BB Insurance JSC

International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2022

BB Insurance JSC

Table of Contents

BB Insurance JSC

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2022

Management of BB Insurance JSC is responsible for the preparation of the financial statements that present fairly the financial position of BB Insurance JSC (hereinafter – the "Company") as at 31 December 2022, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and notes to the financial statements in compliance with International Financial Reporting Standards ("IFRS").

In preparing the Company's financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Georgia;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2022 were approved by the Management Board of the Company on 15 May 2023.

On behalf of the Management Board:

Konstantine Sulamanidze	Vano Bagoshvili
CEO	CFO
15 May 2023	15 May 2023
Tbilisi	Tbilisi

Deloitte & Touche LLC
Tax ID: 204422240
King David Business Center, 15th floor
12 Merab Aleksidze Street
Tbilisi, 0171, Georgia

Tel: +995 (32) 224 45 66
Fax: +995 (32) 224 45 69
deloitte.ge

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Management of JSC BB Insurance

Opinion

We have audited the financial statements of JSC BB Insurance (hereinafter - the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report but does not include the financial statements and our auditor's report thereon. The Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Tamar Natsvlishvili
On Behalf of Deloitte & Touche LLC

Deloitte & Touche

15 May 2023
Tbilisi, Georgia

BB Insurance JSC

Statement of Financial Position
As at 31 December 2022

In Georgian Lari	Note	31 December 2022	31 December 2021
Cash and cash equivalents	6	430,303	448,975
Deposits with Banks	7	13,061,132	10,064,612
Investment securities held to maturity	8	300,115	300,230
Insurance receivables	9	6,113,393	5,541,225
Reinsurance receivables	27	406,434	210,973
Ceded share of insurance contract reserves	10	6,883,603	5,926,793
Invetment Property	11	1,624,309	1,657,459
Property, equipment, and intangible assets	12	80,149	113,496
Other assets	13	91,103	119,715
TOTAL ASSETS:		**28,990,541**	**24,383,478**
Share capital	18	6,000,000	6,000,000
Retained earnings		5,969,900	4,596,356
Profit for the year		2,335,391	1,373,544
TOTAL EQUITY:		**14,305,291**	**11,969,900**
Insurance contract reserves	10	8,373,129	6,912,263
Reinsurance commission reserve	14	544,080	470,835
Insurance and reinsurance payables	15	4,973,108	4,568,484
Other financial liabilities	16	274,797	166,956
Other liabilities	17	520,136	295,040
TOTAL LIABILITIES:		**14,685,250**	**12,413,578**
TOTAL LIABILITIES & EQUITY		**28,990,541**	**24,383,478**

The notes set out on pages 9-65 form an integral part of these financial statements.

Approved for issue and signed on behalf of the Management Board on 15 May 2023.

Konstantine Sulamanidze
CEO

Vano Bagoshvili
CFO

BB Insurance JSC

Statement of Profit or Loss and Other Comprehensive Income
As at 31 December 2022

In Georgian Lari	Note	2022	2021
Gross written premiums	19	17,198,673	13,383,526
Written premiums ceded to reinsurers	19	(12,260,881)	(10,771,337)
Net premiums written		**4,937,792**	**2,612,189**
Change in the gross reserve for unearned premiums	10, 20	(1,112,463)	(2,806,354)
Reinsurers' share of change in the reserve for unearned premiums	10, 20	867,249	2,788,834
Net earned premiums		**4,692,578**	**2,594,669**
Claims settled	10, 20	(2,709,854)	(2,402,197)
Reinsurance share in claims settled	10, 20	1,616,099	1,526,330
Change in claims provisions	20	(348,404)	(459,445)
Reinsurance share in change in claims provisions	20	89,562	333,360
Subrogation and recoveries		634,788	525,598
Net claims incurred		**(717,809)**	**(476,354)**
Interest income	21	1,517,531	1,158,000
Reinsurance commission income		606,933	809,840
Acquisition costs		(350,228)	(102,137)
Impairment charge	25	(314,736)	(131,128)
Total insurance and investment activities result		**5,434,269**	**3,852,890**
Salaries & other employee benefits	22	(1,723,802)	(1,524,128)
General and administrative expenses	23	(681,692)	(485,678)
Foreign exchange (losses)/gains		(909)	15,696
Other operating expenses	24	(221,522)	(220,778)
Income before tax		**2,806,344**	**1,638,002**
Income tax expense	26	(470,953)	(264,458)
Net income		**2,335,391**	**1,373,544**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,335,391**	**1,373,544**

The notes set out on pages 9-65 form an integral part of these financial statements.

Approved for issue and signed on behalf of the Management Board on 15 May 2023.

Konstantine Sulamanidze
CEO

Vano Bagoshvili
CFO

BB Insurance JSC

Statement of Cash Flows
for the Year Ended 31 December 2022

In Georgian Lari	2022	2021
Cash flows from operating activities		
Insurance premium received	7,706,079	5,000,963
Reinsurance premium paid	(1,833,767)	(1,175,778)
Net insurance premium received	**5,872,312**	**3,825,185**
Commission received from reinsurers	475,101	191,855
Cash received from subrogation and recoveries	264,423	314,494
Reinsurance received from claims paid	130,723	45,652
Interest received on bank current accounts	58,226	48,660
Insurance claims paid	(2,446,322)	(2,102,790)
Salaries and benefits paid	(1,633,278)	(1,450,588)
Agent fee paid	(335,605)	(98,390)
Cash paid to other suppliers of goods and services	(130,549)	(104,196)
Other operating expenses paid	(464,412)	(386,773)
Net cash flows from operating activities before income tax	**1,790,619**	**283,109**
Income tax paid	(266,043)	(265,939)
Net cash flows from/(used in) operating activities	**1,524,576**	**17,170**
Cash flows used in investing activities		
Acquisition of property and equipment and intangible assets	-	(4,975)
Placement on bank deposits	(12,398,224)	(9,570,000)
Withdrawal of bank deposits	9,570,000	8,260,000
Interest received	1,291,130	1,006,105
Net cash flows used in investing activities	**(1,537,094)**	**(308,870)**
Effect of exchange rates changes on cash and cash equivalents	(6,154)	11,773
Net increase in cash and cash equivalents	**(18,672)**	**(279,927)**
Cash and cash equivalents at the beginning of the year	**448,975**	**728,902**
Cash and cash equivalents at the end of the year	**430,303**	**448,975**

During the years ended 31 December 2022 and 31 December 2021, the Company performed the following non-cash transactions. These non-cash transactions were excluded from the statement of cash flows and presented separately below:

	2022	2021
Promissory note was exchanged to another promissory note of the same issuer	300,000	300,000

The Company also performs netting of reinsurance payables and reinsurance receivables based on the terms set in treaty agreements at the end of reporting period. Please refer to Note 27.

The notes set out on pages 9-65 form an integral part of these financial statements.

Approved for issue and signed on behalf of the Management Board on 15 May 2023.

Konstantine Sulamanidze
CEO

Vano Bagoshvili
CFO

BB Insurance JSC

Statement of Changes in Equity
for the Year Ended 31 December 2022

Georgian Lari	Share Capital	Retained Earnings	Total Equity
Balance as at 1 January 2021	**6,000,000**	**4,596,356**	**10,596,356**
Profit for 2021	-	1,373,544	1,373,544
Balance as at 31 December 2021	**6,000,000**	**5,969,900**	**11,969,900**
Profit for 2022	-	2,335,391	**2,335,391**
Balance as at 31 December 2022	**6,000,000**	**8,305,291**	**14,305,291**

The notes set out on pages 9-65 form an integral part of these financial statements.

Approved for issue and signed on behalf of the Management Board on 15 May 2023.

Konstantine Sulamanidze
CEO

Vano Bagoshvili
CFO

1. Reporting entity

(a) Organization and operations

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2022 for JSC BB Insurance (the “Company”).

