

JSC TBC Insurance

The Management Report

31 December 2023

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1. At a Glance

JSC TBC Insurance (“TBC Insurance” / “The Company”) along with TBC Bank, is a member of TBC Bank Group PLC, Georgia’s largest financial group known for its outstanding financial performance, superior customer experience, strong brand and best-in-class digital channels.

TBC Insurance is the leading player in the non-health insurance market, with strong digital multichannel presence and varied and innovative digital products. We strive to achieve sustainable financial results and to maximize shareholder value, while being responsible to our customers, employees, community and the environment. Customer satisfaction is at the heart of everything we do. This ethos coupled with innovative approaches of young and talented employees working collaboratively with the experienced and versatile management team ensures that the company shows stable year-over-year financial performance.

TBC Insurance covers all business sectors including Retail, SME and Corporate, with multiple products that are designed to meet various needs of retail and business customers. Products are delivered through highly-developed multichannel network, each channel and product being tailored to the needs and preferences of a particular customer group.

In 2019 we launched the Health Insurance line and by the end of 2023 achieved 53,000+ insured clients, supported by 436 provider clinics across the country.

The Company operates the first digital healthcare ecosystem in Georgia, Redmed. Redmed LLC is a fully owned subsidiary of TBC Insurance, the only subsidiary entity as of 31 December 2023.

Redmed is a fully digital find-a-medical service company, allowing customers to quickly find, book and receive medical services remotely. The application is simple to use – customers need to register and create an account to search for a doctor, book an appointment, get a medical consultation online, order medicines, etc.

As the trend towards the ecosystem service model is increasing rapidly, we believe this service model will prove successful and will allow us to:

- Enhance data analytics capabilities, which will eventually improve our underwriting effectiveness;
- Decrease unnecessary outpatient referrals within clinics, thereby decreasing claim expenses and ultimately positively affecting loss ratio;
- Automate processes and allow instant claim recognition and reimbursement.

Our Vision

We do the right things to make life easier.

Strategic Priorities

- Transparent, convenient and timely claims settlement services
- Digitalized sales channels and processes
- Efficient management of Net Combined Ratio¹
- Supportive, strong and modern brand
- Outstanding user experience for both corporate and individual customers

2. General Overview

In 2023, casco insurance remains the largest product on Georgian non-health insurance market with 32.5% share. Casco market increased 25.7% year-over-year and this was the main driver that contributed to the total non-health insurance market increase of 16.9%. The easing of pandemic-related restrictions boosted travel insurance sales in 2022 and it had the largest year-over-year growth of 77.9% last year. In contrast, travel insurance experienced only modest growth of 2.1% in 2023.

With a market share of 23.3% in 2023, TBC Insurance retained second position in the non-health insurance market.

Total non-health market (w/o mandatory MTPL) written premium² increased by GEL 79,988 thousand (from GEL 470,479 thousand in 2022 to GEL 550,717 thousand in 2023), with most of the increase being attributable to the growth of Corporate and Retail sectors, while Public sector remaining almost unchanged.

TBC Insurance reached several milestones in 2023:

- Maintaining the number one position on the retail non-health insurance market and the 2nd position on total retail insurance market.
- Updating and improving digital presence.
- Maintaining efficiency with Health Insurance Net Combined Ratio almost unchanged (92.8% in 2023 vs 92.1% in 2022), while managing the increase in health insurance portfolio by 45.7%.

In 2023, TBC Insurance continued to actively utilize variety of retail sales channels - in-house and external digital channels, bank physical branches, the Company's Affluent Sales Divisions, Agency Network

¹ Net insurance claims plus acquisition costs and administrative expenses divided by net earned premium.

² Sum of contractual insurance premiums of all contracts entered into force during the financial year less cancellation effect of contracts cancelled during the financial year.

(including branches in Batumi, Poti, Zugdidi & Kutaisi), and car retailers. Total premium written via these channels in 2023 stands at GEL 84,123 thousand. This corresponds to 19.8% YoY increase.

3. Digital Channels

Traditional insurance practices are being reshaped by advancements in technology, and as a market leader, TBC Insurance desires to offer its customers the best insurance experience. Driving digital transformation therefore remains one of TBC Insurance's strategic priorities.

As part of its digitalization strategy, the development of the TBC Insurance application stands out.

In 2023, we launched a new premium travel insurance product within the application. Additionally, we updated casco modules with new video recording features. In the health module, we enhanced services for VIP clients. By the end of the year, integration of travel insurance passes into Apple- and Google Wallets had commenced, along with the initiation of work on an Apple Pay product.

We have introduced modern user management features in the application, allowing everyone to register in the mobile app without an active insurance policy.

For their comfort, we offer our mobile application to our policyholders, that streamlines insurance products, claims processing, and medical appointments. The next strategic move will be to improve this application with a number of complementary features aimed at boosting client engagement and facilitating a seamless user experience. TBC Insurance is positioning itself in the market as a digital service company with the aim of becoming the leading insurance service provider in the region, creating a wow digital insurance experience and maintaining stability and security, including data protection.

In May 2023, we further increased our digital presence with the launch of TBC Insurance's latest app, Aggento. This app provides an easy and quick opportunity for anyone to earn extra income by referring leads of a variety of insurance products.

In September 2023 we started our Mobile App and WEB redesign project, introducing a new design concept and evaluating/auditing existing processes.

Insurance ecosystems encourage collaboration and innovation among different players in the industry. 2023 was a year of redesigning and improving the insurance module in TBC Bank's internet and mobile bank. This project allowed TBC Insurance to offer a smooth user experience alongside TBC Insurance platforms.

During 2022-2023, one of TBC Insurance's key focuses was simplifying and optimizing the claims handling process using our claims CRM. Striving for excellence in claims handling procedures, TBC Insurance increased digitization across both internal processes and customer-facing systems. Significant enhancements encompass streamlined processes, including claim registration, evaluation, calculation, and

approval procedures, resulting in the minimization of human errors. It also integrates various work channels into one cohesive space.

Advantages of CRM:

- 80% automation in processes.
- Single work area for motor claims team – no need to use multiple programs for claim regulation, all information is stored in CRM.
- Improved processes, including customization of flows according to claim type (partial loss/total loss; easy claim/complex claim, regulation via photo collection tool or without the tool).
- The system architecture allows future development and integration.
- Modern UX/UI.

Through automations and process/flow optimization, the average claim regulation time reduced by 20%.

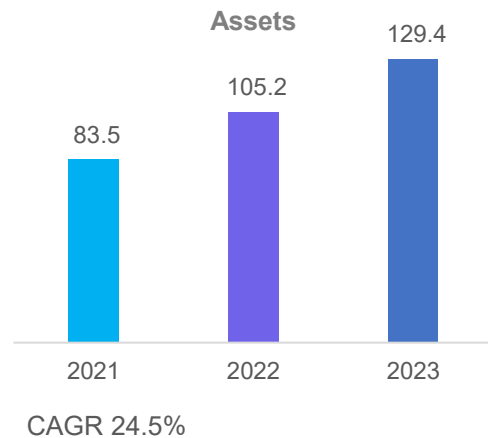
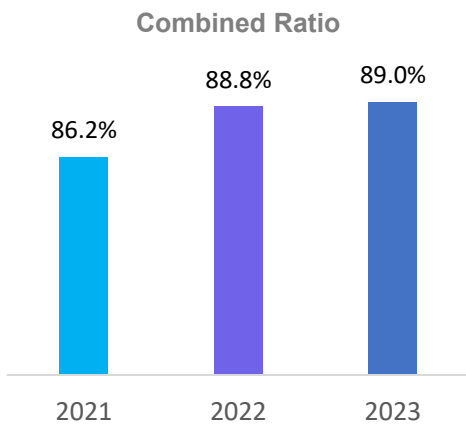
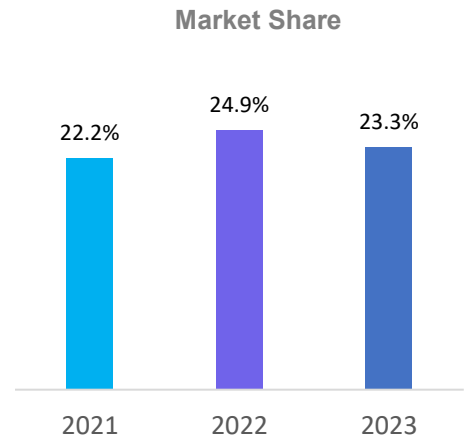
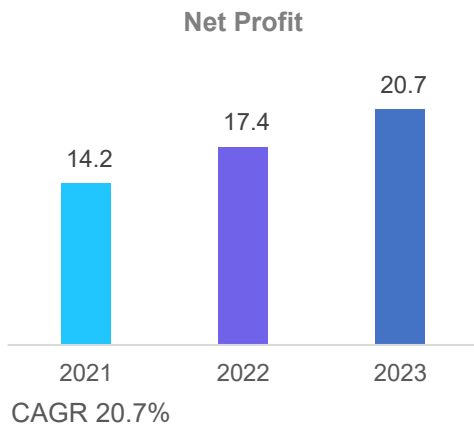
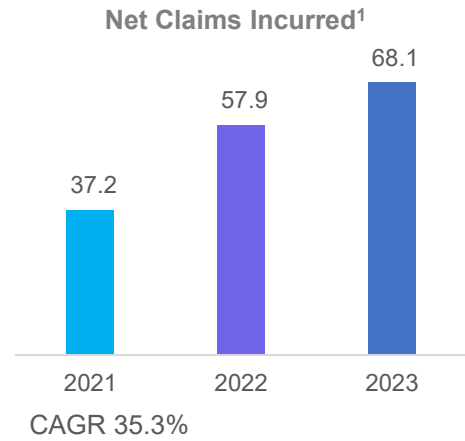
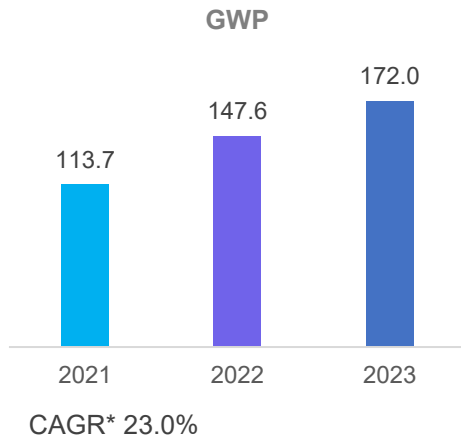
As part of the seamless claims handling process, a new project with the Indian company Autorox was initiated at the end of the year, allowing for the automation of service center management processes.

To complete digital services in all areas of the auto claim regulation process, TBC Insurance developed a new application for claim officers. This modern tool enables officers to receive notifications for insurance accidents under their responsibility, take photos of accidents via live camera, upload them later from the gallery and send the collected photos to the CRM.

4. Financial Highlights

Similar to 2022, 2023 was characterized by fierce competition in the SME & Corporate market. Notwithstanding, we managed to insure some of the leading companies on the market, including multinational, as well as local companies in hospitality, distribution, retail, services, technologies and other industries, both in the Health and Non-Health segments.

Year-over-year development of our key financial indicators are shown on charts below:



* CAGR – Compounded annual growth rate

[Amounts in mln GEL; Market share excluding Mandatory MTPL and Health Insurance lines]

¹ All insurance claims paid to the policyholders plus change in estimation of claims yet to be settled, net of reinsurance share

5. CEO Letter

Overview

2023 was more steady year compared to 2022 as initial uncertainties related to Russia-Ukraine war began to fade and inflation began to decrease (average 2.5% in 2023 vs 11.9% in 2022). Our key priority remained our employees and customers.

Main achievements

We managed to retain our market position and by the end of 2023. With 34.9% market share TBC Insurance held the **1st position the non-health retail market** and with 23.3% market share 2nd position of the total non-health market.

Our corporate health insurance client base has increased by 43.6% YoY and exceeded 53,000+ insureds by the end of 2023, which is noteworthy considering the high level of saturation of the corporate health insurance market.

In the new world that has emerged post COVID-19 pandemic, our digital strategy in non-health business proved to be more relevant than ever. In 2023, Our digital sales exceeded GEL 2 million, while share of motor claims that are settled online increased by 9.1%. In the meantime, our Health insurance application has gained popularity among the insureds, with a 39.8% increase in users.

Value Created for Employees

In TBC insurance, success starts with our team!

To engage and motivate our employees, in 2023 we continued investing in our employees, by providing seminars and trainings to expand their knowledge and hone skills that are essential to achieve underwriting, operational and sales excellence.

Our employees are allowed the flexibility of remote working on a partial basis. In the hybrid model, employees achieve better work-life balance, which translates into higher productivity, satisfaction, and engagement levels. To sustain the hybrid model, we improved our IT systems and ensured that they provide smooth and secure services on an ongoing basis.

As a result, in 2023 the employee engagement index reached 90.4%.

Value Created for Clients and Communities

As the world around us is changing, so are the expectations of your clients, which means we must keep pace.

In 2023, we implemented several initiatives to support our customers. We would like to highlight a significant update to our critical illness product. Originally providing coverage for 7 critical illnesses, the product

underwent a thorough revision resulting in an expanded coverage of 21 illnesses. This enhancement underscores our commitment to providing comprehensive protection to our customers, aligning with evolving healthcare needs, and ensuring greater financial security against a broader spectrum of health challenges.

In our travel insurance product, we've introduced a premium coverage option, which significantly enhances both the insurance limit and coverage offered.

We pride ourselves on offering a superior customer experience in health and motor insurance lines, with Net Promoter Scores (NPS) of 71%¹ and 79%, respectively.

To spread positive impact, we created the ESG Strategy which strengthens our long-term commitment to the development of our country. Our vision is to support the sustainability of our business, employees, suppliers, and society. Our ESG Strategy is built around the following key areas: increasing accessibility to products and services, diversified workforce, equality and engagement, sustainable and green insurance portfolio, along with a system to evaluate and measure impacts.

Value Creation for Investors

TBC Insurance is committed to maximizing shareholder value. In 2023 our net income stood at GEL 20.7 thousand, which is 18.9% YoY increase. GEL 11.0 mln was distributed in dividends to our shareholders.

Our financial strength and stability are further expressed in Solvency and Combined Ratios, which stand at 157.7% and 89.0%, respectively.

Outlook

Alongside the economic effects of the pandemic there is a political tension between post-Soviet states, which leads us to carefully examine and observe our further steps to ensure the balance between economic uncertainty and our ambitious goals.

Our strong dedication to the business results, the wellbeing of our employees and customers, our continued investment in digital capabilities and our unwavering financial discipline fills me with confidence that TBC Insurance is well positioned to withstand the headwinds and to emerge as a sustainable, innovative blue chip company in the region.

Paata Gadzadze

Chief Executive Officer

¹ Net Promoter Score was measured in January 2023, by an independent research and consultancy firm.

6. Risk Management

The Supervisory Board together with the Group's management has overall responsibility for the establishment and oversight of the Group's risk management framework, development and monitoring of the Group's risk management policies and ensuring regular reporting to the shareholders.

The Group's risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Supervisory Board monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Considering the nature of the insurance business, one of the key priorities of the Board is the establishment of a robust risk management function.

To ensure effective risk governance, TBC Insurance developed and put in place overall risk management framework, which covers all types of risk such as financial risk, operational risk, information security, cyber risk, compliance and regulatory risks.

One of the main tools of risk management is risk appetite metrics which include financial as well as non-financial risk ratios. The Risk Appetite Framework ("RAF") is intended to create a robust operational environment, where all material risks faced by TBC Insurance as well as any risk-taking activities that are beyond the company's risk appetite are identified, reported and managed in a timely manner. The RAF defines the level of risk the Company is willing to accept in pursuit of return and value creation. It also clearly defines the types of risk that should be avoided. RAF is updated on an annual basis, last update was made in October 2023.

