Eurasia Insurance Company JSC

Financial Statements
for the year ended 31 December 2018

Contents

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Independent Auditors' Report

To the Shareholders of Eurasia Insurance Company JSC

Opinion

We have audited the financial statements of Eurasia Insurance Company JSC (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 financial statements in the Republic of Kazakhstan, 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.

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 IFRS, 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the 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.

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

Alexei Kolosov
Audit Partner

Sergey Nezdemkovskiy
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. MФ-0000182 of 2 June 2014

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

25 April 2019

	Note	2018 '000 KZT	2017 '000 KZT
Gross premiums written	5	65,190,104	53,564,256
Written premiums ceded to reinsurers	5	(4,908,600)	(4,821,958)
Net premiums written		**60,281,504**	**48,742,298**
Change in the gross provision for unearned premiums	5	(4,562,555)	(5,614,650)
Reinsurers' share of change in the gross provision for unearned premiums	5	(252,988)	1,114,557
Net earned premiums		**55,465,961**	**44,242,205**
Claims incurred	6	(33,729,843)	(16,312,507)
Reinsurers' share of claims incurred	6	2,310,491	497,287
Change in gross insurance contract provisions	6	3,853,259	(12,864,154)
Change in reinsurers' share in insurance contract provisions	6	(7,926,309)	198,204
Net claims incurred		**(35,492,402)**	**(28,481,170)**
Net finance income	7	18,037,531	11,419,379
Net foreign exchange gain		14,323,478	1,440,283
Net fee and commission expense	8	(4,793,847)	(3,423,527)
Charge for impairment losses	9	(93,677)	(280,758)
General administrative expenses	10	(10,303,236)	(10,371,317)
Other operating income, net		657,638	516,362
Profit before income tax		**37,801,446**	**15,061,457**
Income tax expense	11	(4,978,152)	(2,052,526)
Profit for the year		**32,823,294**	**13,008,931**
Other comprehensive (loss)/income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(388,230)	587,970
- Net change in fair value transferred to profit or loss		(587,970)	7,664
Other comprehensive (loss)/income for the year net of income tax		**(976,200)**	**595,634**
Total comprehensive income for the year		**31,847,094**	**13,604,565**

The financial statements as set out on pages from 6 to 66 were approved by the Management Board on
25 April 2019:

B.G. Umanov
Chairman of the Board

N.S. Rakhmanova
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Note	2018 '000 KZT	2017 '000 KZT
ASSETS			
Cash and cash equivalents	12	46,843	8,830
Placements with banks	13	15,815,804	16,101,030
Available-for-sale financial assets	14	618,083	6,308,069
Held-to-maturity investments	15	188,008,309	144,667,005
Investment property	16	2,882,557	1,154,678
Property, plant and equipment and intangible assets	17	4,456,744	4,825,992
Deferred insurance acquisition costs		3,994,800	1,352,688
Insurance and reinsurance receivables	18	7,327,164	8,259,065
Deferred tax asset	11	58,807	25,045
Current tax asset		958,175	526,846
Reinsurers' share in insurance contract provisions	19	25,998,627	34,177,924
Other assets	20	1,120,839	1,270,764
Total assets		**251,286,752**	**218,677,936**
LIABILITIES			
Insurance contract provisions	19	106,054,637	105,345,341
Insurance and reinsurance payables	21	3,175,188	1,549,985
Other liabilities	22	785,544	2,358,321
Total liabilities		**110,015,369**	**109,253,647**
EQUITY			
Share capital	23(a)	99,074,285	91,621,285
Statutory reserve	23(d)	4,357,590	4,206,103
Revaluation reserve for available-for-sale financial assets		(388,230)	587,970
Retained earnings		38,227,738	13,008,931
Total equity		**141,271,383**	**109,424,289**
Total liabilities and equity		**251,286,752**	**218,677,936**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	2018 '000 KZT	2017 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**32,823,294**	**13,008,931**
Adjustments for:		
Depreciation and amortisation	323,518	208,617
Charge for impairment losses	93,677	280,758
Interest and other financial income	(15,576,169)	(11,676,669)
Net realised (gain)/loss on sale of available-for-sale financial assets	(2,461,362)	7,664
Unrealised foreign exchange gain	(14,457,609)	(1,245,091)
Gain on disposal of property, plant and equipment and intangible assets	(6,234)	(993)
Personal expenses	(1,790,027)	191,561
Income tax expense	4,978,152	2,052,526
Operating gain before changes in working capital	**3,927,240**	**2,827,304**
(Increase)/decrease in operating assets		
Reinsurers' share in insurance contract provisions	8,179,297	(1,312,761)
Insurance and reinsurance receivables	1,729,882	(1,999,642)
Other assets	(2,602,775)	(749,887)
Increase /(decrease) in operating liabilities		
Insurance contract provisions	709,296	18,478,804
Insurance and reinsurance payables	1,375,126	904,537
Other liabilities	227,395	(166,622)
Net cash from operating activities before interest received and income tax paid	**13,545,461**	**17,981,733**
Interest and other financial income received	15,778,257	12,056,735
Income tax paid	(5,443,243)	(2,394,039)
Cash flows from operating activities	**23,880,475**	**27,644,429**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

	2018 '000 KZT	2017 '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES		
Placements with banks	(157,102,035)	(119,574,378)
Redemption of placements with banks	157,676,920	120,614,008
Sales of available-for-sale financial assets	5,655,571	-
Purchases of available-for-sale financial assets	(871,098)	(5,700,978)
Purchases of held-to-maturity investments	(60,306,570)	(22,122,126)
Redemption of held-to-maturity investments	32,646,676	17,365,118
Acquisition of property, plant and equipment and intangible assets	(1,683,800)	(1,915,878)
Proceeds from the sale of property, plant and equipment and intangible assets	7,885	5,117
Cash flows used in investing activities	**(23,976,451)**	**(11,329,117)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	7,453,000	-
Dividends paid	(7,453,000)	(16,417,863)
Cash flows used in financing activities	**-**	**(16,417,863)**
Net decrease in cash and cash equivalents	**(95,976)**	**(102,551)**
Effect of movements in exchange rates on cash and cash equivalents	133,989	(150,596)
Cash and cash equivalents as at the beginning of the year	8,830	261,977
Cash and cash equivalents as at the end of the year (Note 12)	**46,843**	**8,830**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

'000 KZT	**Share capital**	**Statutory reserve**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total equity**
Balance at 1 January 2017	91,621,285	1,730,855	(7,664)	18,893,111	112,237,587
Total comprehensive income					
Profit for the year	-	-	-	13,008,931	13,008,931
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	587,970	-	**587,970**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	7,664	-	**7,664**
Total other comprehensive income	-	-	**595,634**	-	**595,634**
Total comprehensive income for the year	**-**	**-**	**595,634**	**13,008,931**	**13,604,565**
Transactions with owners recorded directly in equity					
Dividends declared and paid (Note 23 (c))	-	-	-	(16,417,863)	(16,417,863)
Transfer to statutory reserve (Note 23 (d))	-	2,475,248	-	(2,475,248)	-
Total transactions with owners	**-**	**2,475,248**	**-**	**(18,893,111)**	**(16,417,863)**
Balance at 31 December 2017	**91,621,285**	**4,206,103**	**587,970**	**13,008,931**	**109,424,289**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

'000 KZT	**Share capital**	**Statutory reserve**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total equity**
Balance at 1 January 2018	91,621,285	4,206,103	587,970	13,008,931	109,424,289
Total comprehensive income					
Profit for the year	-	-	-	32,823,294	32,823,294
Other comprehensive loss					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	(388,230)	-	**(388,230)**
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	(587,970)	-	**(587,970)**
Total other comprehensive loss	-	-	**(976,200)**	-	**(976,200)**
Total comprehensive income for the year	**-**	**-**	**(976,200)**	**32,823,294**	**31,847,094**
Transactions with owners recorded directly in equity					
Shares issued (Note 23 (a))	7,453,000	-	-	-	7,453,000
Dividends declared and paid (Note 23 (c))	-	-	-	(7,453,000)	(7,453,000)
Transfer to statutory reserve (Note 23 (d))	-	151,487	-	(151,487)	-
Total transactions with owners	**7,453,000**	**151,487**	**-**	**(7,604,487)**	**-**
Balance at 31 December 2018	**99,074,285**	**4,357,590**	**(388,230)**	**38,227,738**	**141,271,383**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Reporting entity

(a) Organisation and operations

Eurasia Insurance Company JSC was established in the Republic of Kazakhstan in May 1995 as stock insurance company "Eurasia". The Company was re-registered on 21 January 1999 as an open joint-stock company "Eurasia Insurance Company". The Company was re-registered on 21 May 2005 as a joint-stock company under the laws of the Republic of Kazakhstan as defined in the Civil Code of the Republic of Kazakhstan. The last re-registration took place on 26 June 2009, when Eurasian Finance Company JSC became its parent company.

The Company holds license No. 2.1.6 dated 14 January 2016 for insurance and reinsurance activity issued by the National Bank of the Republic of Kazakhstan.

The primary business activity of the Company is insurance and reinsurance of vehicle owners' liability, employers' liability, property, cargo, motor, air, railway and water transport, casualty and other insurance.

The Company's registered office is: 050004, 59 Zheltoksan Street, Almaty, Republic of Kazakhstan. The head office of the Company is located in Almaty, and the Company has 14 branches as at 31 December 2018 (31 December 2017: thirteen) throughout the Republic of Kazakhstan.

As at 31 December 2018 and 31 December 2017 the Company had the following shareholders:

	31 December 2018, %	**31 December 2017, %**
Shareholders:		
Eurasian Finance Company JSC	95	95
Boris Grigorievich Umanov	5	5
Total	**100**	**100**

As at 31 December 2018 the Company had no interests in other entities.

(b) Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan 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 Kazakhstan. In addition, the depreciation of the Kazakhstan tenge which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment.

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

2 Basis of accounting

(a) Statement of compliance

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

This is the first set of the Company's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 2(e). The Company has applied the temporary exemption from IFRS 9 *Financial Instruments* as permitted by IFRS 4 *Insurance Contracts* and has not previously adopted any version of IFRS 9, including the requirements from the presentation of gains and losses on financial liabilities designated as at FVTPL, for annual periods beginning before 1 January 2018. Consequently, the Company plans to have a single date of initial application of 1 January 2021 for IFRS 9 in its entirety.

