TBC Insurance JSC

The Management Report and International Financial Reporting Standards Consolidated and Separate Financial Statements

31 December 2020

TBC Insurance JSC

The Management Report

31 December 2020

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At a Glance

TBC Insurance is a member of TBC Bank Group PLC along with TBC Bank, Georgia's largest banking group with its outstanding financial performance, superior customer experience, strong brand and best-in-class digital banking channels, which is also one of the main strategic channels for TBC Insurance.

TBC Insurance JSC (formerly known as Insurance company Kopenbur JSC) was incorporated on 8 May 2014. On 1st November 2016 Kopenbur JSC was acquired by TBC Bank Group PLC and as a result changed its legal name to TBC Insurance JSC.

TBC Insurance is one of the leading insurance companies on the non - health insurance market, an accomplishment that can be attributed to a young and dedicated workforce and a versatile management team.

We continue to innovate and develop unique digital products in line with our strategy of becoming number 1 Insurance company on the Georgian market, while customer satisfaction remains at the heart of everything we do. We acknowledge responsibility towards all our stakeholders and are focused on achieving strong financial results and maximizing our shareholders' returns, as well as creating value for our customers, employees, community and environment.

TBC insurance covers all business sectors including Retail, SME and Corporate. We cover almost all insurance products presented on the Georgian Market through our well-developed multichannel network. We launched Health Insurance in Q2 2019 and by the end of the 2020 we had 15K+ insured clients and 280 provider clinics across Georgia.

The Company had one subsidiary entitiy during 2020: Redmed LLC:

1. In 2019 TBC Insurance launched the first digital healthcare ecosystem in Georgia, Redmed. Redmed LLC was formed and domiciled in Georgia as a limited liability company under Georgian Law on 21 June 2019, with 2,900 thousand GEL of total capital contribution up to reporting date from TBC Insurance. Redmed LLC is fully owned subsidiary of TBC Insurance. Redmed is a fully digital find-a-medical service company that provides an Uber–like service for customers to quickly find, book and receive medical services. The application is very simple to use - customers simply need to create a Redmed account, log-in, choose the doctor they want to see based on selected criteria and then book an appointment in less than a minute.

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

- Decrease unnecessary outpatient referrals within clinics, thereby decreasing claim expenses and ultimately positively affecting the loss ratio;
- Automate processes and allow instant claim recognition and reimbursement.

Our Vision

Become number 1 Insurance company in Georgia.

Strategic priorities

- Digitalizing sales channels and processes
- Transparent and timely service in claims
- Proactive management of Net combined ratio[1]
- Build a strong modern brand
- Create an outstanding User Experience

General Overview

In 2020, risk of global pandemic became reality. Governments, businesses, and societies all over the globe had to urgently adapt to new social and economic environment. Global turmoil and governmental restrictions caused by pandemic profoundly affected Georgian fragile economy. Yet it is early to wrap up all the damage taken via ongoing environmental tension, though it is possible to draw some conclusions via analyzing some market figures.

Consequently, to all above mentioned 2020 proved itself challenging for TBC Insurance as well. Company retained its position as a second largest by market share on the non – health insurance market. Disregarding Mandatory MTPL, which generated a market of 20.7 mln GEL in written

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

premiums distributed evenly among active Insurance companies, the non-health market grew at a rate of 6.6% YoY (19.1% in 2019), while TBC Insurance increased at 4.3% YoY (25.7% in 2019).

Moreover, the non-health (w/o Mandatory MTPL) written premiums on Georgian insurance market increased by 22.4 mln GEL (from 340.0 mln in 2019 to 362.4 mln in 2020) and total majority of the new market is attributable to Corporate sector, while Retail and Government sectors were almost unchanged.

Retail Sector

TBC Insurance reached several milestones in 2020:

- Sustaining the number 1 position on the Retail market
- Reaching 68.8% in digital offloading[2] ratio in 2020 compared to 48.3% in 2019
- Introduced Casco photo capture functionality through our messenger chatbot
- Further enhanced digital Casco policy renewal from 26.5% in 2019 to 60.1% in 2020

TBC Insurance actively utilized the Retail segment sales channels, which include customers acquired by digital channels, TBC Bank customers through 48 branches, mass Retail through Agency Network (including branches in Batumi, Poti, Zugdidi & Kutaisi), customers through Merchant channels and VIP clients to produce 52,289 KGEL written premiums in 2020 – a 2.2% increase compared to 2019. Retail market increased only by 0.4%, As a result TBC Insurance market share increased to 37.3% compared to 36.6% in 2019.

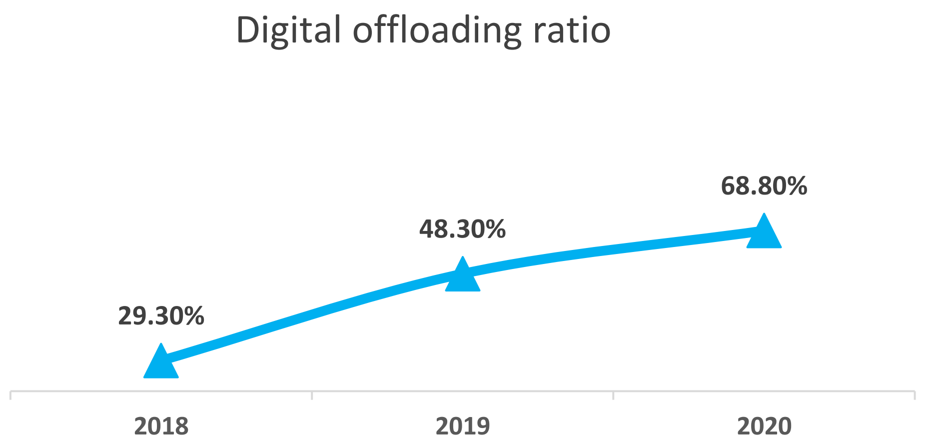
Digital Channels

The Coronavirus was like an earthquake with aftershocks that will permanently reshape the world to more digital one. Some industries were more vulnerable to effects of lockdown and social distancing than others, but either way businesses that focused on their distant digital capabilities all along had smoother transition to the new world order.

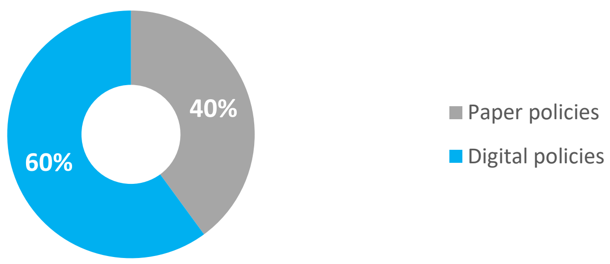
In 2017, TBC Insurance set the stage for active incorporation of digital capabilities in insurance business processes by introducing Travel & MTPL insurance through several channels: TBC Pay, B Bot

[2] Number of retail policies written via digital channels divided by total number of voluntary retail policies written

(Facebook Messenger Chatbot), TBC Internet Bank and TBC Insurance Webpage and also digitalizing various insurance processes (policy purchase, claim settlement etc.), which contributed greatly not only to the simplification of consumer experience, but also to the optimization of business procedures. In 2018, TBC Insurance further embraced the digital potential and offered complex products like Casco, MTPL & Property insurance through various digital channels, which consequently led to a significantly high digital offloading ratio of 68.8% in 2020 (48.3% in 2019):



During 2019, B Bot (Facebook Messenger Chatbot) was updated to service not only non-health clients, but health insurance clients as well and consequently became the first health Bot in Georgia. In 2020 company developed its own health insurance app which further enhanced consumer experience in various health insurance procedures (Family doctor - booking clinic/audio, claim settlement, etc.). TBC Insurance continued actively working on new digital solution for Casco policy renewal, this initiative proved itself utterly successful and handy during governmental restrictions and social distancing as 60.1% of all renewed policies were digital.



As of 2020, our portfolio of digital products and channels has been highly diversified:

PRODUCT/CHANNEL	WEB	MOBILE & INTERNET BANK	BOT	PAY
AUTOMINI	✓			
CASCO	✓			
MTPL	✓	✓	✓	✓
D1	✓		✓	
PROPERTY	✓			
TRAVEL	✓	✓	✓	✓
FOREIGN STUDENT HEALTH	✓			

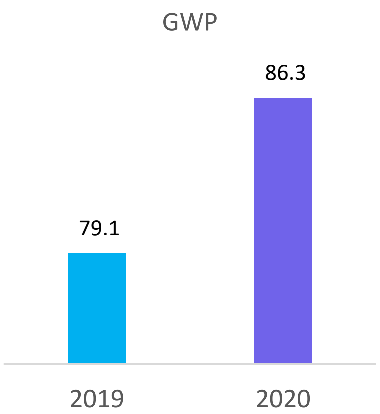
SME & Corporate Sector

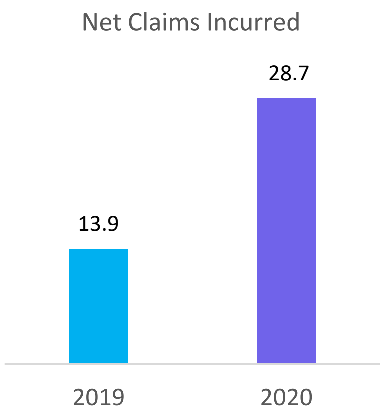
Similar to 2019, year 2020 offered fierce competition on the SME & Corporate market, however, TBC Insurance generated 23,299 KGEL in gross written premiums – approximately 12.5% more than in 2019. As a result, TBC insurance market share in SME & Corporate market stood at 11.4%. Moreover, TBC Insurance insured some of the leading companies on the market, including Caucasus Online, Adjara Group, Elit Electronics, Silknet, Tegeta Motors & others.