JSC BB Insurance was incorporated on 11 December 2017 and is domiciled in Georgia.

Registering body is Revenue Service of Georgia, Tax code 406232214. The Company’s registered address is 1, Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia. The Company is a joint stock company limited by shares and was set up in accordance with Georgian regulations.

As of 31 December 2022, and 2021, the Company’s immediate parent is JSC “BasisBank”, incorporated in Georgia under the banking licence issued by the National Bank of Georgia (“NBG”) in 1993. JSC BasisBank owns three principal subsidiaries: JSC BB Insurance, JSC BB Leasing and Basis Asset Management Holding LLC with 100% share in each - together referred to as “the Group”.

As of 31 December 2022, and 2021, ultimate shareholders of the Company were Xinjiang Hualing Industry & Trade (Group) Co Ltd incorporated in People’s Republic of China (92.770%), Mr. Mi Zaiqi (6.547%) and other minority shareholders (0.682%). The parent is ultimately controlled by Mr. Mi Enhua, China, with 92.066% of stake in Xinjiang Hualing Industry & Trade (Group) Co Ltd.

The Company’s principal business activity is insurance business operations within Georgia. The Company has a life and non-life licenses issued by the Insurance State Supervision Service of Georgia on 27 December 2017.

(b) Georgian business environment

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

The Georgian insurance market continues its steady growth. Despite of volatile market conditions, where the financial sector’s resilience was tested against the backdrop of external shocks created by the pandemic of 2020 and later by the outbreak of Russian-Ukrainian war in 2022, the sector continued its steady growth, managing to remain stable and profitable avoiding significant losses.

The high economic growth in 2021 and 2022 was the key determinant of the sector’s development. Despite complicated economic and political situation in the region, Georgia performed strongly, the growth achieved in 2021 was maintained in 2022 reaching 10.1% year-over-year. Strong GDP growth was accompanied with the rise in international reserves and fiscal outperformance, the internal consumption increased significnalty mostly driven by a rebound in tourism and massive migration, followed by capital inflows and increased remittances following the outbreak of Russia-Ukraine war in February 2022.

1. Reporting entity (continued)

During 2022 the sector was highly impacted by high inflation prevailing for the most part of the year. The rise of claims settlements cost has significantly increased (settlements for vehicle accidents has risen approximately by 45%) at the same time because of FX currency drop, earning premiums in GEL has dropped accordingly.

BB insurance managed to contain negative effect on profit margins by amending policy prices and avoided marginal deficit. The increased prices have affected the sales particularly in retail business and BB Insurance shifted its activities to the corporates more significantly and it did deliver positive results.

Another setback was related to extra risks caused by the war in Ukraine and sanctions placed on Russian reinsurers. BB Insurance kept some exposures with Russian reinsurance companies in Aviation, but successfully replaced them with highly ranked reinsurance markets during 2022.

BB Insurance have some exposures with transportation companies ensuring their trailers and transported goods and often the rout goes through Russia and Ukrain. However, routes are not insured againts war risk, which is an exclusion. Thus, the war has no impact on risks side.

The overall market condition and stability ensure the sector's growth. Despite GWP steady growth over the decade the Insurance markets penetration remains small but intended changes in legislation and raising awareness among population and businesses stimulate and supports the growth of the market.

2. Basis of accounting

a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing. The financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises.

The Company has applied temporary exemptions from IFRS 9 *Financial Instruments* and IFRS 15 *Revenue From Contracs With Customers* as permitted by IFRS 4 *Insurance Contracts* (around 95% of the Company's liabilities comprise insurance liabilities) and has not previously adopted any version of IFRS 9 and IFRS 15. The Company will start the application of IFRS 9, IFRS 15 and IFRS 17 starting from 1 January 2023.

b) Going concern

These financial statements have been prepared assuming that the Company is a going concern and will continue operation for the foreseeable future. Management has, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2. Basis of accounting (continued)

c) Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these financial statements are presented.

d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of 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 made the following critical judgments involving estimations in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in these financial statements.

Insurance contract liabilities

Major assumptions refer to uncertainty regarding insurance contract liabilities. For insurance contract provisions, estimates have to be made both for the expected ultimate cost of claims reported but not settled at the reporting date ("RBNS") and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR"). The Company makes estimates of claims reserves on an undiscounted basis. The assumptions used in the estimation of insurance liabilities are intended to resultin 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 Company 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 carrying amount of IBNR reserve net of reinsurance as at 31 December 2022 was 39 thousand GEL (2021: 13 thousand GEL).

The Company does not provide IBNR provision for non-life insurance products. According to the policies issued, the client is obliged to inform the Company about the accident in 24 hours from the accident, otherwise the claim will be dismissed. There could be only one day gap from the accident date till the reporting date.

Reserves do not represent an exact calculation of liability, but instead represent estimates, at a given accounting date. These reserve estimates are expectations of what the ultimate settlement and administration of claims will cost based on the Company's assessment of facts and circumstances then known, review of historical settlement patterns, estimates of trends in claims severity, frequency and other factors. The process of estimating the insurance claims reserves is based on the most current information available at the time the reserves are originally established.

2. Basis of accounting (continued)

However, claims reserves are subject to change due to the number of variables which affect the ultimate cost of claims, such as:

- Development in claims (frequency, severity and pattern of claims) between the amount estimated and actual experience;
- Changes arising due to the time lag between the occurrence of the insured event, notification of the claim (from the insured party or a third party) and the final settlement (payment) of the claim;
- Regulatory and legislative changes;
- Political and economic situation which might change some of the correlated macroeconomic parameters (inflation, foreign exchange rates, investment income rates).

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

3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company 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.

(b) Insurance contracts

(i) Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the “policyholder”) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the “insured event”) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is risk other than financial risk.

3. Significant accounting policies (continued)

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 Company 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 Company from the policyholder is not significant are classified as financial instruments.

(ii) Recognition and measurement of contracts

Premiums

Gross premiums written comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period using the daily pro-rata method. Outward reinsurance premiums are recognised as an expense in accordance with the daily pro-rata method. The portion of outward reinsurance premiums not recognised as an expense is treated as a prepayment.

Policy cancellations

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

Unearned premium reserve

The reserve for unearned premiums (“UPR”) 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 Company 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.

3. Significant accounting policies (continued)

(i) 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 Company'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 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.

(ii) Reinsurance

The Company 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 Company 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 Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company 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.

(iii) Reinsurance commission reserve

The Company 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

3. Significant accounting policies (continued)

premiums is recognized in proportion to reinsurance premiums earned. Changes in deferred commission income on reinsurance ceded are recorded in the statement of profit or loss and other comprehensive income.

(iv) Acquisition costs

Acquisition costs represent commissions to insurance agents and brokers and other costs directly related to acquisition. Acquisition costs become due when customers that were attracted by the relevant insurance agents and brokers pay insurance fee to the Company. In case of advance payment of acquisition costs they are carried forward to future periods and later amortised in line with unearned premium reserve over the term of the contract.

(v) Liability adequacy test

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums 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 an additional reserve (unexpired risk reserve) is established. During 2022 and 2021 no shortfall was identified.

(vi) 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 Company reviews its insurance receivables to assess impairment on a regular basis.

(c) Financial instruments

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

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

The Company 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 Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company is recognised as a separate asset or liability.

The Company 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 Company 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.

3. Significant accounting policies (continued)

(ii) 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.

(iii) *Cash and cash equivalents*

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

(iv) Deposits with banks

Deposits with banks are recorded when the Company advances money to banks with maturity of more than three months. Amounts due from other banks are carried at amortised cost.

(v) Non-derivative financial liabilities - measurement

The Company 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.

(vi) Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company 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 Company 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 Company and all counterparties.

Reinsurance payables and reinsurance receivables are netted upon valuation of net positions due to or from with a reinsurer based on the terms set in treaty agreements at the end of reporting period.

(vii) 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.

(viii) 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.