2 Basis of accounting, continued

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Company is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Company's financial statements is included in the following notes:

Applicable to 2018 only:

- assessment of whether the Company's activities are predominantly connected with insurance – description of the assessment is presented below in this Note.

Assessment of whether the Company's activities are predominantly connected with insurance

The temporary exemption from IFRS 9 applies for those entities whose activities are predominantly connected with insurance. Eligibility is assessed at the reporting entity level and is therefore applied at the reporting entity level – i.e. it applies to all financial assets and financial liabilities held by the reporting entity.

The Company applied temporary exemption from IFRS 9 as:

- the Company has not previously applied any version of IFRS 9; and
- Company's activities as a whole are predominantly connected with insurance at its annual reporting date that immediately precedes 1 April 2016, i.e. as at and 31 December 2015.

Under IFRS 4, an insurer's activities are predominantly connected with insurance if, and only if:

(a) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities; and

(b) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 per cent.

3 Basis of accounting, continued

(d) Use of estimates and judgments, continued

Assessment of whether the Company's activities are predominantly connected with insurance, continued

Under IFRS 4, liabilities connected with insurance comprise:

(a) liabilities arising from contracts within the scope of IFRS 4;

(b) liabilities that arise because the insurer issues, or fulfils obligations arising from, the contracts in (a). Examples of such liabilities include derivatives used to mitigate risks arising from those contracts and from the assets backing those contracts, relevant tax liabilities such as the deferred tax liabilities for taxable temporary differences on liabilities arising from those contracts, and debt instruments issued that are included in the insurer's regulatory capital, liabilities for salaries and other employment benefits for the employees of the insurance activities.

As at 31 December 2015 the carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 is KZT 76,712,824 thousand, that comprises 97.7% of carrying amount of Company's total liabilities. The Company considers that this amount is significant compared to the total carrying amount of all its liabilities as insurance operations is the primary business of the Company.

The Company is not engaged in any significant activities unconnected with the insurance from which it may earn income and incur expenses. The Company is subject to all regulatory requirements related to insurers and considers insurance risk as its main business risk. In addition, the Company did not identify any quantitative or qualitative factors (or both), including publicly available information, that could indicate that regulatory bodies or other users of the Company's financial statements apply other industry classification to the Company.

Based on the assessment performed the Company concludes that as at 31 December 2015 the Company's activities are predominantly connected with insurance. Since 31 December 2015 there were no significant changes in the Company's operations, thus the Company did not perform reassessment of whether the Company's activities are predominantly connected with insurance on any subsequent annual reporting date.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2018 is included in the following notes:

Applicable to 2018 and 2017

- insurance contract provisions - Note 19;
- fair values of financial instruments - Note 26.

(e) Changes in accounting policies and presentation

The Company has initially applied IFRS 15 at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts and related interpretations'.

The timing or amount of the Company's income from contracts with customers was not impacted by the adoption of IFRS 15 due to insignificance of such operations.

Reclassifications in the financial statements for the previous year

During the preparation of the Company's financial statements for the year ended 31 December 2018, management made certain reclassifications affecting the corresponding figures to conform to the presentation of financial statements for the year ended 31 December 2018.

2 Basis of accounting, continued

(e) Changes in accounting policies and presentation, continued

The effects from reclassifications on the corresponding figures may be as follows:

Statement of financial position as at 31 December 2017	**As previously reported**	**Effect of reclassification**	**As reclassified**
ASSETS			
Deferred insurance acquisition costs	-	1,352,688	1,352,688
Other assets	2,623,452	(1,352,688)	1,270,764

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Company.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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 assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation to foreign currencies are recognised in profit or loss, except for differences arising on translation of available-for-sale equity instruments, with exception of foreign currency differences arising from impairment of such instruments, in which case foreign currency differences classified as other comprehensive income will be reclassified to profit and loss.

The exchange rates used by the Company in the preparation of the financial statements at 31 December are as follows:

Currency	**2018**	**2017**
USD 1	384.2	332.33
EUR 1	439.37	398.23
GBP 1	488.13	448.61
RUB 1	5.52	5.77

(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 the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a 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 insurance 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 additional benefits. 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.

3 Significant accounting policies, continued

(b) Insurance contracts, continued

(ii) Recognition and measurement of insurance contracts

Premiums

General business premiums written comprise the 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 received is recognised as revenue. Premiums are earned from the date of attachment of risk proportionally over the indemnity period, based on the pattern of decrease of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of decrease of risks underwritten of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding 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 claims handling procedures, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and developments and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions 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.

(iii) Reinsurance assets

The Company cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

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.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

3 Significant accounting policies, continued

(b) Insurance contracts, continued

(iii) Reinsurance assets, continued

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as reinsurers' share in insurance contract provisions in the statement of financial position.

The net amounts paid to a reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Company in respect of its rights under such contracts.

Reinsurance assets are assessed for impairment at each reporting date. An asset is 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.

(iv) Insurance acquisition costs

Insurance acquisition costs include direct costs such as commissions paid to insurance agents and brokers and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Insurance acquisition costs are deferred and recognised in profit or loss in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method during the period covered by the contract.

(v) Liability adequacy test

At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

If a shortfall is identified an additional provision is established. The deficiency is recognised in profit or loss for the year.

(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 provisions or reinsurance assets.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments. The mandatory reserve deposit with the NBRK is not considered to be cash and cash equivalent, due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Placements with banks

The Company maintains advances, deposits with banks for various periods of time exceeding three months. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Placements with banks are carried at amortised cost net of any allowance for impairment losses, if any.

3 Significant accounting policies, continued

(e) Property, plant and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- Buildings	50-70 years;
- Computers and equipment	2-10 years;
- Vehicles	4-6 years;
- Other	2-15 years.

(f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 5 years.

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments); or
- upon initial recognition, designated as at fair value through profit or loss.

3 Significant accounting policies, continued

(h) Financial instruments, continued

(i) Classification, continued

The Company may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Company has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available- for-sale; or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that:

- the Company upon initial recognition designates as at fair value through profit or loss;
- the Company designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

3 Significant accounting policies, continued

(h) Financial instruments, continued

(iii) Measurement, continued

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Fair value measurement principles

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 Significant accounting policies, continued

(h) Financial instruments, continued

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

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

(vii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Company writes off assets deemed to be uncollectible.

(viii) Offsetting

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

(i) Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Company determines the amount of any impairment loss.

3 Significant accounting policies, continued

(i) Impairment, continued

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (the "loans and receivables"). The Company reviews its loans and receivables, to assess impairment on a regular basis.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable’s original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When an investment held-to-maturity or a receivable is uncollectable, it is written off against the related allowance for impairment. The Company writes off an investment held-to-maturity or a receivable balance (and any related allowances for losses) when management determines that the investments held-to-maturity and receivables are uncollectible and when all necessary steps to collect the assets are completed.

3 Significant accounting policies, continued

(i) Impairment, continued

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non-financial assets

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 Significant accounting policies, continued

(k) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

The ability of the Company to declare and pay dividends is subject to acting legislation of the Republic of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(l) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

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.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. 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, such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3 Significant accounting policies, continued

(m) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.
Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.
Dividend income is recognised in profit or loss on the date that the dividend is declared.
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(n) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application if permitted; however, the Company has not early adopted them in preparing these financial statements.

IFRS 16 *Leases*

The Company is required to adopt IFRS 16 *Leases* from 1 January 2019. The Company is currently assessing the impact on its financial statements resulting from the application of IFRS 16:

- the Company has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases* – and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.
The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* introduces an accounting model that measures groups of insurance contracts based on fulfilment cash flows and a contract service margin (CSM). The CSM is determined for groups of insurance contracts. Insurers will need to account for their business performance at a more granular level. It brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer’s financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings. The insurer can choose to present the effect of changes in discount rates and other financial risks in profit or loss or other comprehensive income to reduce volatility. The reinsurance contract would be accounted for separately from the underlying direct contract to which it relates. IFRS 17 requires disclosure of information at a level of granularity that would help users assess the effects the contracts would have on the financial position, financial performance and cash flows.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 17 *Insurance Contracts*, continued

IFRS 17 is effective for annual periods beginning on or after 1 January 2021. Earlier adoption is permitted for entities that apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on or before the date of application of IFRS 17. Full retrospective approach is required, but expedients (such as modified retrospective approach and fair value approach) could be used. An insurer could apply different approaches for different groups.

At its December 2018 meeting, the IASB voted to propose a narrow-scope amendment to IFRS 17. This follows the Board's tentative decision in November 2018 to propose a one-year deferral of IFRS 17's effective date to 2022. The proposed amendment aims to provide practical relief to insurers by requiring them to present insurance contracts on the statement of financial position at the portfolio level – a higher level of aggregation than currently required by IFRS 17.

The Company is in the process of development of IFRS 17 transition plan.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

i. Classification - Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

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

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments, continued*

i. Classification - Financial assets, continued

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

A financial asset is classified into one of these categories on initial recognition. See 3 (n) (v) for the transition requirements relating to classification of financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments, continued*

i. Classification - Financial assets, continued

Impact assessment

The Company is in the process of assessing the impact that the new classification requirements would have on its financial statements. The Company develops IFRS 9 transition road map: methods and technical requirements for financial instruments accounting.

For the purpose of preparation of the additional disclosure required by IFRS 4 for insures applying temporary exemption from IFRS 9 the Company finalised the assessment of SPPI criteria. Based on assessment performed SPPI criteria is met for all debt financial assets not measured at FVTPL. The Company has not finalised the assessment of business models for managing the financial assets.

Credit quality analysis of financial assets not measured at fair value is described in relevant notes.

ii. Impairment - Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ELC) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Insurance receivables are not within the scope of IFRS 9 impairment requirements.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- *12-month ECLs.* These are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs.* These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Company has not finalised its methodology over ECL assessment.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments, continued*

iii. Classification - Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

– the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

– the remaining amount of change in the fair value is presented in profit or loss.

The Company has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Company's assessment did not indicate any material impact regarding the classification of financial liabilities on the day of initial application of IFRS 9.

iv. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

v. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

– The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2021.

– The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

– IFRIC 23 *Uncertainty over Tax Treatments*;
– *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28);
– *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19);
– Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards;
– Amendments to References to Conceptual Framework in IFRS Standards.

4 Insurance risk management

The Company issues contracts that transfer insurance risk. This section summarises these risks and the way the Company manages them.

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

The management of the Company's insurance risk is a critical aspect of the business. For insurance contracts, the objective is to select assets with maturity and redemption value which match the expected cash flows from the claims on those portfolios.