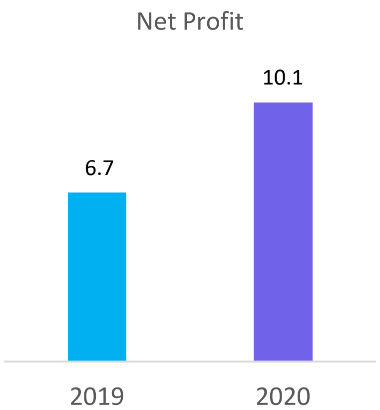
In 2018, we also implemented the SME Bancassurance portal, ensuring the delivery of high-quality services to SME clientele of TBC Bank. In 2020 SME Bancassurance portal generated 2,820 KGEL, 63% increase compared to 2019.

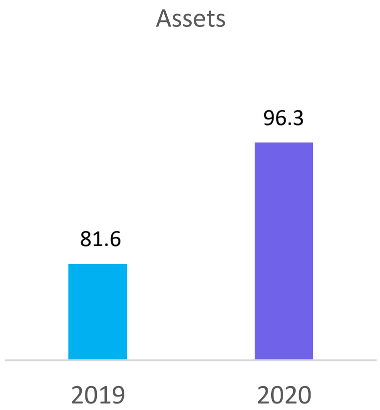
Financial Highlights (mln GEL)

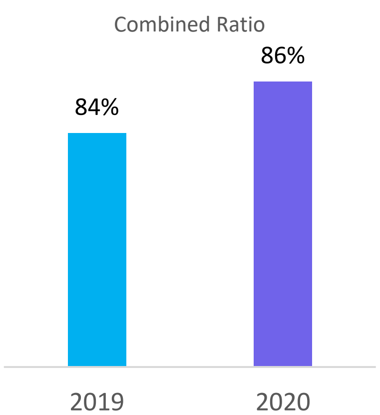
[Market share is represented excluding Mandatory MTPL and Health insurance]

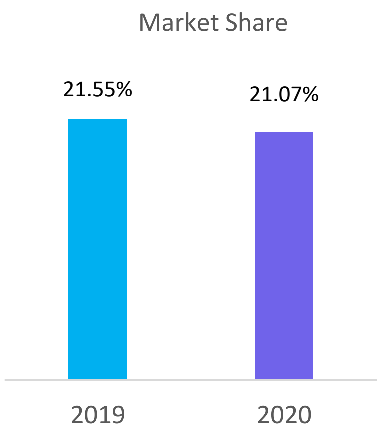












CEO Letter[3]

Overview

Since 2020 was a rather challenging year due to the global pandemic, our major priority was to support our employees and customers. At the same time, we managed to retain our market position and, by the end of 2020, TBC Insurance held an overwhelming 37.3% of the non-health retail market and 21.1% of the total non-health market. In terms of financial performance, our net income reached GEL 10.1 mln, up by 51% year-on-year. We also pride ourselves on offering a superior customer experience in the health and motor insurance businesses, with net promoter scores (NPS) of 68%[1] and 63%[1] respectively.

First, in order to ensure the safety and wellbeing of our employees, we introduced remote working practices. We were able to set up the necessary infrastructure for remote working at the very onset of the pandemic.

We also implemented several initiatives to support our customers. During the lockdown, we offered grace periods for premium payments to retail motor policyholders. In addition, retail customers whose motor insurance policies were active during the lockdown received benefits at renewal. Corporate clients who were affected by the economic disruption, were also granted grace periods on their premium payments. Moreover, during 2020, we increased our focus on digitalization in order to serve our customers with maxim comfort from the safety of their homes.

Furthermore, TBC Insurance created a COVID-19 charity fund in order to extend financial support to Georgian health care workers. By the end of the year, our fund allocated GEL 300 thousand and helped 88 health care workers receive financial benefit packages.

Our main achievements

In the light of the COVID-19 outbreak, our digital strategy in the non-health business proved to be more relevant than ever and we significantly increased the share of our digital sales in the retail segment, as well as the share of remote claims in the motor insurance business.

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[1] Net Promoter Score was measured in February 2020 by an independent consultant

Digital tools such as online renewal of motor insurance policies and the vehicle photo self-inspection app significantly increased the share of policies that are purchased, managed and renewed online. As a result, our digital sales offloading ratio[2] reached 68.8% in 2020, compared to 48.3% a year ago.

During 2020, the claims administration and settlement process was also streamlined and further digitalized. This resulted in reduced average settlement times for motor claims, with 82.4% of claims settled within 10 business days. In addition, the number of retail motor claims handled digitally also increased sharply, with our offloading ratio reaching 69.2% in December 2020, up by 18.0pp YoY.

Furthermore, In order to deliver more convenient and flexible digital solutions to our customers, we have introduced several new retail products. One worth mentioning is Automini, a motor insurance product that allows policyholders to choose specific insurable risks or set of risks, thus reducing motor insurance premiums. Since it is more affordable, the product helped us not only to maintain our existing client base, part of which would have been lost due to the economic instability caused by the pandemic, but also to expand into new customer segments.

In mid-2020 we introduced new health insurance app, which alongside other new initiatives is an important addition to our set of digital tools aimed at enhancing customer experience. This is especially important as our corporate health insurance clients exceeded 15 thousand by the end 2020, which in itself is a noteworthy achievement considering the level of high saturation of the corporate health insurance market.

Outlook

These are unpredictable times and the extent of the economic impact from the pandemic is still uncertain. Nevertheless, our strong dedication towards the wellbeing of our employees and customers, our continued investment in digital capabilities, and our unwavering fiscal discipline fills me with confidence that TBC Insurance is well positioned to withstand the headwinds and emerge as a stronger company.

Paata Gadzadze
Chief Executive Officer

[2] Net Promoter Score was measured in February 2020 by an independent consultant

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 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, company capital 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.

TBC Insurance carries out risk assessment of loss for individuals and organisations that are directly subject to risks that are insured by life, motor, health, property, liability, cargo, travel and other products. Risks are assessed with thorough underwriting analysis considering product characteristic risks and the nature of possible insurable events. As such, TBC Insurance 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. TBC Insurance also has exposure to market risk through investment activities and credit risk through reinsurance.

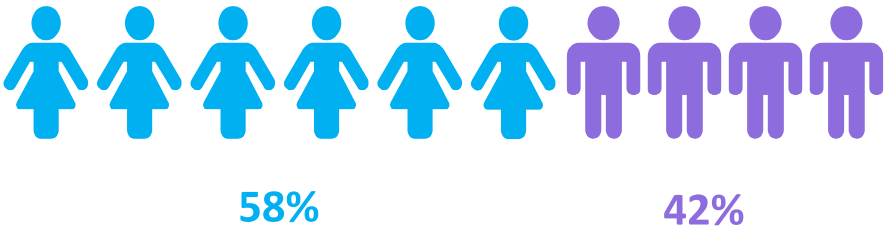
TBC Insurance's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Secondly, the risk is managed through the use of reinsurance. TBC Insurance purchases reinsurance coverage for various classes of products: life, property, cargo and liability business.

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

1. 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 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.
2. 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. TBC Insurance liquid assets as of December 2020 are above 50% of its total assets. Moreover, solvency ratio of 222% signifies that TBC Insurance can endure even long-term recessions. Furthermore, TBC Insurance does not have loans or other long-term liabilities.

Our Team

TBC Insurance prides itself on employing some of the most skilled professionals in the region and by the end 2020, our numbers grew by 10.3% and reached 290 employees. We believe that each employee is part of our success and we are committed to keep them by providing competitive benefits in the market, supporting professional development & creating the best environment for working.



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 58% of our total workforce at the end of 2020.

In 2020, we conducted engagement surveys (result – 95%) for our employees, as well as 360 evaluation for management staff. Also, we actively participated in numerous job fairs organized by top universities and leading HR consultancies to help us select best candidates with the highest growth potential.

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

Corporate Governance

Joint Stock Company 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 three members, who are collectively responsible for promoting the company’s long-term success and the delivery of sustainable value to shareholders by establishing and overseeing the strategic direction of the company and its business. 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 approval include, among other things, approval of the company’s strategy, long-term objectives, risk appetite, the annual operating and capital expenditure budgets, changes to the company's capital, share buy-backs, major acquisitions and/or mergers, annual reports and accounts.

Board Biographies

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. Mr. 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's committees. Vakhtang is also a member of the Supervisory Boards of the Association of Banks of Georgia and is Chairman of the Financial Committee of the Business Association of Georgia. Since 2011 he has also held the position of member of the Supervisory Board of the Partnership Fund, Georgia. In 2016, Vakhtang joined the Visa Central & Eastern Europe, Middle East and Africa (CEMEA) Business Council. In his earlier career, Vakhtang acted as Junior Specialist at the Institute of Economics, Academy of Sciences of Georgia, as well as an Assistant to the Minister of Finance of Georgia between 1992 and 1993. In 2001, Vakhtang was honoured with the "Best Businessman of the Year" award by Georgian Times Magazine and in 2011, he was recognised as the "Best Banker 2011" by GUAM – Organization for Democracy and Economic Development award. Vakhtang was also named as the CEO of the Year 2014 in Central and Eastern Europe and the CIS by EMEA Finance magazine. Vakhtang obtained an MBA from the European School of Management in Tbilisi in 2001. Mr. Butskhrikidze was appointed as chairman of the Board at TBC Insurance in November 2016.

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 on January 24, 2020. Prior to joining TBC, he has served as a Deputy CEO, Chief Operation Officer at Bank of Georgia since 2016. Between 2010 and 2016 Tornike served as director of operations' department at Bank of Georgia. He also served as head of international banking at Bank of Georgia Group. Between 2008-2010 Tornike held the position of CFO at BG Bank Ukraine (the subsidiary of Bank of Georgia). Between 2006 and 2008 he held the position of CEO at 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 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, debt and capital markets transactions with European financial institutions. In his earlier career in Georgia, George held various managerial positions at ALDAGI insurance company, where he also served as Chief Executive Officer. George graduated from the London Business School with an MBA degree (2009). He also holds 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).

