gross	**76,498**	**51,102**	**35,790**
Impairment loss provision	(738)	(195)	(177)
Total net investment in finance lease	**75,760**	**50,907**	**35,613**

The Group applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual lease by the reporting date. The Group' s policy is to classify each lease as "neither past due nor impaired" until specific objective evidence of impairment of the lease is identified. The primary factors that the Group considers whether a lease is impaired are deterioration of financial position of lessee, its overdue status and realisability of the leased asset.

The Group normally structures its finance lease contracts so that the lessee makes a minimum prepayment of 20% of the equipment purchase price at the inception of the lease term. The Group holds title to the leased assets during the lease term. The title to the asset under finance lease contract is transferred to the lessees at the end of the contracts terms, including full repayment of lease payments. Generally the lease terms are up to five years.

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

- Leased assets (inventory and equipment)
- Down payment
- Real estate properties,
- Third party guarantees.

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

13 Investments in Finance Lease (Continued)

The effect of collateral at 31 December 2015:

In thousands of GEL	**Over-collateralised assets** Carrying value of the assets	**Over-collateralised assets** Fair value of collateral	**Under-collateralised assets** Carrying value of the assets	**Under-collateralised assets** Fair value of collateral
Investment in leases	69,048	103,416	7,450	5,532
Total	**69,048**	**103,416**	**7,450**	**5,532**

The effect of collateral at 31 December 2014:

In thousands of GEL	**Over-collateralised assets** Carrying value of the assets	**Over-collateralised assets** Fair value of collateral	**Under-collateralised assets** Carrying value of the assets	**Under-collateralised assets** Fair value of collateral
Investment in leases	45,608	79,134	5,494	3,616
Total	**45,608**	**79,134**	**5,494**	**3,616**

The effect of collateral at 31 December 2013:

In thousands of GEL	**Over-collateralised assets** Carrying value of the assets	**Over-collateralised assets** Fair value of collateral	**Under-collateralised assets** Carrying value of the assets	**Under-collateralised assets** Fair value of collateral
Investment in leases	32,280	62,169	3,510	3,229
Total	**32,280**	**62,169**	**3,510**	**3,229**

14 Other Assets

In thousands of GEL	**2015**	**2014**	**2013**
Current other assets			
Inventories of repossessed collateral	85,216	60,480	49,920
Other inventories	3,666	2,961	3,130
Prepayments for other assets	3,134	3,724	3,006
Prepaid taxes other than income tax	2,659	1,718	402
Total current other assets	**94,675**	**68,883**	**56,458**
Non-current other assets			
Assets repossessed from terminated leases	4,543	3,797	1,752
Prepayments for construction in progress	2,578	2,078	5,016
Assets purchased for leasing purposes	865	545	-
Prepaid insurance of leasing assets	739	609	482
Other	512	1,863	1,367
Total non-current other assets	**9,237**	**8,892**	**8,617**
Total other assets	**103,912**	**77,775**	**65,075**

Inventories of repossessed collateral represents real estate assets and equipment acquired by the Group in settlement of impaired loans, other than those classified as investment property or premises and equipment. The Group expects to dispose of the assets in the foreseeable future. Such assets are initially recognised at fair value and subsequently measured at lower of cost and net realisable value. In 2015, collateral repossessed for settlement of impaired loans amounted to GEL 34 million (2014: GEL 26 million, 2013: GEL 50 million).

With respect to certain inventories of repossessed collaterals, the Group has granted the previous owners a right to repurchase the inventories at prices equal to or higher than the carrying value of the loan at the date of repossession. This right is usually effective for a period of 6 to 12 months from the date of repossession during which the Group obliges not to dispose of the repossessed collateral to third parties. As of 31 December 2015, the carrying value of the inventories of repossessed collateral which were subject to the repurchase agreement was GEL 23,639 thousand (2014: GEL 33,283 thousand, 2013: GEL 19,840 thousand).

15 Premises, Equipment and Intangible Assets

In thousands of GEL	Note	Land, Premises and leasehold improve-ments	Office and computer equipment	Construct-ion in progress	Total premises and equipment	Computer software licences	Total
Cost or valuation at 1 January 2013		138,744	97,732	36,010	**272,486**	27,003	**299,489**
Accumulated depreciation/amortisation Including accumulated impairment loss		(20,724)	(59,206)	-	**(79,930)**	(8,186)	**(88,116)**
Carrying amount at 1 January 2013		**118,020**	**38,526**	**36,010**	**192,556**	**18,817**	**211,373**
Additions		3,458	18,136	3,199	**24,793**	8,729	33,522
Transfers		1,383	201	(1,584)	**-**	-	-
Transfers from / (to) Investment Property, net	16	244	-	(345)	**(101)**	-	**(101)**
Disposals at cost		(1,146)	(2,577)	(1,665)	**(5,388)**	(51)	**(5,439)**
Impairment charge to profit and loss		-	(219)	4	**(215)**	-	**(215)**
Depreciation/amortisation charge		(3,607)	(11,390)	-	**(14,997)**	(4,038)	**(19,035)**
Elimination of accumulated depreciation/amortisation on disposals		653	2,367	-	**3,020**	34	**3,054**
Carrying amount at 31 December 2013		**119,005**	**45,044**	**35,619**	**199,668**	**23,491**	**223,159**
Cost or valuation at 31 December 2013		142,683	113,273	35,619	**291,575**	35,681	327,256
Accumulated depreciation/amortisation including accumulated impairment loss		(23,678)	(68,229)	-	**(91,907)**	(12,190)	(104,097)
Carrying amount at 31 December 2013		**119,005**	**45,044**	**35,619**	**199,668**	**23,491**	**223,159**
Additions		800	26,684	1,383	**28,867**	19,884	**48,751**
Transfers		1,396	161	(1,557)	**-**	-	**-**
Transfers from / (to) Investment Property, net	16	(646)	-	-	**(646)**	-	**(646)**
Disposals at cost		(1,509)	(9,355)	(178)	**(11,042)**	(334)	**(11,376)**
Impairment charge to profit and loss		-	(220)	-	**(220)**	-	**(220)**
Depreciation/amortisation charge		(3,214)	(14,267)	-	**(17,481)**	(5,493)	**(22,974)**
Elimination of accumulated depreciation/amortisation on disposals		270	9,276	-	**9,546**	208	**9,754**
Carrying amount at 31 December 2014		**116,102**	**57,323**	**35,267**	**208,692**	**37,756**	**246,448**
Cost or valuation at 31 December 2014		142,724	130,543	35,267	**308,534**	55,231	**363,765**
Accumulated depreciation/amortisation including accumulated impairment loss		(26,622)	(73,220)	-	**(99,842)**	(17,475)	**(117,317)**
Carrying amount at 31 December 2014		**116,102**	**57,323**	**35,267**	**208,692**	**37,756**	**246,448**
Additions		2,470	24,167	3,841	**30,478**	17,337	**47,815**
Transfers		1,717	(0)	(1,717)	**(0)**	-	**(0)**
Transfers from / (to) Investment Property, net	16	646	-	-	**646**	-	**646**
Disposals at cost		(324)	(1,201)	(864)	**(2,389)**	(199)	**(2,588)**
Revaluation		15,249	-	13,506	**28,755**	-	**28,755**
Effect of translation to presentation currency Cost		(374)	(536)	-	**(910)**	(43)	**(953)**
Impairment charge to profit and loss		18	(311)	-	**(293)**	(4,982)	**(5,275)**
Depreciation/amortisation charge		(3,502)	(15,632)	-	**(19,134)**	(5,758)	**(24,892)**
Elimination of accumulated depreciation/amortisation on disposals		217	952	-	**1,169**	197	**1,366**
Effect of translation to presentation currency Accumulated depreciation		362	391	-	**753**	36	**789**
Carrying amount at 31 December 2015		**132,581**	**65,153**	**50,033**	**247,767**	**44,344**	**292,111**
Cost or valuation at 31 December 2015		162,126	152,662	50,033	**364,821**	67,344	**432,165**
Accumulated depreciation/amortisation including accumulated impairment loss		(29,545)	(87,509)	-	**(117,054)**	(23,000)	**(140,054)**
Carrying amount at 31 December 2015		**132,581**	**65,153**	**50,033**	**247,767**	**44,344**	**292,111**

15 Premises, Equipment and Intangible Assets (Continued)

Depreciation and amortisation charge presented on the face of the statement of profit or loss and other comprehensive income include depreciation and amortisation charge of premises and equipment, investment properties and intangible assets.

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

Premises were revalued to market value on 30 September 2015. The valuation was carried out by an independent firm of valuators which holds a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. In the process of comparison, they have used three comparative analogues (registered sale and/or offer for sale), in which prices were applied adjustments based on the difference between subject assets and analogues. Most of the assets have been estimated by using the market approach/method due to the market situation, namely by existence of a sufficient number of registered sales and proposals by the date of valuation.

Management considers that the fair value has not changed significantly between 30 September and 31 December 2015.

In thousands of GEL (except for range of inputs)	**Carrying value at 31 December 2013**	**Carrying value at 31 December 2014**	**Carrying value at 31 December 2015**	**Fair value as of 30 September 2015 (valuation date)**	**Valuation technique**	**Other key information**	**Unobservable inputs**	**Range of unobservable inputs (weighted average)**
Office buildings	56,502	56,468	51,115	51,115	Sales comparison approach	Land	Price per square meter	472 - 1643 (666)
						Buildings		601 – 4,357 (1,300)
Branches	82,437	75,878	124,069	124,069	Sales comparison approach	Land	Price per square meter	2 – 1,994 (196)
						Buildings		374 – 11,514 (2,387)

At 31 December 2015 the carrying amount of premises would have been GEL 79,952 thousand (2014: GEL 86,039 thousand; 2013: GEL 88,942 thousand) had the assets been carried at cost less depreciation and impairment losses. At 31 December 2015 the carrying amount of construction in progress would have been GEL 27,284 thousand (2014: GEL 20,000 thousand; 2013: GEL 20,345 thousand) had the assets been carried at cost less impairment losses.

16 Investment Properties

In thousands of GEL	Note	2015	2014	2013
Gross book value at 1 January		78,699	84,879	34,973
Accumulated depreciation at 1 January		(2,483)	(1,496)	(668)
Carrying amount at 1 January		**76,216**	**83,383**	**34,305**
Transfer from/to property, plant and equipment	15	-	646	345
Transfer from inventories of repossessed collateral		778	2,059	23,648
Addition from foreclosure		-	772	38,638
Disposals at cost		(18,101)	(9,657)	(12,481)
Elimination of depreciation on disposal		829	466	130
Transfer to property, plant and equipment	15	(646)	-	(244)
Depreciation charge		(1,394)	(1,453)	(958)
Effect of translation to presentation currency		(82)	-	-
Gross book value at 1 January		60,648	78,699	84,879
Accumulated depreciation at 1 January		(3,048)	(2,483)	(1,496)
Carrying amount at 31 December		**57,600**	**76,216**	**83,383**

At 31 December 2015, investment properties comprised of 8 lots (2014: 9 lots; 2013:12 lots) of land and 59 buildings (2014: 57 buildings; 2013: 58 buildings) located in Tbilisi and other regions of Georgia with the fair value amounting to GEL 105,972 thousand (2014: GEL 79,056 thousand; 2013: GEL 86,480 thousand).

For disclosure purposes fair valuation exercise was carried out for Investment Properties as of 30 September 2015. The valuation was carried out by an independent firm of valuators which holds a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. In the process of comparison, they have used three comparative analogues (registered sale and/or offer for sale), in which prices were applied adjustments based on the difference between subject assets and analogues. Most of the assets have been estimated by using the market approach/method due to the market situation, namely by existence of a sufficient number of registered sales and proposals by the date of valuation. For details behind valuation refer to Note 3.

In thousands of GEL (except for range of inputs)	Carrying value at 31 December 2015	Fair value as of 30 September 2015 (valuation date)	Valuation technique	Unobservable inputs	Range of unobservable inputs (weighted average)
Land	18,632	37,017	Sales comparison approach	Price per square meter	23 – 918 (196)
Buildings	38,968	68,955	Sales comparison approach	Price per square meter	186 – 5,243 (956)

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases, are as follows:

In thousands of GEL	2015	2014	2013
Not later than 1 year	186	107	163
Later than 1 year and not later than 5 years	-	1,008	1,736
Total operating lease payments receivable	**186**	**1,115**	**1,899**

17 Due to Credit Institutions

In thousands of GEL	2015	2014	2013
Due to other banks			
Correspondent accounts and overnight placements	47,342	37,247	4,894
Deposits from banks	25,936	47,802	42,358
Short-term loans from banks	-	934	-
Total due to other banks	**73,278**	**85,983**	**47,252**
Other borrowed funds			
Borrowings from foreign banks and financial institutions	678,946	452,469	417,504
Borrowings from local banks and financial institutions	355,664	204,475	92,987
Borrowings from Ministry of Finance	5,686	6,358	8,063
Total other borrowed funds	**1,040,296**	**663,302**	**518,554**
Total amounts due to credit institutions	**1,113,574**	**749,285**	**565,806**

As at 31 December 2015, TBC Kredit had breached certain covenants under loan agreements with a number of foreign financial institution lenders. The carrying amount of the affected loans as at 31 December 2015 was GEL 39,047 thousand. As at 31 December 2015, TBC Kredit had obtained the waiver for the borrowings with carrying amount of GEL 3,660 thousand. The waivers for borrowings with carrying amounts of GEL 18,899 thousand and 16,488 thousand were obtained in January 2016 and February 2016 respectively. These breaches have been waived till 31 December 2015, 31 January 2016 and 29 February 2016 for the borrowings with carrying amounts of GEL 26,474 thousand, GEL 10,165 thousand and GEL 2,408 thousand respectively.

As at 31 December 2015 for the purposes of maturity analysis of financial liabilities (Note 33) the above-mentioned loans are included within the amounts for which repayment is expected within 3 months.

18 Customer Accounts

In thousands of GEL	2015	2014	2013
State and public organisations			
- Current/settlement accounts	152,438	130,008	134,518
- Term deposits	86,828	47,084	72,463
Other legal entities			
- Current/settlement accounts	1,276,141	1,042,559	935,083
- Term deposits	126,042	125,605	134,143
Individuals			
- Current/demand accounts	944,215	684,521	621,211
- Term deposits	1,592,267	1,292,651	989,465
Total customer accounts	**4,177,931**	**3,322,428**	**2,886,883**

State and public organisations include government owned profit orientated businesses.