The activities of information and cyber security cover permanent update of policies and implementation of new tools like DLP, Antivirus software, EDR, SIEM, NG firewall, and vulnerability scanner.

Risk governance also includes permanent operational risk management activities such as RCSA (Risk and Control Self-Assessment), Incident Management, KRI (Key Risk Indicators), Vendor Risk Assessment, Fraud Risk Assessment etc.

TBC Insurance carries out assessment of potential losses posed by individuals and business entities insured under health, life, PA and other Property & Casualty insurance contracts. Such as, TBC Insurance is exposed to the uncertainty as to the timing and severity of claims under these contracts. The principal risk is that the frequency and severity of claims may be higher than expected. Insurance events are by their nature random, and the actual number and size of events during any one year may vary from those

estimated using established statistical techniques. TBC Insurance also has exposure to market risk through insurance and investment activities.

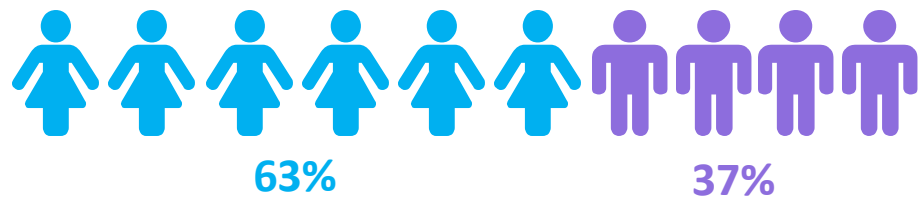
TBC Insurance manages risks firstly, by appropriate underwriting and secondly, by transferring risk using reinsurance. TBC Insurance purchases reinsurance for various business lines: motor, life, property, cargo, liability, and surety business.

TBC Insurance management reviews entity credit, liquidity, and cash flow risks on a monthly basis:

1. Credit risk is the chance that a counterparty may fail to make payment when requested or that an reinsurance company will be unable to pay a its share in claim. The Group reinsures certain credit risks with reinsurance companies. There is a robust selection process of reinsurance companies, which is based on their solvency, reliability, and creditworthiness criteria.
2. Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk occurs when there is a mismatch between maturity of assets and liabilities. High Solvency and Liquidity ratios¹ (157.7% and 150.2% respectively) signify that TBC Insurance can endure long-term recessions. This position is further strengthened by the fact that TBC Insurance does not hold loans from financial institutions.

7. Our Team

TBC Insurance prides itself on employing some of the best and skilled professionals in the region. By the end of 2023, our numbers grew by 5.8% and reached 380 employees. We believe that each employee is a part of our success, and we are committed to keeping them by providing competitive benefits package, along with continuous professional support and best working environment.



TBC Insurance is an equal-opportunity employer and we do not discriminate based on race, ethnicity, religion, gender, age or disability. We promote gender equality and support women in the workforce. We are proud that women comprised 63% of our total workforce by the end of 2023.

In 2023, we conducted engagement surveys (result – 90.4%) for our employees, as well as 360-degree evaluation for management staff. We actively participated in numerous job fairs organized by top

¹ Solvency and liquidity ratios are calculated according to the guidelines of the Insurance State Supervision Service of Georgia

universities and leading HR consultancies to help us select the best candidates with the highest growth potential.

Each year we provide our employees with the latest information and developments about TBC Group since regular communication with employees is an integral part of our corporate culture.

8. Corporate Governance

TBC Insurance is a subsidiary of London Stock Exchange premium segment listed TBC Bank Group PLC (together the “Group”). The Group complies with the highest standards of Corporate Governance as prescribed by the UK Corporate Governance Code.

TBC Insurance Supervisory board comprises (the “Board”) of four members, who are collectively responsible for promotion of the company’s long-term success and the delivery of sustainable value to shareholders by establishing and overseeing the company’s strategy and its implementation. The Board is the decision-making body in relation to all matters that are significant to the company. The matters exclusively reserved for the Board’s include, among other things, approval of the company’s strategy, long-term objectives, risk appetite, annual operating and capital expenditure budgets, changes to the company’s capital, share buy-backs, major acquisitions and/or mergers, annual reports and accounts.

9. Supervisory Board

Vakhtang Butskhrikidze

Chairman

Vakhtang Butskhrikidze graduated from Tbilisi State University in 1992 with a degree in Economics and holds post graduate qualifications from the Institute of Economics, Academy of Sciences of Georgia. Vakhtang Butskhrikidze joined TBC Bank as a Senior Manager of the Credit Department in 1993 and was elected as Deputy Chairman of the Management Board in 1994. He became Chairman of the Management Board in 1996. Since 1998, he has held the position of CEO of TBC Bank and has headed a number of TBC Bank’s committees. Vakhtang is a member of the Supervisory Board of the Association of Banks of Georgia and is the Chairman of the Financial Committee of the Business Association of Georgia. Since 2011 he is a member of the Supervisory Board of the Partnership Fund, Georgia. In 2016, Vakhtang joined the Visa Central & Eastern Europe, Middle East and Africa (CEMEA) Business Council. In his earlier career, Vakhtang acted as a Junior Specialist at the Institute of Economics, Academy of Sciences of Georgia, as well as an Assistant to the Minister of Finance of Georgia between 1992 and 1993. In 2001, Vakhtang was honoured with the "Best Businessman of the Year" award by Georgian Times Magazine and in 2011, was recognised as the "Best Banker 2011" by GUAM, Organization for Democracy and Economic Development award. Vakhtang was named as the CEO of the Year 2014 in Central and Eastern Europe the CIS by EMEA Finance magazine. Vakhtang has an MBA degree from the European School of Management in Tbilisi,

obtained in 2001. In November 2016 Mr. Butskhrikidze was appointed as the chairman of the Board of TBC Insurance.

Tornike Gogichaishvili

Board Member

Tornike joined TBC Bank in 2018 as Chief Operating Officer and Deputy CEO following 20 years of financial services and operations management experience. Tornike Gogichaishvili has been appointed to lead retail banking business of TBC Bank in January, 2020. Prior to joining TBC, he has served as a Deputy CEO, Chief Operations Officer at the Bank of Georgia since 2016. Between 2010 and 2016, Tornike served as Director of Operations Department at the Bank of Georgia. He also served as Head of International Banking at the Bank of Georgia Group. Between 2008 and 2010, Tornike held the position of CFO at BG Bank Ukraine (the subsidiary of the Bank of Georgia). Between 2006 and 2008 he held the position of CEO at the Insurance Company Aldagi. He also served as Chief Financial Officer of UEDC PA Consulting and held various managerial positions at BCI Insurance Company from 1998 to 2004. Tornike graduated from the Faculty of Law at Tbilisi State University and holds an MBA degree from Caucasus School of Business and an executive diploma from Said Business School, Oxford.

George Tkhelidze

Board Member

George joined TBC Bank in 2014 from Barclays Investment Bank, where he held the position of Vice President in the Financial Institutions Group (FIG), EMEA since June 2011. Prior to this, from September 2009 he was an Associate Director in Barclays Debt Finance and Restructuring Teams. During his career with Barclays in London, George worked on and executed multiple M&A, and debt and capital markets transactions with European financial institutions. In his earlier career in Georgia, George held various managerial positions at ALDAGI insurance company, where he also served as Chief Executive Officer. In 2009 George graduated from the London Business School with an MBA degree. He also holds a Master of Laws degree (LL.M) in International Commercial Law from the University of Nottingham (2002) and Graduate Diploma in Law from Tbilisi State University (2000).

Zezeva Tsiskarishvili

Independent Board Member

Zezeva joined TBC Group in 1994 as an Accounts Manager at TBC Bank, subsequently becoming the Head of Assets Management and International Banking Departments. In 1999 he took the position of Deputy CEO, overseeing international banking, relationship with international financial institutions, product development, treasury, marketing and public relations and regional development projects.

In 2008, Zezeva moved to Georgian Reconstruction and Development Company (GRDC) as a Deputy CEO where he was leading international relationships and product development. In 2010 he became CEO of the same company. After six years at GRDC, Zezeva became CEO of Metra Development. In 2016-2022, Zezeva served as a Project Manager VP of investment company TS Holding.

Zezeva earned Bachelor's degree from Tbilisi State University in the field of Economic Geography, after which he completed several training courses in different institutions with honor, including Joint Vienna Institute, University of California, Davis. He was also a member of the team of advisors to the Vice President at Silicon Valley Bank, California.

10. Management Board

Paata Gadzadze

Chief Executive Officer

Paata joined TBC Bank in 1994 as Deputy General Director and was appointed to the Management Board in 1996. In 2005, he was appointed to head the Credit Department. Paata has held the position of First Deputy CEO since 1998. Since 2014, he has held the position of a member of the Supervisory Board of TBC Leasing. Since 2016, Paata has served as a lecturer at the Free University, Georgia. In 2017, he was appointed as CEO of TBC Insurance and continues to hold the position of First Deputy CEO at TBC Bank. Between 2000 and 2004, he also served as CEO of Georgian Pension and Insurance Holding. In his earlier career, Paata was an assistant to the Minister of State Property Management between 1992 and 1994. Paata also held the position of lecturer at the European School of Management, Tbilisi, between 1994 and 2004. Paata graduated from Tbilisi State University in 1992 with a degree in Economics and holds a postgraduate qualification from the Institute of Economics, Academy of Sciences of Georgia.

David Kiguradze

Deputy CEO

In 2002, David Kiguradze graduated with the Bachelor's degree in Business Administration from European School of Management. From 2002 to 2006 he held various positions at the Insurance Company GPI Holding, including the Head of Claims Department and the Head of Product Development & Underwriting Department. In 2006, David joined TBC Bank and served as the Head of Treasury and Financial Services for over five years. From 2012 to 2015, David was the CEO of TBC Kredit in Baku, Azerbaijan. He also held the position of CEO at TBC Pay from 2015 to 2016. Since 2016, he became the Deputy CEO at TBC Insurance. David graduated from IEDC – Bled School of Management, Slovenia with an MBA Degree (2006).

Nikolay Kobzev

Chief Operating Officer

Nikolay Kobzev received his Bachelor's degree from Technical University of Georgia, Faculty of Information Technologies. From 2003 to 2012, he worked at the Insurance Company GPI Holding, where he served as Chief Information Officer for three years. In 2013, Nikolay graduated from University of Oxford, Said Business School with an MBA degree. From 2013 to 2016 he was part of MBA Leadership Development Program at Eli Lilly and Company, US and subsequently has worked at Boston Consulting, Russia. Since 2016, Nikolay holds the position of Chief Operating Officer at TBC Insurance.

Sergo Sakvarelidze

Health Insurance Director

Sergo Sakvarelidze graduated with the Medical Doctor degree from Tbilisi State Medical University. He also holds certificates from Free University in Business Administration and has undergone the Management Program for Senior Executives. Sergo holds a Certificate in General Management from the Bank of Georgia University. In 2006 Sergo joined Insurance Company GPI Holding where he held various positions till 2008. From 2008 he worked at the Insurance Company Aldagi as the Head of Medical Case Expertise and Monitoring and from 2010 became the Head of Health Claims Management Division. From 2014-2017 he worked as the Director of Claims Management Department and from 2017 became the Deputy CEO in Claims and Primary Healthcare at Insurance Company imedi L. Sergo has worked as the CEO of Tbilisi Heart Centre in 2020- 2021. From the beginning of 2022, Sergo has joined TBC Insurance as the Director of Health Insurance.

Nikoloz Sakvarelidze

Chief Financial Officer

Nikoloz joined TBC Insurance and took the position of Chief Financial Officer in April, 2023. He manages accounting, financial reporting, budgeting, data science and analytics processes.

Nikoloz was SAP ERP Team Lead in 2011-2013 in LLC Caucasus Online. In 2013-2015 he held a position of Head of Finance in LLC Georgian State Electrosystem, where he monitored approximately 100 mln GEL budget and managed company liquidity and solvency. In 2012-2020 he worked as a Country Director in Marine Resources Exploration Internation B.V. Before transferring to TBC Insurance, he held the positions of Financial Director of LLC Galleria Tbilisi since 2015 and Director of LLC Ria-Ria since 2017.

Nikoloz received his B.A. degree in Economics from Grinnell College in 2009. He has successfully passed CFA Level I and II exams.

Paata Gadzadze

Chief Executive Officer

Nikoloz Sakvarelidze

Chief Financial Officer

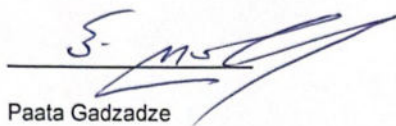
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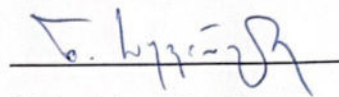
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Paata Gadzadze

Chief Executive Officer



Nikoloz Sakvarelidze

Chief Financial Officer

TBC INSURANCE JSC

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

31 December 2023

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Independent Auditor's Report

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Independent Auditor's Report

To the Shareholder and Management of JSC TBC Insurance

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of JSC TBC Insurance (the "Company") and its subsidiary (together - the "Group") as at 31 December 2023, and the Group's and the Company's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

What we have audited

The Group's and the Company's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Independence

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Management Report (but does not include the consolidated and separate financial statements and our auditor's report thereon).

Our opinion on the consolidated and separate financial statements does not cover the Management Report.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the consolidated and separate financial statements or our knowledge

obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

In addition, we are required by the Law of Georgia on Accounting, Reporting and Auditing to express an opinion whether certain parts of the Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the consolidated and separate financial statements;
- the information given in the Management Report complies with the requirements of paragraph 6 of article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Levan Kankava (Reg.# SARAS-A-592839)

15 April 2024
Tbilisi, Georgia



one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Georgia LLC

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Levan Kankava (Reg.# SARAS-A-592839)

15 April 2024
Tbilisi, Georgia

TBC INSURANCE JSC*Consolidated and Separate Statements of Financial Position*

<i>In thousands of Georgian Lari</i>	Note	31-Dec-23	Consolidated 31-Dec-22 restated	01-Jan-22 restated	31-Dec-23	Separate 31-Dec-22 restated	01-Jan-22 restated
Cash and cash equivalents	5	12,248	15,390	14,751	12,092	15,330	14,663
Bank Deposits	6	65,900	63,970	46,726	65,900	63,970	46,726
Investment assets	7	13,339	4,919	2,891	13,339	4,919	2,891
Derivative financial assets	27	-	1,012	470	-	1,012	470
Insurance contract assets	8	18	48	304	18	48	304
Reinsurance contract assets	9	24,062	10,248	9,852	24,062	10,248	9,852
Deferred tax asset		-	122	52	-	122	52
Other assets	10	1,877	1,351	1,902	1,803	1,322	1,837
Investment in subsidiary	11	-	-	-	6,242	5,776	4,426
Intangible assets	12	6,767	5,635	4,268	5,061	4,090	3,072
Right-of-use assets	13	3,806	1,315	1,268	3,619	1,293	1,203
Property and equipment	14	1,239	1,192	1,471	1,227	1,163	1,423
TOTAL ASSETS		129,256	105,202	83,955	133,363	109,293	86,919
Share capital	15	7,482	7,482	7,482	7,482	7,482	7,482
Retained earnings		42,124	32,417	25,035	47,537	37,611	29,152
Other reserves		1,300	1,300	1,300	220	220	220
TOTAL EQUITY		50,906	41,199	33,817	55,239	45,313	36,854
Insurance contract liabilities	8	45,720	44,879	35,242	45,720	44,879	35,242
Reinsurance contract liabilities	9	10,260	3,852	3,593	10,260	3,852	3,593
Current income tax liability		1,582	1,018	237	1,582	1,018	236
Lease liabilities	13	3,851	1,339	1,470	3,661	1,318	1,414
Share-based payment liabilities	16	9,060	6,129	4,133	9,060	6,129	4,133
Financial liabilities		4,310	3,853	2,186	4,289	3,851	2,176
Other liabilities	17	3,567	2,933	3,277	3,552	2,933	3,271
TOTAL LIABILITIES		78,350	64,003	50,138	78,124	63,980	50,065
TOTAL LIABILITIES & EQUITY		129,256	105,202	83,955	133,363	109,293	86,919

Approved for issue and signed on behalf of the Supervisory Board on 15 April 2024.