(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 description below summarises the Company's main products and the associated risk management methods.

(i) Insurance contracts – Employer's liability

Product features

The purpose of the employer's liability obligatory insurance is to protect an employee in the event of death or injury whilst at work. Income from this product is generated from the receipt of insurance and reinsurance premiums less amounts paid to cover claims and expenses incurred by the Company. The amount payable to an employee in the event of death or injury is set in accordance with the laws of the Republic of Kazakhstan. As a result of the long period that it typically takes to finalise and settle claims for a given accident year, employer's liability is regarded as 'long tail' business.

Risk management

The key risks associated with this product are underwriting risk, such as, uncertainty in calculation of the claim amount and others. The estimated reported loss amount is calculated based on the following information:

- in case of persistent disablement of the employee:
  - amount of the lost future wages (income) to be reimbursed;
  - repayment period – the period of establishing physical disability by the medical expert committee (it may be several years for lifetime disability benefit);
  - degree of employee's culpability.
- in case of death:
  - funeral expenses;
  - number of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan;
  - age of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan;
  - amount of the lost future wages (income) to be reimbursed;
  - period of insurance payments.

Insurance risk is managed primarily through pricing, product design, underwriting and payments' management. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

4 Insurance risk management, continued

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

(ii) Insurance contracts – Property

Product features

Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to its own material property and business interruption arising from this damage.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (such as a fire or burglary) and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as 'short-tail', contrasted with 'long-tail' classes where the ultimate claim cost takes longer to determine.

Risk management

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk.

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. 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.

The Company operates in a competitive environment and is hence under the risk of writing premiums with reference to the competitors' pricing strategies rather than to its own loss experience.

Property insurance is associated with classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio. Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

(iii) Insurance contracts – General civil liability

Product features

The Company undertakes general civil liability insurance on compulsory and voluntary types of insurance in the Republic of Kazakhstan. Under these contracts policyholders are reimbursed for any monetary compensation awards paid for the injury caused to body, life, health and /or property of the third parties. General civil liability is generally considered a 'long tail' line, as it takes a relatively long period of time to finalise and settle claims for a given accident year.

Risk management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

4 Insurance risk management, continued

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

(iv) Insurance contracts – Accident

Product features

The purpose of the accident insurance is to insure the policyholder's property interests in the event of accident and causing injury to life or health. This product generates income from the insurance and reinsurance premiums less amounts paid to cover claims and expenses incurred by the Company. The amount payable to a policyholder in the event of death, disability or damage to health is fixed.

The insured events comprise disability of the first, second and third categories, and accidental death. There is a number of exceptions from the insured events, in case of which the insurer bears no responsibility; such exceptions include disability or death from any disease, including occupational disease.

Risk management

The key risks associated with this product are underwriting risk and competitive risk.

Underwriting risk is the risk of charging inappropriate tariff rates (understated tariffs may result in losses, while the overstated rates may result in loss of business) and possible anti-selection. To avoid these risks the Company breaks down the potential clients into groups, which are homogenous in terms of mortality (insured event) and makes decision based on such breakdown. In determining the tariffs and making decision on acceptance for insurance, the following factors are taking into consideration: occupation of an insured, age, dangerous hobbies, whether the insured had injuries prior to signing the contract, availability of a motor vehicle, traffic-related offences, etc. Analysis of such information makes possible to screen persons exposed to high accident risk.

The Company operates in a competitive environment and is hence under the risk of writing premiums with reference to the competitors' pricing strategies rather than to its own loss experience.

Insurance risk is managed mostly by means of pricing, product design, underwriting and management of insurance indemnities. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

(c) Concentration 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 small number of related contracts, 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 contracts tranche.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography or demographic trend.

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 liability and property business. The Company assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

4 Insurance risk management, continued

(d) Total aggregate exposures

The Company sets out the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports which show the key aggregations to which the Company is exposed. The Company uses a number of modelling tools to monitor aggregation in order to measure the effectiveness of the reinsurance programmes and the net exposure to which the Company is exposed.

As at 31 December 2018 the Company had 685,145 insurance agreements in force (31 December 2017: 358,486 insurance agreements).

(i) Exposure by business lines

The key concentrations identified as at 31 December 2018 are:

Type of insurance	Gross insured amount ’000 KZT	Reinsurance amount ’000 KZT	Net retention (after reinsurance) ’000 KZT
Property – voluntary	4,855,004,949	(2,700,001,573)	2,155,003,376
Employer’s liability- obligatory	465,906,776	(632,943)	465,273,833
Civil liability – voluntary	474,355,891	(102,594,028)	371,761,863
Accident – voluntary	226,866,746	-	226,866,746
Vehicle owner's liability – voluntary	141,814,983	-	141,814,983
Motor transport – voluntary	281,500,351	(184,655,168)	96,845,183
Medical – voluntary	57,431,786	-	57,431,786
Water transport owner's liability– voluntary	3,414,213,104	(3,339,023,214)	75,189,890
Air transport owner's liability – voluntary	43,488,860	-	43,488,860
Water transport – voluntary	35,460,284	(8,973,371)	26,486,913
Cargo – voluntary	64,038,075	(34,227,312)	29,810,763
Air transport - voluntary	3,976,455	-	3,976,455
Other voluntary	141,997,452	(20,214,505)	121,782,947
Other obligatory	1,158,433,752*	-	1,158,433,752
Total	**11,364,489,464**	**(6,390,322,114)**	**4,974,167,350**

* During 2018, the legislation of the Republic of Kazakhstan was amended with regard to calculation of total insured amount for carrier’s liability to passengers whereby the aggregate limit of insurer’s liability per an occurrence (an insured amount) ranges from 2500 Monthly Calculation Index (MCI) to 5,000 MCI (2017 : from 800 MCI to 2,000 MCI).

The key concentrations identified as at 31 December 207 are:

Type of insurance	Gross insured amount ’000 KZT	Reinsurance amount ’000 KZT	Net retention (after reinsurance) ’000 KZT
Property – voluntary	4,252,731,827	(1,921,857,362)	2,330,874,465
Employer’s liability- obligatory	520,423,022	-	520,423,022
Civil liability – voluntary	585,473,493	(280,775,818)	304,697,675
Accident – voluntary	173,019,881	-	173,019,881
Vehicle owner's liability – voluntary	163,113,033	-	163,113,033
Motor transport – voluntary	221,417,717	(143,732,238)	77,685,479
Medical – voluntary	47,754,343	-	47,754,343
Water transport owner's liability– voluntary	1,733,988,906	(1,696,614,585)	37,374,321
Air carrier liability - voluntary	37,037,300	(6,706,929)	30,330,371
Water transport – voluntary	29,428,166	(3,476,445)	25,951,721
Cargo – voluntary	17,870,780	-	17,870,780
Air transport - voluntary	11,313,408	-	11,313,408
Other voluntary	188,600,435	-	188,600,435
Other obligatory	221,754,869	-	221,754,869
Total	**8,203,927,180**	**(4,053,163,377)**	**4,150,763,803**

4 Insurance risk management, continued

(d) Total aggregate exposures, continued

(ii) Exposure by countries

The Company is exposed to risks by the following countries other than the Republic of Kazakhstan as at 31 December 2018:

Country	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
China	728,365,631	(701,075,076)	27,290,555
India	118,031,749	-	118,031,749
Uzbekistan	378,364	-	378,364
The United States	89,292,271	-	89,292,271
The United Kingdom	553,942,788	(497,646,207)	56,296,581
Denmark	312,777,369	(305,930,177)	6,847,192
Turkey	335,350,389	(330,067,646)	5,282,743
Other countries	365,144,912	-	365,144,912
Total exposure (excluding Kazakhstan)	**2,503,283,473**	**(1,834,719,106)**	**668,564,367**
Kazakhstan	8,861,205,991	(4,555,603,008)	4,305,602,983
Total	**11,364,489,464**	**(6,390,322,114)**	**4,974,167,350**

The Company is exposed to risks by the following countries other than the Republic of Kazakhstan as at 31 December 2017:

Country	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
China	13,185,118	-	13,185,118
India	139,065,678	-	139,065,678
Uzbekistan	106,232,790	-	106,232,790
The United States	101,308,719	-	101,308,719
The United Kingdom	363,273,218	(318,293,595)	44,979,623
Denmark	377,613,256	(355,026,311)	22,586,945
Turkey	346,412,308	(328,348,526)	18,063,782
Other countries	511,193,789	-	511,193,789
Total exposure (excluding Kazakhstan)	**1,958,284,876**	**(1,001,668,432)**	**956,616,444**
Kazakhstan	6,245,642,304	(3,051,494,945)	3,194,147,359
Total	**8,203,927,180**	**(4,053,163,377)**	**4,150,763,803**

4 Insurance risk management, continued

(d) Total aggregate exposures, continued

(iii) Exposure to catastrophic events

The greatest likelihood of significant losses to the Company arises from catastrophic events, e.g. damage from an earthquake in Almaty. The Company does not possess catastrophe modelling techniques and software facilitating modelling of Probable Maximum Loss (PML). However, the Company made an estimate of its losses and believes they will not exceed 20% of total aggregate exposure.