TBC Insurance Management Board Biographies

Paata Gadzadze

Chief Executive Officer

Paata joined TBC Bank in 1994 as deputy general director of TBC Bank and was appointed to the Management Board in 1996. In 2005, he was appointed head of the credit department. Paata has held the position of first deputy CEO since 1998. Since 2014, he has held the position of the member of the supervisory board of TBC Leasing. Since 2016, Paata has served as a lecturer at the Free University, Georgia. In 2017, he was appointed as CEO of TBC Insurance. 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 in Tbilisi between 1994 and 2004. Paata graduated from Tbilisi State University in 1992 with a degree in Economics and holds a postgraduate qualification from the Institute of Economics, Academy of Sciences of Georgia.

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 has held various positions at Insurance Company GPI Holding, including the Head of Claims Department and Head of Product Development & Underwriting Department. In 2006, David joined TBC Bank and served as the Head of Treasury and Financial Services for over 5 years. From 2012 to 2015, David was the CEO of TBC Kredit in Baku, Azerbaijan. Moreover, he 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 Insurance Company GPI Holding, where he served as Chief Information Officer for 3 years. In 2013, Nikolay graduated from University of Oxford, Said Business School with an MBA degree. From 2013 to 2016 he was a part of MBA Leadership Development Program at Eli Lilly and Company, US and subsequently he worked at Boston Consulting, Russia. Since 2016, Nikolay holds the position of Chief Operating Officer at TBC Insurance.

Nino Gachechiladze

Health Insurance Director

Nino received her bachelor's degree in Business Administration from European School of Management. From 2002 to 2018, she worked at TBC Bank, where she served as Project Manager for different Strategic Projects and Head of HR Department for last 8 years. In 2010, Nino gained a certificate in Project Management from the George Washington University. Since 2019, Nino holds the position of Health Insurance Director at TBC Insurance.

TBC Insurance JSC

International Financial Reporting Standards
Consolidated and Separate Financial Statements

31 December 2020

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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 2020, 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 2020;
- 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 significant accounting policies 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 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

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

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

6 April 2021
Tbilisi, Georgia

Financial statement captions '000 GEL	Notes	Consolidated 31-Dec-20	Consolidated 31-Dec-19	Separate 31-Dec-20	Separate 31-Dec-19
Cash and cash equivalents	5	10,836	7,481	10,797	7,462
Bank deposits	6	42,948	29,881	42,948	29,881
Investment securities held to maturity	7	1,116	1,116	1,116	1,116
Derivative financial assets	29	121	175	121	175
Investment in subsidiaries		-	-	2,900	1,000
Insurance receivables	8	22,503	20,277	22,503	20,277
Reinsurance receivables	9	3,048	8,666	3,048	8,666
Ceded share of insurance contract reserves	10	7,509	7,207	7,509	7,207
Deferred acquisition costs	11	1,204	1,121	1,204	1,121
Deferred income tax asset	24	99	-	99	-
Other assets	12	1,516	549	1,509	538
Right-of-use assets	13	1,084	1,820	1,068	1,760
Property and equipment	14	1,429	1,612	1,362	1,541
Intangible assets	15	2,849	1,685	2,040	1,451
TOTAL ASSETS		**96,262**	**81,590**	**98,224**	**82,195**
Share capital	17	7,482	7,482	7,482	7,482
Other reserves	17	1,300	1,300	220	220
Retained earnings, including:		17,811	12,686	20,909	14,441
Profit for the year		10,122	6,717	11,465	8,153
TOTAL EQUITY		**26,593**	**21,468**	**28,611**	**22,143**
Insurance contract reserves	10	38,527	32,402	38,527	32,402
Commission payables		12,892	11,829	12,892	11,829
Reinsurance payables	26	8,755	7,855	8,755	7,855
Current portion of lease liabilities	13	875	835	863	786
Lease liabilities	13	574	1,188	574	1,174
Financial liabilities		1,430	926	1,427	919
Current income tax liability	24	1,226	605	1,226	605
Deferred income tax liability	24	-	5	-	5
Share-based payment liability	25	2,615	-	2,615	-
Other liabilities	16	2,775	4,477	2,734	4,477
TOTAL LIABILITIES		**69,669**	**60,122**	**69,613**	**60,052**
TOTAL LIABILITIES & EQUITY		**96,262**	**81,590**	**98,224**	**82,195**

Approved for issue and signed on behalf of the Board of Directors on 6 April 2021.

David Kiguradze
Deputy General Director

Shota Tsiskarashvili
Head of Financial Department

The consolidated and separate statements of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 55

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 2020, 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 2020;
- 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 significant accounting policies 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 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)

6 April 2021
Tbilisi, Georgia

Financial statement captions		**Consolidated**		**Separate**	
		31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
'000 GEL	**Notes**				
Cash and cash equivalents	5	10,836	7,481	10,797	7,462
Bank deposits	6	42,948	29,881	42,948	29,881
Investment securities held to maturity	7	1,116	1,116	1,116	1,116
Derivative financial assets	29	121	175	121	175
Investment in subsidiaries		-	-	2,900	1,000
Insurance receivables	8	22,503	20,277	22,503	20,277
Reinsurance receivables	9	3,048	8,666	3,048	8,666
Ceded share of insurance contract reserves	10	7,509	7,207	7,509	7,207
Deferred acquisition costs	11	1,204	1,121	1,204	1,121
Deferred income tax asset	24	99	-	99	-
Other assets	12	1,516	549	1,509	538
Right-of-use assets	13	1,084	1,820	1,068	1,760
Property and equipment	14	1,429	1,612	1,362	1,541
Intangible assets	15	2,849	1,685	2,040	1,451
TOTAL ASSETS		**96,262**	**81,590**	**98,224**	**82,195**
Share capital	17	7,482	7,482	7,482	7,482
Other reserves	17	1,300	1,300	220	220
Retained earnings, including:		17,811	12,686	20,909	14,441
Profit for the year		10,122	6,717	11,465	8,153
TOTAL EQUITY		**26,593**	**21,468**	**28,611**	**22,143**
Insurance contract reserves	10	38,527	32,402	38,527	32,402
Commission payables		12,892	11,829	12,892	11,829
Reinsurance payables	26	8,755	7,855	8,755	7,855
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Lease liabilities	13	574	1,188	574	1,174
Financial liabilities		1,430	926	1,427	919
Current income tax liability	24	1,226	605	1,226	605
Deferred income tax liability	24	-	5	-	5
Share-based payment liability	25	2,615	-	2,615	-
Other liabilities	16	2,775	4,477	2,734	4,477
TOTAL LIABILITIES		**69,669**	**60,122**	**69,613**	**60,052**
TOTAL LIABILITIES & EQUITY		**96,262**	**81,590**	**98,224**	**82,195**

Approved for issue and signed on behalf of the Board of Directors on 6 April 2021.

David Kiguradze
Deputy General Director

Shota Tsiskarashvili
Head of Financial Department

Financial Statement captions *'000 GEL*	Notes	Consolidated 2020	Consolidated 2019	Separate 2020	Separate 2019
Gross written premiums		86,282	79,089	86,282	79,089
Written premiums ceded to reinsurers		(12,445)	(19,251)	(12,445)	(19,251)
Net premiums written	18	**73,837**	**59,838**	**73,837**	**59,838**
Change in the gross reserves for unearned premiums		(2,669)	(6,523)	(2,669)	(6,523)
Reinsurers' share of change in the reserves for unearned premiums		(1,061)	(7,679)	(1,061)	(7,679)
Net earned premiums	18	**70,107**	**45,636**	**70,107**	**45,636**
Interest income		4,625	2,788	4,619	2,779
Reinsurance commission income		1,248	7,197	1,248	7,197
Other income		242	507	230	250
Total income		**76,222**	**56,128**	**76,204**	**55,862**
Claims settled		(35,833)	(30,411)	(35,833)	(30,411)
Reinsurance share in claims settled		8,175	17,516	8,175	17,516
Change in outstanding claims		(3,456)	26,692	(3,456)	26,692
Reinsurance share in change in outstanding claims		1,363	(28,066)	1,363	(28,066)
Subrogation and recoveries		1,950	1,039	1,950	1,039
Expenses associated with claims		(932)	(329)	(932)	(329)
Net claims incurred	19	**(28,733)**	**(13,559)**	**(28,733)**	**(13,559)**
Acquisition costs	20	(15,897)	(15,276)	(15,897)	(15,276)
Salaries & other employee benefits	21	(10,781)	(10,920)	(10,045)	(9,875)
General and administrative expenses	22	(5,653)	(5,942)	(5,204)	(5,340)
Depreciation	14	(540)	(492)	(520)	(471)
Amortization	15	(614)	(275)	(501)	(265)
Depreciation rent	13	(768)	(729)	(735)	(708)
Impairment charge	23	(654)	(367)	(654)	(367)
Finance cost rent	13	(131)	(168)	(128)	(165)
Foreign exchange gain/losses		465	(125)	472	(125)
Other expenses	27	(308)	-	(308)	-
Income before tax		**12,608**	**8,275**	**13,951**	**9,711**
Income tax expense	24	(2,486)	(1,558)	(2,486)	(1,558)
Net income		**10,122**	**6,717**	**11,465**	**8,153**
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,122**	**6,717**	**11,465**	**8,153**