18 Customer accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

In thousands of GEL	2015 Amount	%	2014 Amount	%	2013 Amount	%
Individual	2,536,482	61%	1,977,172	60%	1,610,676	56%
Trade and Service	531,020	13%	435,414	13%	344,803	12%
Consumer Goods and Automobile Trading	162,026	4%	86,729	3%	72,739	2%
Transportation	135,356	3%	101,939	3%	129,096	4%
Construction	133,623	3%	136,429	4%	131,427	5%
Energy	97,926	2%	48,094	1%	57,179	2%
Real Estate	66,551	2%	72,843	2%	57,798	2%
Oil and Gas	54,711	1%	75,562	2%	147,005	5%
Food Industry	41,142	1%	62,149	2%	97,421	3%
Communication	33,933	1%	57,677	2%	28,909	1%
Agriculture	22,127	1%	17,755	1%	23,772	1%
Manufacturing	15,800	0%	18,869	1%	21,013	1%
Mining	13,380	0%	7,541	0%	21,746	1%
Other	333,854	8%	224,255	6%	143,299	5%
Total customer accounts	**4,177,931**	**100%**	**3,322,428**	**100%**	**2,886,883**	**100%**

At 31 December 2015 the Group had 140 customers (2014: 125 customers; 2013: 97 customers) with balances above GEL 3,000 thousand. The aggregate balance of these customers was GEL 1,432,724 thousand (2014: GEL 1,111,385 thousand; 2013: GEL 915,407 thousand) or 34% of total customer accounts (2014: 33%; 2013: 32%).

At 31 December 2015 included in customer accounts are deposits of GEL 999 thousand and GEL 77,304 thousand (2014: GEL 636 thousand and GEL 71,902 thousand; 2013: 9,652 thousand and GEL 38,973 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees issued, respectively. Refer to Note 35.

Refer to Note 39 for the disclosure of the fair value of each class of customer accounts. Information on related party balances is disclosed in Note 41.

19 Debt Securities in Issue

In thousands of GEL	Currency	Carrying amount in GEL as at 31 December 2015	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Georgian market	USD	12,220	21-Jul-16	9.0%	9.7%
Bonds issued on Georgian market	USD	4,798	3 -Sep -17	8.4%	9.2%
Bonds issued on Azerbaijani market	AZN	4,696	16-Apr- 16	9.0%	9.7%
Total debt securities in issue		**21,714**			

In thousands of GEL	Currency	Carrying amount in GEL as at 31 December 2014	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Georgian market	USD	9,469	21-Jul-16	9.0%	9.7%
Bonds issued on Azerbaijani market	AZN	7,236	16-Apr- 16	9.0%	9.7%
Bonds issued on Georgian market	USD	3,718	3 -Sep -17	8.4%	9.2%
Total debt securities in issue		**20,423**			

19 Debt Securities in Issue (Continued)

In thousands of GEL	Currency	Carrying amount in GEL as at 31 December 2013	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Azerbaijani market	AZN	4,474	1-Jan- 14	7.0%	8.4%
Total debt securities in issue		**4,474**			

Refer to Note 39 for the disclosure of the fair value of debt securities in issue..

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

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

In thousands of GEL	Performance guarantees	Credit related commitments	Other	Total
Carrying amount at 1 January 2013	**2,332**	**842**	**3,000**	**6,174**
Additions less releases recorded in profit or loss	2,374	4,085	1,315	**7,774**
Utilisation of provision	(553)	-	(1,015)	**(1,568)**
Carrying amount at 31 December 2013	**4,153**	**4,927**	**3,300**	**12,380**
Additions less releases recorded in profit or loss	759	(1,661)	5,500	**4,598**
Utilisation of provision	-	-	(5,080)	**(5,080)**
Carrying amount at 31 December 2014	**4,912**	**3,266**	**3,720**	**11,898**
Additions less releases recorded in profit or loss	(3,440)	2,323	1,102	**(15)**
Utilisation of provision	-	-	(2,422)	**(2,422)**
Carrying amount at 31 December 2015	**1,472**	**5,589**	**2,400**	**9,461**

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

Impairment allowance estimation methods differ for (i) letter of credits and guarantees and (ii) undrawn credit lines.

For letter of credits and guarantees allowance estimation purposes the Bank classifies borrowers as significant and non-significant ones. Triggered significant guarantees and letter of credits are assessed for impairment on an individual basis, whereas for not triggered significant and all non-significant ones the Bank estimates allowances applying statistical risk parameters, such as credit conversion factor and loss given default.

Undrawn credit lines are classified as committed and uncommitted exposures, with impairment allowance created for committed ones. The undrawn part of the credit lines is multiplied by the respective credit conversion factor and provisioned in the similar manner as corresponding on balance sheet exposures.

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

21 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands of GEL	Note	2015	2014	2013
Debit or credit card payables		12,478	8,710	2,488
Trade payables		10,264	9,835	8,129
Security deposits for finance lease		6,022	6,915	6,098
Derivative financial liabilities	38	2,411	5,639	4,405
Other accrued liabilities		8,260	10,247	3,730
Total other financial liabilities		**39,435**	**41,346**	**24,850**

Refer to Note 39 for disclosure of the fair value of other financial liabilities.

22 Other Liabilities

Other liabilities comprise the following:

In thousands of GEL	2015	2014	2013
Accrued employee benefit costs	22,385	21,502	17,740
Taxes payable other than on income	11,584	10,232	9,705
Advances received	4,764	977	1,297
Other	1,894	2,264	2,563
Total other liabilities	**40,627**	**34,975**	**31,305**

All of the above liabilities are expected to be settled within twelve months after the year-end.

23 Subordinated Debt

At 31 December 2015, subordinated debt comprised:

In thousands of GEL	Grant Date	Maturity Date	Currency	Outstanding amount in original currency	Outstanding amount in GEL
European Bank for Reconstruction and Development	23-Apr-09	12-Nov-18	USD	18,729	44,855
Deutsche Investitions und Entwicklungsgesellschaft MBH	19-Feb-08	15-Jul-18	USD	10,427	24,971
International Financial Corporation	23-Apr-09	12-Nov-18	USD	18,716	44,823
Deutsche Investitions und Entwicklungsgesellschaft MBH	26-Jun-13	15-Jun-20	USD	7,466	17,880
Green for Growth Fund	18-Dec-15	18-Dec-25	USD	14,892	35,666
European Fund for Southeast Europe	18-Dec-15	18-Dec-25	USD	7,448	17,837
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	19-Dec-13	15-Apr-23	USD	35,373	84,715
Kreditanstalt für Wiederaufbau Bankengruppe	10-Jun-14	8-May-21	GEL	6,162	6,162
Kreditanstalt für Wiederaufbau Bankengruppe	4-May-15	8-May-21	GEL	6,739	6,739
Total subordinated debt					**283,648**

23 Subordinated Debt (Continued)

At 31 December 2014, subordinated debt comprised:

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

At 31 December 2013, subordinated debt comprised:

In thousands of GEL	Grant Date	Maturity Date	Outstanding amount in original currency USD	Outstanding amount in GEL
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	19-Dec-13	15-Apr-23	34,905	60,605
International Financial Corporation	23-Apr-09	12-Nov-18	18,558	32,222
European Bank for Reconstruction and Development	23-Apr-09	12-Nov-18	18,585	32,269
Deutsche Investitions und Entwicklungsgesellschaft MBH	19-Feb-08	15-Jul-18	10,394	18,048
Deutsche Investitions und Entwicklungsgesellschaft MBH	26-Jun-13	15-Jun-20	7,441	12,920
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	23-Apr-09	12-Nov-18	7,032	12,210
Total subordinated debt			**96,915**	**168,274**

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

Refer to Note 39 for the disclosure of the fair value of subordinated debt. Information on related party balances is disclosed in Note 41.

24 Share Capital

In thousands of GEL except for number of shares	Number of vested shares	Share capital	Share premium	Total
At 1 January 2013	**161,419**	**16,143**	**231,501**	**247,644**
Shares issued	2,411	240	7,097	**7,337**
Increase in share capital arising from share based payment	1,157	116	4,026	**4,142**
At 31 December 2013	**164,987**	**16,499**	**242,624**	**259,123**
Share split	41,081,763	-	-	**-**
Shares issued	7,692,308	3,077	172,493	**175,570**
Transaction costs recognized directly in equity	-	-	(9,459)	**(9,459)**
At 31 December 2014	**48,939,058**	**19,576**	**405,658**	**425,234**
Increase in share capital arising from share based payment	30,710	12	416	**428**
Treasury shares returned	(1,405)	(1)	(19)	**(20)**
Transaction costs recognized directly in equity	-	-	1,419	**1,419**
At 31 December 2015	**48,968,363**	**19,587**	**407,474**	**427,061**

On 4 March 2014, Shareholders of the Bank approved the spilt of the ordinary shares 250-for-1 and authorised for issue additional 10,445,387 shares. Following this decision, the total authorised number of ordinary shares as at 31 December 2015 is 56,206,527 shares (31 December 2014: 53,090,637 shares; 31 December 2013: 170,581 shares), with a nominal value of GEL 0.4 per share after the split (31 December 2014: GEL 0.4 per share; 31 December 2013: GEL 100 per share). All issued ordinary shares are fully paid.

In accordance with Georgian legislation, the number of issued ordinary shares and relevant amounts of share capital and share premium differ from presentation above due to accounting for share based payment transactions described in note 25.

In thousands of GEL except for number of shares	Number of outstanding shares	Share capital	Share premium	Total
At 1 January 2013	**161,419**	**16,143**	**231,501**	**247,644**
Shares issued	2,411	240	7,097	**7,337**
Increase in share capital arising from share based payment	1,157	116	4,026	**4,142**
At 31 December 2013	**164,987**	**16,499**	**242,624**	**259,123**
Registering shares in the name of employees under share based payment arrangement	1,229	123	4,156	**4,279**
Share split	41,387,784	-	-	**-**
Shares issued	7,692,308	3,077	172,493	**175,570**
Transaction costs recognized directly in equity	-	-	(9,459)	**(9,459)**
At 31 December 2014	**49,246,308**	**19,699**	**409,814**	**429,513**
Registering shares in the name of employees under share based payment arrangement	284,560	113	3,850	**3,963**
Treasury shares returned	(1,405)	(1)	(19)	**(20)**
At 31 December 2015	**49,529,463**	**19,811**	**413,645**	**433,456**

All ordinary shares rank equally except for 561,100 unvested shares that were registered in the name of the management under share based payment arrangement and which do not have voting rights before service conditions are met (see Note 25). These unvested shares are still included in number of outstanding shares per NBG accounting rules. All other shares carry one vote.

24 Share Capital (Continued)

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

At the reporting date the Bank has 3,115,890 authorised shares reserved for issuance under share based payment arrangement (31 December 2014: 1,037,500 shares; 31 December 2013: 1,037,500 shares). For description of share based payment scheme refer to Note 25. Per management’s estimate, the total number of shares that the Bank will eventually issue under the share based payment arrangement schemes for years 2013 – 2018 approximates 2,787,313 (31 December 2014: 803,336; 31 December 2013: 699,250).

Transaction costs, that is, incremental costs, are costs directly attributable to the equity transaction that otherwise would have been avoided had the equity instruments not been issued. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. GEL 1,419 thousand in 2015 relates to income tax benefit on transaction costs of GEL 9,459 incurred in 2014. The Bank recorded tax benefit on the uncertain position only after receiving formal approval from the Revenue Service of Georgia.

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

25 Share Based Payments

June 2013 arrangement:

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

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

25 Share Based Payments (Continued)

The Group considers 20 June 2013 as the grant date. Based on management's estimate of expected achievement of performance and service conditions 732,000 shares have been granted that will be gradually awarded to the members of the scheme as described above. The fair value of the share at the grant date, as adjusted for the effect of 250-for-1 share split, is evaluated at GEL 13,93 per share and the valuation was carried out by an external valuator. The valuation was performed by applying the income and market approaches. The market approach involved estimating market capitalization to book value of equity multiple and deal price to book value of equity multiple for comparable banks. When selecting comparable banks, the appraiser chose banks that operated in the Black Sea region and Central and Eastern Europe and had similar portfolio mix and growth priorities as TBC Bank. Income approach involved discounting free cash flows to equity estimated over 10-year horizon. When developing the projections, the following major assumptions were made:

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

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

June 2015 arrangement:

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

The Group considers 17 June 2015 as the grant date. As of 31 December 2015 based on management's best estimate of achievement of targets 1,908,960 shares have been granted that will be gradually awarded to the members of the scheme as described above. The fair value of the share at the grant date equalled to GEL 24.64 per share as quoted on London Stock Exchange.

25 Share Based Payments (Continued)

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

In GEL except for number of shares	31 December 2015	31 December 2014	31 December 2013 (not adjusted for the share split)
Number of unvested shares at the beginning of the period	**803,336**	**2,797**	**1,157**
Number of shares granted	1,908,963	-	2,797
Increase in the number of unvested shares due to 250-for-1 split	-	696,453	-
Change in estimate of number of shares expected to vest based on performance conditions	75,016	104,086	-
Number of shares vested	(30,710)	-	(1,157)
Number of unvested shares at the end of the period	**2,756,605**	**803,336**	**2,797**
Value at grant date per share (GEL) old remuneration system	13.93	13.93	3,482
Value at grant date per share (GEL) new remuneration system	24.64	-	-
Expense on equity-settled part (GEL thousand)	8,559	2,592	2,032
Expense on cash-settled part (GEL thousand)	5,967	1,710	2,055
Expense recognised as staff cost during the period (GEL thousand)	**14,526**	**4,302**	**4,087**

Liability in respect of the cash-settled part of the award amounted to GEL 6,560 thousand as of 31 December 2015 (2014: GEL 1,710 thousand; 2013: GEL 2,055 thousand).

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

On 31 December 2015 based on level of achievement of key performance indicators management has reassessed the number of shares that will have to be issued to the participants of share based payment system and increased estimated number of shares to vest by 75,016 (31 December 2014: 104,086, 31 December 2013: nil).