The key concentrations identified as at 31 December 2018 are:

Catastrophic events	**Gross insured amount**	**Estimated PML (before reinsurance)**	**Net retention (after reinsurance)**
	’000 KZT	**’000 KZT**	**’000 KZT**
Almaty earthquake with magnitude exceeding seven points under Richter scale	293,055,488	26,304,259	10,000,879

The key concentrations identified as at 31 December 2017 are:

Catastrophic events	**Gross insured amount**	**Estimated PML (before reinsurance)**	**Net retention (after reinsurance)**
	’000 KZT	**’000 KZT**	**’000 KZT**
Almaty earthquake with magnitude exceeding seven points under Richter scale	267,778,779	24,035,456	7,900,252

(e) Claims development

The Company uses statistical methods for insurance contract provisioning. Uncertainty about the amount and timing of claims payment for all insurance contracts, except employer’s civil liability, is typically resolved within one year.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, users 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 as of the end of 2018 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

4 Insurance risk management, continued

(e) Claims development, continued

Analysis of claims development (gross) – total

	Accident year								
’000 KZT	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of cumulative claims									
At the end of the accident year	4,581,488	11,596,375	18,238,580	37,630,915	30,035,409	18,542,646	31,365,755	34,499,203	186,490,371
- one year later	8,591,395	9,494,615	15,038,944	40,275,797	26,323,879	17,720,010	39,127,306	-	156,571,946
- two years later	8,750,692	9,739,619	17,006,262	57,721,969	26,066,461	15,805,837	-	-	135,090,840
- three years later	9,249,356	9,973,333	16,320,938	57,465,863	24,118,674	-	-	-	117,128,164
- four years later	9,544,563	9,766,494	15,953,502	49,662,875	-	-	-	-	84,927,434
- five years later	9,466,412	9,740,003	16,003,714	-	-	-	-	-	35,210,129
- six years later	9,457,895	9,803,521	-	-	-	-	-	-	19,261,416
- seven years later	9,608,737	-	-	-	-	-	-	-	9,608,737
Estimate of cumulative claims as at 31 December 2018	**9,608,737**	**9,803,521**	**16,003,714**	**49,662,875**	**24,118,674**	**15,805,837**	**39,127,306**	**34,499,203**	**198,629,867**
Cumulative payments as at 31 December 2018	(9,266,005)	(9,612,138)	(14,772,040)	(23,687,146)	(19,828,768)	(11,849,802)	(21,141,475)	(10,215,166)	(120,372,540)
Gross outstanding claims liabilities as at 31 December 2018	**342,732**	**191,383**	**1,231,674**	**25,975,729**	**4,289,906**	**3,956,035**	**17,985,831**	**24,284,037**	**78,257,327**
Estimate of cumulative claims as at 31 December 2017	**9,457,895**	**9,740,003**	**15,953,502**	**57,465,863**	**26,066,461**	**17,720,010**	**31,365,755**	**-**	**167,769,489**
Cumulative payments as at 31 December 2017	(9,009,511)	(9,485,925)	(14,573,580)	(21,281,311)	(17,720,604)	(8,348,195)	(6,890,936)	-	(87,310,062)
Gross outstanding claims liabilities as at 31 December 2017	**448,384**	**254,078**	**1,379,922**	**36,184,552**	**8,345,857**	**9,371,815**	**24,474,819**	**-**	**80,459,427**

5 Premiums

	Obligatory insurance			Voluntary insurance						
2018 ’000 KZT	**Employer’s liability**	**Vehicle owner’s liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**General insurance**	**Other voluntary**	**Total**
Gross premiums written	3,629,891	10,193,376	576,432	33,336,419	3,844,355	6,597,721	3,561,267	2,705,536	745,107	65,190,104
Change in the gross provision for unearned premiums	(161,940)	(2,238,367)	(151,472)	777,467	(223,417)	(565,558)	(1,794,710)	(829,598)	625,040	(4,562,555)
Gross earned premiums	**3,467,951**	**7,955,009**	**424,960**	**34,113,886**	**3,620,938**	**6,032,163**	**1,766,557**	**1,875,938**	**1,370,147**	**60,627,549**
Less: written premiums ceded to reinsurers	(760)	-	-	(4,028,629)	-	(400,685)	-	(361,838)	(116,688)	(4,908,600)
Reinsurers’ share of change in the gross provision for unearned premiums	189	-	-	153,252	-	7,746	-	(421,023)	6,848	(252,988)
Ceded earned premiums	**(571)**	**-**	**-**	**(3,875,377)**	**-**	**(392,939)**	**-**	**(782,861)**	**(109,840)**	**(5,161,588)**
Net earned premiums	**3,467,380**	**7,955,009**	**424,960**	**30,238,509**	**3,620,938**	**5,639,224**	**1,766,557**	**1,093,077**	**1,260,307**	**55,465,961**

In 2018, gross written premium comprised of KZT 40,214,900 thousand assumed on direct insurance and KZT 24,975,204 thousand assumed on reinsurance (2017: KZT 30,911,287 thousand and KZT 22,652,969 thousand, respectively).

	Obligatory insurance			Voluntary insurance						
2017 ’000 KZT	**Employer’s liability**	**Vehicle owner’s liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**General insurance**	**Other voluntary**	**Total**
Gross premiums written	3,020,242	5,621,758	308,723	31,857,520	2,974,470	5,126,790	2,189,005	1,247,741	1,218,007	53,564,256
Change in the gross provision for unearned premiums	(267,331)	(1,680,584)	(58,127)	(2,817,621)	(17,916)	(288,177)	(966,144)	(448,381)	929,631	(5,614,650)
Gross earned premiums	**2,752,911**	**3,941,174**	**250,596**	**29,039,899**	**2,956,554**	**4,838,613**	**1,222,861**	**799,360**	**2,147,638**	**47,949,606**
Less: written premiums ceded to reinsurers	(208)	-	-	(3,814,725)	-	(387,368)	-	(619,657)	-	(4,821,958)
Reinsurers’ share of change in the gross provision for unearned premiums	-	-	-	685,850	-	(1,950)	-	423,064	7,593	1,114,557
Ceded earned premiums	**(208)**	**-**	**-**	**(3,128,875)**	**-**	**(389,318)**	**-**	**(196,593)**	**7,593**	**(3,707,401)**
Net earned premiums	**2,752,703**	**3,941,174**	**250,596**	**25,911,024**	**2,956,554**	**4,449,295**	**1,222,861**	**602,767**	**2,155,231**	**44,242,205**

6 Claims incurred

2018 '000 KZT	Obligatory insurance			Voluntary insurance						
	Employer's liability	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**General insurance**	**Other voluntary**	**Total**
Claims incurred	545,169	4,339,924	2,645	23,568,053	2,621,271	1,245,263	108,483	1,041,341	257,694	33,729,843
Reinsurers' share of claims incurred	-	(170,918)	-	(1,995,504)	-	(89,426)	-	-	(54,643)	(2,310,491)
Claims incurred, net of reinsurance	**545,169**	**4,169,006**	**2,645**	**21,572,549**	**2,621,271**	**1,155,837**	**108,483**	**1,041,341**	**203,051**	**31,419,352**
Change in provisions for incurred but not reported claims	(1,500,731)*	260,663	13,482	596,191	43,472	61,902	(285,005)	72,869	360,037	(377,120)
Change in provisions for reported but not settled claims	(1,700,608)*	295,962	2,886	(7,389,017)	(476)	707,881	56,404	1,904,794	2,646,035	(3,476,139)
Change in reinsurers' share in insurance contract provisions	-	-	-	7,879,228	-	42,425	-	12,891	(8,235)	7,926,309
Change in net insurance contract provisions	**(3,201,339)**	**556,625**	**16,368**	**1,086,402**	**42,996**	**812,208**	**(228,601)**	**1,990,554**	**2,997,837**	**4,073,050**
Net claims incurred	**(2,656,170)**	**4,725,631**	**19,013**	**22,658,951**	**2,664,267**	**1,968,045**	**(120,118)**	**3,031,895**	**3,200,888**	**35,492,402**

*During 2018 the Company wrote off losses for obligatory Employer's liability due to the injured have not confirmed the degree of loss of the capacity for work above 29% and fulfilment of their obligations for continuing liabilities (until retirement age).

2017 '000 KZT	Obligatory insurance			Voluntary insurance						
	Employer's liability	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**General insurance**	**Other voluntary**	**Total**
Claims incurred	981,440	2,294,867	1,822	8,675,059	2,406,916	984,108	268,130	474,447	225,718	16,312,507
Reinsurers' share of claims incurred	-	(90,579)	-	(81,321)	-	(117,650)	(2,692)	(13,002)	(192,043)	(497,287)
Claims incurred, net of reinsurance	**981,440**	**2,204,288**	**1,822**	**8,593,738**	**2,406,916**	**866,458**	**265,438**	**461,445**	**33,675**	**15,815,220**
Change in provisions for incurred but not reported claims	(130,884)	223,101	4,640	2,679,642	(16,899)	(25,808)	168,583	27,995	(70,420)	2,859,950
Change in provisions for reported but not settled claims	809,685	226,143	(9,130)	10,151,292	419	(734,619)	(30,218)	(654,517)	245,149	10,004,204
Change in reinsurers' share in claims provisions	-	-	-	(372,571)	-	(8,810)	-	(4,562)	187,739	(198,204)
Change in net reinsurance contract provisions	**678,801**	**449,244**	**(4,490)**	**12,458,363**	**(16,480)**	**(769,237)**	**138,365**	**(631,084)**	**362,468**	**12,665,950**
Net claims incurred	**1,660,241**	**2,653,532**	**(2,668)**	**21,052,101**	**2,390,436**	**97,221**	**403,803**	**(169,639)**	**396,143**	**28,481,170**

7 Net finance income

	2018 ’000 KZT	2017 ’000 KZT
Finance income		
Interest income from:		
- held-to maturity investments	12,789,460	9,047,631
- placements with banks	2,068,360	2,379,412
Net realised gain from sale of available-for-sale financial assets	2,461,362	-
Dividend income	16,048	-
Other finance income	702,301	-
	18,037,531	**11,427,043**
Finance costs		
Net realised loss on sale of available-for-sale financial assets	-	(7,664)
	-	**(7,664)**
	18,037,531	**11,419,379**

8 Net fee and commission expense

	2018 ’000 KZT	2017 ’000 KZT
Fee and commission income		
Water transport	16,878	1,178
Property	14,140	13,449
General liability	13,774	1,412
Other	4,384	5,989
	49,176	**22,028**
Fee and commission expense		
Obligatory insurance		
Vehicle owner's liability	(869,455)	(407,484)
Employer’s liability	(51,635)	(6,192)
Other obligatory	(32,505)	(20,461)
Voluntary insurance		
Property	(2,769,592)	(2,465,407)
Other voluntary	(593,929)	(175,884)
Air/Water/Motor transport	(262,014)	(168,833)
Medical	(155,971)	(171,991)
Accident	(107,922)	(29,303)
	(4,843,023)	**(3,445,555)**
	(4,793,847)	**(3,423,527)**

	2018 ’000 KZT	2017 ’000 KZT
Deferred acquisition costs at the beginning of the year	1,352,688	1,133,972
Amortisation of deferred acquisition costs for the year	(4,843,023)	(3,445,555)
Deferred acquisition costs for the current year	7,785,179	3,844,873
Termination	(300,044)	(180,602)
Deferred acquisition costs at the end of the year	**3,994,800**	**1,352,688**

9 Charge for impairment losses

	2018 ’000 KZT	2017 ’000 KZT
Held-to-maturity investments (Note 15)	591	(136,046)
Insurance and reinsurance receivables (Note 18)	50,564	(129,495)
Other assets (Note 20)	(144,832)	(15,217)
	(93,677)	**(280,758)**

10 General administrative expenses

	2018 ’000 KZT	2017 ’000 KZT
Wages and salaries	4,930,837	5,468,894
Expenses on insurance development*	2,793,984	1,639,459
Other taxes and duties	628,868	624,187
Depreciation and amortisation	323,518	208,617
Rent	219,511	210,319
General economic costs	169,335	267,532
Communications services	116,024	129,253
Business travel	78,306	92,912
Consulting and professional services	71,587	112,453
Bank charges	70,533	47,625
Security	66,519	57,107
Repairs and maintenance	49,249	72,349
Utilities	46,365	42,248
Tantieme **	29,156	854,763
Advertising	23,403	37,453
Marketing	796	2,096
Other	685,245	504,050
	10,303,236	**10,371,317**

*Expenses on insurance development comprise expenses paid for marketing activities on certain products to individuals hired on contract basis.

