

# **JSC INSURANCE COMPANY CARTU**

**Standalone Financial Statements**

For the year ended 31 December 2025

Together with Independent Auditor's Report

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## **INDEPENDENT AUDITOR'S REPORT**

To the shareholders and the supervisory board of JSC INSURANCE COMPANY CARTU

### **Opinion**

We have audited the standalone financial statements of **JSC Insurance Company CARTU** (hereinafter - the Company), which comprise the standalone statement of financial position as at 31 December 2025, and the standalone statement of profit or loss and other comprehensive income, standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the company as at 31 December 2025, and its standalone financial performance and its standalone 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 standalone 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the standalone 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**

The company's Management is responsible for the other information. The other information comprises the information included in the management report for the year ended 31 December 2025, which we obtained prior to 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Other matter paragraph**

The financial statements of the Company for the year ended 31 December 2024, which are presented as comparative information, were audited by another auditor who expressed unqualified opinion on those financial statements.

### **Responsibilities of Management and Those Charged with Governance for the standalone financial statements**

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

In preparing the standalone 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 standalone financial reporting process.

### **Auditor's Responsibilities for the Audit of the standalone financial statements**

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is:

March 31, 2026

RSM Georgia

(Reg. # SARAS-F-279563)

Engagement Partner: Ali Murtza

(Reg. # SARAS-A-577214)



## RSM Georgia

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### INDEPENDENT AUDITOR'S REPORT

To the shareholders and the supervisory board of JSC INSURANCE COMPANY CARTU

#### Opinion

We have audited the standalone financial statements of **JSC Insurance Company CARTU** (hereinafter - the Company), which comprise the standalone statement of financial position as at 31 December 2025, and the standalone statement of profit or loss and other comprehensive income, standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the company as at 31 December 2025, and its standalone financial performance and its standalone 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 standalone 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the standalone 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

The company's Management is responsible for the other information. The other information comprises the information included in the management report for the year ended 31 December 2025, which we obtained prior to 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Other matter paragraph**

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- 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is:


March 31, 2026

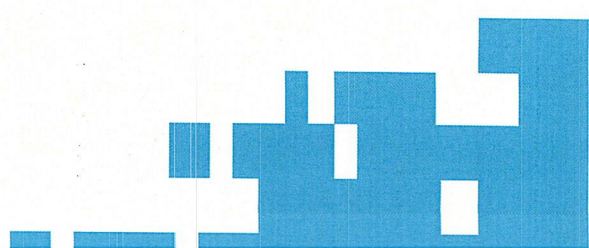
RSM Georgia

(Reg. # SARAS-F-279563)

Engagement Partner: Ali Murtza

(Reg. # SARAS-A-577214)

RSM Georgia  
A handwritten signature in blue ink, appearing to be "Ali Murtza", written over a large blue oval scribble.



JSC INSURANCE COMPANY CARTU

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

(In 000' GEL)

	Note	2025	2024
Insurance revenue	6	7,836	7,540
Insurance service expenses	7	(6,576)	(3,264)
Result from reinsurance contracts held	8	1,518	(1,193)
<b>Insurance service result</b>		<b>2,778</b>	<b>3,083</b>
Other operating expenses	9	(2,234)	(1,971)
Impairment charge of issued loan		(29)	(2,049)
<b>Operating profit</b>		<b>515</b>	<b>(937)</b>
Financial income, net	10	1,508	1,500
Exchange rate difference gain/(loss)		106	141
<b>Profit before tax</b>		<b>2,129</b>	<b>704</b>
Income tax expenses		-	-
<b>Profit for the year</b>		<b>2,129</b>	<b>704</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,129</b>	<b>704</b>

The standalone financial statements have been approved for issue on behalf of the management on 31 March 2026 by the following persons:

Executive Director

\_\_\_\_\_

Z. Chachkhiani

Financial Director

\_\_\_\_\_

G. Lebanidze

JSC INSURANCE COMPANY CARTU

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

(In 000' GEL)

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Executive Director

Financial Director



Z. Chachkhiani

G. Lebanidze

JSC INSURANCE COMPANY CARTU

STANDALONE STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

(\*000 GEL)

	Note	31.12.2025	31.12.2024
<b>Assets</b>			
Cash and cash equivalents	11	853	2,119
Bank deposits	12	17,672	14,285
Other assets		286	280
Reinsurance contract assets	14	5,282	2,766
Right of use assets	15	348	464
Property, equipment and intangible assets		60	65
<b>Total assets</b>		<b>24,501</b>	<b>19,979</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16	9,620	9,620
Retained earnings		7,677	5,548
<b>Total equity</b>		<b>17,297</b>	<b>15,168</b>
<b>Liabilities</b>			
Insurance contract liabilities	13	6,796	3,836
Reinsurance contract liabilities	14	-	425
Other liabilities		15	58
Lease liabilities	15	393	492
<b>Total liabilities</b>		<b>7,204</b>	<b>4,811</b>
<b>Total equity and liabilities</b>		<b>24,501</b>	<b>19,979</b>

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JSC INSURANCE COMPANY CARTU

STANDALONE STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

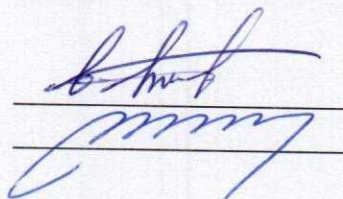
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Z. Chachkhiani

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**JSC INSURANCE COMPANY CARTU**

**STANDALONE STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2025

('000 GEL)

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	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
<b>01.01.2024</b>	<b>9,620</b>	<b>4,844</b>	<b>14,464</b>
Profit for the year	-	704	704
<b>31.12.2024</b>	<b>9,620</b>	<b>5,548</b>	<b>15,168</b>
Profit for the year	-	2,129	2,129
<b>31.12.2025</b>	<b>9,620</b>	<b>7,677</b>	<b>17,297</b>