26 Earnings per Share

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

In thousands of GEL except for number of shares	2015	2014	2013
Profit for the period attributable to the owners of the Bank (excluding the profit attributable to the shares encumbered under the share based payment scheme – refer to Note 25)	216,400	156,469	121,616
Weighted average number of ordinary shares in issue	48,962,112	45,524,938	40,978,000
Basic earnings per ordinary share attributable to the owners of the Bank (expressed in GEL per share)	**4.4**	**3.4**	**3.0**

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

In thousands of GEL except for number of shares	2015	2014	2013
Profit for the period attributable to the owners of the Bank (excluding the profit attributable to the shares encumbered under the share based payment scheme – refer to Note 25)	218,227	157,071	121,616
Weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares during the period	49,607,204	45,968,817	41,055,500
Diluted earnings per ordinary share attributable to the owners of the Bank (expressed in GEL per share)	**4.4**	**3.4**	**3.0**

Weighted average number of ordinary shares in issue as at 31 December 2013 has been adjusted for the 250-for-1 share split that took place in March 2014.

27 Segment Analysis

The chief operating decision maker which is the Management Board reviews the Group's internal reporting in order to assess performance and allocate resources. In 2014, the Board has changed the way it analyses certain information in order to enhance the control and monitoring of the Group's performance. This has resulted in the creation of a new segment 'Corporate Center and Other Operations' and a change in the presentation of segment information. In 2015, following the merger of Bank Constanta the Board has revised the definition of segments in order to further enhance the control and monitoring of the Group's performance. This has resulted in a transfer of certain customers between segments. Comparative information as at 31 December 2014 and 31 December 2013 has not been updated due to impracticability.

The operating segments were determined as at 31 December 2014 and 31 December 2013 as follows:

- Corporate – business customers which have annual revenue of GEL 8.0 million or more or have been granted a loan in an amount equivalent to USD 1.5 million or more. Some other significant legal entity customers may also be assigned the status of being a corporate customer, on a discretionary basis; for example, if they are regarded by the Group as having strong growth potential.
- SME – business customers that are not included either in the corporate or micro segments.
- Micro – all business customers of Bank Constanta, that have been granted loans by and/or have deposits with Bank Constanta, the amount of which in neither case exceeds USD 150 thousand.
- Retail – all individual customers of the Group as well as customers that have been granted gold-pawn loans.
- Corporate Center and Other Operations – comprise the Treasury, other support and back office functions, and non-banking subsidiaries of the Group.

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

- Corporate – all business customers that have annual revenue of GEL 8.0 million or more or have been granted a loan in an amount equivalent to USD 1.5 million or more. Some other business customers may also be assigned to the Corporate segment on a discretionary basis;
- SME – all business customers that are not included in either Corporate or Micro segments; Some other legal entity customers may also be assigned to the SME segment on a discretionary basis;
- Micro – all business customers with loans below USD 70K, as well as pawn loans, credit cards and cash cover loans granted in TBC Bank Constanta branches, and/or have deposits up to USD 20 thousand in urban areas and up to USD 100 thousand in rural areas of the customers of TBC Bank Constanta branches. Some other customers may also be assigned to the Micro segment on a discretionary basis;
- Retail – all individual customers that are not included in the other categories.
- Corporate Center and Other Operations – comprise the Treasury, other support and back office functions, and non-banking subsidiaries of the Group.

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

The reportable segments are the same as the operating segments.

The vast majority of the entity's revenues are attributable to Georgia. A geographic analysis of origination of the Group's assets and liabilities is given in note 33.

Segment information for the reportable segments of the Group for the years ended 31 December 2015, 2014 and 2013 is set out below:

27 Segment Analysis (Continued)

In thousands of GEL	Corporate	Retail	SME	Micro	Corporate centre and other operations	Total
31 December 2015						
− Interest income	135,615	271,083	68,303	107,326	66,732	**649,059**
− interest expense	(31,189)	(94,656)	(9,376)	(2,268)	(99,396)	**(236,885)**
− Inter-segment interest income/(expense)	(34,855)	12,828	(2,455)	(26,788)	51,270	**-**
− **Net interest income**	**69,571**	**189,255**	**56,472**	**78,270**	**18,606**	**412,174**
− Fee and commission income	18,397	72,242	11,739	6,880	4,579	**113,837**
− Fee and commission expense	(3,864)	(31,698)	(3,917)	(1,242)	(825)	**(41,546)**
− **Net Fee and commission income**	**14,533**	**40,544**	**7,822**	**5,638**	**3,754**	**72,291**
− Gains less losses from trading in foreign currencies	23,647	15,038	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	13,808	2,299	1,089	95	8,592	**25,883**
− **Other operating non-interest income**	**37,455**	**17,337**	**22,577**	**1,882**	**13,278**	**92,529**
− Provision for loan impairment	(15,396)	(29,004)	(11,628)	(16,763)	-	**(72,791)**
− Provision for performance guarantees and credit related commitments	4,581	(4,113)	731	(82)	-	**1,117**
− Provision for impairment of investments in finance lease	-	-	-	-	(967)	**(967)**
− Provision for impairment of other financial assets	(561)	(735)	(388)	(317)	(1,350)	**(3,351)**
− **Profit before administrative and other expenses and income taxes**	**110,183**	**213,284**	**75,586**	**68,628**	**33,321**	**501,002**
− Staff costs	(16,947)	(69,497)	(16,439)	(30,470)	(9,424)	**(142,777)**
− Depreciation and amortisation	(1,092)	(15,295)	(2,138)	(6,436)	(1,325)	**(26,286)**
− Provision for liabilities and charges	-	-	-	-	(1,102)	**(1,102)**
− Administrative and other operating expenses	(4,879)	(46,438)	(7,712)	(14,531)	(9,404)	**(82,964)**
− **Operating expenses**	**(22,918)**	**(131,230)**	**(26,289)**	**(51,437)**	**(21,255)**	**(253,129)**
− **Profit before tax**	**87,265**	**82,054**	**49,297**	**17,191**	**12,066**	**247,873**
− Income tax expense	(13,384)	(11,119)	(7,719)	(2,578)	5,624	**(29,176)**
− **Profit for the year**	**73,881**	**70,935**	**41,578**	**14,613**	**17,690**	**218,697**
Total gross loans and advances to customers reported	1,500,104	2,019,969	625,628	493,328	-	**4,639,029**
Total customer accounts reported	1,001,341	2,469,878	633,211	73,501	-	**4,177,931**
Total credit related commitments and performance guarantees	446,380	130,402	77,781	4,412	-	**658,975**

27 Segment Analysis (Continued)

In thousands of GEL	Corporate	Retail	SME	Micro	Corporate centre and other operations	Total
31 December 2014						
− Interest income	116,404	237,804	53,739	57,573	46,837	**512,357**
− interest expense	(21,845)	(80,808)	(7,196)	(192)	(63,668)	**(173,709)**
− Inter-segment interest income/(expense)	(42,246)	7,499	(3,640)	(18,468)	56,855	**-**
− **Net interest income**	**52,313**	**164,495**	**42,903**	**38,913**	**40,024**	**338,648**
− Fee and commission income	18,093	46,368	9,268	3,498	10,976	**88,203**
− Fee and commission expense	(1,312)	(26,230)	(906)	(911)	(164)	**(29,523)**
− **Net Fee and commission income**	**16,781**	**20,138**	**8,362**	**2,587**	**10,812**	**58,680**
− Gains less losses from trading in foreign currencies	12,456	9,932	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**	**12,456**	**9,932**	**13,286**	**1,820**	**23,512**	**61,006**
− Provision for loan impairment	(18,995)	(22,046)	(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**	**63,440**	**172,519**	**62,943**	**37,314**	**73,013**	**409,229**
− Staff costs	(11,826)	(55,427)	(10,755)	(15,808)	(29,019)	**(122,835)**
− Depreciation and amortisation	(780)	(13,132)	(1,915)	(3,579)	(5,021)	**(24,427)**
− Provision for liabilities and charges	-	-	-	-	(5,500)	**(5,500)**
− Administrative and other operating expenses	(4,432)	(36,026)	(4,981)	(9,600)	(18,509)	**(73,548)**
− **Operating expenses**	**(17,038)**	**(104,585)**	**(17,651)**	**(28,987)**	**(58,049)**	**(226,310)**
− **Profit before tax**	**46,402**	**67,934**	**45,292**	**8,327**	**14,964**	**182,919**
− Income tax expense	(6,207)	(9,087)	(6,059)	(1,114)	(2,001)	**(24,468)**
− **Profit for the year**	**40,195**	**58,847**	**39,233**	**7,213**	**12,963**	**158,451**
Total gross loans and advances to customers reported	1,231,729	1,666,913	533,919	273,699	-	**3,706,260**
Total customer accounts reported	832,555	1,977,172	507,816	4,885	-	**3,322,428**
Total credit related commitments and performance guarantees	515,026	125,250	62,578	2,598	-	**705,452**

27 Segment Analysis (Continued)

In thousands of GEL	Corporate	Retail	SME	Micro	Corporate centre and other operations	Total
31 December 2013						
− Interest income	131,385	207,028	44,370	51,185	40,828	**474,796**
− interest expense	(35,721)	(96,144)	(7,622)	(426)	(52,233)	**(192,146)**
− Inter-segment interest income/(expense)	(50,675)	24,157	(3,679)	(15,045)	45,242	**-**
− **Net interest income**	**44,989**	**135,041**	**33,069**	**35,714**	**33,837**	**282,650**
− Fee and commission income	15,881	40,823	7,349	2,444	7,864	**74,361**
− Fee and commission expense	(4,688)	(17,627)	(1,089)	(620)	(277)	**(24,301)**
− **Net Fee and commission income**	**11,193**	**23,196**	**6,260**	**1,824**	**7,587**	**50,060**
− Gains less losses from trading in foreign currencies	12,522	8,614	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**	**12,522**	**8,614**	**9,244**	**1,513**	**16,849**	**48,742**
− Provision for loan impairment	(17,035)	(13,377)	(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**	**45,545**	**153,474**	**48,150**	**36,580**	**54,797**	**338,546**
− Staff costs	(8,329)	(49,949)	(9,909)	(14,138)	(26,288)	**(108,613)**
− Depreciation and amortisation	(753)	(11,862)	(1,904)	(2,061)	(3,413)	**(19,993)**
− Provision for liabilities and charges	-	-	-	-	(1,315)	**(1,315)**
− Administrative and other operating expenses	(3,175)	(32,693)	(4,135)	(10,130)	(18,559)	**(68,692)**
− **Operating expenses**	**(12,257)**	**(94,504)**	**(15,948)**	**(26,329)**	**(49,575)**	**(198,613)**
− **Profit before tax**	**33,288**	**58,970**	**32,202**	**10,251**	**5,222**	**139,933**
− Income tax expense	(3,726)	(6,602)	(3,604)	(1,147)	(584)	**(15,663)**
− **Profit for the year**	**29,562**	**52,368**	**28,598**	**9,104**	**4,638**	**124,270**
Total gross loans and advances to customers reported	1,157,334	1,207,514	392,446	201,287	-	**2,958,581**
Total customer accounts reported	819,779	1,610,676	451,985	4,443	-	**2,886,883**
Total credit related commitments and performance guarantees	397,575	117,260	71,056	1,979	-	**587,870**

27 Segment Analysis (Continued)

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

In thousands of GEL	**31 December 2015**	**31 December 2014**	**31 December 2013**
Total segment assets (gross loans and advances to customers)	4,639,029	3,706,260	2,958,581
Provision for loan impairment	(194,143)	(149,764)	(156,869)
Cash and cash equivalents	720,347	532,118	390,465
Mandatory cash balances with National Bank of Georgia	471,490	336,075	295,332
Due from other banks	11,042	33,704	1,708
Investment securities available for sale	307,310	466,510	500,651
Bonds carried at amortized cost	372,092	-	-
Current income tax prepayment	9,856	251	6,202
Deferred income tax asset	1,546	383	-
Other financial assets	64,317	43,857	45,049
Investments in finance leases	75,760	50,907	35,613
Other assets	103,912	77,775	65,075
Premises and equipment	247,767	208,692	199,668
Intangible assets	44,344	37,756	23,491
Investment properties	57,600	76,216	83,383
Goodwill	2,726	2,726	2,726
Total assets per statement of financial position	**6,934,995**	**5,423,466**	**4,451,075**

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

In thousands of GEL	**31 December 2015**	**31 December 2014**	**31 December 2013**
Total segment liabilities (customer accounts)	4,177,931	3,322,428	2,886,883
Due to Credit institutions	1,113,574	749,285	565,806
Debt securities in issue	21,714	20,423	4,474
Current income tax liability	912	12,433	-
Deferred income tax liability	29,244	23,187	27,814
Provisions for liabilities and charges	9,461	11,898	12,380
Other financial liabilities	39,435	41,346	24,850
Other liabilities	40,627	34,975	31,305
Subordinated debt	283,648	188,015	168,274
Total liabilities per statement of financial position	**5,716,546**	**4,403,990**	**3,721,786**

28 Interest Income and Expense

In thousands of GEL	2015	2014	2013
Interest income			
Loans and advances to customers	582,327	465,520	433,968
Bonds carried at amortised cost	22,950	-	-
Investment securities available for sale (Note10)	20,927	30,361	30,442
Investments in leases	15,217	10,265	7,356
Due from other banks	7,638	6,211	3,030
Total interest income	**649,059**	**512,357**	**474,796**
Interest expense			
Customer accounts	137,489	110,041	139,913
Due to credit institutions	70,834	43,384	38,645
Subordinated debt	26,363	19,069	13,182
Debt securities in issue	2,105	928	237
Other	94	287	169
Total interest expense	**236,885**	**173,709**	**192,146**
Net interest income	**412,174**	**338,648**	**282,650**

During the year ended 31 December 2015 the interest accrued on impaired loans was GEL 25,756 thousand (2014: 18,134 thousand, 2013: 38,871 thousand).

