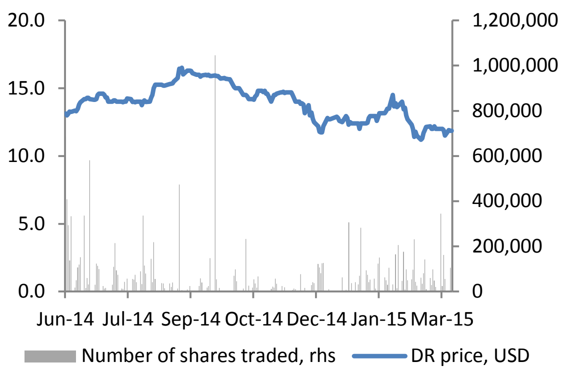
TBC Bank

Positioned for steady growth despite macroeconomic headwinds

Bloomberg ticker	TBCB LI
Recommendation (previous rec.)	Buy (Buy)
12-m target price (previous TP)	USD 14.4/DR (19.9)
Capitalization	USD 580 mln
Current price	USD 11.85/DR
Upside	22%
Number of shares	49,246,308
DR/share ratio	1 DR = 1 share
Free float	40%
Free float, value terms	USD 232 mln
Max/Min price / DR (since IPO)	USD 16.5 / 11.2 USD
P/B (2015E)	1.1x
P/E (2015E)	7.3x

Data as of Mar.25, 2015
Sources: Bloomberg, Company

TBC Bank DR performance



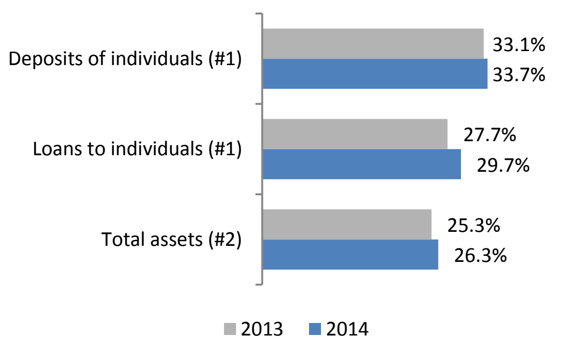
Sources: Bloomberg SP Advisors

Georgia key macro data and projections

	2014	2015E	2016E
Real GDP, chg. yoy	4.7%	2.1%	5.0%
Nominal GDP, USD bln	16.5	14.5	15.5
CPI, eop	2.0%	6.5%	5.0%
C/A balance, % of GDP	-10.2%	-15.0%	-12.2%
NBG reserves, USD bln	2.7	2.1	2.0
USD/GEL, eop	1.86	2.30	2.25

Sources: NBG, GeoStat, SP Advisors

TBC Bank market share by key metrics*



** Numbers in brackets indicate rank by the given market metric at end-2014.*
Sources: Company, SP Advisors

TBC headed into 1Q15 in perfect financial health and with ambitious growth and efficiency targets. The completion of the Bank Constanta merger significantly enhances TBC's prospects in the retail and SME/micro segments, which the lender views as key mid-term growth pillars. Still, the macro shocks that emerged in 4Q14 are creating some discomfort – the economy's deceleration may cause a temporary slowdown in asset growth, while the lari depreciation implies a higher cost of credit risk related to FX loans. We expect growth in core earnings to steadily outpace operating revenues, but a temporary increase in the cost of risk (projected at 2% this year) will restrain net income growth to the 14-15% range in 2015 vs. 28% last year. ROE is poised to temporarily fall below the bank's 18% target (we project 16.6%), solely on a surge in equity following last year's IPO. With the lari depreciation resulting in a one-off increase in RWA, TBC will see its Basel 2/3 Tier 1 ratio decline to close to 11% in 2015, still well above the NBG's 8.5% minimum. The bank is also determined to maintain its 25% dividend payout ratio unchanged. We lower our price target for TBC shares to USD 14.4/DR from USD 19.9/DR, to reflect the effects of the lari depreciation – both net income and equity will be squeezed in USD terms. With 22% upside, we maintain our BUY recommendation.

A successful 2014 puts down a solid base for 2015…

Last year was a year of accomplishments for TBC Bank. The lender raised USD 96 mln in new equity in a USD 256 mln IPO in June (the remainder represents proceeds to selling shareholders) – the largest ever Georgian placement. The bank grew assets 21.8% yoy, outpacing the sector's 19.4% growth rate, bringing its market share by assets up to 26.3%. TBC also strengthened its retail banking position – it entered 2014 as the No. 1 bank by volume of deposits from individuals, and in the past year also became the largest retail lender. As at end-2014, TBC held a 33.7% share of total retail deposits (vs. 33.1% in 2013) and accounted for 29.7% of retail loans (vs. 27.7% in 2013). Finally, TBC completed the acquisition and consolidation of Bank Constanta after settling a dispute with Constanta's former minority shareholders. The full merging of the two banks' IT systems, HR operations, and finance operations was practically completed in 2014 and the bank officially announced the merger in late January 2015.