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JSC INSURANCE COMPANY CARTU  
STANDALONE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

('000 GEL)

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Profit for the year	-	704	704
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Profit for the year	-	2,129	2,129
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G. Lebanidze

**JSC INSURANCE COMPANY CARTU**

**STANDALONE STATEMENT OF CASH FLOW**

For the year ended 31 December 2025

('000 GEL)

	Note	2025	2024
<b>Cash flows from operating activities</b>			
Insurance premiums received		7,229	7,114
Insurance claims paid		(2,328)	(1,886)
Reinsurance premiums paid		(1,480)	(1,119)
Cash received from subrogation and disposal of repossessed assets		24	13
Tax paid		(452)	(456)
Salaries and benefits paid		(1,756)	(1,191)
Other operating expenses paid		(438)	(491)
Interest received		2,136	816
Net withdrawal from bank deposits		(3,982)	(1,500)
Income tax paid		-	(143)
<b>Net cash flows received from operating activities / (used in operating activities).</b>		<b>(1,047)</b>	<b>1,157</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment and intangible assets		(19)	(25)
<b>Net cash used in investing activities</b>		<b>(19)</b>	<b>(25)</b>
<b>Cash flows from financing activities</b>			
Repayment of Lease Obligation		(204)	(201)
<b>Net cash used in financing activities</b>		<b>(204)</b>	<b>(201)</b>
<b>Net change in cash and cash equivalents</b>		<b>(1,270)</b>	<b>931</b>
Effect of Exchange rate differences on Cash and Cash equivalents		4	(3)
<b>Cash and cash equivalents at the beginning of the year</b>	12	<b>2,119</b>	<b>1,191</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>853</b>	<b>2,119</b>

The standalone financial statements have been approved for issue on behalf of the management on 31 March 2026 by the following persons:

Executive Director

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Z. Chachkhiani

Financial Director

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G. Lebanidze

JSC INSURANCE COMPANY CARTU  
STANDALONE STATEMENT OF CASH FLOW

For the year ended 31 December 2025

('000 GEL)

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## JSC INSURANCE COMPANY CARTU

### NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31 December 2025

('000 GEL)

#### 1. General information

JSC "Insurance Company Cartu" (later - the company) is established in accordance with the legislation of Georgia. JSC "Insurance Company Cartu" with identification code 204970031 was registered in 2001 in accordance with the Law of Georgia "On Entrepreneurs". The head office is located in Tbilisi, Chavchavadze 39a.'

The managing body of the company is the general meeting of shareholders, where the shareholders carry out their rights. The Supervisory Board supervises the activity of society. Members of the Supervisory Board are elected (appointed) by the general meeting of shareholders. Daily operations are managed by Directors appointed by the Supervisory Board.

The Company owns 2 types of licenses for life and non-life insurance, issued by the National Insurance State Supervision Service of Georgia.

As at 31st of December 2025 and 2024, the Company has one subsidiary - LLC "Reestri XXI", identification number N. 204975438, which was registered in 2001. The Company owns 100% of statutory capital of LLC "Reestri XXI". From the day of its foundation the subsidiary is not operating and has not made any operations.

Shareholders of the Company are presented as follows:

	<u>31.12.2025</u>	<u>31.12.2024</u>
JSC „Cartu Bank “	91.39%	91.39%
„Cartu” the International Charitable Foundation	8.61%	8.61%

As of December 31, 2025, the Company does not have an ultimate controlling shareholder.

#### Consolidated financial statement

In accordance with the Law of Georgia on Accounting, Reporting and Auditing, the company is obliged to prepare the consolidated financial statement of the company and submit it to the regulatory body. JSC "Insurance Company CARTU" subsidiary did not conduct substantial operations during 2025 and did not hold substantial assets and liabilities separately or aggregated at the end of the reporting year. The management believes that the company's standalone financial statements for the year ended 31 December 2025 does not differ from the consolidated financial statements of the company and, therefore, the financial statements represent standalone as well as consolidated financial statements of the company.

#### 2. Basis of preparation

##### Statement of compliance

These standalone financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs issued by the International Accounting Standards Board (IASB)). The company prepares standalone financial statements in GEL. The standalone financial statements are prepared on a historical cost basis. The reporting period of the company covers the calendar year from 1 January to 31 December. Data are rounded to the nearest thousand GEL, unless otherwise indicated.

The preparation of standalone financial statements in accordance with IFRS requires the management of the company to make certain estimates, which will affect the carrying amount of assets and liabilities as of the date of preparation of the standalone financial statements, as well as affect the amount of income and expenses during the reporting period. Actual results may differ from current estimates. Estimates will be reviewed periodically. Adjustments that lead to changes in accounting estimates are included in the financial results of the period in which these changes were made. The areas where significant judgments and estimates have been made in preparing the standalone financial statements and their effect are disclosed in Note 4. The material accounting policies used in the preparation of the standalone financial statements are given in Note 3.

## 2. Basis of preparation (Continued)

### Going concern

These standalone financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, which presumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business. Management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern for the foreseeable future.

### Adoption of new or revised standards and interpretations

The reporting entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. There was no material impact to the financial statements as a result of the adoption of these standards.

There is one primary amendment to the accounting standards and one significant change to the sustainability standards that became mandatory on January 1, 2025:

- Amendments to IAS 21 - Lack of Exchangeability: These amendments specify how to determine if a currency is exchangeable into another and how to estimate a spot exchange rate when it is not. Entities must now provide disclosures to help users understand how the lack of exchangeability affects financial performance and cash flows.

