

Eurasia Insurance Company JSC

Separate Financial Statements
for the year ended 31 December 2020

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Independent Auditors' Report

To the Shareholders of Eurasia Insurance Company JSC

Opinion

We have audited the separate financial statements of Eurasia Insurance Company JSC (the "Company"), which comprise the separate statement of financial position as at 31 December 2020, the separate 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 separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the separate 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 Separate Financial Statements

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

In preparing the separate 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.

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Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

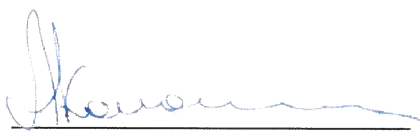
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 separate financial statements, including the disclosures, and whether the separate 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 Nezdernkovsky
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. МФ-0000182 of 2 June 2014

KPMG Audit LLC

State Licence to conduct audit #0000021 issued on 6 December 2006 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

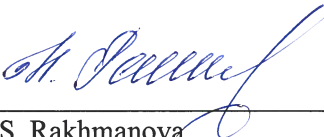
25 April 2021

Eurasia Insurance Company JSC
Separate Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

	Note	2020 '000 KZT	2019 '000 KZT
Gross premiums written	5	96,208,797	87,568,645
Written premiums ceded to reinsurers	5	(4,367,798)	(4,512,626)
Net premiums written		91,840,999	83,056,019
Change in the gross provision for unearned premiums	5	(3,878,523)	(9,724,452)
Reinsurers' share of change in the gross provision for unearned premiums	5	(260,855)	(776,337)
Net insurance premiums earned		87,701,621	72,555,230
Claims incurred	6	(28,470,918)	(41,725,213)
Reinsurers' share of claims incurred	6	469,705	8,487,387
Change in gross insurance contract provisions	6	(12,371,357)	25,929,852
Change in reinsurers' share in insurance contract provisions	6	(1,652,648)	(22,381,641)
Net claims incurred		(42,025,218)	(29,689,615)
Net finance income	7	16,890,463	15,599,230
Net foreign exchange gain/(loss)		13,181,640	(631,906)
Net fee and commission expense	8	(13,567,805)	(10,797,417)
Charge for impairment losses	9	(54,666)	(69,391)
General administrative expenses	10	(16,831,457)	(13,856,958)
Other operating income, net		334,312	536,452
Profit before income tax		45,628,890	33,645,625
Income tax expense	11	(6,550,576)	(4,629,697)
Profit for the year		39,078,314	29,015,928
Other comprehensive income, net of income tax			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		12,874,261	118,219
Other comprehensive income for the year, net of income tax		12,874,261	118,219
Total comprehensive income for the year		51,952,575	29,134,147

The separate financial statements as set out on pages 6 to 66 were approved by the Management Board on 23 April 2021:


B.G. Umangov
Chairman of the Board


N.S. Rakhmanova
Chief Accountant

Eurasia Insurance Company JSC
Separate Statement of Financial Position as at 31 December 2020

	Note	2020 '000 KZT	2019 '000 KZT
ASSETS			
Cash and cash equivalents	12	5,372,098	2,452,727
Placements with banks	13	10,743,392	7,572,167
Available-for-sale financial assets	14	38,988,260	712,861
Held-to-maturity investments			
- held by the Company	15	207,943,806	201,125,715
- pledged under sale and repurchase agreements	15	3,632,476	2,185,912
Investment property	16	4,615,592	4,730,670
Property, plant and equipment and intangible assets	17	4,671,013	4,666,833
Deferred acquisition costs	8	6,879,899	8,781,508
Insurance and reinsurance receivables	18	12,695,681	9,687,563
Current tax asset		125,871	3,969
Reinsurers' share in insurance contract provisions	19	927,146	2,840,649
Investments in subsidiary	20	9,034,181	5,404,035
Other assets	21	930,014	584,933
Total assets		306,559,429	250,749,542
LIABILITIES			
Insurance contract provisions	19	106,099,117	89,849,237
Insurance and reinsurance payables	22	1,926,973	2,186,598
Amounts payable under repurchase agreements	23	3,527,059	2,123,521
Deferred tax liabilities	11	971,269	310,602
Other liabilities	24	1,070,274	754,054
Total liabilities		113,594,692	95,224,012
EQUITY			
Share capital	25 (a)	135,465,517	121,316,085
Statutory reserve	25 (d)	5,816,650	5,463,439
Revaluation reserve for available-for-sale financial assets		12,604,250	(270,011)
Retained earnings		39,078,320	29,016,017
Total equity		192,964,737	155,525,530
Total liabilities and equity		306,559,429	250,749,542

Eurasia Insurance Company JSC
Separate Statement of Cash Flows for the year ended 31 December 2020

	2020	2019
	'000 KZT	'000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	39,078,314	29,015,928
<i>Adjustments for:</i>		
Depreciation and amortisation	537,119	434,487
Charge for impairment losses	54,666	69,391
Interest and other finance income	(16,890,463)	(15,597,984)
Net realised gain on sale of available-for-sale financial assets	-	(1,246)
Unrealised foreign exchange (gain)/loss	(13,444,948)	639,670
Loss/(gain) on disposal of property, plant and equipment and intangible assets	5,436	(4,251)
Employee benefits	(17,620)	57,920
Income tax expense	6,550,576	4,629,697
Operating profit before changes in working capital	15,873,080	19,243,612
(Increase)/decrease in operating assets		
Reinsurers' share in insurance contract provisions	1,913,503	23,157,978
Insurance and reinsurance receivables	(1,877,615)	(2,336,997)
Deferred acquisition costs	1,901,609	(4,786,708)
Other assets	(261,585)	578,795
Increase /(decrease) in operating liabilities		
Insurance contract provisions	16,249,880	(16,205,400)
Insurance and reinsurance payables	(572,903)	(1,111,810)
Other liabilities	325,141	(59,231)
Net cash from operating activities before interest income and other finance income received and income tax paid	33,551,110	18,480,239
Interest income and other finance income received	18,178,578	14,670,864
Income tax paid	(6,480,674)	(3,306,082)
Net cash flows from operating activities	45,249,014	29,845,021

Eurasia Insurance Company JSC
Separate Statement of Cash Flows for the year ended 31 December 2020

	2020 '000 KZT	2019 '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers to placements with banks	(120,848,200)	(129,187,756)
Proceeds from placements with banks	117,961,449	137,075,942
Sale of available-for-sale financial assets	-	1,353
Acquisition of available-for-sale financial assets	(24,379,895)	-
Acquisition of held-to-maturity investments	(27,135,076)	(24,251,400)
Redemption of held-to-maturity investments	28,587,091	9,619,568
Acquisition of investment property	-	(1,904,476)
Acquisition of property, plant and equipment and intangible assets	(597,327)	(594,353)
Proceeds from sale of property, plant and equipment and intangible assets	35,670	10,391
Investments in subsidiary	(3,630,146)	(5,404,035)
Net cash flows used in investing activities	(30,006,434)	(14,634,766)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts under repurchase agreements	78,354,417	7,667,699
Cash payments under repurchase agreements	(77,306,349)	(5,563,012)
Proceeds from issue of share capital	14,149,432	22,241,800
Dividends paid	(28,662,800)	(37,121,800)
Net cash flows used in financing activities	(13,465,300)	(12,775,313)
Net increase in cash and cash equivalents	1,777,280	2,434,942
Effect of movements in exchange rates on cash and cash equivalents	1,142,091	(29,058)
Cash and cash equivalents at the beginning of the year	2,452,727	46,843
Cash and cash equivalents at the end of the year (Note 12)	5,372,098	2,452,727

Eurasia Insurance Company JSC
Separate Statement of Changes in Equity for the year ended 31 December 2020

	Share capital	Statutory reserve	Revaluation reserve for available- for-sale financial assets	Retained earnings	Total equity
’000 KZT					
Balance at 1 January 2019	99,074,285	4,357,590	(388,230)	38,227,738	141,271,383
Total comprehensive income					
Profit for the year	-	-	-	29,015,928	29,015,928
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	118,219	-	118,219
Total other comprehensive income	-	-	118,219	-	118,219
Total comprehensive income for the year	-	-	118,219	29,015,928	29,134,147
Transactions with owners recorded directly in equity					
Shares issued (Note 25 (a))	22,241,800	-	-	-	22,241,800
Dividends declared and paid (Note 25 (c))	-	-	-	(37,121,800)	(37,121,800)
Transfer to statutory reserve (Note 25(d))	-	1,105,849	-	(1,105,849)	-
Total transactions with owners	22,241,800	1,105,849	-	(38,227,649)	(14,880,000)
Balance at 31 December 2019	121,316,085	5,463,439	(270,011)	29,016,017	155,525,530

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

'000 KZT	Share capital	Statutory reserve	Revaluation reserve for available- for-sale financial assets	Retained earnings	Total equity
Balance at 1 January 2020	121,316,085	5,463,439	(270,011)	29,016,017	155,525,530
Total comprehensive income					
Profit for the year	-	-	-	39,078,314	39,078,314
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	12,874,261	-	12,874,261
Total other comprehensive income	-	-	12,874,261	-	12,874,261
Total comprehensive income for the year	-	-	12,874,261	39,078,314	51,952,575
Transactions with owners recorded directly in equity					
Shares issued (Note 25 (a))	14,149,432	-	-	-	14,149,432
Dividends declared and paid (Note 25 (c))	-	-	-	(28,662,800)	(28,662,800)
Transfer to statutory reserve (Note 25(d))	-	353,211	-	(353,211)	-
Total transactions with owners	14,149,432	353,211	-	(29,016,011)	(14,513,368)
Balance at 31 December 2020	135,465,517	5,816,650	12,604,250	39,078,320	192,964,737

The separate statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the separate 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 26 February 2019 for insurance and reinsurance activity issued by the National Bank of the Republic of Kazakhstan.