'000 GEL	Notes	2020	2019	2020	2019
Cash flows from operating activities					
Profit / Loss before income tax		12,608	8,275	13,951	9,711
Adjustments for:					
Depreciation & amortization	13/14/15	1,922	1,496	1,756	1,445
Finance costs		131	168	128	165
Interest income		(4,625)	(2,788)	(4,619)	(2,779)
Impairment charge	23	(654)	(372)	(654)	(372)
Foreign exchange gain/losses		(465)	125	(472)	125
Losses less gains on disposals of property, plant and equipment		(12)	(6)	(12)	(6)
Other movements		198	(212)	198	(194)
Changes in:					
Deferred acquisition cost	11	(83)	(269)	(83)	(269)
Unearned premium reserve	10	2,669	6,523	2,669	6,523
Reinsurer's share in unearned premium reserve	10	1,061	7,679	1,061	7,679
Gross change in reported but not settled claims	10	3,221	(26,352)	3,221	(26,352)
Reinsurer's share of change in reported but not settled claims	10	(1,363)	28,066	(1,363)	28,066
Incurred but not reported claims, net of reinsurance	10	235	(340)	235	(340)
Insurance receivables	8	(31)	(3,418)	(31)	(3,418)
Reinsurance receivables	9	6,165	(4,899)	6,165	(4,899)
Other assets	12	(966)	(1,081)	(970)	19
Commission payables		1,063	2,285	1,063	2,285
Reinsurance payables		(227)	(777)	(227)	(777)
Income taxes paid	24	(1,969)	(2,247)	(1,969)	(2,246)
Other liabilities		1,384	685	1,357	(751)
Cash flows from operating activities		**20,262**	**12,541**	**21,404**	**13,615**
Cash flows from investing activities					
Acquisition of property and equipment	14	(408)	(1,048)	(392)	(718)
Proceeds from the sale of property, plant and equipment	14	63	45	63	38
Acquisition of intangible assets	15	(1,976)	(1,401)	(1,288)	(1,076)
Proceeds from the sale of intangible assets	15	-	67	-	65
Change in Investment in subsidiaries		-	-	(1,900)	1,030
Acquisition of subsidiaries, net of cash acquired		-	(596)	-	-
Proceeds from the sale of the subsidiaries to the entities under common control, net of disposed cash		-	1,622	-	-
Change in derivative financial assets		(335)	(316)	(335)	(316)
Acquisition of investment securities held to maturity	7	-	(599)	-	(599)
Change in bank deposits	6	(12,260)	(10,755)	(12,260)	(10,764)
Interest received	6	3,818	926	3,812	926
Net cash used in investing activities		**(11,098)**	**(12,055)**	**(12,300)**	**(11,414)**

The consolidated and separate statements of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 55

'000 GEL	**Notes**	**2020**	**2019**	**2020**	**2019**
Cash flows from financing activities					
Repayment of lease liabilities		(969)	(828)	(931)	(810)
Proceeds from disposal of subsidiaries, net of disposed cash		-	1,455	-	-
Dividends paid		(4,997)	-	(4,997)	-
Net cash from financing activities		**(5,966)**	**627**	**(5,928)**	**(810)**
Increase in cash and cash equivalents		**3,198**	**1,113**	**3,176**	**1,391**
Cash and cash equivalents at 1 January		7,481	6,339	7,462	6,042
Effect of exchange rate on cash and cash equivalents		157	29	159	29
Cash and cash equivalents at 31 December		**10,836**	**7,481**	**10,797**	**7,462**

Consolidated *'000 GEL*	**Share Capital**	**Other Reserves**	**Retained Earnings**	**Total**
Balance as at 1 January 2019	7,482	39	5,969	13,490
Profit for the year			6,717	6,717
Total comprehensive loss for the year	**-**	**-**	**6,717**	**6,717**
Contributions by the owners				
Sale of subsidiaries to the entities under common control		1,455		1,455
Other movement		(194)		(194)
Total contributions by the owners	**-**	**1,261**	**-**	**1,261**
Balance as at 31 December 2019	**7,482**	**1,300**	**12,686**	**21,468**
Balance as at 1 January 2020	7,482	1,300	12,686	21,468
Profit for the Year			10,122	10,122
Total comprehensive income for the year	**-**	**-**	**10,122**	**10,122**
Dividends paid to shareholders			(4,997)	(4,997)
Total contributions by the owners	**-**	**-**	**(4,997)**	**(4,997)**
Balance as at 31 December 2020	**7,482**	**1,300**	**17,811**	**26,593**

Separate *'000 GEL*	**Share Capital**	**Other Reserves**	**Retained Earnings**	**Total**
Balance as at 1 January 2019	7,482	39	6,288	13,809
Profit for the year			8,153	8,153
Total comprehensive loss for the year	**-**	**-**	**8,153**	**8,153**
Contributions by the owners				
Sale of subsidiaries to the entities under common control		375		375
Other movement		(194)		(194)
Total contributions by the owners	**-**	**181**	**-**	**181**
Balance as at 31 December 2019	**7,482**	**220**	**14,441**	**22,143**
Balance as at 1 January 2020	7,482	220	14,441	22,143
Profit for the Year			11,465	11,465
Total comprehensive income for the year	**-**	**-**	**11,465**	**11,465**
Dividends paid to shareholders			(4,997)	(4,997)
Total contributions by the owners	**-**	**-**	**(4,997)**	**(4,997)**
Balance as at 31 December 2020	**7,482**	**220**	**20,909**	**28,611**

1 Reporting Entity

(a) Organization and 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 joint stock company as it is defined under the Law of Georgia on Entrepreneurs and are incorporated and domiciled in Georgia and was incorporated 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, motor, 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.

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, with 2,900 thousand GEL of total capital contribution made by TBC Insurance JSC. The principal business activity of the subsidiary entity is healthcare e-commerce.

(b) Georgian business environment

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.

2 Basis of Preparation

Notes to the financial statements include separate notes to the separate financial statements where it is materially different from notes to the consolidated financial statements.

Statement of compliance

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"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes effective from 1 January 2020 these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 32.

The Group has applied temporary exemptions from IFRS 9 *Financial Instruments* as permitted by IFRS 4 Insurance Contracts (more than 90% of the Group's liabilities comprise of insurance liabilities) and has not previously adopted any version of IFRS 9, including the requirements from the presentation of gains and losses on financial liabilities designated FVTPL, for annual periods beginning before 1 January 2018. Group plans to have a single date of initial application of 1 January 2023 of whole IFRS 9.

3 Functional and Presentation Currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Group's functional currency and the currency in which these consolidated and 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 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.

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.

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.

Assumptions and sensitivities

Process used to determine the assumptions

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

Reserve is made at the statement of financial position date for the expected ultimate cost of settlement of all claims notified in respect of events up to that date, whether reported or not, less amounts already paid.

The Group makes estimate of the ultimate liability arising from claims under life and health insurance contracts that are incurred but not yet reported at the reporting date. The ultimate cost of IBNR 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.

The carrying amount of IBNR reserve net of reinsurance as at 31 December 2020 was 477 thousand GEL (2019: 242 thousand GEL).

There are several sources of uncertainty that need to be considered in the estimation of the IBNR reserve. Sensitivity analysis for life insurance shows that 5% increase in the chain-ladder development factors would increase IBNR reserve requirement by 227 thousand GEL, accordingly 5% decrease in the development factors would decrease IBNR reserve requirement by 227 thousand GEL.

4 Use of Estimates and Judgements (Continued)

Health insurance is short-tailed business as there is only a two-month limit to report a claim after the occurrence. To calculate IBNR 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 reserve set up is adequate and there will be no need of additional reserve requirements.

5 Cash and Cash Equivalents

'000 GEL	**2020**	**2019**
Cash on Hand	-	4
Current Accounts	10,836	7,477
Total cash and cash equivalents	**10,836**	**7,481**

Credit ratings of cash and cash equivalents were as follows:

'000 GEL	**2020**	**2019**
BB+	5	-
BB	-	6
BB-	10,813	3,416
B+	6	4,048
Not rated	12	11
Total	**10,836**	**7,481**

6 Bank Deposits

'000 GEL	**2020**	**2019**
JSC TBC Bank	11,501	10,704
JSC Bank of Georgia	11,000	5,000
JSC Liberty Bank	10,000	4,500
JSC VTB Bank	4,000	2,000
JSC Tera Bank	3,000	4,000
JSC Finca Bank	-	500
JSC Credo Bank	-	500
Total bank deposits	**39,501**	**27,204**

Out of total amount of deposit placed at JSC Liberty Bank, 4,200 thousand GEL is attributable to minimum capital requirements set by the Insurance State Supervision Service of Georgia.

Bank deposit balances are neither past due nor impaired. Bank deposits are represented by placements with Georgian commercial banks with maturity of less than three years and earn annual interest of 10.55% to 14.30%. Bank deposits placed with related party (JSC TBC Bank) earn annual interest rate of 10.55% to 14.30% (note 30).

6 Bank Deposits (Continued)

'000 GEL	2020	2019
JSC TBC Bank	1,124	1,140
JSC Bank of Georgia	1,043	323
JSC Liberty Bank	779	558
JSC Tera Bank	264	403
JSC VTB Bank	237	178
JSC Finca Bank	-	42
JSC Credo Bank	-	33
Total accrued interest	**3,447**	**2,677**

Credit ratings of placements with banks were as follows:

'000 GEL	2020	2019
BB-	28,905	19,345
B+	14,043	5,058
Not rated	-	5,478
Total	**42,948**	**29,881**

As at 31 December 2020, 10,501 thousand GEL, 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 three years. As at 31 December 2019 16,702 thousand GEL, 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 Securities Held to Maturity

'000 GEL	
Carrying amount as of 1 January 2019	**502**
Purchases	600
Interest income accrual	85
Interest received	(71)
Carrying amount as of 31 December 2019	**1,116**
Carrying amount as of 1 January 2020	**1,116**
Purchases	-
Interest income accrual	139
Interest received	(139)
Carrying amount as of 31 December 2020	**1,116**

Investment securities held to maturity comprise of following corporate bonds:

1. "JSC Georgian Beer Group" with the rating of BB, Maturity of the bond is 21st December 2023.
2. "JSC Nikora" with the rating of BB-, Maturity of the bond is 18th October 2022.
3. "Tegeta Motors LLC" with the rating of BB-, Maturity of the bond is 30th April 2022.

8 Insurance Receivables

'000 GEL	2020	2019
Insurance receivables, gross:	**23,812**	**20,932**
Life insurance contracts	2,543	1,988
General insurance contracts	21,269	18,944
Less - provision for impairment for amounts due from policyholders:	**(1,309)**	**(655)**
General insurance contracts	(1,309)	(655)
Insurance receivables, net:	**22,503**	**20,277**

There is no provision for life insurance contracts as management believes that all amounts are fully collectible (note 28).