## B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the reporting entity for the annual reporting period ended 31 December 2025. The reporting entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the reporting entity, are set out below:

- IFRS 18 Presentation and Disclosure in Financial Statements: Replaces IAS 1; effective 1 January 2027.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures: Effective 1 January 2027.
- Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments: Effective 1 January 2026.

### 3. Material accounting policy

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

#### 3.1 Insurance and reinsurance contracts accounting treatment

##### Insurance and reinsurance contracts classification

Insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Reinsurance contract is an insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts). The company has reinsurance treaties and other reinsurance contracts that transfer significant insurance risk. The company cedes insurance risk by reinsurance in the normal course of business.

##### Separating components from insurance and reinsurance contracts

The company assesses its insurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the company's contracts do not include any distinct components that require separation.

##### Level of aggregation

IFRS 17 requires that a level of aggregation is determined for applying its requirements. The level of aggregation is

determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. IFRS 17 also requires that no group, for aggregation purposes, may contain contracts issued more than one year apart. Groups are divided according to underwriting year (annual cohorts). Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any); and
- a group of the remaining contracts in the portfolio.

#### **Recognition**

The company recognizes groups of insurance contracts it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; and
- for a group of onerous contracts, when facts and circumstances indicate that the group is onerous.

The company recognizes a group of reinsurance contracts held it has entered into from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the Group recognizes an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held at or before that date.

#### **Contract boundary**

The company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

### **3. Material accounting policy (continued)**

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

#### **Measurement - Premium Allocation Approach ("PAA")**

The company applies the PAA to all the insurance contracts that it issues and apply it to reinsurance contracts that it holds, as:

- the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary;

#### **Insurance contracts - initial measurement**

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining Coverage (LFRC) as the premiums, if any, received at initial recognition.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for any such onerous group depicting the losses recognised.

#### **Reinsurance contracts held - initial measurement**

The company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held

that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

#### **Insurance contracts - subsequent measurement**

The company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as:

- the liability for remaining coverage at the beginning of the period; plus
- premiums received in the period; minus
- the amount recognised as insurance revenue for the services provided in the period.

The company does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the services and the related premium due date is no more than a year.

The company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows; they reflect current estimates from the perspective of the company and include an explicit adjustment for non-financial risk (the risk adjustment).

The company adjusts the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims, excluding those that are expected to be paid within one year of being incurred. The company does not adjust future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

#### **Reinsurance contracts held - subsequent measurement**

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

### **3. Material accounting policy (continued)**

#### **Insurance contracts - modification and derecognition**

The company derecognizes insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the company derecognizes the initial contract and recognizes the modified contract as a new contract.

When a modification is not treated as a derecognition, the company recognizes amounts paid or received for the modification with the contract as an adjustment to the estimate of fulfilment cash flows.

#### **Presentation**

The company presents separately, in the standalone balance sheet, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The company disaggregates the total amount recognised in the income statement and insurance service result, comprising insurance revenue and insurance service expense and insurance finance income or expenses.

The company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The company presents the income or expenses from a group of reinsurance contracts held other than insurance finance income or expenses, as a single amount.

#### **Insurance revenue**

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component if any and adjusted to reflect the effect of credit risk) allocated to the period. The measurement model in IFRS 17 therefore reflects the risk of non-payment of premiums by policyholders.

The company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. If the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses. The liability for remaining coverage is not discounted.

#### **Insurance finance income and expense**

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts in respect of incurred claims, excluding those that are expected to be paid within one year of being incurred, arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

#### **Net income or expense from reinsurance contracts held**

The company presents as a single amount on the face of the income statement the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

### **3.2 Foreign currency translation**

#### **a) Functional and presentation currency**

Items included in the standalone financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The standalone financial statements are presented in Georgian lari which is the company's functional and presentation currency.

### **3. Material accounting policy (continued)**

#### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Foreign exchange gains and losses that relate to monetary items are presented in the statement of comprehensive income within "Foreign exchange gains and losses".

The company used official exchange rate of Georgian GEL against foreign currencies at 31 December for translating foreign currency balances.

### **3.3 Financial instruments**

#### **Financial assets**

Under the accounting policies financial assets are classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). The company's management has assessed which business models apply to the financial assets held by the company and has classified all financial assets within "financial assets measured at amortised cost" category.

#### **Financial assets at amortized cost**

These assets incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for other assets are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of other assets is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for other assets. For other assets, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating expenses in the statement of comprehensive income. On confirmation that the other assets will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's financial assets measured at amortised cost comprise other assets, placement with banks and cash and cash equivalents in the statement of standalone financial position. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

#### **Financial liabilities**

The company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The company has classified all financial as liabilities within "Other financial liabilities" category. Other financial liabilities include other liabilities.

Other financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

#### **Offset of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **3. Material accounting policy (continued)**

#### **3.4 Issued loans**

Issued loans are initially recognized at fair value. After the initial assessment, the Company measures the loans issued at amortized cost. All differences are recognized in the statement of profit or loss for the period using the effective interest method.

#### **3.5 Leases**

##### **The company as lessee**

##### **Identifying the lease**

At the start of the contract, the company should assess whether the contract as a whole is a lease, or whether it contains a lease. A contract is a lease agreement, or contains a lease, if the contract transfers control of the identified asset over a period of time in exchange for a refund. To determine whether a contract confers control over the use of an identified asset over a period of time, the Company should assess whether the customer has both of the following rights during the period of use:

- The right to receive actually the full benefit of the asset identified in the contract, and
- Right to direct the use of that identified asset.

##### **initial recognition**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

The lease is recognized in the consolidated and individual financial statements of the group as:

- An asset representing the right to use the underlying asset over the lease term;
- A liability for the obligation to pay the lease payments.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily

determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset is comprised:

- The amount of the initial measurement of the lease liability;
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

#### **Subsequent measurement**

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the revised discount rate.