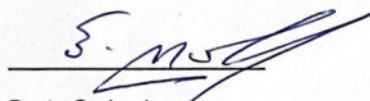
Paata Gadzadze
Chief Executive Officer

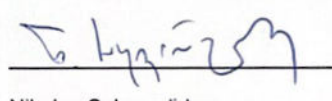
Nikoloz Sakvarelidze
Chief Financial Officer

TBC INSURANCE JSC*Consolidated and Separate Statements of Financial Position*

<i>In thousands of Georgian Lari</i>	Note	31-Dec-23	Consolidated 31-Dec-22 restated	01-Jan-22 restated	31-Dec-23	Separate 31-Dec-22 restated	01-Jan-22 restated
Cash and cash equivalents	5	12,248	15,390	14,751	12,092	15,330	14,663
Bank Deposits	6	65,900	63,970	46,726	65,900	63,970	46,726
Investment assets	7	13,339	4,919	2,891	13,339	4,919	2,891
Derivative financial assets	27	-	1,012	470	-	1,012	470
Insurance contract assets	8	18	48	304	18	48	304
Reinsurance contract assets	9	24,062	10,248	9,852	24,062	10,248	9,852
Deferred tax asset		-	122	52	-	122	52
Other assets	10	1,877	1,351	1,902	1,803	1,322	1,837
Investment in subsidiary	11	-	-	-	6,242	5,776	4,426
Intangible assets	12	6,767	5,635	4,268	5,061	4,090	3,072
Right-of-use assets	13	3,806	1,315	1,268	3,619	1,293	1,203
Property and equipment	14	1,239	1,192	1,471	1,227	1,163	1,423
TOTAL ASSETS		129,256	105,202	83,955	133,363	109,293	86,919
Share capital	15	7,482	7,482	7,482	7,482	7,482	7,482
Retained earnings		42,124	32,417	25,035	47,537	37,611	29,152
Other reserves		1,300	1,300	1,300	220	220	220
TOTAL EQUITY		50,906	41,199	33,817	55,239	45,313	36,854
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Current income tax liability		1,582	1,018	237	1,582	1,018	236
Lease liabilities	13	3,851	1,339	1,470	3,661	1,318	1,414
Share-based payment liabilities	16	9,060	6,129	4,133	9,060	6,129	4,133
Financial liabilities		4,310	3,853	2,186	4,289	3,851	2,176
Other liabilities	17	3,567	2,933	3,277	3,552	2,933	3,271
TOTAL LIABILITIES		78,350	64,003	50,138	78,124	63,980	50,065
TOTAL LIABILITIES & EQUITY		129,256	105,202	83,955	133,363	109,293	86,919

Approved for issue and signed on behalf of the Supervisory Board on 15 April 2024.


Paata Gadzadze
Chief Executive Officer


Nikoloz Sakvarelidze
Chief Financial Officer

The accompanying notes on pages 8 to 60 are an integral part of these financial statements.

TBC INSURANCE JSC*Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income*

<i>In thousands of Georgian Lari</i>	Note	Consolidated		Separate	
		2023	2022 restated	2023	2022 restated
Insurance contract revenue		160,743	134,197	160,743	134,197
Insurance service expenses		(128,945)	(103,725)	(128,945)	(103,725)
Net expenses from reinsurance contracts held		(2,094)	(5,920)	(2,094)	(5,920)
Insurance service result	18	29,704	24,552	29,704	24,552
Finance income from insurance contracts issued	19	276	1,484	276	1,484
Finance income from reinsurance contracts held	19	345	(500)	345	(500)
		276	1,484	276	1,484
Net insurance finance income	19	621	984	621	984
Interest income calculated using EIR	20	9,592	7,331	9,592	7,329
Changes in expected credit loss	20	189	(265)	189	(265)
Other Income	20	255	356	93	268
Impairment of investments in subsidiaries		-	-	(655)	-
Net investment and other income		10,036	7,422	9,219	7,332
Net insurance and investment result		40,361	32,958	39,544	32,868
Salaries & other employee benefits	21	(11,632)	(9,084)	(11,148)	(8,501)
General and administrative expenses	21	(2,681)	(3,581)	(2,349)	(3,183)
Depreciation & amortisation	12/13/14	(1,215)	(994)	(1,001)	(808)
Finance costs	13	(93)	(82)	(90)	(78)
Foreign exchange gains, net		609	1,976	612	1,972
Other expenses	22	-	(346)	-	(346)
Profit before income tax		25,349	20,847	25,568	21,924
Income tax expense	23	(4,629)	(3,439)	(4,629)	(3,439)
PROFIT FOR THE YEAR		20,720	17,408	20,939	18,485
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		20,720	17,408	20,939	18,485

The accompanying notes on pages 8 to 60 are an integral part of these financial statements.

TBC INSURANCE JSC*Consolidated and Separate Statements of Cash Flows*

<i>In thousands of Georgian Lari</i>		Consolidated		Separate	
	Note	2023	2022 restated	2023	2022 restated
Cash flows from operating activities					
Profit before income tax		25,349	20,847	26,223	21,924
Adjustments for:					
Depreciation & amortisation	12/13/14	3,145	2,653	2,931	2,467
Finance costs	13	93	82	90	78
Interest income	20	(9,592)	(7,331)	(9,592)	(7,329)
Net impairment of financial assets		(189)	265	(189)	265
Foreign exchange translation differences		(609)	(1,976)	(605)	(1,972)
Finance income from insurance contracts issued		(276)	(1,484)	(276)	(1,484)
Finance income from reinsurance contracts held		(345)	500	(345)	500
Other costs		-	17	-	17
Operating cash flows before working capital changes		17,576	13,573	18,237	14,466
Income taxes paid		(3,944)	(2,728)	(3,944)	(2,728)
Interest received on Current Accounts	20	1,906	1,268	1,906	1,266
Interest received on Bank Placements	20	3,793	5,343	3,793	5,343
Interest received on Investment Assets	20	1,132	923	1,132	923
Repayment of lease liabilities (Interest)		(93)	(82)	(90)	(78)
Changes in:					
Reinsurance contract assets and liabilities	9	(6,767)	1,115	(6,767)	1,115
Insurance contract assets and liabilities	8	871	9,890	871	9,890
Change in derivative forward agreements		1,012	1,674	1,012	1,674
Other assets	10	(526)	554	(484)	517
Financial Liabilities		457	1,711	422	1,726
Other Liabilities	17	636	(346)	636	(346)
Share Based Payment Liability	16	2,931	1,996	2,931	1,996
Net cash from operating activities		18,984	34,891	19,655	35,764
Cash flows from investing activities					
Acquisition of property and equipment		(786)	(429)	(786)	(430)
Proceeds from the sale of property, plant and equipment		270	142	270	142
Acquisition of intangible assets		(2,977)	(2,673)	(2,660)	(2,204)
Capital Contribution in Investment in subsidiary		-	-	(1,121)	(1,350)
Acquisition of investment securities- Principal		(12,280)	(2,830)	(12,280)	(2,830)
Disposal of investment securities - Principal		4,024	-	4,024	-
Additions of placements with banks - Principal		14,200	26,235	14,200	26,235
Disposal of placements with banks - Principal		(12,980)	(43,707)	(12,980)	(43,707)
Net cash used in investing activities		(10,529)	(23,262)	(11,333)	(24,144)
Cash flows from financing activities					
Repayment of lease liabilities - principal	13	(800)	(842)	(768)	(809)
Dividends paid to the Company's shareholders	15 (b)	(11,013)	(10,026)	(11,013)	(10,026)
Net cash used in financing activities		(11,813)	(10,868)	(11,781)	(10,835)
Increase (decrease) in cash and cash equivalents		(3,358)	761	(3,459)	785
Cash and cash equivalents at 1 January	5	15,390	14,751	15,330	14,663
Effect of exchange rate on cash and cash equivalents		216	(122)	221	(118)
Cash and cash equivalents at 31 December		12,248	15,390	12,092	15,330

The accompanying notes on pages 8 to 60 are an integral part of these financial statements.

TBC INSURANCE JSC*Consolidated Statement of Changes in Equity*

<i>In thousands of Georgian Lari</i>	Note	Share Capital	Other Reserves	Retained Earnings	Total
Balance as at 1 January 2022 Before IFRS 9 & IFRS 17 Adoption		7,482	1,300	25,037	33,819
IFRS 9 adoption effect	31	-	-	188	188
IFRS 17 adoption effect	31	-	-	(190)	(190)
Balance as at 1 January 2022 After IFRS 9 & IFRS 17 Adoption		7,482	1,300	25,035	33,817
Profit for the Year		-	-	17,408	17,408
Total comprehensive income for the year		-	-	17,408	17,408
Dividends paid to shareholders	15 (b)	-	-	(10,026)	(10,026)
Balance as at 31 December 2022 restated		7,482	1,300	32,417	41,199
Balance as at 1 January 2023 restated		7,482	1,300	32,417	41,199
Profit for the Year		-	-	20,720	20,720
Total comprehensive income for the year		-	-	20,720	20,720
Dividends paid to shareholders	15 (b)	-	-	(11,013)	(11,013)
Balance as at 31 December 2023 restated		7,482	1,300	42,124	50,906

The accompanying notes on pages 8 to 60 are an integral part of these financial statements.

TBC INSURANCE JSC
Separate Statement of Changes in Equity

<i>In thousands of Georgian Lari</i>	Note	Share Capital	Other Reserves	Retained Earnings	Total
Balance as at 1 January 2022 Before IFRS 9 & IFRS 17 Adoption		7,482	220	29,154	36,856
IFRS 9 adoption effect	31	-	-	188	188
IFRS 17 adoption effect	31	-	-	(190)	(190)
Balance as at 1 January 2022 Before IFRS 9 & IFRS 17 Adoption		7,482	220	29,152	36,854
Profit for the Year		-	-	18,485	18,485
Total comprehensive income for the year		-	-	18,485	18,485
Dividends paid to shareholders	15 (b)	-	-	(10,026)	(10,026)
Balance as at 31 December 2022 restated		7,482	220	37,611	45,313
Balance as at 1 January 2023 restated		7,482	220	37,611	45,313
Profit for the Year		-	-	20,939	20,939
Total comprehensive income for the year		-	-	20,939	20,939
Dividends paid to shareholders	15 (b)	-	-	(11,013)	(11,013)
Balance as at 31 December 2023 restated		7,482	220	47,537	55,239

1 Group and its Operations

These consolidated and separate financial statements include the financial statements of TBC Insurance JSC (the Company) and its subsidiary (together referred to as the Group).

TBC Insurance JSC is a joint stock company as it is defined under the Law of Georgia on Entrepreneurs and are incorporated and domiciled in Georgia on 8 May 2014. The Company is licensed to provide non-life and life insurance services in Georgia, issued by the Insurance State Supervision Service of Georgia on 14 July 2014 and 1 December 2016, respectively. TBC Insurance JSC provides insurance services in property and casualty, health, life insurance and in other products. The Company's registering body is LEPL- National Agency of Public Registry. The Company's registered address and place of business is Al. Kazbegi Avenue, N24b, III Floor, Tbilisi, Georgia. The Company's registration number is 405042804.

As at 31 December 2023 and 2022 the Group's immediate and ultimate parent was TBC Bank Group PLC, owning 100.00% of the Group's shares (2022: 100.00%). TBC Bank Group PLC ("TBCG") is a public limited liability company, incorporated in England and Wales and listed on London Stock Exchange. TBC Bank Group PLC's registered legal address is Elder House St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey, KT13 0TS. Registered number of TBC Group PLC is 10029943

The Company has one fully-owned subsidiary entity – Redmed LLC. Redmed LLC was formed and domiciled in Georgia as a limited liability company under Georgian law on 21 June 2019. As of 31 December 2023, total capital contribution made to JSC in Redmed LLC by TBC Insurance was GEL 6,897 thousand. The principal business activity of the subsidiary entity is healthcare e-commerce.

The national currency of Georgia is the Georgian Lari ("GEL"), which is the currency in which these consolidated and separate financial statements are presented. Functional currency for the Company is also GEL.

All financial information presented in GEL has been rounded to the nearest thousands, except when otherwise indicated.

2 Operating Environment of the Group

The Group's operations are in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The consolidated and separate financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

The Group is exposed to climate change risks. In respect of this, the Group management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the financial statements, and the future effects on the Group's activities and business plans are difficult to predict. Management continues to monitor developments in this area and will respond as necessary to ensure the Group's viability and will adopt all government guidelines if and when these are issued in the markets in which the Group operates.

3 Basis of Preparation

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI") and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing. The material accounting policy information applied in the preparation of these consolidated and separate financial statements are set out below. Apart from the accounting policy changes effective from 1 January 2023 these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 32.

4 Use of Estimates and Judgements

The preparation of consolidated and separate financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

(a) Best estimate liability (BEL)

The assumptions used in the estimation of insurance assets and liabilities are intended to result in best estimate liabilities (BEL) which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

For all types of insurance contracts, the Group estimates BEL arising from outstanding claims based on the latest information the Group has related to the severity of the claim. 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. In addition, the Group makes estimate of the ultimate liability arising from claims under life and health insurance contracts that are yet to be reported at the reporting date. The liability is calculated by using standard actuarial methods such as chain-ladder method for life insurance and expected loss ratio method for health insurance. The primary underlying assumption of the chain-ladder method is that historical loss development patterns are indicative of future loss development patterns. The expected loss ratio is the ratio of ultimate losses to earned premiums. The ultimate losses can be calculated as the earned premium multiplied by the expected loss ratio. The total reserve is calculated as the ultimate losses less paid losses.

Sensitivity analysis for life insurance shows that 5% increase in the chain-ladder development factors would increase best estimate liability by GEL 319 thousand, accordingly 5% decrease in the development factors would decrease best estimate liability by GEL 319 thousand.

Health insurance is short-tailed business as there is only a two-month limit to report a claim after the occurrence. To calculate BEL for health insurance management uses subsequent period actual claims which are reported before the financial statement reporting date. For the remaining period expert judgement is applied. Medical services received in a limited number of medical institutions may be reported after 2 months from claims occurrence date. Due to immateriality of such claims historically, no actuarial method is used, instead expert judgement is applied.

Management believes that the BEL set up is adequate and there will be no need of additional reserve requirements.

(b) Risk adjustment for non-financial risk (BEL)

Related area, where assumptions are used is calculation of the risk adjustment for non-financial risk. For groups of contracts with sufficient and reliable own statistics a stochastic bootstrapping method is applied. The Group uses 75% confidence interval in its calculations. Main assumption underlying this method is that sample resembles the population it was drawn from sufficiently well that resampling it enables to estimate how a sample statistic would vary.

Sensitivity analysis shows that 5% increase in confidence interval would increase the risk adjustment for non-financial risk by GEL 201 thousand. The 5% decrease in confidence interval would decrease the risk adjustment by GEL 169 thousand. For details of risk adjustment calculation methodology please, refer to the note 30 (d) (viii).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(c) PAA

Management uses PAA approach for credit life insurance portfolio based on the following judgement:

Credit-life policies are 1 month contracts which are automatically renewed till the loan is fully repaid. Premium amount is fixed share of the outstanding amount of the loan.

4 Use of Estimates and Judgements (Continued)

According to the Georgian Civil Law, life insurance contracts may be terminated/may not be renewed by the insurer at any time and without any specific reason, without prior notice to the insured, if the obligations assumed by the insurer under the relevant insurance policy have been fully fulfilled and there is no advance payment for the contract.