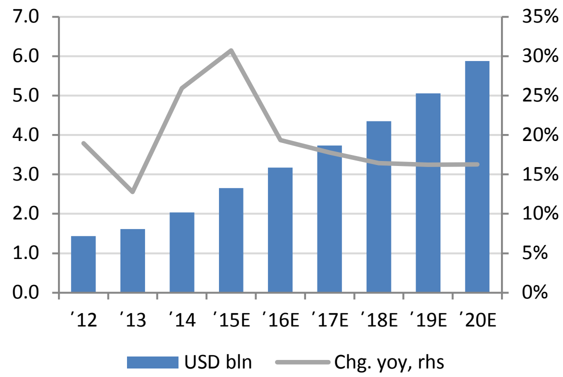
…but macroeconomic headwinds pose a challenge

This year will be more challenging for Georgia's banking sector. As we outlined in our latest report (see Georgian Marcoeconomic Review released on Feb. 26, 2015), the country's economy has been facing headwinds since September 2014 that are likely to persist though end-2015. Regional turmoil prompted by currency depreciations and declines in household purchasing power in Russia and Ukraine is the key factor driving Georgia's weakening macro environment. A major external shock resulted in a material slowdown of economic activities (GDP growth slowed to 0.5% yoy in January from an unimpressive 1.6% in 4Q14), a deterioration of external account positions (the merchandise trade deficit widened to USD 1.67 bln in 4Q14 from USD 1.45 bln a year before), and a lari depreciation to GEL 2.22/USD currently from GEL 1.75/USD at end-September 2014. Overall we project Georgian economic growth at 2.1% in 2015 and an end-2015 exchange rate of GEL 2.3/USD.

Lari weakness is a headache, but not yet critical for the banking sector

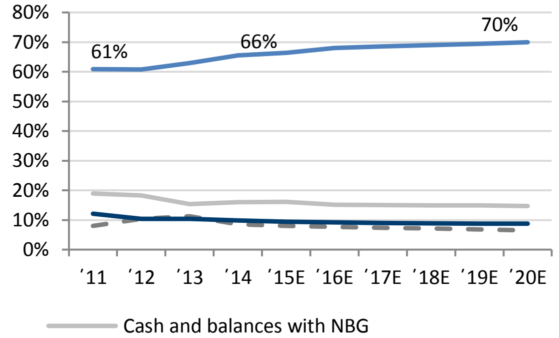
The lari depreciation will likely drive a deterioration in loan servicing discipline for un-hedged businesses and households that borrowed in FX. Georgia's largest banks have already claimed they will address that risk by extending loan maturities as needed to prevent a significant hike in debt servicing-to-

Loan book development



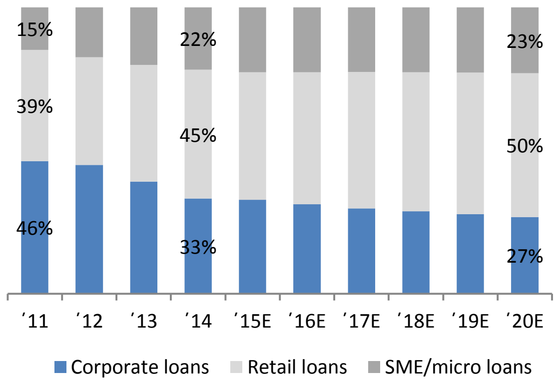
Sources: Company, SP Advisors

Share of key items in total assets



Sources: Company, SP Advisors

Evolution of the loan portfolio structure



Sources: Company, SP Advisors

income ratios for borrowers. Looking forward, the recent FX rate shock will likely discourage many borrowers from taking FX risks and should favor (at a cost) a de-dollarization of banks' balance sheets. As of January 2015, 63% of the sector's loan portfolio was FX-denominated.

With regards to possible loan losses, we expect they won't be critical thanks to a traditionally strict debt servicing discipline among borrowers and tough loan servicing enforcement instruments in place. Georgian banks also boast strong income-generating capacity (ROE of 15.8% in 2014) and are sufficiently capitalized (Tier 1 of 13.6% under Basel 2 standards, above the 8.5% minimum) to absorb reasonably high loan losses without any risk of breaching minimum regulatory thresholds.

In terms of liquidity, the key consequence of the lari's weakening may be a temporary desire by households to withdraw deposits in local currency and convert them into USD. GEL deposits shrank 4% mom in January, which is still broadly in-line with the seasonal trend based on past years. Still, the stability of GEL deposits will be a key marker and should be watched closely over the next couple of months.

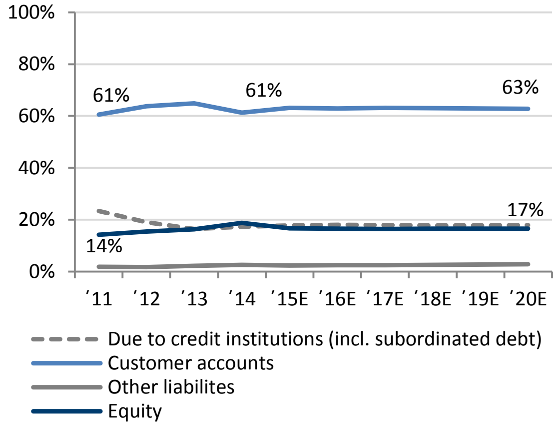
The key long-term implication of the lari depreciation is a material increase in the loans-to-GDP ratio for Georgia, which we see reaching 50% by end-2015 (up 7pp yoy), in-line with the CEE average of 50-55%. A hike in the loans-to-GDP ratio usually implies weaker sustainable (i.e. without compromising quality) loan portfolio growth in the long-run. That said, the Georgian economy should still see rapid growth – we project nominal GDP growth at 11% over the mid-term which means banks can enjoy decent and comfortable annual growth of 14-15%, following this year's deceleration to 12-13% (in FX-adjusted terms).

TBC's healthy growth will continue, but the pace may wane

We expect TBC Bank will see another year of decent growth in 2015, even though the pace of loan book expansion will not match last year's outstanding 25%. On the demand side, growth will be constrained by a slowdown in economic activity – businesses and households may revise borrowing plans against the uncertainty over future income. On the supply side, the bank should toughen underwriting standards for FX facilities and have a higher rate of loan application rejections. We see TBC's loan book adding 29% yoy, but c. 15pp will result from FX effects, with 14pp of real growth. TBC should slightly outpace the sector thanks to its reinforced sales capacity following the rebranding and introduction of new loan products (mainly for the retail and SME/micro segments) at former Bank Constanta branches. Looking forward, we see TBC's loan book growth at 16% (net of FX effects) over the next 5 years, below the 20% rate targeted by management.