### **3. Material accounting policy (continued)**

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognized in profit or loss.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The company elects, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

#### **Determination of lease term**

The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to

extend the lease (including the renewal option implied through customary business practices) if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Management applies judgement to determine the lease term when lease contracts include renewal options that are exercisable only by the company. It considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the company reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease.

#### **Determination of incremental borrowing rate (IBR)**

IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The management applies judgement to estimate the IBR. The management uses an observable information to determine the base rate and adjustments for the lessee specific factors and the asset factors (the adjustment for security).

#### **Determination of lease payments**

In Georgia it is customary that lease renewal option is implied through customary business practices and not all renewal options are documented within the lease agreements. In such cases, the initial measurement of the lease liability assumes the payment for renewal period will remain unchanged throughout the lease term.

#### **Short-term leases and leases of low-value assets**

The company applies the recognition exemption for short-term leases (i.e. lease with a lease term of 12 months or less from the commencement date) and leases of low-value assets. Associated lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

### **3. Material accounting policy (continued)**

#### **3.6 Current and deferred income tax**

Income tax expense comprises current tax only. Under the Estonian model of corporate taxation applicable in Georgia from 1 January 2024 for insurance companies, corporate income tax is not levied on earned profits but on distributed earnings and certain specified transactions.

Current tax includes tax payable on dividends and other transactions treated as distributed earnings in accordance with the Tax Code of Georgia. Distributed earnings primarily comprise dividends paid to shareholders; however, certain other transactions, including non-arm's length transactions with related parties, expenses not related to economic activities, free of charge supplies and representative expenses exceeding statutory limits, are also subject to taxation.

Corporate income tax arising from dividend distributions is recognized as an expense in the period in which the dividends are declared. The tax payable is calculated at 15/85 of the net distribution amount.

Tax expenses related to transactions not associated with the Company's ordinary activities are recognized as taxes other than income tax.

#### **3.7 Share capital**

The amount of a company's authorized Share capital is defined by the company's Charter. The changes in the company's Charter (changes in charter capital, ownership, etc.) shall be made only based on the decision of the company's shareholders. The authorized capital is recognized as share capital in the equity of the company to the extent that it was contributed by the shareholders of the company. Shareholders contribution is recognized at the fair value. Share capital is recognized at nominal value. Difference in contribution fair value and shares nominal value are recognized as emission capital.

#### **3.8 Events after the reporting period**

Events after the reporting period and events before the date of consolidated financial statements authorization for issue that provide additional information about the company's financial statements are reported in the consolidated financial statements. Post-balance sheet events that do not affect the financial position of the Company at the balance sheet date are disclosed in the Notes to the consolidated financial statements when material.

#### 4. Significant accounting estimates and judgments

company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Basic estimates and assumptions*

##### **IFRS 17 - accounting judgements and sources of estimation uncertainty**

##### **Level of aggregation - Accounting judgement**

The company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement.

##### **Premium Allocation Approach - Accounting judgement**

For a small number of insurance contracts, and reinsurance contracts, which have a coverage period that is greater than 12 months (as described accounting policy), the company elects to apply the PAA if at the inception of the contract, the company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Measurement Model. The company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition.

##### **Onerous contracts - Source of estimation uncertainty**

The company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. This is based on an assessment of future cash flows, which may be uncertain due to their timing, size and/or probability. If at any time during the coverage period the facts and circumstances indicate that a group of insurance contracts is onerous, the company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined above. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero. Where the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, and the company has a corresponding reinsurance held contract, the company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

#### 3. Significant accounting estimates and judgments (continued)

##### **Estimates of future cash flows Source of estimation uncertainty**

In estimating future cash flows, the company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows reflect the company's view of current conditions at the reporting date, ensuring the estimates of any relevant market variables are consistent with observable market prices, however these cash flows are inherently uncertain in size, timing and are based on probability-weighted average expectations.

##### **Risk adjustment - Source of estimation uncertainty**

A risk adjustment for non-financial risk is determined to reflect the compensation that the company would require for bearing non-financial risk and its degree of risk aversion. It is determined at group level (except for health insurance, for which it is determined at portfolio level) and allocated to groups of contracts based on the size of their reserves. The risk adjustment for non-financial risk is determined using a confidence interval technique.

The company estimates the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk using a confidence interval technique. A confidence interval refers to the probability that a population parameter will fall between a set of values for a certain proportion of times. In situations where the distributional assumptions for the above methods are uncertain or violated, resampling methods allow construction of confidence intervals or prediction intervals.

Using the confidence interval technique, the risk adjustment is calculated as a margins for adverse deviation from the

probability-weighted expected value using chosen confidence level. The risk adjustment is the distance between the probability-weighted expected value (an estimate of the mean over the whole distribution) and the probability-weighted expected value of cash flows only for those points of the distribution beyond a selected percentile of the probability distribution. The target confidence level equals 80<sup>th</sup> percentile.

## 5. Risk management

The activities of the company are exposed to various risks. Risk management therefore is a critical component of its insurance activities. Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification measurement and daily monitoring subject to risk limits and other controls. Each individual within the company is accountable for the risk exposures relating to his or her responsibilities. A summary description of the company's risk management policies in relation to those risks are disclosed below.

### 5.1 Insurance risk

#### Management of insurance risk

The company's main income generating activity is the issuance of insurance contracts and therefore insurance risk is a principal risk. The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim.

The objective of the company is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of the risk is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards reinsurance arrangements. Reinsurance held (outwards reinsurance) is placed on both a proportional and non-proportional basis. The majority of proportional reinsurances is quota-share reinsurance which is taken out to reduce the overall exposure of the company to certain classes of business. Retention limits for non-proportional excess-of-loss reinsurance vary by product line.

