Eurasia Insurance Company JSC

Separate Financial Statements
for the year ended 31 December 2019

Contents

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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 2019, 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 2019, 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the overall presentation, structure and content of the 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 Nezdemkovskiy
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 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

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

27 April 2020

	Note	2019 '000 KZT	2018 '000 KZT
Gross premiums written	5	87,568,645	65,190,104
Written premiums ceded to reinsurers	5	(4,512,626)	(4,908,600)
Net premiums written		**83,056,019**	**60,281,504**
Change in the gross provision for unearned premiums	5	(9,724,452)	(4,562,555)
Reinsurers' share of change in the gross provision for unearned premiums	5	(776,337)	(252,988)
Net earned insurance premiums		**72,555,230**	**55,465,961**
Claims incurred	6	(41,725,213)	(33,729,843)
Reinsurers' share of claims incurred	6	8,487,387	2,310,491
Change in gross insurance contract provisions	6	25,929,852	3,853,259
Change in reinsurers' share in insurance contract provisions	6	(22,381,641)	(7,926,309)
Net claims incurred		**(29,689,615)**	**(35,492,402)**
Net finance income	7	15,599,230	18,037,531
Net foreign exchange (loss)/gain		(631,906)	14,323,478
Net fee and commission expense	8	(10,797,417)	(4,793,847)
Charge for impairment losses	9	(69,391)	(93,677)
General administrative expenses	10	(13,856,958)	(10,303,236)
Other operating income, net		536,452	657,638
Profit before income tax		**33,645,625**	**37,801,446**
Income tax expense	11	(4,629,697)	(4,978,152)
Profit for the year		**29,015,928**	**32,823,294**
Other comprehensive income/(loss), net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		118,219	(388,230)
- Net change in fair value transferred to profit or loss		-	(587,970)
Other comprehensive income/(loss) for the year, net of income tax		**118,219**	**(976,200)**
Total comprehensive income for the year		**29,134,147**	**31,847,094**

The separate financial statements as set out on pages 6 to 67 were approved by the Management Board on 27 April 2020:

B.G. Umarov
Chairman of the Board

N.S. Rakhmanova
Chief Accountant

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

	Note	2019 '000 KZT	2018 '000 KZT
ASSETS			
Cash and cash equivalents	12	2,452,727	46,843
Placements with banks	13	7,572,167	15,815,804
Available-for-sale financial assets	14	712,861	618,083
Held-to maturity investments:			
- held by the Company	15	201,125,715	188,008,309
- pledged under sale and repurchase agreements	15	2,185,912	-
Investment property	16	4,730,670	2,882,557
Property, plant and equipment and intangible assets	17	4,666,833	4,456,744
Deferred acquisition costs	8	8,781,508	3,994,800
Insurance and reinsurance receivables	18	9,687,563	7,327,164
Deferred tax asset	11	-	58,807
Current tax asset		3,969	958,175
Reinsurers' share in insurance contract provisions	19	2,840,649	25,998,627
Investments in a subsidiary	20	5,404,035	-
Other assets	21	584,933	1,120,839
Total assets		**250,749,542**	**251,286,752**
LIABILITIES			
Insurance contract provisions	19	89,849,237	106,054,637
Insurance and reinsurance payables	22	2,186,598	3,175,188
Amounts payable under repurchase agreements	23	2,123,521	-
Deferred tax liabilities	11	310,602	-
Other liabilities	24	754,054	785,544
Total liabilities		**95,224,012**	**110,015,369**
EQUITY			
Share capital	25(a)	121,316,085	99,074,285
Statutory reserve	25(d)	5,463,439	4,357,590
Revaluation reserve for available-for-sale financial assets		(270,011)	(388,230)
Retained earnings		29,016,017	38,227,738
Total equity		**155,525,530**	**141,271,383**
Total liabilities and equity		**250,749,542**	**251,286,752**