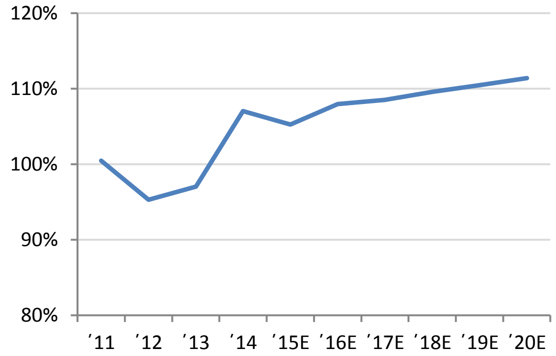
In 2014, TBC Bank moved to further diversity its loan portfolio – the share of corporate loans fell 5.9pp yoy to 33.2% as retail loans added 4.2pp to 45.0%. The SME and micro lending segments lagged only slightly behind retail loans and their combined share increased 1.7pp yoy to 21.8%. The retail and SME/micro segments will remain the key focus for lending activities at TBC and will drive loan book growth over the mid-term. The ambitious merger with Constanta and an ongoing rebranding campaign is a timely event that will allow TBC to grab more market share in a concentrated but competitive banking sector. The lender's micro division has also been reinforced by the acquisition of GEL 39 mln in micro facilities from ProCredit Bank Georgia (1.1% of TBC's total end-2014 gross loans and 14.4% of its micro facilities) with a view to strengthening its customer base. In terms of the corporate portfolio, we see its share sliding from 33.2% in 2014 to 27-29% over the next 5 years. We believe the bank should start investing more to maintain its foothold among corporates, even though it treats the corporate segment as non-core.

Shares of the largest items in total equity and liabilities



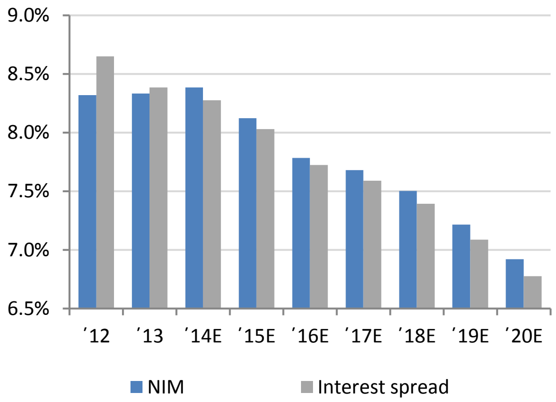
Sources: Company, SP Advisors

Loans-to-customer accounts



Sources: Company, SP Advisors

NIM and interest spread*



** Based on annual data and may differ from numbers calculated by TBC Bank based on more frequent observations*
Sources: Company, SP Advisors

No constraints on the funding side

TBC enjoyed steady inflows of customer funding last year, but the pace still lagged loan book growth. Client accounts were up 15% in 2014 (vs. a 27% yoy increase in the loan book), taking the net loans/deposits ratio up 10pp yoy to 107%. Apart from deposits, loan book growth was supported by a post-IPO increase in equity and wholesale funding.

We see customer deposit growth maintaining last year's pace, with real growth at 15-16% yoy (+33% yoy including the FX effect). The Georgian banking sector continues to enjoy an environment of low deposit interest rates and TBC has maintained yields on term GEL deposits unchanged for more than the past 6 months. Meanwhile, the bank upped FX deposit rates 0.5pp along the curve. TBC continues to enjoy strong customer loyalty and has the privilege of keeping rates on retail term accounts consistently below those of Bank of Georgia, its key competitor. Despite that, TBC has been outpacing BoG substantially in terms of deposit base growth over the past couple of years. TBC's average deposit rate stood at an all-time low of 3.7% in 2014 vs. 5.5% in 2013. The rate may rise 20-30 bps in 2015, according to our estimates, on a general increase in interest rates due to macro shocks.

Wholesale funding remains easily available for TBC from IFIs – the bank is one of the country's few high-quality corporates capable of raising and digesting sizable funding facilities. The bank recently secured a three-year GEL 100 mln loan from Asian Development Bank, the largest-ever local currency loan granted to a Georgian bank. Accessing a GEL-denominated credit facility is a step towards balance sheet de-dollarization, although we admit that sizable GEL wholesale funding is unlikely to become a consistently available option in the near future given that Georgia's financial market remains tiny. Wholesale loans (incl. from IFIs) will remain dominated by USD facilities in the coming years. TBC's deposit structure is gradually shifting towards GEL facilities – 69% in the 4Q vs. 71% in 3Q – but this trend may be temporarily interrupted due to heightened FX volatility and a continued gradual lari depreciation. We see the ratio of customer deposits/total liabilities remaining at close to 75% in the long run.

NIM to compress slightly on tough competition for high quality borrowers

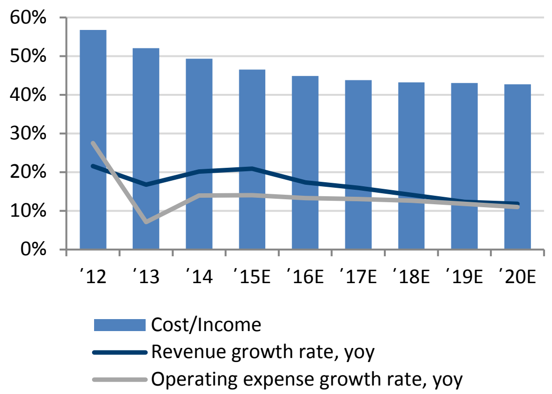
TBC kept its interest spread unchanged yoy at 8.2% in 2014 and managed to increase the NIM marginally to 8.5% in 2014. Management has acknowledged that the NIM will remain under pressure and sees it compressing 0.5-1.5pp over the mid-term.

