

JSC Insurance Company GPI Holding
Separate Financial Statements
for 2024

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management of JSC Insurance Company GPI Holding (the "Company") is responsible for the accompanying separate financial statements presented on pages 6 to 35.

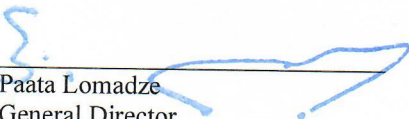
This responsibility includes:

- preparation of separate financial statements in accordance with IFRS Accounting Standards issued by IASB;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the separate financial statements on the going concern basis, unless circumstances make this inappropriate.


Management is also responsible for:

- creation, implementation and maintaining effective accounting and internal control systems;
- keeping proper accounting records in compliance with local regulations;
- taking such steps as are reasonably open to them to safeguard the assets of the Company, and
- prevention and detection of fraud and other irregularities.

The separate financial statements for the year ended 31 December 2024 were approved by the management and signed on its behalf by:



Paata Lomadze
General Director
JSC Insurance Company GPI Holding



Levan Zuroshvili
Chief Financial Officer
JSC Insurance Company GPI Holding

Date: 26 February 2025



KPMG Georgia LLC
5th Floor GMT Plaza
Mtatsminda District, Liberty Square N4 (plot 66/4)
0105 Tbilisi, Georgia
IN 404437695
Telephone +995 322 93 5713
Internet www.kpmg.ge

Independent Auditors' Report

To the Supervisory Board of JSC Insurance Company GPI Holding

Opinion

We have audited the separate financial statements of JSC Insurance Company GPI Holding (the Company”), which comprise the separate statement of financial position as at 31 December 2024, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2024, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Report

Management is responsible for the Management Report. The Management Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the separate financial statements does not cover the Management Report and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the Management Report when it becomes available and, in doing so, consider whether the Management Report is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Management Report, we conclude whether the other information:

- is consistent with the separate financial statements and does not contain material misstatement;
- contains all information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing 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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 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 auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

The engagement partner on the audit resulting in this independent auditors' report is:

Irina Gevorgyan


KPMG Georgia LLC
Tbilisi, Georgia
26 February 2025



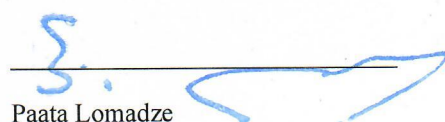
JSC Insurance Company GPI Holding
Separate Statement of Financial Position as at 31 December 2024

‘000 GEL	Note	31 December 2024	31 December 2023
Assets			
Property and equipment	8	4,422	4,349
Intangible assets	9	2,197	2,656
Investment property	10	1,793	986
Investments in subsidiaries	11	880	2,180
Bank deposits	19	55,274	41,326
Loans receivable	19	3,459	3,474
Reinsurance contract assets held	15	31,139	18,614
Other assets	12	1,872	7,818
Cash and cash equivalents	13	6,599	3,975
Total		107,635	85,378
Equity			
	14		
Subscribed capital		37,972	37,972
Share premium		126	126
Revaluation reserve for property		2,572	2,572
Retained earnings		7,266	6,684
Total equity		47,936	47,354
Liabilities			
Insurance contract liabilities	15	52,717	33,756
Investment contract liabilities	16	1,901	1,930
Trade and other payables	17	5,081	2,338
Total liabilities		59,699	38,024
Total equity and liabilities		107,635	85,378

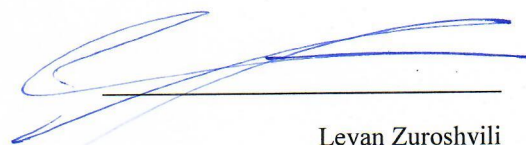
JSC Insurance Company GPI Holding
Separate Statement of Profit or Loss and Other Comprehensive Income for 2024

'000 GEL	Note	2024	2023
Insurance service revenue	5	201,052	171,679
Insurance service expenses	5	(179,425)	(152,883)
Reinsurance result	5	(11,189)	(9,413)
Insurance service result		10,438	9,383
Net insurance and reinsurance finance expenses	15	(961)	(972)
Other operating expenses	6	(5,395)	(5,368)
Interest income from placements in banks		5,734	5,380
Impairment of investment in subsidiary	11(b)	(2,550)	-
Net other income		723	147
Profit before income tax		7,989	8,570
Income tax benefit	7	-	144
Profit for the year		7,989	8,714
Total comprehensive income for the year		7,989	8,714

These separate financial statements were approved by management on 26 February 2025 and were signed on its behalf by:


 Paata Lomadze

General Director


 Levan Zuroshvili

Chief Financial Officer

‘000 GEL	Note	2024	2023
Cash flows from operating activities			
Profit for the year		7,989	8,714
<i>Adjustments for:</i>			
Depreciation and amortisation	8/9/10	1,378	938
Impairment of investment in subsidiary	11(b)	2,550	–
Interest income		(6,020)	(5,689)
Interest expense		91	91
Net insurance and reinsurance finance income	15	961	972
Income tax benefit	7	–	(144)
		6,949	4,882
Changes in operating assets and liabilities:			
Change in insurance contract liabilities		16,100	2,753
Change in other assets		1,527	610
Change in reinsurance contract assets		(11,458)	(65)
Change in investment contract liabilities		(106)	(186)
Change in trade and other payables		2,055	(2,215)
Total changes in operating assets and liabilities		8,118	897
Income tax paid		–	(779)
Net cash from operating activities		15,067	5,000
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(566)	(1,613)
Acquisition of subsidiary	11(a)	(500)	(1,000)
Placements on bank deposits		(52,020)	(36,057)
Withdrawals from bank deposits		38,427	32,536
Receipts from sale of investment property		2,801	–
Receipts from matured bonds carried at amortized cost		1,618	–
Interest received		5,680	4,840
Net cash used in investing activities		(4,560)	(1,294)
Cash flows from financing activities			
Repayment of lease liabilities		(476)	(98)
Dividends paid	14	(7,407)	(5,190)
Net cash used in financing activities		(7,883)	(5,288)
Increase/(decrease) in cash and cash equivalents		2,624	(1,582)
Cash and cash equivalents at the beginning of the year		3,975	5,557
Cash and cash equivalents at the end of the year	13	6,599	3,975