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

	2019 '000 KZT	2018 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**29,015,928**	**32,823,294**
Adjustments for:		
Depreciation and amortisation	434,487	323,518
Charge for impairment losses	69,391	93,677
Interest and other finance income	(15,597,984)	(15,576,169)
Net realised gain on sale of available-for-sale financial assets	(1,246)	(2,461,362)
Unrealised foreign exchange loss /(gain)	639,670	(14,457,609)
Gain on disposal of property, plant and equipment and intangible assets	(4,251)	(6,234)
Employee compensation	57,920	(1,790,027)
Income tax expense	4,629,697	4,978,152
Operating profit before changes in working capital	**19,243,612**	**3,927,240**
(Increase)/decrease in operating assets		
Reinsurers' share in insurance contract provisions	23,157,978	8,179,297
Insurance and reinsurance receivables	(2,336,997)	1,729,882
Deferred acquisition costs	(4,786,708)	(2,642,112)
Other assets	578,795	39,337
Increase/(decrease) in operating liabilities		
Insurance contract provisions	(16,205,400)	709,296
Insurance and reinsurance payables	(1,111,810)	1,375,126
Other liabilities	(59,231)	227,395
Net cash from operating activities before interest and other finance income received and income tax paid	**18,480,239**	**13,545,461**
Interest and other finance income received	14,670,864	15,778,257
Income tax paid	(3,306,082)	(5,443,243)
Net cash flows from operating activities	**29,845,021**	**23,880,475**

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

	2019 '000 KZT	2018 '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers to placements with banks	(129,187,756)	(157,102,035)
Proceeds from placements with banks	137,075,942	157,676,920
Sale of available-for-sale financial assets	1,353	5,655,571
Acquisition of available-for-sale financial assets	-	(871,098)
Acquisition of held-to-maturity investments	(24,251,400)	(60,306,570)
Redemption of held-to-maturity investments	9,619,568	32,646,676
Acquisition of investment property	(1,904,476)	-
Acquisition of property, plant and equipment and intangible assets	(594,353)	(1,683,800)
Proceeds from sale of property, plant and equipment and intangible assets	10,391	7,885
Investments in a subsidiary	(5,404,035)	-
Net cash used in investing activities	**(14,634,766)**	**(23,976,451)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from repurchase agreements	2,104,687	-
Proceeds from issue of share capital	22,241,800	7,453,000
Dividends paid	(37,121,800)	(7,453,000)
Net cash used in financing activities	**(12,775,313)**	**-**
Net increase/(decrease) in cash and cash equivalents	**2,434,942**	**(95,976)**
Effect of movements in exchange rates on cash and cash equivalents	(29,058)	133,989
Cash and cash equivalents at the beginning of the year	46,843	8,830
Cash and cash equivalents at the end of the year (Note 12)	**2,452,727**	**46,843**

The separate statement of cash flows 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 2018	91,621,285	4,206,103	587,970	13,008,931	109,424,289
Total comprehensive income					
Profit for the year	-	-	-	32,823,294	32,823,294
Other comprehensive loss					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	(388,230)	-	(388,230)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	(587,970)	-	(587,970)
Total other comprehensive loss	**-**	**-**	**(976,200)**	**-**	**(976,200)**
Total comprehensive income for the year	**-**	**-**	**(976,200)**	**32,823,294**	**31,847,094**
Transactions with owners recorded directly in equity					
Shares issued (Note 25 (a))	7,453,000	-	-	-	7,453,000
Dividends declared and paid (Note 25 (c))	-	-	-	(7,453,000)	(7,453,000)
Transfer to statutory reserve (Note 25(d))	-	151,487	-	(151,487)	-
Total transactions with owners	**7,453,000**	**151,487**	**-**	**(7,604,487)**	**-**
Balance at 31 December 2018	**99,074,285**	**4,357,590**	**(388,230)**	**38,227,738**	**141,271,383**

The 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 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					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	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.

1 Reporting entity

(a) Organisation and operations

Eurasia Insurance Company JSC (the "Company") 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. Last re-registration took place on 26 June 2009, when Eurasian Finance Company JSC became its parent company.

The Company holds a licence No. 2.1.6 of 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, 050004, Republic of Kazakhstan. The head office of the Company is located in Almaty, and the Company has 16 branches as at 31 December 2019 (31 December 2018: 14 branches) throughout the Republic of Kazakhstan.

As at 31 December 2019 and 2018 the Company's shareholders were as follows:

	31 December 2019, %	**31 December 2018, %**
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 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 obtained a licence for insurance (reinsurance) activity in the "life insurance" line. As at 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. In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a continuing depreciation of the Kazakhstan Tenge. These developments are further increasing the level of uncertainty in the Kazakhstan business environment.