As mentioned above, TBC's average deposit rate shrank 1.8pp yoy to 3.7% in 2014, a historical low. Further downside potential is limited, in our view. In the short-term, the lari depreciation and a related nervousness among households will reverse the trend temporarily (+20-30 bps in 2015). In the long-run, inflation of 4-5% (a level we believe is sustainable) will prevent any major downward adjustment in the deposit interest rate. Loan rates slipped to an average 14.9% in 2014 (-1.7pp yoy), roughly in-line with the decline in deposit rates. Since Georgian banks boast healthy liquidity, competition for quality borrowers will remain high and lending rates should continue to be affected by downward pressure. Nevertheless, heightened risks related to a slowdown in economic activity and a lari depreciation will likely force banks to pass some of the incremental credit risk onto non-prime customers via a markup in interest rate. We see TBC's NIM declining 0.3pp in 2015.

C/I ratio is under control; TBC may achieve 45% goal in 2016

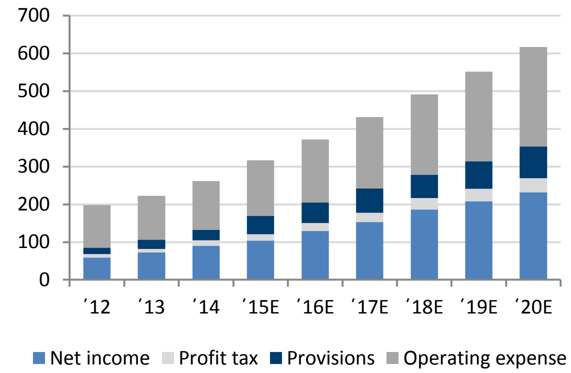
Benefitting from increased scale effects, TBC ended 2014 with a C/I ratio of 49.4%, a material improvement from 52.1% in 2013. Stripped of one-offs related to the IPO and the settlement of the Constanta dispute, the C/I ratio stood at 47%. We see TBC's revenues consistently outpacing operating expenses in the coming years. Revenues are driven by a rapidly expanding loan book, net interest income (projected +22% yoy in 2015E), and net fee and commission income (+21% yoy).

Cost/Income ratio



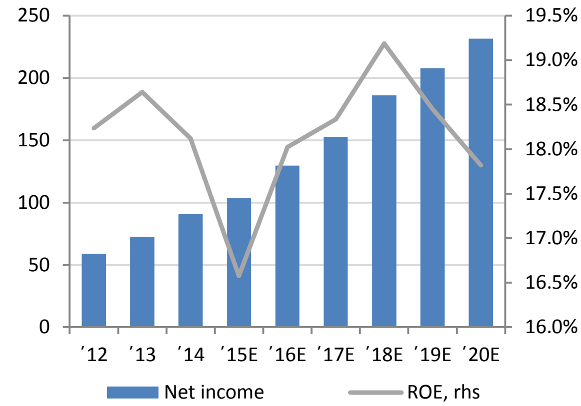
Sources: Company, SP Advisors

Use of revenue, USD mln



Sources: Company, SP Advisors

Net profit, USD mln



Sources: Company, SP Advisors

Meanwhile, costs will lag revenues, in our view: TBC operates a mature business with all the necessary infrastructure in place, implying a reasonable growth rate in operating expenses at 11-14% per annum. In 2015, operating expenses will be affected by outlays related to a re-branding of former Constanta branches, but those should be limited to USD 2-3 mln (1.5-2.3% of 2014 operating expense). We see the C/I ratio sliding to 46.5% in 2015 and further to 44.9% in 2016, which would achieve management's target of 45%.

Cost of risk to rise on the lari depreciation

TBC's end-2014 loan quality was beyond any concern – NPLs stood at a mere 0.5% of the loan portfolio while NPLs and restructured loans totaled 3.7%, also reasonable. However, the current year will be challenging, in our view, owing to the deterioration of the macro environment.

The lari depreciation will affect TBC's cost of risk in two ways: (i) through an increase in the rate of restructurings and (possibly) defaults by un-hedged borrowers, and (ii) the bank will have to allocate additional provisions on FX-denominated NPLs recognized in past periods in order to keep the NPL coverage ratio unchanged.

TBC's loan portfolio is dominated by FX loans which made up 63% of the end-2014 gross book. Most TBC retail and SME borrowers that were granted loans in foreign currencies are exposed to FX risks – only 22% of individuals and 17% of SMEs have income linked to USD. The ratio is much higher for corporates – about 51% have revenues linked to USD. We expect TBC will address the problem via loan restructurings for both individuals and businesses, mainly by extending maturities. Since we expect Georgian growth to pick up pace already next year, the bulk of borrowers that may face difficulties in 2015 will restore their debt-servicing capacity in the near future.

To account for the negative effects of the lari depreciation we have revised our cost of risk assumption for TBC from 1.5% to 2.0% in 2015 and 1.8% in 2016-2017. We believe all credit losses related to the current economic jitters will be revealed over the three years and fully booked.