9 Reinsurance Receivables

'000 GEL	2020	2019
Receivables from reinsurer	2,637	8,486
Commission from reinsurer	432	201
Total receivables and commission from reinsurer	**3,069**	**8,687**
Less – provision for impairment for amounts due from reinsurers:	(21)	(21)
Total reinsurance receivables, net:	**3,048**	**8,666**

10 Insurance Contract Reserves and Ceded Share of Insurance Contract Reserves

'000 GEL	2020	2019
Insurance contract reserves		
Unearned premiums reserves	28,896	26,227
Reported but not settled claims	9,154	5,933
Incurred but not reported claims	477	242
Total insurance contract reserves	**38,527**	**32,402**
Ceded share of insurance contract reserves		
Unearned premiums reserves	(3,782)	(4,843)
Reported but not settled claims	(3,727)	(2,364)
Ceded share of insurance contract reserves	**(7,509)**	**(7,207)**
Insurance contracts reserves net of reinsurance		
Unearned premiums reserves	25,114	21,384
Reported but not settled claims	5,427	3,569
Incurred but not reported claims	477	242
Total insurance contract reserves net of reinsurance	**31,018**	**25,195**

10 Insurance Contract Reserves and Ceded Share of Insurance Contract Reserves (Continued)

	2020			2019		
UPR Reserve '000 GEL	**Unearned premium reserve**	**Reinsurers share in unearned premium reserve**	**Net**	**Unearned premium reserve**	**Reinsurers share in unearned premium reserve**	**Net**
Life Insurance	177	(110)	67	114	(35)	79
Motor Insurance	16,896	-	16,896	17,426	(2,206)	15,220
Property Insurance	6,384	(2,772)	3,612	4,506	(1,959)	2,547
Liability Insurance	1,154	(888)	266	984	(624)	360
Health Insurance	3,924	-	3,924	2,612	-	2,612
Other	361	(12)	349	585	(19)	566
Total	**28,896**	**(3,782)**	**25,114**	**26,227**	**(4,843)**	**21,384**

	2020			2019		
RBNS Reserve '000 GEL	**Reported but not settled claims**	**Reinsurers share of Reported but not settled claims**	**Net**	**Reported but not settled claims**	**Reinsurers share of Reported but not settled claims**	**Net**
Life Insurance	2,166	(1,625)	541	1,016	(762)	254
Motor Insurance	2,368	(112)	2,256	2,606	(1,053)	1,553
Property Insurance	1,745	(190)	1,555	1,194	(549)	645
Liability Insurance	2,050	(1,800)	250	449	-	449
Health Insurance	635	-	635	327	-	327
Other	190	-	190	341	-	341
Total	**9,154**	**(3,727)**	**5,427**	**5,933**	**(2,364)**	**3,569**

Incurred but not reported claims reserve is only related to life and health insurance policies. Respective reserve is not created for other insurance policies as long as there is no lag between accident date and reporting date of the claim.

10 Insurance Contract Reserves and Ceded Share of Insurance Contract Reserves (Continued)

	'000 GEL	2020 Insurance contract reserves	2020 Reinsurers' share of insurance contract reserves	2020 Net	2019 Insurance contract reserves	2019 Reinsurers' share of insurance contract reserves	2019 Net
a	Life Insurance Contracts	2,681	(1,731)	**950**	1,290	(793)	**497**
b	General Insurance Contracts	35,846	(5,778)	**30,068**	31,112	(6,414)	**24,698**
	Total Insurance Contract Reserves	**38,527**	**(7,509)**	**31,018**	**32,402**	**(7,207)**	**25,195**

	'000 GEL	2020 Insurance contract reserves	2020 Reinsurers' share of insurance contract reserves	2020 Net	2019 Insurance contract reserves	2019 Reinsurers' share of insurance contract reserves	2019 Net
a	**At 1 January**	**1,290**	**(793)**	**497**	**2,108**	**(1,132)**	**976**
	Premiums written during the year	26,674	(5,338)	**21,336**	22,891	(4,927)	**17,964**
	Premiums earned during the year	(26,611)	5,263	**(21,348)**	(22,811)	4,897	**(17,914)**
	Claims incurred during the year	6,447	(4,832)	**1,615**	4,170	(3,089)	**1,081**
	Claims settled during the year	(5,297)	3,969	**(1,328)**	(4,656)	3,458	**(1,198)**
	Incurred but not reported claims	178	-	**178**	(412)	-	**(412)**
	At 31 December	**2,681**	**(1,731)**	**950**	**1,290**	**(793)**	**497**

	'000 GEL	2020 Insurance contract reserves	2020 Reinsurers' share of Insurance contract reserves	2020 Net	2019 Insurance contract reserves	2019 Reinsurers' share of Insurance contract reserves	2019 Net
b	**At 1 January**	**31,112**	**(6,414)**	**24,698**	**50,463**	**(41,820)**	**8,643**
	Premiums written during the year	59,608	(7,107)	**52,501**	56,198	(14,324)	**41,874**
	Premiums earned during the year	(57,002)	8,243	**(48,759)**	(49,755)	22,033	**(27,722)**
	Claims incurred during the year	32,606	(4,706)	**27,900**	(111)	13,639	**13,528**
	Claims settled during the year	(30,536)	4,206	**(26,330)**	(25,755)	14,058	**(11,697)**
	Incurred but not reported claims	58	-	**58**	72	-	**72**
	At 31 December	**35,846**	**(5,778)**	**30,068**	**31,112**	**(6,414)**	**24,698**

11 Deferred Acquisition Cost

'000 GEL	**Deferred acquisition cost**
At 1 January 2019	**852**
Deferred expenses	2,363
Amortisation of deferred expenses	(2,094)
At 31 December 2019	**1,121**
Deferred expenses	2,322
Amortisation of deferred expenses	(2,239)
At 31 December 2020	**1,204**

12 Other Assets

'000 GEL	**2020**	**2019**
Prepayments	1,203	195
Inventories	247	267
Tax prepayments	21	74
Other receivables	45	13
Total Other Assets	**1,516**	**549**

Majority of prepayments is attributable to partner provider clinic.

13 Right-of-Use Assets and Lease Liabilities

The Group leases only offices. Rental contracts are typically made for fixed periods from 6 months to 5 years but may have extension options as described below.

'000 GEL	**Offices**	**Total**
Carrying amount at 1 January 2019	**2,256**	**2,256**
Additions	293	**293**
Depreciation charge	(729)	**(729)**
Carrying amount at 31 December 2019	**1,820**	**1,820**
Carrying amount at 1 January 2020	**1,820**	**1,820**
Additions	193	**193**
Disposals	(161)	**(161)**
Depreciation charge	(768)	**(768)**
Carrying amount at 31 December 2020	**1,084**	**1,084**

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

'000 GEL	**2020**	**2019**
USD 261,041 lease of office with annual interest 7.5% and maturity on 30 August 2024.	493	531
USD 181,780 lease of office with annual interest 7.5% and maturity on 1 April 2022.	227	344
USD 63,658 lease of office with annual interest 7.5% and maturity on 4 June 2023.	112	5
USD 98,269 lease of office with annual interest 7.5% and maturity on 10 December 2021.	102	180
USD 91,564 lease of office with annual interest 7.5% and maturity on 1 January 2022.	101	170
USD 39,912 lease of office with annual interest 7.5% and maturity on 15 June 2025.	101	129
USD 102,816 lease of office with annual interest 7.5% and maturity on 15 November 2021.	100	186
USD 65,000 lease of office with annual interest 7.5% and maturity on 1 January 2022.	76	127
USD 28,205 lease of office with annual interest 7.5% and maturity on 1 February 2022.	54	-
USD 43,043 lease of office with annual interest 7.5% and maturity on 31 August 2021.	51	108
USD 33,311 lease of office with annual interest 7.5% and maturity on 31 March 2021.	14	61
USD 25,200 lease of office with annual interest 7.5% and maturity on 12 June 2021.	12	61
USD 3,768 lease of office with annual interest 7.5% and maturity on 31 July 2021.	6	3
GEL 2,640 lease of office with annual interest 11.0% and maturity on 12 June 2021.	1	2
USD 52,601 lease of office with annual interest 7.5% and maturity on 1 January 2022.	-	118
Total lease	**1,449**	**2,023**

Reconciliation of lease liabilities

000 GEL	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Lease liabilities at 1 January	**2,023**	**2,256**
Cash flows	**(969)**	**(828)**
Repayments of principal	(838)	(660)
Interest payments	(131)	(168)
Non-cash changes	**395**	**595**
Interest accrual	131	168
New leases	193	293
Foreign exchange adjustments	41	134
Other	30	-
Lease liabilities at 31 December	**1,449**	**2,023**

14 Property and Equipment

'000 GEL	Furniture and computer equipment	Motor vehicles	Leasehold improvements	Total
Cost:				
Balance at 1 January 2019	1,049	148	836	2,033
Additions	721	97	234	1,052
Disposals	(376)	(63)	(66)	(505)
Balance at 31 December 2019	**1,394**	**182**	**1,004**	**2,580**
Balance at 1 January 2020	1,394	182	1,004	2,580
Additions	189	20	199	408
Disposals	(175)	(19)	(45)	(239)
Balance at 31 December 2020	**1,408**	**183**	**1,158**	**2,749**
Accumulated Depreciation:				
Balance at 1 January 2019	373	15	212	600
Charge for the year	261	18	213	492
Disposals	(103)	(16)	(5)	(124)
Balance at 31 December 2019	**531**	**17**	**420**	**968**
Balance at 1 January 2020	531	17	420	968
Charge for the year	275	20	245	540
Disposals	(146)	(11)	(31)	(188)
Balance at 31 December 2020	**660**	**26**	**634**	**1,320**
Net Book Value				
31 December 2019	**863**	**165**	**584**	**1,612**
31 December 2020	**748**	**157**	**524**	**1,429**