29 Fee and Commission Income and Expense

In thousands of GEL	2015	2014	2013
Fee and commission income			
Fee and commission income in respect of financial instruments not at fair value through profit or loss:			
- Card operations	49,424	35,247	33,012
- Settlement transactions	31,218	23,892	18,543
- Cash transactions	10,930	6,507	5,040
- Guarantees issued	8,949	9,140	6,271
- Issuance of letters of credit	5,859	6,889	6,769
- Foreign exchange operations	1,410	1,169	1,550
- Other	6,047	5,359	3,176
Total fee and commission income	**113,837**	**88,203**	**74,361**
Fee and commission expense			
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:			
- Card operations	27,169	16,053	13,143
- Settlement transactions	3,904	2,594	2,157
- Guarantees received	3,165	4,161	4,048
- Cash transactions	2,707	2,592	1,544
- Foreign exchange operations	5	62	70
- Other	4,596	4,061	3,339
Total fee and commission expense	**41,546**	**29,523**	**24,301**
Net fee and commission income	**72,291**	**58,680**	**50,060**

30 Other Operating Income

In thousands of GEL	2015	2014	2013
Revenues from operational leasing	8,539	6,997	2,980
Gain from sale of investment properties	4,896	5,795	5,835
Gain on sale of financial asset	4,692	-	-
Gain from sale of inventories of repossessed collateral	1,836	1,644	1,519
Revenues from sale of cash-in terminals	777	852	760
Administrative fee income from international financial institutions	708	982	1,268
Revenues from non-credit related fines	286	236	339
Gain on disposal of premises and equipment	118	126	37
Other	4,031	2,968	3,398
Total other operating income	**25,883**	**19,600**	**16,136**

Revenues from operational leasing is wholly attributable to investment properties. Carrying value of inventories of repossessed collateral disposed of during year ended 31 December 2015 was GEL 9,777 thousand (2014: GEL 13,721 thousand; 2013: GEL 19,558 thousand).

31 Administrative and Other Operating Expenses

In thousands of GEL	2015	2014	2013
Rent	16,468	11,943	10,809
Advertising and marketing services	11,451	14,121	13,211
Professional services	8,418	11,969	6,247
Intangible asset enhancement	6,062	4,371	3,767
Impairment of intangible assets	4,982	-	-
Taxes other than on income	4,598	3,900	3,043
Utility services	4,501	3,681	3,369
Stationery and other office expenses	3,471	2,632	2,360
Communications and supply	3,433	3,455	3,103
Insurance	2,301	1,899	1,496
Premises and equipment maintenance	2,959	1,893	2,484
Security services	1,622	1,578	1,597
Business trip expenses	1,589	1,610	1,230
Transportation and vehicle maintenance	1,328	1,216	1,215
Personnel training and recruitment	1,230	919	902
Charity	928	898	905
Loss on disposal of inventories	86	208	221
Loss on disposal of premises and equipment	34	18	54
Loss on disposal of investment properties	3	-	76
Write-down of current assets to fair value less costs to sell	(178)	190	6,178
Other	7,678	7,047	6,425
Total administrative and other operating expenses	**82,964**	**73,548**	**68,692**

32 Income Taxes

Income tax expense comprises the following:

In thousands of GEL	2015	2014	2013
Current tax charge	29,697	29,365	8,247
Deferred tax (credit)/charge	(521)	(4,897)	7,416
Income tax expense for the year	**29,176**	**24,468**	**15,663**

The income tax rate applicable to the majority of the Group's income is 15% (2014: 15%; 2013: 15%). The income tax rate applicable to the majority of subsidiaries income ranges from 15% to 20% (2014: 15% - 20%; 2013: 15% - 20%).

Reconciliation between the expected and the actual taxation charge is provided below.

In thousands of GEL	2015	2014	2013
Profit before tax	**247,873**	**182,919**	**139,933**
Theoretical tax charge at statutory rate (2015: 15%; 2014: 15%; 2013: 15%)	37,181	27,438	20,990
Tax effect of items which are not deductible or assessable for taxation purposes:			
- Income which is exempt from taxation	(7,281)	(4,678)	(4,865)
- Non-deductible expenses and other differences	(724)	1,708	1,758
- Recognition of previously unrecognized deferred tax assets	-	-	(2,220)
Income tax expense for the year	**29,176**	**24,468**	**15,663**

The Group has not recorded a deferred tax liability in respect of temporary differences of GEL 1,405 thousand (2014: GEL 6.141 thousand; 2013: GEL 3,653 thousand) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences, and does not intend to reverse them in the foreseeable future.

32 Income Taxes (Continued)

Differences between IFRS and statutory taxation regulations in Georgia and Azerbaijan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 15% (2014: 15%; 2013: 15%) for Georgia and 20% for Azerbaijan (2014: 20%; 2015: 20%).

In thousands of GEL	**31 December 2014**	**(Charged)/ credited to profit or loss**	**(Charged)/credited directly to other comprehensive income**	**31 December 2015**
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards				
Premises and equipment	(20,040)	(1,393)	(4,369)	(25,802)
Loan impairment provision	(4,718)	(3,858)	(591)	(9,167)
Fair valuation of investment securities available for sale	(1,224)	108	(479)	(1,595)
Other financial assets	4,483	1,469	-	5,952
Other assets	4,164	2,211	32	6,407
Investment in leases	29	(585)	-	(556)
Investment property	(6,436)	2,189	-	(4,247)
Due to credit institutions	(292)	(183)	-	(475)
Subordinated debt	(259)	(68)	-	(327)
Other financial liabilities	1,817	(1,757)	-	60
Other liabilities	(380)	1,697	(6)	1,311
Share based payment	52	689	-	741
Net deferred tax asset/(liability)	**(22,804)**	**519**	**(5,413)**	**(27,698)**
Recognised deferred tax asset	**383**	1,163	-	**1,546**
Recognised deferred tax liability	**(23,187)**	(644)	(5,413)	**(29,244)**
Net deferred tax asset/(liability)	**(22,804)**	**519**	**(5,413)**	**(27,698)**

In thousands of GEL	**31 December 2013**	**(Charged)/ credited to profit or loss**	**Charged directly to other comprehensive income**	**31 December 2014**
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards				
Premises and equipment	(18,306)	(2,039)	305	(20,040)
Loan impairment provision	(5,666)	948	-	(4,718)
Fair valuation of investment securities available for sale	(557)	(475)	(192)	(1,224)
Other financial assets	191	4,292	-	4,483
Other assets	1,741	2,423	-	4,164
Investment in leases	(13)	42	-	29
Investment property	(7,012)	576	-	(6,436)
Due to credit institutions	464	(756)	-	(292)
Subordinated debt	(289)	30	-	(259)
Other Financial liabilities	1,027	790	-	1,817
Other Liabilities	301	(681)	-	(380)
Share based payment	305	(253)	-	52
Net deferred tax asset/(liability)	**(27,814)**	**4,897**	**113**	**(22,804)**

32 Income Taxes (Continued)

In thousands of GEL	1 January 2013	(Charged)/ credited to profit or loss	Charged directly to other comprehensive income	31 December 2013
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards				
Premises and equipment	(16,961)	(1,345)	-	(18,306)
Loan impairment provision	(834)	(4,832)	-	(5,666)
Fair valuation of investment securities available for sale	(473)	171	(255)	(557)
Tax loss carry forwards	678	(678)	-	-
Other financial assets	1,320	(1,129)	-	191
Other assets	865	876	-	1,741
Investment in leases	(197)	184	-	(13)
Investment property	(2,576)	(4,436)	-	(7,012)
Due to credit institutions	(433)	897	-	464
Subordinated debt	(219)	(70)	-	(289)
Other Financial liabilities	-	1,027	-	1,027
Other Liabilities	(1,313)	1,614	-	301
Share based payment	-	305	-	305
Net deferred tax asset/(liability)	**(20,143)**	**(7,416)**	**(255)**	**(27,814)**

In the context of the Group's current structure and Georgian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

33 Financial and Other Risk Management

TBC Bank Group operates a prudent approach to risk management through its strong and independent risk function managing credit, financial and non-financial risks. All components necessary for comprehensive risk governance are embedded into risk organization structure: enterprise risk management; credit, financial and non-financial risks management; risk reporting & supporting IT infrastructure; cross-risk analytical tools and techniques such as capital adequacy management and stress-testing. Comprehensive, transparent and prudent risk governance facilitates understanding and trust from multiple stakeholders, ensures sustainability and resiliency of the business model and positioning of risk management as Bank's competitive advantage and strategic enabler.

TBC Bank Group governance structure ensures adequate oversight and accountabilities as well as clear segregation of duties. Supervisory Board has the overall responsibility to set the tone at the top and monitor compliance with established objectives. At the same time, Management Board governs and directs Groups's daily activities.

Both the Supervisory Board and the Management Board have established dedicated risk committees. Risk, Ethics and Compliance Committee of Supervisory Board approves Group's Risk Appetite, supervises risk profile and risk governance practice within the Bank while Audit Committee is responsible for implementation of key accounting policies and facilitation of activities of internal and external auditors. Management Board Risk Committee is established to guide group-wide risk management activities and monitor major risk trends to make sure risk profile complies with the established Risk Appetite of the Group. Operational Risk Committee makes decisions related to operational risk governance while Asset-Liability Management Committee ("ALCO") is responsible for implementation of ALM policies.

33 Financial and Other Risk Management (Continued)

TBC Bank Supervisory Board and Senior Management govern risk objectives through Risk Appetite Statement ("RAS") which is approved by the Supervisory Board and establishes desired risk profile and risk limits for different economic environments. Risk Appetite ("RA") establishes monitoring and reporting responsibilities as well as escalation paths for different trigger events and limit breaches which as well prompt risk teams to establish and implement agreed mitigation actions. In order to effectively implement Risk Appetite in day-to-day operations of the Group, RA metrics are cascaded into more granular business unit level limits. That way risk allocation is established across different segments and activities. The Board level oversight coupled with the permanent involvement of the Senior Management in TBC Group risk management ensures clarity regarding risk objectives, intense monitoring of risk profile against risk appetite, prompt escalation of risk-related concerns and establishment of remediation actions.

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 defence. This is performed through sanctioning transactions as well as tools and techniques for risk identification, analysis, measurement, monitoring and reporting. Committees are established at operational levels in charge of making transaction-level decisions comprising component of clear and sophisticated delegations of authority framework based on "four-eye principle". All new products/projects pass through risk teams to assure the risks are analysed comprehensively. Such control arrangements guarantee that Bank makes informed risk-taking decisions that are adequately priced and that risks exceeding established targets of the Group are not taken. Credit, liquidity, market, operational and other non-financial risk management is performed by following teams within Risk Organization:

- Enterprise Risk Management (ERM);
- Credit Risk Management;
- Underwriting (Credit sanctioning);
- Restructuring and Collections;
- Financial Risk Management;
- Operational Risk Management;

Strong and independent structure enables 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 both on local and international markets.

In addition to the above-mentioned risk teams, Compliance Department (reporting directly to CEO), is specifically in charge of AML and compliance risk management. Internal Audit Department as a third line of defence is in charge of provision of independent and objective assurance and recommendations to Group that facilitates further improvement of operations and risk management.

For the management of each significant risk, the Bank puts in place policies and procedures, governance tools and techniques, methodologies for risk identification, assessment and quantification. Sound risk reporting systems and IT infrastructure are important tools for efficient risk management of TBC Bank. Thus, significant emphasis and investments are made by the Bank to constantly drive the development of required solutions. Comprehensive reporting framework is in place for the Management Board and the Supervisory Board that enables intense oversight over risk developments and taking early remedial actions upon necessity.

Beyond the risk governance components described above, compensation system comprises one of the most significant tools for introducing incentives for staff that are aligned with the 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. Performance management framework differentiates risk staff incentives to safeguard the independence from business areas that they supervise and at the same time enable attraction and maintenance of qualified professionals. For that purpose, the Bank overweighs risk KPIs for risk and control staff and caps the share of variable remuneration.

33 Financial and Other Risk Management (Continued)

Credit risk. The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable to meet its obligation to settle outstanding amounts. The Group's exposure to credit risk arises as a result of its lending operations and other transactions with counterparties giving rise to financial assets. Maximum exposure to credit risk of on-balance sheet items is equal to their carrying values. For maximum exposure on off-balance sheet commitments refer to note 35.

Credit risks include: risks arising from transactions with individual counterparties, concentration risk, currency-induced credit risks and residual risks.

- Risks arising from transactions with individual counterparties is the loss risk related to default or non-fulfillment of contracts due to deterioration in the counterparty's credit quality
- Concentration risk is the risk related to the quality deterioration due to large exposures provided to single borrowers or group of connected borrowers, or loan concentration in certain economic industries
- Currency-induced credit risks relate to risks arising from foreign currency-denominated loans in the Group's portfolio
- Residual risks result from applying credit risk-mitigation techniques, which could not satisfy expectation in relation to received collateral

Comprehensive risk management methods and processes are established as part of the Group's risk management framework to manage credit risk effectively. The main principles for Group's credit risk management are: establish a prudent credit risk environment; operate under a sound credit-granting process; and maintain efficient processes for credit risk identification, measurement, control and monitoring. Respective policies and procedures establish a framework for lending decisions reflecting the Group'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. During 2015 Risk Appetite framework has been further enhanced and respective metrics have been embedded in the Bank's strategic planning process, thus taking informed decision when defining the Bank's growth strategy.

Credit Approval: TBC Bank strives to ensure a sound credit-granting process by establishing well-defined credit granting criteria and building up an efficient process for the comprehensive assessment of a borrower's risk profile. The concept of three lines of defense is embedded in the credit risk assessment framework, with clear segregation of duties among parties involved in the credit assessment process.

The credit assessment process differs across segments, being further differentiated across various product types reflecting different natures of these asset classes. Corporate, SME and larger retail and micro loans are assessed on an individual basis with thorough analysis of the borrower's creditworthiness and structure of the loan; whereas smaller retail and micro loans are mostly assessed in an automated way applying respective scoring models for loan approval. Business borrowers lending guidelines have been tailored for individual economic sectors, outlining key lending criteria and target ratios within each industry.