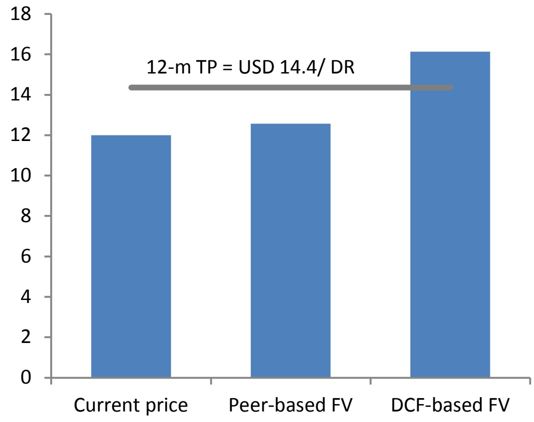
ROE to return to 18% target in 2016, no change in dividend policy

We see TBC's net income rising 14% yoy in GEL terms in 2015, but dropping 8% in USD terms. The sole driver of the sharp deceleration in net income growth in GEL terms (from 28% yoy in 2014) is an expected increase in the cost of risk to 2.0% from last year's 1.6%. Looking at the next 5 years, we project average annual net income growth of 18%.

TBC's ROE is poised to drop to 16.6% in 2015 from last year's 18.1%, by our estimates. The decline is solely due to the increase in equity following the bank's IPO in June last year. Over the mid-term TBC's equity will only be affected by net income retention, and we expect ROE will recover to 18% in 2016, assuming a 25% dividend payout ratio.

TBC's capital base remains solid, with end-2014 Basel 2/3 Tier 1 of 12.4% and a total CAR of 15%. This is still a decline from Tier 1 of 13.6% and total CAR of 16.7% last September, which was driven solely by FX moves. We see the lari weakness and real balance sheet growth boosting risk-weighted assets 35-40%, well below the projected 14% growth in equity. This may temporarily bring the Tier 1 ratio close to 11% before a recovery next year when we expect the lari to stabilize. TBC has reacted by lowering its Tier 1 ratio target to 10.5% from 12.5%, still above the NBG's floor of 8.5%. The effect of the Constanta merger on capital will be largely neutral – TBC will no longer deduct investments into TBC from its Tier 1 capital, but this will be offset by an increase in RWA. We see the total end-2015 CAR at 14.6%, safely above the 10.5% minimum threshold (13.5% minimum including a capital buffer). The total CAR may be further enhanced with new subordinated loans, which we believe the bank will seek this year. Management has said they will not revise the 25% dividend payout ratio despite the higher depreciation-related pressure on capital, and we believe this policy is unlikely to be changed.

Target price methodology, USD/DR



Source: SP Advisors

Valuation summary

We downgrade our 12-month price target for TBC Bank to USD 14.4/DR, implying upside of 22%. Our price target is a simple average of fair values based on DCF and comparative valuation methodologies. The downgrade is primarily related to the weakening of the lari – it squeezes the USD equivalents of equity (used for the peer-based valuation) and net income (used for the DCF-based valuation). Despite the lower target price, we maintain a BUY recommendation on the stock owing to the 22% upside to the current share price.

DCF valuation

Our DCF valuation model yields a 12-month target price of USD 16.7/DR, implying 41% upside to the current price.

For modeling purposes we assume the value for shareholders is comprised of net income that the bank can distribute as dividends. Assuming the bank maintains a minimum Tier 1 capital ratio of 8.5% as required by the NBG under the new Basel 2-3 framework, a portion of net income has to be retained and is not available for shareholders. We nevertheless note that in reality TBC Bank will target a much higher minimum Tier 1 capital ratio of about 10.5%, as indicated by management's guidance.

We use a cost of equity of 15.0%, which is comprised of a sovereign Eurobond yield of c. 5.0%, corporate bond premium of 2%, equity risk premium of 6%, and company-specific premium of 2.0%. The company-specific premium reflects TBC's short track record in public equity trading. This premium will be phased out in the future.

DCF model, GEL mln, unless indicated otherwise

	2015E	2016E	2017E	2018E	2019E	2020E
Net income	181	227	267	325	364	405
Risk-weighted exposures (RWE)	8,606	10,039	11,717	13,559	15,666	18,087
Chg. in RWE	2,309	1,433	1,679	1,841	2,107	2,421
Targeted Tier 1 (marginal capital charge)	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net income retention			-70	-157	-179	-206
FCF to shareholders	181	227	337	169	184	199
Cost of equity	15.0%	14.8%	14.6%	14.4%	14.2%	14.0%
Discount factor	0.90	0.78	0.68	0.60	0.52	0.46
Discounted FCF to shareholders @ Mar.-15		178	230	101	96	91
Terminal value						2,462

Sum of discounted FCF (Mar. 2016-2020)	697
Discounted terminal value	1,129
Equity fair value @ Mar.-15	1,826
Implied FV / 15E BV	1.6
Value per share, GEL	37.1
Value per share, USD	16.1

Terminal value assumptions	
Perpetuity growth rate	5%
COE in perpetuity	13.5%

Sensitivity of value per DR, USD

		Perpetuity growth rate				
		4.0%	4.5%	5.0%	5.5%	6.0%
WACC in perpetuity	14.5%	14.1	14.6	15.1	15.6	16.2
	14.0%	14.5	15.0	15.6	16.2	16.8
	13.5%	15.0	15.5	**16.1**	16.8	17.6
	13.0%	15.5	16.1	16.7	17.5	18.4
	12.5%	16.0	16.7	17.5	18.3	19.3

Peer-based valuation

We estimate the fair value for TBC based on a median 2015E P/B multiple for the peer group (50% weight) and the same multiple for Bank of Georgia (50% weight). We arrive at an average fair value of USD 12.6/DR.