The amount of insurance risk is also subject to contract holder behavior. On the assumption that policyholders will make decisions rationally, overall underwriting risk can be assumed to be aggravated by such behaviour. Policyholder behavior risk is considered when designing products - e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored at portfolio level and experience is benchmarked against portfolio market information. From time to time, management may implement specific initiatives to improve retention.

#### 5. Risk management (continued)

The amount of insurance risk is also subject to expense risk - the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events). Expense risk is managed through the annual budgeting process and regular expense analyses. The company continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present themselves.

The company principally issues the following types of general insurance contracts: property, motor, professional liability, personal accident, casco, aviation, cargo, medical (health) and third-party liability. Such type of insurance policies usually cover twelve months duration.

For non-health insurance contracts, the most significant risks arise from climate changes and natural disasters. For healthcare contracts the most significant risks arise from lifestyle changes epidemic and so on. These risks vary significantly in relation to the location type and industry of the risk insured. Undue concentration by amounts can have a further impact on the severity of benefit payments on a portfolio basis.

A key component of the management of underwriting risk for the company's insurance contracts is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks, together with limits on geographic and industry exposures. The aim is to ensure that a diversified portfolio is maintained, with no over-exposure in any one geographic region. Underwriting limits are in place to enforce appropriate risk selection criteria. The ability to reprice contracts on renewal in response to changes in policyholder risk profiles, claims experience and market considerations is a significant mitigant to pricing risk.

In retail and commercial property, the company leverages advanced analytics for identifying properties most at risk and improving risk selection. In retail motor, the company collects data about policyholders' driving habits and

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For the year ended 31 December 2025

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adjusts premiums based on a dynamic, data-rich assessment of risk.

The company uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss reinsurance. Where an individual exposure exceeds the company's risk appetite, additional facultative reinsurance is also purchased. The company has specialized claims units dealing with the mitigation of risks surrounding known claims. This unit investigates and adjusts all material or suspicious claims. The claims are reviewed individually at least annually and the company adjust risk management strategy to reflect the latest information on the underlying facts, current law, contractual terms and conditions and other factors. The company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Non-life contracts have their unique types of risks, for example catastrophe risk - the risk of incurring significant losses as a result of catastrophic Events. This type of risk effects motor and property insurance policies. The most significant factor which could increase the amount and frequency of claims is a catastrophic event such as a hurricane, flooding or earthquake. All policies have this type of risk: Premium risk - the risk that premiums charged to policyholders are less than claims cost on business written; Reserve risk - the risk that the claims reserves are insufficient to cover all claims.

For life insurance policies where death or disability is the insured risk, the most significant factors that could increase the amount and frequency of claims are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected.

The company primarily uses the "loss ratio" to monitor its insurance risk. The loss ratio is defined as incurred claims divided by insurance revenue. The following table shows the company's loss ratios:

	<u>2025</u>	<u>2024</u>
Loss ratio-Gross	69%	33%
Loss ratio-net of Reinsurance expenses and share in claim incurred	41%	39%

#### Insurance risk sensitivity

The management believes that due to the short-term nature of the contract, the insurance portfolio is sensitive mainly to the expected variability of the loss ratio. The company considers the actual rate of loss, among other factors, in the formation of future insurance rates. The following table shows the sensitivity of the company to the loss ratio in the conditions of increase and decrease 5%.

#### 5. Risk management (continued)

	<u>2025</u>	<u>2024</u>
Profit/(loss)-Gross	79	81
Profit/(loss)-net of Reinsurance expenses and share in claim incurred	96	123

Management estimates that a 5% change is a reasonable limit for a possible change in the loss ratio. The sensitivity analysis includes only the expected insurance income from the existing portfolio at the end of the reporting period and a reasonable change in the insurance loss.

#### Insurance risk concentration

Concentration of insurance risk exists when a particular case or group of cases has a significant impact on the company's liabilities. Such concentration may arise on a single insurance contract and / or a combination of insurance contracts. The company uses reinsurance contracts to manage risk concentration. Based on the management estimates, the concentration of insurance risks is expressed by the distribution of the insurance revenue by insurance product line (Note 6).

#### Insurance risk - claims development

The company has not disclosed information about the development of claims because uncertainty about the amount and timing of the claims payments is typically resolved within one year.

#### Insurance risk - liquidity risk

Liquidity risk is the risk that the company will not be able to settle all liabilities as they are due. In order to manage liquidity risk the company performs regular monitoring of future expected cash flows which is a part of assets/liabilities management process. Liability for incurred claims and liabilities from reinsurance share in incurred claim are payable within 1 year.

Insurance contracts issued and reinsurance contracts held have zero amounts that are payable on demand.

#### **Insurance risk - Currency risk**

Currency risk is defined as the risk that the value of an insurance and reinsurance contract assets and liabilities will fluctuate due to changes in foreign exchange rates. Changes in foreign exchange rates have an immaterial effect on insurance contract liabilities. Reinsurance contract assets and liabilities are denominated in USD and EURO. The carrying amount of reinsurance contract assets and liabilities represents the maximum currency exposure.

#### **Capital management objectives policies and approach**

The company has established the following capital management objectives policies and approach to managing the risks that affect its capital position. The capital management objectives are:

- To maintain the required level of stability of the company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its owners.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders' regulators and stakeholders.

The operations of the company are also subject to local regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions e.g. Capital adequacy to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise. The company's capital management policy is to hold sufficient liquid assets to cover statutory requirements based on the Regulatory Authorities.