Loan Approval Committees are responsible to review credit applications and approve credit products. Different Loan Approval Committees with clearly defined delegation authority are in place for the approval of credit exposures to Corporate, SME, Retail and Micro customers (except those products which are assessed applying scorecards). The composition of a Loan Approval Committee depends on aggregated liabilities of the borrower and the borrower's risk profile. Credit risk managers (as members of respective Loan Approval Committees) ensure that the borrower and proposed credit exposure risks are thoroughly analysed. A loan to the Bank's top 20 borrowers requires the review and approval of Supervisory Board's Risk, Ethics and Compliance Committee. This committee also approves transactions with related parties that result in exposures to individuals and legal entities exceeding GEL 150 and 200 thousand, respectively

33 Financial and Other Risk Management (Continued)

Credit Risk Monitoring: The Group dedicates considerable resources to gain a clear and accurate understanding of the credit risk the Bank faces across various business segments. In order to minimise credit risk, the Group continuously monitors its credit portfolio, both at the level of individual transaction and at overall credit portfolio level. The Group's risk management policies and processes are designed to identify and analyse risk in a timely manner, and to monitor the risks and adherence to predefined limits by means of reliable and timely data. Regular reports regarding quality trends of the portfolio are generated and presented to the Management Board Risk Committee on a monthly basis and to Risk Ethics and Compliance Committee on a quarterly basis. Report includes but is not limited to: total credit portfolio exposure, concentrations, maturities, volumes and performance of non-performing loans, write-offs and recoveries, TBC Bank's related and connected party exposures and compliance with risk appetite limits.

In response to local currency devaluation, the Group undertook scrutinized monitoring of the loan book both on a transaction and portfolio level. As a result of monitoring process individual borrowers affected by currency devaluation were identified and specific action plans were outlined; list of vulnerable products and industries were identified with underwriting criteria being revised accordingly. This approach enabled the Group to keep credit risks within acceptable limits during not stable macro environment.

Credit Risk Mitigation: Credit decisions are based primarily on the borrower's repayment capacity and creditworthiness; in addition, TBC Bank uses credit risk mitigation tools such as collateral and guarantees to reduce the credit risk. The reliance that can be placed on these mitigants is carefully assessed for legal certainty and enforceability, market valuation of collateral and counterparty risk of the guarantor. The centralized collateral management unit has been established in order to have central view and strategy on collateral management and ensure that all processes are efficiently followed.

Credit Risk Restructuring and Collection: The Group has in place a comprehensive portfolio supervision system to identify weakened or problem credit exposures in a timely manner and take early remedial actions. Dedicated restructuring units are in place to manage weakened borrowers across all business segments. The primary goal of restructuring units is to rehabilitate the borrower and return to the performing category. The sophistication and complexity of rehabilitation process differs based on the type and size of exposure.

For smaller retail and micro loans a special collection system is in place to effectively manage overdue loans, the system based on predefined strategies generates list of borrowers which should be contacted via phone call, generates letter reminders to overdue borrowers, records borrowers' promises to pay and other updates for further actions.

For management of loans with higher risk profile dedicated recovery units are in place. Corporate and SME borrowers are transferred to recovery unit in case there is a strong probability that a material portion of the principal amount will not be paid and main stream of recovery is no longer the borrower's cash flow. Retail and micro loans are generally transferred to the recovery unit or external collection agencies (in the case of unsecured loans) when 90 days overdue, although may be transferred earlier if it is evident that the borrower is unable to repay the loan.

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

33 Financial and Other Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2015 is set out below:

In thousands of GEL	**Georgia**	**OECD**	**Non-OECD**	**Total**
Assets				
Cash and cash equivalents	509,000	199,383	11,964	**720,347**
Due from other banks	2,976	8,066	-	**11,042**
Mandatory cash balances with National Bank of Georgia	471,490	-	-	**471,490**
Loans and advances to customers	4,192,155	123,643	129,088	**4,444,886**
Investment securities available for sale	297,975	9,335	-	**307,310**
Bonds carried at amortised cost	372,092	-	-	**372,092**
Investments in leases	75,760	-	-	**75,760**
Other financial assets	64,302	15	-	**64,317**
Total financial assets	**5,985,750**	**340,442**	**141,052**	**6,467,244**
Non-financial assets	**465,094**	**39**	**2,618**	**467,751**
Total assets	**6,450,844**	**340,481**	**143,670**	**6,934,995**
Liabilities				
Due to credit institutions	408,475	637,367	67,732	**1,113,574**
Customer accounts	3,378,566	462,400	336,965	**4,177,931**
Debt securities in issue	4,798	-	16,916	**21,714**
Other financial liabilities	36,772	2,591	72	**39,435**
Subordinated debt	-	283,648	-	**283,648**
Total financial liabilities	**3,828,611**	**1,386,006**	**421,685**	**5,636,302**
Non-financial liabilities	**78,624**	**834**	**786**	**80,244**
Total liabilities	**3,907,235**	**1,386,840**	**422,471**	**5,716,546**
Net balance sheet position	**2,543,609**	**(1,046,359)**	**(278,801)**	**1,218,449**
Performance guarantees	**234,695**	**1,786**	**6,702**	**243,183**
Credit related commitments	**401,590**	**13,199**	**1,003**	**415,792**

33 Financial and Other Risk Management (Continued)

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

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

33 Financial and Other Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2013 is set out below:

In thousands of GEL	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	242,264	74,279	73,922	**390,465**
Due from other banks	-	1,630	78	**1,708**
Mandatory cash balances with National Bank of Georgia	295,332	-	-	**295,332**
Loans and advances to customers	2,639,915	91,492	70,305	**2,801,712**
Investment securities available for sale	495,793	4,858	-	**500,651**
Investments in leases	35,613	-	-	**35,613**
Other financial assets	44,990	59	-	**45,049**
Total financial assets	**3,753,907**	**172,318**	**144,305**	**4,070,530**
Non-financial assets	**379,248**	**28**	**1,269**	**380,545**
Total assets	**4,133,155**	**172,346**	**145,574**	**4,451,075**
Liabilities				
Due to credit institutions	115,519	403,179	47,108	**565,806**
Customer accounts	2,513,794	347,410	25,679	**2,886,883**
Debt securities in issue	-	-	4,474	**4,474**
Other financial liabilities	19,638	5,164	48	**24,850**
Subordinated debt	-	168,274	-	**168,274**
Total financial liabilities	**2,648,951**	**924,027**	**77,309**	**3,650,287**
Non-financial liabilities	**70,160**	**92**	**1,247**	**71,499**
Total liabilities	**2,719,111**	**924,119**	**78,556**	**3,721,786**
Net balance sheet position	**1,414,044**	**(751,773)**	**67,018**	**729,289**
Performance guarantees	**156,551**	**-**	**-**	**156,551**
Credit related commitments	**422,239**	**-**	**-**	**422,239**

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

Currency risk. Foreign exchange rate risk arises from the potential change in foreign currency exchange rates, which can affect the value of a financial instrument. This risk stems from the open currency positions created due to mismatches in foreign currency assets and liabilities. The NBG requires the Bank to monitor both balance-sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20% of the Bank's regulatory capital. As at 31 December 2015, the Bank maintained an aggregate open currency position of 1.6% of regulatory capital (2014: 3.1%; 2013: 0.79%). The Asset-Liability Management Committee ("ALCO") has set limits on the level of exposure by currency as well as on aggregate exposure positions which are more conservative than those set by the NBG. The Bank's compliance with such limits is monitored daily by the heads of the Treasury and Financial Risk Management Departments.

33 Financial and Other Risk Management (Continued)

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

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

In thousands of GEL	At 31 December 2015 Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position
Georgian Lari	2,442,850	1,646,864	3,430	**799,416**
US 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				At 31 December 2013			
In thousands of GEL	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Derivatives	Net balance sheet position
Georgian Lari	1,979,583	1,336,626	55,335	**698,292**	1,438,492	994,150	(31,569)	**412,773**
US Dollars	2,704,810	2,573,475	(193,200)	**(61,865)**	2,374,574	2,333,144	(60,192)	**(18,762)**
Euros	262,113	376,934	117,668	**2,847**	217,267	294,734	76,450	**(1,017)**
Other	72,543	34,414	18,313	**56,442**	38,917	28,259	16,532	**27,190**
Total	**5,019,049**	**4,321,449**	**(1,884)**	**695,716**	**4,069,250**	**3,650,287**	**1,221**	**420,184**

To assess currency risk the Bank performs value-at-risk ("VAR") sensitivity analysis on a quarterly basis. The analysis calculates the effect on the income of the Group of possible worst movement of currency rates against Georgian Lari, with all other variables held constant. To identify maximum expected losses associated with currency fluctuations, 99% confidence level is defined based on monthly changes in exchange rates over the 3 years look-back period. During the years ended 31 December 2015, 2014 and 2013, sensitivity analysis did not reveal any significant potential effect on the Group's equity:

In thousands of GEL	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Maximum loss (VAR, 99% confidence level)	(449)	(2,572)	(589)
Maximum loss (VAR,95% confidence level)	(285)	(1,886)	(413)

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

33 Financial and Other Risk Management (Continued)

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

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at amounts monitored by the management, categorised by the earlier of contractual interest re-pricing or maturity dates. Currency and interest rate swaps are not netted when assessing the Group's exposure to interest rate risks. Therefore, total financial assets and liabilities below are not traceable with either balance sheet or other financial risk management tables. The tables consider both reserves placed with NBG and Interest bearing Nostro accounts. Income on NBG reserves and Nostros are calculated as benchmark minus margin whereby for benchmark Federal funds rate and ECB rates are considered in case of USD and EUR respectively. Therefore, they have impact on the TBC's NII in case of upward movement and do not affect NII in case of downward shift of interest rates.

In thousands of GEL	**Less than 1 year**	**More than 1 year**	**Total**
31 December 2015			
Total financial assets	3,634,967	2,847,165	**6,482,132**
Total financial liabilities	3,747,595	1,903,627	**5,651,222**
Net interest sensitivity gap at 31 December 2015	**(112,628)**	**943,538**	**830,910**
31 December 2014			
Total financial assets	2,566,552	2,480,230	**5,046,782**
Total financial liabilities	2,763,543	1,584,484	**4,348,027**
Net interest sensitivity gap at 31 December 2014	**(196,991)**	**895,746**	**698,755**
31 December 2013			
Total financial assets	2,108,957	1,994,728	**4,103,685**
Total financial liabilities	2,364,190	1,317,960	**3,682,150**
Net interest sensitivity gap at 31 December 2013	**(255,233)**	**676,768**	**421,535**

At 31 December 2015, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit for the year would have been GEL 6,748 thousand (2014: GEL 4,932 thousand; 2013 GEL 4,400 thousand;) higher, mainly as a result of lower interest expense on variable interest liabilities. Other comprehensive income would have been GEL 927 thousand (2014: GEL 5,482 thousand, 2013: GEL 5,093 thousand) higher, as a result of an increase in the fair value of fixed rate financial assets classified as available for sale and repurchase receivables.

If interest rates had been 100 basis points higher, with all other variables held constant, profit would have been GEL 777 thousand (2014: GEL 1,329 thousand 2013: GEL 1,284 thousand) lower, mainly as a result of higher interest expense on variable interest liabilities. Other comprehensive income would have been GEL 911 thousand (2014: GEL 5,278 thousand, 2013: GEL 4,786 thousand) lower, as a result of decrease in the fair value of fixed rate financial assets classified as available for sale.

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

33 Financial and Other Risk Management (Continued)

The Bank calculates impact of changes in interest rates using both Net Interest Income and Economic Value sensitivity. Net Interest Income sensitivity measures the impact of a change of interest rates along the various maturities on the yield curve on the net interest revenue for the nearest year. Economic Value measures the impact of a change of interest rates along the various maturities on the yield curve on the present value of the Group's assets, liabilities and off-balance sheet instruments. When performing Net Interest Income and Economic Value sensitivity analysis, the Bank uses parallel shifts in interest rates as well as number of different scenarios.
In order to manage Interest Rate risk the Bank establishes appropriate limits. The Bank monitors compliance with the limits and prepares forecasts. ALCO decides on actions that are necessary for effective interest rate risk management and follows up on the implementation. Periodic reporting is done to Management Board and Supervisory Board Risk, Ethics and Compliance Committee.

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

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

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

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

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

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

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

Calculation of the NSFR as at 31 December 2015, 2014 and 2013 is summarized in the table below.

33 Financial and Other Risk Management (Continued)

		As at 31 December		
		2015	**2014**	**2013**
Net Stable Funding Ratio		**116.3%**	**114.6%**	**118.6%**
In thousands of GEL	**Factor**		Amount	
Available stable funding		**5,219,116**	**4,135,922**	**3,410,696**
Capital: Tier 1 & Tier 2 Capital Instruments		**1,449,145**	**1,188,187**	**898,278**
Tier 1	100%	1,157,022	967,495	675,723
Tier 2	100%	292,123	220,692	222,555
Long Term Funding (year >= 1)		**600,268**	**489,933**	**387,814**
Long Term Borrowings (>=1 year)	100%	490,833	388,378	319,244
Subordinated debt not included in Tier 2	100%	75,651	62,043	34,314
Other funding (>=1 year)	100%	33,784	39,512	34,256
Other Funding		**3,169,703**	**2,457,802**	**2,124,604**
Total Corporate deposits	50%	500,671	416,277	409,769
Total SME deposits	80%	565,369	410,160	365,335
Total Retail deposits	80%	1,975,902	1,581,739	1,288,541
Short term Borrowings with remaining maturity (<1year)	50%	110,588	47,674	59,635
Subordinated Debt (<1 year)	50%	17,173	1,952	1,324
Required amount of stable funding		**4,489,467**	**3,610,370**	**2,874,587**
Long term Assets with remaining maturity >=1 year		**3,593,696**	**2,892,927**	**2,293,969**
Certificate of Deposits & Tbill's (>1year)	5%	8,624	-	-
Reserves in NGB (Stable part)	100%	411,585	332,363	273,267
Loans (>=1 year)	100%	2,819,307	2,268,629	1,775,280
Fixed and Intangible Assets(>=1 year)	100%	292,111	246,448	223,159
Other assets (>=1 year)	100%	27,308	22,506	22,263
Financial lease receivables (>1 year)	100%	34,761	22,981	-
Short term Assets with remaining maturity <1 year		**863,175**	**682,580**	**551,225**
Loans (<= 1 year)	50%	842,675	668,617	551,225
Financial lease receivables (<=1 year)	50%	20,500	13,963	-
Undrawn amount of committed credit and liquidity facilities		**32,596**	**34,863**	**29,393**
Unused credit lines and undisbursed amounts from loans	5%	12,358	14,214	9,890
Guarantees	5%	20,238	20,649	19,503

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

Loan to deposit ratio was at 111.0%, 111.6% and 102.5%, at the 31 December 2015, 2014 and 2013 respectively.