15 Intangible Assets

Consolidated

'000 GEL	**Licenses**	**Computer & Other software**	**Total**
Cost:			
Balance at 1 January 2019	74	916	990
Additions	21	1,380	1,401
Disposals	(6)	(255)	(261)
Balance at 31 December 2019	**89**	**2,041**	**2,130**
Balance at 1 January 2020	89	2,041	2,130
Additions	13	1,963	1,976
Disposals	-	(261)	(261)
Balance at 31 December 2020	**102**	**3,743**	**3,845**
Accumulated Amortisation:			
Balance at 1 January 2019	55	218	273
Charge for the year	15	260	275
Disposals	-	(103)	(103)
Balance at 31 December 2019	**70**	**375**	**445**
Balance at 1 January 2020	70	375	445
Charge for the year	16	598	614
Disposals	-	(63)	(63)
Balance at 31 December 2020	**86**	**910**	**996**
Net Book Value			
31 December 2019	**19**	**1,666**	**1,685**
31 December 2020	**16**	**2,833**	**2,849**

15 Intangible Assets (Continued)

Separate

'000 GEL	**Licenses**	**Computer & Other software**	**Total**
Cost:			
Balance at 1 January 2019	39	949	988
Additions	14	1,064	1,078
Disposals	-	(65)	(65)
Balance at 31 December 2019	**53**	**1,948**	**2,001**
Balance at 1 January 2020	53	1,948	2,001
Additions	13	1,275	1,288
Disposals	-	(261)	(261)
Balance at 31 December 2020	**66**	**2,962**	**3,028**
Accumulated Amortisation:			
Balance at 1 January 2019	19	265	284
Charge for the year	15	250	265
Disposals	-	-	-
Balance at 31 December 2019	**34**	**515**	**549**
Balance at 1 January 2020	34	515	549
Charge for the year	16	485	501
Disposals	-	(62)	(62)
Balance at 31 December 2020	**50**	**938**	**988**
Net Book Value			
31 December 2019	**19**	**1,432**	**1,451**
31 December 2020	**16**	**2,024**	**2,040**

16 Other Liabilities

'000 GEL	**2020**	**2019**
Advances received	1,238	700
Accruals for employee compensation	1,394	1,420
Reinsurance commission reserve	85	945
Other liabilities	58	24
Long term benefit plan	-	1,388
Total other liabilities	**2,775**	**4,477**

Reinsurance commission reserve is attributable to unearned portion of commission receivable from reinsurer.

Long term benefit plan balance is attributable to different standard scope from FY 2020 (Refer to note 25)

17 Equity

(a) Share capital

Number of shares unless otherwise stated	**31 December 2020**	**31 December 2019**
Par value	GEL 1	GEL 1
On issue, fully paid	**7,481,870**	**7,481,870**

As at 31 December 2020, the Group had an authorized share capital of 15,000 thousand GEL (31 December 2019: 15,000 thousand GEL).

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.

In 2020 the Group paid out 4,997 (0.67 GEL per share) thousand GEL as dividends to its shareholders. No dividends were declared or paid in 2019.

(c) Other reserves

In 2020 Group had no movements in other reserves.

On 1st April 2019, TBC Insurance sold 100% of its subsidiaries (JSC Swoop, G Commerce LLC and All Property Ge LLC) to JSC TBC International – Entity under common control.

Proceed from the sale of subsidiaries purchased in 2018:

'000 GEL	
Proceeds from sale of subsidiary	**1,559**
Book value at 1 January 2019	1,589
Injected Capital	500
Losses during 2019	(851)
Gain from sale of subsidiaries to the entities under common control	**321**

17 Equity (Continued)

Proceed from the sale of subsidiary purchased in 2019:

'000 GEL	
Proceeds from sale of subsidiary	**1,980**
Purchase amount	599
Injected Capital	410
Losses during 2019	(163)
Gain from sale of subsidiaries to the entities under common control	**1,134**

Companies were acquired and founded with the purpose to develop the businesses, in line with TBC Bank Group PLC strategic goals. Subsequent sale to entity under common control occurred as a result of change in strategy of managing the new initiatives and related reorganization in the wider group.

18 Net Earned Premiums

'000 GEL	**2020**	**2019**
Premium written on life insurance contracts	26,674	22,891
Premium written on general insurance contracts	59,608	56,198
Total premiums written	**86,282**	**79,089**
Change in gross reserves for life unearned premiums	(63)	(80)
Change in gross reserves for general unearned premiums	(2,606)	(6,443)
Total earned premiums	**83,613**	**72,566**
Reinsurers’ earned premium on life insurance contracts	(5,263)	(4,897)
Reinsurers’ earned premium on general insurance contracts	(8,243)	(22,033)
Total net earned premiums	**70,107**	**45,636**

19 Net Claims Incurred

'000 GEL	**2020**	**2019**
Life insurance claims settled	(5,297)	(4,656)
General insurance claims settled	(30,536)	(25,755)
Reinsurer's share of life insurance claims settled	3,969	3,458
Reinsurer's share of general insurance claims settled	4,206	14,058
Total net claims settled	**(27,658)**	**(12,895)**
Gross change in reported but not settled claims	(3,221)	26,352
Incurred but not reported claims	(235)	340
Reinsurer's share of change in reported but not settled claims	1,363	(28,066)
Subrogation and Recoveries	1,950	1,039
Expenses Associated with Claims	(932)	(329)
Net claims incurred	**(28,733)**	**(13,559)**

19 Net Claims Incurred (Continued)

Distribution of claims incurred for contracts entered into force during 2020 and 2019 between product types are set out below:

'000 GEL - 2020	Claims settled	Reported but not settled claims	Total claims	Reinsurer's share in claims settled	Reinsurer's share in reported but not settled claims	Total reinsurer's share in claims
Life Insurance	4,350	1,747	6,097	3,276	1,310	4,586
Motor Insurance	8,420	1,746	10,166	-	-	-
Property Insurance	541	922	1,463	-	172	172
Liability Insurance	13	2,050	2,063	-	1,800	1,800
Health Insurance	3,993	601	4,594	-	-	-
Other	852	112	964	457	1	458
Total	**18,169**	**7,178**	**25,347**	**3,733**	**3,283**	**7,016**

'000 GEL - 2019	Claims settled	Reported but not settled claims	Total claims	Reinsurer's share in claims settled	Reinsurer's share in reported but not settled claims	Total reinsurer's share in claims
Life Insurance	2,964	934	3,898	2,214	700	2,914
Motor Insurance	10,981	2,022	13,003	5,652	732	6,384
Property Insurance	2,688	445	3,133	1,409	33	1,442
Liability Insurance	80	449	529	-	-	-
Health Insurance	647	327	974	-	-	-
Other	367	280	647	-	-	-
Total	**17,727**	**4,457**	**22,184**	**9,275**	**1,465**	**10,740**

20 Acquisition Costs

'000 GEL	2020	2019
Acquisition costs	(15,980)	(15,545)
Acquisition costs deferred	2,322	2,363
Amortisation of deferred acquisition costs	(2,239)	(2,094)
Total acquisition costs	**(15,897)**	**(15,276)**

21 Salaries & Other Employee Benefits

	Consolidated		Separate	
'000 GEL	**2020**	**2019**	**2020**	**2019**
Salaries	(6,849)	(6,435)	(6,155)	(5,533)
Bonuses management	(1,840)	(2,584)	(1,840)	(2,631)
Bonuses other	(1,529)	(1,347)	(1,529)	(1,180)
Other staff benefits	-	(20)	-	(20)
Insurance and other benefits	(563)	(534)	(521)	(511)
Total salaries & other employee benefits	**(10,781)**	**(10,920)**	**(10,045)**	**(9,875)**

22 General and Administrative Expenses

	Consolidated		Separate	
'000 GEL	**2020**	**2019**	**2020**	**2019**
Software and technical support	(1,072)	(790)	(975)	(758)
Marketing and PR	(956)	(1,306)	(658)	(1,052)
Supervisory Fee	(836)	(726)	(836)	(726)
Professional service fee	(451)	(419)	(448)	(373)
Office purchases	(350)	(355)	(347)	(338)
Post, Telecomm, Utilities	(275)	(240)	(271)	(223)
Office rent	(273)	(313)	(260)	(255)
Tax (other than on income)	(235)	(100)	(235)	(100)
Bank fees and other commissions	(185)	(161)	(185)	(161)
BMTPL management Fee	(176)	(260)	(176)	(260)
Car fuel and other expenses	(87)	(140)	(87)	(140)
Representative expenses	(20)	(127)	(20)	(127)
Business trips	(19)	(107)	(19)	(102)
Evacuator expenses	-	(328)	-	(328)
Other admin costs	(718)	(570)	(687)	(397)
Total General and administrative expenses	**(5,653)**	**(5,942)**	**(5,204)**	**(5,340)**

Professional service fee above includes GEL 128 thousand (2019: GEL 118 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.

23 Impairment Charge

The movement in the allowance for insurance and reinsurance receivables were as follows:

'000 GEL	**Insurance Receivables**	**Reinsurance Receivables**
At 1 January 2019	**(283)**	**(21)**
Charge	(367)	-
Write-Off	(5)	-
At 31 December 2019	**(655)**	**(21)**
Charge	(654)	-
Other movement	-	-
At 31 December 2020	**(1,309)**	**(21)**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

24 Income Tax Expense

Income tax expense comprises of the following:

'000 GEL	**2020**	**2019**
Current tax charge	2,590	1,634
Deferred tax (credit)/charge	(104)	(76)
Income tax expense for the year	**2,486**	**1,558**

The Group's applicable income tax rate was 15% (2019: 15%).

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

'000 GEL	**2020**	**2019**
Profit Before Tax	**12,608**	**8,275**
Theoretical tax charge at statutory rate	1,891	1,241
- Income which is exempt from taxation	(64)	(73)
- Non-deductible expenses	659	390
- Effect of change in tax legislation	-	-
Income tax expense for the year	**2,486**	**1,558**

Movement in temporary differences during the period:

'000 GEL	**1 January 2020**	**Recognized in profit or loss**	**31 December 2020**
Property and equipment	12	28	40
Intangible asset	89	(30)	59
Deferred acquisition costs	(106)	106	-
Deferred tax liability	**(5)**	**104**	**99**

'000 GEL	**1 January 2019**	**Recognized in profit or loss**	**31 December 2019**
Property and equipment	15	(3)	12
Intangible asset	32	57	89
Deferred acquisition costs	(128)	22	(106)
Deferred tax asset	**(81)**	**76**	**(5)**

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 will become effective from 1 January 2019.