3. Significant accounting policies (continued)

(d) 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 Company on terms that the Company would not consider otherwise;
- indications that a debtor will enter bankruptcy;
- economic conditions that correlate with defaults.

(ii) Financial assets measured at amortised cost

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

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When the Company 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.

(iii) Non-financial assets

The carrying amounts of the Company'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.

3. Significant accounting policies (continued)

For the purpose of impairment testing, assets that cannot be tested individually are combined 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 cash generating unit (“CGU”). The Company’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.

(e) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognised impairment loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(f) Premises and equipment

Premises and equipment are stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises

3. Significant accounting policies (continued)

and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

If there is no market based evidence of fair value, fair value is estimated using an income approach. The Company conducts appropriate appraisal of the carrying value of buildings measured in accordance with the revaluation model at the end of the reporting period using market based evidence to ensure that the fair value of the property has not changed significantly to lead to revaluation and is satisfied that sufficient market based evidence is available to support the current fair values.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation

Construction in progress are not depreciated. Depreciation of other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Office and computer equipment	5

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

g) Intangible assets

The Company's intangible assets have definite useful life and primarily include capitalised computer software and licences. Acquired computer software licences are capitalised on the basis of the costs incurreds to acquire and bring to use the specific software.

3. Significant accounting policies (continued)

Capitalised costs include costs of the software development service made by external contractors. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software without functional maturity is amortised on a straight line basis over expected useful lives of 7 years.

(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.

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 1 January 2024, 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 1 January 2024 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 insurance companies registered in Georgia will not be subject to income tax attributable to the period profit (before distribution in a form of

3. Significant accounting policies (continued)

dividend or other forms of profit distributions) from 1 January 2024 and hence, no deferred income tax assets and liabilities will arise, there on.

4. Adoption of New or Revised Standards and Interpretations

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 *Reference to the Conceptual Framework*	The Company has adopted the amendments to IFRS 3 *Business Combinations* for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 *Property, Plant and Equipment— Proceeds before Intended Use*	The Company has adopted the amendments to IAS 16 *Property, Plant and Equipmen*t for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*

The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

5. New Standards and Interpretations not yet adopted

New and revised IFRS Standards in issue but not yet effective. At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
IFRS 9	Financial instruments: Classification and measurement
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.

In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

5. New Standards and Interpretations not yet adopted (continued)

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The management anticipate that the adoption of IFRS 17 will have a significant impact on the financial statements in future periods. The company has not finalized its assessment of the effect of application of IFRS 17 yet.

IFRS 9 Financial instruments: Classification and measurement

IFRS 9 became mandatorily effective for the annual periods beginning on or after 1 January 2018, with early application permitted and transitional rules apply. The Company met the eligibility criteria for temporary exemption under the Amendments to IFRS 4 from applying IFRS 9 and has accordingly deferred the adoption of IFRS 9 until 1 January 2023.

The Company is implementing this standard in conjunction with IFRS 17 as permitted. IFRS 9 replaces the existing IAS 39 ‘Financial Instruments – Recognition and Measurement’.

Under IFRS 9, all financial assets will be measured either at amortised cost or fair value and the basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. In relation to the impairment of financial assets, IFRS 9 requires the use of an expected credit loss model, as opposed to the incurred credit loss model required under IAS 39. The expected credit loss model will require the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In addition, the general hedge accounting requirements have been updated under IFRS 9 to better reflect risk management activities.

The management anticipate that the adoption of IFRS 9 will have a significant impact on the financial statements in future periods. The company has not finalized its assessment of the effect of application of IFRS 9 yet.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

5. New Standards and Interpretations not yet adopted (continued)

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The management anticipate that the application of these amendments may have an impact on the financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

5. New Standards and Interpretations not yet adopted (continued)

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error;
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments *to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

5. New Standards and Interpretations not yet adopted (continued)

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

6. Cash and cash equivalents

In Georgian Lari	December 31, 2022	December 31, 2021
Current Accounts	430,303	448,975
Total cash and cash equivalents	**430,303**	**448,975**

Credit ratings of cash and cash equivalents were as follows:

	December 31, 2022	December 31, 2021
BB	4,519	42,077
B	422,039	49,477
Not rated	3,745	357,421
Total	**430,303**	**448,975**

As at 31 December 2022 there were two placements with unrated Georgian banks (2021: there were two significant placements with unrated Georgian banks).

7. Deposits with Banks

In Georgian Lari	December 31, 2022	December 31, 2021
JSC Credo Bank	9,657,008	7,176,231
JSC Pasha Bank Georgia	3,239,875	-
JSC TBC Bank	109,419	-
JSC BasisBank	54,830	54,701
JSC Hayk Bank	-	2,833,680
Total bank deposits	**13,061,132**	**10,064,612**

As at 31 December 2022 and 2021 out of total amount of deposit placed in banks, 7,200,000 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:

In Georgian Lari	December 31, 2022	December 31, 2021
BB	109,419	2,833,680
B	54,829	54,701
Not rated	12,896,884	7,176,231
Total	**13,061,132**	**10,064,612**

Bank deposit balances are neither past due, nor impaired. Bank deposits are represented by placements with Georgian commercial banks in Georgian Lari. Bank deposit placed with related party (BasisBank JSC) earn annual interest rate of 11% (2021: 11%). Refer to Note 32.

The remaining maturity and average interest rates of deposits as at 31 December 2022 and 2021 were as follows:

In Georgian Lari	December 31, 2022		December 31, 2021	
	Avg. %	Amount	Avg. %	Amount
From 1 to 6 months	12.7%	1,119,902	11.0%	922,776
From 6 to 12 months	14.3%	11,941,229	13.2%	9,141,836
Total	14.2%	**13,061,132**	**13.0%**	**10,064,612**

As at 31 December 2022, 54,829 GEL (2021: 54,701 GEL) from deposits placed in parent company (BasisBank JSC) was pledged under a Guarantee agreement received from the parent. Refer to Note 32.

8. Investment securities held to maturity

In Georgian Lari	December 31, 2022	December 31, 2021
Promissory notes	300,115	300,230
Total investments in debt securities	**300,115**	**300,230**

Investment securities held to maturity comprise promissory notes from “JSC Swiss Capital” with the rating of B- and face value of GEL 300,000 (2021: promissory notes purchased from “JSC Swiss Capital” with the rating of B- and the face value of GEL 300,000). In September 2022, upon its maturity the old promissory note was exchanged for another promissory note of the same issuer with the same face value. Maturity of the promissory note held as at 31 December 2022 is 14 September 2023.

9. Insurance receivables

In Georgian Lari	December 31, 2022	December 31, 2021
Insurance receivables, gross:		
Life insurance contracts	143,888	60,400
General insurance contracts	5,683,696	5,276,046
Subrogation Receivable	1,014,303	618,538
Less - provision for impairment for amounts due from policyholders:		
General insurance contracts	(133,172)	(58,338)
Subrogation Receivable	(595,322)	(355,421)
Insurance receivables, net	**6,113,393**	**5,541,225**

10. Insurance contract reserves and Ceded share of insurance contract reserves

In Georgian Lari	December 31, 2022	December 31, 2021
Insurance contract reserves		
Unearned premiums reserves	7,111,292	5,998,830
Reported but not settled claims	1,222,471	900,543
Incurred but not reported claims	39,366	12,890
Total insurance contract reserves	**8,373,129**	**6,912,263**
Ceded share of insurance contract reserves		
Unearned premiums reserves	(6,179,413)	(5,312,164)
Reported but not settled claims	(704,190)	(614,629)
Ceded share of insurance contract reserves	**(6,883,603)**	**(5,926,793)**
Insurance contracts reserves net of reinsurance		
Unearned premiums reserves	931,879	686,666
Reported but not settled claims	518,281	285,914
Incurred but not reported claims	39,366	12,890
Total insurance contract reserves net of reinsurance	**1,489,526**	**985,470**