The Company’s principal activity is providing insurance and reinsurance in such lines as vehicle owners’ liability, property, cargo, motor, air, railway and water transport, casualty and other types of insurance.

The Company’s registered office is 59 Zheltoksan Street, Almaty, A05D7G5, Republic of Kazakhstan. The head office of the Company is located in Almaty, and the Company has 16 branches as at 31 December 2020 (31 December 2019: 16 branches) in the Republic of Kazakhstan.

As at 31 December 2020 and 31 December 2019 the Company’s shareholders were as follows:

	31 December 2020, %	31 December 2019, %
Shareholders:		
Eurasian Financial Company JSC	95	95
Boris Grigorievich Umanov	5	5
Total	100	100

On 19 November 2018 the Company established a subsidiary organisation named Eurasia Life Insurance Company JSC. On 4 March 2019 Eurasia Life Insurance Company JSC obtained a licence for insurance (reinsurance) activity in the “life insurance” line. As at 31 December 2020 and 31 December 2019 the Company owns a 100% share in the subsidiary.

(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. Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus.

The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, for the purpose of protection of life and health of the citizens, a decision was made, pursuant to the legislation of the Republic of Kazakhstan, to introduce the state of emergency throughout the Republic of Kazakhstan for the period from 16 March 2020 to 12 May 2020. During the state of emergency period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

Due to business disruption and lockdown in many countries, global oil demand has drastically decreased leading to oversupply and sharp fall in oil prices. On 12 April 2020, major global oil producers including Kazakhstan agreed to a record cut in crude oil production for stabilizing the oil market, which, however, has not been able to reverse the downward pressure on the oil market. Sharp decrease in oil prices and production volumes results in corresponding decrease of oil producers' income and payments to the republican budget, which is likely to have major economic and social consequences and unavoidably affect public sector spending.

To continue as a going concern, the Company keeps carrying out its operations using a remote access and takes measures to protect health of the employees working on site, including provision of the individual protective devices, observance of distancing regime, and disinfection of the Company's premises.

Management cannot preclude the possibility that extended lockdown periods, an escalation in severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Company in the medium and longer term. The Company continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The separate 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

The accompanying separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The Company has also prepared consolidated financial statements for the year ended 31 December 2020 in accordance with IFRS, which can be obtained from the Company's registered office: 59 Zheltoksan Street, Almaty, A05D7G5, Republic of Kazakhstan.

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 for 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 first time adoption of IFRS 9 in its entirety on a single date of 1 January 2023.

(b) Basis of measurement

The separate financial statements are prepared on the historical cost basis except for the available-for-sale financial assets that 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.

All financial information presented in KZT has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of separate financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could 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 critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements is included in the following notes:

- 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
- the 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.

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 separate 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 of assets and liabilities in the separate financial statements is included in the following notes:

- insurance contract provisions - Note 19;
- fair value of financial instruments - Note 28.

3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements.

(a) A subsidiary

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In these separate financial statements investments in subsidiaries are stated at cost.

(b) 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 separate financial statements at 31 December are as follows:

<i>Currency</i>	2020	2019
USD 1	420.91	382.59
EUR 1	516.79	429.00
GBP 1	574.88	503.41
RUB 1	5.62	6.16

(c) 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.

(ii) Recognition and measurement of insurance contracts

Premiums

Gross insurance 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 in gross amounts, including commission payable to intermediaries and excluding taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are recognised as earned from the commencement day of the insurance coverage and proportionally during the insurance period on the basis of a decrease in the insured risk. Premiums ceded to reinsurance are recognised as an expense in accordance with the reduction of risks of reinsurance service received. The portion of premiums ceded to reinsurance that is 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) Outward reinsurance assets

The Company cedes portion of insurance and inward reinsurance risks to outward 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 outward 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 outward 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 premiums ceded to outward reinsurance is included in reinsurance assets.

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, if necessary. 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.

(d) 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.

(e) Placements with banks

The Company maintains 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.

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured 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 |

(g) 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.

(h) 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.

(i) 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.

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.

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.

(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 separate 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.

(j) 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.

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 judgement 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.

(ii) *Financial assets carried at cost*

Financial assets carried at cost include investments in a subsidiary and 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.

(k) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the separate statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo), short-term reverse repo agreements with maturities of less than three months are recorded within cash and cash equivalents, long-term agreements are included in amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

(l) Provisions

A provision is recognised in the separate 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.

(m) 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.

(n) 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.

(o) 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.

(p) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company leases items of property. All lease contracts concluded by the Company are short-term leases and lease term is less than 12 months. The Company used a practical expedient and did not recognise right-of-use assets and liabilities for short term contracts with lease term less than 12 months. Such leases do not contain extension options and the Company will not be subject to penalties for failure to extend lease term for another 12 months. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contained a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

The Company recognised lease payments received under operating leases as income on a straight-line basis over the lease term.

(q) 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 2021 and earlier application if permitted. However, the Company has not early adopted them in preparing these separate financial statements.

IFRS 17 Insurance Contracts

Scope of IFRS 17 is similar to IFRS 4 *Insurance Contracts*. On initial recognition, the liability of a group of insurance contracts is made up of the following components:

- The fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders, comprising:
 - estimates of future cash flows;
 - discounting; and
 - a risk adjustment for non-financial risk.

The contractual service margin (CSM), which represents the unearned profit the Company will recognise as it provides services over the coverage period.

Fulfilment cash flows representing a net outflow on initial recognition are recognised as an immediate loss.

Subsequent to initial recognition liability of a group of insurance contracts comprises the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses already incurred but not yet paid).

The fulfilment cash flows are remeasured at each reporting date to reflect current estimates. Generally the changes in the fulfilment cash flows are treated in a number of ways:

- changes in the effect of the time value of money and financial risk are reflected in the separate statement of financial position and separate statement of profit or loss.

When certain criteria are met a simplified approach – the premium allocation approach (PAA) – may be used.

The general measurement model is modified when applied to:

- reinsurance contracts held;
- direct participating contracts; and
- investment contracts with discretionary participation features (DPFs).

Insurance revenue is derived from the changes in the liability for remaining coverage for each reporting period that relate to services for which the Company expects to receive consideration.

Investment components are excluded from insurance revenue and insurance service expenses. Insurance service results are presented separately from insurance finance income or expense. The Company can choose to disaggregate insurance finance income or expense between profit or loss and other comprehensive income (OCI).

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023.

Early adoption is permitted if IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are applied at the adoption date or earlier.

Full retrospective application is required – however, if it is impracticable, a modified retrospective approach and a fair value approach are available.

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 Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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 Group 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 (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.

Impact assessment

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. Based on its preliminary assessment the Company does not believe that the new classification requirements will have a material impact on its separate financial statements.

(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.

Impact assessment

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.

Based on its preliminary assessment the Company does not believe that the new impairment requirements will have a material impact on its separate financial statements.

(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 2023. 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 separate financial statements.

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16).*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).*

4 Insurance risk management

This section summarises insurance 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. The Company is exposed to insurance risk due to the fact that the ultimate amount of payments under insurance contract or timing of such payments may differ significantly from the Company's estimates due to effect of various factors - frequency of claims, amount of claims, development of claims having long-term settlement period. The Company controls insurance risks through diversification of various types of insurance, applying underwriting procedures to control losses on insurance portfolio by types of business as well as reinsurance used to reduce risk that losses will occur in the amount exceeding an established net risk retention.

(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 insure 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 insurance payment and others. The estimate of the reported loss is determined 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 physical disability established 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 mostly by means of pricing, product design, underwriting and management of insurance indemnities. The Company therefore monitors and responds to changes in the general economic and commercial environment in which it operates.

(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 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 responds 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 reasonable pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and responds to changes in the general economic and commercial environment in which it operates.

(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 in the insurance 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: type of activity an insured is engaged in, 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 responds 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 of damage and 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.

(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 2020 the Company had 990,080 valid insurance contracts (as at 31 December 2019: 978,995 insurance contracts).