33 Financial and Other Risk Management (Continued)

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

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

The Bank calculates liquidity ratio on a daily basis in accordance with the requirements of the NBG. The limit is defined by the NBG for average liquidity ratio, which is calculated as the ratio of average liquid assets to average liabilities for the respective month, including borrowings from financial institutions and part of off-balance sheet liabilities with residual maturity up to 6 months. As at 31 December the ratios were well above the prudential limit set by the NBG as follows:

	2015	**2014**	**2013**
Average Liquidity Ratio	34.4%	31.1%	34.0%

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

Maturity analysis. The table below summarizes the maturity analysis of the Group’s financial liabilities as at 31 December 2015 based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group’s deposit retention history.

The maturity analysis of financial liabilities at 31 December 2015 is as follows:

In thousands of GEL	**Less than 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to Credit institutions	518,915	148,380	520,673	24,181	**1,212,149**
Customer accounts – individuals	1,346,154	889,799	348,627	23,859	**2,608,439**
Customer accounts – other	1,419,830	119,695	98,836	23,739	**1,662,100**
Other financial liabilities	36,099	1,196	2,140	-	**39,435**
Subordinated debt	2,284	54,214	215,062	132,636	**404,196**
Debt securities in issue	480	17,996	5,061	-	**23,537**
Gross settled forwards	94,368	1,967	-	-	**96,335**
Performance guarantees	16,023	88,666	137,944	550	**243,183**
Financial guarantees	75,707	65,959	26,836	131	**168,633**
Other credit related commitments	247,159	-	-	-	**247,159**
Total potential future payments for financial obligations	**3,757,019**	**1,387,872**	**1,355,179**	**205,096**	**6,705,166**

33 Financial and Other Risk Management (Continued)

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

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

The maturity analysis of financial liabilities at 31 December 2013 is as follows:

In thousands of GEL	**Less than 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to Credit institutions	158,525	103,522	313,213	42,715	**617,975**
Customer accounts – individuals	917,166	595,740	129,487	13,071	**1,655,464**
Customer accounts – other	988,285	171,952	37,431	86,251	**1,283,919**
Other financial liabilities	23,717	1,133	-	-	**24,850**
Subordinated debt	906	15,418	160,948	76,045	**253,317**
Gross settled forwards	123,799	298	-	-	**124,097**
Performance guarantees	33,582	73,558	54,986	1,741	**163,867**
Financial guarantees	115,453	97,122	21,702	-	**234,277**
Other credit related commitments	197,801	-	-	-	**197,801**
Total potential future payments for financial obligations	**2,559,234**	**1,058,743**	**717,767**	**219,823**	**4,555,567**

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

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

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

33 Financial and Other Risk Management (Continued)

The expected gap may be summarised as follows at 31 December 2015:

In thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
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	1,907,830	889,658	**4,444,886**
Investment securities available for sale	307,310	-	-	-	**307,310**
Bonds carried at amortised cost	86,357	113,248	145,720	26,767	**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**	**2,105,380**	**925,118**	**6,467,244**
Liabilities					
Due to Credit institutions	513,415	114,093	462,636	23,430	**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	145,566	103,737	**283,648**
Total financial liabilities	**897,523**	**193,132**	**615,108**	**3,930,539**	**5,636,302**
Credit related commitments and performance guarantees					
Performance guarantees	1,472	-	-	-	**1,472**
Financial guarantees	5,589	-	-	-	**5,589**
Other credit related commitments	36,982	-	-	-	**36,982**
Credit related commitments and performance guarantees	**44,043**	-	-	-	**44,043**
Net liquidity gap at 31 December 2015	**1,400,555**	**901,493**	**1,490,272**	**(3,005,421)**	**786,899**
Cumulative gap at 31 December 2015	**1,400,555**	**2,302,048**	**3,792,320**	**786,899**	

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

33 Financial and Other Risk Management (Continued)

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

In thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Assets					
Cash and cash equivalents	532,118	-	-	-	**532,118**
Due from other banks	14	29,179	-	4,511	**33,704**
Mandatory cash balances with National Bank of Georgia	336,075	-	-	-	**336,075**
Loans and advances to customers	534,371	770,034	1,560,670	691,421	**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**	**1,601,262**	**695,932**	**5,019,667**
Liabilities					
Due to Credit institutions	285,677	82,439	338,609	42,560	**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	123,160	60,952	**188,015**
Total financial liabilities	**605,793**	**86,544**	**482,304**	**3,146,856**	**4,321,497**
Credit related commitments and performance guarantees					
Performance guarantees	4,912	-	-	-	**4,912**
Financial guarantees	3,266	-	-	-	**3,266**
Other credit related commitments	36,644	-	-	-	**36,644**
		-	-	-	
Credit related commitments and performance guarantees	**44,822**	**-**	**-**	**-**	**44,822**
Net liquidity gap at 31 December 2014	**1,249,053**	**736,261**	**1,118,958**	**(2,450,924)**	**653,348**
Cumulative gap at 31 December 2014	**1,249,053**	**1,985,314**	**3,104,272**	**653,348**	

33 Financial and Other Risk Management (Continued)

The analysis by expected maturities may be summarised as follows at 31 December 2013:

In thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
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	1,214,084	519,183	**2,801,712**
Investment securities available for sale	500,651	-	-	-	**500,651**
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**	**1,248,878**	**520,798**	**4,070,530**
Liabilities					
Due to Credit institutions	156,545	90,018	278,644	40,599	**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	103,605	62,022	**168,274**
Total financial liabilities	**442,641**	**97,439**	**382,249**	**2,727,958**	**3,650,287**
Credit related commitments and performance guarantees					
Performance guarantees	4,153	-	-	-	**4,153**
Financial guarantees	4,927	-	-	-	**4,927**
Other credit related commitments	34,962	-	-	-	**34,962**
Credit related commitments and performance guarantees	**44,042**	-	-	-	**44,042**
Net liquidity gap at 31 December 2013	**1,174,178**	**542,554**	**866,629**	**(2,207,160)**	**376,201**
Cumulative gap at 31 December 2013	**1,174,178**	**1,716,732**	**2,583,361**	**376,201**	

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

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

33 Financial and Other Risk Management (Continued)

Operating environment. Most of the Group's business in concentrated in Georgia. Emerging economies, such as the Georgian economy, are subject to rapid change and are vulnerable to market conditions and economic downturns elsewhere in the world. As a consequence, operations in Georgia may be exposed to certain risks that are not typically associated with those in developed markets. Nevertheless, over the last few years the Georgian government has changed number of civil, criminal, tax, administrative and commercial laws that have positively affected the overall investment climate of the country. Georgia has an international reputation as a country with a favourable investment environment. For example, in the report published by the IFC and the World Bank "Doing Business 2015: Understanding Regulations for Small and Medium-Size Enterprises", Georgia was ranked as the fifteenth (out of 189) easiest country in the world in which to do business, ahead of all its neighbouring countries and many EU Member States. Moreover, according to the same survey, Georgia was ranked as the number one in the world in terms of registering property. Georgia is also acknowledged to have low corruption levels as demonstrated by the Transparency International 2013 Global Corruption Barometer.
By the end of 2015 Georgian Lari depreciated against the U.S. Dollar by 29% year-over-year. Over the same period GEL lost 15% of its value against EUR. Despite the sharp depreciation against USD, nominal effective exchange rate of GEL depreciated by 4% year-over-year in 2015, showing that GEL behaved in line with the developments in major trading partners of Georgia and helped to maintain external competitiveness of the country. As broadly expected, the first wave of the currency crisis was passed in the first nine months of 2015. In the 4th quarter of 2015, the pressure on the currency rate has been relatively eased, with the USD/GEL exchange rate down by 1% quarter-over- quarter and EUR/GEL up by 2% quarter-over- quarter.

Responding to increased inflation expectations, NBG tightened monetary policy, over 2015 monetary policy rate increased gradually from 4% in the beginning of 2015 to 8%. As a result, inflation ended up at 4.9% in December 2015, right about the NBG's target of 5%..

Budgetary spending was also maintained within the sustainable levels, initial estimate of fiscal deficit amounted to 3% of GDP, deficit spending has been more equally distributed across the year, unlike the practice in previous years, which helped to avoid additional pressure on GEL by the end of the year.

In 11 months of 2015 the Georgian economy grew moderately by 3%, per initial estimates. Decreased exports and remittances have put a pressure on the current account, but this has been largely offset by the reduced imports as a consequence of the National Bank's prudent strategy to maintain the free float of the Georgian currency. Imports were also positively affected by the decrease in oil prices. Furthermore, country observed a continued positive trend in tourism. Number of international arrivals increased by 7% year-over-year in 2015 and represented significant positive factor for the improvement of Current Account deficit.

34 Management of Capital

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

Bank and the Group complied with all its internally and externally imposed capital requirements throughout 2013, 2014 and 2015.

NBG Capital adequacy ratio

Under the current capital requirements set by NBG throughout 2015 banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above the set 11.4% minimum level and a ratio of Tier 1 capital to risk weighted assets above the set 7.6% minimum level. No additional add-ons are in place. In the middle of 2015, previously established 3% capital add-on was removed by NBG. Regulatory capital is based on the Bank's standalone reports prepared in accordance with the NBG accounting rules:

In thousands of GEL	**2015**	**2014**	**2013**
Share capital	443,987	433,521	261,045
Retained earnings and other disclosed reserves	568,604	402,793	290,585
General loan loss provisions (up to 1.25 % of risk – weighted assets)	87,037	64,627	51,038
Less intangible assets	(41,080)	(26,123)	(18,197)
Less Investments into subsidiary companies and capital of other banks	(50,840)	(117,962)	(59,129)
Subordinated debt (included in regulatory capital)	173,652	116,068	131,312
Total regulatory capital	**1,181,360**	**872,924**	**656,654**
Risk-weighted Exposures			
Credit risk weighted assets (including off-balance obligations)	5,304,184	4,125,740	3,340,518
Currency Induced Credit Risk	2,056,062	1,525,435	1,321,561
minus general and special reserves	(205,131)	(155,192)	(166,377)
Risk-weighted assets	**7,155,115**	**5,495,983**	**4,495,702**
Tier 1 Capital adequacy ratio	**11.0%**	**12.2%**	**10.6%**
Total Capital adequacy ratio	**16.5%**	**15.9%**	**14.6%**

34 Management of Capital (Continued)

The breakdown of the Bank's assets into the carrying amounts based on NBG accounting rules and relevant risk-weighted exposures as of the end of 2015, 2014, 2013 are given in the tables below:

In thousands of GEL	2015	
Risk weighted Exposures	**Carrying Value**	**RW amount**
Cash, cash equivalents, Interbank Deposits and Securities	1,794,873	85,733
Gross Loans and accrued interests	4,671,693	6,445,027
Repossessed Assets	44,253	44,253
Fixed Assets and intangible assets	306,368	265,288
Other assets	177,111	151,073
Total	**6,994,298**	**6,991,374**
Total Off-balance	**696,260**	**368,872**
minus general and special reserves	(205,131)	(205,131)
Total Amount	**7,485,427**	**7,155,115**

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

In thousands of GEL	2013	
Risk weighted Exposures	**Carrying Value**	**RW amount**
Cash, cash equivalents, Interbank Deposits and Securities	1,170,286	158,730
Gross Loans and accrued interests	2,713,271	3,829,318
Repossessed Assets	69,143	69,143
Fixed Assets and intangible assets	202,902	184,705
Other assets	143,487	92,255
Total	**4,299,089**	**4,334,151**
Total Off-balance	**615,670**	**327,928**
minus general and special reserves	(166,377)	(166,377)
Total Amount	**4,748,382**	**4,495,702**

34 Management of Capital (Continued)

NBG Basel II Capital adequacy ratio

After adoption of NBG Basel II/III requirements the Bank in addition to above capital ratios calculates its capital requirements and risk weighted assets separately for Pillar 1. Detailed instructions of Pillar 1 calculations are given by NBG. The reporting started from the end of 2013. The composition of the Bank's capital calculated in accordance with Basel II (Pillar I) is as follows:

In thousands of GEL	2015	2014	2013
Tier 1 Capital	953,403	783,360	526,224
Tier 2 Capital	245,705	163,505	177,950
Regulatory capital	**1,199,108**	**946,865**	**704,174**
Risk-weighted Exposures			
Credit Risk Weighted Exposures	7,005,711	5,879,120	4,553,155
Risk Weighted Exposures for Market Risk	18,651	27,186	3,946
Risk Weighted Exposures for Operational Risk	452,089	390,378	343,892
Total Risk-weighted Exposures	**7,476,451**	**6,296,684**	**4,900,993**
Minimum Tier 1 ratio	**8.5%**	**8.5%**	**8.5%**
Tier 1 Capital adequacy ratio	**12.8%**	**12.4%**	**10.7%**
Minimum total capital adequacy ratio	**10.5%**	**10.5%**	**10.5%**
Total Capital adequacy ratio	**16.0%**	**15.0%**	**14.4%**

The breakdown of the Bank's assets into the carrying amounts based on NBG accounting rules and relevant risk-weighted exposures as of the 31 December 2015, 2014 and 2013 are given in the tables below:

	2015	
In thousands of GEL	**Carrying Value**	**RW amount**
Cash, cash equivalents, Interbank Exposures and Securities	1,857,283	570,748
Gross loans and accrued interests,	4,442,340	5,555,538
Repossessed Assets	44,253	44,253
Fixed Assets and intangible assets	306,368	334,472
Other assets	179,535	219,572
minus general provision, penalty and interest provision	(36,630)	(36,630)
Total	**6,793,149**	**6,687,953**
Total Off-balance	**789,224**	**317,758**
Market Risk	**18,651**	**18,651**
Operational Risk	**316,462**	**452,089**
Total Amount	**7,917,486**	**7,476,451**