10. Insurance contract reserves and Ceded share of insurance contract reserves (continued)

Unearned Premium Reserve	December 31, 2022			December 31, 2021		
In Georgian Lari	Unearned premium reserve	Reinsurers share in unearned premium reserve	Net	Unearned premium reserve	Reinsurers share in unearned premium reserve	Net
Life Insurance	-	-	-	-	-	-
Motor Insurance	1,230,960	(666,248)	564,712	1,362,347	(941,403)	420,944
Property Insurance	405,951	(324,968)	80,983	418,646	(330,178)	88,468
Aviation Insurance	4,823,899	(4,823,899)	-	3,865,738	(3,856,883)	8,855
Third Party Liability (Compulsory)	215,489	-	215,489	124,594	-	124,594
Other	434,993	(364,298)	70,695	227,505	(183,700)	43,805
Total	**7,111,292**	**(6,179,413)**	**931,879**	**5,998,830**	**(5,312,164)**	**686,666**

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

RBNS Reserve	December 31, 2022			December 31, 2021		
In Georgian Lari	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	275,172	(216,389)	58,783	90,756	(75,388)	15,368
Motor Insurance	762,885	(409,811)	353,074	751,639	(513,516)	238,123
Property Insurance	82,200	(77,190)	5,010	8,600	(8,237)	363
Aviation Insurance	-	-	-	-	-	-
Third Party Liability (Compulsory)	85,238	-	85,238	27,688	-	27,688
Other	16,976	(800)	16,176	21,860	(17,488)	4,372
Total	**1,222,471**	**(704,190)**	**518,281**	**900,543**	**(614,629)**	**285,914**

10. Insurance contract reserves and Ceded share of insurance contract reserves (continued)

		December 31, 2022			December 31, 2021		
	In Georgian Lari	Insurance contract reserves	Reinsurers' share of insurance contract reserves	Net	Insurance contract reserves	Reinsurers' share of insurance contract reserves	Net
a	Life Insurance Contracts	314,538	(216,389)	98,149	103,646	(75,388)	28,258
b	General Insurance Contracts	8,058,591	(6,667,214)	1,391,377	6,808,617	(5,851,405)	957,212
	Total Insurance Contract Reserves	**8,373,129**	**(6,883,603)**	**1,489,526**	**6,912,263**	**(5,926,793)**	**985,470**

		2022			2021		
	In Georgian Lari	Insurance contract reserves	Reinsurers' share of insurance contract reserves	Net	Insurance Contract reserves	Reinsurers' share of insurance contract reserves	Net
a	**At 1 January**	**103,646**	**(75,388)**	**28,258**	**27,077**	**(18,812)**	**8,266**
	Premiums written during the year	1,267,088	(479,764)	787,324	542,040	(284,244)	257,797
	Premiums earned during the year	(1,267,088)	479,764	(787,324)	(542,040)	284,244	(257,797)
	Claims incurred during the year	481,522	(349,003)	132,519	267,124	(203,865)	63,260
	Claims settled during the year	(297,106)	208,002	(89,104)	(197,270)	147,289	(49,981)
	Incurred but not reported claims	26,476	-	26,476	6,714	-	6,714
	At 31 December	**314,538**	**(216,389)**	**98,149**	**103,646**	**(75,388)**	**28,258**

10. Insurance contract reserves and Ceded share of insurance contract reserves (continued)

		2022			2021		
	In Georgian Lari	Insurance contract reserves	Reinsurers' share of Insurance contract reserves	Net	Insurance contract reserves	Reinsurers' share of Insurance contract reserves	Net
b	**At 1 January**	**6,808,617**	**(5,851,405)**	**957,212**	**3,619,386**	**(2,785,787)**	**833,599**
	Premiums written during the year	15,931,585	(11,781,116)	4,150,469	12,841,486	(10,487,093)	2,354,393
	Premiums earned during the year	(14,819,122)	10,913,868	(3,905,254)	(10,035,132)	7,698,259	(2,336,873)
	Claims incurred during the year	2,550,259	(1,356,658)	1,193,601	2,587,803	(1,655,825)	931,978
	Claims settled during the year	(2,412,748)	1,408,097	(1,004,651)	(2,204,926)	1,379,041	(825,885)
	At 31 December	**8,058,591**	**(6,667,214)**	**1,391,377**	**6,808,617**	**(5,851,405)**	**957,213**

10. Insurance contract reserves and Ceded share of insurance contract reserves (continued)

In Georgian Lari	2022	2021
Movement of Claims Reserves		
Reserves for claims, beginning of the year	**913,433**	**453,988**
Reserves for claims, reinsurance share, beginning of the year	(614,629)	(281,268)
Net reserves for claims, beginning of the year	298,804	172,720
Claims incurred during the year	3,031,783	2,854,928
Claims settled during the year	(2,709,854)	(2,402,197)
Incurred but not reported claims	26,476	6,714
Claims incurred during the year reinsurance share	(1,705,661)	(1,859,691)
Claims settled during the year reinsurance share	1,616,099	1,526,330
Net reserves for claims, end of the year	557,647	298,804
Reserves for claims, reinsurance share, end of the year	704,190	614,629
Reserves for claims, end of the year	**1,261,837**	**913,433**

In Georgian Lari	2022	2021
Movement of premium reserves		
Gross unearned insurance premium reserve, beginning of the year	5,998,830	3,192,475
Unearned insurance premium reserve, reinsurance share, beginning of the year	(5,312,164)	(2,523,330)
Net unearned insurance premium reserve, beginning of the year	686,666	669,146
Change in unearned insurance premium reserve	1,112,463	2,806,354
Change in unearned insurance premium reserve, reinsurance share	(867,249)	(2,788,834)
Net change in unearned insurance premium reserve	245,214	17,520
Net unearned insurance premium reserve, end of the year	931,879	686,666
Unearned insurance premium reserve, reinsurance share, end of the year	6,179,413	5,312,164
Gross unearned insurance premium reserve, end of the year	**7,111,292**	**5,998,830**

11. Investment property

In Georgian Lari	2022	2021
Cost as at 1 January	**1,657,459**	**-**
Transfer from property and equipment	-	1,657,459
Cost as at December 31	**1,657,459**	**1,657,459**
Accumulated depreciation as at 1 January	-	-
Depreciation charge	(33,150)	-
Accumulated depreciation as at 31 December	**(33,149)**	**-**
Net Book Value 31 December	**1,624,309**	**1,657,459**

As at 31 December 2022, the fair value of the investment property is GEL 2,350,740 (2021: GEL 1,977,818), which was determined based on the valuation performed by the Company's internal valuers using the market approach.

12. Property and equipment

In Georgian Lari	Buildings and other real estate	Furniture and equipment	Vehicles	Intangible Assets	Total
Cost					
January 1, 2021	**1,657,459**	**68,796**	**19,200**	**100,133**	**1,845,588**
Additions	-	4,975	-	-	4,975
Transfers to investment property	(1,657,459)	-	-	-	(1,657,459)
As at 31 December 2021	**-**	**73,771**	**19,200**	**100,133**	**193,104**
As at 31 December 2022	**-**	**73,771**	**19,200**	**100,133**	**193,104**
Accumulated depreciation					
January 1, 2021	**-**	**19,304**	**8,911**	**18,640**	**46,855**
Depreciation charge	-	13,893	3,840	15,020	32,753
December 31, 2021	**-**	**33,197**	**12,751**	**33,660**	**79,608**
Depreciation charge	-	14,487	3,840	15,020	**33,347**
December 31, 2022	**-**	**47,684**	**16,591**	**48,680**	**112,955**
Net book value					
As at December 31, 2021	**-**	**40,574**	**6,449**	**66,473**	**113,496**
As at December 31, 2022	**-**	**26,087**	**2,609**	**51,453**	**80,149**

13. Other assets

In Georgian Lari	December 31, 2022	December 31, 2021
Salvages	24,139	46,860
Income tax prepayment	-	25,016
Prepayments to Compulsory Insurance Center	23,529	23,529
Prepayments	12,683	9,051
Deferred tax assets	30,752	15,259
Total other assets	**91,103**	**119,715**

