TBC Insurance JSC

International Financial Reporting Standards
Consolidated Financial Statements
31 December 2018

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Independent Auditor's Report

To the Shareholder and Management of TBC Insurance JSC

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TBC Insurance JSC (the 'Company') and its subsidiaries (together - the 'Group') as at 31 December 2018, and its consolidated financial performance and its consolidated 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 consolidated financial statements comprise:

- the consolidated statements of financial position as at 31 December 2018;
- the consolidated statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statements of cash flows for the year then ended; and
- the notes to the consolidated 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 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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. Other information comprises Management Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

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.

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When we read the Management Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We will also issue our updated report where we will either state that we have nothing to report in respect of the above or describe any material misstatements identified by us in the Management Report based on our knowledge of the Group and its circumstances, which we obtained during our audit. Our updated report will include also our opinion on the matters mentioned in the preceding paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 Comapany'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 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 financial statements, including the disclosures, and whether the consolidated 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

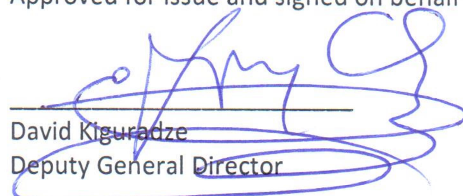
For and on behalf of PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Lasha Janelidze (Reg.#SARAS-A-562091)

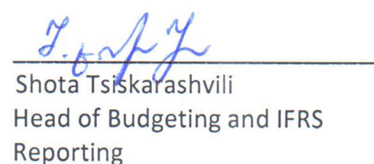
12 April 2019
Tbilisi, Georgia

Consolidated Financial statement captions '000 GEL	Notes	31-Dec-18	31-Dec-17
Cash and cash equivalents	5	6,339	6,368
Bank deposits	6	17,279	4,924
Investment securities held to maturity	7	502	-
Derivative financial assets		65	-
Insurance receivables	8	15,881	10,371
Reinsurance receivables	9	2,891	1,797
Ceded share of insurance contract reserves	10	42,952	8,272
Deferred acquisition costs	11	852	747
Deferred income tax asset	23	-	105
Other assets	12	1,532	173
Property and equipment	13	1,433	839
Intangible assets	14	717	427
Total assets:		**90,443**	**34,023**
Share capital	16	(7,482)	(6,682)
Other reserves		(39)	(20)
Retained earnings, including:		(5,969)	1,357
(Profit) / Loss for the year		(7,326)	(855)
Total equity:		**(13,490)**	**(5,345)**
Insurance contract reserves	10	(52,571)	(14,781)
Commission payables		(9,547)	(4,573)
Reinsurance payables		(7,350)	(5,169)
Financial liabilities		(1,103)	(617)
Current income tax liability	23	(1,217)	-
Deferred income tax liability	23	(81)	-
Other liabilities	15	(5,084)	(3,538)
Total liabilities:		**(76,953)**	**(28,678)**
Total liabilities & equity		**(90,443)**	**(34,023)**

Approved for issue and signed on behalf of the Board of Directors on 12 April 2019.



David Kiguradze
Deputy General Director



Shota Tsiskarashvili
Head of Budgeting and IFRS Reporting

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5 to 45.

Consolidated Financial statement captions ’000 GEL	**Notes**	**2018**	**2017**
Gross written premiums		60,108	31,317
Written premiums ceded to reinsurers		(26,626)	(13,562)
Net premiums written	**17**	**33,482**	**17,755**
Change in the gross reserve for unearned premiums		(7,774)	(8,054)
Reinsurers' share of change in the reserve of unearned premiums		5,315	7,154
Net earned premiums	**17**	**31,023**	**16,855**
Interest income		1,587	642
Reinsurance commission income		5,576	1,571
Other income		579	126
Total income		**38,765**	**19,194**
Claims settled		(19,577)	(9,164)
Reinsurance share in claims settled		12,448	3,467
Change in outstanding claims		(30,017)	(2,236)
Reinsurance share in change in outstanding claims		29,365	1,046
Subrogation and recoveries		617	313
Expenses associated with claims		(136)	(50)
Net claims incurred	**18**	**(7,300)**	**(6,624)**
Acquisition costs	**19**	(12,580)	(6,112)
Salaries & other employee benefits	**20**	(4,999)	(2,801)
General and administrative expenses	**21**	(4,470)	(2,084)
Depreciation	**13**	(313)	(226)
Amortisation	**14**	(157)	(148)
Impairment charge	**22**	(270)	(165)
Foreign exchange gain/losses		53	(34)
Income/(loss) before tax		**8,729**	**1,000**
Income tax (expense)/credit	**23**	(1,403)	(145)
Net income/(loss)		**7,326**	**855**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5 to 45.