JSC Insurance Company GPI Holding
Separate Statement of Changes in Equity for 2024

‘000 GEL	<u>Subscribed capital</u>	<u>Share premium</u>	<u>Revaluation reserve for property</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance as at 1 January 2023	37,972	126	2,572	3,160	43,830
Total comprehensive income					
Profit for the year	–	–	–	8,714	8,714
Transactions with owners of the Company					
Dividends (see note 14 (b))	–	–	–	(5,190)	(5,190)
Total contributions and distributions	–	–	–	(5,190)	(5,190)
Balance as at 31 December 2023	37,972	126	2,572	6,684	47,354
Balance as at 1 January 2024	37,972	126	2,572	6,684	47,354
Total comprehensive income					
Profit for the year	–	–	–	7,989	7,989
Transactions with owners of the Company					
Dividends (see note 14 (b))	–	–	–	(7,407)	(7,407)
Total contributions and distributions	–	–	–	(7,407)	(7,407)
Balance as at 31 December 2024	37,972	126	2,572	7,266	47,936

The separate statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 35.

1. Reporting entity

(a) Georgian business environment

The Company's operations are primarily located in Georgia. Consequently, the Company 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 ongoing military conflict between the Russian Federation and Ukraine has further increased uncertainty in the business environment.

The separate financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

(b) Organisation and operations

JSC Insurance Company GPI Holding (the "Company" or "GPIH") was incorporated in Georgia in 2001. The Company's registered office is in 67 M. Kostava, Tbilisi, Georgia. The Company is licensed to provide life and non-life insurance services in Georgia. However, Insurance Company GPI Holding JSC only offers insurance services in health, property and other non-life segments. The Company is also managing private pension fund in Georgia.

As at 31 December 2024 and as at the date these separate financial statements were authorised for issue, 90% of the ordinary shares are held by ATBIH GmbH and 10% are held by Soft International Georgia LLC.

As at 31 December 2024, 31 December 2023 and the date these separate financial statements were authorised for issue, the Company's intermediate parent is VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna ("VIG"). The Company is ultimately controlled by Wiener Stadtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group, Vienna.

2. Basis of accounting

Statement of compliance

These separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The Company does not prepare consolidated financial statements based on IFRS 10 *Consolidated Financial Statements* as the Company itself is a partially-owned subsidiary of another entity and its other owners have been informed about, and do not object to, the Company not preparing consolidated financial statements; the Company's debt or equity instruments are not traded in a public market; the Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; the intermediate parent VIG produces consolidated financial statements available for public use that comply with IFRS Accounting Standards as adopted by the EU. The consolidated financial statements of VIG can be obtained from the VIG Group web site www.vig.com.

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these separate financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousands, except when otherwise indicated.

4. Use of estimates and judgements

The preparation of separate financial statements in conformity with IFRS Accounting Standards 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 19 (e)(i) – Financial risks;
- Note 15 – Insurance and reinsurance contract assets and liabilities.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised 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).
- *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 categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 8 – Property and equipment;
- Note 19 – Financial instruments and risk management.

5. Insurance result

'000 GEL	2024	2023
Insurance revenue from contracts measured under the PAA	201,052	171,679
Insurance revenue – total	201,052	171,679
Incurred claims and other directly attributable expenses – net*	(166,567)	(150,900)
Changes that relate to past service – adjustments to the LIC	(6,826)	(2,227)
Net change in risk adjustment for non-financial risk	(6,032)	244
Insurance service expenses	(179,425)	(152,883)
Net income from insurance contracts	21,627	18,796
Reinsurance expense for contracts measured under the PAA	(82,595)	(77,442)
Amounts recoverable from reinsurers – net	71,406	68,029
Net income from reinsurance contracts held	(11,189)	(9,413)
Insurance service result	10,438	9,383

*Incurred claims and other directly attributable expenses - net comprise from incurred claims of GEL 119,073 thousand (2023: GEL 112,799 thousand), amortised insurance acquisition cash flows of GEL 31,463 thousand (2023: GEL 25,302 thousand) and directly attributable expenses of GEL 16,031 thousand (2023: GEL 12,799 thousand).

The following table disaggregates amortised insurance acquisition cash flows and other directly attributable expenses included in incurred claims and other directly attributable expenses:

‘000 GEL	2024	2023
Salary	19,007	15,207
Commission	18,185	14,992
Marketing and acquisition costs	3,337	2,986
Regulatory fee	1,717	1,527
Claims handling costs	1,561	2,102
Depreciation and amortization	1,169	555
IT support	1,009	620
Rent	408	–
Other expenses	1,101	112
Total	47,494	38,101

6. Other operating expenses

‘000 GEL	2024	2023
Salary	1,512	1,640
Professional fees	1,094	612
Social activities	524	335
Bank charges	338	268
Rent	201	820
Depreciation and amortization	183	383
Other expenses	1,543	1,310
Total	5,395	5,368

The other operating expenses include fees accrued for the audit services of GEL 267 thousand (2023: GEL 304 thousand).

7. Income taxes

The Company’s applicable corporate income tax rate is the income tax rate of 15%.