14. Reinsurance commission reserve

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

15. Insurance and reinsurance payables

In Georgian Lari	December 31, 2022	December 31, 2021
Reinsurance Premium Payable	4,705,587	4,481,436
Agents Commission Payable	267,521	87,048
Total Insurance and Reinsurance payables	**4,973,108**	**4,568,484**

16. Other financial liabilities

In Georgian Lari	December 31, 2022	December 31, 2021
Payable to ISSSG	160,862	105,772
Payables for professional services	95,651	43,862
Other creditors	18,284	17,322
Total other financial liabilities	**274,797**	**166,956**

17. Other liabilities

In Georgian Lari	December 31, 2022	December 31, 2021
Accruals for employee compensation	303,276	274,204
Advances received	18,041	12,620
Taxes payable	195,104	8,137
Other liabilities	3,715	79
Total other liabilities	**520,136**	**295,040**

18. Equity

	Number of outstanding shares	Ordinary shares	Total
At 1 January 2021	**6,000,000**	**6,000,000**	**6,000,000**
At 31 December 2021	**6,000,000**	**6,000,000**	**6,000,000**
At 31 December 2022	**6,000,000**	**6,000,000**	**6,000,000**

As at 31 December 2022 the total authorized number of ordinary shares is 6,000,000 (2021: 6,000,000), with a par value of GEL 1 per share (2021: GEL 1 per share). As at 31 December 2022 the number of ordinary issued shares is 6,000,000 (2021: 6,000,000 shares). All issued ordinary shares are fully paid. Each ordinary share carries one voting right.

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 company.

In accordance with Georgian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with local regulatory standards.

No dividends were declared or paid in 2022 and 2021.

19. Net earned premiums

In Georgian Lari	2022	2021
Premium written on life insurance contracts	1,267,088	542,040
Premium written on general insurance contracts	15,931,585	12,841,486
Total premiums written	**17,198,673**	**13,383,526**
Change in gross reserves for general unearned premiums	(1,112,463)	(2,806,354)
Total earned premiums	**16,086,210**	**10,577,172**
Reinsurers' earned premium on life insurance contracts	(479,763)	(284,244)
Reinsurers' earned premium on general insurance contracts	(10,913,869)	(7,698,259)
Total net earned premiums	**4,692,578**	**2,594,669**

Premium earned per product:

	2022			2021		
In Georgian Lari	Total premium earned	Reinsurance premium earned	Net premium earned	Total Premium earned	Reinsurance premium earned	Net premium earned
Aviation Insurance	8,106,867	8,103,111	3,756	5,111,480	5,108,332	3,148
Third Party Liability (Compulsory)	2,242,968	-	2,242,968	1,255,406	-	1,255,406
Motor Insurance	2,581,963	1,681,269	900,694	2,452,490	1,620,021	832,469
Property Insurance	698,867	546,678	152,189	683,428	531,937	151,491
Life Insurance	1,267,088	479,764	787,324	542,040	284,244	257,796
Other	1,188,457	582,810	605,648	532,328	437,969	94,359
Total premium earned	**16,086,210**	**11,393,632**	**4,692,578**	**10,577,172**	**7,982,503**	**2,594,669**

Premium written per product:

In Georgian Lari	2022	2021
Aviation Insurance	9,065,028	7,657,951
Third Party Liability (Compulsory)	2,333,863	1,275,348
Motor Insurance	2,450,576	2,650,081
Property Insurance	686,172	711,499
Life Insurance	1,267,088	542,040
Other	1,395,946	546,607
Total premium written	**17,198,673**	**13,383,526**

19. Net earned premiums (continued)

Included in other premium written is Insurance against financial losses issued to the parent company - BasisBank JSC - for the acquired portfolio from VTB Bank Georgia in 2022 in the amount of GEL 787,248. Insurance for financial loss is gradually replaced with life insurance coverage and will expire during 2023.

During the year ended 31 December 2022, the Company recorded GWP from transactions with related parties in the amount of 2,057,421 GEL (2021: 3,352,556 GEL), which exceeds 10% of the total GWP for the period.

20. Net claims incurred

In Georgian Lari	2022	2021
Life insurance claims settled	297,106	197,270
General insurance claims settled	2,412,748	2,204,926
Reinsurer's share of life insurance claims settled	(208,002)	(147,289)
Reinsurer's share of general insurance claims settled	(1,408,097)	(1,379,041)
Total net claims settled	**1,093,755**	**875,866**
Gross change in reported but not settled claims	321,928	452,731
Incurred but not reported claims	26,476	6,713
Reinsurer's share of change in reported but not settled claims	(89,562)	(333,360)
Subrogation and Recoveries	(634,788)	(525,598)
Net claims incurred	**717,809**	**476,354**

20. Net claims incurred (continued)

Distribution of claims incurred for contracts entered into force during 2022 and 2021 between product types are set out below:

2022 ***In Georgian Lari***	**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	297,106	275,172	572,278	208,002	216,389	424,391
Motor Insurance	2,094,632	762,884	2,857,516	1,326,500	409,811	1,736,311
Property Insurance	9,389	82,200	91,589	8,043	77,190	85,233
Aviation Insurance	-	-	-	-	-	-
Third Party Liability (Compulsory)	242,697	85,238	327,935	-	-	-
Other	66,030	16,977	83,007	73,555	800	74,355
Total	**2,709,854**	**1,222,471**	**3,932,325**	**1,616,100**	**704,190**	**2,320,290**

2021 ***In Georgian Lari***	**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	197,270	90,756	288,026	147,289	75,388	222,676
Motor Insurance	2,005,667	751,639	2,757,306	1,310,880	513,516	1,824,397
Property Insurance	66,776	8,600	75,376	56,777	8,237	65,014
Aviation Insurance	-	-	-	-	-	-
Third Party Liability (Compulsory)	118,254	27,688	145,941	-	-	-
Other	14,230	21,860	36,090	11,384	17,488	28,872
Total	**2,402,197**	**900,543**	**3,302,739**	**1,526,330**	**614,629**	**2,140,959**

21. Interest income

In Georgian Lari	2022	2021
Interest income from deposits with banks	1,475,646	1,115,885
Interest income from debt securities	41,885	42,115
Total net interes income	**1,517,531**	**1,158,000**

22. Salaries and other employee benefits

In Georgian Lari	2022	2021
Salaries	1,229,902	1,129,392
Bonuses	476,008	377,286
Insurance and other benefits	17,892	17,450
Total salaries & other employee benefits	**1,723,802**	**1,524,128**

23. General and administrative expenses

In Georgian Lari	2022	2021
Supervisory fee	160,862	105,772
Audit and consulting	106,716	45,052
Claims Regulation costs	83,524	73,509
Rent	65,940	73,200
Depreciation	51,476	17,733
Post, Telecomm, Utilities	34,624	11,454
Marketing	27,610	32,802
Software	24,000	36,982
Amortization	15,020	15,020
Training costs	13,498	2,610
Repair & Maintenance	8,684	7,930
Business trip	8,641	244
Bank fees and other commissions	8,075	7,691
Other admin costs	73,022	55,679
Total General and administrative expenses	**681,692**	**485,678**

Professional service fee above includes GEL 106,716 (2021: GEL 45,052) 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.