These separate financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the 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 plans to prepare consolidated financial statements for the year ended 31 December 2019 in accordance with IFRS by the end of May 2020 that can be obtained from the Company's registered office at: 59, Zheltoksan Street, Almaty, Republic of Kazakhstan. In accordance with IFRS 10 *Consolidated Financial Statements*, the Company is not required to prepare consolidated financial statements because it meets the following criteria:

- debt or equity instruments of the Company's parent are not traded in a public market;
- the parent has not filed, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- the Company's parent produces financial statements that are available for public use and comply with IFRSs, in which subsidiaries are consolidated in accordance with IFRS 10.

This is the first set of the Company's annual separate financial statements in which IFRS 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 2(e).

The Company has applied the temporary exemption from IFRS 9 *Financial Instruments* as permitted by IFRS 4 *Insurance Contract*s 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.

Kazakhstan Tenge is also the presentation currency for the purposes of these separate financial statements. Financial information presented in KZT is 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 may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments

Information about critical judgments in applying accounting policies, that significantly affected the amounts reported in the separate financial statements, is described 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 the 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 in the separate financial statements for the year ended 31 December 2019 is included in the following notes:

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

(e) Changes in accounting policies and presentation

The Company initially applied IFRS 16 *Leases* from 1 January 2019.

The Company applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3 (p).

On transition to IFRS 16, the Company elected to apply the practical expedient and applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

The Company leases items of property. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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 price. However, for current leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

As a lessor

The Company leases out its investment property, including own property. The Company has classified these leases as operating leases. The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Transition and impact on separate financial statements

Previously, the Company classified property leases as operating leases under IAS 17. All lease contracts concluded by the Company are short-term leases and lease term is less than 12 months.

Application of IFRS 16 to leases previously classified as operating leases under IAS 17 had no significant impact on the separate financial statements as 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 from the date of initial application of the standard. 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.

3 Significant accounting policies

Except for the changes disclosed in Note 2(e), 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 Company's 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 was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

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

Currency	**2019**	**2018**
USD 1	382.59	384.2
EUR 1	429.00	439.37
GBP 1	503.41	488.13
RUR 1	6.16	5.52

(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 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 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.

Although 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.

(ii) 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. 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 banks, and highly liquid financial assets with original maturities of less than three months, which are not subject to significant 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 equivalents, 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 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. Items of property, plant and equipment are depreciated from the date that they are acquired, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Land is not depreciated.

The estimated useful lives of various items of property, plant and equipment 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;
- the Company 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 amortized cost using the effective interest method;
- held-to-maturity investments that 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 initial 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 Group 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 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 judgment to estimate the amount of any impairment loss.

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

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

(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) with maturities of less than three months are recorded in ‘Cash and cash equivalents’ line, and transactions with long maturities are included in accounts receivable under reverse repo agreements. 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 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

Policy applicable from 1 January 2019

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.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) Leases in which the Company is 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 has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Leases in which the Company is a lessor

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(iii) As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company’s statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(iv) 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 2020 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 statement of financial position and 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 by the Company;
- 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 will make 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.

- *Amendments to References to Conceptual Framework in IFRS Standards;*
- *Definition of a Business (Amendments to IFRS 3);*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*

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 bellow 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 estimated size of the reported loss is calculated based on the following information:

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

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

(ii) Insurance contracts – Property

Product features

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

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

Risk management

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk. Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

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

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

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

(iii) Insurance contracts – General civil liability

Product features

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

Risk management

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

(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. 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 a policyholder in the event of death, disability or damage to health is fixed.

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

Risk management

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

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

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

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

(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 Company, 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 2019 the Company had 978,995 insurance agreements in force (31 December 2018: 685,145 insurance agreements).

(i) Exposure by business lines

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	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	54,144,429	-	54,144,429
Total	**16,558,003,135**	**(9,140,786,608)**	**7,417,216,527**

The key concentrations identified as at 31 December 2018 are:

Type of insurance	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Property – voluntary	4,855,004,949	(2,700,001,573)	2,155,003,376
Employer's liability – obligatory	465,906,776	(632,943)	465,273,833
Civil liability – voluntary	474,355,891	(102,594,028)	371,761,863
Accident – voluntary	226,866,746	-	226,866,746
Vehicle owner's liability – voluntary	141,814,983	-	141,814,983
Motor transport – voluntary	281,500,351	(184,655,168)	96,845,183
Water transport owner's liability – voluntary	3,414,213,104	(3,339,023,214)	75,189,890
Medical – voluntary	57,431,786	-	57,431,786
Air transport owner's liability – voluntary	43,488,860	-	43,488,860
Water transport – voluntary	35,460,284	(8,973,371)	26,486,913
Cargo – voluntary	64,038,075	(34,227,312)	29,810,763
Air transport – voluntary	3,976,455	-	3,976,455
Other voluntary	141,997,452	(20,214,505)	121,782,947
Civil liability of a carrier to passengers – obligatory	1,113,091,350	-	1,113,091,350
Other obligatory	45,342,402	-	45,342,402
Total	**11,364,489,464**	**(6,390,322,114)**	**4,974,167,350**