‘000 GEL	2024	2023
Current income tax expense	–	(782)
Change in recognised deductible temporary differences (due to change in the legislation) *	–	926
Total	–	144

* Reversal of previously recognized deferred tax liabilities of GEL 926 thousand is attributable to changes in Georgian tax legislation. 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. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law was intended to become effective from 1 January 2019. On 28 December 2018, the law was further amended, making 1 January 2023 effective date for enacting the law for financial institutions. On 16 December 2022, the effective date was again postponed to 1 January 2024. The law became effective on 1 January 2024.

Due to the nature of the new taxation system described above, the financial institutions registered in Georgia do not have any differences between the tax bases of assets and their carrying amounts from 1 January 2024 and hence, no deferred income tax assets and liabilities will arise. Consequently, previously recognized deferred tax liabilities were derecognized in the year ended 31 December 2023.

According to the new Georgian Tax Code, if undistributed earnings from the years 2015-2023 are distributed in 2024 or subsequent years, the resulting income tax on dividend distribution can be set-off with and up to the amount of the income tax already paid on such undistributed earnings.

With reference to the above, the tax liability arising from dividend distribution in 2024 (amounting to GEL 1,176 thousand) was fully set-off with the tax already paid. Accordingly, no additional income tax was calculated in 2024.

As at 31 December 2024, the Company has no further tax set-off available.

8. Property and equipment

‘000 GEL	Land and buildings	Computers and related equipment	Motor vehicles	Office furniture and equipment	Right of use	Total
Cost						
Balance at 1 January 2023	2,235	1,945	180	358	873	5,591
Additions	38	1,215	–	62	298	1,613
Disposals/write-off	–	(47)	(44)	–	–	(91)
Balance at 31 December 2023	2,273	3,113	136	420	1,171	7,113
Balance at 1 January 2024	2,273	3,113	136	420	1,171	7,113
Additions	–	532	–	56	400	988
Disposals/write-off	–	(32)	(37)	–	–	(69)
Balance at 31 December 2024	2,273	3,613	99	476	1,571	8,032
Accumulated depreciation						
Balance at 1 January 2023	153	1,329	87	354	528	2,451
Charge for the year	51	227	14	54	58	404
Disposals/write-off	–	(47)	(44)	–	–	(91)
Balance at 31 December 2023	204	1,509	57	408	586	2,764
Balance at 1 January 2024	204	1,509	57	408	586	2,764
Charge for the year	53	471	14	22	316	876
Disposals/write-off	–	(19)	(11)	–	–	(30)
Balance at 31 December 2024	257	1,961	60	430	902	3,610
Carrying amounts						
At 1 January 2023	2,082	616	93	4	345	3,140
At 31 December 2023	2,069	1,604	79	12	585	4,349
At 31 December 2024	2,016	1,652	39	46	669	4,422

As at 31 December 2020 the revaluation of land and buildings was made by the independent valuator. Total revaluation reserve amounted to GEL 2,572 thousand. The fair value was determined based on announced asking prices of similar properties in the similar location and physical condition. The significant unobservable inputs related to the differences in the characteristics of the lands, such as size, location, access to the property and discount achieved through negotiation, for which the appraiser applied 5% to 15% adjustments to observed asking prices. The range for one square meter varied from USD 1,100 to USD 1,400. Reasonably possible changes in price per square meter would not have had a material impact on the fair value of land and buildings as at 31 December 2020.

The fair value is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments to observable inputs to the valuation technique used.

The management team regularly reviews significant unobservable inputs and valuation adjustments. As a result of such review performed by the management as at 31 December 2024 and 31 December 2023 no significant indicators were observed on the market, that would materially change the fair value of land and buildings as at 31 December 2024 and as at 31 December 2023.

Carrying amount of land and buildings if no revaluations had taken place as at 31 December 2024 would amount to GEL 203 thousand (2023: GEL 358 thousand).

9. Intangible assets

‘000 GEL	Licenses	Insurance software	Other software	Total
Cost				
Balance at 1 January 2023	898	978	4,150	6,026
Balance at 31 December 2023	898	978	4,150	6,026
Balance at 1 January 2024	898	978	4,150	6,026
Additions	–	17	–	17
Balance at 31 December 2024	898	995	4,150	6,043
Accumulated amortization				
Balance at 1 January 2023	843	839	1,154	2,836
Amortisation for the year	39	89	406	534
Balance at 31 December 2023	882	928	1,560	3,370
Balance at 1 January 2024	882	928	1,560	3,370
Amortisation for the year	–	40	436	476
Balance at 31 December 2024	882	968	1,996	3,846
Carrying amounts				
At 1 January 2023	55	139	2,996	3,190
At 31 December 2023	16	50	2,590	2,656
At 31 December 2024	16	27	2,154	2,197

10. Investment property

‘000 GEL	2024	2023
Balance at 1 January	986	280
Acquisitions	833	769
Disposals	–	(52)
Depreciation	(26)	(11)
Balance at 31 December	1,793	986

Investment properties represent repossessed collaterals acquired through the settlement of insurance regress claims.

The Company uses cost model for the investment property. Estimated market value of the investment property does not differ significantly from its carrying amount as at 31 December 2024 and 31 December 2023.

11. Investments in subsidiaries

‘000 GEL	Activity	31 December 2024	Ownership %	31 December 2023	Ownership %
	Medical services	680	100	680	100
Curatio JSC Global Assistance Georgia LLC	Automotive	200	50	1,500	50
		<u>880</u>		<u>2,180</u>	

Principal place of business and country of incorporation of Curatio JSC and Global Assistance Georgia LLC is Georgia.

(a) Capital contribution

During 2024, the share capital of Global Assistance Georgia LLC was increased by GEL 1,250 thousand, intended as a cash contribution. As at 31 December 2024, GEL 750 thousand remains outstanding and payable to the subsidiary (see also Note 17).

(b) Impairment

As at reporting date, the Company assessed whether there is any indication that the recoverable amount of the Company’s investments in subsidiaries has declined below the carrying value.