24. Other operating expenses

In Georgian Lari	2022	2021
CIC* management fee	204,543	215,883
Property tax expense	16,979	4,895
Total other operating expenses	**221,522**	**220,778**

**CIC – Compulsory Insurance Center*

25. Allowance for Impairment

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

	Insurance Receivables	Subrogation	Total
At 1 December 2021	**(47,655)**	**(234,976)**	**(282,631)**
Impairment charge	(10,683)	(120,445)	(131,128)
At 31 December 2021	**(58,338)**	**(355,421)**	**(413,759)**
Impairment charge	(74,835)	(239,901)	**(314,736)**
At 31 December 2022	**(133,173)**	**(595,322)**	**(728,495)**

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

26. Income tax expense

(a) Components of income tax expense

Income tax expense comprises of the following:

In Georgian Lari	2022	2021
Current tax charge	(486,446)	(265,990)
Deferred tax asset	15,493	1,532
Income tax expense for the year	**(470,953)**	**(264,458)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The company's applicable income tax rate was 15% in 2022 (2021: 15%).

In Georgian Lari	2022	2021
Profit before tax	2,806,344	1,638,002
Theoretical tax charge at statutory rate (2022: 15%; 2021: 15%)	(420,952)	(245,700)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income items not recognized in P&L, but taxable from taxation viewpoint	(2,140)	(1,078)
- Non-deductible expenses and other permanent differences	(47,861)	(17,680)
Income tax expense for the year	**(470,953)**	**(264,458)**

On 13 May 2016 the Parliament of Georgia passed a bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law was planned to become effective from 1 January 2019.

On 28 December 2018, the law was further amended. The Financial Institution's transition to the new taxation system has to become effective from 1 January 2023, instead of 1 January 2019 but in December 2022 abovementioned announced was postponed once more.

Due to the nature of the new taxation system described above, the financial institutions registered in Georgia will not be subject to income tax attributable to the period profit (before distribution in a form of dividend or other forms of profit distributions) from 1 January 2024 and hence, no deferred income tax assets and liabilities will arise, there on.

26. Income tax expense (continued)

(c) Deferred taxes analyzed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Georgia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below:

In Georgian Lari	1 January, 2022	Credited/ (charged) to profit or loss	31 December, 2022
Tax effect of deductible/(taxable) temporary differences			
Premises, Investment property and equipment	11,410	7,725	19,135
Accruals	3,849	7,768	11,617
Net deferred tax asset	**15,259**	**15,493**	**30,752**

In Georgian Lari	1 January, 2021	Credited/ (charged) to profit or loss	31 December, 2021
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	9,878	1,532	11,410
Accruals	3,849	-	3,849
Net deferred tax liability	**13,727**	**1,532**	**15,259**

27. Offsetting financial assets and financial liabilities

As of 31 December 2022 and 2021, financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows:

	31 December 2022			31 December 2021		
In Georgian Lari	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)
Receivables from reinsurer	1,471,794	(1,401,511)	70,283	1,162,488	(1,080,390)	82,098
Reinsurance commission receivable	693,170	(357,019)	336,151	939,103	(810,228)	128,875
Total assets subject to offsetting, master netting and similar arrangement	**2,164,964**	**(1,758,530)**	**406,434**	**2,101,591**	**(1,890,618)**	**210,973**
Reinsurance Premium Payable	6,598,245	(1,758,530)	4,839,715	6,368,186	(1,890,618)	4,477,568
Total liabilities subject to offsetting, master netting and similar arrangement	**6,598,245**	**(1,758,530)**	**4,839,715**	**6,368,186**	**(1,890,618)**	**4,477,568**

28. 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 company's risk profile. The capital management of the Company 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 company thereby providing a degree of security to policyholders.

It is in the Company's interest to maintain adequate capital resources at all times and to fulfil respective minimum regulatory capital requirements. The primary source of capital used by the Company is financed through the issuance of shares. Maintaining a good capital base in the future is of crucial importance to the Company, both to allow the Company 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 Company has implemented controls over conformity of the composition and structure of the assets, enabling the Company to constantly maintain a minimum level of funds, placed in top Georgian banks.

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

ISSSG sets regulatory capital requirements in Georgia. ISSSG requirement is to maintain capital of GEL 7,200 thousand of which 100% percent should be kept at the banking institutions licensed in Georgia.

JSC BB Insurance was in compliance with capital requirements set by ISSSG during 2022 and 2021.

(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 Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. From December 2021, the minimum capital requirement increased to GEL 7,200 thousand.

The Company was in compliance with the externally imposed capital requirements as at 31 December 2022 and 2021.

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.

28. Capital management (continued)

From 31 December 2018 the minimum Regulatory Capital requirement was the higher of 100% of RSM or GEL 4,200 thousand. Starting from 31 December 2021 the minimum Regulatory Capital is the higher of 100% of RSM or GEL 7,200 thousand.

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

As at 31 December 2022 and 2021, the Company was in full compliance with the required level of Regulatory Capital.

29. Insurance risk management

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

The primary insurance activity carried out by the Company assumes the risk of loss from individuals or organisations that are directly subject to the risk. Such risks 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 Company is exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Company also has exposure to market risk through its insurance and investment activities. The Company 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 Company's underwriting strategy seeks diversity so that the Company'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 Company'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, also on a regular basis the board of directors monitors the trends of loss ratio and business profitability. Regular analysis triggers BOD to react accordingly, and to provide changes in the products pricing/specifications in order to maintain the desired loss ratio.

29. Insurance risk management (continued)

(ii) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys Treaty reinsurance for the biggest lines of business, Life, Casco, Cargo, GTPL 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 Company monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements and reinsurer international ratings periodically.

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

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

(i) Motor insurance

Product features

The Company 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.

The mandatory border motor third party liability insurance (“BMTPL”) in Georgia is provided by Compulsory Insurance Centre (“CIC”). CIC is a non-profit organization established according to the Civil Code of Georgia in January 2018 and its main function and responsibilities are to provide MTPL non-stop client services, realization of insurance policies and regulation of losses according to the Administrative law of Georgia which obliges the holder/driver of the foreign-registered motor vehicle registered in a foreign country to insure civil liability for the motor vehicle in ownership, during the full period of stay in Georgia. The compulsory insurance shall cover damages arising as a result of an insured event caused by the participation of the said vehicle or for reasons related to it.

The CIC is founded by insurers participating in the co-insurance system in order to manage compulsory insurance, these are 18 Georgian insurance companies including the Company. The center manages the sale of policies, manages the claims and distributes its profit and/or losses incurred equally among its board member companies.

29. Insurance risk management (continued)

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 Company 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 Company's current experience.

(ii) Property insurance

Product features

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

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

Management of risk

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

Underwriting risk is the risk that the Company 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 Company uses strict underwriting criteria to ensure that the risk of losses is acceptable to the Company. The Company reinsures its property risks by way of Excess of Loss, Surplus and Nat Cat treaties.

(iii) Life insurance

Product features

The Company 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.

29. Insurance risk management (continued)

Management of risk

The Company's underwriting strategy is to ensure that risks are well diversified by industry sectors and geography. The Company also has right to reject payment in case a fraudulent claim is identified. The Company uses reinsurance contracts for all life insurance risks and the exposure of risk is limited to 10% of total claim. One of the key risks associated with this product is the lag between the accident date and reporting date of the claim. Because of this risk, incurred but not reported claims reserve is set up for life insurance contracts, calculated according to the chain-ladder statistical methodology.

(iv) Aviation insurance

Product features

The Company issues aviation insurance contracts. The risks covered are damages made to aircraft hull, harm done to aircraft passengers and crew, harm or damage done to third parties and their property.

Management of risk

All aviation contracts represent fronting contracts, which means that 100% of the risk is ceded to the reinsurer. The Company itself does not pay any of the claims that insured clients make. 100% of written GWP is transferred to reinsurers, whereas the Company received commission income from the reinsurers.

(c) Concentrations of insurance risk

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

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 company, such as a particular geography.

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

(d) Claims development

Claims development information is disclosed in a triangle format in order to illustrate the insurance risk inherent in the Company. The first triangle shows the development of the cumulative claims paid on an accident year basis, while the second triangle shows the development of the reported but not settled

29. Insurance risk management (continued)

reserve on an accident year basis. Finally, the sum of these two triangles gives the incurred cumulative claims information. From the claims paid triangle it is seen that there was a significant increase in the claims paid amount since the accident year of 2020. The reported but not settled reserve triangle shows that in 2021 there was an increase in RBNS by about 2 times. These changes are associated with an increase in losses on CASCO and MTPL contracts. While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding at the end of 2022 is adequate.