(ii) Exposure by countries

The Company is exposed to risks by the following countries other than the Republic of Kazakhstan as at 31 December 2019:

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
China	44,809,317	-	44,809,317
Turkey	3,894,925	-	3,894,925
Uzbekistan	1,264,097	-	1,264,097
Other countries	527,189,004	-	527,189,004
Total exposure (excluding 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**

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

Country	Gross insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Germany	198,047	-	198,047
The United States	89,292,271	-	89,292,271
The United Kingdom	553,942,788	(497,646,207)	56,296,581
India	118,031,749	-	118,031,749
China	728,365,631	(701,075,076)	27,290,555
Turkey	335,350,389	(330,067,646)	5,282,743
Uzbekistan	378,364	-	378,364
Denmark	312,777,369	(305,930,177)	6,847,192
Other countries	364,946,865	-	364,946,865
Total exposure (excluding Kazakhstan)	**2,503,283,473**	**(1,834,719,106)**	**668,564,367**
Kazakhstan	8,861,205,991	(4,555,603,008)	4,305,602,983
Total	**11,364,489,464**	**(6,390,322,114)**	**4,974,167,350**

(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 software facilitating 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 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

The key concentrations identified as at 31 December 2018 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	293,055,488	26,304,259	10,000,879

(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 2019 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								
‘000 KZT	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of cumulative claims									
At the end of the accident year	11,596,375	18,238,580	37,630,915	30,035,409	18,542,646	31,365,755	34,499,203	36,711,698	218,620,581
- one year later	9,494,615	15,038,944	40,275,797	26,323,879	17,720,010	39,127,306	33,737,387	-	181,717,938
- two years later	9,739,619	17,006,262	57,721,969	26,066,461	15,805,837	38,065,802	-	-	164,405,950
- three years later	9,973,333	16,320,938	57,465,863	24,118,674	13,979,245	-	-	-	121,858,053
- four years later	9,766,494	15,953,502	49,662,875	22,414,597	-	-	-	-	97,797,468
- five years later	9,740,003	16,003,714	34,159,226	-	-	-	-	-	59,902,943
- six years later	9,803,521	15,608,835	-	-	-	-	-	-	25,412,356
- seven years later	9,738,964	-	-	-	-	-	-	-	9,738,964
Estimate of cumulative claims as at 31 December 2019	**9,738,964**	**15,608,835**	**34,159,226**	**22,414,597**	**13,979,245**	**38,065,802**	**33,737,387**	**36,711,698**	**204,415,754**
Cumulative payments as at 31 December 2019	(9,639,399)	(14,918,290)	(32,359,616)	(20,846,012)	(12,485,668)	(27,748,828)	(22,095,166)	(11,941,670)	(152,034,649)
Gross outstanding claims liabilities as at 31 December 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**333,283**
Gross outstanding claims liabilities as at 31 December 2019	**99,565**	**690,545**	**1,799,610**	**1,568,585**	**1,493,577**	**10,316,974**	**11,642,221**	**24,770,028**	**52,381,105**
Estimate of cumulative claims as at 31 December 2018	**9,803,521**	**16,003,714**	**49,662,875**	**24,118,674**	**15,805,837**	**39,127,306**	**34,499,203**	**-**	**189,021,130**
Cumulative payments as at 31 December 2018	(9,612,138)	(14,772,040)	(23,687,146)	(19,828,768)	(11,849,802)	(21,141,475)	(10,215,166)	-	(111,106,535)
Gross outstanding claims liabilities as at 31 December 2018	**191,383**	**1,231,674**	**25,975,729**	**4,289,906**	**3,956,035**	**17,985,831**	**24,284,037**	**-**	**77,914,595**