Peer comparison details*

	Country	MCap, USD mln	P/B 2014	P/B 2015E	P/B 2016E	P/E 2014	P/E 2015E	P/E 2016E
TBC Bank	Georgia	579.9	1,38	1,13	0,98	6,5	7,3	6,0
Premium/discount to peers median (excl. BoG)			18%	-7%	-12%	-15%	-9%	-12%
Premium/discount to Bank of Georgia			75%	32%	35%	11%	-6%	-5%

			P/B 2014	P/B 2015E	P/B 2016E	P/E 2014	P/E 2015E	P/E 2016E
Bank of Georgia	Georgia	1 002	1,17	1,21	1,12	7,6	8,1	6,8
Sberbank	Russia	24 511	0,48	0,65	0,57	3,2	8,1	4,3
VTB Bank	Russia	14 133	0,74	1,10	1,10	130,2	-14,6	17,8
TCS Group Holding	Russia	433	1,20	0,84	0,65	4,8	9,9	6,2
Bank St. Petersburg	Russia	242	0,27	0,28	0,25	1,9	3,5	2,5
Bank Vozrozhdenie	Russia	173	0,42	0,46	0,43	5,4	8,0	22,6
Halyk Savings Bank	Kazakhstan	1 778	0,44	0,76	0,69	2,8	3,8	3,5
Kazkommertsbank	Kazakhstan	14 514	1,27	1,28	1,13	8,7	9,4	8,3
Garanti Bank	Turkey	12 462	1,11	1,14	1,00	8,1	8,8	7,3
Akbank	Turkey	7 188	0,83	0,87	0,77	7,6	8,0	6,4
Yapi ve Kredi Bank	Turkey	6 499	0,98	0,94	0,81	6,3	7,1	6,2
Halk Bank	Turkey	4 378	0,70	0,65	0,60	5,3	6,3	5,9
Vakilar Bank	Turkey	10 852	0,89	0,90	0,81	7,1	7,6	6,7
Is Bank	Turkey	1 002	0,79	0,85	0,73	5,8	7,8	6,3
Median (excl. BoG)			**0.79**	**0.85**	**0.73**	**5.8**	**7.8**	**6.3**

** Data as of Mar. 25, 2015*
Sources: Bloomberg, SP Advisors

TBC Bank financials, IFRS (GEL terms)

Income statement, GEL mln	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Interest income	456.5	474.8	512.4	625.9	746.8	865.5	991.4	1119.6	1261.5
Interest expense	-217.9	-192.1	-173.7	-213.9	-262.2	-303.1	-351.4	-405.4	-467.8
Net Interest Income	238.7	282.7	338.6	412.0	484.6	562.4	640.0	714.2	793.7
Net fees & commission income	45.4	50.1	58.7	71.0	85.9	101.5	118.4	136.4	155.2
Net other non-interest income	42.7	48.7	61.0	71.2	80.0	90.1	101.7	115.1	130.7
Total Non-Interest Income	88.1	98.8	119.7	142.2	165.9	191.5	220.1	251.5	285.9
Total operating revenues	326.8	381.5	458.3	554.2	650.5	754.0	860.1	965.7	1079.6
Personnel costs	-92.3	-108.6	-122.8	-142.5	-163.9	-188.4	-214.8	-242.7	-271.9
Other operating expenses	-93.2	-90.0	-103.5	-115.5	-128.3	-142.0	-157.2	-173.2	-189.6
Total operating costs	-185.5	-198.6	-226.3	-258.0	-292.2	-330.4	-372.1	-415.9	-461.4
Profit/(loss) before provisions	141.3	182.8	232.0	296.3	358.3	423.6	488.0	549.8	618.2
Impairment charges	-28.9	-42.9	-49.1	-85.6	-94.5	-112.6	-109.6	-127.0	-147.2
Pre-tax income/(loss)	112.3	139.9	182.9	210.7	263.8	310.9	378.5	422.8	471.0
Income tax expense	-14.5	-15.7	-24.5	-29.5	-36.9	-43.5	-53.0	-59.2	-65.9
Net income/(loss)	97.8	124.3	158.5	181.2	226.9	267.4	325.5	363.6	405.1

Balance sheet, GEL mln	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Cash and cash equivalents	398.6	390.5	532.1	752.9	806.5	961.5	1,108.5	1,288.1	1,471.0
Due from other banks	29.5	1.7	33.7	33.7	34.4	35.1	35.8	36.5	37.2
Mandatory cash balances with NBG	316.1	295.3	336.1	378.8	431.5	473.0	539.2	614.8	701.1
Loans to customers, net	2,370.2	2,801.7	3,556.5	4,648.8	5,548.9	6,534.1	7,608.2	8,843.8	10,282.2
retail loans (gross)	954.5	1,207.5	1,666.9	2,142.9	2,638.3	3,193.5	3,780.0	4,457.5	5,256.9
corporate loans (gross)	1,142.1	1,157.3	1,231.7	1,576.6	1,781.6	1,995.4	2,234.8	2,503.0	2,803.3
loans to SME, micro loans (gross)	440.1	593.7	807.6	1,088.1	1,290.9	1,510.4	1,761.8	2,055.1	2,397.2
reserve for loan losses	-166.5	-156.9	-149.8	-158.7	-161.9	-165.2	-168.5	-171.8	-175.3
Investment securities available for sale	407.7	500.7	466.5	559.8	627.0	702.2	786.5	865.1	951.7
Investment in finance leases	26.4	35.6	50.9	78.9	110.5	149.1	201.3	261.7	340.2
PPE	192.6	199.7	208.7	215.0	219.3	223.6	225.9	228.1	230.4
Other Assets	158.6	225.9	239.0	328.8	383.6	447.7	518.1	598.6	691.1
Total Assets	3,899.7	4,451.1	5,423.5	6,996.7	8,161.5	9,526.4	11,023.4	12,736.7	14,705.0
Due to credit institutions	627.1	565.8	749.3	1,011.5	1,193.6	1,372.7	1,578.6	1,815.3	2,087.6
Client deposits	2,486.9	2,886.9	3,322.4	4,415.9	5,138.1	6,019.8	6,941.3	8,004.0	9,229.9
Subordinated debt	115.1	168.3	188.0	236.9	279.5	329.9	389.2	459.3	542.0
Other liabilities	66.5	100.8	144.3	165.9	199.1	238.9	286.7	344.0	412.8
Total liabilities	3,295.7	3,721.8	4,404.0	5,830.2	6,810.4	7,961.2	9,195.7	10,622.7	12,272.3
Total equity	604.0	729.3	1,019.5	1,166.5	1,351.1	1,565.2	1,827.7	2,114.0	2,432.6
Equity and liabilities	3,899.7	4,451.1	5,423.5	6,996.7	8,161.5	9,526.4	11,023.4	12,736.7	14,705.0