Annual Paid Cumulative triangle - as at 31 December 2022:

Accident period \ Development period	0	1	2	3	4
2018	49,952	78,470	78,470	78,470	78,470
2019	1,376,603	1,545,160	1,545,160	1,555,006	
2020	2,118,378	2,315,595	2,339,124		
2021	2,086,726	2,450,312			
2022	2,070,193				

Annual RBNS Cumulative triangle - as at 31 December 2022:

Accident period \ Development period	0	1	2	3	4
2018	29,800	-	-	-	-
2019	194,841	17,000	10,000	-	
2020	381,460	54,768	33,367		
2021	808,087	379,751			
2022	724,113				

Annual Incurred Cumulative triangle - as at 31 December 2022:

Accident period \ Development period	0	1	2	3	4
2018	79,752	78,470	78,470	78,470	78,470
2019	1,571,445	1,562,160	1,555,160	1,555,007	
2020	2,499,838	2,370,362	2,372,493		
2021	2,894,813	2,830,063			
2022	2,794,308				

RBNS from BMTPL amounted 85,238 GEL (2021: 63,767 GEL).

(e) Reinsurance risk

The Company 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 Company’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 Company 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 Company considers their relative creditworthiness. The creditworthiness of the reinsurer is assessed mainly from publicly available information.

30. Fair values and risk management

(a) Fair value of financial assets and liabilities

A number of the Company'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 Company 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.

30. Fair values and risk management (continued)

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

	31 December 2022				31 December 2021			
In Georgian Lari	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS								
Cash and cash equivalents	430,303	-	-	430,303	448,975	-	-	448,975
Deposits with banks	-	13,271,013	-	13,061,132	-	10,305,798	-	10,064,612
Investment in securities held to maturity	-	300,115	-	300,115	-	328,630	-	300,230
Insurance receivables	-	-	6,113,393	6,113,393	-	-	5,541,225	5,541,225
Reinsurance receivables	-	-	406,434	406,434	-	-	210,973	210,973
NON-FINANCIAL ASSETS								
Investment properties	-	-	2,350,740	1,624,309	-	-	1,977,818	1,657,459
TOTAL ASSETS	**430,303**	**13,571,128**	**8,870,567**	**21,935,686**	**448,975**	**10,634,428**	**7,730,016**	**18,223,474**
LIABILITIES								
Insurance and reinsurance payables	-	-	4,973,108	4,973,108	-	-	4,568,484	4,568,484
Other financial liabilities	-	-	274,797	274,797	-	-	166,956	166,956
TOTAL LIABILITIES	**-**	**-**	**5,247,905**	**5,247,905**	**-**	**-**	**4,735,440**	**4,735,440**

All financial instruments are carried at amortised cost.

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

The valuation technique, inputs used in the fair value measurement for investment property and related sensitivity to reasonably possible changes in those inputs are as follows:

30. Fair values and risk management (continued)

	Fair value at 31 December				
In Georgian Lari	**2022**	**2021**	**Valuation technique**	**Inputs used**	**Relationship of unobservable inputs to fair value**
ASSETS AT FAIR VALUE					
NON-FINANCIAL ASSETS					
- Investment property	2,350,740	1,977,818	Market comparable approach	Price per square meter	The higher the price per square meter, the higher the fair value

(b) Presentation of financial instruments by measurement category

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

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 all financial assets were classified as (a) loans and receivables except for an investment in promissory note classified as (c) held to maturity. All of the Company’s financial liabilities were carried at amortised cost.

(c) Financial risk management

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

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

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

30. Fair values and risk management (continued)

(i) Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(ii) Credit risk

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

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

The Company 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 which includes and is not limited to checking international credit ratings of reinsurers.

Credit exposure

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

In Georgian Lari	31 December 2022	31 December 2021
Deposits with Banks	13,061,132	10,064,612
Insurance receivables	6,113,393	5,541,225
Cash and cash equivalents	430,303	448,975
Investment securities held to maturity	300,115	300,230
Reinsurance receivables	406,434	210,973
Total credit exposure	**20,311,377**	**16,566,015**

30. Fair values and risk management (continued)

The aging of insurance receivables at the reporting date was:

In Georgian Lari	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Not past due	1,488,199	-	1,567,969	-
Past due 0-30 days	740,638	10,048	2,571,224	-
Past due 31-90 days	3,213,558	8,077	1,188,968	46,284
Past due 91-180 days	229,331	29,148	90,377	48,793
Past due 181-270 days	134,022	56,893	60,176	29,561
Past due 271-365 days	58,144	29,418	110,438	56,351
Past due more than one year	977,995	594,911	365,831	232,769
Total	**6,841,887**	**728,495**	**5,954,983**	**413,758**

The Company is not subject to significant credit risk on receivables arising out of direct insurance operations with individuals 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 normally fully provides for impaired premium receivables after they are 365 days overdue.

(iii) Liquidity risk

Liquidity risk is the risk that the Company 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 Company. 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 Company 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 Company’s liquidity positions are reviewed by the management on a monthly basis.

30. Fair values and risk management (continued)

Maturity profiles

The Company uses maturity analysis in managing its liquidity risk. Most of the Company'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.

Georgian Lari	Demand and less than 1 month	1 month to 6 monts	6 to 12 months	More than 1 year	Total
At 31 December 2022					
Assets					
Cash and cash equivalents	430,303	-	-	-	430,303
Deposits with Banks	-	1,119,903	11,941,229	-	13,061,132
Investment securities held to maturity	-	-	300,115	-	300,115
Insurance receivables	638,047	67,148	5,408,197	-	6,113,393
Reinsurance receivables	309,683	-	96,751	-	406,434
Ceded share of insurance contract reserves	708,250	2,810,349	3,365,004	-	6,883,603
Total financial assets	**2,086,283**	**3,997,400**	**21,111,296**	**-**	**27,194,980**
Liabilities					
Insurance contract reserves	1,477,326	164,657	6,731,146	-	8,373,129
Commission payables	2,476	351,332	190,272	-	544,080
Reinsurance payables	-	2,002,861	2,970,247	-	4,973,108
Other financial liabilities	179,146	95,651	-	-	274,797
Total financial liabilities	**1,658,948**	**2,614,501**	**9,891,665**	**-**	**14,165,114**
Net liquidity gap	**427,335**	**1,382,899**	**11,219,631**	**-**	**13,029,866**
Cumulative liquidity gap	**427,335**	**1,810,234**	**13,029,866**	**13,029,866**	

30. Fair values and risk management (continued)

Georgian Lari	Demand and less than 1 month	1 month to 6 monts	6 to 12 months	More than 1 year	Total
At 31 December 2021					
Assets					
Cash and cash equivalents	448,975	-	-	-	448,975
Deposits with Banks	-	922,776	9,141,836	-	10,064,612
Investment securities held to maturity	-	-	300,230	-	300,230
Insurance receivables	425,493	692,584	4,423,148	-	5,541,225
Reinsurance receivables	86,440	16,165	108,368	-	210,973
Ceded share of insurance contract reserves	625,629	681,401	4,619,763	-	5,926,793
Total financial assets	**1,586,537**	**2,312,926**	**18,593,345**	**-**	**22,492,808**
Liabilities					
Insurance contract reserves	1,053,529	764,289	5,094,445	-	6,912,263
Commission payables	3,547	89,165	378,123	-	470,835
Reinsurance payables	625,345	705,102	3,238,037	-	4,568,484
Other financial liabilities	87,627	26,443	52,886	-	166,956
Total financial liabilities	**1,770,048**	**1,584,999**	**8,763,491**	**-**	**12,118,538**
Net liquidity gap	**(183,511)**	**727,927**	**9,829,854**	**-**	**10,374,270**
Cumulative liquidity gap	**(183,511)**	**544,416**	**10,374,270**	**10,374,270**	