(i) Exposure by business lines

The key concentrations identified as at 31 December 2020 are:

Type of insurance	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Property – voluntary	3,381,800,706	(730,742,192)	2,651,058,514
Civil liability – voluntary	436,718,159	(56,378,235)	380,339,924
Motor transport – voluntary	288,378,428	-	288,378,428
Accident – voluntary	295,451,903	-	295,451,903
Vehicle owner's liability – voluntary	179,768,872	-	179,768,872
Water transport owner's liability – voluntary	1,962,790,000	(1,907,029,964)	55,760,036
Medical – voluntary	49,878,065	-	49,878,065
Air transport owner's liability – voluntary	69,506,545	-	69,506,545
Cargo – voluntary	27,549,381	(5,779,441)	21,769,940
Water transport – voluntary	17,766,201	-	17,766,201
Air transport – voluntary	42,745,836	-	42,745,836
Other voluntary insurance	167,241,894	-	167,241,894
Civil liability of a carrier to passengers - obligatory	2,894,953,110	-	2,894,953,110
Other obligatory insurance	58,743,836	-	58,743,836
Total	9,873,292,936	(2,699,929,832)	7,173,363,104

The key concentrations identified as at 31 December 2019 are:

Type of insurance	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Property – voluntary	3,970,165,597	(1,278,725,521)	2,691,440,076
Civil liability – voluntary	633,499,500	(64,295,119)	569,204,381
Motor transport – voluntary	384,156,760	-	384,156,760
Accident – voluntary	353,102,766	-	353,102,766
Vehicle owner's liability – voluntary	172,787,213	-	172,787,213
Water transport owner's liability – voluntary	7,873,013,491	(7,782,154,854)	90,858,637
Medical – voluntary	59,794,434	-	59,794,434
Air transport owner's liability – voluntary	49,990,313	-	49,990,313
Cargo – voluntary	30,310,723	-	30,310,723
Water transport – voluntary	32,148,046	(14,356,611)	17,791,435
Air transport – voluntary	5,589,143	-	5,589,143
Employer's liability- obligatory	208,062	-	208,062
Other voluntary insurance	153,258,540	(1,254,503)	152,004,037
Civil liability of a carrier to passengers - obligatory	2,785,834,118	-	2,785,834,118
Other obligatory insurance	54,144,429	-	54,144,429
Total	16,558,003,135	(9,140,786,608)	7,417,216,527

(ii) Exposure by countries

The Company is exposed to risks by the following countries other than the Republic of Kazakhstan as at 31 December 2020:

Country	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
The United States	303,575,325	-	303,575,325
India	129,964,334	-	129,964,334
The United Kingdom	104,645,583	-	104,645,583
Slovenia	91,704,074	-	91,704,074
Switzerland	60,901,993	-	60,901,993
Taiwan	60,687,944	-	60,687,944
The Russian Federation	56,194,433	-	56,194,433
Bermudas	45,384,552	-	45,384,552
Singapore	42,748,201	-	42,748,201
Turkey	5,739,300	-	5,739,300
China	2,872,344	-	2,872,344
Uzbekistan	711,054	-	711,054
Other countries	297,038,656	-	297,038,656
Total exposure (excluding the Republic of Kazakhstan)	1,202,167,793	-	1,202,167,793
Kazakhstan	8,671,125,143	(2,699,929,832)	5,971,195,311
Total	9,873,292,936	(2,699,929,832)	7,173,363,104

The Company is exposed to risks by the following countries other than the Republic of Kazakhstan as at 31 December 2020:

Country	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Germany	473,247,669	(448,721,291)	24,526,378
The United States	156,582,553	-	156,582,553
The United Kingdom	146,863,228	-	146,863,228
India	134,405,208	-	134,405,208
The Russian Federation	59,550,807	-	59,550,807
Switzerland	45,526,835	-	45,526,835
China	44,809,317	-	44,809,317
Taiwan	44,385,886	-	44,385,886
Bermudas	39,492,923	-	39,492,923
Slovenia	30,840,359	-	30,840,359
Singapore	16,803,420	-	16,803,420
Turkey	3,894,925	-	3,894,925
Uzbekistan	1,264,097	-	1,264,097
Other countries	290,588,774	-	290,588,774
Total exposure (excluding the Republic of Kazakhstan)	1,488,256,001	(448,721,291)	1,039,534,710
Kazakhstan	15,069,747,134	(8,692,065,317)	6,377,681,817
Total	16,558,003,135	(9,140,786,608)	7,417,216,527

(iii) Exposure to catastrophic events

The greatest likelihood of significant losses to the Company arises from catastrophic events, such as earthquake damage, resulting from an earthquake in Almaty. The Company does not possess catastrophe modelling techniques and the software enabling the modelling of Probable Maximum Loss (PML). However, the Company made an estimate of its losses and believes they will not exceed 10% of total liability under valid insurance contracts for the property located in Almaty city.

The key concentrations identified as at 31 December 2020 are:

Catastrophic events	Gross insured amount '000 KZT	Estimated PML (before reinsurance) '000 KZT	Net retention (after reinsurance) '000 KZT
Almaty earthquake with magnitude exceeding seven points under Richter scale	400,365,451	36,023,289	10,897,130

The key concentrations identified as at 31 December 2019 are:

Catastrophic events	Gross insured amount '000 KZT	Estimated PML (before reinsurance) '000 KZT	Net retention (after reinsurance) '000 KZT
Almaty earthquake with magnitude exceeding seven points under Richter scale	384,378,096	34,594,029	10,551,179

(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 separate 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 2020 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.

Analysis of claims development (gross) – total

	Accident year								
	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of cumulative claims									
At the end of the accident year	18,238,580	37,630,915	30,035,409	18,542,646	31,365,755	34,499,203	36,711,698	39,808,531	246,832,737
- one year later	15,038,944	40,275,797	26,323,879	17,720,010	39,127,306	33,737,387	34,532,816	-	206,756,139
- two years later	17,006,262	57,721,969	26,066,461	15,805,837	38,065,802	34,870,732	-	-	189,537,063
- three years later	16,320,938	57,465,863	24,118,674	13,979,245	38,251,901	-	-	-	150,136,621
- four years later	15,953,502	49,662,875	22,414,597	13,931,040	-	-	-	-	101,962,014
- five years later	16,003,714	34,159,226	22,393,907	-	-	-	-	-	72,556,847
- six years later	15,608,835	35,304,632	-	-	-	-	-	-	50,913,467
- seven years later	15,922,625	-	-	-	-	-	-	-	15,922,625
Estimate of cumulative claims as 31 December 2020	15,922,625	35,304,632	22,393,907	13,931,040	38,251,901	34,870,732	34,532,816	39,808,531	235,016,184
Cumulative payments as at 31 December 2020	(15,035,487)	(33,165,800)	(21,229,605)	(12,677,405)	(31,144,131)	(27,170,846)	(19,523,143)	(10,281,351)	(170,227,768)
Gross outstanding claims liabilities for insured events occurred before 2013	-	-	-	-	-	-	-	-	297,329
Gross outstanding claims liabilities as at 31 December 2020	887,138	2,138,832	1,164,302	1,253,635	7,107,770	7,699,886	15,009,673	29,527,180	65,085,745
Estimate of cumulative claims as 31 December 2019									
Cumulative payments as at 31 December 2019	(14,918,290)	(32,359,616)	(20,846,012)	(12,485,668)	(27,748,828)	(22,095,166)	(11,941,670)	-	(142,395,250)
Gross outstanding claims liabilities for insured events occurred before 2013	-	-	-	-	-	-	-	-	432,848
Gross outstanding claims liabilities as at 31 December 2019	690,545	1,799,610	1,568,585	1,493,577	10,316,974	11,642,221	24,770,028	-	52,714,388

5 Premiums

2020 '000 KZT	Obligatory insurance			Voluntary insurance				
	Vehicle owner's liability	Other obligatory	Property	Medical	Air/Water/ Motor transport	Accident	General insurance	Other voluntary Total
Gross premiums written	17,314,610	890,571	60,293,212	3,526,660	9,419,441	2,741,980	1,263,960	758,363 96,208,797
Change in the gross provision for unearned premiums	(2,920,891)	(33,208)	(4,948,390)	(26,433)	(845,291)	1,520,988	3,146,549	228,153 (3,878,523)
Gross earned insurance premiums	14,393,719	857,363	55,344,822	3,500,227	8,574,150	4,262,968	4,410,509	986,516 92,330,274
Less: written premiums ceded to reinsurers	-	-	(3,987,498)	-	(183,271)	-	(187,067)	(9,962) (4,367,798)
Reinsurers' share of change in the gross provision for unearned premiums	-	-	(181,208)	-	(58,083)	-	(22,051)	487 (260,855)
Gross earned premiums ceded to reinsurers	-	-	(4,168,706)	-	(241,354)	-	(209,118)	(9,475) (4,628,653)
Net earned insurance premiums	14,393,719	857,363	51,176,116	3,500,227	8,332,796	4,262,968	4,201,391	977,041 87,701,621

In 2020, gross premiums written comprised of KZT 52,357,555 thousand which were recognised from direct insurance contracts and KZT 43,851,242 thousand from inward reinsurance contracts (2019: KZT 54,484,885 thousand and KZT 33,083,760 thousand, respectively).