** Tantieme represents a reinsurers’ commission fee paid annually provided that there were no insurance claims during the period.

11 Income tax expense

	2018 ’000 KZT	2017 ’000 KZT
Current year tax expense	(5,032,828)	(2,010,099)
Current tax overprovided in prior periods	20,914	16,940
Total current tax expense	**(5,011,914)**	**(1,993,159)**
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences and movement in valuation allowance	33,762	(59,367)
Total income tax expense	**(4,978,152)**	**(2,052,526)**

In 2018, the applicable tax rate for current and deferred tax is 20% (2017: 20%).

11 Income tax expense, continued

Reconciliation of effective tax rate for the year ended 31 December:

	2018		2017	
	’000 KZT	**%**	**‘000 KZT**	**%**
Profit before income tax	**37,801,446**	**100**	**15,061,457**	**100.0**
Income tax at the applicable tax rate	(7,560,289)	(20.0)	(3,012,291)	(20.0)
Tax exempt income from available-for-sale financial assets and held-to-maturity investments	2,487,296	6.6	1,457,129	9.7
Current tax expense overprovided in prior years	20,914	0.1	16,940	0.1
Change in unrecognised deferred tax asset	261,373	0.7	(38,439)	(0.3)
Other non-taxable income/(non-deductible expenses)	(187,446)	(0.5)	(475,861)	(3.2)
	(4,978,152)	**(13.1)**	**(2,052,526)**	**(13.7)**

(a) Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2018 and 31 December 2017.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Movements in temporary differences during the year ended 31 December 2018 are presented as follows:

’000 KZT	**Balance at 1 January 2018**	**Recognised in profit or loss for the period**	**Balance at 31 December 2018**
Insurance and reinsurance receivables	41,391	(30,333)	11,058
Property, plant and equipment and intangible assets	(169,589)	161,571	(8,018)
Taxes	12,552	(843)	11,709
Vacation and bonuses reserve	402,063	(358,005)	44,058
	286,417	**(227,610)**	**58,807**
Unrecognised assets	(261,372)	261,372	-
	25,045	**33,762**	**58,807**

Movements in temporary differences during the year ended 31 December 2017 are presented as follows:

’000 KZT	**Balance at 1 January 2017**	**Recognised in profit or loss for the period**	**Balance at 31 December 2017**
Insurance and reinsurance receivables	16,719	24,672	41,391
Property, plant and equipment and intangible assets	(87,064)	(82,525)	(169,589)
Taxes	13,939	(1,387)	12,552
Vacation and bonuses reserve	363,751	38,312	402,063
	307,345	**(20,928)**	**286,417**
Unrecognised assets	(222,933)	(38,439)	(261,372)
	84,412	**(59,367)**	**25,045**

12 Cash and cash equivalents

	2018 '000 KZT	2017 '000 KZT
Cash on hand	4,763	6,412
Current accounts and demand deposits with banks		
Kazakhstan banks		
Rated from Ba3 to Baa1	40,616	9
Rated from B3 to B1	1,439	2,356
Rated from C to Caa2	14	45
	42,069	**2,410**
Foreign bank rated A2	11	8
Total current accounts and demand deposits with banks	**42,080**	**2,418**
	46,843	**8,830**

The above table is based on the credit ratings assigned by Moody's or other agencies converted into Moody's scale.

No cash and cash equivalents are impaired or past due.

As at 31 December 2018 and 2017, the Company had no balances with banks, whose balances exceeded 10% of equity.

13 Placements with banks

	2018 '000 KZT	2017 '000 KZT
Loans and deposits		
Kazakhstan banks		
Rated from Ba3 to Baa1	163,045	26,575
Rated from B3 to B1	15,652,759	14,377,461
Rated from Caa3 to Caa1	-	1,696,994
	15,815,804	**16,101,030**

The above table is based on the credit ratings assigned by Moody's or other agencies converted into Moody's scale.

As at 31 December 2018, the annual effective interest rates generated by placement with banks ranged between 1.3% and 13.5% per annum (31 December 2017: Between 3% and 13%).

As at 31 December 2018 and 2017, the Company had no balances with banks, whose balances exceeded 10% of equity.

14 Available-for-sale financial assets

	2018 '000 KZT	2017 '000 KZT
Neither past due nor impaired		
Equity instruments of foreign corporations and international financial organisations		
Shares of Amazon.com Inc	-	6,290,403
Shares of BAYER AG	600,417	-
Total equity instruments of foreign corporations and international financial organisations	**600,417**	**6,290,403**
Equity instruments		
Shares of Insurance Payments Guarantee Fund JSC	17,666	17,666
Total equity instruments	**17,666**	**17,666**
Overdue or impaired shares	**-**	**-**
Shares of Kazakhstan banks	-	-
Total corporate shares of Kazakhstan companies	**17,666**	**17,666**
	618,083	**6,308,069**

14 Available-for-sale financial assets, continued

Available-for-sale investments stated at cost comprise unquoted equity securities with a carrying value of KZT 17,666 thousand (31 December 2017: KZT 17,666 thousand). There is no market for these investments and there have not been any recent transactions that provide reliable evidence of their current fair value.

15 Held-to-maturity investments

	2018 ’000 KZT	2017 ’000 KZT
Neither past due nor impaired		
Government bonds of the Republic of Kazakhstan		
Rated Baa1	63,487,826	52,666,087
Government bonds of foreign states		
Rated from Aa1 to Aa3	5,521,683	910,606
Rated from A1 to A3	377,922	8,333,403
Rated from Ba1 to Ba3	-	1,463,747
Total Government bonds	**69,387,431**	**63,373,843**
Bonds of foreign corporations and international financial organisations		
Rated from A1 to A3	15,986,320	14,948,723
Rated from Baa1 to Baa3	21,919,688	11,434,079
Rated from Ba1 to Ba3	-	2,491,212
Total bonds of foreign corporations and international financial organisations	**37,906,008**	**28,874,014**
Bonds of Kazakhstan banks		
Rated from Baa1 to Baa3	10,394,894	-
Rated from Ba1 to Ba3	6,370,170	13,425,562
Rated from B1 to B3	32,015,872	23,531,997
Total bonds of Kazakhstan banks	**48,780,936**	**36,957,559**
Corporate bonds of Kazakhstan companies		
Rated from Baa1 to Baa3	31,933,934	15,448,299
Total corporate bonds of Kazakhstan companies	**31,933,934**	**15,448,299**
Overdue or impaired bonds		
Corporate bonds of Kazakhstan companies	199,409	213,290
Impairment allowance	(199,409)	(200,000)
Total overdue or impaired bonds, net	**-**	**13,290**
	188,008,309	**144,667,005**

The above table is based on the credit ratings assigned by Moody's or other agencies converted into Moody's scale.

As at 31 December 2018 the Company has financial instruments of 3 issuers (2017: 3 issuers), whose balance exceeds 10% of equity.

The total gross value of these balances as at 31 December 2018 is KZT 93,529,288 thousand (2017: KZT 76,832,946 thousand).

Movements in the impairment allowance on held-to-maturity investments for the years ended 31 December are as follows:

	2018 ’000 KZT	2017 ’000 KZT
Balance at the beginning of the year	(200,000)	(70,000)
Net reversal / (charge)	591	(136,046)
Write-offs	-	6,046
Balance at the end of the year	**(199,409)**	**(200,000)**

15 Held-to-maturity investments, continued

As at 31 December 2018, the annual effective interest rates generated by held-to-maturity investments ranged between 3.9% and 11.3% per annum (31 December 2017: 3.9% and 11%). As at 31 December 2018 the maturity of the held-to-maturity investments is from March 2019 to October 2048 (31 December 2017: from January 2018 to July 2045).

16 Investment property

’000 KZT	**Land and buildings**
Cost	
Balance at 1 January 2018	1,232,441
Reclassification from property, plant and equipment	1,754,765
Balance at 31 December 2018	**2,987,206**
Depreciation	
Balance at 1 January 2018	(77,763)
Depreciation for the year	(26,886)
Balance at 31 December 2018	**(104,649)**
Carrying amount At 31 December 2018	**2,882,557**
Cost	
Balance at 1 January 2017	1,611,192
Reclassification to property, plant and equipment	(378,751)
Balance at 31 December 2017	**1,232,441**
Depreciation	
Balance at 1 January 2017	(59,845)
Depreciation for the year	(17,918)
Balance at 31 December 2017	**(77,763)**
Carrying amount At 31 December 2017	**1,154,678**

As at 31 December 2018 and 31 December 2017 the carrying value of investment property approximates its fair value. In 2018 and 2017 the Company performed an internal valuation of investment property. The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar properties. The fair value of investment property is categorised into Level 3 of the fair value hierarchy.