On 28th of December 2018, the law was further amended. The Financial Institution's transition to the new taxation system becomes effective from 1st January 2023, instead of 1st January 2019.

24 Income Tax Expense (Continued)

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 2023 and hence, no deferred income tax assets and liabilities will arise, there on.

25 Share Based Payment Liability

During 2019 TBC Insurance JSC had operated a top management compensation scheme. The scheme assumed transfer of shares to employees with mandatory repurchase feature in 5 years' time. The scheme was accounted for under IAS 19, via recognition of staff costs and respective liability throughout the 5-year period. Share price was determined by predetermined formula based on forecasted IFRS results; expense accrual in 2019 equalled 1,388 thousand GEL. The opening liability for this long-term benefit plan is disclosed under Other liabilities (Note 16).

In 2020 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 of 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).

Originally, the company grants phantom shares which shall be converted in the actual shares at the end of the scheme period. 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 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 (same formula that was used in 2019 arrangement).

The amount of the award calculated by management makes best estimate of the company's financial metrics in the fifth year (2023) as well as fulfilment of performance conditions.

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.

Transition adjustment of the old scheme to the new scheme - The liability is reclassified from other liabilities to share based payment liability balance sheet item. The modification catch-up adjustment is made through profit or loss.

25 Share Based Payment Liability (Continued)

`000 GEL	**31-Dec-2020**
Liability at the beginning of the period	**-**
Transition effect to the new scheme	**(1,388)**
Remeasurement of 2019 award	193
Current year award	(1,308)
Unwinding for present value discount	(113)
Total expense recognized as staff cost during the period	(1,228)
Share based payment liability at the end of the period	**(2,616)**

26 Reinsurance Payables

`000 GEL	**2020**	**2019**
Reinsurance premium payables	5,959	5,560
Reinsurance subrogation and recoveries payables	2,796	2,295
Reinsurance payables	**8,755**	**7,855**

27 Other Expenses

TBC Insurance created a COVID-19 charity fund in order to extend financial support to Georgian health care workers. By the end of the year, our fund allocated GEL 308 thousand and helped 88 health care workers to receive financial benefit packages.

28 Offsetting Financial Assets and Financial Liabilities

As of 31 December 2020 and 2019, there were no financial instruments subject to offsetting, enforceable master netting and similar arrangements.

29 Derivative Financial Instruments

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

	2020		**2019**	
'000 GEL	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards: fair values, at the end of the reporting period, of				
GEL receivable on settlement	3,234	-	4,084	822
USD payable on settlement	(3,113)	-	(3,871)	(860)
Net fair value of foreign exchange forwards	**121**	**-**	**213**	**(38)**

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

30 Capital Management

(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 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.

30 Capital Management (Continued)

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

According to the ISSSG directive, the minimum capital throughout the period should not be less than GEL 4,200 thousand and the Group should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances.

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.

JSC TBC Insurance was in compliance with capital requirements set by ISSSG during 2020 and 2019.

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.

31 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. 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.

31 Insurance Risk Management (Continued)

(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 Treaty reinsurance for the biggest lines of business, Life, Casco and Property and also Facultatively Reinsures every risk in the above-mentioned products that fall out of the Treaty Reinsurance 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.

(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 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.

31 Insurance Risk Management (Continued)

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 financial institution of 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 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 25% 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, incurred but not reported claims reserve is set up for life insurance contracts, calculated according to the chain-ladder statistical methodology.

(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.

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.

31 Insurance Risk Management (Continued)

(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 reserves 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 loss balances. The Group believes that the estimate of total claims outstanding at the end of 2020 is adequate.

'000 GEL

Estimate of cumulative claims	2014	2015	2016	2017	2018	2019	2020	Total
Accident Year	323	5,415	4,131	10,830	49,050	32,549	39,584	-
One Year Later	324	5,632	4,117	11,214	20,552	31,981	-	-
Two Years Later	323	5,674	4,131	11,194	20,611	-	-	-
Three Years Later	323	5,780	4,123	11,218	-	-	-	-
Four Years Later	323	5,817	4,123	-	-	-	-	-
Five Years Later	323	5,771	-	-	-	-	-	-
Six Years Later	323	-	-	-	-	-	-	-
Current estimate of incurred claims	**323**	**5,771**	**4,123**	**11,218**	**20,611**	**31,981**	**39,584**	**113,661**
Accident Year	(245)	(4,724)	(3,580)	(8,621)	(16,978)	(26,917)	(31,279)	-
One Year Later	(323)	(5,569)	(4,108)	(11,145)	(20,428)	(31,279)	-	-
Two Years Later	(323)	(5,584)	(4,108)	(11,174)	(20,546)	-	-	-
Three Years Later	(323)	(5,659)	(4,123)	(11,218)	-	-	-	-
Four Years Later	(323)	(5,659)	(4,123)	-	-	-	-	-
Five Years Later	(323)	(5,689)	-	-	-	-	-	-
Six Years Later	(323)	-	-	-	-	-	-	-
Cumulative payments to date	**(323)**	**(5,689)**	**(4,123)**	**(11,218)**	**(20,546)**	**(31,279)**	**(31,279)**	**(73,178)**
Gross outstanding claims reserve	**-**	**82**	**-**	**-**	**65**	**702**	**8,305**	**9,154**

(i) Liability adequacy test

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related DAC assets for each line of business which are managed together. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses attributable to the unexpired periods of policies in force are used. If a shortfall is identified the related deferred acquisition cost is written down and, if necessary, an additional reserve (unexpired risk reserve) is established. The deficiency is recognised in profit or loss for the year. During 2020 and 2019 no shortfall was identified and therefore there was no need for additional URR reserve

31 Insurance Risk Management (Continued)

(e) Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual and portfolio risks. 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. 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.

(f) COVID 19 pandemic

The COVID 19 pandemic continues to have a significant impact on individuals, society, business and wider economy across the globe. We have considered the outbreak of the COVID-19 pandemic and its current and future potential effects on the Group and the Company.

First, in order to ensure the safety and wellbeing of our employees, we introduced remote working practices. We were able to set up the necessary infrastructure for remote working at the very onset of the pandemic.

We also implemented several initiatives to support our customers. During the lockdown, we offered grace periods for premium payments to retail motor policyholders. In addition, retail customers whose motor insurance policies were active during the lockdown received benefits at renewal. Corporate clients who were affected by the economic disruption, were also granted grace periods on their premium payments.

We have reflected the impact of the outbreak in the measurement of assets and liabilities in the financial statements. We do not disclose it separately as the impact was immaterial for the Group and the Company.

TBC Insurance enjoys a very robust liquidity position and excellent financial strength which allows us to outperform despite challenges of COVID 19 pandemic. TBC Insurance solvency ratio is well above regulatory requirements. We are managing our portfolios with great diligence to ensure that the Company has sufficient resources to back its solvency capital liquidity needs.

Furthermore, TBC Insurance created a COVID-19 charity fund in order to extend financial support to Georgian health care workers. By the end of the year, our fund allocated GEL 308 thousand and helped 88 health care workers to receive financial benefit packages.

32 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.

32 Fair Values and Risk Management (Continued)

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

	31-December-2020				31-December-2019			
'000 GEL	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Cash and cash equivalents	-	10,836	-	**10,836**	4	7,477	-	**7,481**
Certificates of deposits	-	38,711	-	**38,711**	-	27,661	-	**27,661**
Term deposits	-	4,237	-	**4,237**	-	2,220	-	**2,220**
Investment securities held to maturity	-	1,121	-	**1,121**	-	1,116	-	**1,116**
Total assets	-	**54,905**	**-**	**54,905**	**4**	**38,474**	-	**38,478**
Other financial liabilities	-	1,430	-	**1,430**	-	926	-	**926**
Total liabilities	**-**	**1,430**	**-**	**1,430**	**-**	**926**	**-**	**926**

Investment securities held to maturity, were quoted at the date of purchase but the market has disappeared subsequently.

(iii) Recurring fair value measurements:

	31-December-2020				31-December-2019			
'000 GEL	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Derivative financial assets	-	121	-	**121**	-	175	-	**175**
Total Assets	**-**	**121**	**-**	**121**	**-**	**175**	**-**	**175**

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

For the measurement purposes, IAS 39, Financial Instruments: Recognition of Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL").

32 Fair Values and Risk Management (Continued)

Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. At the reporting date (as well as in financial year 2019) all financial assets were classified as (a) loans and receivables. All of the Group's financial liabilities were carried at amortised cost.

(c) Derivative financial assets

Derivative financial assets consist of foreign exchange forward contracts used to manage Group's exposure to fluctuations in foreign currency exchange rates. Inputs used to determine fair value of the derivative assets are foreign exchange rates and are all directly observable on the active market.

(d) 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.

(iv) 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.

(v) 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.

32 Fair Values and Risk Management (Continued)

Credit exposure

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

'000 GEL	31 December 2020	31 December 2019
Insurance receivables	22,503	20,277
Reinsurance receivables	3,048	8,666
Derivative financial assets	121	175
Investment securities held to maturity	1,116	1,116
Bank deposits	42,948	29,881
Cash and cash equivalents	10,836	7,481
Total credit exposure	**80,572**	**67,596**

The aging of insurance receivables at the reporting date was:

'000 GEL	Gross 2020	Impairment 2020	Net 2020	Gross 2019	Impairment 2019	Net 2020
Not past due	19,247	-	19,247	17,725	-	17,725
Past due 0-30 days	3,182	90	3,092	2,653	101	2,552
Past due 30-90 days	221	120	101	40	40	-
Past due 91-180 days	267	227	40	75	75	-
Past due 181-270 days	182	165	17	65	65	-
Past due 271-365 days	96	90	6	58	58	-
Past due more than one year	617	617	-	316	**316**	-
Total	**23,812**	**1,309**	**22,503**	**20,932**	**655**	**20,277**

The Group is not subject to significant credit risk on receivables arising out of direct insurance operations as policies are cancelled and the unearned premium reserve relating to the policy is similarly cancelled 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.