	2014	
In thousands of GEL	**Carrying Value**	**RW amount**
Cash, cash equivalents, Interbank Exposures and Securities	1,524,235	682,162
Gross loans and accrued interests, excluding loans to JSC Bank Constanta	3,254,912	4,330,991
Repossessed Assets	67,381	67,381
Fixed Assets and intangible assets	201,721	187,918
Other assets	199,439	307,609
minus general provision, penalty and interest provision	(48,030)	(48,030)
Total	**5,199,658**	**5,528,031**
Total Off-balance	**934,174**	**351,089**
Market Risk	**27,186**	**27,186**
Operational Risk	**273,265**	**390,378**
Total Amount	**6,434,283**	**6,296,684**

34 Management of Capital (Continued)

	2013	
In thousands of GEL	**Carrying Value**	**RW amount**
Cash, cash equivalents, Interbank Exposures and Securities	1,253,675	467,647
Gross loans and accrued interests, excluding loans to JSC Bank Constanta	2,619,707	3,321,301
Repossessed Assets	69,143	69,143
Fixed Assets and intangible assets	202,902	203,833
Other assets	153,663	214,198
minus general provision, penalty and interest provision	(41,837)	(41,837)
Total	**4,257,253**	**4,234,285**
Total Off-balance	**678,453**	**318,870**
Market Risk	**5,180**	**3,946**
Operational Risk	**240,724**	**343,892**
Total Amount	**5,181,610**	**4,900,993**

Capital adequacy ratio under Basel Capital Accord 1988

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

In thousands of GEL	**2015**	**2014**	**2013**
Tier 1 capital			
Share capital	427,061	425,234	259,123
Retained earnings and disclosed reserves	725,498	537,616	404,659
Less: Goodwill	(2,726)	(2,726)	(2,726)
Non-controlling interest	7,189	7,371	14,667
Total tier 1 capital	**1,157,022**	**967,495**	**675,723**
Tier 2 capital			
Revaluation reserves	58,701	49,255	50,840
General Reserve	59,770	49,367	40,403
Subordinated debt (included in tier 2 capital)	173,652	122,070	131,312
Total tier 2 capital	**292,123**	**220,692**	**222,555**
Total capital	**1,449,145**	**1,188,187**	**898,278**
Credit risk weighted assets (including off-balance obligations)	4,781,605	3,949,360	3,232,229
Less: General Reserve	(134,373)	(100,397)	(116,466)
Market Risk	32,605	61,864	19,779
Total Risk-weighted assets	**4,679,837**	**3,910,827**	**3,135,542**
Minimum Tier 1 ratio	**4.0%**	**4.0%**	**4.0%**
Tier 1 Capital adequacy ratio	**24.7%**	**24.7%**	**21.6%**
Minimum total capital adequacy ratio	**8.0%**	**8.0%**	**8.0%**
Total Capital adequacy ratio	**31.0%**	**30.4%**	**28.6%**

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

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

34 Management of Capital (Continued)

The breakdown of the Group's assets into the carrying amounts and relevant risk-weighted exposures as of the end of 2015, 2014, 2013 are given in the tables below:

In thousands of GEL	2015	
Risk weighted Exposures	**Carrying Value**	**RW amount**
Cash and other cash equivalents, mandatory cash balances with the NBG, due from other banks, investment securities available for sale	1,882,281	103,406
Gross loans and accrued interests	4,639,029	3,757,464
Repossessed assets	85,216	85,216
Fixed assets and intangible assets	294,837	292,111
Other assets	227,775	227,775
Total	**7,129,138**	**4,465,972**
Total Off-balance	**849,295**	**315,633**
Less: Loan loss provision minus General Reserve	(134,373)	(134,373)
Market Risk	**32,605**	**32,605**
Total Amount	**7,876,665**	**4,679,837**

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

In thousands of GEL	2013	
Risk weighted Exposures	**Carrying Value**	**RW amount**
Cash and other cash equivalents, mandatory cash balances with the NBG, due from other banks, investment securities available for sale	1,188,156	38,613
Gross loans and accrued interests	2,958,581	2,419,822
Repossessed assets	49,920	49,920
Fixed assets and intangible assets	225,885	223,159
Other assets	185,402	185,402
Total	**4,607,944**	**2,916,916**
Total Off-balance	**656,386**	**315,313**
Less: Loan loss provision minus General Reserve	(116,466)	(116,466)
Market Risk	**19,779**	**19,779**
Total Amount	**5,167,643**	**3,135,542**

35 Contingencies and Commitments

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

Tax legislation. Georgian and Azerbaijani tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the period of review. To respond to the risks, the Group has engaged external tax specialists who are performing periodic reviews of Group's taxation policies and tax filings. The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and customs positions will be sustained. Accordingly, as at 31 December 2015, 2014 and 2013 no provision for potential tax liabilities has been recorded.

Operating lease commitments. Where the Group is the lessee, as at 31 December 2015, the future minimum lease payments under non-cancellable operating leases over the next year amount to GEL 4,891 thousand (31 December 2014: 4,766 thousand, 31 December 2013: 4,063 thousand).

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As disclosed in Note 17, as at 31 December 2015, TBC Kredit had breached certain borrowing covenants agreed with foreign financial institution lenders. The major reason for the breach was drastic devaluation of Azerbaijani Manat in February and December 2015. The Group was in compliance with all other covenants as at 31 December 2015 and with all covenants as at 31 December 2014 and 31 December 2013.

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

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

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

35 Contingencies and Commitments (Continued)

Outstanding credit related commitments and performance guarantees are as follows:

In thousands of GEL	**2015**	**2014**	**2013**
Performance guarantees issued	243,183	188,440	160,704
Financial guarantees issued	71,999	86,770	95,762
Undrawn credit lines	247,159	284,284	197,801
Letters of credit	96,634	145,958	133,603
Total credit related commitments and performance guarantees (before provision)	**658,975**	**705,452**	**587,870**
Provision for performance guarantees	(1,472)	(4,912)	(4,153)
Provision for credit related commitments and financial guarantees	(5,589)	(3,266)	(4,927)
Total credit related commitments and performance guarantees	**651,914**	**697,274**	**578,790**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Non-cancellable commitments as at 31 December 2015 composed GEL 136,867 thousand (2014: GEL 138,296 thousand; 2013: GEL 131,342 thousand).

Fair value of credit related commitments and financial guarantees were GEL 5,205 thousand at 31 December 2015 (2014: GEL 3,266 thousand; 2013: GEL 4,927 thousand). Total credit related commitments and performance guarantees are denominated in currencies as follows:

In thousands of GEL	**2015**	**2014**	**2013**
Georgian Lari	259,749	254,554	218,553
US Dollars	319,941	377,964	299,190
Euro	44,874	46,057	42,388
Other	34,411	26,877	27,739
Total	**658,975**	**705,452**	**587,870**

Capital expenditure commitments. At 31 December 2015, the Group has contractual capital expenditure commitments amounting to GEL 6,771 thousand (2014: 511 thousand; 2013: 2,365).

36 Non-Controlling Interest

The following table provides information about each subsidiary that had non-controlling interest as at 31 December 2015:

In thousands of GEL	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
TBC Leasing JSC	Georgia	0.43%	0.43%	8	47	-
TBC Kredit LLC	Azerbaijan	25%	25%	(250)	6,756	-
United Financial Corporation JSC	Georgia	1.33%	1.33%	60	386	-
Total				**(182)**	**7,189**	**-**

The summarised financial information of these subsidiaries was as follows at 31 December 2015:

In thousands of GEL	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total comprehensive income	Cash flows
TBC Leasing JSC	69,642	36,323	29,607	65,378	9,511	1,960	1,960	8,769
TBC Kredit LLC	41,703	36,053	57,773	1,509	15,319	(1,002)	(1,002)	7,290
United Financial Corporation JSC	5,453	6,470	675	73	12,512	4,476	4,476	1,908
Total	**116,798**	**78,846**	**88,055**	**66,960**	**37,342**	**5,434**	**5,434**	**17,967**

The following table provides information about each subsidiary that had non-controlling interest as at 31 December 2014:

In thousands of GEL	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
TBC Leasing JSC	Georgia	0.52%	0.52%	6	38	-
TBC Kredit LLC	Azerbaijan	25%	25%	970	7,006	-
United Financial Corporation JSC	Georgia	1.33%	1.33%	24	327	-
Total				**1,000**	**7,371**	**-**

36 Non-Controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows at 31 December 2014:

In thousands of GEL	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Cash flows
TBC Leasing JSC	43,541	29,236	20,625	44,710	6,130	1,204	1,204	(2,745)
TBC Kredit LLC	45,238	45,927	11,949	47,743	12,881	3,880	3,880	590
United Financial Corporation JSC	2,846	4,772	431	487	9,212	1,792	1,792	432
Total	**91,625**	**79,935**	**33,005**	**92,940**	**28,223**	**6,876**	**6,876**	**(1,723)**

The following table provides information about each subsidiary that had non-controlling interest as at 31 December 2013:

In thousands of GEL	Place of business (and country of incorpo-ration if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit attribu-table to non-controlling interest	Accumu-lated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
TBC Leasing JSC	Georgia	10.47%	10.47%	60	624	-
TBC Kredit LLC	Azerbaijan	25.00%	25.00%	833	6,036	-
United Financial Corporation JSC	Georgia	6.68%	6.68%	35	303	-
Bank Constanta JSC	Georgia	16.15%	16.15%	1,726	7,704	-
Total				**2,654**	**14,667**	-

The summarised financial information of these subsidiaries was as follows at 31 December 2013:

In thousands of GEL	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Cash flows
TBC Leasing JSC	33,570	24,212	27,160	24,664	3,767	573	573	996
TBC Kredit LLC	41,867	31,814	26,024	22,150	11,291	3,334	3,334	1,120
United Financial Corporation JSC	1,529	4,712	1,046	286	6,758	522	522	71
Bank Constanta JSC	195,077	150,631	134,591	160,989	55,972	11,271	11,271	2,362
Total	**272,043**	**211,369**	**188,821**	**208,089**	**77,788**	**15,700**	**15,700**	**4,549**

37 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2015:

In thousands of GEL	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instru-ments (d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c) - (d) - (e)
ASSETS						
Cash and cash equivalents						
- Reverse repo	47,768	-	47,768	47,768	-	-
Other financial assets:						
- Receivables on credit card services and money transfers	17,821	2,749	15,072	-	-	15,072
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**65,589**	**2,749**	**62,840**	**47,768**	**-**	**15,072**
LIABILITIES						
Other financial liabilities:						
- Payables on credit card services and money transfers	42,184	2,749	39,435	-	-	39,435
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**42,184**	**2,749**	**39,435**	**-**	**-**	**39,435**

37 Offsetting Financial Assets and Financial Liabilities (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2014:

In thousands of GEL	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instru-ments (d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c) - (d) - (e)
ASSETS						
Other financial assets:						
- Receivables on credit card services and money transfers	11,399	1,959	9,440	-	-	9,440
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**11,399**	**1,959**	**9,440**	**-**	**-**	**9,440**
LIABILITIES						
Other financial liabilities:						
- Payables on credit card services and money transfers	43,305	1,959	41,346	-	-	41,346
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**43,305**	**1,959**	**41,346**	**-**	**-**	**41,346**

37 Offsetting Financial Assets and Financial Liabilities (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2013:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instru-ments	Cash collateral received	
In thousands of GEL	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
ASSETS						
Other financial assets:						
- Receivables on credit card services and money transfers	7,481	924	6,557	-	-	6,557
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**7,481**	**924**	**6,557**	**-**	**-**	**6,557**
LIABILITIES						
Other financial liabilities:						
- Payables on credit card services and money transfers	25,774	924	24,850	-	-	24,850
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**25,774**	**924**	**24,850**	**-**	**-**	**24,850**

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

Deposits placed with other banks and deposits received from other banks as part of gross settled currency swap arrangement have been netted-off in these financial statements and the instrument has been presented as either asset or a liability at fair value.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are netted-off in the statement of financial position.

38 Derivative Financial Instruments

In the normal course of business, the Group enters into various derivative financial instruments, to manage currency, liquidity and interest rate risks and for trading purposes.

In thousands of GEL	2015	2014	2013
Fair value of gross settled currency swaps, included in other financial assets or due from banks	605	618	1,221
Fair value of foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	(108)	(2,502)	-
Fair value of Interest rate swaps, included in other financial liabilities	(2,303)	(3,137)	(4,405)
Total	**(1,806)**	**(5,021)**	**(3,184)**

Foreign Exchange Forwards and gross settled currency swaps. Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the balance sheet date, of currencies receivable or payable under foreign exchange forwards contracts and gross settled currency swaps entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective balance sheet date. The contracts are short term in nature.

	2015		2014		2013	
In thousands of GEL	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards and gross settled currency swaps: fair values, at the balance sheet date, of						
- USD payable on settlement (-)	-	(85,754)	-	(222,231)	-	(91,590)
- USD receivable on settlement (+)	13,821	-	29,031	-	31,398	-
- GEL payable on settlement (-)	-	(10,427)	-	(26,530)	-	-
- GEL receivable on settlement (+)	13,857	-	81,865	-	-	(31,569)
- EUR payable on settlement (-)	-	(1,309)	-	(604)	-	-
- EUR receivable on settlement (+)	34,024	-	118,272	-	76,450	-
- Other payable on settlement (-)	-	(1,963)	-	(1,479)	-	(637)
- Other receivable on settlement (+)	38,248	-	19,792	-	17,169	-
Fair value of foreign exchange forwards and gross settled currency swaps	**99,950**	**(99,453)**	**248,960**	**(250,844)**	**125,017**	**(123,796)**
Net fair value of foreign exchange forwards and gross settled currency swaps	**497**	**-**	**-**	**(1,884)**	**1,221**	**-**

Interest rate swaps. In March 2010 TBC Bank entered into interest rate swap agreement, to hedge floating interest rate on its subordinated debt. The hedge covers payment of floating rate interest payments with the notional principal of USD 44,000 thousand. The swap expires in November 2018. At the reporting date fair value of interest rate swaps was estimated to be negative GEL 2,303 thousand (2014: negative GEL 3,137 thousand; 2013: negative GEL 4,405 thousand).

Information on related party balances is disclosed in Note 41.