Since the insurance payments are done together with the loan payments, in practice, there is no chance of having advance payment from the policyholder in this relationship, and the insurer does not have any obligation to continue the service after 1 month.

Therefore, management believes that the coverage period of credit life insurance contracts is one year or less and an entity may simplify the measurement of a group of insurance contracts using the premium allocation approach.

Management has not made any critical judgments apart from those involving estimations in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in these consolidated and separate financial statements.

5 Cash and Cash Equivalents

Cash and cash equivalents represent current accounts placed in Georgian banks. Credit ratings of cash and cash equivalents were as follows:

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	2023	2022	2021	2023	2022	2021
BB	12,221	15,348	14,733	12,065	15,287	14,645
BB-	3	16	-	4	16	-
B+	10	13	5	10	13	5
Not rated	14	13	13	13	14	13
Total	12,248	15,390	14,751	12,092	15,330	14,663

Cash and cash equivalent consists of GEL 12,191 thousand (2022: GEL 11,100 thousand) placed in JSC TBC Bank.

6 Bank Deposits

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	2023	2022	2021	2023	2022	2021
JSC TBC Bank	29,534	26,595	17,557	29,534	26,595	17,557
JSC Bank of Georgia	15,594	20,389	12,952	15,594	20,389	12,952
JSC Liberty Bank	11,066	9,892	10,692	11,066	9,892	10,692
JSC Tera Bank	5,154	7,514	2,317	5,154	7,514	2,317
JSC Basis Bank	4,790	-	-	4,790	-	-
JSC VTB Bank	-	-	3,386	-	-	3,386
Expected Credit Loss	(238)	(420)	(178)	(238)	(420)	(178)
Total bank deposits	65,900	63,970	46,726	65,900	63,970	46,726

GEL 8,115 thousand out of total amount of deposit placed at JSC TBC is attributable to minimum capital requirements set by the Insurance State Supervision Service of Georgia.

Bank deposit balances are categorized as stage 1. Bank deposits are represented by placements with Georgian commercial banks with maturity of less than two years and earn annual interest of 12.40% to

6 Bank Deposits (Continued)

14.50%. Bank deposits placed with a related party (JSC TBC Bank) earns an annual interest rate of 12.40% to 13.75%.

Credit ratings of placements with banks were as follows:

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	2023	2022	2021	2023	2022	2021
BB	29,534	26,595	17,557	29,534	26,595	17,557
BB-	20,384	20,389	16,338	20,384	20,389	16,338
B+	16,220	17,406	13,009	16,220	17,406	13,009
Total	66,138	64,390	46,904	66,138	64,390	46,904

As at 31 December 2023, GEL 48,986 thousand, out of total balance of bank deposits had maturity of less than one year, while the remaining balance had maturity of more than one year and less than two years.

7 Investment Assets

<i>In thousands of Georgian Lari</i>	Consolidated	Separate
Carrying amount as of 1 January 2022	2,891	2,891
Purchases	2,830	2,830
Interest income accrual	382	382
Interest received	(923)	(923)
Bond premium amortization	(21)	(21)
Impairment gain (loss)	(23)	(23)
Foreign exchange gain (loss)	(217)	(217)
Carrying amount as of 31 December 2022	4,919	4,919
Carrying amount as of 1 January 2023	4,919	4,919
Purchases	12,280	12,280
Disposals	(4,024)	(4,024)
Interest income accrual	945	945
Interest received	(1,132)	(1,132)
Bond premium amortization	(21)	(21)
Impairment gain (loss)	7	7
Foreign exchange gain (loss)	365	365
Carrying amount as of 31 December 2023	13,339	13,339

Investment assets comprise of following corporate and government bonds, all carried at amortised cost:

Consolidated and Separate Issuer	Maturity	Rating	2023	2022
US Treasury	14 March 2024	AA+ (Fitch Ratings)	4,385	-
JSC TBC Bank	19 June 2024	BB (Fitch Ratings)	2,151	-
JSC TBC Bank	03 October 2024	BB (Fitch Ratings)	1,166	1,200
Tegeta Motors LLC	16 December 2025	BB- (Scope Ratings)	1,004	1,005
JSC Nikora	28 November 2025	BB- (Scope Ratings)	1,003	1,003
Tegeta Motors LLC	28 April 2025	BB- (Scope Ratings)	935	-
LLC AUSTRIAN GEORGIAN DEVELOPMENT	16 October 2025	Not Rated	822	-
US Treasury	11 April 2024	AA+ (Fitch Ratings)	1,487	-
JSC Nikora	12 November 2024	BB- (Scope Ratings)	413	411
JSC Georgia Capital	09 March 2024	BB- (S&P Ratings)	-	832
JSC Georgian Beer Company	21 December 2023	BB- (Scope Ratings)	-	502
Expected Credit Loss			(27)	(34)
Total Investment assets			13,339	4,919

7 Investment Assets (Continued)

Investment assets are classified in Stage 1. Details of changes in Expected Credit Loss (ECL) is shown in the table below:

Consolidated and Separate	2023			2022		
	Bank Deposits	Investment Assets	Total	Bank Deposits	Investment Assets	Total
ECL as at 1 January	(420)	(34)	(454)	(178)	(12)	(190)
New originated or purchased	(119)	(12)	(131)	(366)	(25)	(391)
Derecognised during the period	116	1	117	(94)	(1)	(95)
Changes to ECL model assumptions	185	18	203	218	4	222
Total movement for the period	182	7	189	(242)	(22)	(264)
ECL as at 31 December	(238)	(27)	(265)	(420)	(34)	(454)

8 Insurance Contract Liabilities (Assets)
2023

	Consolidated and Separate			Total
	Liability for Incurred Claims		Liability for Remaining coverage	
	PVFCF*	Risk Adjustment		
Insurance contract assets as of 1 January	-	-	(48)	(48)
Insurance contract liabilities as of 1 January	18,607	652	25,620	44,879
Net insurance contract liabilities as at 1 January	18,607	652	25,572	44,831
Insurance contract revenue	-	-	(160,743)	(160,743)
Insurance expenses:	101,059	972	26,914	128,945
Incurred claims	89,259	5,482	-	94,741
Acquisition expenses	-	-	26,914	26,914
Changes related to the past service	(2,553)	(4,782)	-	(7,335)
Changes related to the future service	449	272	-	721
Other directly attributable expenses	13,904	-	-	13,904
Insurance service result (excluding reinsurance)	101,059	972	(133,829)	(31,798)
Insurance finance income (expense)	-	-	276	276
Cash flows:	(93,017)	-	125,410	32,393
Premium received	-	-	159,152	159,152
Claims paid	(79,113)	-	(6)	(79,119)
Other directly attributable expenses	(13,904)	-	-	(13,904)
Acquisition cash flows paid	-	-	(33,736)	(33,736)
Reclassification into assets	-	-	30	30
Net insurance contract liabilities as at 31 December	26,649	1,624	17,429	45,702
Insurance contract assets as of 31 December	-	-	(18)	(18)
Insurance contract liabilities as of 31 December	26,649	1,624	17,447	45,720

8 Insurance Contract Liabilities (Assets) (Continued)
2022

	Consolidated and Separate Liability for Incurred Claims		Liability for Remaining coverage	Total
	PVFCF*	Risk Adjustment		
Insurance contract assets as of 1 January	-	-	(304)	(304)
Insurance contract liabilities as of 1 January	13,452	521	21,269	35,242
Net insurance contract liabilities as at 1 January	13,452	521	20,965	34,938
Insurance contract revenue	-	-	(134,197)	(134,197)
Insurance expenses:	79,534	131	24,060	103,725
Incurred claims	66,327	2,022	-	68,349
Acquisition expenses	-	-	24,060	24,060
Changes related to the past service	(798)	(1,718)	-	(2,516)
Changes related to the future service	2,630	(173)	-	2,457
Other directly attributable expenses	11,375	-	-	11,375
Insurance service result	79,534	131	(110,137)	(30,472)
Reinsurance finance income (expense)	-	-	(1,484)	(1,484)
Cash flows:	(74,379)	-	116,228	41,849
Premium received	-	-	136,684	136,684
Claims paid	(63,004)	-	-	(63,004)
Other directly attributable expenses paid	(11,375)	-	-	(11,375)
Acquisition cash flows paid	-	-	(20,456)	(20,456)
Reclassification into assets	-	-	256	256
Net insurance contract liabilities as at 31 December	18,607	652	25,572	44,831
Insurance contract assets as of 31 December	-	-	(48)	(48)
Insurance contract liabilities as of 31 December	18,607	652	25,620	44,879

*PVFCF – Present value of future cash flows

9 Reinsurance Contract Assets (Liabilities)
2023

	Consolidated and Separate Asset for Incurred Claims		Asset for Remaining coverage	Total
	PVFCF*	Risk Adjustment		
Reinsurance contract assets as of 1 January	9,849	276	123	10,248
Reinsurance contract liabilities as of 1 January	-	-	(3,852)	(3,852)
Net reinsurance contract assets as at 1 January	9,849	276	(3,729)	6,396
Allocation of reinsurance premium	-	-	(22,668)	(22,668)
Amounts recoverable from reinsurers:	19,243	590	741	20,574
Incurred claims	19,243	590	-	19,833
Acquisition expenses	-	-	741	741
Reinsurance service result	19,243	590	(21,927)	(2,094)
Reinsurance finance income (expense)	-	-	345	345
Cash flows:	(6,506)	-	15,661	9,155
Premium paid	-	-	15,808	15,808
Claims and expenses recovered	(6,506)	-	-	(6,506)
Commission received	-	-	(147)	(147)
Reclassification into asset (liability)	-	-	487	487
Net insurance contract assets as at 31 December	22,586	866	(9,650)	13,802
Insurance contract assets as of 31 December	22,586	866	610	24,062
Insurance contract liabilities as of 31 December	-	-	(10,260)	(10,260)

9 Reinsurance Contract Assets (Liabilities) (Continued)

2022	Consolidated and Separate			Total
	Asset for Incurred Claims		Asset for Remaining coverage	
	PVFCF*	Risk Adjustment		
Reinsurance contract assets as of 1 January	8,944	319	589	9,852
Reinsurance contract liabilities as of 1 January	-	-	(3,593)	(3,593)
Net reinsurance contract assets as at 1 January	8,944	319	(3,004)	6,259
Allocation of reinsurance premium	-	-	(16,661)	(16,661)
Amounts recoverable from reinsurers:	10,237	(43)	547	10,741
Incurred claims	10,237	(43)	-	10,194
Acquisition expenses	-	-	547	547
Reinsurance service result	10,237	(43)	(16,114)	(5,920)
Reinsurance finance income (expense)	-	-	(500)	(500)
Cash flows:	(9,332)	-	15,889	6,557
Premium paid	-	-	16,443	16,443
Claims and expenses recovered	(9,332)	-	-	(9,332)
Commission received	-	-	(554)	(554)
Reclassification into asset (liability)	-	-	(466)	(466)
Net insurance contract assets as at 31 December	9,849	276	(3,729)	6,396
Insurance contract assets as of 31 December	9,849	276	123	10,248
Insurance contract liabilities as of 31 December	-	-	(3,852)	(3,852)

*PVFCF – Present value of future cash flows

**The Group assesses the risk of reinsurer's non-performance based on credit rating change. In years 2023 and 2022 there have not been events of reinsurer's credit rating deterioration. Therefore the Group experienced no effect of change in reinsurers' non-performance risk.

	2023			2022		
	Life & health-related	Property & Casualty	Total	Life & health-related	Property & Casualty	Total
Insurance contract assets	-	(18)	(18)	-	(48)	(48)
Insurance contract liabilities	22,243	23,477	45,720	22,508	22,371	44,879
Net insurance contract liabilities	22,243	23,459	45,702	22,508	22,323	44,831
Reinsurance contract assets	15,052	9,010	24,062	4,504	5,744	10,248
Reinsurance contract liabilities	(5,317)	(4,943)	(10,260)	(1,585)	(2,267)	(3,852)
Net reinsurance contract assets	9,735	4,067	13,802	2,919	3,477	6,396

10 Other Assets

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	2023	2022	2021	2023	2022	2021
Prepayments	385	182	671	359	184	664
Assets transferred through subrogation	312	191	250	312	191	250
Restricted Cash	216	741	671	216	741	671
Other receivables	927	204	231	880	174	174
Inventories	37	33	79	36	32	78
Total Other Assets	1,877	1,351	1,902	1,803	1,322	1,837

11 Investment in Subsidiary

	Separate	
<i>In thousands of Georgian Lari</i>	2023	2022
Carrying amount at 1 January	5,776	4,426
Capital contribution	1,121	1,350
Impairment of investment in subsidiary	(655)	-
Carrying amount at 31 December	6,242	5,776

12 Intangible Assets

Consolidated	Internally Generated Intangible Assets		Other Intangible Assets	
	Computer & Other software	Licenses	Computer & Other software	Total
<i>In thousands of Georgian Lari</i>				
Cost:				
Balance at 1 January 2022	4,312	121	1,652	6,085
Additions	2,074	128	470	2,672
Disposals	(17)	-	-	(17)
Balance at 31 December 2022	6,369	249	2,122	8,740
Balance at 1 January 2023	6,369	249	2,122	8,740
Additions	2,157	324	496	2,977
Balance at 31 December 2023	8,526	573	2,618	11,717
Accumulated Amortisation:				
Balance at 1 January 2022	912	105	800	1,817
Charge for the year	827	87	374	1,288
Balance at 31 December 2022	1,739	192	1,174	3,105
Balance at 1 January 2023	1,739	192	1,174	3,105
Charge for the year	1,181	203	461	1,845
Balance at 31 December 2023	2,920	395	1,635	4,950
Net Book Value				
31 December 2022	4,630	57	948	5,635
31 December 2023	5,606	178	983	6,767

12 Intangible Assets (Continued)

Separate	Internally Generated Intangible Assets	Other Intangible Assets		
<i>In thousands of Georgian Lari</i>	Computer & Other software	Licenses	Computer & Other software	Total
Cost:				
Balance at 1 January 2022	2,884	85	1,829	4,798
Additions	1,604	128	471	2,203
Disposals	(17)	-	-	(17)
Balance at 31 December 2022	4,471	213	2,300	6,984
Balance at 1 January 2023	4,471	213	2,300	6,984
Additions	1,845	324	491.0	2,660
Balance at 31 December 2023	6,316	537	2,791	9,644
Accumulated Amortisation:				
Balance at 1 January 2022	712	69	945	1,726
Charge for the year	708	87	373	1,168
Balance at 31 December 2022	1,420	156	1,318	2,894
Balance at 1 January 2023	1,420	156	1,318	2,894
Charge for the year	1,027	203	459	1,689
Balance at 31 December 2023	2,447	359	1,777	4,583
Net Book Value				
31 December 2022	3,051	57	982	4,090
31 December 2023	3,869	178	1,014	5,061

13 Right-of-Use Assets and Lease Liabilities

The Group leases only offices. Rental contracts are typically made for fixed periods from 6 to 60 months.