(iv) Market risk

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

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

30. Fair values and risk management (continued)

(v) Geograpical Concentration

Georgian Lari	Georgia	OECD	Non-OECD	Total
At 31 December 2022				
Assets				
Cash and cash equivalents	430,303	-	-	430,303
Deposits with Banks	13,061,132	-	-	13,061,132
Investment securities held to maturity	300,115	-	-	300,115
Insurance receivables	6,113,393	-	-	6,113,393
Reinsurance receivables	-	-	406,434	406,434
Ceded share of insurance contract reserves	1,753,742	1,104,998	4,024,863	6,883,603
Total financial assets	**21,658,685**	**1,104,998**	**4,431,297**	**27,194,980**
Liabilities				
Insurance contract reserves	8,373,129	-	-	8,373,129
Commission payables	544,080	-	-	544,080
Reinsurance payables	828,987	872,888	3,271,233	4,973,108
Other financial liabilities	274,797	-	-	274,797
Total financial liabilities	**10,020,993**	**872,888**	**3,271,233**	**14,165,114**
Net position	**11,637,692**	**232,110**	**1,160,064**	**13,029,866**

Georgian Lari	Georgia	OECD	Non-OECD	Total
At 31 December 2021				
Assets				
Cash and cash equivalents	448,975	-	-	448,975
Deposits with Banks	10,064,612	-	-	10,064,612
Investment securities held to maturity	300,230	-	-	300,230
Insurance receivables	5,541,225	-	-	5,541,225
Reinsurance receivables	33,937	6,975	170,061	210,973
Ceded share of insurance contract reserves	1,136,899	293,156	4,496,738	5,926,793
Total financial assets	**17,525,878**	**300,131**	**4,666,799**	**22,492,808**
Liabilities				
Insurance contract reserves	6,912,263	-	-	6,912,263
Commission payables	32,649	217	437,969	470,835
Reinsurance payables	1,045,408	177,084	3,345,992	4,568,484
Other financial liabilities	166,956	-	-	166,956
Total financial liabilities	**8,157,276**	**177,301**	**3,783,961**	**12,118,538**
Net position	**9,368,602**	**122,830**	**882,838**	**10,374,269**

30. Fair values and risk management (continued)

(vi) Currency risk

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

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

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

	31 December 2022		31 December 2021	
In Georgian Lari	USD denominated	EUR denominated	USD denominated	EUR denominated
Cash and cash equivalents	15,423	489	22,797	8,355
Insurance receivables	4,903,161	-	4,394,863	8,227
Reinsurance receivables	276,789	-	1,585,191	7,784
Ceded share of insurance contract reserves	6,242,702	-	4,634,503	95,023
Insurance contract reserves	(5,828,007)	-	(4,970,648)	(97,101)
Reinsurance payables	(4,814,858)	-	(4,904,843)	(24,143)
Net Exposure	**795,210**	**489**	**761,863**	**(1,855)**

The following significant exchange rates have been applied:

	Average Rate	Reporting date spot rate
In GEL	**2022**	**31 December 2022**
USD	2.9156	2.7020
EUR	3.0792	2.8844

	Average Rate	Reporting date spot rate
In GEL	**2021**	**31 December 2021**
USD	3.2209	3.0976
EUR	3.814	3.504

30. Fair values and risk management (continued)

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:

In Georgian Lari	Strengthening Profit or (Loss) and Equity	Weakening Profit or (Loss) and Equity
31 December 2022		
USD (20% movement)	(159,042)	159,042
EUR (20% movement)	(98)	98
31 December 2021		
USD (20% movement)	(152,373)	152,373
EUR (20% movement)	371	(371)

(vii) Interest rate risk

Fluctuations in market interest rates may affect adversely the financial position and the results of operations of the Company.

As of 31 December 2022 and 2021 the Company had no exposure to floating rate interest bearing instrument, therefore, management believes that the Company does not have significant exposure to interest rate risk.

31. Contingencies

(a) Legal proceedings

There are no major legal disputes as of the reporting date which could have a material impact on the Company’s financial position.

(b) Taxation contingencies

Georgian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. A tax year remains open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

In accordance with Georgian transfer pricing legislation, there are reporting and documentation requirements. Tax authorities may assess additional tax charges in respect of certain transactions, including but not limited to transactions with related parties, if they consider transactions to be priced not at arm’s length.

31. Contingencies (continued)

Given the legislation and practice, the application and interpretation of tax legislation, particularly in respect of transfer pricing and transactions with related parties, remains subject to uncertainty and it is possible that material adjustments to tax liabilities may arise in the future. Management has reached certain judgements and interpretations in relation to compliance with all relevant tax legislation and in accordance with the guidance on accounting for uncertain tax items. The management believes that the judgments and interpretations made can be believed to be fair after considering all the relevant facts at the date of these financial statements.

32. Related parties

(a) Parent and ultimate controlling party

As of 31 December 2022 and 2021, the Company's immediate parent company was JSC "BasisBank" incorporated in Georgia. As of 31 December 2022 and 2021 ultimate shareholder of the Company were Xinjiang Hualing Industry & Trade (Group) Co Ltd incorporated in People's Republic of China (92.770%), Mr. Mi Zaiqi (6.547%) and other minority shareholders 0.682%.

(b) Key management remuneration

Key management includes Directors (executive).

	2022		2021	
In Georgian Lari	**Expense**	**Accrued Liability**	**Expense**	**Accrued Liability**
Salaries and bonuses	721,404	231,949	729,957	233,222
Insurance	2,007	-	2,092	-
Total key management compensation	**723,411**	**231,949**	**732,049**	**233,222**

32. Related parties (continued)

(a) Transactions with other related parties

The outstanding balances and related expense and income as for the year ended 31 December 2022 and 2021 with related parties are as follows:

	2022			2021		
In Georgian Lari	Entities Under Common Control*	Parent Company	Other*	Entities Under Common Control*	Parent Company	Other
Assets						
Cash and cash equivalents	-	422,037	-	-	49,413	-
Deposits with Banks	-	54,829	-	-	54,701	-
Insurance receivables	407,456	139,401	9,062	212,185	42,022	1,032,909
Total assets	**407,456**	**616,267**	**9,062**	**212,185**	**146,136**	**1,032,909**
Liabilities						
Insurance contract reserves	477,763	386,546	175,966	197,193	128,388	1,124,362
Total liabilities	**477,763**	**386,546**	**175,966**	**197,193**	**128,388**	**1,124,362**
Off – Balance; Guarantee received		*35,000*			*38,500*	

The guarantee is issued in favor of Compulsory Insurance Center (CIC) by the JSC BasisBank to cover unexpected losses which the ɦenter may incur during its operations, and the claim for the payment is refundable within 1 working day.

32. Related parties (continued)

	2022			2021		
In Georgian Lari	**Entities Under Common Control***	**Parent Company**	**Other***	**Entities Under Common Control***	**Parent Company**	**Other**
Income Statement						
Earned premium	664,246	1,810,116	290,495	243,083	545,631	1,944,544
Interest income	-	26,221	-	-	6,777	-
Claims Settled	(208,221)	(96,819)	(11,666)	(133,768)	(66,813)	(3,067)
Change in outstanding claims	(85,502)	(117,759)	(2,400)	(7,550)	32,967	(900)
Acquisition costs	-	(3,848)	-	-	(97)	-
Total	**370,523**	**1,617,911**	**276,429**	**101,765**	**518,465**	**1,940,577**

Bank deposits placed with related parties earn annual interest rate of 11%.

Entities under common control includes JSC Basis Bank's subsidiaries. Other related parties mostly comprise members of Hualing Group (subsidiaries of ultimate shareholder, etc).

33. Events after the reporting period

Subsequent to the year end, Vano Bagoshvili was appointed as the Company's CFO.