2019 '000 KZT	Obligatory insurance			Voluntary insurance				
	Vehicle owner's liability	Other obligatory	Property	Medical	Air/Water/ Motor transport	Accident	General insurance	Other voluntary Total
Gross premiums written	13,203,234	904,209	46,431,229	4,135,498	8,383,324	5,798,397	7,039,018	1,673,736 87,568,645
Change in the gross provision for unearned premiums	(1,335,357)	1,511,295	(4,055,131)	4,047	(943,783)	(2,776,307)	(1,868,335)	(260,881) (9,724,452)
Gross earned insurance premiums	11,867,877	2,415,504	42,376,098	4,139,545	7,439,541	3,022,090	5,170,683	1,412,855 77,844,193
Less: written premiums ceded to reinsurers	-	-	(3,843,165)	-	(394,070)	-	(273,635)	(1,756) (4,512,626)
Reinsurers' share of change in the gross provision for unearned premiums	-	(189)	(761,299)	-	3,543	-	(2,295)	(16,097) (776,337)
Gross earned premiums ceded to reinsurers	-	(189)	(4,604,464)	-	(390,527)	-	(275,930)	(17,853) (5,288,963)
Net earned insurance premiums	11,867,877	2,415,315	37,771,634	4,139,545	7,049,014	3,022,090	4,894,753	1,395,002 72,555,230

6 Claims incurred

	Obligatory insurance		Voluntary insurance				
	Vehicle owner's liability	Other obligatory	Medical	Air/Water/ Motor transport	Accident	General insurance	Other voluntary
2020							
'000 KZT							
Claims incurred	7,365,936	204,248	2,300,301	1,436,469	502,712	397,730	53,502
Reinsurers' share in claims incurred	(180,295)	-	-	(65,010)	-	-	(4,219)
Claims incurred, net of reinsurance	7,185,641	204,248	2,300,301	1,371,459	502,712	397,730	49,283
Change in provision for incurred but not reported claims	1,070,863	(86,145)	(30,329)	27,011	(19,820)	(289,259)	(445,018)
Change in provisions for reported but not settled claims	274,124	164,028	7,634	(688,462)	(508,216)	286,442	19,643
Change in reinsurers' share in insurance contract provisions	-	-	-	11,135	-	3,958	(9,900)
Change in net reinsurance contract provisions	1,344,987	77,883	(22,695)	(650,316)	(528,036)	1,141	(435,275)
Net claims incurred	8,530,628	282,131	2,277,606	721,143	(25,324)	398,871	42,025,218
	Obligatory insurance		Voluntary insurance				
	Vehicle owner's liability	Other obligatory	Medical	Air/Water/ Motor transport	Accident	General insurance	Other voluntary
2019							
'000 KZT							
Claims incurred	6,696,980	529,299	2,869,448	1,707,445	68,427	1,268,032	571,784
Reinsurers' share in insurance claims incurred	(72,629)	-	-	(58,837)	-	-	(18,188)
Insurance claims incurred, net of reinsurance	6,624,351	529,299	2,869,448	1,648,608	68,427	1,268,032	553,596
Change in provision for incurred but not reported claims	83,146	473,323	15,625	(46,006)	54,602	217,262	387,981
Change in provisions for reported but not settled claims	532,623	(695,126)	2,931	537,659	557,393	(1,316,837)	(2,548,226)**
Change in reinsurers' share in insurance contract provisions	-	-	-	(66,923)	-	4,131	2,595
Change in net reinsurance contract provisions	615,769	(221,803)	18,556	424,730	611,995	(1,095,444)	(2,157,650)
Net claims incurred	7,240,120	307,496	2,888,004	2,073,338	680,422	172,588	(1,604,054)

*In 2014, two major insured events occurred in voluntary insurance of property under the contracts with TNC Kazchrome JSC. Based on information from insurance adjusters, as at 31 December 2018 the Group recognised provision for claims reported but not settled of KZT 23,794,944 thousand. As at 31 December 2018 the Group recognised reinsurer's share in those claims of KZT 22,870,868 thousand. During 2019, these claims were settled in full and the amount of insurance claims of KZT 8,419,067 thousand was paid. Reinsurer's share in the insurance claims amounted to KZT 8,334,877 thousand.

**During 2019, the Company wrote off provision for claims reported but not settled for loan insurance of KZT 2,574,613 thousand as the borrower discharged its obligations to the policyholder.

7 Net finance income

	2020 '000 KZT	2019 '000 KZT
Finance income		
Interest income:		
- held-to maturity investments	15,524,250	14,333,811
- placements with banks	456,973	1,237,925
- reverse repurchase agreements	461,423	25,481
Net realised gain from sale of available-for-sale financial assets	-	1,246
Dividend income	803,287	19,601
	17,245,933	15,618,064
Finance costs		
Interest expense:		
- amounts payable under repurchase agreements	(355,470)	(18,834)
	(355,470)	(18,834)
	16,890,463	15,599,230

8 Net fee and commission expense

	2020 '000 KZT	2019 '000 KZT
Fee and commission income		
Property	157,966	127,107
Water transport	1,320	14,644
General liability	9,764	3,745
Railway transport	47	172
Other	485	-
	169,582	145,668
Fee and commission expense		
<i>Obligatory insurance</i>		
Vehicle owner's liability	(2,881,497)	(2,000,145)
Other obligatory insurance	(210,734)	(368,446)
<i>Voluntary insurance</i>		
Property	(4,884,414)	(3,256,730)
Accident	(2,041,779)	(1,004,268)
Air/Water/Motor transport	(349,086)	(365,902)
Medical	(111,534)	(175,013)
Other voluntary insurance	(3,258,343)	(3,772,581)
	(13,737,387)	(10,943,085)
	(13,567,805)	(10,797,417)
	2020	2019
	'000 KZT	'000 KZT
Deferred acquisition costs at the beginning of the year	8,781,508	3,994,800
Amortisation of deferred acquisition costs for the year	(13,737,387)	(10,943,085)
Fee and commission expense under insurance contracts concluded in a year	12,756,804	16,313,134
Termination	(921,026)	(583,341)
Deferred acquisition costs at the end of the year	6,879,899	8,781,508

9 Charge of impairment loss

	2020 '000 KZT	2019 '000 KZT
Held-to-maturity investments (Note 15)	199,157	252
Insurance and reinsurance receivables (Note 18)	(157,734)	(29,413)
Other assets (Note 21)	(96,089)	(40,230)
	(54,666)	(69,391)

10 General administrative expenses

	2020 '000 KZT	2019 '000 KZT
Wages and salaries	7,946,172	7,660,416
Expenses on insurance development*	5,007,208	2,901,293
Other taxes and duties	1,284,954	933,575
Depreciation and amortisation	537,119	434,487
Communication services	274,153	161,660
Administrative expenses	252,844	172,608
Lease	239,050	235,390
Advertising	170,000	31,141
Tantieme	112,643	349,903
Bank commissions	93,902	82,742
Security	91,531	82,794
Consulting and professional services	65,839	134,818
Utilities	49,352	42,682
Repair and maintenance	39,097	109,011
Business travel expenses	20,675	74,622
Other	646,918	449,816
	16,831,457	13,856,958

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

11 Income tax expense

	2020 '000 KZT	2019 '000 KZT
Current year tax expense	(6,426,418)	(4,308,842)
Current income tax (underprovided) / overprovided in in prior reporting periods	(30,140)	48,554
Total current income tax expense	(6,456,558)	(4,260,288)
Movement in deferred tax liabilities and deferred tax assets due to origination and reversal of temporary differences and movement in loss allowance	(94,018)	(369,409)
Total income tax expense	(6,550,576)	(4,629,697)

In 2020, the applicable tax rate for current and deferred tax is 20% (2019: 20%).

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

	2020 '000 KZT	%	2019 '000 KZT	%
Profit before income tax	45,628,890	100	33,645,625	100
Income tax at the applicable tax rate	(9,125,778)	(20.0)	(6,729,125)	(20.0)
Tax exempt income from financial assets available for sale and investments held to maturity	2,941,146	6.4	2,356,571	7.0
Income tax (underprovided) / overprovided in prior reporting periods	(30,140)	(0.1)	48,554	0.1
Other non-deductible expenses	(335,804)	(0.7)	(305,697)	(0.9)
	(6,550,576)	(14.4)	(4,629,697)	(13.8)

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax liabilities as at 31 December 2020 and 31 December 2019.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences for the year ended 31 December 2020 are presented as follows:

'000 KZT	Balance at 1 January 2020	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2020
Insurance and reinsurance receivables	7,091	(7,091)	-	-
Property, plant and equipment and intangible assets	(391,158)	(79,350)	-	(470,508)
Taxes	17,823	(4,053)	-	13,770
Vacation and bonuses reserve	55,642	(3,524)	-	52,118
Revaluation reserve for available-for-sale financial assets	-	-	(566,649)	(566,649)
	(310,602)	(94,018)	(566,649)	(971,269)

Movements in temporary differences for the year ended 31 December 2019 are presented as follows:

'000 KZT	Balance 1 January 2019	Recognised in profit or loss	Balance at 31 December 2019
Insurance and reinsurance receivables	11,058	(3,967)	7,091
Property, plant and equipment and intangible assets	(8,018)	(383,140)	(391,158)
Taxes	11,709	6,114	17,823
Vacation and bonuses reserve	44,058	11,584	55,642
	58,807	(369,409)	(310,602)

12 Cash and cash equivalents

	2020 '000 KZT	2019 '000 KZT
Cash on hand	2,871	964
Cash in transit	6,774	1,857
Current accounts and demand deposits with banks		
<i>Kazakhstan banks</i>		
Rated from Ba3 to Baa1	38	1,041
Rated from B3 to B1	1,834,088	319,585
Total current accounts and demand deposits with banks	1,834,126	320,626
Reverse repurchase agreements with original maturity of less than three months - not credit rated	3,528,327	2,129,280
Total cash and cash equivalents	5,372,098	2,452,727

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.