Financial ratios*	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Growth									
Assets	18.2%	14.1%	21.8%	29.0%	16.6%	16.7%	15.7%	15.5%	15.5%
Net loans	18.0%	18.2%	26.9%	30.7%	19.4%	17.8%	16.4%	16.2%	16.3%
Deposits	24.4%	16.1%	15.1%	32.9%	16.4%	17.2%	15.3%	15.3%	15.3%
Net income/(loss)	6.8%	27.1%	27.5%	14.3%	25.2%	17.9%	21.7%	11.7%	11.4%
Profitability									
ROE	18.2%	18.6%	18.1%	16.6%	18.0%	18.3%	19.2%	18.4%	17.8%
ROA	2.7%	3.0%	3.2%	2.9%	3.0%	3.0%	3.2%	3.1%	3.0%
Interest spread	8.6%	8.4%	8.3%	8.0%	7.7%	7.6%	7.4%	7.1%	6.8%
Net interest margin	8.3%	8.3%	8.4%	8.1%	7.8%	7.7%	7.5%	7.2%	6.9%
Liquidity									
Cash and securities for sale / total assets	20.7%	20.0%	18.4%	18.8%	17.6%	17.5%	17.2%	16.9%	16.5%
Net loans / total assets	60.8%	62.9%	65.6%	66.4%	68.0%	68.6%	69.0%	69.4%	69.9%
Net loans / client deposits	95.3%	97.0%	107.0%	105.3%	108.0%	108.5%	109.6%	110.5%	111.4%
Client deposits / total liabilities	75.5%	77.6%	75.4%	75.7%	75.4%	75.6%	75.5%	75.3%	75.2%
Efficiency									
Cost/income ratio	56.8%	52.1%	49.4%	46.5%	44.9%	43.8%	43.3%	43.1%	42.7%
Operating cost / average total assets	5.2%	4.8%	4.6%	4.2%	3.9%	3.7%	3.6%	3.5%	3.4%
Asset quality									
Cost of credit risk	1.0%	1.2%	1.5%	2.0%	1.8%	1.8%	1.5%	1.5%	1.5%
Capital									
Equity to assets	15.5%	16.4%	18.8%	16.7%	16.6%	16.4%	16.6%	16.6%	16.5%
NBG Basel 2-3 Tier 1 CAR	10.5%	10.7%	12.4%	11.9%	12.0%	12.1%	12.4%	12.5%	12.6%
Per share									
BPS, GEL	15.0	17.7	20.8	23.7	27.4	31.5	36.7	42.2	48.4
EPS, GEL	2.5	3.0	3.2	3.7	4.6	5.4	6.5	7.3	8.1
DPS, GEL	0.0	0.4	0.5	0.8	0.9	1.1	1.3	1.6	1.8

** Ratios are based on annual data and may be different from ratios reported by TBC Bank for which more frequent observations are used*

Sources: Company, SP Advisors

TBC Bank financials, IFRS (USD terms)

Income statement, USD mln	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Interest income	276.5	285.4	290.2	284.5	330.5	384.7	440.6	497.6	560.7
Interest expense	-132.0	-115.5	-98.4	-97.2	-116.0	-134.7	-156.2	-180.2	-207.9
Net Interest Income	144.5	169.9	191.8	187.3	214.4	250.0	284.5	317.4	352.8
Net fees & commission income	27.5	30.1	33.2	32.3	38.0	45.1	52.6	60.6	69.0
Net other non-interest income	25.9	29.3	34.6	32.4	35.4	40.0	45.2	51.2	58.1
Total Non-Interest Income	53.4	59.4	67.8	64.6	73.4	85.1	97.8	111.8	127.1
Total operating revenues	197.9	229.3	259.6	251.9	287.8	335.1	382.3	429.2	479.8
Personnel costs	-55.9	-65.3	-69.6	-64.8	-72.5	-83.8	-95.5	-107.9	-120.8
Other operating expenses	-56.5	-54.1	-58.6	-52.5	-56.8	-63.1	-69.9	-77.0	-84.3
Total operating costs	-112.4	-119.4	-128.2	-117.3	-129.3	-146.8	-165.4	-184.9	-205.1
Profit/(loss) before provisions	85.5	109.9	131.4	134.7	158.5	188.2	216.9	244.3	274.7
Impairment charges	-17.5	-25.8	-27.8	-38.9	-41.8	-50.1	-48.7	-56.4	-65.4
Pre-tax income/(loss)	68.0	84.1	103.6	95.8	116.7	138.2	168.2	187.9	209.3
Income tax expense	-8.8	-9.4	-13.9	-13.4	-16.3	-19.3	-23.5	-26.3	-29.3
Net income/(loss)	59.2	74.7	89.7	82.4	100.4	118.8	144.7	161.6	180.0