<i>In thousands of Georgian Lari</i>	Consolidated		Separate	
	Offices	Total	Offices	Total
Carrying amount at 1 January 2021	1,084	1,084	1,068	1,068
Additions	896	896	811	811
Depreciation charge	(712)	(712)	(676)	(676)
Carrying amount at 31 December 2021	1,268	1,268	1,203	1,203
Carrying amount at 1 January 2022	1,268	1,268	1,203	1,203
Additions	877	877	841	841
Disposals	(31)	(31)	-	-
Depreciation charge	(799)	(799)	(751)	(751)
Carrying amount at 31 December 2022	1,315	1,315	1,293	1,293
Carrying amount at 1 January 2022	1,315	1,315	1,293	1,293
Modifications	3,323	3,323	3,117	3,117
Depreciation charge	(832)	(832)	(791)	(791)
Carrying amount at 31 December 2022	3,806	3,806	3,619	3,619

13 Right-of-Use Assets and Lease Liabilities (Continued)

Reconciliation of lease liabilities

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	Year 2023	Year 2022	Year 2021	Year 2023	Year 2022	Year 2021
Lease liabilities at 1 January	1,339	1,470	1,449	1,318	1,414	1,437
Cash flows	(874)	(924)	(966)	(841)	(889)	(920)
Repayments of principal	(781)	(842)	(854)	(751)	(811)	(811)
Interest payments	(93)	(82)	(112)	(90)	(78)	(109)
Non-cash changes	3,386	793	987	3,184	793	897
Interest accrual	93	82	112	90	78	109
Modifications	3,323	846	897	3,117	841	812
Foreign exchange adjustments	(30)	(135)	(22)	(23)	(126)	(24)
Lease liabilities at 31 December	3,851	1,339	1,470	3,661	1,318	1,414

The Group recognised lease liabilities as follows:

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	Year 2023	Year 2022	Year 2021	Year 2023	Year 2022	Year 2021
Short-term lease liabilities	617	730	853	587	711	812
Long-term lease liabilities	3,234	609	617	3,074	607	602
Total lease liabilities	3,851	1,339	1,470	3,661	1,318	1,414

In year 2023 expenses relating to leases of low-value assets (included in general and administrative expenses) comprise GEL 133 thousand (2022: GEL 106 thousand).

14 Property and Equipment

Consolidated				
<i>In thousands of Georgian Lari</i>	Furniture and computer equipment	Motor vehicles	Leasehold improvements	Total
Cost:				
Balance at 1 January 2022	1,489	419	1,377	3,285
Additions	300	91	38	429
Disposals	(68)	(151)	-	(219)
Balance at 31 December 2022	1,721	359	1,415	3,495
Balance at 1 January 2023	1,721	359	1,415	3,495
Additions	661	83	41	785
Disposals	(222)	(83)	-	(305)
Balance at 31 December 2023	2,160	359	1,456	3,975
Accumulated Depreciation:				
Balance at 1 January 2022	853	50	911	1,814
Charge for the year	283	43	240	566
Disposals	(53)	(24)	-	(77)
Balance at 31 December 2022	1,083	69	1,151	2,303
Balance at 1 January 2023	1,083	69	1,151	2,303
Charge for the year	290	35	143	468
Disposals	-	(35)	-	(35)
Balance at 31 December 2023	1,373	69	1,294	2,736
Net Book Value				
31 December 2022	638	290	264	1,192
31 December 2023	787	290	162	1,239

14 Property and Equipment (Continued)

Separate	Furniture and computer equipment	Motor vehicles	Leasehold improvements	Total
<i>In thousands of Georgian Lari</i>				
Cost:				
Balance at 1 January 2022	1,401	419	1,377	3,197
Additions	300	91	38	429
Disposals	(63)	(151)	-	(214)
Balance at 31 December 2022	1,638	359	1,415	3,412
Balance at 1 January 2023	1,638	359	1,415	3,412
Additions	661	83	36	780
Disposals	(222)	(83)	-	(305)
Balance at 31 December 2023	2,077	359	1,451	3,887
Accumulated Depreciation:				
Balance at 1 January 2022	813	50	911	1,774
Charge for the year	265	43	240	548
Disposals	(49)	(24)	-	(73)
Balance at 31 December 2022	1,029	69	1,151	2,249
Balance at 1 January 2023	1,029	69	1,151	2,249
Charge for the year	272	35	139	446
Disposals	-	(35)	-	(35)
Balance at 31 December 2023	1,301	69	1,290	2,660
Net Book Value				
31 December 2022	609	290	264	1,163
31 December 2023	776	290	161	1,227

15 Equity
(a) Share capital

As at 31 December 2023, the Group had an authorized share capital of GEL 15,000 thousand (31 December 2022: GEL 15,000 thousand). 7,481,870 shares with par value of GEL 1 were issued and fully paid as of 31 December 2023 and 31 December 2023.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

(b) Dividends

In accordance with Georgian legislation the Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's statutory consolidated and separate financial statements prepared in accordance with IFRSs.

15 Equity (Continued)

<i>In thousands of Georgian Lari</i>	Consolidated and Separate		
	2023	2022	2021
Dividends payable at 1 January	-	-	-
Dividends declared during the year	11,013	10,026	7,003
Dividends paid during the year	(11,013)	(10,026)	(7,003)
Dividends payable at 31 December	-	-	-
Dividends per share declared during the year (GEL)	1.47	1.34	0.94

(c) Other reserves

GEL 1,300 thousand in other reserves as at 31 December 2023, 31 December 2022 and 31 December 2021 consists of the accumulated result of the sale of subsidiaries to entities under common control. There have been no movements in other reserves in years 2023 and 2022.

<i>In thousands of Georgian Lari</i>	Consolidated	Separate
Retained earnings before adoption as at 1 January 2022	32,419	37,613
Adoption of IFRS 9	(190)	(190)
Adoption of IFRS 17	188	188
Change in gross liability for incurred claims (risk adjustment)	(520)	(520)
Change in reinsurer's asset for incurred claims (risk adjustment)	319	319
Changes in gross asset/liability for remaining coverage (foreign exchange gain/losses)	386	386
Changes in reinsurer's asset/liability for remaining coverage (foreign exchange gain/losses)	3	3
Total Adoption Effect	(2)	(2)
Retained earnings after adoption as at 1 January 2022	32,417	37,611

16 Share Based Payment Liabilities

In 2021 TBC Insurance JSC approved a compensation scheme for the top management, according to which, subject to the performance and service conditions, each year the company grants to the top management for service of the five years (2019 – 2023) phantom shares which shall be converted in the actual shares of its parent entity (TBC Bank Group PLC). No dividend is paid on Phantom shares and there is restriction on any disposition and pledge of these rights; also, no voting rights are attached to phantom shares.

The individual performance indicators are set on an individual basis and are used to calculate the award amount provided to each employee.

Service conditions foresee continuous employment until the gradual transfer of the full title to the scheme participants is complete. Under this compensation system the vesting period for each year's award extends to March 2024.

The conversion from phantom shares to real shares is done by the TBC Insurance JSC and TBC Bank Group PLC based on the actual IFRS results immediately preceding the date of conversion and on the predetermined formula.

The award as well as respective personal income tax is accounted as cash settled share-based payment under IFRS 2. An expense is recognized in the income statement using graded vesting method over the vesting period which is until March 2024 for each year's award; and a liability is recorded as the other side of the entry. The liability is re-measured at each reporting date until settlement. As long as the amount of award is dependent on fulfilment of performance and service conditions, management revises estimated

16 Share Based Payment Liabilities (Continued)

value of award based on forecasted achievement throughout 5 years and financial metrics in the fifth year and adjusts the liability accordingly.

KPIs that management need to fulfil include:

- Gross Written Premiums for the year 2023
- Net profit for the year 2023
- Book Value - Company net assets for the year 2023 adding dividends that have been distributed before 2023

<i>In thousands of Georgian Lari</i>	Consolidated and Separate		
	31-Dec-2023	31-Dec-2022	31-Dec-2021
Liability at the beginning of the period	(6,129)	(4,133)	(2,615)
Remeasurement of PY award	(499)	(91)	97
Current year award	(1,652)	(1,514)	(1,378)
Unwinding for present value discount	(780)	(391)	(237)
Total expense recognized as staff cost during the period	(2,931)	(1,996)	(1,518)
Share based payment liability at the end of the period	(9,060)	(6,129)	(4,133)

The intrinsic value of the vested liability at the end of year 2023 was nil (2022: nil).

17 Other Liabilities

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	2023	2022	2021	2023	2022	2021
Advances received	823	805	1,532	823	805	1,532
Accruals for employee compensation	2,501	2,064	1,702	2,486	2,064	1,702
Other liabilities	243	64	43	243	64	37
Total other liabilities	3,567	2,933	3,277	3,552	2,933	3,271

18 Insurance Service Result

<i>In thousands of Georgian Lari</i>	Consolidated and Separate		Total
	Life & health-related	Property and Casualty	
2023			
Insurance contract revenue	79,844	80,899	160,743
Insurance expenses:	(57,723)	(71,222)	(128,945)
Incurred claims	(40,612)	(54,131)	(94,743)
Acquisition expenses	(15,863)	(11,051)	(26,914)
Changes related to the past service	970	1,135	2,105
Changes related to the future service	2,436	2,075	4,511
Other directly attributable expenses	(4,654)	(9,250)	(13,904)
Net income (expenses) from reinsurance contracts held	3,091	(5,185)	(2,094)
Insurance service result	25,212	4,492	29,704

18 Insurance Service Result (Continued)

2022	Consolidated and Separate		
	Life & health-related	Property and Casualty	Total
<i>In thousands of Georgian Lari</i>			
Insurance contract revenue	64,194	70,003	134,197
Insurance expenses:	(47,082)	(56,643)	(103,725)
Incurred claims	(27,336)	(41,013)	(68,349)
Acquisition expenses	(14,273)	(9,787)	(24,060)
Changes related to the past service	(2,392)	559	(1,833)
Changes related to the future service	654	1,238	1,892
Other directly attributable expenses	(3,735)	(7,640)	(11,375)
Net income (expenses) from reinsurance contracts held	560	(6,480)	(5,920)
Insurance service result	17,672	6,880	24,552

19 Net insurance finance income (expenses)

Finance income from insurance contracts issued and Finance income from reinsurance contracts held consist solely of foreign currency translation gains and losses related to insurance contracts issued and reinsurance contracts held respectively.

20 Investment and Other Income

2023	Consolidated		
	Interest income at EIR	Change in Expected Credit Loss	Net investment & other income
<i>In thousands of Georgian Lari</i>			
Cash and cash equivalents	1,906	-	1,906
Certificate of Deposit	6,762	182	6,944
Government bonds	183	-	183
Other debt securities	741	7	748
Other Income			255
Total investment and other income	9,592	189	10,036

2022	Consolidated		
	Interest revenue	Reversal (Impairment) of financial assets	Net investment & other income
<i>In thousands of Georgian Lari</i>			
Cash and cash equivalents	1,266	-	1,266
Certificate of Deposit	5,626	(242)	5,384
Other debt securities	361	(23)	338
Other interest income	78	-	78
Other Income			356
Total investment and other income	7,331	(265)	7,422

20 Investment and Other Income (Continued)

2023			Separate
<i>In thousands of Georgian Lari</i>	Interest revenue	Reversal (Impairment) of financial assets	Net investment & other income
Cash and cash equivalents	1,906	-	1,906
Certificate of Deposit	6,762	182	6,944
Government bonds	183	-	183
Other debt securities	741	7	748
Other Income			93
Impairment of investment in subsidiary			(655)
Total investment and other income	9,592	189	9,219
2022			Separate
<i>In thousands of Georgian Lari</i>	Interest revenue	Reversal (Impairment) of financial assets	Net investment & other income
Cash and cash equivalents	1,266	-	1,266
Certificate of Deposit	5,626	(242)	5,384
Other debt securities	361	(23)	338
Other interest income	76	-	76
Other Income			268
Total investment and other income	7,329	(265)	7,332

21 Expenses by Nature

Consolidated						
<i>In thousands of Georgian Lari</i>	2023			2022		
	Directly attributable expenses	Other operating expenses	Total	Directly attributable expenses	Other operating expenses	Total
Salaries	(4,773)	(5,166)	(9,939)	(3,915)	(4,401)	(8,316)
Management Bonuses	-	(4,423)	(4,423)	-	(3,552)	(3,552)
Other Bonuses	(1,828)	(1,029)	(2,857)	(1,435)	(693)	(2,128)
Insurance and other benefits	(278)	(786)	(1,064)	(254)	(101)	(355)
Statutory pension	(192)	(228)	(420)	(148)	(337)	(485)
Total salaries & other employee benefits	(7,071)	(11,632)	(18,703)	(5,752)	(9,084)	(14,836)
Marketing and PR	(1,570)	(142)	(1,712)	(1,375)	(232)	(1,607)
Supervision Fee	(1,627)	-	(1,627)	(1,365)	-	(1,365)
Software and Technical Support	(86)	(842)	(928)	(84)	(1,005)	(1,089)
Professional service fee	-	(756)	(756)	-	(630)	(630)
Bank fees and other commissions	(364)	(32)	(396)	(285)	(28)	(313)
Post, Telecomm, Utilities	-	(393)	(393)	-	(356)	(356)
Office Purchases	(249)	(140)	(389)	(231)	(135)	(366)
Office Rent	(184)	(107)	(291)	(168)	(102)	(270)
BMTPL Management Fee*	(283)	-	(283)	(205)	-	(205)
Tax (other than on income)	-	(214)	(214)	-	(205)	(205)
Other Admin Costs	(540)	(55)	(595)	(251)	(888)	(1,139)
Total General and administrative expenses	(4,903)	(2,681)	(7,584)	(3,964)	(3,581)	(7,545)
Depreciation and amortisation	(1,930)	(1,215)	(3,145)	(1,659)	(994)	(2,653)
Total Operating expenses	(13,904)	(15,528)	(29,432)	(11,375)	(13,659)	(25,034)

21 Expenses by Nature (Continued)

Separate	2023			2022		
	Directly attributable expenses	Other operating expenses	Total	Directly attributable expenses	Other operating expenses	Total
<i>In thousands of Georgian Lari</i>						
Salaries	(4,773)	(4,725)	(9,498)	(3,915)	(3,873)	(7,788)
Management Bonuses	-	(4,423)	(4,423)	-	(3,553)	(3,553)
Other Bonuses	(1,828)	(1,014)	(2,842)	(1,435)	(693)	(2,128)
Insurance and other benefits	(278)	(775)	(1,053)	(254)	(65)	(319)
Statutory pension	(192)	(211)	(403)	(148)	(317)	(465)
Total salaries & other employee benefits	(7,071)	(11,148)	(18,219)	(5,752)	(8,501)	(14,253)
Marketing and PR	(1,570)	(9)	(1,579)	(1,375)	(21)	(1,396)
Supervision Fee	(1,627)	-	(1,627)	(1,365)	-	(1,365)
Software and Technical Support	(86)	(744)	(830)	(84)	(931)	(1,015)
Professional service fee	-	(731)	(731)	-	(627)	(627)
Bank fees and other commissions	(364)	(32)	(396)	(285)	(28)	(313)
Post, Telecomm, Utilities	-	(381)	(381)	-	(347)	(347)
Office Purchases	(249)	(135)	(384)	(231)	(131)	(362)
Office Rent	(184)	(100)	(284)	(168)	(96)	(264)
BMTPL Management Fee*	(283)	-	(283)	(205)	-	(205)
Tax (other than on income)	-	(214)	(214)	-	(205)	(205)
Other Admin Costs	(540)	(3)	(543)	(251)	(797)	(1,048)
Total General and administrative expenses	(4,903)	(2,349)	(7,252)	(3,964)	(3,183)	(7,147)
Depreciation and amortisation	(1,930)	(1,001)	(2,931)	(1,659)	(808)	(2,467)
Total Operating expenses	(13,904)	(14,498)	(28,402)	(11,375)	(12,492)	(23,867)

* In year 2018 a non-profit (non-commercial) legal entity Compulsory Insurance Center (The Center) was established in accordance with the legislation of Georgia for the management of compulsory motor third party liability (BMTPL) insurance by the insurers participating in the insurance system. Insurers contribute monthly management fees to the Center, the main functions and responsibilities of which are non-stop client services, realization of insurance policy and regulation of losses.

Professional service fee above includes GEL 213 thousand (2021: GEL 172 thousand) fees incurred for audit and other professional services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing.

22 Other Expenses

In 2022 the Group initiated IFRS 17 implementation project. Respective expense of GEL 346 thousand is accounted as other expenses in the Group's financial statements.