’000 GEL	2018	2017
Cash flows from operating activities		
Profit / Loss before income tax	8,729	1,000
Adjustments for:		
Depreciation & amortisation	470	374
Interest income	(1,587)	(642)
Impairment charge	687	(165)
Foreign exchange gain/losses	53	34
Income tax expense	(1,403)	-
Other reserves	19	20
Changes in:		
Deferred acquisition costs	(105)	(379)
Unearned premium reserve	7,774	8,054
Reinsurer’s share in unearned premium reserve	(5,315)	(7,154)
Gross change in reported but not settled claims	29,976	1,694
Reinsurer's share of change in reported but not settled claims	(29,365)	(1,046)
Incurred but not reported claims, net of reinsurance	40	542
Insurance receivables	(6,595)	(7,527)
Reinsurance receivables	(1,411)	(1,627)
Deferred tax asset / liability	186	-
Other assets	(1,219)	1
Commission payables	4,973	4,315
Reinsurance payables	2,560	4,620
Other liabilities	3,283	3,849
Cash flows from operating activities	**11,750**	**5,963**
Cash flows from investing activities		
Acquisition of property and equipment	(893)	(617)
Acquisition of intangible assets	(427)	(320)
Acquisition of subsidiaries, net of cash acquired	(104)	-
Change in derivative financial assets	101	-
Acquisition of investment securities held to maturity	(502)	-
Change in bank deposits	(11,651)	(1,312)
Interest received	883	529
Net cash used in investing activities	**(12,593)**	**(1,720)**
Cash flows from financing activities		
Proceeds from issue of share capital	800	-
Net cash from financing activities	**800**	**-**
Net (decrease)/increase in cash and cash equivalents	**(43)**	**4,243**
Cash and cash equivalents at 1 January	6,368	2,016
Effect of exchange rate on cash and cash equivalents	14	109
Cash and cash equivalents at 31 December	**6,339**	**6,368**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5 to 45.

'000 GEL	**Share Capital**	**Other Reserves**	**Retained Earnings**	**Total**
Balance as at 1 January 2017	6,682		(2,212)	4,470
Profit for the year			855	855
Total comprehensive loss for the year	**-**	**-**	**855**	**855**
Other reserves		20		20
Balance as at 31 December 2017	**6,682**	**20**	**(1,357)**	**5,345**
	-			
Balance as at 1 January 2018	6,682	20	(1,357)	5,345
Profit for the Year			7,326	7,326
Total comprehensive income for the year	**-**	**-**	**7,326**	**7,326**
Issue of Share Capital	800			800
Other Reserves		19		19
Balance as at 31 December 2018	**7,482**	**39**	**5,969**	**13,490**

1 Reporting entity

(a) Organization and operations

These consolidated financial statements include the financial statements of TBC Insurance JSC (the Company) and its subsidiaries (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, life and property insurance and other non-health segments. 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 two fully-owned subsidiary entities – JSC Swoop and G Commerce LLC.
JSC Swoop 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 September 2010. JSC Swoop was acquired by TBC Insurance JSC on 1 August 2018 (Note 34). GE Commerce LLC was formed and domiciled in Georgia as a limited liability company under Georgian law on 18 September 2018, with 1,500 thousand GEL of initial capital contribution made by TBC Insurance JSC. The principal business activity of both subsidiary entities is 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 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 accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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 2021 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 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 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 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 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. The primary underlying assumption of the chain-ladder method is that historical loss development patterns are indicative of future loss development patterns.

The carrying amount of IBNR reserve net of reinsurance as at 31 December 2018 was 582 thousand GEL (2017: 542 thousand GEL).

There are several sources of uncertainty that need to be considered in the estimation of the IBNR reserve. Sensitivity analysis shows that 5% increase in the chain-ladder development factors would increase IBNR reserve requirement by 118 thousand GEL, accordingly 5% decrease in the development factors would decrease IBNR reserve requirement by 118 thousand GEL.

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	2018	2017
Cash on Hand	4	3
Current Accounts	6,335	6,365
Total cash and cash equivalents	**6,339**	**6,368**

Credit ratings of cash and cash equivalents were as follows:

'000 GEL	2018	2017
BB	6	7
BB-	6,316	6,355
B+	2	-
Not rated	15	6
Total	**6,339**	**6,368**

6 Bank deposits

'000 GEL	2018	2017
JSC TBC Bank	7,346	3,070
JSC Liberty Bank	3,194	-
JSC VTB Bank	2,713	313
JSC Tera Bank	1,608	1,001
JSC Finca Bank	1,353	540
JSC Bank of Georgia	1,065	-
Total bank deposits	**17,279**	**4,924**

Out of total amount of deposit placed at JSC TBC Bank, 4,200 thousand GEL is attributable to minimum capital requirements set by the Insurance State Supervision Service of Georgia.
Credit ratings of placements with banks were as follows:

'000 GEL	2018	2017
BB-	11,124	3,383
B+	3,194	-
Not rated	2,961	1,541
Total	**17,279**	**4,924**

Bank deposit balances are neither past due nor impaired. Bank deposits are represented by placements with Georgian commercial banks with maturity of less than two years and earn annual interest of 10.50% to 12.50%. Bank deposits placed with related party (JSC TBC Bank) earn annual interest rate of 11.00% to 11.50% (note 29).