During 2020 the Company entered into reverse repurchase agreements at Kazakhstan Stock Exchange. The subject-matter of such agreements was ordinary shares of Kcell JSC and Kazakhtelecom JSC (2019: Kcell JSC and KEGOC JSC) with fair value of KZT 3,550,137 thousand (2019: KZT 3,124,109 thousand).

As at 31 December 2020 and 31 December 2019 the Company has no current accounts and demand deposits with banks whose balances exceed 10% of equity.

13 Placements with banks

	2020 '000 KZT	2019 '000 KZT
Accounts and deposits		
<i>Kazakhstan banks</i>		
Rated from Baa1 to Baa3	-	11,630
Rated from Ba1 to Ba3	1,018	19,300
Rated from B1 to B3	10,742,374	7,541,237
	10,743,392	7,572,167

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 2020, the annual effective interest rates generated by placements with banks ranged from 1.5% to 11.2% per annum (31 December 2019: 1.5 % to 11.2%)

As at 31 December 2020, the Company has placements with one bank (31 December 2019: with one bank), whose balances exceed 10% of total placements with banks. The total gross value of these balances as at 31 December 2020 is KZT 10,742,374 thousand (2019: KZT 7,541,237 thousand).

14 Available-for-sale financial assets

	2020 '000 KZT	2019 '000 KZT
Neither past due nor impaired		
Equity instruments of foreign corporations and international financial organisations		
Shares of BAYER AG	553,963	695,302
Shares of APPLE INC	18,772,486	-
Shares of AIRBUS SE	10,763,409	-
Shares of JOHNSON&JOHNSON	8,880,843	-
Total equity instruments of foreign corporations and international financial organisations	38,970,701	695,302
Equity instruments		
Shares of Insurance Payments Guarantee Fund JSC	17,559	17,559
Total equity instruments	17,559	17,559
	38,988,260	712,861

Shares of Insurance Payments Guarantee Fund JSC stated at cost and classified as available-for-sale investments comprise unquoted equity securities with a carrying value of KZT 17,559 thousand (31 December 2019: KZT 17,559 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

	2020 '000 KZT	2019 '000 KZT
<u>Neither past due nor impaired</u>		
Government bonds of the Republic of Kazakhstan		
Rated Baa3		
- pledged under sale and repurchase agreements	3,632,476	2,185,912
- held by the Company	85,755,429	66,857,277
Government bonds of foreign states		
Rated from Aa1 to Aa3	-	4,419,391
Total Government bonds	89,387,905	73,462,580
Bonds of foreign corporations and international financial organisations		
Rated Aaa	29,991,708	18,338,592
Rated from Aa1 to Aa3	1,374,168	-
Rated from A1 to A3	16,118,943	15,909,461
Rated from Baa1 to Baa3	8,482,903	18,060,925
Total bonds of foreign corporations and international financial organisations	55,967,722	52,308,978
Bonds of Kazakhstan banks		
Rated from Baa1 to Baa3	10,403,811	9,400,573
Rated from Ba1 to Ba3	13,029,455	13,598,036
Rated from B1 to B3	10,692,793	22,729,023
Total bonds of Kazakhstan banks	34,126,059	45,727,632
Corporate bonds of Kazakhstan companies		
Rated from Baa1 to Baa3	31,893,838	31,812,437
Not rated	200,758	-
Total corporate bonds of Kazakhstan companies	32,094,596	31,812,437
<u>Overdue or impaired bonds</u>		
Corporate bonds of Kazakhstan companies	-	199,157
Impairment allowance	-	(199,157)
Total overdue or impaired bonds, net	-	-
	211,576,282	203,311,627

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 2020 the Company held financial instruments of one issuer (2019: three issuers) whose balance accounts for more than 10% of held-to-maturity investments. The total gross value of these balances as at 31 December 2020 is KZT 89,387,905 thousand (2019: KZT 69,043,189 thousand).

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

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	(199,157)	(199,409)
Net reversal	199,157	252
Balance at the end of the year	-	(199,157)

As at 31 December 2020, the annual effective interest rates generated by held-to maturity investments ranged from 3.88% to 11.85% per annum (31 December 2019: from 1.08% to 11.3% per annum). As at 31 December 2020, the maturity of the held-to-maturity investments varies from January 2021 to October 2048 (31 December 2019: from March 2020 to October 2048).

16 Investment property

'000 KZT	Land plots and buildings
Cost	
Balance at 1 January 2020	4,891,682
Transfer from property, plant and equipment	139,172
Transfer to assets held for sale (Note 21)	(130,000)
Disposals	(58,000)
Balance at 31 December 2020	4,842,854
Depreciation	
Balance at 1 January 2020	(161,012)
Depreciation charge for the year	(68,640)
Transfer from property, plant and equipment	(23,091)
Disposals	25,481
Balance at 31 December 2020	(227,262)
Carrying amount	
As at 31 December 2020	4,615,592
Cost	
Balance at 1 January 2019	2,987,206
Additions	1,904,476
Balance at 31 December 2019	4,891,682
Depreciation	
Balance at 1 January 2019	(104,649)
Depreciation charge for the year	(56,363)
Balance at 31 December 2019	(161,012)
Carrying amount	
At 31 December 2019	4,730,670

As at 31 December 2020 and 31 December 2019 the carrying value of investment property approximates to its fair value. In 2020 and 2019 the Company performed an internal valuation of investment property. To measure the fair value of assets, the market approach was used. 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

	Land plots and buildings	Computer equipment and office equipment	Vehicles	Construction in progress	Other property, plant and equipment	Intangible assets	Total
'000 KZT							
Cost							
Balance at 1 January 2020	3,304,435	770,968	369,523	-	1,280,497	372,606	6,098,029
Additions	-	105,599	94,504	204,307	131,345	61,572	597,327
Reclassification	107,609	32,276	-	(184,592)	44,707	-	-
Transfers to investment property	(119,457)	-	-	(19,715)	-	-	(139,172)
Disposals	-	(17,848)	(78,114)	-	(5,618)	-	(101,580)
Balance at 31 December 2020	3,292,587	890,995	385,913	-	1,450,931	434,178	6,454,604
Depreciation							
Balance at 1 January 2020	(219,797)	(368,402)	(213,834)	-	(452,808)	(176,355)	(1,431,196)
Depreciation charge for the year	(58,017)	(100,480)	(73,877)	-	(171,526)	(64,579)	(468,479)
Transfers to investment property	23,091	-	-	-	-	-	23,091
Disposals	-	9,897	78,114	-	4,982	-	92,993
Balance at 31 December 2020	(254,723)	(458,985)	(209,597)	-	(619,352)	(240,934)	(1,783,591)
Carrying amount							
At 31 December 2020	3,037,864	432,010	176,316	-	831,579	193,244	4,671,013
Cost							
Balance at 1 January 2019	3,304,078	572,851	301,413	-	1,126,040	246,026	5,550,408
Additions	-	124,537	102,288	82,747	153,728	131,053	594,353
Reclassification	357	76,088	-	(82,747)	6,302	-	-
Disposals	-	(2,508)	(34,178)	-	(5,573)	(4,473)	(46,732)
Balance at 31 December 2019	3,304,435	770,968	369,523	-	1,280,497	372,606	6,098,029
Depreciation							
Balance at 1 January 2019	(157,201)	(297,275)	(195,783)	-	(315,178)	(128,227)	(1,093,664)
Depreciation charge for the year	(62,596)	(71,998)	(52,229)	-	(143,033)	(48,268)	(378,124)
Disposals	-	871	34,178	-	5,403	140	40,592
Balance at 31 December 2019	(219,797)	(368,402)	(213,834)	-	(452,808)	(176,355)	(1,431,196)
Carrying amount							
At 31 December 2019	3,084,638	402,566	155,689	-	827,689	196,251	4,666,833

18 Insurance and reinsurance receivables

	2020 '000 KZT	2019 '000 KZT
Amounts due from policyholders	2,036,321	1,734,762
Amounts due from reinsurers	10,876,035	8,024,618
	12,912,356	9,759,380
Impairment allowance	(216,675)	(71,817)
	12,695,681	9,687,563

As at 31 December 2020 and 31 December 2019 the Company has no policyholders whose balances exceed 10% of equity.