### **5. Risk management (continued)**

#### **Approach to capital management**

The company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to

shareholders and policyholders. The company's approach to managing capital involves managing assets liabilities and risks in a coordinated manner assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group.

#### **Regulatory requirements**

The insurance sector in Georgia is regulated by the State Insurance Supervision Service of Georgia, which sets requirements for the minimum amount of capital. The purpose of these requirements is to ensure a sufficient solvency margin.

According to the ISSSG directive №27, issued on 25 December 2017, the minimum capital from 31 December 2020 throughout the period should be at least GEL7,200 thousand.

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

The company adjusts its own capital in the standalone financial statements prepared in accordance with international financial reporting standards in order to calculate supervisory capital.

As at 31 December 2025 and 2024, the Company was in compliance with the level of Regulatory Capital in excess of RSM.

The company's regulatory capital for the year ended 2025 is 17,178 thousand.

The minimum amount of the insurer's capital at all stages of insurance activity should be at least 1/3 of the amount obtained by calculating the sufficient solvency margin established by the service for the insurer.

The amount of the Solvency Margin for the reporting period is determined between the maximum of the figures calculated by the premium and loss-based method and is calculated according to the following formula:

Max (Spry, SC), where the terms and notations used have the following meanings:

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Spry - Solvency ratio calculated by the premium method;

SC - Solvency ratio calculated by the loss-based method.

The company's solvency margin for the year ended 2025 and 2024 is 681 thousand.

At all stages insurance Company of conducting insurance activities, 100% of cash and cash equivalent to the minimum amount of an insurer's capital shall be permanently deposited to a separate account opened for this purpose in a banking institution (institutions) licensed in Georgia. Further, the above financial resources must be deposited in a banking institution (institutions) licensed in Georgia for at least one-year period.

As of December 31, 2025 and 2024, the company meets this requirement.

#### Financial Risk

The company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk
- Currency risk

#### 5. Risk management (continued)

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	<u>31.12.2025</u>	<u>31.12.2024</u>
Cash and cash equivalents	853	2,119
Bank deposits	17,672	14,285
Other assets	131	191
<b>Total financial assets</b>	<b><u>18,656</u></b>	<b><u>16,595</u></b>
Other liabilities	15	58
Lease liability	393	492
<b>Total financial liabilities</b>	<b><u>408</u></b>	<b><u>550</u></b>

#### Fair value of financial instruments

Several assets and liabilities included in the company's financial statements require disclosure of, fair value. The fair value measurement of the company's financial assets and liabilities utilizes market observable inputs and data as far as possible. The company estimates fair value based on the following information:

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of fair value into levels depends on the level of information used and its importance in the calculation of fair value. The transfer between levels is reflected in the period when such an event occurs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of financial instruments have been determined by the company using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore, may not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The estimated fair value of fixed interest rate financial assets and liabilities is determined by comparing the interest rate recorded at the time of initial recognition and current interest rates on identical financial instruments. The estimated fair value of fixed interest rate financial assets and liabilities is based on estimated future cash flows

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expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The management of the company believes that carrying amounts of financial assets and financial liabilities approximate their fair values. The fair value of Lease liabilities, and Bank deposits are based on the discounted fair cash flows. The fair value of lease liabilities was calculated using market rate 13.49% for year 2025, 10% for 2024. Bank deposits interest rate is between 9.3-11.3%, which is same market rate.

The fair value of cash and cash equivalents were determined using level 1 measurement, the fair value of bank deposits was determined using level 2 measurement and the fair value of other financial assets and liabilities were determined using level 3 measurement.

**Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the trade and other receivables. The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The carrying amount of financial assets represents the maximum credit exposure.

**5. Risk management (continued)**

The following table shows the maximum exposure to credit risk:

	<u>31.12.2025</u>	<u>31.12.2024</u>
Cash and cash equivalents	853	2,119
Bank deposits	17,672	14,285
Other assets	131	191
<b>Total financial assets</b>	<b><u>18,656</u></b>	<b><u>16,595</u></b>

As at 31 December 2025 and 2024 cash and cash equivalents and bank deposits comprise "Not past due and not impaired" category of financial instruments.

**Liquidity Risk**

Liquidity risk arises in connection with the management of working capital and repayment of principal liabilities. The risk is that the company may experience difficulties in meeting its obligations as they fall due. The company controls the risks according to the analysis of the maturity of the obligations and determines the financial strategy. In order to manage liquidity risk, the company regularly monitors future cash flows.

The table below provides an analysis of the liquidity of categories of financial liabilities depending on when they are expected to be settled. The amounts presented in these tables may not correspond to the amounts recorded in the standalone statements of financial position because the information presented below includes an analysis of the maturity of the financial liabilities, which corresponds to the total undiscounted payments remaining under the contract, including interest liabilities.

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total 2025</u>
Other liabilities	15	-	15
Lease liabilities	114	279	393
<b>Total financial liabilities</b>	<b><u>129</u></b>	<b><u>279</u></b>	<b><u>408</u></b>
	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total 2024</u>
Other liabilities	58	-	58
Lease liabilities	160	332	492
<b>Total financial liabilities</b>	<b><u>218</u></b>	<b><u>332</u></b>	<b><u>550</u></b>

**Market Risk**

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors. Market risk arises from the company's use of interest bearing tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

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**Interest Rate Risk**

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the company. The company has not floating interest rates financial instruments.

**5. Risk management (continued)**

**Currency risk**

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

As at 31 December 2025 and 2024, the company has no financial instruments in foreign currency.

**6. Insurance revenue**

	<u>2025</u>	<u>2024</u>
Compulsory TPL insurance*	2,362	2,485
Medical (health) insurance	2,677	2,423
Cargo insurance	318	763
Vehicle insurance	1,002	757
Property insurance	764	520
Aviation insurance	460	457
Other	253	135
	<u><u>7,836</u></u>	<u><u>7,540</u></u>

(\* ) - JSC "Cartu Insurance Company" is an insurer participating in the co-insurance system implemented through a non-entrepreneurial (non-commercial) legal entity - "Compulsory Insurance Center".