17 Property, plant and equipment and intangible assets

’000 KZT	Land and buildings	Computer equipment and office equipment	Vehicles	Construction in progress	Other property, plant and equipment	Intangible assets	Total
Cost							
Balance at 1 January 2018	3,446,994	506,003	305,771	523,845	743,539	152,949	5,679,101
Additions	-	76,848	37,020	1,092,485	384,370	93,077	1,683,800
Reclassification	(142,916)	4,481	-	(1,616,330)	-	-	(1,754,765)
Disposals	-	(14,481)	(41,378)	-	(1,869)	-	(57,728)
Balance at 31 December 2018	**3,304,078**	**572,851**	**301,413**	**-**	**1,126,040**	**246,026**	**5,550,408**
Depreciation and amortisation							
Balance at 1 January 2018	(100,167)	(254,268)	(187,826)	-	(202,214)	(108,634)	(853,109)
Depreciation and amortisation for the year	(57,034)	(57,468)	(48,358)	-	(114,179)	(19,593)	(296,632)
Disposals	-	14,461	40,401	-	1,215	-	56,077
Balance at 31 December 2018	**(157,201)**	**(297,275)**	**(195,783)**	**-**	**(315,178)**	**(128,227)**	**(1,093,664)**
Carrying amount							
At 31 December 2018	**3,146,877**	**275,576**	**105,630**	**-**	**810,862**	**117,799**	**4,456,744**
Cost							
Balance at 1 January 2017	764,083	337,267	233,282	1,582,657	355,564	134,881	3,407,734
Additions	-	168,736	95,751	1,399,032	234,291	18,068	1,915,878
Reclassification	2,682,911	-	-	(2,457,844)	153,684	-	378,751
Disposals	-	-	(23,262)	-	-	-	(23,262)
Balance at 31 December 2017	**3,446,994**	**506,003**	**305,771**	**523,845**	**743,539**	**152,949**	**5,679,101**
Depreciation and amortisation							
Balance at 1 January 2017	(82,790)	(218,222)	(156,482)	-	(142,826)	(81,229)	(681,549)
Depreciation and amortisation for the year	(17,377)	(36,046)	(50,483)	-	(59,388)	(27,405)	(190,699)
Disposals	-	-	19,139	-	-	-	19,139
Balance at 31 December 2017	**(100,167)**	**(254,268)**	**(187,826)**	**-**	**(202,214)**	**(108,634)**	**(853,109)**
Carrying amount							
At 31 December 2017	**3,346,827**	**251,735**	**117,945**	**523,845**	**541,325**	**44,315**	**4,825,992**

18 Insurance and reinsurance receivables

	2018 '000 KZT	2017 '000 KZT
Amounts due from policyholders	2,097,317	1,864,860
Amounts due from reinsurers	5,285,135	6,601,017
	7,382,452	**8,465,877**
Impairment allowance	(55,288)	(206,812)
	7,327,164	**8,259,065**

As at 31 December 2018 and 2017, the Company had no balances with policyholders, whose balances exceeded 10% of equity.

Movements in the impairment allowance on insurance and reinsurance receivables for the years ended 31 December are as follows:

	2018 '000 KZT	2017 '000 KZT
Balance at the beginning of the year	(206,812)	(83,595)
Net reversal / (charge)	50,564	(129,495)
Write-offs	100,960	6,278
Balance at the end of the year	**(55,288)**	**(206,812)**

Credit quality of insurance and reinsurance receivables

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2018:

31 December 2018	**Gross receivables** **'000 KZT**	**Impairment allowance** **'000 KZT**	**Net receivables** **'000 KZT**	**Impairment allowance to gross receivables** **%**
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not past due	968,638	-	968,638	-
Overdue or impaired:		-		-
- overdue less than 90 days	983,558	-	983,558	-
- overdue more than 90 days and less than 1 year	120,379	-	120,379	-
- overdue more than 1 year	24,742	(24,742)	-	100
Total overdue or impaired receivables due from policyholders	1,128,679	(24,742)	1,103,937	2
Total amounts due from policyholders	**2,097,317**	**(24,742)**	**2,072,575**	**1**

18 Insurance and reinsurance receivables, continued

Credit quality of insurance and reinsurance receivables, continued

31 December 2018	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance to gross receivables %
Amounts due from reinsurers				
Not past due	4,796,193	-	4,796,193	-
Overdue or impaired:		-		-
- overdue less than 90 days	430,444	-	430,444	-
- overdue more than 90 days and less than 1 year	27,952	-	27,952	-
- overdue more than 1 year	30,546	(30,546)	-	100
Total overdue or impaired receivables due from reinsurers	488,942	(30,546)	458,396	6
Total amounts due from reinsurers	**5,285,135**	**(30,546)**	**5,254,589**	**1**
Total amounts due from policyholders and reinsurers	**7,382,452**	**(55,288)**	**7,327,164**	**1**

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2017:

31 December 2017	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance to gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not past due	1,228,029	-	1,228,029	-
Overdue or impaired:				
- overdue less than 90 days	338,355	-	338,355	-
- overdue more than 90 days and less than 1 year	108,972	-	108,972	-
- overdue more than 1 year	189,504	(189,504)	-	100
Total overdue or impaired receivables due from policyholders	636,831	(189,504)	447,327	30
Total amounts due from policyholders	**1,864,860**	**(189,504)**	**1,675,356**	**10**

18 Insurance and reinsurance receivables, continued

Credit quality of insurance and reinsurance receivables, continued

31 December 2017	Gross receivables ’000 KZT	Impairment allowance ’000 KZT	Net receivables ’000 KZT	Impairment allowance to gross receivables %
Amounts due from reinsurers				
Not past due	5,880,407	-	5,880,407	-
Overdue or impaired:				
- overdue less than 90 days	609,294	-	609,294	-
- overdue more than 90 days and less than 1 year	94,008	-	94,008	-
- overdue more than 1 year	17,308	(17,308)	-	100
Total overdue or impaired receivables due from reinsurers	720,610	(17,308)	703,302	2
Total amounts due from reinsurers	**6,601,017**	**(17,308)**	**6,583,709**	**-**
Total amounts due from policyholders and reinsurers	**8,465,877**	**(206,812)**	**8,259,065**	**2**

19 Insurance contract provisions and reinsurers’ share in insurance contract provisions

	Gross 2018 ’000 KZT	Reinsurance 2018 ’000 KZT	Net 2018 ’000 KZT
Unearned premium provision	27,410,397	(1,858,002)	25,552,395
Provision for claims incurred but not reported	12,558,202	(980,168)	11,578,034
Provision for claims reported but not settled	66,086,038	(23,160,457)	42,925,581
	106,054,637	**(25,998,627)**	**80,056,010**

	Gross 2017 ’000 KZT	Reinsurance 2017 ’000 KZT	Net 2017 ’000 KZT
Unearned premium provision	22,847,842	(2,110,990)	20,736,852
Provision for claims incurred but not reported	12,935,323	(875,464)	12,059,859
Provision for claims reported but not settled	69,562,176	(31,191,470)	38,370,706
	105,345,341	**(34,177,924)**	**71,167,417**

19 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(a) Analysis of movements in insurance contract provisions

	2018 '000 KZT	2017 '000 KZT
Balance at the beginning of the year	71,167,417	54,001,374
Premiums written	65,190,104	53,564,256
Premiums earned	(60,627,549)	(47,949,606)
Claims reported	41,203,753	29,694,323
Claims paid	(33,403,842)	(16,042,431)
New provisions established during the year	5,107,193	4,809,457
Change in estimates for the losses from past reporting periods	(11,276,049)	(3,647,688)
Change in provisions for prior year claims	(5,484,314)	(1,949,506)
Change in reinsurers' share	8,179,297	(1,312,762)
Balance at the end of the year	**80,056,010**	**71,167,417**

(b) Analysis of movements in provision for unearned premiums

	2018 '000 KZT	2017 '000 KZT
Balance at the beginning of the year	20,736,852	16,236,759
Premiums received	65,190,104	53,564,256
Premiums earned	(60,627,549)	(47,949,606)
Change in reinsurers' share	252,988	(1,114,557)
Balance at the end of the year	**25,552,395**	**20,736,852**

(c) Analysis of movements in provisions for claims incurred but not reported

	2018 '000 KZT	2017 '000 KZT
Balance at the beginning of the year	12,059,859	9,626,453
New provisions established during the year	5,107,193	4,809,457
Change in provision for prior years claims	(5,484,314)	(1,949,506)
Change in reinsurers' share	(104,704)	(426,545)
Balance at the end of the year	**11,578,034**	**12,059,859**

(d) Analysis of movements in provisions for claims reported but not settled

	2018 '000 KZT	2017 '000 KZT
Balance at the beginning of the year	38,370,706	28,138,162
Current year' claims reported	29,392,009	26,556,298
Prior years' claims reported	11,811,744	3,138,025
Change in estimates for the losses from past reporting periods	(11,276,049)	(3,647,688)
Current year claims paid	(10,215,166)	(6,890,936)
Prior years' claims paid	(23,188,676)	(9,151,495)
Change in reinsurers' share	8,031,013	228,340
Balance at the end of the year	**42,925,581**	**38,370,706**

19 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(e) Analysis of insurance contract provisions by main lines of business

	Obligatory insurance			**Voluntary insurance**					
2018 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**Other voluntary**	**Total**
Provision for unearned premiums	1,689,914	5,220,998	312,875	9,483,118	1,434,521	3,365,278	3,959,366	1,944,327	27,410,397
Provision for claims incurred but not reported	1,473,787	582,549	28,956	9,346,495	192,248	128,984	156,808	648,375	12,558,202
Provision for claims reported but not settled	1,153,743	967,472	3,288	56,646,149	1,032	1,885,460	132,783	5,296,111	66,086,038
Gross insurance contract provisions	**4,317,444**	**6,771,019**	**345,119**	**75,475,762**	**1,627,801**	**5,379,722**	**4,248,957**	**7,888,813**	**106,054,637**
Reinsurers' share in insurance contract provisions	(189)	-	-	(25,821,108)	-	(14,950)	-	(162,380)	(25,998,627)
Net insurance contract provisions	**4,317,255**	**6,771,019**	**345,119**	**49,654,654**	**1,627,801**	**5,364,772**	**4,248,957**	**7,726,433**	**80,056,010**

	Obligatory insurance			**Voluntary insurance**					
2017 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**Other voluntary**	**Total**
Provision for unearned premiums	1,527,974	2,982,631	161,403	10,260,585	1,211,104	2,799,720	2,164,656	1,739,769	22,847,842
Provision for claims incurred but not reported	2,974,518	321,886	15,474	8,750,304	148,776	67,082	441,813	215,470	12,935,323
Provision for claims reported but not settled	2,854,351	671,510	402	64,035,166	1,508	1,177,579	76,379	745,281	69,562,176
Gross insurance contract provisions	**7,356,843**	**3,976,027**	**177,279**	**83,046,055**	**1,361,388**	**4,044,381**	**2,682,848**	**2,700,520**	**105,345,341**
Reinsurers' share in insurance contract provisions	-	-	-	(33,547,084)	-	(49,629)	-	(581,211)	(34,177,924)
Net insurance contract provisions	**7,356,843**	**3,976,027**	**177,279**	**49,498,971**	**1,361,388**	**3,994,752**	**2,682,848**	**2,119,309**	**71,167,417**

19 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(f) Key provision assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. However, there is a shortage of publicly available information on the Kazakhstan insurance market, which would be relevant for determining assumptions and susceptibility to changes in core business.