As at 31 December 2018, 4,615 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. As at 31 December 2017, total balance of bank deposits had maturity of less than one year.

7 Investment securities held to maturity

'000 GEL	**2018**
Carrying amount as of 1 January	-
Purchases	500
Interest income accrual	2
Carrying amount as of 31 December	**502**

Investment securities held to maturity comprise of corporate bond of "JSC Georgian Beer Company" with the rating of BB. Maturity of the bond is 21st December 2023.

8 Insurance receivables

'000 GEL	**2018**	**2017**
Insurance receivables, gross:	**16,164**	**11,341**
Life insurance contracts	*1,780*	*1,448*
General insurance contracts	*14,384*	*9,893*
Less - provision for impairment for amounts due from policyholders:	**(283)**	**(970)**
Life insurance contracts	-	-
General insurance contracts	*(283)*	*(970)*
Insurance receivables, net:	**15,881**	**10,371**

There is no provision for life insurance contracts as management believes that all amounts are fully collectible (note 26).

9 Reinsurance receivables

'000 GEL	**2018**	**2017**
Receivables from reinsurer	1,461	644
Commission from reinsurer	1,451	1,153
Total receivables and commission from reinsurer	**2,912**	**1,797**
Less – provision for impairment for amounts due from reinsurers:	(21)	-
Total reinsurance receivables, net:	**2,891**	**1,797**

10 Insurance contract reserves and Ceded share of insurance contract reserves

'000 GEL	**2018**	**2017**
Insurance contract reserves		
Unearned premiums reserves	19,704	11,931
Reported but not settled claims	32,285	2,308
Incurred but not reported claims	582	542
Total insurance contract reserves	**52,571**	**14,781**
Ceded share of insurance contract reserves		
Unearned premiums reserves	(12,522)	(7,207)
Reported but not settled claims	(30,430)	(1,065)
Ceded share of insurance contract reserves	**(42,952)**	**(8,272)**
Insurance contracts reserves net of reinsurance		
Unearned premiums reserves	7,182	4,724
Reported but not settled claims	1,855	1,243
Incurred but not reported claims	582	542
Total insurance contract reserves net of reinsurance	**9,619**	**6,509**

10 Insurance contract reserves and Ceded share of insurance contract reserves (Continued)

	2018			2017		
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	10	(5)	5	-	-	-
Motor Insurance	14,736	(9,847)	4,889	10,057	(6,758)	3,299
Property Insurance	3,608	(2,267)	1,341	1,083	(270)	813
Liability Insurance	652	(381)	271	320	(165)	155
Other	698	(22)	676	471	(14)	457
Total	**19,704**	**(12,522)**	**7,182**	**11,931**	**(7,207)**	**4,724**

	2018			2017		
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	1,503	(1,131)	372	1,033	(455)	578
Motor Insurance	1,612	(998)	614	1,061	(610)	451
Property Insurance	346	-	346	83	-	83
Liability Insurance	28,350	(28,301)	49	29	-	29
Other	474	-	474	102	-	102
Total	**32,285**	**(30,430)**	**1,855**	**2,308**	**(1,065)**	**1,243**

Increase of Liability Insurance related balance from reported but not settled claims reserve as at 31 December 2018, is resulted from claim related to one guarantee policy. The policy was fully reinsured with the reinsurer by the Group (note 34).

Incurred but not reported claims reserve is only related to life insurance policies. Respective reserve is not created for non-life 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	2018 Insurance contract reserves	2018 Reinsurers' share of insurance contract reserves	2018 Net	2017 Insurance contract reserves	2017 Reinsurers' share of insurance contract reserves	2017 Net
a	Life Insurance Contracts	2,108	(1,132)	976	1,575	(455)	1,120
b	General Insurance Contracts	50,463	(41,820)	8,643	13,206	(7,817)	5,389
	Total Insurance Contract Reserves	**52,571**	**(42,952)**	**9,619**	**14,781**	**(8,272)**	**6,509**

	'000 GEL	2018 Insurance contract reserves	2018 Reinsurers' share of insurance contract reserves	2018 Net	2017 Insurance contract reserves	2017 Reinsurers' share of insurance contract reserves	2017 Net
a	**At 1 January**	**1,575**	**(455)**	**1,120**	-	-	-
	Premiums written during the year	19,288	(4,232)	**15,056**	9,397	(1,991)	**7,406**
	Premiums earned during the year	(19,263)	4,231	**(15,032)**	(9,397)	1,991	**(7,406)**
	Claims incurred during the year	4,879	(3,580)	**1,299**	2,298	(1,025)	**1,273**
	Claims settled during the year	(4,410)	2,904	**(1,506)**	(1,265)	570	**(695)**
	Incurred but not reported claims	39	-	**39**	542	-	**542**
	At 31 December	**2,108**	**(1,132)**	**976**	**1,575**	**(455)**	**1,120**