As at 31 December 2024, the Company identified impairment indicators related to its investment in Global Assistance Georgia LLC, operating under brand ‘Voovly’. The entity initially operated as a start-up and launched its full-scale operations in 2024. However, the actual operating profit flowing from the investment was significantly lower than that budgeted and therefore, management performed an impairment test.

The recoverable amount of the investment has been determined based on its value in use. The recoverable amount of the investment was determined to be lower than its carrying amount, hence the impairment loss of GEL 2,550 thousand was recognized in the statement of profit or loss as at 31 December 2024.

The following key assumptions were used in discounted cash flow projections:

- Cash flows were projected based on actual operating results in 2024 and a three-year forecast.
- Revenue was projected to increase by 22% in 2025, followed by 63% increase in 2026 and 37% in 2027.
- EBITDA was forecasted to grow by 54% in 2024, 72% in 2026, and 202% in 2027, with positive net cash flows expected from 2027 onwards.
- A post-tax discount rate of 16.8% was applied in determining the recoverable amount. A terminal value was derived at the end of the three-year period, with a long-term growth rate of 3% applied for the terminal period, equal to the target inflation set by the National Bank of Georgia.

The key assumptions to which the impairment model is most sensitive include:

- Revenue increase – a 5% decrease in annual revenue would have resulted in the recoverable amount of nil (5% increase in annual revenue would have resulted in a decrease in the impairment loss of approximately GEL 262 thousand).
- Discount rate – an increase of 1% point in the discount rate would have resulted in an additional impairment loss of approximately GEL 42 thousand (decrease of 1% point in the discount rate would have resulted in a decrease in the impairment loss of approximately GEL 50 thousand).

No impairment indicators were identified for investment in Curatio JSC as at 31 December 2024 and 2023.

12. Other assets

‘000 GEL	<u>31 December 2024</u>	<u>31 December 2023</u>
Receivable from sale of investment property	–	2,801
Other advances to subsidiaries and other counterparties	1,121	2,369
Purchased bonds held at amortised cost	–	1,618
Advances to subsidiaries and other counterparties for medical services	118	225
Others	633	805
Total	<u>1,872</u>	<u>7,818</u>

13. Cash and cash equivalents

‘000 GEL	<u>31 December 2024</u>	<u>31 December 2023</u>
Cash in banks	6,599	3,975
Cash and cash equivalents in the separate statement of financial position and in the separate statement of cash flows	<u>6,599</u>	<u>3,975</u>

14. Equity

(a) Subscribed capital

The subscribed and paid-in capital of the Company is specified below. Each share entitles the holder to one vote in the shareholders meetings of the Company.

Subscribed, issued and paid-in capital	<u>31 December 2024</u>		<u>31 December 2023</u>	
	Number of shares	Par value	Number of shares	Par value
‘000 GEL				
Ordinary shares	1,500	25.31	1,500	25.31

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

In 2023 the Company updated its founding documents and replaced the concept of charter capital with subscribed capital in line with updated legislative requirements. Other than stated above, there were no changes to subscribed capital in 2023 and 2024.

(b) Dividends

Effective 1 January 2022, having regard to the interim or annual financial results, a joint-stock company may, as provided for by law, adopt a decision on the distribution of profits to the subscribed shares in the form of dividends, unless:

- (i). before or as a result of the distribution of dividends, the net assets as set out in the most recent financial statements of a joint-stock company are lower than the amount of the subscribed capital, plus the reserves determined by law or the statute, which may not be distributed to shareholders;
- (ii). the amount of dividends to be distributed exceeds the amount of the net profit of the joint-stock company specified in the most recent financial statements, or in the case of interim dividends, earned after drawing up the most recent financial statements, plus any profits brought forward and amounts drawn from free reserves, less any losses brought forward and sums placed in reserves in accordance with law or the statute;
- (iii). by the date dividends are distributed or as a result of the distribution of dividends, a joint-stock company will become insolvent or face the risk of insolvency.

During 2024, the Company declared and paid dividends of GEL 7,407 thousand to its shareholders (2023: declared and paid dividends of GEL 5,190 thousand). Dividend per ordinary share amounted to GEL 4.94 (2023: 3.46).

(c) **Revaluation reserve**

The revaluation reserve relates to the revaluation of property and equipment.

15. Insurance and reinsurance contract assets and liabilities

(a) **Movements in insurance contract liabilities**

‘000 GEL	December 31, 2024				December 31, 2023			
	Liability for incurred claims				Liability for incurred claims			
	Risk				Risk			
	Liability for remaining coverage	Estimates of present value of FCF	adjustment for non- financial risk	Total	Liability for remaining coverage	Estimates of present value of FCF	adjustment for non- financial risk	Total
Insurance contract liabilities as at 1 January	11,423	10,494	11,839	33,756	11,405	4,805	12,114	28,324
Insurance revenue	(201,052)	–	–	(201,052)	(171,679)	–	–	(171,679)
Insurance service expenses:								
Incurring claims and other directly attributable expenses	–	166,567	10,422	176,989	–	150,900	7,805	158,705
Changes that relate to past service - adjustments to the LIC	–	6,826	(4,390)	2,436	–	2,227	(8,049)	(5,822)
Insurance service expenses	–	173,393	6,032	179,425	–	153,127	(244)	152,883
Finance expense/(income) from insurance contracts	–	1,244	785	2,029	–	2,444	(31)	2,413
Total changes in the statement of profit and loss	(201,052)	174,637	6,817	(19,598)	(171,679)	155,571	(275)	(16,383)
Cashflows								
Premiums received net of acquisition costs	202,573	–	–	202,573	171,697	–	–	171,697
Claims and other directly attributable expenses paid	–	(164,014)	–	(164,014)	–	(149,882)	–	(149,882)
Total cash inflows / (outflows)	202,573	(164,014)	–	38,559	171,697	(149,882)	–	21,815
Insurance contract liabilities as at 31 December	12,944	21,117	18,656	52,717	11,423	10,494	11,839	33,756