23 Income Tax Expense

Income tax expense comprises of the following:

<i>In thousands of Georgian Lari</i>	Consolidated 2023	2022	Separate 2023	2022
Current tax	4,507	3,509	4,507	3,509
Deferred tax charge/(credit)	122	(70)	122	(70)
Income tax expense for the year	4,629	3,439	4,629	3,439

The Group's applicable income tax rate was 15% in 2023 (2022: 15%).

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

<i>In thousands of Georgian Lari</i>	Consolidated 2023	2022	Separate 2023	2022
Profit Before Tax	25,349	20,847	25,568	21,924
Theoretical tax charge at statutory rate	3,802	3,127	3,835	3,289
- Effect of income which is exempt from taxation	(31)	(79)	(31)	(79)
- Effect of non-deductible expenses	703	299	703	299
- <i>Share-based payment compensation</i>	<i>440</i>	<i>299</i>	<i>440</i>	<i>299</i>
- <i>IFRS 9 & IFRS 17*</i>	<i>210</i>	-	<i>210</i>	-
- <i>Other non-deductible expenses</i>	<i>53</i>	-	<i>53</i>	-
- Effect of subsidiary**	33	162	-	-
Current income tax expense for the year	4,507	3,509	4,507	3,509

* Georgian tax code requires insurers to account for insurance operations as per regulatory guidelines. The ISSSG still applies IFRS 4 for the regulatory reporting purposes.

** Company's subsidiary applies Estonian tax code.

On 13 May 2016 the Parliament of Georgia passed a bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. On 28th of December 2018, the law was further amended marking 1 January 2023 as the effective date for enacting the law for the financial institutions (banks, insurance companies, etc.). In December 2022, the effective date was again postponed to 1 January 2024.

Due to the nature of the new taxation system described above, the financial institutions registered in Georgia will not have any differences between the tax bases of assets and their carrying amounts from 1st January 2024 and hence, no deferred income tax assets and liabilities will arise, there on. Therefore, any deferred tax asset balance was written off from the Group's balance sheet.

24 Offsetting Financial Assets and Financial Liabilities

As of 31 December 2023, and 2022, there were no financial instruments subject to offsetting, enforceable master netting and similar arrangements.

25 Management of Capital

(a) Capital management objectives, policies and approach

The main objective of capital management is to monitor and maintain, at all times, an appropriate level of capital which is commensurate with the Group's risk profile. The capital management of the Group has the following objectives:

- Compliance with the requirements of the Insurance State Supervision Services of Georgia;
- Maintain financial strength to support new business growth and to satisfy the requirements of policyholders, regulator and other stakeholders;
- Maintaining the composition and structure of the assets accepted to cover insurance liabilities, when due and to exceed regulatory requirements; and
- Maintaining the required level of stability of the Group thereby providing a degree of security to policyholders.

It is in the Group's interest to maintain adequate capital resources at all times and to fulfil respective minimum regulatory capital requirements. The primary source of capital used by the Group is financed through the issuance of shares. Maintaining a good capital base in the future is of crucial importance to the Group, both to allow the Group to take advantage of profitable growth opportunities and to cushion the effects of large loss events.

As part of the process of monitoring and managing its capital, the Group has implemented controls over conformity of the composition and structure of the assets, enabling the Group to constantly maintain a minimum level of funds, placed in top Georgian banks.

The insurance sector in Georgia is regulated by the Insurance State Supervision Service of Georgia ("ISSSG"). The ISSSG imposes minimum capital requirements for insurance companies. These requirements are put in place to ensure sufficient solvency margins.

(b) Regulatory requirements

On 16 September 2016, ISSSG issued directives №15 and №16 on the determination of the Regulatory Solvency Margin ("RSM") and Regulatory Capital, respectively. The laws also impose the requirements on maintaining minimum Regulatory Capital benchmarking against RSM.

According to the ISSSG directive, an insurance company should meet the minimum capital requirement throughout the period and should, at all times, maintain a total of this amount in either cash and cash equivalents or in bank balances. According to the directive №27 of ISSSG, minimum capital requirement comprises 1/3 of company's RSM, no less than of had increased from GEL 7,200 thousand.

JSC TBC Insurance was in compliance with capital requirements set by ISSSG during 2023 and 2022.

The Regulatory Capital is determined based on the IFRS equity in the statement of financial position, adjusted for, for example, investments in subsidiaries and associates, unsecured loans and borrowings, etc. as prescribed by the ISSSG directive №16.

As at the date these consolidated and separate financial statements were authorized for issue, the Group was in full compliance with the level of Regulatory Capital in respect of 100% of RSM.

26 Insurance Risk Management

(a) Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Group assumes the risk of loss from individuals or organisations that are directly subject to the risk. Such risks mainly relate to life, motor and other non-health segments, such as, property, liability, cargo, travel or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The principal risk is that the frequency and severity of claims is greater than expected.

26 Insurance Risk Management (Continued)

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Group also has exposure to market risk through its insurance and investment activities. The Group manages its insurance risk through the use of reinsurance of risk concentrations, underwriting limits, approval procedures for transactions and monitoring of emerging issues.

(i) Underwriting strategy

The Group's underwriting strategy seeks diversity so that the Group's portfolio at all times includes several classes of non-correlating risks and that each class of risk, in turn, is spread across a large number of policies. Management believes that this approach reduces the variability of the outcome.

The underwriting strategy is set out in the Group's insurance risk management policies. The strategy is implemented through underwriting guidelines that determine detailed underwriting rules for each type of product. The guidelines contain insurance concepts and procedures, descriptions of inherent risk, terms and conditions, rights and obligations, documentation requirements, template agreement/policy examples, rationale of applicable tariffs and factors that would affect the applicable tariff. The tariff calculations are based on probability and variation.

Adherence to the underwriting guidelines is monitored by the Deputy General Director on an on-going basis.

(ii) Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Group buys quota share reinsurance treaties for life, agro and surety lines of business, and excess of loss treaties for property, cargo and liabilities portfolios. In addition, facultative reinsurance coverage is bought for every risk in the above-mentioned products that fall out of the treaty limitations.

Ceded reinsurance contains credit risk, and such reinsurance recoverable are reported after deductions for known insolvencies and uncollectible items. The Group monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements periodically.

Table below reviews the Group's reinsurance recoverable by credit rating classes:

<i>In thousands of Georgian Lari</i>	Consolidated and Separate	
	2023	2022
AA+ to AA-	2,928	1,955
A+ to A-	3,632	995
B+ to B-	1,378	647
Not rated Georgian	2,525	928
Not rated other	61	21
Total	10,524	4,546

(b) Terms and conditions of insurance contracts and nature of risks covered

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Group's main products and the ways in which it manages the associated risks.

(i) Motor insurance**Product features**

The Group has two types of Motor insurance, fully comprehensive insurance ("Casco") and motor third party liability insurance ("MTPL"). Under Casco contracts, corporate entities and individuals are reimbursed for any loss of, or damage caused to their vehicles. MTPL contracts provide indemnity cover to the owner

26 Insurance Risk Management (Continued)

of the motor vehicle against compensation payable to third parties for property damage, death or personal injury. Motor insurance includes short tail coverage.

Claims that are typically made quickly are those that indemnify the policyholder against motor physical damage or loss. Claims that take longer to finalise, and are more difficult to estimate, relate to bodily injury claims.

Management of risk

In general, motor claims reporting lags are minor, if any, and claim complexity is relatively low. Overall, the claims liabilities for this line of business create a moderate estimations risk. The Group monitors and reacts to trends in repair costs, injury awards and the frequency of theft and accident claims.

The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in the winter months. Motor lines of insurance are underwritten based on the Group's current experience.

(ii) Property insurance***Product features***

The Group writes property insurance. This is comprised of corporate and retail property insurance. Property insurance indemnifies the policyholder, subject to any limits or excesses, against the loss or damage to their own tangible property.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as short-tailed.

Management of risk

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural disasters). The Group is also exposed to the risk of exaggeration and dishonest action by claimants.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the different properties it insures. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

These risks are managed primarily through the pricing and reinsurance processes. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable to the Group. The Group reinsures its property risks by way of Excess of Loss, Surplus and Nat Cat treaties.

(iii) Life insurance***Product features***

The Group writes life insurance contracts where the event giving a rise to claim is the death or permanent disability of the beneficiary and the policyholder is insured for the remaining credit towards the financial institution or for a pre-determined amount.

Management of risk

The Group's underwriting strategy is to ensure that risks are well diversified by industry sectors and geography. The Group also has the right to reject payment in case a fraudulent claim is identified. The Group uses reinsurance contracts for all life insurance risks and the exposure of risk is limited to 10% of total claim. One of the key risks associated with this product is the lag between the accident date and reporting date of the claim. Because of this risk, an additional reserve for incurred claims is set up for life insurance contracts, calculated according to the chain-ladder statistical methodology.

26 Insurance Risk Management (Continued)
(iv) Health insurance
Product features

Share of health insurance in the Group's total insurance business increased from 16% to 19% in the year 2022 in terms of gross premium written. Health insurance contracts pay benefits for medical treatments and hospital expenses of the beneficiaries. The portfolio fully consists of collective corporate contracts.

Management of risk

Health insurance subject is primarily peril of the need for a medical treatment. The Group manages its risks through writing collective corporate contracts and pricing policy according to the current health conditions of beneficiaries. Besides, the Group uses services of its partner healthcare providers and pharmacies based on pre-agreed prices.

(c) Concentrations of insurance risk

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts with similar risk features and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contract tranches.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography.

For significant lines of business, the Group manages its risk concentration according to the internally approved risk appetite framework. Table below summarises relevant risk metrics at the reporting date:

Consolidated and Separate			
Line of business	2023	2022	Calculation method
Motor	10.8%	4.2%	Concentration of vehicles with SI above USD 100,000 in total portfolio
Property	8.6%	7.1%	Share of HPP portfolio in Property portfolio
Agro	60.0%	48.7%	Single region SI concentration according to obligatory reinsurance contract.
Personal risks	70.9%	60.1%	Concentration of credit life policies with SI above USD 25,000 in total portfolio.
Bonds	12.6%	18.9%	Concentration of Guarantees with SI above USD 50,000 in total Portfolio
Health	15.2%	14.0%	Share of insured individuals per 1 client (organization or group of related organizations) in total portfolio.

The Group's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Group purchases reinsurance coverage for various classes of its motor, life and property business. The Group assesses the costs and benefits associated with the reinsurance programme on an on-going basis.

(d) Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Group. The table compares the claims paid on an accident year basis with the reserves established for these claims. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total liability for incurred claims included in the statement of financial position and the estimate of cumulative claims. While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these consolidated and separate financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid

26 Insurance Risk Management (Continued)

loss balances. The Group believes that the estimate of total claims outstanding at the end of 2023 is adequate.

Estimate of cumulative claims gross

<i>In thousands of Georgian Lari</i>	2018	2019	2020	2021	2022	2023	Total
Accident Year	49,050	32,549	39,583	51,648	125,423	94,225	-
One Year Later	20,552	31,981	39,625	60,461	68,255	-	-
Two Years Later	20,611	32,097	41,697	52,201	-	-	-
Three Years Later	20,593	32,330	39,384	-	-	-	-
Four Years Later	20,640	32,078	-	-	-	-	-
Five Years Later	20,599	-	-	-	-	-	-
Cumulative gross claims paid	(20,574)	(31,640)	(38,509)	(51,015)	(65,564)	(72,796)	(280,098)

Gross cumulative claims liabilities – accident years from 2018 to 2023

25	438	875	1,186	2,691	21,429	26,644
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Gross cumulative claims liabilities – prior accident years	5
Effect of discounting	-
Effect of the risk adjustment for non-financial risk	1,624

Gross LIC for the contracts originated
28,273
Estimate of cumulative claims net

<i>In thousands of Georgian Lari</i>	2018	2019	2020	2021	2022	2023	Total
Accident Year	7,453	16,242	29,948	42,082	59,452	65,066	-
One Year Later	5,815	15,901	29,307	42,806	13,103	-	-
Two Years Later	5,818	15,970	29,324	37,034	-	-	-
Three Years Later	5,817	16,296	28,951	-	-	-	-
Four Years Later	5,864	16,240	-	-	-	-	-
Five Years Later	5,825	-	-	-	-	-	-
Cumulative net claims paid	(5,803)	(15,822)	(28,228)	(36,297)	(12,686)	(63,323)	(162,159)

Net cumulative claims liabilities – accident years from 2018 to 2023

22	418	723	737	417	1,743	4,060
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Net cumulative claims liabilities – prior accident years	4
Effect of discounting	-
Effect of the risk adjustment for non-financial risk	757

Net LIC for the contracts originated
4,821
(e) Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual and portfolio risks. The reinsurance business ceded is placed on a proportional and non-proportional quota share/excess of loss basis with retention limits varying by product line. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Group's evaluation of the specific risk. All significant risks in all business lines the Company

26 Insurance Risk Management (Continued)

writes business are taken only with facultative cover with no significant retention. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes. When selecting a reinsurer, the Group considers their relative creditworthiness.

27 Fair Values and Risk Management**(a) Fair value of financial assets and liabilities**

A number of the Group's accounting policies and disclosures require the determination of fair values for financial assets and financial liabilities. Fair values have been determined for disclosure purposes.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

27 Fair Values and Risk Management (Continued)
(i) Assets and liabilities not measured at fair value but for which fair value is disclosed:

<i>In thousands of Georgian Lari</i>	Consolidated								
	31-December-2023			31-December-2022			31-December-2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	-	12,248	12,248	-	15,390	15,390	-	14,751	14,751
Bank deposits	-	65,900	65,900	-	63,970	63,970	-	46,726	46,726
Investment securities at amortized cost	14,300	-	14,300	4,919	-	4,919	2,891	-	2,891
Total assets	14,300	78,148	92,448	4,919	79,360	84,279	2,891	61,477	64,368
Other financial liabilities	-	3,851	3,851	-	3,853	3,853	-	2,186	2,186
Total liabilities	-	3,851	3,851	-	3,853	3,853	-	2,186	2,186

<i>In thousands of Georgian Lari</i>	Separate								
	31-December-2023			31-December-2022			31-December-2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	-	12,092	12,092	-	15,330	15,330	-	14,663	14,663
Certificates of deposits	-	65,900	65,900	-	63,970	63,970	-	46,726	46,726
Investment securities at amortized cost	14,300	-	14,300	4,919	-	4,919	2,891	-	2,891
Total assets	14,300	77,992	92,292	4,919	79,300	84,219	2,891	61,389	64,280
Other financial liabilities	-	3,849	3,849	-	3,851	3,851	-	2,176	2,176
Total liabilities	-	3,849	3,849	-	3,851	3,851	-	2,176	2,176

(ii) Recurring fair value measurements:

<i>In thousands of Georgian Lari</i>	Consolidated and Separate								
	31-December-2023			31-December-2022			31-December-2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Derivative financial assets	-	-	-	-	1,012	1,012	-	470	470
Total assets	-	-	-	-	1,012	1,012	-	470	470

The fair values in level 2 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. 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 risks and remaining maturities.

27 Fair Values and Risk Management (Continued)

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts due to short maturities of most of the aforementioned instruments. Interest rates of investment securities held to maturity are tied to National Bank of Georgia rates and therefore carrying amount approximates fair value.

(b) Presentation of financial instruments by measurement category

The Group previously applied a temporary exemption from IFRS 9, stipulated by IFRS 4. Adoption of IFRS 17 also requires the Group to apply IFRS 9 from 1 January 2023. The Group recognized any difference between the previous carrying amount of financial instruments and the carrying amount after the initial application of IFRS 9 in the opening retained earnings (or other component of equity, as appropriate). For the details of the transition please refer to note 31.