		2018 Insurance contract reserves	2018 Reinsurers' share of Insurance contract reserves	2018 Net	2017 Insurance contract reserves	2017 Reinsurers' share of Insurance contract reserves	2017 Net
b	**At 1 January**	**13,206**	**(7,817)**	**5,389**	**4,491**	**(72)**	**4,419**
	Premiums written during the year	40,820	(22,394)	18,426	21,920	(11,571)	10,349
	Premiums earned during the year	(33,071)	17,080	(15,991)	(13,866)	4,417	(9,449)
	Claims incurred during the year	44,675	(38,233)	6,442	8,560	(3,488)	5,072
	Claims paid during the year	(15,167)	9,544	(5,623)	(7,899)	2,897	(5,002)
	At 31 December	**50,463**	**(41,820)**	**8,643**	**13,206**	**(7,817)**	**5,389**

11 Deferred acquisition cost

'000 GEL	**Deferred acquisition cost**
At 1 January 2017	**368**
Deferred expenses	1,311
Amortisation of deferred expenses	(932)
At 31 December 2017	**747**
Deferred expenses	1,715
Amortisation of deferred expenses	(1,610)
At 31 December 2018	**852**

12 Other assets

'000 GEL	**2018**	**2017**
Other prepayments	1,090	117
Inventories	268	30
Tax prepayments	145	2
Other receivables	29	24
Total Other Assets	**1,532**	**173**

13 Property and equipment

'000 GEL	**Furniture and computer equipment**	**Motor vehicles**	**Leasehold improvements**	**Total**
Cost:				
Balance at 1 January 2017	432	73	194	699
Additions	252	34	387	673
Disposals	(40)	(45)	(144)	(229)
Balance at 31 December 2017	**644**	**62**	**437**	**1,143**
Balance at 1 January 2018	644	62	437	1,143
Additions	409	105	410	924
Disposals	(4)	(19)	(11)	(34)
Balance at 31 December 2018	**1,049**	**148**	**836**	**2,033**
Accumulated Depreciation:				
Balance at 1 January 2017	122	12	117	251
Charge for the year	108	6	112	226
Disposals	(21)	(8)	(144)	(173)
Balance at 31 December 2017	**209**	**10**	**85**	**304**
Balance at 1 January 2018	209	10	85	304
Charge for the year	167	12	134	313
Disposals	(3)	(7)	(7)	(17)
Balance at 31 December 2018	**373**	**15**	**212**	**600**
Net Book Value				
31 December 2017	**435**	**52**	**352**	**839**
31 December 2018	**676**	**133**	**624**	**1,433**

14 Intangible assets

'000 GEL	**Licenses**	**Computer & Other software**	**Total**
Cost:			
Balance at 1 January 2017	26	266	292
Additions	41	279	320
Disposals	-	(16)	(16)
Balance at 31 December 2017	**67**	**529**	**596**
Balance at 1 January 2018	67	529	596
Additions	7	526	533
Disposals	-	(139)	(139)
Balance at 31 December 2018	**74**	**916**	**990**
Accumulated Depreciation:			
Balance at 1 January 2017	2	35	37
Charge for the year	42	106	148
Disposals	-	(16)	(16)
Balance at 31 December 2017	**44**	**125**	**169**
Balance at 1 January 2018	44	125	169
Charge for the year	11	146	157
Disposals	-	(53)	(53)
Balance at 31 December 2018	**55**	**218**	**273**
Net Book Value			
31 December 2017	**23**	**404**	**427**
31 December 2018	**19**	**698**	**717**

15 Other liabilities

'000 GEL	**2018**	**2017**
Reinsurance commission reserve	4,270	2,696
Advances received	412	472
Accruals for employee compensation	257	256
Taxes Payables	37	113
Other liabilities	108	1
Total other liabilities	**5,084**	**3,538**

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

16 Equity

(a) Share capital

Number of shares unless otherwise stated	31 December 2018	31 December 2017
Par value	GEL 1	GEL 1
On issue, fully paid	**7,481,870**	**6,681,870**

As at 31 December 2018, the Group had an authorized share capital of 15,000 thousand GEL (31 December 2017: 15,000 thousand GEL).

Share capital increased during 2018 in accordance with regulatory requirements (note 25).

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 financial statements prepared in accordance with IFRSs.

No dividends were declared or paid in 2018 and 2017.