The nature of the business makes it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

Provisions for claims incurred but not reported ("IBNR") are estimated using a range of chain ladder statistical methods. Such methods extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case. Such reasons include economic, legal, political and social trends, change in mix of business, random fluctuations, including the impact of large losses.

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim.

Management believes that due to the short-tailed nature of the majority of the Company's business excluding employer's liability and property insurance classes, the performance of the Company's portfolio is sensitive mainly to changes in expected loss ratios. The Company adjusts its insurance tariffs on a regular basis, based on the latest developments in these variables so that any emerging trends are taken into account.

20 Other assets

	2018 **'000 KZT**	**2017** **'000 KZT**
Other receivables	1,103,723	384,314
Impairment allowance	(175,888)	(31,056)
Total other financial assets	**927,835**	**353,258**
Prepayments	187,350	911,808
Settlements with employees	5,393	5,461
Materials and supplies	261	237
Total other non-financial assets	**193,004**	**917,506**
Total other assets	**1,120,839**	**1,270,764**

20 Other assets, continued

(a) Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 December are as follows:

	2018 '000 KZT	2017 '000 KZT
Balance at the beginning of the year	(31,056)	(20,609)
Net charge	(144,832)	(15,217)
Write-offs	-	4,770
Balance at the end of the year	**(175,888)**	**(31,056)**

As at 31 December 2018, included in other assets are overdue receivables of KZT 256,864 thousand (31 December 2017: KZT 71,170 thousand), of which KZT 20,296 thousand (31 December 2017: KZT 22,470 thousand) are overdue for more than 90 days, but less than one year and KZT 175,889 thousand (31 December 2017: KZT 31,056 thousand) are overdue for more than one year.

21 Insurance and reinsurance payables

	2018 '000 KZT	2017 '000 KZT
Reinsurance payables	1,653,986	954,802
Insurance payables	940,659	289,948
Prepaid insurance premiums	337,920	274,704
Brokers' fees payable	242,623	30,531
	3,175,188	**1,549,985**

The entire amount of reinsurance payables is represented by payables for written premiums ceded to reinsurers.

22 Other liabilities

	2018 '000 KZT	2017 '000 KZT
Other payables	313,007	138,576
Other taxes payable	252,249	209,429
Payable to employees	220,288	2,010,316
	785,544	**2,358,321**

23 Equity

(a) Share capital

	Ordinary shares 2018	Ordinary shares 2017
Authorised shares (ordinary shares)	150,000,000	150,000,000
Issued and outstanding shares (ordinary shares)	99,074,285	91,621,285
Nominal value, KZT'000	1	1
Issued and fully paid, KZT'000	**99,074,285**	**91,621,285**

During the year ended 31 December 2018, the Company issued 7,453,000 ordinary shares at par value (2017: no ordinary shares were issued).

23 Equity, continued

(b) Capital management

The Company is subject to the regulatory requirements of the Republic of Kazakhstan regarding solvency margin as defined by regulations of the NBRK.

The Company is required to maintain a solvency margin ratio at not less than one. The solvency margin ratio is determined by division of the actual solvency margin by the minimum required solvency margin. The minimum required solvency margin is a composite measure based on a number of factors including net earned premiums, claims paid and premiums ceded to foreign reinsurers.

As at 31 December 2018 and 31 December 2017, the Company complies with the solvency margins which are as follows:

	2018 '000 KZT	2017 '000 KZT
Actual solvency margin	108,774,038	90,371,506
Minimum solvency margin	8,116,258	7,136,123
Solvency margin	**13.40**	**12.66**

(c) Dividends

In accordance with Kazakhstan 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 IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at 31 December 2018, total reserves available for distribution amounted to KZT 38,227,738 thousand (31 December 2017: KZT 13,008,931 thousand).

During the year ended 31 December 2018 dividends of KZT 7,453,000 thousand or KZT 75.23 per share were declared and paid (2017: KZT 16,417,863 thousand or KZT 179.19 per share), which the shareholders reinvested in share capital as contributions (2017: none).

(d) Stabilisation reserve

During 2018 the Company transferred KZT 151,487 thousand from retained earnings to the statutory reserve (31 December 2017: KZT 2,475,248 thousand from retained earnings to statutory reserve) as in accordance with the Resolution of the Management Board of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organisations No.304 dated 26 December 2016 "On Requirements for the Formation, Methodology of Calculation of Insurance Reserves and their Structure, Forms and Deadlines for Submission of Reports in Insurance Reserves", the Company is required to establish a stabilisation reserve for those insurance products that demonstrate loss rates subject to significant fluctuations during three preceding years.

24 Financial instrument risk management

(a) Risk management policies and procedures

Management of risk is fundamental to the business of the Company and forms an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk.

The risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

24 Financial instrument risk management, continued

(a) Risk management policies and procedures, continued

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Company operates within established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Board of Directors and indirectly to the Chairman.

Both external and internal risk factors are revealed and managed internally in the organisation. Special attention is given to revealing the whole list of risk factors and determining the level of adequacy of the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

(b) 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. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Risk Management Department, which is controlled by the Board of Directors. Market risk limits are approved by the Board of Directors.

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis.

The management of the interest rates risk component of market risk by monitoring the interest rate gap is supplemented by monitoring the sensitivity of the Company’s net interest margin to various standard and non-standard interest rate scenarios

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

(ii) Currency risk

The Company has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

24 Financial instrument risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2018:

'000 KZT	KZT	USD	EUR	GBP	RUB	Other	Total
Assets							
Cash and cash equivalents	45,604	354	421	461	3	-	46,843
Placements with banks	13,123,138	2,510,525	-	-	182,141	-	15,815,804
Available-for-sale financial assets	17,666	-	600,417	-	-	-	618,083
Held-to-maturity investments	80,010,186	100,292,434	6,514,793	1,190,896	-	-	188,008,309
Insurance and reinsurance receivables	2,305,733	3,845,837	290,313	119	442,343	442,819	7,327,164
Reinsurers' share in insurance contract provisions	24,131,509	9,116	-	-	-	-	24,140,625
Other financial assets	923,148	1,891	2,796	-	-	-	927,835
Total assets	**120,556,984**	**106,660,157**	**7,408,740**	**1,191,476**	**624,487**	**442,819**	**236,884,663**
Liabilities							
Insurance contract provisions	(36,958,881)	(22,173,486)	(8,842,331)	(101,525)	(1,786,074)	(8,781,943)	(78,644,240)
Insurance and reinsurance payables	(1,232,227)	(1,543,264)	(35,411)	-	(470)	(25,896)	(2,837,268)
Other financial liabilities	(699,888)	(85,656)	-	-	-	-	(785,544)
Total liabilities	**(38,890,996)**	**(23,802,406)**	**(8,877,742)**	**(101,525)**	**(1,786,544)**	**(8,807,839)**	**(82,267,052)**
Net position as at 31 December 2018	**81,665,988**	**82,857,751**	**(1,469,002)**	**1,089,951**	**(1,162,057)**	**(8,365,020)**	**154,617,611**

24 Financial instrument risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2017:

'000 KZT	KZT	USD	EUR	GBP	RUB	Other	Total
Assets							
Cash and cash equivalents	7,121	34	1,438	236	1	-	8,830
Placements with banks	12,610,482	3,028,108	-	-	462,440	-	16,101,030
Available-for-sale financial assets	17,666	6,290,403	-	-	-	-	6,308,069
Held-to-maturity investments	36,638,542	96,641,219	10,164,265	1,104,610	118,369	-	144,667,005
Insurance and reinsurance receivables	2,623,563	3,641,144	437,238	-	843,613	713,507	8,259,065
Reinsurers' share in insurance contract provisions	32,057,942	8,992					32,066,934
Other financial assets	351,817	1,441		-	-	-	353,258
Total assets	**84,307,133**	**109,611,341**	**10,602,941**	**1,104,846**	**1,424,423**	**713,507**	**207,764,191**
Liabilities							
Insurance contract provisions	(46,408,008)	(12,416,249)	(11,061,102)	(71,213)	(1,510,420)	(11,030,507)	(82,497,499)
Insurance and reinsurance payables	(282,938)	(964,283)	(745)	-	-	(27,315)	(1,275,281)
Other financial liabilities	(2,343,393)	(178)	-	-	(14,750)	-	(2,358,321)
Total liabilities	**(49,034,339)**	**(13,380,710)**	**(11,061,847)**	**(71,213)**	**(1,525,170)**	**(11,057,822)**	**(86,131,101)**
Net position as at 31 December 2017	**35,272,794**	**96,230,631**	**(458,906)**	**1,033,633**	**(100,747)**	**(10,344,315)**	**121,633,090**

24 Financial instrument risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

A weakening of KZT, as indicated below, against the following currencies at 31 December 2018 and 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

'000 KZT	**2018**		**2017**	
	Net profit	**Equity**	**Net profit**	**Equity**
20% appreciation of USD	13,257,240	13,257,240	15,396,901	15,396,901
20% appreciation of EUR	(235,040)	(235,040)	(73,425)	(73,425)
20% appreciation of GBP	174,392	174,392	165,381	165,381
20% appreciation of RUB	(185,929)	(185,929)	(16,120)	(16,120)

A strengthening of the KZT against the above currencies at 31 December 2018 and 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risks

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Company takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2018 and 31 December 2017 and a simplified scenario of a 5% change in all equity securities prices is as follows:

	2018		**2017**	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
5% increase in securities prices	-	30,904	-	315,403
5% decrease in securities prices	-	(30,904)	-	(315,403)

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Company. The Company has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration. The credit policy is reviewed and approved by the Management Board.

The Company continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

24 Financial instrument risk management, continued

(c) Credit risk, continued

The maximum exposure to on balance sheet credit risk at the reporting date is as follows:

	2018 '000 KZT	2017 '000 KZT
ASSETS		
Cash and cash equivalents	42,080	2,418
Placements with banks	15,815,804	16,101,030
Held-to-maturity investments	188,008,309	144,667,005
Insurance and reinsurance receivables	7,327,164	8,259,065
Reinsurers' share in insurance contract provisions	24,140,625	32,066,934
Other financial assets	927,835	353,258
Total maximum exposure	**236,261,817**	**201,449,710**

As at 31 December 2018 the Company has one debtor (31 December 2017: one debtor), credit risk exposure to whom exceeds 10 percent of maximum credit risk exposure. The credit risk exposure for this debtor as at 31 December 2018 is KZT 63,487,826 thousand (31 December 2017: KZT 52,666,087 thousand). Reinsurers' share in insurance contract provisions of KZT 22,870,868 thousand (2017: KZT 31,098,454 thousand) relates to international companies with a credit rating of A and above. The credit ratings are presented by reference to credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 liquidity management. 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 mitigates this risk by analysing liquidity gaps and maturity on an ongoing basis.