(vi) 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 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.

32 Fair Values and Risk Management (Continued)

(vii) 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.

(viii) 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.

(ix) 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:

'000 GEL	**USD denominated 31 December 2020**	**EUR denominated 31 December 2020**	**GEL denominated 31 December 2020**	**USD denominated 31 December 2019**	**EUR denominated 31 December 2019**	**GEL denominated 31 December 2019**
Cash and cash equivalents	135	11	10,690	324	27	7,130
Insurance receivables	12,803	1,052	8,648	11,880	919	7,478
Reinsurance receivables	2,273	792	(17)	6,991	1,708	(33)
Ceded share of insurance contract reserves	533	327	6,649	1,069	29	6,109
Insurance contract reserves	(1,671)	(1,083)	(35,773)	(2,271)	(81)	(30,050)
Reinsurance payables	(7,552)	(1,081)	(121)	(6,412)	(1,269)	(174)
Lease liabilities	(1,437)	-	(12)	(1,961)	-	(62)
Financial liabilities	(809)	169	(790)	(261)	96	(761)
Net on-Balance Exposure	**4,275**	**187**	**(10,726)**	**9,359**	**1,429**	**(10,363)**
Derivative instruments	(3,113)	-	3,234	(4,732)	-	4,907
Net Exposure	**1,162**	**187**	**(7,492)**	**4,627**	**1,429**	**(5,456)**

32 Fair Values and Risk Management (Continued)

The following significant exchange rates have been applied:

	Average Rate	Reporting date spot rate
In GEL	**2020**	**31 December 2020**
USD	3.1097	3.2766
EUR	3.5519	4.0233

	Average Rate	Reporting date spot rate
In GEL	**2019**	**31December2019**
USD	2.8192	2.8677
EUR	3.1553	3.2095

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:

	Strengthening	**Weakening**
'000 GEL	**Profit or (Loss) and Equity**	**Profit or (Loss) and Equity**
31 December 2020		
USD (10% movement)	(99)	99
EUR (10% movement)	(16)	16
31 December 2019		
USD (10% movement)	(393)	393
EUR (10% movement)	(121)	121

(x) 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 1.4% of total credit exposure, therefore, management believes that the Group does not have significant exposure to interest rate risk.

33 Contingencies

(e) 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.

(f) 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. (Note 24)

34 Related Parties

(a) Parent and ultimate controlling party

As at 31 December 2020 and 2019 the Group's immediate and ultimate parent of the Group and the Company was TBC Bank Group PLC.

(b) Key management remuneration

Key management includes Directors (executive).

	2020		**2019**	
'000 GEL	Expense	Accrued Liability	Expense	Accrued Liability
Salaries and bonuses	1,657	799	2,284	1,196
Share-based compensation	1,228	2,615	20	-
Other long-term benefits	-	-	1,388	1,388
Post-employment benefits & Insurance	12	-	11	-
Total key management compensation	**2,897**	**3,414**	**3,703**	**2,584**

34 Related Parties (Continued)

(c) Transactions with other related parties

The outstanding balances and related expense and income as for the year ended 31 December 2020 and 2019 with related parties are as follows:

	2020			2019		
'000 GEL	**Entities Under Common Control***	**Other**	**Percent of Total**	**Entities Under Common Control***	**Other**	**Percent of Total**
Assets						
Cash and cash equivalents	10,799	-	100%	3,404	-	46%
Bank deposits	12,625	-	29%	11,844	-	40%
Derivative financial assets	121	-	100%	175	-	100%
Insurance receivables	3,081	314	15%	2,822	191	15%
Other assets	-	-	0%	-	-	0%
Total assets	**26,626**	**314**	**28%**	**18,245**	**191**	**23%**
Liabilities						
Insurance contract reserves	8,784	478	24%	4,584	188	15%
Commission payables	11,009	-	85%	10,270	-	87%
Lease Liability	65	-	4%	129	-	6%
Total liabilities	**19,858**	**478**	**29%**	**14,983**	**188**	**25%**

	2020			2019		
'000 GEL	**Entities under common control**	**Other related parties**	**Percent of total**	**Entities under common control**	**Other related parties**	**Percent of total**
Income Statement						
Earned premium	38,136	999	47%	32,497	560	46%
Interest income	1,929	-	42%	1,152	-	41%
Claims incurred	(13,401)	(703)	(36%)	21,812	(26)	586%
Incurred but not reported claims	(178)	-	76%	412	-	121%
Acquisition costs	(10,634)	-	67%	(10,309)	-	67%
Foreign exchange gain/losses	(256)	-	(55%)	(197)	-	158%
Total	**15,596**	**296**		**45,367**	**534**	

Bank deposits placed with related parties earn annual interest rate of 10.55% to 14.30%.

Entities under common control include TBC Group PLC subsidiaries.

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

35 Significant Accounting Policies

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and equipment, available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Consolidated and separate financial statements

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

(b) 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.

(c) Insurance contracts

(i) Classification of contracts

Contracts under which the Group 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.

35 Significant Accounting Policies (Continued)

Insurance risk is risk other than financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant claims. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire. Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as financial instruments.

Financial guarantee contracts are accounted for as insurance contracts.

(ii) Recognition and measurement of contracts

Premiums

Gross premiums written comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are

disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period using the daily pro-rata method. Outward reinsurance premiums are recognised as an expense in accordance with the daily pro-rata method. The portion of outward reinsurance premiums not recognised as an expense is treated as a prepayment.

Policy cancellations

Policies are cancelled if there is objective evidence that the policyholder is not willing or able to continue paying policy premiums. Cancellations therefore affect mostly those policies where policy premiums are paid in instalments over the term of the policy.

Unearned premium reserve

The reserve for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method.

(iii) Gross carrying amount and write – offs

Gross carrying amount of a financial asset is the amortised cost of a financial asset, before adjusting for any loss allowance. The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The latter includes penalties under the local regulation requirements. The premiums are collectively assessed for write off based on overdue days criteria or are individually evaluated, depending on the premium segment and client type.

35 Significant Accounting Policies (Continued)

Claims

Net claims incurred comprise claims settled during the financial year together with the movement in the reserve for notified claims. Claims outstanding comprise reserves for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not.

Claims notified are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in external claims handling expenses, legislative changes and past experience and trends. Reserves for claims notified are not discounted.

Anticipated reinsurance and subrogation recoveries are recognised separately as assets. Reinsurance and subrogation recoveries are assessed in a manner similar to the assessment of claims notified.

Adjustments to the amounts of claims reserves established in prior years are reflected in the consolidated and separate financial statements for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(iv) Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the partial transfer of risk to reinsurers. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Premiums ceded and benefits reimbursed are presented in profit or loss and statement of financial position on a gross basis.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurance are estimated in a manner consistent with the outstanding claims reserve or settled claims associated with the reinsured policy.

Premiums on reinsurance assumed are recognised as revenue and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

(v) Deferred commission income

The Group receives commissions for ceding premiums to reinsurers. This type of commission is recognised within insurance activity result in profit or loss. Commission income from ceded reinsurance premiums that represent the recovery of acquisition costs reduces the applicable unamortised acquisition costs in such a manner that net acquisition costs are capitalised and

charged to expenses in proportion to net insurance income recognised. Changes in deferred commission income on reinsurance ceded are disclosed in the consolidated and separate statement of profit or loss and other comprehensive income.

35 Significant Accounting Policies (Continued)

(vi) Deferred acquisition costs (DAC)

Acquisition costs, representing commissions paid to insurance agents and brokers and other costs directly related to acquisition are deferred and amortized over the period in which the related written premiums are earned, to the extent that these costs are recoverable out of future premiums. Deferred acquisition costs are reduced by commissions due on impaired insurance policies related to future periods.

(vii) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract reserves or reinsurance assets. The Group reviews its insurance receivables to assess impairment on a regular basis.

(d) Financial instruments

The Group classifies non-derivative financial assets into the loans and receivables category. The Group classifies non-derivative financial liabilities into the other financial liabilities' category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Derivative financial assets and financial liabilities

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on

the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

35 Significant Accounting Policies (Continued)

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.

(iii) Non-derivative financial liabilities - measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities' category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(iv) Offsetting

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

The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(v) Gains and losses on subsequent measurement

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vi) 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.

(e) 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.

35 Significant Accounting Policies (Continued)

(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.

(f) 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.

(g) 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 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.

35 Significant Accounting Policies (Continued)

(h) Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor will enter bankruptcy;
- economic conditions that correlate with defaults.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment.

Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

(ii) 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.

35 Significant Accounting Policies (Continued)

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.

(i) 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 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.

35 Significant Accounting Policies (Continued)

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.

(j) 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.

(i) Current tax

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 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.

(ii) Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities until 1st January 2023, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available until 1st January 2023 against which the temporary differences, unused tax losses

and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 2023 and hence, no deferred income tax assets and liabilities will arise, there on.

35 Significant Accounting Policies (Continued)

(k) Share-based payment liability

In 2020 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 of 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.

36 Adoption of New or Revised Standards and Interpretations

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

The Group negotiated various rent concessions with lessors for leases of properties and concluded that some of these concessions qualified for applying the practical expedient in the IFRS 16 amendment. As a result, the Group reduced the lease liability as of 31 December 2020 by GEL 30 thousand.

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

37 New Standards and Interpretations Not Yet Adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest rate benchmark reform – phase 1 amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component.

37 New Standards and Interpretations Not Yet Adopted (Continued)

In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

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.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). 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. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope 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. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. 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.

37 New Standards and Interpretations Not Yet Adopted (Continued)

There is an exception 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.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

37 New Standards and Interpretations Not Yet Adopted (Continued)

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

37 New Standards and Interpretations Not Yet Adopted (Continued)

- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

37 New Standards and Interpretations Not Yet Adopted (Continued)

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 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.

38 Subsequent Events

The Company is planning to start reinsurance activities on the Georgian market in 2021.

On 26th March of 2021 supervisory board of The Company accepted dividend disbursement offer from top management and is now pending approval from TBC Bank Group PLC.