17 Net earned premiums

'000 GEL	2018	2017
Premium written on life insurance contracts	19,288	9,397
Premium written on general insurance contracts	40,820	21,920
Total premiums written	**60,108**	**31,317**
Change in gross reserves for life unearned premiums	(25)	-
Change in gross reserves for general unearned premiums	(7,749)	(8,054)
Total earned premiums	**52,334**	**23,263**
Reinsurers' earned premium on life insurance contracts	(4,231)	(1,991)
Reinsurers' earned premium on general insurance contracts	(17,080)	(4,417)
Total net earned premiums	**31,023**	**16,855**

18 Net claims incurred

'000 GEL	2018	2017
Life insurance claims settled	(4,410)	(1,265)
General insurance claims settled	(15,167)	(7,899)
Reinsurer's share of life insurance claims settled	2,904	570
Reinsurer's share of general insurance claims settled	9,544	2,897
Total net claims settled	**(7,129)**	**(5,697)**
Gross change in reported but not settled claims	(29,977)	(1,694)
Incurred but not reported claims	(40)	(542)
Reinsurer's share of change in reported but not settled claims	29,365	1,046
Subrogation and Recoveries	617	313
Expenses Associated with Claims	(136)	(50)
Net claims incurred	**(7,300)**	**(6,624)**

Distribution of claims incurred for contracts entered into force during 2018 and 2017 between product types are set out below:

'000 GEL - 2018	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	3,003	1,500	4,503	2,244	1,130	3,373
Motor Insurance	7,542	1,350	8,892	5,231	894	6,125
Property Insurance	610	343	953	24	-	24
Liability Insurance	112	28,338	28,450	-	28,301	28,301
Other	246	446	691	-	-	-
Total	**11,513**	**31,976**	**43,489**	**7,499**	**30,325**	**37,823**

'000 GEL - 2017	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	1,264	1,033	2,297	570	455	1,025
Motor Insurance	4,916	878	5,794	2,834	594	3,428
Property Insurance	149	83	232	-	-	-
Liability Insurance	35	29	64	-	-	-
Other	61	102	163	-	-	-
Total	**6,425**	**2,125**	**8,550**	**3,404**	**1,049**	**4,453**

19 Acquisition costs

'000 GEL	2018	2017
Acquisition costs	(12,685)	(6,491)
Acquisition costs deferred	1,715	1,311
Amortisation of deferred acquisition costs	(1,610)	(932)
Total acquisition costs	**(12,580)**	**(6,112)**

20 Salaries and other employee benefits

'000 GEL	2018	2017
Salaries	(3,418)	(1,987)
Bonuses	(1,317)	(696)
Other staff benefits	(26)	(28)
Insurance and other benefits	(238)	(90)
Total salaries & other employee benefits	**(4,999)**	**(2,801)**

21 General and administrative expenses

'000 GEL	2018	2017
Marketing and PR	(839)	(451)
Office rent	(626)	(422)
Supervisory fee	(523)	-
Software and technical support	(461)	(241)
BMTPL management fee	(309)	-
Office purchases	(243)	(123)
Consulting, Audit, Legal etc.	(222)	(195)
Post, Telecomm, Utilities	(172)	(120)
Business trips	(92)	(21)
Other admin costs	(983)	(511)
Total General and administrative expenses	**(4,470)**	**(2,084)**

Professional service fee above includes GEL 80 thousand (2017: GEL 101 thousand) - fees incurred for audit and other professional services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing.

22 Allowance for Impairment

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

'000 GEL	Insurance Receivables	Reinsurance Receivables
At 1 January 2017	(805)	-
Charge	(165)	-
Write-Off	-	-
At 31 December 2017	**(970)**	**-**
Charge	(248)	(21)
Write-Off	935	-
At 31 December 2018	**(283)**	**(21)**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets. Insurance receivable balance with amount of 935 thousand GEL, which was overdue by more than 2 years, were assessed as uncollectible and written off during 2018.

23 Income tax expense

Income tax expense comprises of the following:

'000 GEL	2018	2017
Current tax charge	1,217	-
Deferred tax (credit)/charge	186	145
Income tax expense for the year	**1,403**	**145**

The Group's applicable income tax rate was 15% (2017: 15%).

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

'000 GEL	2018	2017
Profit Before Tax	**8,729**	**1,000**
Theoretical tax charge at statutory rate	1,309	150
- Income which is exempt from taxation	(16)	(6)
- Non-deductible expenses	(15)	39
- Effect of change in tax legislation	125	(38)
Income tax expense for the year	**1,403**	**145**

Movement in temporary differences during the period:

'000 GEL	1 January 2018	Recognized in profit or loss	31 December 2018
Property and equipment	(28)	75	47
Deferred acquisition costs	(71)	(57)	(128)
Tax loss carry forwards	204	(204)	-
Deferred tax liability	**105**	**(186)**	**(81)**

'000 GEL	1 January 2017	Recognized in profit or loss	31 December 2017
Property and equipment	(21)	(7)	(28)
Deferred acquisition costs	-	(71)	(71)
Tax loss carry forwards	271	(67)	204
Deferred tax asset	**250**	**(145)**	**105**

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.
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.