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

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	(71,817)	(55,288)
Net charge	(157,734)	(29,413)
Write-offs	12,876	12,884
Balance at the end of the year	(216,675)	(71,817)

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 2020:

31 December 2020	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance for gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	1,470,747	-	1,470,747	-
Overdue or impaired:				
- overdue less than 90 days	299,734	-	299,734	-
- overdue more than 90 days and less than 1 year	228,255	(115,371)	112,884	51%
- overdue more than 1 year	37,585	(37,585)	-	100%
Total overdue or impaired receivables due from policyholders	565,574	(152,956)	412,618	27%
Total amounts due from policyholders	2,036,321	(152,956)	1,883,365	7,5%

31 December 2020	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance for gross receivables %
Amounts due from reinsurers				
Not overdue	10,541,728	-	10,541,728	-
Overdue or impaired:				
- overdue less than 90 days	270,525	-	270,525	-
- overdue more than 90 days and less than 1 year	63	-	63	-
- overdue more than 1 year	63,719	(63,719)	-	100%
Total overdue or impaired receivables from reinsurers	334,307	(63,719)	270,588	19%
Total amounts due from reinsurers	10,876,035	(63,719)	10,812,316	0,6%
Total amounts due from policyholders and reinsurers	12,912,356	(216,675)	12,695,681	1,7%

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2019:

31 December 2019	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance for gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	1,001,119	-	1,001,119	-
Overdue or impaired:				
- overdue less than 90 days	605,862	-	605,862	-
- overdue more than 90 days and less than 1 year	88,469	-	88,469	-
- overdue more than 1 year	39,312	(39,312)	-	100%
Total overdue or impaired receivables due from policyholders	733,643	(39,312)	694,331	5%
Total amounts due from policyholders	1,734,762	(39,312)	1,695,450	2%
31 December 2019	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance for gross receivables %
Amounts due from reinsurers				
Not overdue	7,182,826	-	7,182,826	-
Overdue or impaired:				
- overdue less than 90 days	725,333	-	725,333	-
- overdue more than 90 days and less than 1 year	83,954	-	83,954	-
- overdue more than 1 year	32,505	(32,505)	-	100%
Total overdue or impaired receivables from reinsurers	841,792	(32,505)	809,287	4%
Total amounts due from reinsurers	8,024,618	(32,505)	7,992,113	0.4%
Total amounts due from policyholders and reinsurers	9,759,380	(71,817)	9,687,563	1%

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

	Gross 2020 '000 KZT	Reinsurance 2020 '000 KZT	Net 2020 '000 KZT
Unearned premium provision	41,013,372	(820,810)	40,192,562
Provision for claims incurred but not reported	16,717,156	(28,644)	16,688,512
Provision for claims reported but not settled	48,368,589	(77,692)	48,290,897
	106,099,117	(927,146)	105,171,971
	Gross 2019 '000 KZT	Reinsurance 2019 '000 KZT	Net 2019 '000 KZT
Unearned premium provision	37,134,849	(1,081,665)	36,053,184
Provision for claims incurred but not reported	12,830,069	(776,894)	12,053,175
Provision for claims reported but not settled	39,884,319	(982,090)	38,902,229
	89,849,237	(2,840,649)	87,008,588

(a) Analysis of movements in insurance contract provisions, net of reinsurance

	2020 KZT'000	2019 KZT'000
Balance at the beginning of the year, net of reinsurance	87,008,588	80,056,010
Premiums written	96,208,797	87,568,645
Premiums earned	(92,330,274)	(77,844,193)
Claims reported	39,228,102	36,040,187
Claims paid	(28,470,918)	(41,725,213)
Assessment of amount of claims incurred but not reported during the year	8,108,670	8,191,665
Change in estimates of claims incurred and reported in prior reporting periods but not settled	(2,272,914)	(20,516,693)
Change in provisions for prior year claims incurred but not reported	(4,221,583)	(7,919,798)
Change in reinsurer's share	1,913,503	23,157,978
Balance at the end of the year, net of reinsurance	105,171,971	87,008,588

(b) Analysis of movements in provision for unearned premiums, net of reinsurance

	2020 KZT'000	2019 KZT'000
Balance at the beginning of the year, net of reinsurance	36,053,184	25,552,395
Premiums written	96,208,797	87,568,645
Premiums earned	(92,330,274)	(77,844,193)
Change in reinsurer's share	260,855	776,337
Balance at the end of the year, net of reinsurance	40,192,562	36,053,184

(c) Analysis of movements in provision for claims incurred but not reported, net of reinsurance

	2020	2019
	'000 KZT	'000 KZT
Balance at the beginning of the year, net of reinsurance	12,053,175	11,578,034
Assessment of amount of claims incurred but not reported during the year	8,108,670	8,191,665
Change in provisions for prior year claims incurred but not reported	(4,221,583)	(7,919,798)
Change in reinsurers' share	748,250	203,274
Balance at the end of the year, net of reinsurance	16,688,512	12,053,175

(d) Analysis of movements in provision for claims incurred but not reported, net of reinsurance

	2020	2019
	'000 KZT	'000 KZT
Balance at the beginning of the year, net of reinsurance	38,902,229	42,925,581
Current year claims reported	31,699,861	28,520,033
Prior years' claims reported	7,528,241	7,520,154
Change in estimates of claims incurred and reported in prior reporting periods but not settled	(2,272,914)	(20,516,693)
Current year claims paid	(10,281,351)	(11,941,670)
Prior years' claims paid	(18,189,567)	(29,783,543)
Change in reinsurer's share	904,398	22,178,367
Balance at the end of the year, net of reinsurance	48,290,897	38,902,229

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

	Obligatory insurance				Voluntary insurance			
	Employer's liability	Vehicle owner's liability	Other obligatory	Property	Medical	Air/Water/Motor transport	Accident	Other voluntary Total
2020								
'000 KZT								
Unearned premium provision	-	9,477,246	524,702	18,486,639	1,456,908	5,201,865	5,214,686	651,326 41,013,372
Provision for claims incurred but not reported	1,841,669	1,736,558	48,252	12,092,212	177,545	119,483	191,590	509,847 16,717,156
Provision for claims reported but not settled	241,581	1,774,219	384,353	42,303,091	11,597	1,675,635	181,960	1,796,153 48,368,589
Gross insurance contract provisions	2,083,250	12,988,023	957,307	72,881,942	1,646,050	6,996,983	5,588,236	2,957,326 106,099,117
Reinsurers' share in insurance contract provisions	-	-	-	(789,308)	-	(68,224)	-	(69,614) (927,146)
Net insurance contract provisions	2,083,250	12,988,023	957,307	72,092,634	1,646,050	6,928,759	5,588,236	2,887,712 105,171,971

	Obligatory insurance				Voluntary insurance			
	Employer's liability	Vehicle owner's liability	Other obligatory	Property	Medical	Air/Water/Motor transport	Accident	Other voluntary Total
2019								
'000 KZT								
Unearned premium provision	132	6,556,355	491,362	13,538,249	1,430,474	4,288,394	6,735,673	4,094,210 37,134,849
Provision for claims incurred but not reported	1,930,320	665,695	45,746	8,432,429	207,873	82,978	211,410	1,253,618 12,830,069
Provision for claims reported but not settled	312,464	1,500,095	149,442	33,374,013	3,963	2,423,119	690,176	1,431,047 39,884,319
Gross insurance contract provisions	2,242,916	8,722,145	686,550	55,344,691	1,642,310	6,794,491	7,637,259	6,778,875 89,849,237
Reinsurers' share in insurance contract provisions	-	-	-	(2,617,971)	-	(87,593)	-	(135,085) (2,840,649)
Net insurance contract provisions	2,242,916	8,722,145	686,550	52,726,720	1,642,310	6,706,898	7,637,259	6,643,790 87,008,588

(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 general lack of publicly available information on Kazakhstan insurance market, which would be relevant to determining assumptions and sensitivity 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 months. 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 except for 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 Investments in subsidiary

Subsidiary	Country of incorporation	Activity	Participating interest	2020	2019
				’000 KZT	’000 KZT
				Balance of investment	Balance of investment
Eurasia Life Insurance Company JSC	Kazakhstan	Life insurance	100%	9,034,181	5,404,035
				9,034,181	5,404,035

On 19 November 2018 the Company established a subsidiary - Eurasia Life Insurance Company JSC. On 14 January 2019, the Company made a contribution to the charter capital of the subsidiary in the amount of KZT 5,404,035 thousand from its own funds. On 4 March 2019 Eurasia Life Insurance Company JSC received a license for insurance (reinsurance) activity in the “life insurance” line.

In the first half of 2020 the Company acquired additional shares of Eurasia Life Insurance Company JSC for the total amount of KZT 3,630,146 thousand.

As at 31 December 2020 and 31 December 2019 the Company owns 100% interest in the subsidiary.

The Company uses its own experience and judgments to assess provision for impairment of investments in subsidiary. The Company management believes that net assets are the most appropriate technique to estimate a recoverable amount of investments as at the reporting date. As at 31 December 2020 and 2019 the Company management did not identify any evidence of impairment of investment in subsidiary.