(b) **Movements in reinsurance contract assets**

‘000 GEL	December 31, 2024				December 31, 2023			
	Asset for incurred claims		Risk adjustment for non- financial risk		Asset for incurred claims		Risk adjustment for non- financial risk	
	Asset for remaining coverage	Estimates of present value of FCF	Total	Total	Asset for remaining coverage	Estimates of present value of FCF	Total	Total
Reinsurance contract assets as at 1 January	(5,504)	(12,239)	(871)	(18,614)	(9,272)	(7,371)	(906)	(17,549)
Reinsurance expense								
Allocation of reinsurance premiums	82,595	–	–	82,595	77,442	–	–	77,442
Reinsurance share in incurred claims	–	(67,814)	(1,079)	(68,893)	–	(66,970)	(574)	(67,544)
Changes that relate to past service - adjustments to the AIC	–	(3,426)	913	(2,513)	–	(1,105)	620	(485)
Net expenses from reinsurance contracts	82,595	(71,240)	(166)	11,189	77,442	(68,075)	46	9,413
Net finance income from reinsurance contracts	–	(1,026)	(42)	(1,068)	–	(1,430)	(11)	(1,441)
Total changes in the statement of profit and loss	82,595	(72,266)	(208)	10,121	77,442	(69,505)	35	7,972
Cashflows								
Premiums paid net of commission income	(87,354)	–	–	(87,354)	(73,674)	–	–	(73,674)
Claims recovered	–	64,708	–	64,708	–	64,637	–	64,637
Total cash inflows / (outflows)	(87,354)	64,708	–	(22,646)	(73,674)	64,637	–	(9,037)
Reinsurance contract assets held as at 31 December	(10,263)	(19,797)	(1,079)	(31,139)	(5,504)	(12,239)	(871)	(18,614)

(c) **Gross claims development**

‘000 GEL	2018 and earlier	2019	2020	2021	2022	2023	2024	Total
Estimate of cumulative claims								
Accident year	78,100	66,939	86,714	100,317	110,010	125,196	125,100	692,376
One year later	76,802	65,482	82,343	95,939	108,536	129,258	–	558,360
Two years later	76,792	65,490	82,802	95,442	109,234	–	–	429,760
Three years later	76,789	66,069	82,778	95,309	–	–	–	320,945
Four years later	76,800	66,065	83,013	–	–	–	–	225,878
Five years later	78,680	66,095	–	–	–	–	–	144,775
Six years later	77,994	–	–	–	–	–	–	77,994
Current estimate of incurred claims	77,994	66,095	83,013	95,309	109,234	129,258	125,100	686,003
Cumulative payments to date	75,712	66,068	82,302	95,153	107,227	122,460	109,934	658,856
Gross outstanding claims	2,282	27	711	156	2,007	6,798	15,166	27,147
Cash inflow from regress								(5,799)
Effect of discounting								(367)
Risk adjustment for non-financial risk								18,792
Liability for incurred claims								39,773

(d) **Significant judgements and estimates**

(i) **Fulfilment cash flows**

Fulfilment cash flows comprise:

- estimates of future cash flows;
- discounting rate adjustment - to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. The Company uses claims paid chain ladder models in order to derive cash flows estimates for incurred claims. Directly attributable cash flows include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance, administration costs.

(ii) **Discount rate**

The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Measurement of liabilities for incurred claims includes discounting adjustment for time value of money. Measurement of the liability for remaining coverage does not include an adjustment for the time value of money and the effect of financial risk as the premium due date and the related period of services are less than 12 months apart.

(iii) Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined through calculating stress case scenario, applied to basic scenario methodologies used to determine fulfilment cash flows, and non-model risk adjustment.

Stress case scenario methodology is based on chain ladder model, which uses only on historical development factors, but also estimation of development factor curves for several scenarios. Management estimated that recent adverse events (Covid-19, Russian Ukrainian war) has changed customer behavior and historical development factors may not be useful. Management used scenario analysis for alternative methodology and in order to calculate risk adjustment.

Non-model risk adjustment was determined with addition of geopolitical risk premium adjustment to cost of capital for Georgian entities. Non-model risk adjustment amounted to 20% (2023: 20%) and was applied to total fulfilment cash flows calculated using alternative methodology.

The Company estimates that the total risk adjustments recognized by the Company correspond to a confidence level above 90% (2023: above 90%).

Management recognizes risk adjustment for non-financial risk using consistent estimates subsequent to adoption of IFRS 17. Underlying assumptions for risk adjustment were consistent for 2024, 2023 and all periods since adoption of IFRS 17. The majority of non-financial risk, for which risk adjustment had been recognized, expired.

16. Investment contract liabilities

	<u>31 December 2024</u>	<u>31 December 2023</u>
Number of registered participants		
• In the voluntary funds	12,876	12,861
Total assets under management (in ‘000 GEL)	<u>1,901</u>	<u>1,930</u>

Participants have a right to call their investments on demand. Participants receive income based on the average yield of term deposits of the Company.

17. Trade and other payables

‘000 GEL	<u>31 December 2024</u>	<u>31 December 2023</u>
Employee liabilities	2,670	850
Payable to the subsidiary for capital contribution	750	–
Lease liabilities	609	541
Other liabilities	1,052	947
Total	<u>5,081</u>	<u>2,338</u>

18. Insurance risk management

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

The primary insurance activity carried out by the Company assumes the risk of loss from individuals or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, health, cargo or other perils that may arise from an insurable event. As such the Company 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. 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.

Risks under non-life insurance policies usually cover twelve-month duration. For general insurance contracts the most significant risks arise from changes in the relevant legal environment, changes in behaviour of policyholders, natural disasters and terrorist activities. For healthcare contracts the most significant risks arise from epidemics, natural disasters and increases in health care costs.