Balance sheet, USD mln	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Cash and cash equivalents	240.6	224.9	286.1	327.3	358.4	427.4	492.7	572.5	653.8
Due from other banks	17.8	1.0	18.1	14.7	15.3	15.6	15.9	16.2	16.5
Mandatory cash balances with NBG	190.8	170.1	180.7	164.7	191.8	210.2	239.6	273.2	311.6
Loans to customers, net	1,430.7	1,613.6	1,912.1	2,021.2	2,466.2	2,904.0	3,381.4	3,930.6	4,569.9
retail loans (gross)	576.1	695.5	896.2	931.7	1,172.6	1,419.3	1,680.0	1,981.1	2,336.4
corporate loans (gross)	689.4	666.6	662.2	685.5	791.8	886.8	993.2	1,112.4	1,245.9
loans to SME, micro loans (gross)	265.7	342.0	434.2	473.1	573.7	671.3	783.0	913.4	1,065.4
reserve for loan losses	-100.5	-90.3	-80.5	-69.0	-72.0	-73.4	-74.9	-76.4	-77.9
Investment securities available for sale	246.1	288.3	250.8	243.4	278.7	312.1	349.6	384.5	423.0
Investment in finance leases	15.9	20.5	27.4	34.3	49.1	66.3	89.5	116.3	151.2
PPE	116.2	115.0	112.2	93.5	97.4	99.4	100.4	101.4	102.4
Other Assets	95.8	130.1	128.5	143.0	170.5	199.0	230.3	266.1	307.2
Total Assets	2,353.9	2,563.5	2,915.8	3,042.0	3,627.3	4,234.0	4,899.3	5,660.8	6,535.5
Due to credit institutions	378.5	325.9	402.8	439.8	530.5	610.1	701.6	806.8	927.8
Client deposits	1,501.1	1,662.7	1,786.3	1,920.0	2,283.6	2,675.5	3,085.0	3,557.4	4,102.2
Subordinated debt	69.5	96.9	101.1	103.0	124.2	146.6	173.0	204.1	240.9
Other liabilities	40.2	58.1	77.6	72.1	88.5	106.2	127.4	152.9	183.5
Total liabilities	1,989.3	2,143.5	2,367.7	2,534.9	3,026.8	3,538.3	4,087.0	4,721.2	5,454.4
Total equity	364.6	420.0	548.1	507.2	600.5	695.6	812.3	939.6	1,081.2
Equity and liabilities	2,353.9	2,563.5	2,915.8	3,042.0	3,627.3	4,234.0	4,899.3	5,660.8	6,535.5

Financial ratios*	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Growth									
Assets	19.1%	8.9%	13.7%	4.3%	19.2%	16.7%	15.7%	15.5%	15.5%
Net loans	19.0%	12.8%	18.5%	5.7%	22.0%	17.8%	16.4%	16.2%	16.3%
Deposits	25.4%	10.8%	7.4%	7.5%	18.9%	17.2%	15.3%	15.3%	15.3%
Net income/(loss)	9.0%	26.1%	20.1%	-8.2%	21.9%	18.4%	21.7%	11.7%	11.4%
Profitability									
ROE	18.2%	18.6%	18.1%	16.6%	18.0%	18.3%	19.2%	18.4%	17.8%
ROA	2.7%	3.0%	3.2%	2.9%	3.0%	3.0%	3.2%	3.1%	3.0%
Interest spread	8.6%	8.4%	8.3%	8.0%	7.7%	7.6%	7.4%	7.1%	6.8%
Net interest margin	8.3%	8.3%	8.4%	8.1%	7.8%	7.7%	7.5%	7.2%	6.9%
Liquidity									
Cash and securities for sale / total assets	20.7%	20.0%	18.4%	18.8%	17.6%	17.5%	17.2%	16.9%	16.5%
Net loans / total assets	60.8%	62.9%	65.6%	66.4%	68.0%	68.6%	69.0%	69.4%	69.9%
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Client deposits / total liabilities	75.5%	77.6%	75.4%	75.7%	75.4%	75.6%	75.5%	75.3%	75.2%
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Cost/income ratio	56.8%	52.1%	49.4%	46.5%	44.9%	43.8%	43.3%	43.1%	42.7%
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Cost of credit risk	1.0%	1.2%	1.5%	2.0%	1.8%	1.8%	1.5%	1.5%	1.5%
Capital									
Equity to assets	15.5%	16.4%	18.8%	16.7%	16.6%	16.4%	16.6%	16.6%	16.5%
NBG Basel 2-3 Tier 1 CAR	10.5%	10.7%	12.4%	11.9%	12.0%	12.1%	12.4%	12.5%	12.6%
Per share									
BPS, USD	15.0	17.7	20.8	23.7	27.4	31.5	36.7	42.2	48.4
EPS, USD	2.5	3.0	3.2	3.7	4.6	5.4	6.5	7.3	8.1
DPS, USD	0.0	0.4	0.5	0.8	0.9	1.1	1.3	1.6	1.8

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Sources: Company, SP Advisors

Contacts

CEO
Nick Piazza
npiazza@spadvisors.eu

Sales and Trading
Tatyana Chub
tchub@spadvisors.eu

Commodities Trading and Risk Management
Alexey Yeremin
ayeremin@spavisors.eu

Research
Olena Zuikova
ozuikova@spadvisors.eu

Danylo Spolsky
dspolsky@spadvisors.eu

Public Relations
Olga Dzhelebova
odzhelebova@spadvisors.eu

SP Advisors
spadvisors.eu
8 Pankivska St.,
1st floor, office 14
Kyiv 01033, Ukraine
+380 44 300 1425
research@spadvisors.eu

Bloomberg homepage
SPEU <GO>

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facebook.com/SPAdvisors

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linkedin.com/company/sp-advisors