21 Other assets

	2020 '000 KZT	2019 '000 KZT
Other receivables	738,288	512,819
Impairment allowance	(181,039)	(92,098)
Total other financial assets	557,249	420,721
Prepayments	258,453	270,399
Assets held for sale	130,000	-
Settlements with employees	1,794	17,443
Materials and supplies	104	390
Impairment allowance	(17,586)	(124,020)
Total other non-financial assets	372,765	164,212
Total other assets	930,014	584,933

Analysis of movements in impairment allowance

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

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	(216,118)	(175,888)
Net charge	(96,089)	(40,230)
Write-offs	113,582	-
Balance at the end of the year	(198,625)	(216,118)

As at 31 December 2020 overdue receivables of KZT 244,865 thousand (31 December 2019: KZT 167,496 thousand) were included in other assets, of which receivables of KZT 89,701 thousand (31 December 2019: KZT 38,966 thousand) are overdue for more than 90 days but less than one year and KZT 91,338 thousand (31 December 2019: KZT 92,098 thousand) are overdue for more than one year.

22 Insurance and reinsurance payables

	2020 '000 KZT	2019 '000 KZT
Insurance payables	1,225,900	998,680
Prepaid insurance premiums	494,714	420,093
Reinsurance payables	144,237	388,014
Brokers' fees payable	62,122	379,811
	1,926,973	2,186,598

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

23 Amounts payable under repurchase agreements

During 2020 and 2019, the Company entered into repurchase agreements at Kazakhstan Stock Exchange. As at 31 December 2020 the amounts payable under repurchase agreements were KZT 3,527,059 thousand (31 December 2019: KZT 2,123,521 thousand), which have been repaid in January 2021 (in January 2020). The subject-matter of these agreements is coupon bonds of the Ministry of Finance of the Republic of Kazakhstan with fair value of KZT 3,330,160 thousand (31 December 2019: KZT 2,074,583 thousand). As at 31 December 2020 the Company had securities pledged as collateral under repo agreements with carrying amount of KZT 3,632,476 thousand (31 December 2019: KZT 2,185,912 thousand) (Note 15).

24 Other liabilities

	2020 '000 KZT	2019 '000 KZT
Other taxes payable	347,612	280,327
Due to employees	260,588	278,209
Other payables	462,074	195,518
	1,070,274	754,054

25 Equity

(a) Share capital

	Ordinary shares 2020	Ordinary shares 2019
Authorised (ordinary) shares	150,000,000	150,000,000
Issued and outstanding (ordinary) shares	135,465,517	121,316,085
Nominal value, KZT'000	1	1
Issued and fully paid, KZT'000	135,465,517	121,316,085

During the year ended 31 December 2020 the Company issued 14,149,432 ordinary shares (2019: the Company issued 22,241,800 ordinary shares) at nominal value.

(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 1. Solvency margin ratio is determined by dividing the actual solvency margin by minimum required solvency margin. 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 2020 and 31 December 2019, the Company complies with the solvency margin ratios, which are as follows:

	2020 '000 KZT	2019 '000 KZT
Actual solvency margin	159,694,120	111,210,050
Minimum solvency margin	11,293,865	10,235,650
Solvency margin	14.14	10.86

(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 net 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 2020, total reserves available for distribution amounted to KZT 39,078,320 thousand (31 December 2019: KZT 29,016,017 thousand).

During the year ended 31 December 2020 dividends of KZT 28,662,800 thousand or KZT 236.27 per share were declared and paid (2019: KZT 37,121,800 thousand or 374.69 per share), of which KZT 14,149,432 thousand the shareholders reinvested as contribution to share capital (2019: KZT 22,241,800 thousand).

(d) Statutory reserve

During 2020 the Company transferred KZT 353,211 thousand from retained earnings to the statutory reserve (2019: KZT 1,105,849 thousand) 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 statutory reserve for those insurance products that demonstrate loss rates subject to significant fluctuations during five preceding years.

26 Financial instruments risk management

(a) Risk management policies and procedures

Management of risk is fundamental to the Company’s business 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 Company’s 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.

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 of Management Board.

Both external and internal risk factors are identified and managed throughout 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, Risk Management 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 responsibility 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 individual 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 forecast assets of a given maturity period are either greater or less than the actual or forecast 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.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2020:

'000 KZT	KZT	USD	EUR	GBP	RUB	Other	Total
Assets							
Cash and cash equivalents	3,591,950	219	1,779,456	471	2	-	5,372,098
Placements with banks	2,005,968	8,728,765	-	-	8,659	-	10,743,392
Held-to maturity investments	105,104,888	105,097,226	-	1,374,168	-	-	211,576,282
Insurance and reinsurance receivables	1,935,728	7,775,894	1,477,690	281,484	1,948	1,222,937	12,695,681
Reinsurers' share in insurance contract provisions	106,336	-	-	-	-	-	106,336
Other financial assets	553,025	4,224	-	-	-	-	557,249
Total assets	113,297,895	121,606,328	3,257,146	1,656,123	10,609	1,222,937	241,051,038
Liabilities							
Insurance contract provisions	(6,623,425)	(28,731,060)	(15,336,692)	(124,881)	(999,484)	(13,270,203)	(65,085,745)
Insurance and reinsurance payables	(1,256,147)	(153,508)	(17,184)	-	(627)	(4,793)	(1,432,259)
Amounts payable under repurchase agreements	(3,527,059)	-	-	-	-	-	(3,527,059)
Other financial liabilities	(462,074)	-	-	-	-	-	(462,074)
Total liabilities	(11,868,705)	(28,884,568)	(15,353,876)	(124,881)	(1,000,111)	(13,274,996)	(70,507,137)
Net position as at 31 December 2020	101,429,190	92,721,760	(12,096,730)	1,531,242	(989,502)	(12,052,059)	170,543,901

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2019:

'000 KZT	KZT	USD	EUR	GBP	RUB	Other	Total
Assets							
Cash and cash equivalents	2,170,225	324	279,857	2,318	3	-	2,452,727
Placements with banks	5,342,209	1,996,378	-	-	233,580	-	7,572,167
Held-to maturity investments	100,848,534	96,827,583	4,419,391	1,216,119	-	-	203,311,627
Insurance and reinsurance receivables	1,783,318	5,905,227	789,090	345,550	154,825	709,553	9,687,563
Reinsurers' share in insurance contract provisions	1,758,984	-	-	-	-	-	1,758,984
Other financial assets	407,420	13,301	-	-	-	-	420,721
Total assets	112,310,690	104,742,813	5,488,338	1,563,987	388,408	709,553	225,203,789
Liabilities							
Insurance contract provisions	(8,796,550)	(20,821,576)	(11,289,828)	(106,115)	(1,833,987)	(9,866,332)	(52,714,388)
Insurance and reinsurance payables	(1,340,312)	(349,315)	(56,735)	(1,584)	(466)	(18,093)	(1,766,505)
Amounts payable under repurchase agreements	(2,123,521)	-	-	-	-	-	(2,123,521)
Other financial liabilities	(746,806)	(7,065)	(183)	-	-	-	(754,054)
Total liabilities	(13,007,189)	(21,177,956)	(11,346,746)	(107,699)	(1,834,453)	(9,884,425)	(57,358,468)
Net position as at 31 December 2019	99,303,501	83,564,857	(5,858,408)	1,456,288	(1,446,045)	(9,174,872)	167,845,321

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2020 and 2019, 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	2020		2019	
	Net income	Equity	Net profit	Equity
20% appreciation of USD	14,835,482	14,835,482	13,370,377	13,370,377
20% appreciation of EUR	(1,935,477)	(1,935,477)	(937,345)	(937,345)
20% appreciation of GBP	244,999	244,999	233,006	233,006
20% appreciation of RUB	(158,320)	(158,320)	(231,367)	(231,367)

A strengthening of KZT against the above currencies at 31 December 2020 and 31 December 2019 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 risk

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 2020 and 2019 and a simplified scenario of a 5% change in all securities prices is as follows:

	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
5% increase in securities prices	-	1,949,413	-	35,643
5% decrease in securities prices	-	(1,949,413)	-	(35,643)

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. 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 separate statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	2020 '000 KZT	2019 '000 KZT
ASSETS		
Cash and cash equivalents	5,369,227	2,451,763
Placements with banks	10,743,392	7,572,167
Held-to maturity investments	211,576,282	203,311,627
Insurance and reinsurance receivables	12,695,681	9,687,563
Reinsurers' share in insurance contract provisions	106,336	1,758,984
Other financial assets	557,249	420,721
Total maximum exposure	241,048,167	225,202,825

As at 31 December 2020 the Company has one debtor (31 December 2018: one debtor), credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for these customer as at 31 December 2020 is KZT 89,387,905 thousand (31 December 2019: KZT 69,043,189 thousand).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's separate statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether, they are offset in the separate statement of financial position.

The Company's sale and repurchase, reverse sale and repurchase transactions, and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions. The above ISDA master netting arrangements do not meet the offsetting criteria in the separate statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or its counterparties. In addition the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The table below shows financial assets and financial liabilities subject to enforceable master netting arrangements and similar arrangements as at 31 December 2020.