The Company also has exposure to market risk through its insurance activities. The Company manages its insurance risk through the use of established statistical techniques, reinsurance of risk concentrations, underwriting limits, approval procedures for transactions, pricing guidelines and monitoring of emerging issues.

(i) Underwriting strategy

The Company's underwriting strategy seeks diversity so that the 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 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 management on an on-going basis.

Strict claim review policies to assess all new and on-going claims, regular detailed review of claims handling procedures and investigation of possible fraudulent claims are all policies and processes put in place to reduce claims. Where appropriate, the Company further enforces a policy of actively managing and promoting pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

(ii) Reinsurance strategy

In order to reduce the insurance risks the Company utilises a reinsurance program. The majority of reinsurance business ceded is placed on a proportional and quota share/excess of loss basis with retention limits varying by product line (for all significant risks in all business lines the Company writes business only with facultative cover with no significant retention).

Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying liabilities for incurred claims. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations under such reinsurance agreements. Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At the end of each reporting period, management performs an assessment of creditworthiness of reinsurers to update reinsurance purchase strategy and ascertaining suitable allowance for impairment of reinsurance assets.

(b) Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company'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. The Company has insurance contracts through different lines of businesses in order to reduce concentration risks.

‘000 GEL	31 December 2024		31 December 2023	
	LRC	LIC	LRC	LIC
Medical*	(4,710)	18,863	(5,163)	12,907
Property	2,442	6,833	2,479	3,910
Motor	2,293	5,143	937	4,254
Bonds**	6,275	(1,999)	7,429	(6,294)
Liabilities	4,923	8,022	4,450	4,308
Credit insurance	1,249	2,145	951	1,416
Other	472	766	340	1,832
Total	12,944	39,773	11,423	22,333

* The negative LRC in the Medical line of business is primarily due to recognized insurance revenue for services provided, plus deferred insurance acquisition cash flows, exceeding the premiums received.

** The negative LIC in the Bonds line of business is primarily due to subrogation receivables exceeding outstanding claims.

The Company'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 Company purchases reinsurance coverage for various classes of its business. The Company assesses the costs and benefits associated with the reinsurance programme on an on-going basis.

19. Financial instruments and risk management

(a) Fair value of financial assets and liabilities

Management believes that the fair value of the Company's financial assets and financial liabilities approximates their carrying amounts due to short maturities of most of the aforementioned instruments.

(b) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognizes the critical importance of having efficient and effective risk management systems in place.

The Supervisory Board of the Company has overall responsibility for the oversight of the risk management framework. Management of the Company is responsible for the management of key risks, designing and implementing risk management and control procedures as well as approving large exposures.

Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks of natural disasters. Regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Company faces due to the nature of its investments and liabilities are currency risk, credit risk, interest rate risk and insurance risk. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period that sufficient cash flow is available to meet liabilities arising from insurance contracts.

(e) Financial risk

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

- credit risk (see note 19(e)(i));
- liquidity risk (see note 19(e)(ii));
- market risk (see note 19(e)(iii)).

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk for the components of the separate statement of financial position as at reporting date was as follows:

‘000 GEL	<u>31 December 2024</u>	<u>31 December 2023</u>
<i>Low risk</i>		
Bank deposits	55,274	41,326
Reinsurance contract assets held	31,139	18,614
Loans receivable	3,459	3,474
Purchased bonds	–	1,618
Cash and cash equivalents	6,599	3,975
<i>High risk</i>		
Receivable from sale of investment property	–	2,801
Total credit risk exposure	<u><u>96,471</u></u>	<u><u>71,808</u></u>

Low risk - the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may not likely reduce the ability of the borrower to fulfil its contractual cash flow obligations.

High risk - the counterparties have a weak capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may likely increase the ability of the counterparties to fulfil their contractual cash flow obligations.

The cash and cash equivalents and bank deposits are mainly held with Georgian banks with short term issuer default rating of B, based on Fitch Rating. The Company does not expect any counterparty to fail to meet its obligations. All balances are categorized under Stage 1. Estimated credit loss for bank deposits as at 31 December 2024 amounted to GEL 361 thousand (2023: GEL 390 thousand).

Loans receivable of GEL 3,459 thousand (31 December 2023: GEL 3,474 thousand) are due from subsidiary, Curatio JSC. The management believes that as at 31 December 2024 and 31 December 2023, balances of loan receivables are fully recoverable. Management estimates the credit risk of counterparty approximates default rating of B. Management estimates that potential ECL is not material as at 31 December 2024 and 31 December 2023.

Reinsurance contract asset held of GEL 31,139 thousand (31 December 2023: GEL 18,614 thousand) are mainly held with reputable reinsurance companies with short term issuer default rating of BBB, based on Fitch Rating. The Company does not expect any counterparty to fail to meet its obligations. All balances are categorized under Stage 1. Estimated credit loss for reinsurance contract asset held as at 31 December 2024 and 31 December 2023 is assessed as immaterial.

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- Liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance contracts obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

All of the Company's financial and insurance and reinsurance contract related assets and liabilities, are due to be recovered or settled during the twelve months after the reporting date.

(iii) 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 Company's exposure to market risk policies and procedures are in place to set and monitor asset allocation and portfolio limit structures.