**7. Insurance service expenses**

	<u>2025</u>	<u>2024</u>
Incurred claims	(5,556)	(2,460)
<b>Directly attributable expenses</b>		
Employee benefit expenses	(905)	(661)
Expenses related to Insurance claims paid	(75)	(85)
Changes that relate to past service - adjustments to LfIC	(55)	(71)
Subrogation and salvage	15	13
	<u><u>(6,576)</u></u>	<u><u>(3,264)</u></u>

**8. Result from reinsurance contracts held**

	<u>2025</u>	<u>2024</u>
Reinsurance expenses	(1,140)	(1,270)
Reinsurance share in claim incurred	2,716	31
Changes that relate to past service - adjustments to AfIC	(58)	46
	<u><u>1,518</u></u>	<u><u>(1,193)</u></u>

**9. Other operating expenses**

	<u>2025</u>	<u>2024</u>
Employee benefit expenses	(1,450)	(1,045)
Compulsory insurance centre expense	(306)	(206)
Charity expenses	-	(220)
Depreciation and amortization	(88)	(100)
Utilities	(31)	(33)
Consulting expenses*	(127)	(153)
Insurance State Supervision Service of Georgia	(78)	(78)
Other	(154)	(136)

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For the year ended 31 December 2025

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<u>(2,234)</u>	<u>(1,971)</u>
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(\*) - Accrued expenses under the subheading "Consulting expenses" represent audit fee expenses of financial statements with the amounts of GEL 99 thousand and GEL 126 thousand for the years 2025 and 2024 respectively.

Expenses of a general and administrative nature, are not apportioned to insurance service expenses, as they do not have a direct and consistent relationship with insurance activities.

Any attempt to allocate such costs would require the use of subjective or arbitrary assumptions, which would reduce the reliability and transparency of financial information. Accordingly, these expenses are recognised separately and only directly attributable costs are included within insurance service expenses

**10. Financial income, net**

	<u>2025</u>	<u>2024</u>
<b>Financial income</b>		
Financial income from deposits	1,539	1,377
Financial income from issued loans	112	112
<b>Total financial income</b>	<u>1,485</u>	<u>1,489</u>
<b>Financial expenses</b>		
Expense from foreign exchange rate difference, net	(83)	84
Interest expense on lease liability	(60)	(73)
<b>Total financial expenses</b>	<u>(143)</u>	<u>11</u>
<b>Financial income, net</b>	<u>1,508</u>	<u>1,500</u>

**11. Cash and cash equivalents**

Cash and cash equivalents in the amount of GEL 853 thousand and GEL 2,119 thousand as of 31 December 2025 and 2024, fully represent the amount placed in the current bank account of the company.

**12. Bank deposits**

	<u>31.12.2025</u>	<u>31.12.2024</u>
Bank Deposits	16,905	12,922
Interest receivable	767	1,363
	<u>17,672</u>	<u>14,285</u>

Bank deposits include one and two year-deposits within resident banks in Georgia, with interest rates ranging from 9.3 % to 11.3%.

JSC "Cartu Insurance Company" is required to have deposits (mandatory reserve) and cash in banking institutions, the amount of which depends on the amount of recoverable losses (insurance liabilities) assessed by the company. The company's right to freely dispose of such deposit is limited by law.

**13. Insurance contract liabilities**

The following table shows movement of Insurance contract liabilities:

	Liability for remaining coverage	Liability for Incurred Claims		Total
	Excluding loss component	Incurred claim	Non-financial risk adjustment	
<b>01.01.2024</b>	<b>(349)</b>	<b>(2,990)</b>	<b>(21)</b>	<b>(3,360)</b>
Insurance revenue	7,540			
Insurance service expenses				
Incurred claim		(2,423)	(37)	(2,460)
Directly attributable expenses		(746)		(746)
Changes that relate to past service - adjustments to LfIC		(83)	12	(71)
Effect of foreign currency exchange rate change	(18)			(18)
<b>Total changes in statement of total comprehensive income</b>	<b>7,522</b>	<b>(3,252)</b>	<b>(25)</b>	<b>4,245</b>
Premiums received	(7,744)			(7,744)
Claims paid		2,288		2,288
Directly attributable expenses paid		735		735
<b>31.12.2024</b>	<b>(571)</b>	<b>(3,219)</b>	<b>(46)</b>	<b>(3,836)</b>
Insurance revenue	7,836			7,836
Insurance service expenses				
Incurred claim		(5,549)	(7)	(5,556)
Directly attributable expenses		(980)		(980)
Changes that relate to past service - adjustments to LfIC		21	(76)	(55)
Effect of foreign currency exchange rate change	23			23
<b>Total changes in statement of total comprehensive income</b>	<b>7,859</b>	<b>(6,508)</b>	<b>(83)</b>	<b>1,268</b>
Premiums received	(8,048)			(8,048)
Claims paid		2,839		2,839
Directly attributable expenses paid		980		980
<b>31.12.2025</b>	<b>(760)</b>	<b>(5,908)</b>	<b>(129)</b>	<b>(6,796)</b>

**14. Assets and liabilities arising from reinsurance contracts**

The following table shows movement of reinsurance contract assets and liabilities:

	Asset/(Liability) for remaining coverage	Asset/(Liability) for Incurred Claims		Total
	Excluding loss- recovery component	Incurred claim	Non- financial risk adjustment	
Reinsurance contract assets	58	2,627	-	2,685
Reinsurance contract liabilities	(307)	-	-	(307)
<b>01.01.2024</b>	<b>(249)</b>	<b>2,627</b>	<b>-</b>	<b>2,378</b>
Reinsurance expenses	(1,270)	-	-	(1,270)
Result from reinsurance contracts held	-	-	-	-
Reinsurance share in claim incurred	-	30	1	31
Changes that relate to past service - adjustments to AfIC	-	-	46	46
Effect of foreign currency exchange rate change	(68)	-	-	(68)
<b>Total changes in statement of total comprehensive income</b>	<b>(1,338)</b>	<b>30</b>	<b>47</b>	<b>(1,261)</b>
Reinsurance premiums paid	1,224	-	-	1,224
Reinsurance share in incurred claim paid	-	-	-	-
<b>31.12.2024</b>	<b>(363)</b>	<b>2,657</b>	<b>47</b>	<b>2,341</b>
Reinsurance contract assets	62	2,657	47	2,766
Reinsurance contract liabilities	(425)	-	-	(425)
<b>31.12.2024</b>	<b>(363)</b>	<b>2,657</b>	<b>47</b>	<b>2,341</b>
Reinsurance expenses	(1,140)	-	-	(1,140)
Result from reinsurance contracts held	-	-	-	-
Reinsurance share in incurred claim	-	2,716	-	2,716
Changes that relate to past service - adjustments to AfIC	-	58	(116)	(58)
Effect of foreign currency exchange rate change	(84)	-	-	(84)
<b>Total changes in statement of total comprehensive income</b>	<b>(1,224)</b>	<b>2,774</b>	<b>(116)</b>	<b>1,434</b>
Reinsurance premiums paid	1,527	-	-	1,527
Reinsurance share in incurred claim paid	-	(19)	-	(19)
<b>31.12.2025</b>	<b>(60)</b>	<b>5,412</b>	<b>(69)</b>	<b>5,282</b>
Reinsurance contract assets	(60)	5,412	(69)	5,282
Reinsurance contract liabilities	-	-	-	-

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**15. Right of use assets and lease liability**

The company has leased a property of administrative office. Lease payments are fixed and defined in GEL. Incremental rate for lease payments is 13,49%.

Movement in right-of-use assets and lease liability is presented as follows:

	2025	2024
<b>At 1 January</b>	<b>464</b>	<b>579</b>
Addition		
Depreciation	(116)	(115)
<b>At 31 December</b>	<b>348</b>	<b>464</b>
<b>Lease liabilities</b>	<b>2025</b>	<b>2024</b>
<b>At 1 January</b>	<b>492</b>	<b>579</b>
Addition		
Interest expense	61	73
Lease payments	(160)	(160)
<b>At 31 December</b>	<b>393</b>	<b>492</b>

**16. Share capital**

Share capital as at 31 December 2025 and 2024 is comprised of 9,620 thousand ordinary shares with the nominal value of GEL1. The Company has not redeemed or issued ordinary shares during 2025 and 2024.

**17. Transactions with related parties**

Related parties or transactions with related parties, as defined by IAS 24 'Related party disclosures', represent:

- a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives them significant influence over the Company; and that have joint control over the Company;
- b) Members of key management personnel of the Company or its parent;
- c) Close members of the family of any individuals referred to in (a) or (b);
- d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below.

**19. Transactions with related parties (Continued)**

Transactions with related parties included in the statement of comprehensive income are the following:

Related party transactions	2025			2024		
	Founder	Other*	Total	Founder	Other*	Total
Insurance income	958	2,051	3,009	990	1,519	2,509
Insurance services expense	(926)	(244)	(1,170)	(887)	(310)	(1,197)
Financial income, net	1,343	135	1,478	1,198	123	1,321
Impairment charge of issued loan	-	(29)	(29)	-	(2,049)	(2,049)

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Other operating expenses	-	(176)	(176)	(2)	(220)	(222)
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					2025	2024
Key management salary						
Key management personnel compensation:					(447)	(426)

(\*) - Other related parties are mainly companies under common control.

The balances of transactions with related parties reflected in the statement of financial position are:

	31.12.2025			31.12.2024		
	Founder	Other*	Total	Founder	Other*	Total
Bank deposits	16,365	-	16,365	12,417	-	12,417
Insurance contract liabilities	2,695	3,055	5,750	182	2,892	3,074
Issued loans	-	2,077	2,077	-	2,049	2,049
Impairment charge of issued loan	-	(2,077)	(2,077)	-	(2,049)	(2,049)
Lease liability	-	393	393	-	492	492

(\*) - Other related parties are mainly companies under common control.

#### 18. Contingencies and Commitments

##### Legal proceedings

As at 31 December 2025 and 2024 the company has no significant legal actions and complaints. The Management believes that the no material losses regarding the legal actions and complaints will be incurred. As at 31 December 2025 provisions related to law cases amount to GEL 0 thousand (31.12.2024: GEL 13 thousand).

##### Taxes

Georgian tax legislation may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the company may be assessed additional taxes, penalties and interest. The company believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

##### Management report

In accordance with the Law on accounting, reporting and auditing (article 7) the Company has an obligation to prepare and submit Management Report to the State Regulatory Authority, together with Independent Auditors' Report no later than 1 October of the year following the reporting period. The Company has not fulfilled this obligation at the date of issue of the financial statements.

#### 20. Contingencies and Commitments (Continued)

##### Regulatory requirements

The insurance company must have the minimum amount of capital at all stages of its activity, 100% in cash, continuously placed in a separate account(s) opened for this purpose in a banking institution (institutions) licensed in Georgia, at least 1 (one)-year periodicity.

#### 19. Events after the reporting period

After the reporting period, there have been no such events that should be classified in the standalone financial statements as significant events occurring after the reporting period.