'000 KZT		Gross amounts of recognised financial liability/asset offset in the separate statement of financial position	Net amount of financial asset/liability presented in the separate statement of financial position	Related amounts not offset in the separate statement of financial position	
Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Financial position	Financial position	Financial instruments	Net amount
Reverse repurchase agreements, securities borrowings and similar agreements	3,528,327	-	3,528,327	(3,528,327)	-
Total financial assets	3,528,327	-	3,528,327	(3,528,327)	-
Repurchase agreements, securities lending agreements	(3,527,059)	-	(3,527,059)	3,527,059	-
Total financial liabilities	(3,527,059)	-	(3,527,059)	3,527,059	-

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019:

'000 KZT	Gross amounts of recognised financial asset/liability	Gross amounts of recognised financial liability/asset offset in the separate statement of financial position	Net amount of financial asset/liability presented in the separate statement of financial position	Related amounts not offset in the separate statement of financial position	Net amount
Types of financial assets/liabilities				Financial instruments	
Reverse repurchase agreements, securities borrowings and similar agreements	2,129,280	-	2,129,280	(2,129,280)	-
Total financial assets	2,129,280	-	2,129,280	(2,129,280)	-
Repurchase agreements, securities lending agreements	(2,123,521)	-	(2,123,521)	2,123,521	-
Total financial liabilities	(2,123,521)	-	(2,123,521)	2,123,521	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the separate statement of financial position that are disclosed in the above tables are measured in the separate statement of financial position at amortised cost.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the 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 2020. Insurance liabilities are shown based on expected maturities.

'000 KZT	Less than 1 month	From 1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities					
Insurance contract provisions	1,233,989	2,467,978	17,355,078	44,028,700	65,085,745
Insurance and reinsurance payables	1,295,120	32,020	12,833	92,286	1,432,259
Amounts payable under repurchase agreements	3,527,059	-	-	-	3,527,059
Other financial liabilities	462,074	-	-	-	462,074
Total financial liabilities as at 31 December 2020	6,518,242	2,499,998	17,367,911	44,120,986	70,507,137

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2019. Insurance liabilities are shown based on expected maturities.

'000 KZT	Less than 1 month	From 1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities					
Insurance contract provisions	1,140,010	2,280,018	14,414,878	34,879,483	52,714,389
Insurance and reinsurance payables	1,335,091	292,890	86,291	52,233	1,766,505
Amounts payable under repurchase agreements	2,123,521	-	-	-	2,123,521
Other financial liabilities	470,279	278,209	5,566	-	754,054
Total financial liabilities as at 31 December 2019	5,068,901	2,851,117	14,506,735	34,931,716	57,358,469

27 Contingencies

(a) Litigations

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 conditions or the results of future operations of the Company.

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

28 Financial assets and liabilities: fair values

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 ordinary 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 settlement 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 measurement 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 17,559 thousand (2019: KZT 17,559 thousand) cannot be determined.

(a) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which 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 difference between the instruments.

As at 31 December 2020, financial instruments measured at fair value of KZT 38,970,701 thousand are categorised to Level 1 of fair value hierarchy (31 December 2019: KZT 695,302 thousand are categorised to Level 1 of fair value hierarchy).

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 2020:

'000 KZT	Level 1	Level 2	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	-	5,372,098	5,372,098	5,372,098
Placements with banks	-	10,743,392	10,743,392	10,743,392
Held-to maturity investments	136,465,248	99,755,440	236,220,688	211,576,282
Insurance and reinsurance receivables	-	12,695,681	12,695,681	12,695,681
Other financial assets	-	555,818	555,818	555,818
Liabilities				
Insurance and reinsurance payables	-	(1,432,259)	(1,432,259)	(1,432,259)
Amounts payable under repurchase agreements	-	(3,527,059)	(3,527,059)	(3,527,059)
Other financial liabilities	-	(462,074)	(462,074)	(462,074)

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 2019:

'000 KZT	Level 1	Level 2	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	-	2,452,727	2,452,727	2,452,727
Placements with banks	-	7,572,167	7,572,167	7,572,167
Held-to maturity investments	122,081,954	96,586,171	218,668,125	203,311,627
Insurance and reinsurance receivables	-	9,687,563	9,687,563	9,687,563
Other financial assets	-	420,721	420,721	420,721
Liabilities				
Insurance and reinsurance payables	-	(1,766,505)	(1,766,505)	(1,766,505)
Amounts payable under repurchase agreements	-	(2,123,521)	(2,123,521)	(2,123,521)
Other financial liabilities	-	(754,054)	(754,054)	(754,054)

29 Related party transactions

(a) Control relationships

As at 31 December 2020 members of the Board of Directors and the Management Board of the Company and their close family members hold 5% of the Company's shares (31 December 2019: 5%).

The Company's parent company is JSC Eurasian Financial Company (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.

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

Total remuneration included in personnel expenses for the year ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
	'000 KZT	'000 KZT
Members of the Board of Directors and Management Board	2,048,316	2,434,721

(c) Transactions with other related parties

Other related parties comprise companies under control of Mr. Mashkevich A.A., Mr. Chodiyev P.K., and Mr. Ibragimov A.R.

The outstanding balances as of 31 December 2020 and related profit or loss amounts of transactions with other related parties are as follows:

	Parent company	Subsidiary	Fellow subsidiaries		Other	Total
	'000 KZT	'000 KZT	'000 KZT	Average interest rate, %	'000 KZT	'000 KZT
Assets						
Cash and cash equivalents	-	-	1,836,115	-	-	1,836,115
Placements with banks:	-	-	-	-	-	-
- in KZT	-	-	2,004,950	11.2	-	2,004,950
- in USD	-	-	8,728,765	1.5	-	8,728,765
- in RUB	-	-	8,659	5	-	8,659
Investments in subsidiary	-	9,034,181	-	-	-	9,034,181
Insurance and reinsurance receivables	-	-	396,892	-	128,776	525,668
Liabilities						
Insurance contract provisions	(479)	-	(2,802,535)	-	(1,171,254)	(3,974,268)
Insurance and reinsurance payables	-	-	(14,476)	-	-	(14,476)
Other liabilities	(51,246)	(51,246)	(60,836)	-	(4,824)	(168,152)
Profit/(loss)						
Gross premiums written	38,177	-	4,726,216	-	15,678,510	20,442,903
Net finance income	-	630,147	839,766	-	-	1,469,913
Other income	10,702	32,979	47,997	-	-	91,678
Claims incurred	-	-	(496,486)	-	(2,630,383)	(3,126,869)
Change in insurance contract provisions	(279)	-	(218,708)	-	17,397	(201,590)
Fee and commission expenses	-	-	(743,652)	-	-	(743,652)
Other expenses	-	-	(74,526)	-	-	(74,526)
Commitments						
Total aggregate exposures	28,800	-	72,631,441	-	348,947,473	421,607,714

The outstanding balances as of 31 December 2019 and related profit or loss amounts of transactions with other related parties are as follows:

	Parent company	Subsidiary	Fellow subsidiaries	Other	Total
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
			Average interest rate, %		
Assets					
Cash and cash equivalents	-	-	-	-	317,288
Placements with banks:					
- in KZT	-	-	11.2	-	5,260,882
- in USD	-	-	1.5	-	1,996,378
- in RUB	-	-	7.0	-	233,580
Held-to maturity investments					
- in KZT	-	-	8.5	-	12,204,191
Investments in subsidiary	-	5,404,035	-	-	5,404,035
Insurance and reinsurance receivables	-	-	-	40,046	463,756
Liabilities					
Insurance contract provisions	(200)	-	(2,583,827)	(1,188,651)	(3,772,678)
Insurance and reinsurance payables	-	-	(210,861)	-	(210,861)
Other liabilities	(36,215)	-	(29,761)	(983)	(66,959)
Profit/(loss)					
Gross premiums written	37,731	-	5,068,127	14,676,744	19,782,602
Net finance income	-	-	1,580,219	-	1,580,219
Other income	10,660	27,252	47,948	-	85,860
Claims incurred	-	-	(482,582)	(11,920,722)	(12,403,304)
Change in insurance contract provisions	(20)	-	54,383	25,460,158	25,514,521
Fee and commission expenses	-	-	(455,903)	-	(455,903)
Other expenses	-	-	(57,867)	-	(57,867)
Commitments					
Total aggregate exposures	13,500	-	258,285,859	338,894,395	597,193,754

* Commitments comprise a total insurance amount under valid insurance contracts entered into with related parties.

30 Subsequent events

On 3 February 2021 Alijan Ibragimov, one of the beneficiary owners of Eurasia Insurance Company JSC passed away. In accordance with the Civil Code of the Republic of Kazakhstan, a certificate of inheritance rights is issued six months after the date of opening of inheritance.

On 9 March 2021 the extraordinary shareholders meeting of the Group decided to increase the amount of authorised ordinary shares to 300,000,000. The Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan has registered amendments to the prospectus for the issue of shares of Eurasia Insurance Company JSC and the relevant certificate of state registration for the issue of declared shares was issued on 6 April 2021.

On 9 March 2021 the Group issued 5,540,020 ordinary shares at par value.