(i) Classification - Financial assets

On initial recognition, all of the Group's financial assets are classified as measured at amortized cost, because, they meet both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

(ii) Business model assessment

The information considered during the business model assessment includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

(iii) Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

(iv) Subsequent measurement of financial assets and gains and losses

27 Fair Values and Risk Management (Continued)

Financial assets at amortised cost are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(v) Impairment

The Group recognises loss allowances for ECL on financial assets measured at amortised cost;

The Group's financial assets are determined to have low credit risk at the reporting date. Therefore, respective loss allowances are measured at an amount equal to 12-months ECL. These financial instruments are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(vi) Measurement of ECL and presentation of loss allowances

At each reporting date, the Group assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

For financial assets measured at amortised cost the loss allowance is deducted from the gross carrying amount of the assets.

(vii) Derecognition and contract modification of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated and separate financial statements.

27 Fair Values and Risk Management (Continued)**(i) Risk management framework**

The Supervisory Board together with the Group's management has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies and reporting regularly to the shareholders on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Supervisory Board monitors the Group's management compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group's exposure to credit risk is monitored on an ongoing basis.

The Group reinsures certain risks with the reinsurance companies. The selection of reinsurance companies is based on criteria mainly related to solvency, reliability and creditworthiness of the counterparty.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated and separate statement of financial position. For financial guarantees issued, the maximum exposure to credit risk is the amount of the commitment.

(iii) Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

<i>In thousands of Georgian Lari</i>	Consolidated			Separate		
	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2023	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	12,248	15,390	14,751	12,092	15,330	14,663
Bank Deposits	65,900	63,970	46,726	65,900	63,970	46,726
Investment assets	13,339	4,919	2,891	13,339	4,919	2,891
Derivative financial assets	-	1,012	470	-	1,012	470
Insurance contract assets	18	48	304	18	48	304
Reinsurance contract assets	24,062	10,248	9,852	24,062	10,248	9,852
Other assets	1,143	945	902	1,096	915	845
Total credit exposure	116,710	96,532	75,896	116,507	96,442	75,751

The Group is not subject to significant credit risk on receivables arising out of direct insurance operations as policies are cancelled and the LRC is respectively reduced when there is objective evidence that the policyholder is not willing or able to continue paying policy premiums.

Management believes that impairment trigger on insurance policies is 30 days overdue.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or

27 Fair Values and Risk Management (Continued)

controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Group's liquidity positions are reviewed by the management on a monthly basis.

The maturity analysis of the Group's financial assets and liabilities at 31 December 2023, as well as 31 December 2022 and 31 December 2021 is as follows:

Consolidated						
In thousands of Georgian Lari	Up to 1 year	1-2 years	2-3 years	3-4 years	4+ Years	Total
31-Dec-23						
Assets						
Cash and cash equivalents	12,248	-	-	-	-	12,248
Bank deposits	57,522	8,378	-	-	-	65,900
Investment assets	9,664	3,675	-	-	-	13,339
Derivative financial assets	-	-	-	-	-	-
Insurance contract assets	18	-	-	-	-	18
Reinsurance contract assets	23,817	202	5	-	38	24,062
Other financial assets	1,047	96	-	-	-	1,143
Total financial assets	104,316	12,351	5	-	38	116,710
Liabilities						
Insurance contract liabilities	44,474	919	253	-	74	45,720
Reinsurance contract liabilities	10,259	1	-	-	-	10,260
Lease liability	617	695	739	866	934	3,851
Financial liabilities	3,951	359	-	-	-	4,310
Current income tax liability	1,582	-	-	-	-	1,582
Share-based payment liability	9,060	-	-	-	-	9,060
Other liabilities	2,515	229	-	-	-	2,744
Total financial liabilities	72,458	2,203	992	866	1,008	77,527
Net maturity gap at 31 December 2023	31,858	10,148	(987)	(866)	(970)	39,183

27 Fair Values and Risk Management (Continued)

Consolidated						
In thousands of Georgian Lari	Up to 1 year	1-2 years	2-3 years	3-4 years	4+ Years	Total
31-Dec-22						
Assets						
Cash and cash equivalents	15,390	-	-	-	-	15,390
Bank deposits	17,168	44,800	2,002	-	-	63,970
Investment assets	642	2,304	1,973	-	-	4,919
Derivative financial assets	1,012	-	-	-	-	1,012
Insurance contract assets	48	-	-	-	-	48
Reinsurance contract assets	10,161	82	5	-	-	10,248
Other financial assets	867	78	-	-	-	945
Total financial assets	45,288	47,264	3,980	-	-	96,532
Liabilities						
Insurance contract liabilities	43,373	1,411	6	-	89	44,879
Reinsurance contract liabilities	3,824	26	2	-	-	3,852
Lease liability	730	609	-	-	-	1,339
Financial liabilities	3,853	-	-	-	-	3,853
Current income tax liability	1,018	-	-	-	-	1,018
Share-based payment liability	-	6,129	-	-	-	6,129
Other liabilities	2,130	194	-	-	-	2,324
Total financial liabilities	54,928	8,369	8	-	89	63,394
Net maturity gap at 31 December 2023	(9,640)	38,895	3,972	-	(89)	33,138

27 Fair Values and Risk Management (Continued)

Consolidated						
In thousands of Georgian Lari	Up to 1 year	1-2 years	2-3 years	3-4 years	4+ Years	Total
31-Dec-21						
Assets						
Cash and cash equivalents	14,751	-	-	-	-	14,751
Bank deposits	29,215	14,307	3,204	-	-	46,726
Investment assets	693	498	1,700	-	-	2,891
Derivative financial assets	470	-	-	-	-	470
Insurance contract assets	304	-	-	-	-	304
Reinsurance contract assets	9,570	168	65	-	49	9,852
Other financial assets	827	75	-	-	-	902
Total financial assets	55,830	15,048	4,969	-	49	75,896
Liabilities						
Insurance contract liabilities	33,846	558	298	4	536	35,242
Reinsurance contract liabilities	3,582	1	10	-	-	3,593
Lease liability	853	617	-	-	-	1,470
Financial liabilities	2,186	-	-	-	-	2,186
Current income tax liability	237	-	-	-	-	237
Share-based payment liability	-	4,133	-	-	-	4,133
Other liabilities	1,648	149	-	-	-	1,797
Total financial liabilities	42,352	5,458	308	4	536	48,658
Net maturity gap at 31 December 2023	13,478	9,590	4,661	(4)	(487)	27,238

27 Fair Values and Risk Management (Continued)

Separate						
In thousands of Georgian Lari	Up to 1 year	1-2 years	2-3 years	3-4 years	4+ Years	Total
31-Dec-23						
Assets						
Cash and cash equivalents	12,092	-	-	-	-	12,092
Bank deposits	57,522	8,378	-	-	-	65,900
Investment assets	9,664	3,675	-	-	-	13,339
Derivative financial assets	-	-	-	-	-	-
Insurance contract assets	18	-	-	-	-	18
Reinsurance contract assets	23,817	202	5	-	38	24,062
Other financial assets	1,004	92	-	-	-	1,096
Total financial assets	104,117	12,347	5	-	38	116,507
Liabilities						
Insurance contract liabilities	44,474	919	253	-	74	45,720
Reinsurance contract liabilities	10,259	1	-	-	-	10,260
Lease liability	587	661	702	823	888	3,661
Financial liabilities	3,932	357	-	-	-	4,289
Current income tax liability	1,582	-	-	-	-	1,582
Share-based payment liability	9,060	-	-	-	-	9,060
Other liabilities	2,501	228	-	-	-	2,729
Total financial liabilities	72,395	2,166	955	823	962	77,301
Net maturity gap at 31 December 2023	31,722	10,181	(950)	(823)	(924)	39,206

27 Fair Values and Risk Management (Continued)

Separate						
In thousands of Georgian Lari	Up to 1 year	1-2 years	2-3 years	3-4 years	4+ Years	Total
31-Dec-22						
Assets						
Cash and cash equivalents	15,330	-	-	-	-	15,330
Bank deposits	17,168	44,800	2,002	-	-	63,970
Investment assets	642	2,304	1,973	-	-	4,919
Derivative financial assets	1,012	-	-	-	-	1,012
Insurance contract assets	48	-	-	-	-	48
Reinsurance contract assets	10,161	82	5	-	-	10,248
Other financial assets	840	75	-	-	-	915
Total financial assets	45,201	47,261	3,980	-	-	96,442
Liabilities						
Insurance contract liabilities	43,373	1,411	6	-	89	44,879
Reinsurance contract liabilities	3,824	26	2	-	-	3,852
Lease liability	711	607	-	-	-	1,318
Financial liabilities	3,851	-	-	-	-	3,851
Current income tax liability	1,018	-	-	-	-	1,018
Share-based payment liability	-	6,129	-	-	-	6,129
Other liabilities	2,130	194	-	-	-	2,324
Total financial liabilities	54,907	8,367	8	-	89	63,371
Net maturity gap at 31 December 2023	-9,706	38,894	3,972	-	-89	33,071

27 Fair Values and Risk Management (Continued)

Separate						
In thousands of Georgian Lari	Up to 1 year	1-2 years	2-3 years	3-4 years	4+ Years	Total
31-Dec-21						
Assets						
Cash and cash equivalents	14,663	-	-	-	-	14,663
Bank deposits	29,215	14,307	3,204	-	-	46,726
Investment assets	693	498	1,700	-	-	2,891
Derivative financial assets	470	-	-	-	-	470
Insurance contract assets	304	-	-	-	-	304
Reinsurance contract assets	9,570	168	65	-	49	9,852
Other financial assets	775	70	-	-	-	845
Total financial assets	55,690	15,043	4,969	-	49	75,751
Liabilities						
Insurance contract liabilities	33,846	558	298	4	536	35,242
Reinsurance contract liabilities	3,582	1	10	-	-	3,593
Lease liability	812	602	-	-	-	1,414
Financial liabilities	2,176	-	-	-	-	2,176
Current income tax liability	236	-	-	-	-	236
Share-based payment liability	-	4,133	-	-	-	4,133
Other liabilities	1,641	150	-	-	-	1,791
Total financial liabilities	42,293	5,444	308	4	536	48,585
Net maturity gap at 31 December 2023	13,397	9,599	4,661	(4)	(487)	27,166

(e) Maturity profiles

The Group uses maturity analysis in managing its liquidity risk. Most of the Group's financial liabilities are contractually due to be settled in a year after the reporting date, excluding gross finance lease obligations. Management estimates that the timing of cash outflows from insurance contract liabilities does not exceed one year.

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

To mitigate the Group's exposure to market risk policies and procedures are in place to set and monitor asset allocation and portfolio limit structures.

(g) Currency risk

The Group's assets and liabilities are denominated in more than one currency. If the assets and liabilities in one currency do not match, the Group has an open currency position ("OCP") and is exposed to potentially unfavourable changes in exchange rates.

Management is responsible for continuously monitoring the development of exchange rates and foreign currency markets. The Group aims to close currency positions and ensures that an open currency position remains within the limits at all times.

The Group is exposed to currency risk mainly on insurance receivables and payables denominated in USD and EUR. The Group's exposure to foreign currency risk was as follows.

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Notes to the Consolidated and Separate Financial Statements
27 Fair Values and Risk Management (Continued)

Consolidated	USD	EUR	GEL	USD	EUR	GEL	USD	EUR	GEL
<i>In thousands of Georgian Lari</i>	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated
	31-Dec-2023	31-Dec-2023	31-Dec-2023	31-Dec-2022	31-Dec-2022	31-Dec-2022	31-Dec-2021	31-Dec-2021	31-Dec-2021
Cash and cash equivalents	1,374	9	10,865	336	381	14,673	1,038	356	13,357
Bank deposits	-	-	65,900	-	-	63,970	-	-	46,726
Investment assets	10,877	935	1,527	2,028	-	2,891	1,357	-	1,534
Insurance contract assets	-	-	18	-	-	48	16	17	271
Reinsurance contract assets	8,464	606	14,992	3,909	533	5,806	3,664	1,257	4,931
Other financial assets	-	-	1,143	4	31	910	5	14	883
Insurance contract liabilities	(12,219)	(1,130)	(32,371)	(10,201)	(1,751)	(32,927)	(8,607)	(1,009)	(25,626)
Reinsurance contract liabilities	(6,316)	(38)	(3,906)	(3,407)	(99)	(346)	(2,687)	(548)	(358)
Lease liabilities	(3,667)	-	(184)	(1,325)	-	(14)	(1,413)	-	(57)
Other financial liabilities	(1,090)	12	(3,232)	(1,068)	(375)	(2,410)	(818)	(332)	(1,036)
Net on-Balance Exposure	(2,577)	394	54,752	(9,724)	(1,280)	52,601	(7,445)	(245)	40,625
Derivative instruments	-	-	-	(9,997)	(1,442)	11,439	(11,140)	-	11,140
Net Exposure	(2,577)	394	54,752	(19,721)	(2,722)	64,040	(18,585)	(245)	51,765

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Notes to the Consolidated and Separate Financial Statements
27 Fair Values and Risk Management (Continued)

Separate	USD	EUR	GEL	USD	EUR	GEL	USD	EUR	GEL
<i>In thousands of Georgian Lari</i>	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated	denomi- nated
	31-Dec-2023	31-Dec-2023	31-Dec-2023	31-Dec-2022	31-Dec-2022	31-Dec-2022	31-Dec-2021	31-Dec-2021	31-Dec-2021
Cash and cash equivalents	1,374	9	10,709	336	381	14,613	1,038	356	13,269
Bank deposits	-	-	65,900	-	-	63,970	-	-	46,726
Investment assets	10,877	935	1,527	2,028	-	2,891	1,357	-	1,534
Insurance contract assets	-	-	18	-	-	48	16	17	271
Reinsurance contract assets	8,464	606	14,992	3,909	533	5,806	3,664	1,257	4,931
Other financial assets	-	-	1,096	4	31	880	5	14	826
Insurance contract liabilities	(12,219)	(1,130)	(32,371)	(10,201)	(1,751)	(32,927)	(8,607)	(1,009)	(25,626)
Reinsurance contract liabilities	(6,316)	(38)	(3,906)	(3,407)	(99)	(346)	(2,687)	(548)	(358)
Lease liabilities	(3,667)	-	6	(1,325)	-	7	(1,413)	-	(1)
Other financial liabilities	(1,090)	12	(3,211)	(1,068)	(375)	(2,408)	(818)	(332)	(1,026)
Net on-Balance Exposure	(2,577)	394	54,760	(9,724)	(1,280)	52,534	(7,445)	(245)	40,546
Derivative instruments	-	-	-	(9,997)	(1,442)	11,439	(11,140)	-	11,140
Net Exposure	(2,577)	394	54,760	(19,721)	(2,722)	63,973	(18,585)	(245)	51,686

27 Fair Values and Risk Management (Continued)

The following significant exchange rates have been applied:

<i>In Georgian Lari</i>	Average Rate 2023	Reporting date spot rate 31 December 2023
USD	2.6279	2.6894
EUR	2.8416	2.9753

<i>In Georgian Lari</i>	Average Rate 2022	Reporting date spot rate 31 December 2022
USD	2.9156	2.7020
EUR	3.0792	2.8844

<i>In Georgian Lari</i>	Average Rate 2021	Reporting date spot rate 31 December 2021
USD	3.2209	3.0976
EUR	3.8140	3.5040

Sensitivity analysis

A reasonably possible strengthening (weakening) of GEL, as indicated below, against USD and EUR at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss after tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant:

<i>In thousands of Georgian Lari</i>	Strengthening Profit or (Loss) and Equity	Weakening Profit or (Loss) and Equity
31 December 2023		
USD (20% movement)	438	(438)
EUR (20% movement)	(67)	67
31 December 2022		
USD (20% movement)	3,354	(3,354)
EUR (20% movement)	463	(463)
31 December 2021		
USD (20% movement)	3,098	(3,098)
EUR (20% movement)	49	(49)

(i) Interest rate risk

Interest rate risk is the risk that fluctuations in market interest rates will affect adversely the financial position and the results of operations of the Group.