24 Offsetting financial assets and financial liabilities

As of 31 December 2018 and 2017, financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows:

'000 GEL	2018			2017		
	Gross amounts before offsetting	**Gross amounts set off**	**Net amount after offsetting**	**Gross amounts before offsetting**	**Gross amounts set off**	**Net amount after offsetting**
	(a)	**(b)**	**(c) = (a) - (b)**	**(a)**	**(b)**	**(c) = (a) - (b)**
Reinsurance receivables	21,249	18,358	2,891	7,525	5,728	1,797
Total assets subject to offsetting, master netting and similar arrangement	**21,249**	**18,358**	**2,891**	**7,525**	**5,728**	**1,797**
Reinsurance payables	25,708	18,358	7,350	10,897	5,728	5,169
Total liabilities subject to offsetting, master netting and similar arrangement	**25,708**	**18,358**	**7,350**	**10,897**	**5,728**	**5,169**

25 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.

25 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.

ISSSG sets regulatory capital requirements in Georgia. ISSSG requirement is to maintain capital of GEL 4,200 thousand of which 100% percent should be kept at the banking institutions licensed in Georgia.

JSC TBC Insurance was in compliance with capital requirements set by ISSSG during 2018 and 2017.

(b) Regulatory requirements

According to the ISSSG directive №04, issued on 20 April 2015, the minimum capital throughout the period should be not less than GEL 2,200 thousand and the Group should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. Minimum capital requirement increased from December 2018 to GEL 4,200 thousand.

The Group was in compliance with the externally imposed capital requirements as at 31 December 2018.

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. Financial year 2017 was the transitional period for the implementation of the directives, the adherence requirements to the above were as follows:

- The Regulatory Capital should be not less than either 50% of RSM or GEL 2,200 thousand throughout the period from 1 January 2017 to 1 July 2017;

- The Regulatory Capital should be not less than either 75% of RSM or GEL 2,200 thousand throughout the period from 1 July 2017 to 1 January 2018; and

- The Regulatory Capital should be at least either 100% of RSM or GEL 2,200 thousand throughout the period from 1 January 2018.

- The Regulatory Capital should be at least either 100% of RSM or GEL 4,200 thousand throughout the period from 1st December 2018.

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 financial statements were authorized for issue, the Group was in full compliance with the level of Regulatory Capital in respect of 100% of RSM.

26 Insurance risk management

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

The primary insurance activity carried out by the Group assumes the risk of loss from individuals or organisations that are directly subject to the risk. Such risks mainly relate to life, motor and other non-health segments, such as, property, liability, cargo, travel or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

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

(i) Underwriting strategy

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

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

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

(ii) Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Group buys 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.

26 Insurance risk management (Continued)

(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. The Group reinsures its Casco risks by treaty reinsurance contract, which limits the Group's exposure to 30% of ultimate net loss for each and every loss occurrence.

(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.

26 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.

26 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 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 2018 is adequate.

Estimate of cumulative claims	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Accident Year	323	5,415	4,131	10,830	49,050	-
One Year Later	324	5,632	4,117	11,214	-	-
Two Years Later	323	5,674	4,131	-	-	-
Three Years Later	323	5,780	-	-	-	-
Four Years Later	323	-	-	-	-	-
Current estimate of incurred claims	**323**	**5,780**	**4,131**	**11,214**	**49,050**	**70,498**
Accident Year	(245)	(4,724)	(3,580)	(8,621)	(16,978)	-
One Year Later	(323)	(5,569)	(4,108)	(11,145)	-	-
Two Years Later	(323)	(5,584)	(4,108)	-	-	-
Three Years Later	(323)	(5,659)	-	-	-	-
Four Years Later	(323)	-	-	-	-	-
Cumulative payments to date	**(323)**	**(5,659)**	**(4,108)**	**(11,145)**	**(16,978)**	**(38,213)**
Gross outstanding claims reserve	**-**	**121**	**23**	**69**	**32,072**	**32,285**

(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. The creditworthiness of the reinsurer is assessed mainly from publicly available information. Main reinsurer's ratings during 2018 are presented below:

Reinsurer	**Rating**
Chubb	AA
SCOR	AA-
Swiss Re	AA-
Hannover Re	AA-
Lloyd's	A+
VIG Re	A+
AIG	A
Polish Re	A-

27 Fair values and risk management

(a) Fair value of financial assets and liabilities

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

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

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

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

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

27 Fair values and risk management (Continued)

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

	31-December-2018				31-December-2017			
'000 GEL	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Cash and cash equivalents	4	6,335	-	**6,339**	3	6,365	-	**6,368**
Certificates of deposits	-	13,214	-	**13,214**	-	3,221	-	**3,221**
Term deposits	-	4,065	-	**4,065**	-	1,703	-	**1,703**
Investment securities held to maturity	-	559	-	**559**	-	-	-	**-**
Other financial assets	-	-	-	**-**	-	19	-	**19**
Total assets	**4**	**24,173**	-	**24,177**	**3**	**11,308**	-	**11,311**
Other financial liabilities	-	1,103	-	**1,103**	-	617	-	**617**
Total liabilities	**-**	**1,103**	**-**	**1,103**	**-**	**617**	-	**617**

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

(ii) Recurring fair value measurements:

	31-December-2018				31-December-2017			
'000 GEL	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Derivative financial assets	-	65	-	**65**	-	-	-	-
Total Assets	**-**	**65**	**-**	**65**	**-**	**-**	**-**	**-**

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.