Currency risk

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

The following table shows the foreign currency structure of monetary assets and liabilities and insurance contract assets and liabilities at 31 December 2024 and 31 December 2023:

‘000 GEL	31 December 2024, USD	31 December 2024, EUR	31 December 2023, USD	31 December 2023, EUR
Reinsurance contract assets held	15,861	(4,386)	3,531	(11,544)
Other assets	–	–	4,426	–
Cash and cash equivalents	1,264	734	289	199
Bank deposits	–	2,931	–	–
Total assets	17,125	(721)	8,246	(11,345)
Liabilities				
Insurance contract liabilities	18,189	3,251	18,565	3,202
Total liabilities	18,189	3,251	18,565	3,202
Net position as at 31 December	(1,064)	(3,972)	(10,319)	(14,547)

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 insurance and reinsurance contracts and financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

‘000 GEL	<u>31 December 2024</u>	<u>31 December 2023</u>
10% appreciation of USD against GEL	(106)	(877)
10% depreciation of USD against GEL	106	877
10% appreciation of EUR against GEL	(397)	(1,237)
10% depreciation of EUR against GEL	397	1,237

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 Company.

The Company does not have floating rate interest bearing instruments. Besides, the Company’s interest bearing instruments have relatively short maturity. Therefore, management believes that the Company does not have significant exposure to interest rate risk.

(f) Capital management

(i) *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 Company’s risk profile. The capital management of the Company has the following objectives:

- Compliance with the requirements of Insurance State Supervision Services of Georgia;
- 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 Company thereby providing a degree of security to policyholders.

It is in the Company’s interest to maintain adequate capital resources at all times and to fulfill respective minimum regulatory capital requirements. The Company has traditionally had very good capital resources. Maintaining this good capital base in the future is also important to the Company, both to allow to take advantage of profitable growth opportunities and to cushion the effects of large loss events.

As part of the process in monitoring and managing its capital, the Company refers to its Asset Management Plan (“AMP”), which is focused on enabling the Company to constantly maintain a minimum level of funds, placed in top Georgian banks. Control of the structure of assets are carried out by means of monthly reports to the shareholder, containing the relevant calculations to be verified by Chief Financial Officer of the Company.

(ii) *Regulatory requirements*

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.

The company makes certain adjustments to the IFRS Accounting Standards equity in the separate statement of financial position in order to arrive to the ISSSG prescribed capital.

The Company manages its capital requirements by preventing shortfalls between reported and required capital levels on a regular basis. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or inject further capital.

The Company was in compliance with the externally imposed capital requirements from ISSSG at the end of the reporting period and no changes were made to its objectives, policies and processes from the previous year for managing capital.

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 as opposed to RSM. Considering that financial year 2017 was the transitional period for the implementation of the directives, the adherence requirements to the above were as follows:

- The Regulatory Capital should be at least either RSM or GEL 7,200 throughout the period from 31 December 2021.

As at 31 December 2024, the Company was in compliance with the level of Regulatory Capital in excess of RSM.

20. Related party transactions and balances

‘000 GEL Name	Transaction 2024	Outstanding balance 31 December 2024
Subsidiaries		
Claims paid	(7,541)	258
Loans given*	–	3,474
Interest income	286	–
Capital contribution	1,250	(750)
Member of the same group		
Receivable related to sale of insurance software	–	160
Reinsurance contract assets held	(6,794)	10,901

‘000 GEL Name	Transaction 2023	Outstanding balance 31 December 2023
Subsidiary		
Claims paid	(7,217)	684
Loans given*	–	3,474
Interest income	296	–
Capital contribution	1,000	–
Member of the same group		
Receivable related to sale of insurance software	–	160
Reinsurance contract assets held	5,681	6,980

* The loans given to related parties above are denominated in GEL and bear an interest rate of 10-13%. Loan agreements have matured as of 31 December 2024 and 31 December 2023 and became on demand in nature.

Compensation of key management personnel

The remuneration of 5 directors of the Company for the years ended December 31 was as follows:

‘000 GEL	2024	2023
Payroll	1,441	1,236
Bonuses	1,400	718
Other benefits	6	5
Total key management personnel compensation	2,847	1,959

21. Contingencies and commitments

(a) Legal proceedings

In the normal course of business, the Company 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 Company'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. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are more significant than in other countries with more developed taxation systems. 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 separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

22. Basis of measurement

The separate financial statements are prepared on the historical cost basis except for property and equipment, land and building class which is carried at revalued amount. In addition, the insurance and reinsurance contracts are measured at the estimated fulfilment cash flows that are expected to arise as the Company fulfils its contractual obligations in accordance with IFRS 17.

23. Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements, except if mentioned otherwise.

(a) Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The investments in subsidiaries are accounted at cost in the separate financial statements from the date that control effectively commences until the date that control effectively ceases.

Investments in subsidiaries are accounted at cost less impairment losses.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates determined by National Bank of Georgia 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, impairment 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.

(c) Insurance contracts

(i) Classification of contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts that whereby the Company accepts significant insurance risk from another party (the “policyholder”) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the “insured event”) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include medical, property, motor, liability and others. These products offer protection of policyholder’s assets and indemnification of other parties that have suffered damage as a result of a policyholder’s actions.

Financial guarantee contracts are accounted for as insurance contracts. Deposits obtained under financial guarantee contracts are accounted under liability for remaining coverage with no profit or loss impact.

(ii) Level of aggregation

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). The Company identifies portfolio per lines of businesses of insurance and reinsurance contracts as generally all insurance contracts issued by the company has similar risks and characteristics.

(iii) Insurance acquisition cash flows

Under IFRS 17, insurance acquisition cash flows (IACFs) for contracts measured using the Premium Allocation Approach (PAA) are recognized as an asset when incurred and amortized over the expected coverage period, unless they are immediately expensed due to the contract being of a short duration.

In 2024, the Company reassessed its approach to identifying acquisition cash flows. In the prior year, both fixed and variable acquisition costs were included in IACFs. However, in the current year, the Company determined that recognizing only variable acquisition costs as IACFs provides a more faithful representation of the directly attributable nature of these expenses. This change enhances consistency with IFRS 17’s requirement that only those acquisition cash flows directly attributable to portfolio-level contract issuance should be deferred. Had the prior-year approach been applied, the insurance contract liabilities as of 31 December 2024 would have been lower by GEL 1,103 thousand.