The Group has low exposure to floating rate interest bearing instruments. Financial assets that are exposed to interest rate risk are investment securities held to maturity. It comprises only 2.1% of total credit exposure, therefore, management believes that the Group does not have significant exposure to interest rate risk.

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Notes to the Consolidated and Separate Financial Statements
27 Fair Values and Risk Management (Continued)
(ii) Financial instruments

The following table provides an overview of the fair values of the Group's financial assets and liabilities:

Consolidated									
<i>In thousands of Georgian Lari</i>	31-December-2023			31-December-2022			31-December-2021		
	Fair value	Carrying value	Difference	Fair value	Carrying value	Difference	Fair value	Carrying value	Difference
Cash and cash equivalents	12,248	12,248	-	15,390	15,390	-	14,751	14,751	-
Bank deposits	65,900	65,900	-	63,970	63,970	-	46,726	46,726	-
Investment assets	13,476	13,339	137	4,919	4,919	-	2,891	2,891	-
Other financial assets	1,143	1,143	-	945	945	-	902	902	-
Total assets	92,767	92,630	137	85,224	85,224	-	65,270	65,270	-
Other financial liabilities	4,310	4,310	-	3,853	3,853	-	2,186	2,186	-
Total liabilities	4,310	4,310	-	3,853	3,853	-	2,186	2,186	-
Derivative financial assets	-	-	-	1,012	1,012	-	470	470	-
Total assets	-	-	-	1,012	1,012	-	470	470	-

Separate									
<i>In thousands of Georgian Lari</i>	31-December-2023			31-December-2022			31-December-2021		
	Fair value	Carrying value	Difference	Fair value	Carrying value	Difference	Fair value	Carrying value	Difference
Cash and cash equivalents	12,092	12,092	-	15,330	15,330	-	14,663	14,663	-
Bank deposits	65,900	65,900	-	63,970	63,970	-	46,726	46,726	-
Investment assets	13,476	13,339	137	4,919	4,919	-	2,891	2,891	-
Other financial assets	1,096	1,096	-	915	915	-	845	845	-
Total assets	92,564	92,427	137	85,134	85,134	-	65,125	65,125	-
Other financial liabilities	4,289	4,289	-	3,851	3,851	-	2,176	2,176	-
Total liabilities	4,289	4,289	-	3,851	3,851	-	2,176	2,176	-
Derivative financial assets	-	-	-	1,012	1,012	-	470	470	-
Total assets	-	-	-	1,012	1,012	-	470	470	-

28 Contingencies**(a) Legal proceedings**

In the normal course of business, the Group is a party to legal actions, mainly related to claims or subrogation payments. There are no major legal disputes as of the reporting date which could have a material impact on the Group's financial position.

(b) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after four years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated and separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

29 Related Parties**(a) Key management remuneration**

Key management includes Directors (executive).

<i>In thousands of Georgian Lari</i>	2023		2022	
	Expense	Accrued Liability	Expense	Accrued Liability
Short-term benefits				
Salaries and bonuses	2,963	813	2,925	1,283
Share-based compensation				
Cash-settled share-based compensation	2,931	9,060	1,996	6,129
Other benefits				
Statutory pension and insurance	43	-	51	-
Total key management compensation	5,937	9,873	4,972	7,412

(b) Transactions with other related parties

The outstanding balances and related expense and income as for the year ended 31 December 2023 and 2022 with related parties are as follows:

29 Related Parties (Continued)

Consolidated	2023				2022			
<i>In thousands of Georgian Lari</i>	Entities Under Common Control* Other** Percent of Total				Entities Under Common Control* Other** Percent of Total			
	Parent	Common Control*	Other**	Percent of Total	Parent	Common Control*	Other**	Percent of Total
Assets								
Cash and cash equivalents	-	12,191	-	100%	-	11,100	-	72%
Bank deposits	-	29,534	-	45%	-	26,595	-	42%
Investment Assets	-	3,317	-	23%	-	1,200	-	24%
Derivative financial assets	-	-	-	0%	-	1,012	-	100%
Other assets	-	3	-	0%	-	3	-	0%
Total assets	-	45,045	-	35%	-	39,910	-	38%
Liabilities								
Insurance contract liabilities	-	9,508	39	21%	-	6,386	105	14%
Lease liabilities	-	49	-	0%	-	69	-	0%
Total liabilities	-	9,557	39	12%	-	6,455	105	10%
Equity								
Dividends declared / paid	11,013	-	-	100%	10,026	-	-	100%
Total equity	11,013	-	-	22%	10,026	-	-	24%

Consolidated	2023			2022		
<i>In thousands of Georgian Lari</i>	Entities Under Common Control*	Other**	Percent of Total	Entities Under Common Control*	Other**	Percent of Total
Income Statement						
Insurance revenue	56,574	844	36%	50,049	909	38%
Insurance service expenses	(20,976)	(510)	17%	(16,333)	(40)	16%
Net Investment & Other Income	4,482	-	44%	3,481	-	47%
Foreign exchange gain/losses	-	-	0%	541	-	27%
Total	40,080	334		37,738	869	

TBC INSURANCE JSC
Notes to the Consolidated and Separate Financial Statements
29 Related Parties (Continued)

<i>In thousands of Georgian Lari</i>	2023					2022				
	Parent	Subsidiary	Entities Under Common Control*	Other**	Percent of Total	Parent	Subsidiary	Entities Under Common Control*	Other**	Percent of Total
Assets										
Cash and cash equivalents	-	132	12,059	-	101%	-	51	11,049	-	72%
Bank deposits	-	-	29,534	-	45%	-	-	26,595	-	42%
Investment assets	-	-	3,317	-	23%	-	-	1,200	-	24%
Investment in subsidiary	-	6,242	-	-	100%	-	5,776	-	-	100%
Derivative financial assets	-	-	-	-	0%	-	-	1,012	-	100%
Other assets	-	-	-	-	0%	-	-	-	-	0%
Total assets	-	6,374	44,910	-	38%	-	5,827	39,856	-	42%
Liabilities										
Insurance contract reserves	-	1	9,507	39	21%	-	-	6,386	105	14%
Financial liabilities	-	-	-	-	0%	-	7	-	-	0%
Lease liabilities	-	-	49	-	0%	-	-	69	-	0%
Total liabilities	-	1	9,556	39	12%	-	7	6,455	105	10%
Equity										
Dividends declared / paid	11,013	-	-	-	100%	10,026	-	-	-	100%
Total equity	11,013	-	-	-	20%	10,026	-	-	-	22%

TBC INSURANCE JSC*Notes to the Consolidated and Separate Financial Statements***29 Related Parties (Continued)**

Separate	2023				2022			
<i>In thousands of Georgian Lari</i>	Subsidiary	Entities Under Common Control*	Other**	Percent of Total	Subsidiary	Entities Under Common Control*	Other**	Percent of Total
Income Statement								
Insurance revenue	13	56,561	844	36%	18	50,031	909	38%
Insurance service expenses	(9)	(20,967)	(510)	17%	(17)	(16,316)	(40)	16%
Net Investment & Other Income	-	4,482	-	45%	-	3,481	-	47%
Foreign exchange gain/losses	-	-	-	0%	-	541	-	27%
Total	4	40,076	334		1	37,737	869	

Bank deposits placed with related parties earn annual interest rate of 12.40% to 13.75%.

* Entities under common control include TBC Group PLC subsidiaries.

** Other related parties mostly comprise of TBC Bank Group PLC Top Management and organisations related to TBC Bank Group PLC Top Management.

30 Material Accounting Policy Information**(a) Consolidated and separate financial statements**

In accordance with IFRS 10, the Group's consolidated financial statements include the financial statements of the Company and its subsidiary.

(b) Investment in subsidiaries

Investment in the subsidiary is accounted for at cost in the separate financial statements. Dividends received from a subsidiary are recognized in profit or loss when the right to receive the dividend is established.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in a subsidiary. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(d) Insurance contracts***(i) Insurance and reinsurance contracts – Classification***

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Group to financial risk.

All insurance contracts are classified as contracts without direct participation features.

(ii) Aggregation and recognition of insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.
- An insurance contract issued by the Group is recognised from the earliest of:

30 Material Accounting Policy Information (Continued)

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

(iii) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic

and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17.

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

(iv) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

(v) Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

(vi) Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or

30 Material Accounting Policy Information (Continued)

- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

(vii) Measurement

The Group uses Premium allocation approach (PAA) for its total portfolio. this approach is an optional simplification of the measurement of the liability for remaining coverage, for insurance contracts with short-term coverage. A group of insurance contracts is eligible for the premium allocation approach if, at inception: (a) each contract in the group has a coverage period (that is, the period in which the entity provides insurance contract services) of one year or less; or (b) the measurement of the liability for remaining coverage for the group using the premium allocation approach is reasonably expected to produce a measurement which is not materially different from using the general model or the variable fee approach. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Therefore, the Group applies PAA approach.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are not discounted because they are expected to be paid in one year or less from the date the claims are incurred.

(viii) Non-financial risk adjustment

In case of the gross of reinsurance calculation for groups with sufficient and reliable own statistics a stochastic bootstrapping method is applied to calculate sufficient number of scenarios from which one in line with the 75% confidence level equivalent is taken. The BEL determined at this percentage is compared to the actual BEL of the Company. This way the difference between the two gives the related risk adjustment. For groups where sufficient and/or reliable data is not available the average RA% of the remaining portfolio can be chosen based on characteristics of the given group.

In the end the total Company level RA is determined as simple sum of RAs per groups, while also the diversification effect is calculated using the easiest and most reliable parameters for correlation between those from Solvency II Directive. For the final RA%s this diversification ratio is incorporated into the raw (previously calculated) RA%s. Later these RA%s are used in the calculations as multipliers to the BEL.

For the reinsurance RA rates the followings are considered:

- In terms of proportional reinsurance - due to the proportionality - simply the gross rates are applied.
- In terms of non-proportional reinsurance:
 - the share of projected such payments are usually nil or immaterial due to the low probability of such huge claims to happen,
 - however, it actually happens a few times, but those are not sufficient for a reliable sophisticated analysis, therefore as the best benchmark still the gross rates are applied.

(ix) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance

30 Material Accounting Policy Information (Continued)

contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. The Group disaggregates amounts recognised in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

(x) Insurance revenue

The insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period based on the passage of time.

(xi) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items.

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows. the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

(xii) Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

(xiii) Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. The insurance finance income or expenses are recognized in the statement of profit or loss.

(xiv) Transition

The group first applied IFRS 17 to the financial year beginning at January 1, 2023 using the full retrospective approach for all of its insurance contract portfolios. Judgements and assumptions relevant to the transition are disclosed in note 4.

(e) Financial instruments

(i) Initial recognition. Investments in debt securities are initially recorded at fair value adjusted for 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. After the initial recognition, an ECL allowance is recognised resulting in an immediate accounting loss.

30 Material Accounting Policy Information (Continued)

(ii) Classification and subsequent measurement – The Group classifies investments in debt securities in amortized cost category. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

(iii) Impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for investments in debt securities. The Group measures ECL and recognises net impairment losses on investments in debt securities at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Investments in debt securities are presented in the consolidated statement of financial position net of the allowance for ECL.

For investments in debt securities the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Derecognition. The Group derecognises investments in debt securities when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the 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.

(f) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(g) Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated and separate financial statements are authorised for issue are disclosed in the subsequent events note.

30 Material Accounting Policy Information (Continued)**(h) Property and equipment****(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within other income or other expense in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life of furniture and equipment varies from 5 to 10 years; for leasehold improvements the useful life is the term of underlying lease or if not defined, not more than 7 years and useful life for motor vehicles is 10 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Right-of-use assets

The Group leases only offices. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful live of Right-of-use assets varies from 0.5 to 2 years.

(j) Intangible assets

The Group's intangible assets have definite useful life and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic

30 Material Accounting Policy Information (Continued)

benefits exceeding costs is probable. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Capitalised computer software is amortised on a straight-line basis over expected useful lives of 1 to 10 years.

(k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of office leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary

30 Material Accounting Policy Information (Continued)

to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

(n) Share based payment liability

In 2021 TBC Insurance JSC approved a new compensation scheme for the top management that replaced the 2019 top management compensation scheme. According to the scheme, each year, subject to performance and service conditions, the company grants shares of its parent entity (TBC Bank Group PLC) to the top management for service of the five years (2019 – 2023).

The award as well as respective personal income tax is accounted as cash settled share-based payment under IFRS 2. An expense is recognized in the income statement using graded vesting method over the vesting period which is until March 2024 for each year's award; and a liability is recorded as the other side of the entry. The liability is re-measured at each reporting date until settlement. As long as the amount of award is dependent on fulfilment of performance and service conditions, management revises estimated value of award based on forecasted achievement throughout 5 years and financial metrics in the fifth year and adjusts the liability accordingly.

Each accrual is made based on discounted value. The liability is amortized through accrual of interest expense (classified within staff costs) until the settlement date. Interest rate of 5-year government bonds are used.

31 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2023. Other than adoption of IFRS 9 and 17, other amendments did not have material impact on the Group.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

Being the main reporting standard for the Group, adopting IFRS 17 changed accounting, reporting and

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

presentation financial statements. To ensure smooth and timely adoption of IFRS 17, the Group launched a separate implementation project. The project team was composed of finance, accounting and actuary team members and reported directly to the Group CFO. The Board of Directors performed general oversight over the implementation project.

After the transition to IFRS 17 the Group uses following measurement approaches, depending on the type of contract:

	Product classification	Measurement model
Motor Insurance	Insurance contracts	Premium allocation approach
Border MTPL	Insurance contracts	Premium allocation approach
Property Insurance	Insurance contracts	Premium allocation approach
Agro (Crop) Insurance	Insurance contracts	Premium allocation approach
TBC Bank Borrowers' Credit Life Insurance	Insurance contracts	Premium allocation approach
Health-related Insurance	Insurance contracts	Premium allocation approach
Liability and Other Insurance	Insurance contracts	Premium allocation approach

Adoption of IFRS 17 also requires the Group to apply IFRS 9 from 1 January 2023. Upon transition to IFRS 9 and 17, the Group has elected to restate the comparative information of financial assets for IFRS 9. Effects of adoption of IFRS 9 and 17 are disclosed in the table below.

<i>In thousands of Georgian Lari</i>	Consolidated and Separate		
	1 January 2022	IFRS 17 and IFRS 9 adoption Effect	1 January 2022, as restated following IFRS 17 and IFRS 9 adoption
Bank deposits	46,904	(178)	46,726
Investment securities held to maturity	2,903	(12)	-
Investment assets	-	-	2,891
Effect of IFRS 9 adoption	49,807	(190)	49,617
Insurance receivables	33,366	-	-
Reinsurance receivables	3,887	-	-
Ceded share of insurance contract reserves	8,874	322	-
Deferred acquisition costs	1,474	-	-
Insurance contract reserves	52,961	(134)	-
Commission payables	15,634	-	-
Reinsurance payables	7,819	-	-
Commission Reserve	54	-	-
Insurance contract assets	-	-	304
Reinsurance contract assets	-	-	9,852
Insurance contract liabilities	-	-	35,242
Reinsurance contract liabilities	-	-	3,593
Effect of IFRS 17 adoption	(28,867)	188	(28,679)
Combined effect of IFRS 9 & 17 adoption	20,940	(2)	20,938

Combined effect of adoption of IFRS 9 and 17 is accounted in retained earnings part of the shareholders equity.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information

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

that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

32 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception

32 New Accounting Pronouncements (Continued)

for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. [The Group is currently assessing the impact of the amendments on its financial statements.]

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS Accounting Standards. However, to enhance comparability with entities that already apply IFRS Accounting Standards and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents financial statements in compliance with IFRS Accounting Standards is not eligible to apply the standard.

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 a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

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

33 Subsequent Events

There have been no events after the reporting period.