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2018. Insurance liabilities are shown based on expected maturities. Total liabilities on insurance contract provisions are presented below:

'000 KZT	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities					
Insurance contract provisions	1,788,534	4,738,636	23,733,405	75,794,062	106,054,637
Insurance and reinsurance payables	2,183,939	652,139	1,190	-	2,837,268
Other financial liabilities	548,665	220,289	16,590	-	785,544
Total financial liabilities as at 31 December 2018	**4,521,138**	**5,611,064**	**23,751,185**	**75,794,062**	**109,677,449**

24 Financial instrument risk management, continued

(d) Liquidity risk, continued

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2017. Insurance liabilities are shown based on expected maturities. Total liabilities on insurance contract provisions are presented below:

'000 KZT	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**More than 1 year**	**Total**
Financial liabilities					
Insurance contract provisions	2,334,288	6,079,088	16,681,198	80,250,767	105,345,341
Insurance and reinsurance payables	472,500	802,781	-	-	1,275,281
Other financial liabilities	336,720	703,455	935,980	382,166	2,358,321
Total financial liabilities as at 31 December 2017	**3,143,508**	**7,585,324**	**17,617,178**	**80,632,933**	**108,978,943**

25 Contingencies

(a) Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the results of future operations.

(b) Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

26 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018:

‘000 KZT	Held-to-maturity	Loans and receivables	Available-for-sale	Other at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	42,080	-	-	46,843	46,843
Placements with banks	-	15,815,804	-	-	15,815,804	15,815,804
Available-for-sale financial assets	-	-	600,417	-	600,417	600,417
Held-to-maturity investments	188,008,309	-	-	-	188,008,309	188,205,209
Insurance and reinsurance receivables	-	7,327,164	-	-	7,327,164	7,327,164
Other financial assets	-	927,835	-	-	927,835	927,835
	188,008,309	**24,112,883**	**600,417**	**-**	**212,726,372**	**212,923,272**
Insurance and reinsurance payables	-	-	-	(2,837,268)	(2,837,268)	(2,837,268)
Other financial liabilities	-	-	-	(785,544)	(785,544)	(785,544)
	-	**-**	**-**	**(3,622,812)**	**(3,622,812)**	**(3,622,812)**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2017:

‘000 KZT	Held-to-maturity	Loans and receivables	Available-for-sale	Other at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	8,830	-	-	8,830	8,830
Placements with banks	-	16,101,030	-	-	16,101,030	16,101,030
Available-for-sale financial assets	-	-	6,290,403	-	6,290,403	6,290,403
Held-to-maturity investments	144,667,005	-	-	-	144,667,005	154,633,926
Insurance and reinsurance receivables	-	8,259,065	-	-	8,259,065	8,259,065
Other financial assets	-	353,258	-	-	353,258	353,258
	144,667,005	**24,722,183**	**6,290,403**	**-**	**175,679,591**	**185,646,512**
Insurance and reinsurance payables	-	-	-	(1,275,281)	(1,275,281)	(1,275,281)
Other financial liabilities	-	-	-	(2,358,321)	(2,358,321)	(2,358,321)
	-	**-**	**-**	**(3,633,602)**	**(3,633,602)**	**(3,633,602)**

26 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The estimates of fair value are intended to approximate 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. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The fair value of unquoted equity securities available-for-sale with a carrying value of KZT 17,666 thousand cannot be determined.

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

'000 KZT	**Level 1**	**Total**
Available-for-sale financial assets	600,417	600,417

The table below analyses financial instruments measured at fair value at 31 December 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

'000 KZT	**Level 1**	**Total**
Available-for-sale financial assets	6,290,403	6,290,403

26 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2018.

'000 KZT	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	46,843	-	46,843	46,843
Placements with banks	-	15,815,804	-	15,815,804	15,815,804
Held-to-maturity investments	115,086,823	73,118,386	-	188,205,209	188,008,309
Insurance and reinsurance receivables	-	7,327,164	-	7,327,164	7,327,164
Other financial assets	-	927,835	-	927,835	927,835
Liabilities			**-**		
Insurance and reinsurance payables	-	(2,837,268)	-	(2,837,268)	(2,837,268)
Other financial liabilities	-	(785,544)	-	(785,544)	(785,544)

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2017.

'000 KZT	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	8,830	-	8,830	8,830
Placements with banks	-	16,101,030	-	16,101,030	16,101,030
Held-to-maturity investments	45,470,286	109,163,640	-	154,633,926	144,667,005
Insurance and reinsurance receivables	-	8,259,065	-	8,259,065	8,259,065
Other financial assets	-	353,258	-	353,258	353,258
Liabilities					
Insurance and reinsurance payables	-	(1,275,281)	-	(1,275,281)	(1,275,281)
Other financial liabilities	-	(2,358,321)	-	(2,358,321)	(2,358,321)

27 Related party transactions

(a) Control relationship

As at 31 December 2018 members of the Board of Directors and the Management Board of the Company and their close family members hold 5% (31 December 2017: 5%)

The Company's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent company is controlled by the group of individuals: Mr. Mashkevich A.A., Mr. Chodiyev P.K., Mr. Ibragimov A.R., each of whom owns 33.3%. Publicly available financial statements are produced by the Company's Parent company.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018 **'000 KZT**	**2017** **'000 KZT**
Members of the Board of Directors and the Management Board	2,859,376	2,916,284

(c) Transactions with other related parties

Other related parties comprise the Parent company, the fellow subsidiaries, and other companies under control of Mr. Mashkevich A.A., Mr. Chodiyev P.K., and Mr. Ibragimov A.R

27 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances as of 31 December 2018 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows.

	Parent company	Fellow subsidiaries		Other	Total
	‘000 KZT	**‘000 KZT**	**Average interest rate, %**	**‘000 KZT**	**‘000 KZT**
Assets					
Cash and cash equivalents	-	1,397	-	-	**1,397**
Placements with banks					
- KZT	-	4,540,200	10.3	-	**4,540,200**
- USD	-	2,510,525	1.9	-	**2,510,525**
- RUB	-	182,141	6.0	-	**182,141**
Held-to-maturity investments					
- KZT	-	11,741,823	8.50	-	**11,741,823**
Insurance and reinsurance receivables		380,221	-	-	**380,221**
Liabilities					
Insurance contract provisions	(181)	(2,638,210)	-	(26,648,809)	**(29,287,200)**
Insurance and reinsurance payables	(36,215)	(28,863)	-	(793)	**(65,871)**
Other liabilities	-	(54,328)	-	-	**(54,328)**
Profit/(loss)					
Gross premiums written	27,500	3,977,709	-	11,772,592	**15,777,801**
Net finance income	-	1,530,230	-	-	**1,530,230**
Other income	10,744	49,323	-	-	**60,067**
Claims incurred	-	(561,776)	-	(6,016,375)	**(6,578,151)**
Change in insurance contract provisions	107,330	(248,811)	-	9,784,137	**9,642,656**
Fee and commission expense	-	(81,388)	-	(81)	**(81,469)**
Other expenses	-	(48,082)	-	-	**(48,082)**
Commitments					
Total risk exposure*	13,500	209,385,584	-	288,245,183	**497,644,267**

27 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances as of 31 December 2017 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows.

	Parent company	Fellow subsidiaries		Other	Total
	'000 KZT	**'000 KZT**	**Average interest rate, %**	**'000 KZT**	**'000 KZT**
Assets					
Cash and cash equivalents	-	2,315	-	-	**2,315**
Placements with banks					
- KZT	-	1,427,303	9.45	-	**1,427,303**
- USD	-	2,996,516	3	-	**2,996,516**
Held-to-maturity investments					
- USD	-	11,335,612	8.5	-	**11,335,612**
Insurance and reinsurance receivables		278,918	-	652,794	**931,712**
Liabilities					
Insurance contract provisions	(107,511)	(2,389,399)	-	(36,432,946)	**(38,929,856)**
Insurance and reinsurance payables	(26,146)	(28,519)	-	(867)	**(55,532)**
Other liabilities	-	(11,529)	-	-	**(11,529)**
Profit/(loss)					
Gross premiums written	191,800	3,430,635	**-**	12,416,343	**16,038,778**
Net finance income	-	1,536,514	**-**	-	**1,536,514**
Other income	10,742	52,560	**-**	-	**63,302**
Claims incurred	(1,087)	(637,227)	**-**	(2,690,575)	**(3,328,889)**
Change in insurance contract provisions	(107,352)	161,094	**-**	(246,553)	**(192,811)**
Fee and commission expense	-	(14,666)	**-**	(48)	**(14,714)**
Other expenses	-	(34,479)	**-**	-	**(34,479)**
Commitments					
Total risk exposure*	7,016,080	182,050,362	-	253,766,692	**442,833,134**

*Commitments represent total insurance coverage for outstanding insurance contracts concluded with related parties.

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28 Subsequent events

Based on results of the general meeting of shareholders held on 2 July 2018, a decision was made to establish Eurasia Life Insurance Company JSC.

On 29 October 2018 the National Bank of the Republic of Kazakhstan issued the following permissions to the Company:

- Permission to establish Eurasia Life Insurance Company in accordance with the Resolution of the National Bank of the Republic of Kazakhstan No.240 dated 29 October 2018;
- Permission to acquire a status of an insurance holding Eurasia Life Insurance Company JSC, according to the Resolution of the National Bank of the Republic of Kazakhstan No.241 dated 29 October 2018;
- Permission to establish a subsidiary of Eurasia Life Insurance Company in accordance with the Resolution of the National Bank of the Republic of Kazakhstan No.242 dated 29 October 2018.

On 14 January 2019 the Company paid up the charter capital of Eurasia Life Insurance Company JSC in the amount of KZT 5,404,035 thousand from its own funds. This transaction information was recognised in the financial statements as at 1 February 2019.

In March 2019 the subsidiary Eurasia Life Insurance Company JSC obtained a licence for insurance (reinsurance) activity in the "life insurance" industry No. 2.2.50 dated 4 March 2019.