(iv) Recognition and measurement of contracts

The Company recognises insurance contracts issued from the earliest of the following:

- the beginning of the coverage period of the group of contracts, and
- the date when the first payment from a policyholder becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.

The Company recognises initiated reinsurance contract that provide proportionate coverage at the later of:

- the beginning of the coverage period of the reinsurance contracts, and
- the initial recognition of any underlying contract.

(v) **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:

Insurance contracts

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

A substantive obligation to provide services ends when:

- the Company 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
- both of the following criteria are satisfied:
 - the Company 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 for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

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 Company 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
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

(vi) **Measurement**

Premium Allocation Approach (PAA), which is a simplified measurement model under IFRS 17, is used to measure portfolio of the Company.

The Company reasonably expects that using PAA would produce a measurement of the liability for remaining coverage for the Company that would not differ materially from the one that would be produced applying the general measurement model requirements. Additionally, the coverage period of each contract is one year or less for more than 98% (2023: 98%) of portfolio. Therefore, the Company applies PAA approach.

Premium Allocation Approach (PAA) is used to measure reinsurance assets held of the Company as they bear same characteristics as underlying insurance contracts.

On initial recognition of each group of insurance contracts that are not onerous, the carrying amount of the liability for remaining coverage (“LRC”) is measured at the premiums received on initial recognition less any insurance acquisition cash flows at that date, including any amount arising from the derecognition at that date of any asset recognised for insurance acquisition cash flows paid before that date, plus or minus any other assets or liabilities previously recognised for cash flows related to that group.

For reinsurance contracts held on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

Subsequent measurement under PAA

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- the LRC; and
- the Liability Incurred Claims (“LIC”), comprising the fulfilment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- the asset for remaining coverage, comprising of the ceding premiums payable and reinsurance commission receivable; and
- the asset for incurred claims, comprising the FCF related to past service allocated to the group at the reporting date expected to be recovered from reinsurers.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

The Company’s objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage and subrogation recoveries are included as a reduction to future cash outflows of the estimates of incurred claims liability. The allowance is the amount that can reasonably be recovered from the asset.

Onerous contract assessment

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows, determined under the general measurement model (GMM), that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the estimates of the fulfilment cash flows of future revenues. A loss component will be established for the amount of the loss recognised. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfilments cash flows determined under the GMM relating to the future service and those relating to the future revenue. The onerous contract assessment is carried out on quarterly basis at cohort level.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

(vii) Derecognition and contract modification

The Company derecognises a contract when it is extinguished i.e., when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the company treats the changes in cash flows caused by the modification as changes in the estimates of fulfilment cash flows.

(viii) Acquisition & attributable cost

Insurance acquisition cash flows are the costs that directly associated with selling and handling acquired contracts. The Company considers expenses for underwriting department, expenses for sales department, and commission expenses as acquisition costs. The Company has in place allocation technique to allocate the costs based on direct to indirect ratios. Both acquisition and attributable costs fall under the insurance service expense while the non-attributable costs are reported under other operating expenses and are not allocated to the groups of contracts.

(ix) Presentation

Insurance revenue

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the bases of the passage of time.

Insurance service expenses

Insurance service expenses include the following:

- incurred claims for the period;
- other incurred directly attributable expenses;
- insurance acquisition cash flows;
- changes that relate to past service – changes in the FCF relating to the LIC;
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise reinsurance expenses less amounts recovered from reinsurers.

The Company recognises reinsurance expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

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 'reinsurance result' in the insurance service result.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

(e) Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All financial assets of the Company are classified as measured under amortised cost.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

All financial liabilities of the Company are classified as measured under amortised cost.

(ii) Derecognition

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its separate statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non -cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the separate statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(f) Property and equipment

Items of property and equipment, which do not qualify as investment property, are stated at cost, except the Land and building class that are stated at fair value, excluding the costs of day to day servicing, less accumulated depreciation and any impairment. Land is not depreciated.

The initial cost of property and equipment includes directly attributable costs of bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

- | | |
|-----------------------------------|-------------|
| • Buildings | 25-50 years |
| • Computers and related equipment | 3- 5 years |
| • Motor vehicles | 2-7 years |
| • Office furniture and equipment | 7-10 years |

An item of property and equipment is derecognized upon disposal or when no future economic benefits from the use of the asset are expected. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognized.

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 Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing, such as repairs and maintenance expenditure, of property and equipment are recognised in profit or loss as incurred.

(g) Subscribed capital

Subscribed capital is classified as equity.

(h) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial 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 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.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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 amortisation, if no impairment loss had been recognised.

(i) Income tax

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively 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.

On 13 May 2016 the Parliament of Georgia passed the 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. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law was intended to become effective from 1 January 2019. On 28 December 2018, the law was further amended, making 1 January 2023 effective date for enacting the law for financial institutions. On 16 December 2022, the effective date was again postponed to 1 January 2024. The law became effective on 1 January 2024.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholders as a dividend. However some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes. In addition, the tax object includes expenses or other payments not related to the entity's economic activities, free of charge supply and over-limit representative expenses.

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. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution.

(ii) *Deferred tax*

Due to the nature of the new taxation system described above, the entities registered in Georgia do not have any differences between the tax bases of assets and liabilities and their carrying amounts and hence, no deferred income tax assets and liabilities arise.

(j) *Interest income and expenses and fee and commission income*

Interest income and expense are recognised in profit or loss as they accrue, taking into account the effective interest rate of the asset/liability. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Loan arrangement fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest rate method. Other fee and commission income is recognised when the corresponding service is provided.

24. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these separate financial statements. The following new and amended standards are not expected to have a significant impact on the Company's separate financial statements:

- *IFRS 18 Presentation and Disclosure in Financial Statements.*
- *Lack of Exchangeability (Amendments to IAS 21).*
- *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).*