39 Fair Value Disclosures

(a) Recurring fair value measurements

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

	31 December 2015				31 December 2014				31 December 2013			
In thousands of GEL	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE												
FINANCIAL ASSETS												
Investment securities available for sale												
- Government notes	-	998	-	**998**	-	232,934	-	**232,934**	-	173,974	-	**173,974**
- Certificates of Deposits of National Bank of Georgia	-	84,849	-	**84,849**	-	198,233	-	**198,233**	-	321,140	-	**321,140**
- Corporate bonds	-	174,916	-	**174,916**	-	25,034	-	**25,034**	-	-	-	**-**
- Ministry of Finance Treasury Bills	-	33,445	-	**33,445**	-	476	-	**476**	-	-	-	**-**
- Corporate shares (Visa Inc)	9,335	-	-	**9,335**	6,140	-	-	**6,140**	4,858	-	-	**4,858**
Foreign exchange forwards and gross settled currency swaps, included in other financial assets or due from banks	-	604	-	**604**	-	618	-	**618**	-	1,221	-	**1,221**
NON-FINANCIAL ASSETS												
- Premises and leasehold improvements	-	-	175,184	**175,184**	-	-	132,346	**132,346**	-	-	138,939	**138,939**
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**9,335**	**294,812**	**175,184**	**479,331**	**6,140**	**457,295**	**132,346**	**595,781**	**4,858**	**496,335**	**138,939**	**640,132**
LIABILITIES CARRIED AT FAIR VALUE												
FINANCIAL LIABILITIES												
- Interest rate swaps included in other financial liabilities	-	2,303	-	**2,303**	-	3,137	-	**3,137**	-	4,405	-	**4,405**
Foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	-	108	-	**108**	-	2,502	-	**2,502**	-	-	-	**-**
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	**2,411**	**-**	**2,411**	-	**5,639**	**-**	**5,639**	-	**4,405**	**-**	**4,405**

There were no transfers between levels 1 and 2 during the year ended 31 December 2015 (2014: none, 2013: none).

39 Fair Value Disclosures (Continued)

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

	Fair value at 31 December				
In thousands of GEL	**2015**	**2014**	**2013**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE					
FINANCIAL ASSETS					
Certificates of Deposits of NBG, Ministry of Finance Treasury Bills, Government notes, Corporate bonds	294,208	456,677	495,114	Discounted cash flows (“DCF”)	Government bonds yield curve
Foreign exchange forwards and gross settled currency swaps, included in due from banks	604	618	1,221	Forward pricing using present value calculations	Official exchange rate, risk-free rate
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**294,812**	**457,295**	**496,335**		
LIABILITIES CARRIED AT FAIR VALUE					
FINANCIAL LIABILITIES					
Other financial liabilities					
- Interest rate swaps included in other financial liabilities	2,303	3,137	4,405	Swap model using present value calculations	Observable yield curves
- Foreign exchange forwards included in other financial liabilities	108	2,502	-	Forward pricing using present value calculations	Official exchange rate, risk-free rate
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	**2,411**	**5,639**	**4,405**		

There were no changes in valuation technique for level 2 and level 3 recurring fair value measurements during the year ended 31 December 2015 (2014: none; 2013: none).

For description of the techniques and inputs used for Level 3 recurring fair value measurement of (as well as reconciliation of movements in) premises refer to Note 15. The unobservable input to which the fair value estimate for premises is most sensitive is price per square meter: the higher the price per square meter, the higher the fair value.

39 Fair Value Disclosures (Continued)

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

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

	31 December 2015				**31 December 2014**				**31 December 2013**			
In thousands of GEL	**Level 1**	**Level 2**	**Level 3**	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Carrying Value**
FINANCIAL ASSETS												
Cash and cash equivalents	720,347	-	-	720,347	532,118	-	-	532,118	390,465	-	-	390,465
Due from other banks	11,042	-	-	11,042	33,704	-	-	33,704	1,708	-	-	1,708
Mandatory cash balances with the NBG	-	471,490	-	471,490	-	336,075	-	336,075	-	295,332	-	295,332
Loans and advances to customers:												
- Corporate loans	-	-	1,504,360	1,392,054	-	-	1,221,155	1,140,503	-	-	1,172,503	1,049,668
- Consumer loans	-	-	870,285	831,588	-	-	780,259	744,290	-	-	607,940	571,730
- Mortgage loans	-	-	906,240	892,139	-	-	729,013	707,979	-	-	519,180	491,136
- Small and micro loans	-	-	616,803	613,122	-	-	533,527	528,631	-	-	397,229	388,131
- Micro	-	-	493,125	475,309	-	-	264,303	266,091	-	-	193,784	196,395
- Others	-	-	241,733	240,674	-	-	168,231	169,002	-	-	103,896	104,652
Bonds carried at amortised cost	-	350,167	-	372,092	-	-	-	-	-	-	-	-
Investments in leases	-	-	80,018	75,760	-	-	50,907	50,907	-	-	35,613	35,613
Other financial assets	-	-	63,713	63,713	-	-	43,239	43,239	-	-	43,828	43,828
NON-FINANCIAL ASSETS	-	-			-	-						
Investment properties, at cost	-	-	105,972	57,600	-	-	79,057	76,216	-	-	86,480	83,383
TOTAL ASSETS	**731,389**	**821,657**	**4,882,249**	**6,216,930**	**565,822**	**336,075**	**3,869,691**	**4,628,755**	**392,173**	**295,332**	**3,160,453**	**3,652,041**
FINANCIAL LIABILITIES												
Due to credit institutions	-	1,113,666	-	1,113,574	-	749,285	-	749,285	-	565,806	-	565,806
Customer accounts	-	2,372,794	1,812,575	4,177,931	-	1,857,089	1,483,891	3,322,428	-	1,690,812	1,206,300	2,886,883
Debt securities in issue	-	21,714	-	21,714	-	20,423	-	20,423	-	4,474	-	4,474
Other financial liabilities	-	37,024	-	37,024	-	35,707	-	35,707	-	20,445	-	20,445
Subordinated debt	-	284,985	-	283,648	-	188,015	-	188,015	-	168,274	-	168,274
TOTAL LIABILITIES	**-**	**3,830,183**	**1,812,575**	**5,633,891**	**-**	**2,850,519**	**1,483,891**	**4,315,858**	**-**	**2,449,811**	**1,206,300**	**3,645,882**

39 Fair Value Disclosures (Continued)

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

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

There were no changes in valuation technique for level 2 and level 3 measurements of assets and liabilities not measured at fair values during the year ended 31 December 2015 (2014: none; 2013: none).

40 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition of Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2015:

In thousands of GEL	**Loans and receivables**	**Available for sale assets**	**Finance lease receivables**	**Assets designated at FVTPL**	**Total**
ASSETS					
Cash and cash equivalents	-	-	-	-	**720,347**
Due from other banks	11,042	-	-	-	**11,042**
Mandatory cash balances with the National Bank of Georgia	471,490	-	-	-	**471,490**
Loans and advances to customers	4,444,886	-	-	-	**4,444,886**
Investment securities available for sale	-	307,310	-	-	**307,310**
Bonds carried at amortised cost	372,092	-	-	-	**372,092**
Investments in leases	-	-	75,760	-	**75,760**
Other financial assets:					
- Other financial receivables	64,304	-	-	13	**64,317**
TOTAL FINANCIAL ASSETS	**5,363,814**	**307,310**	**75,760**	**13**	**6,467,244**
NON-FINANCIAL ASSETS	**-**	**-**	**-**	**-**	**467,751**
TOTAL ASSETS	**-**	**-**	**-**	**-**	**6,934,995**

40 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2014:

In thousands of GEL	Loans and receivables	Available for sale assets	Finance lease receivables	Assets designated at FVTPL	Total
ASSETS					
Cash and cash equivalents	-	-	-	-	**532,118**
Due from other banks	33,704	-	-	-	**33,704**
Mandatory cash balances with the National Bank of Georgia	336,075	-	-	-	**336,075**
Loans and advances to customers	3,556,496	-	-	-	**3,556,496**
Investment securities available for sale	-	466,510	-	-	**466,510**
Investments in leases	-	-	50,907	-	**50,907**
Other financial assets:					
- Other financial receivables	43,239	-	-	618	**43,857**
TOTAL FINANCIAL ASSETS	**3,969,514**	**466,510**	**50,907**	**618**	**5,019,667**
NON-FINANCIAL ASSETS	-	-	-	-	**403,799**
TOTAL ASSETS	-	-	-	-	**5,423,466**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2013:

In thousands of GEL	Loans and receivables	Available for sale assets	Finance lease receivables	Assets designated at FVTPL	Total
ASSETS					
Cash and cash equivalents	-	-	-	-	**390,465**
Due from other banks	1,708	-	-	-	**1,708**
Mandatory cash balances with the National Bank of Georgia	295,332	-	-	-	**295,332**
Loans and advances to customers	2,801,712	-	-	-	**2,801,712**
Investment securities available for sale	-	500,651	-	-	**500,651**
Investments in leases	-	-	35,613	-	**35,613**
Other financial assets:					
- Other financial receivables	43,828	-	-	1,221	**45,049**
TOTAL FINANCIAL ASSETS	**3,142,580**	**500,651**	**35,613**	**1,221**	**4,070,530**
NON-FINANCIAL ASSETS	-	-	-	-	**380,545**
TOTAL ASSETS	-	-	-	-	**4,451,075**

As at 31 December 2015, 2014 and 2013, all of the Group’s financial liabilities except for derivatives are carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

41 Related Party Transactions

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

At 31 December 2015, the outstanding balances with related parties were as follows:

In thousands of GEL	**Note**	**Significant shareholders**	**Key management personnel**
Gross amount of loans and advances to customers (contractual interest rate: 7.3 - 20%)		3,179	1,963
Impairment provisions for loans and advances to customers		45	7
Derivative financial liability	38	2,303	-
Due to credit institutions (contractual interest rate: 5.2 – 11.3 %)		63,810	-
Customer accounts (contractual interest rate: 0 - 7.5 %)		8,924	10,253
Subordinated debt (contractual interest rate: –12.6%)		132,530	-

The income and expense items with related parties except from key management compensation for the year 2015 were as follows:

In thousands of GEL	**Note**	**Significant shareholders**	**Key management personnel**
Interest income		438	139
Interest expense		20,747	537
Gains less losses from trading in foreign currencies		139	40
Foreign exchange translation gains less losses		1,160	28
Fee and commission income		12	16
Fee and commission expense		726	-
Administrative and other operating expenses (excluding staff costs)		48	288
Net loss on derivative financial instruments	38	575	-

Aggregate amounts of loans advanced to and repaid by related parties during 2015 were:

In thousands of GEL	**Significant shareholders**	**Key management personnel**
Amounts advanced to related parties during the year	1,684	2,972
Amounts repaid by related parties during the year	(5,486)	(2,492)

41 Related Party Transactions (Continued)

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

In thousands of GEL	**Note**	**Significant shareholders**	**Key management personnel**
Gross amount of loans and advances to customers (contractual interest rate: 7.5 - 23%)		5,383	1,315
Impairment provisions for loans and advances to customers		190	9
Derivative financial liability	38	3,137	-
Due to credit institutions (contractual interest rate: 0 - 13%)		63,542	-
Customer accounts (contractual interest rate: 0 - 9.5%)		5,925	7,302
Subordinated debt (contractual interest rate: 9.2 - 12%)		102,859	-

The income and expense items with related parties except from key management compensation for the year 2014 were as follows:

In thousands of GEL	**Note**	**Significant shareholders**	**Key management personnel**
Interest income		551	114
Interest expense		15,408	350
Gains less losses from trading in foreign currencies		56	26
Foreign exchange translation gains less losses		331	51
Fee and commission income		9	10
Fee and commission expense		926	-
Administrative and other operating expenses (excluding staff costs)		70	164
Net loss on derivative financial instruments	38	(683)	-

Aggregate amounts of loans advanced to and repaid by related parties during 2014 were:

In thousands of GEL	**Significant shareholders**	**Key management personnel**
Amounts advanced to related parties during the year	2,074	3,042
Amounts repaid by related parties during the year	(7,501)	(3,204)

41 Related Party Transactions (Continued)

At 31 December 2013, the outstanding balances with related parties were as follows:

In thousands of GEL	Note	Significant shareholders	Key management personnel
Gross amount of loans and advances to customers (contractual interest rate: 13 - 26 %)		9,928	1,312
Impairment provisions for loans and advances to customers		152	15
Derivative financial liability	38	4,405	-
Due to credit institutions (contractual interest rate: 0 - 13 %)		67,894	-
Customer accounts (contractual interest rate: 0 - 13 %)		5,421	4,598
Subordinated debt (contractual interest rate: 5 - 11 %)		95,458	-

The income and expense items with related parties except from key management compensation for the year 2013 were as follows:

In thousands of GEL	Note	Significant shareholders	Key management personnel
Interest income		1,527	159
Interest expense		14,596	352
Gains less losses from trading in foreign currencies		67	9
Foreign exchange translation (losses less gains) / gains less losses		(227)	50
Fee and commission income		10	7
Fee and commission expense		993	-
Administrative and other operating expenses (excluding staff costs)		67	205
Net gain on derivative financial instruments	38	613	-

At 31 December 2013, other rights and obligations with related parties were as follows:

In thousands of GEL	Significant shareholders	Key management personnel	Other related parties
Guarantees issued by the Group at the year end	-	-	5,401

Aggregate amounts of loans advanced to and repaid by related parties during 2013 were:

In thousands of GEL	Significant shareholders	Key management personnel
Amounts advanced to related parties during the year	4,246	1,751
Amounts repaid by related parties during the year	(8,756)	(2,218)

Compensation of the key management personnel and supervisory board members is presented below:

In thousands of GEL	2015		2014		2013	
	Expense	Accrued liability	Expense	Accrued liability	Expense	Accrued liability
Salaries and bonuses	9,939	867	10,096	3,929	8,783	3,798
Cash settled bonuses related to share-based compensation	4,748	5,254	1,463	2,012	1,692	1,692
Equity-settled share-based compensation	6,864	-	2,192	-	1,671	-
Total	**21,551**	**6,121**	**13,751**	**5,941**	**12,146**	**5,490**