(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").

27 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 2017) 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 financial statements.

(iii) 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.

The shareholders oversee how the Supervisory Board together with the Group's management monitor compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

27 Fair values and risk management (Continued)

(iv) 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.

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 2018**	**31 December 2017**
Insurance receivables	15,881	10,371
Reinsurance receivables	2,891	1,797
Derivative financial assets	65	-
Investment securities held to maturity	502	-
Bank deposits	17,279	4,924
Cash and cash equivalents	6,339	6,368
Total credit exposure	**42,957**	**23,460**

The aging of insurance receivables at the reporting date was:

	Gross 2018	**Impairment 2018**	**Gross 2017**	**Impairment 2017**
Not past due	13,411	-	8,463	-
Past due 0-30 days	2,303	-	1,872	-
Past due 30-90 days	137	23	41	5
Past due 91-180 days	114	61	13	13
Past due 181-270 days	52	52	31	31
Past due 271-365 days	81	81	45	45
Past due more than one year	66	66	876	876
Total	**16,164**	**283**	**11,341**	**970**

27 Fair values and risk management *(continued)*

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.

(v) 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.

(vi) 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. Management estimates that the timing of cash outflows from insurance contract liabilities does not exceed one year.

(vii) 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.

(viii) 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.

27 Fair values and risk management (continued)

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 2018**	**EUR denominated 31 December 2018**	**USD denominated 31 December 2017**	**EUR denominated 31 December 2017**
Cash and cash equivalents	2,051	8	237	5
Insurance receivables	11,604	642	7,592	341
Reinsurance receivables	2,825	66	1,792	5
Reinsurance payables	(7,208)	(142)	(4,782)	(183)
Other liabilities	(100)	-	(44)	-
Net On-Balance Exposure	**9,172**	**574**	**4,795**	**168**
Derivative instruments	(8,565)			
Net Exposure	**607**	**574**	**4,795**	**168**

The following significant exchange rates have been applied:

	Average Rate	Reporting date spot rate
In GEL	**2018**	**31 December 2018**
USD	2.5345	2.6766
EUR	2.9913	3.0701

	Average Rate	Reporting date spot rate
In GEL	**2017**	**31 December 2017**
USD	2.5086	2.5922
EUR	2.8322	3.1044

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:

27 Fair values and risk management (Continued)

'000 GEL	Strengthening	Weakening
	Profit or (Loss) and Equity	Profit or (Loss) and Equity
31 December 2018		
USD (10% movement)	(52)	52
EUR (10% movement)	(49)	49
31 December 2017		
USD (10% movement)	(408)	408
EUR (10% movement)	(14)	14

(ix) 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 does not have floating rate interest bearing instruments. Besides, the Group's interest-bearing instruments have relatively short maturity. Therefore, management believes that the Group does not have significant exposure to interest rate risk.

28 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(g) Operating lease commitments

Where the Group is the lessee, as of 31 December 2018, the future minimum lease payments under non-cancellable operating leases over the next year amounted to GEL 881 thousand (31 December 2017: GEL 390 thousand).

29 Related parties

(a) Parent and ultimate controlling party

As at 31 December 2018 and 2017 the Group's immediate and ultimate parent of the Group and the Company was TBC Bank Group PLC.

(b) Key management remuneration

	2018		2017	
'000 GEL	Expense	Accrued Liability	Expense	Accrued Liability
Salaries and bonuses	503	218	509	233
Share-based compensation	-	26	-	28
Total key management compensation	**503**	**244**	**509**	**261**

(c) Transactions with other related parties

The outstanding balances and related expense and income as for the year ended 31 December 2018 and 2017 with related parties are as follows:

	2018			2017		
'000 GEL	**Entities Under Common Control***	**Other**	**Percent of Total**	**Entities Under Common Control***	**Other**	**Percent of Total**
Assets						
Cash and cash equivalents	3,947	-	62%	3,815	-	60%
Bank deposits	7,346	-	43%	3,070	-	62%
Derivative financial assets	65	-	100%	-	-	-
Insurance receivables	2,631	107	17%	2,045	29	20%
Other assets	-	-	0%	-	19	11%
	13,989	**107**	**16%**	**8,930**	**48**	**26%**
Liabilities						
Insurance contract reserves	32,121	213	62%	1,177	-	8%
Insurance payables	8,710	-	91%	4,068	-	89%
	40,831	**213**	**53%**	**5,245**	**-**	**18%**
Off – Balance; derivatives assets	*4,416*	-	*100%*	-	-	*100%*
Off – Balance; derivatives liabilities	*4,149*	-	*100%*	-	-	*100%*

29 Related Parties (Continued)

'000 GEL	2018			2017		
	Entities under common control	**Other related parties**	**Percent of total**	**Entities under common control**	**Other related parties**	**Percent of total**
Income Statement						
Earned Premium	26,705	335	52%	12,348	52	53%
Investment Income	563	-	35%	411	-	64%
Claims incurred	(33,787)	(22)	68%	(1,609)	(32)	14%
Acquisition Costs	(8,576)	-	68%	(4,063)	-	66%
Foreign exchange gain/losses	268	-	506%	-	-	0%
	(14,827)	**313**		**7,087**	**20**	

Bank deposits placed with related parties earn annual interest rate of 11.00% to 11.50%.
Entities under common control include TBC Group PLC subsidiaries.
Other related parties mostly comprise of TBC Bank Group PLC Top Management and organisations related to TBC Bank Group PLC Top Management.

30 Significant accounting policies

The consolidated 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 financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Consolidated 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.

30 Significant accounting policies (Continued)

(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.

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

30 Significant accounting policies (Continued)

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.

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 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.

30 Significant accounting policies (Continued)

(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 statement of profit or loss and other comprehensive income.

(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.

30 Significant accounting policies (Continued)

(vii) 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 2018 and 2017 no shortfall was identified and therefore there was no need for additional URR reserve.

(viii) 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.

(ix) Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

(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.

30 Significant accounting policies (Continued)

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.

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.

30 Significant accounting policies (Continued)

(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.

(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.

30 Significant accounting policies (Continued)

(f) 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.

(g) 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

30 Significant accounting policies (Continued)

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.

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.

(h) 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.

30 Significant accounting policies (Continued)

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.

31 Adoption of New or Revised Standards and Interpretations

The adopted accounting policies are consistent with those of the previous financial year. There were no new or amended standards or interpretations that resulted in a change of the accounting policy.

32 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 2019, and which the Group has not early adopted.

Of those standards that are not yet effective, IFRS 9 and IFRS 17 are expected to have a significant impact on the Group's consolidated financial statements in the period of initial application.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018);

  Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach);
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);

Amendments to IAS 40 – "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Major new IFRSs:

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group decided that it will apply the standard using the modified retrospective method, without restatement of comparatives. The Group recognised a right of use asset of GEL 2,591 thousand against a corresponding lease liability on 1 January 2019.

32 New Standards and interpretations not yet adopted (Continued)

In thousands of GEL	**31 December 2018 / 1 January 2019**
Total future minimum lease payments for non-cancellable operating leases (note 27)	881
- Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	2,195
- Effect of discounting to present value	(485)
Total effect on the Right of the use asset and Lease Liability	**2,591**

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 recognizing 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 recognizing the loss immediately. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the

32 New Standards and interpretations not yet adopted (Continued)

judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

  Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

33 Business Combination

On 1 August 2018, the Group acquired e-commerce organization JSC Swoop. Total purchase consideration was 155 thousand GEL, from which 30 thousand GEL was paid at the moment of acquisition and 125 thousand GEL was paid in February 2019.

Details of the assets and liabilities acquired and goodwill arising are as follows:

'000 GEL	**Provisional Fair Values**
Cash and cash equivalents	51
Inventory	48
Property and equipment	14
Intangible assets	16
Other assets	92
Other liabilities	(70)
Fair value of acquired interest in net assets of subsidiary	**151**
Goodwill arising from the acquisition	4
Total purchase consideration	(155)
Less: cash and cash equivalents of subsidiary acquired	51
Outflow of cash and cash equivalents on acquisition	**(104)**

The acquired business combination contributed to the Group's total income with amount of 265 thousand GEL and to the Group's net profit with the negative amount of GEL (123) thousand from the date of acquisition to 31 December 2018. If the acquisition had occurred on 1st of January 2018, the contribution to the Group's total income for the year ended 31 December 2018 would have been of GEL 626 thousand and to net profit would have been negative of GEL (144) thousand.

34 Subsequent Events

On 4th January 2019, The Group acquired 90% of the share capital of All Property Ge LLC and obtained control through ability to cast majority of votes in general meeting of shareholders. This business combination, as well as Swoop JSC acquisition and G Commerce LLC incorporation is in line with TBC Bank Group PLC's strategic goals.

On 1st April 2019, The Group sold 100% of its subsidiaries to JSC TBC International - subsidiary of TBC Bank Group PLC.

The Group had 100% reinsured reported but not settled claim of GEL 28 million during the reporting year. The claim was closed during the subsequent period and the client is not liable to pay this amount any more.

JSC TBC Insurance was in compliance with capital requirements set by ISSSG during subsequent period of 2019.