5 Premiums

2019 '000 KZT	Obligatory insurance: Employer's liability	Obligatory insurance: Vehicle owner's liability	Obligatory insurance: Other obligatory	Voluntary insurance: Property	Voluntary insurance: Medical	Voluntary insurance: Air/Water/ Motor transport	Voluntary insurance: Accident	Voluntary insurance: General insurance	Voluntary insurance: Other voluntary	Total
Gross premiums written	(4,487)	13,203,234	908,696	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	1,689,782	(1,335,357)	(178,487)	(4,055,131)	4,047	(943,783)	(2,776,307)	(1,868,335)	(260,881)	(9,724,452)
Gross earned premiums	**1,685,295**	**11,867,877**	**730,209**	**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 premiums	**1,685,106**	**11,867,877**	**730,209**	**37,771,634**	**4,139,545**	**7,049,014**	**3,022,090**	**4,894,753**	**1,395,002**	**72,555,230**

In 2019, gross premiums written comprised of KZT 54,484,885 thousand were recognised from direct insurance contracts and KZT 33,083,760 thousand form inward reinsurance contracts (2018: KZT 40,214,900 thousand and KZT 24,975,204 thousand, respectively).

2018

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

6 Claims incurred

2019

'000 KZT	**Obligatory insurance**			**Voluntary insurance**						**Total**
	Employer's liability	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**General insurance**	**Other voluntary**	
Claims incurred	483,077	6,696,980	46,222	28,013,798	2,869,448	1,707,445	68,427	1,268,032	571,784	41,725,213
Reinsurers' share of claims incurred	-	(72,629)	-	(8,337,733)	-	(58,837)	-	-	(18,188)	(8,487,387)
Claims incurred, net of reinsurance	**483,077**	**6,624,351**	**46,222**	**19,676,065**	**2,869,448**	**1,648,608**	**68,427**	**1,268,032**	**553,596**	**33,237,826**
Change in provisions for incurred but not reported claims	456,533	83,146	16,790	(914,066)	15,625	(46,006)	54,602	217,262	387,981	271,867
Change in provisions for reported but not settled claims	(841,279)	532,623	146,153	(23,272,136)*	2,931	537,659	557,393	(1,316,837)	(2,548,226)*	(26,201,719)
Change in reinsurers' share in insurance contract provisions	-	-	-	22,441,838*	-	(66,923)	-	4,131	2,595	22,381,641
Change in net reinsurance contract provisions	**(384,746)**	**615,769**	**162,943**	**(1,744,364)**	**18,556**	**424,730**	**611,995**	**(1,095,444)**	**(2,157,650)**	**(3,548,211)**
Net claims incurred	**98,331**	**7,240,120**	**209,165**	**17,931,701**	**2,888,004**	**2,073,338**	**680,422**	**172,588**	**(1,604,054)**	**29,689,615**

*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.

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

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

7 Net finance income

	2019 '000 KZT	2018 '000 KZT
Finance income		
Interest income from:		
- held-to maturity investments	14,333,811	12,789,460
- placements with banks	1,237,925	2,068,360
- reverse repurchase agreements	25,481	-
Net realised gain from sale of available-for-sale financial assets	1,246	2,461,362
Dividend income	19,601	16,048
Other finance income	-	702,301
	15,618,064	**18,037,531**
Finance costs		
Interest expense on:		
- amounts payable under repurchase agreements	(18,834)	-
	(18,834)	-
	15,599,230	**18,037,531**

8 Net fee and commission expense

	2019 '000 KZT	2018 '000 KZT
Fee and commission income		
Property	127,107	14,140
Water transport	14,644	16,878
General liability	3,745	13,774
Other	172	4,384
	145,668	**49,176**
Fee and commission expense		
Obligatory insurance		
Vehicle owner's liability	(2,000,145)	(869,455)
Employer's liability	(260,116)	(51,635)
Other obligatory	(108,330)	(32,505)
Voluntary insurance		
General insurance	(3,623,494)	(494,199)
Property	(3,256,730)	(2,769,592)
Accident	(1,004,268)	(107,922)
Air/Water/Motor transport	(365,902)	(262,014)
Health insurance	(175,013)	(155,971)
Other voluntary	(149,087)	(99,730)
	(10,943,085)	**(4,843,023)**
	(10,797,417)	**(4,793,847)**

	2019 '000 KZT	2018 '000 KZT
Deferred acquisition costs at the beginning of the year	3,994,800	1,352,688
Amortisation of deferred acquisition costs for the year	(10,943,085)	(4,843,023)
Deferred acquisition costs for the current year	16,313,134	7,785,179
Termination	(583,341)	(300,044)
Deferred acquisition costs at the end of the year	**8,781,508**	**3,994,800**

9 Charge for impairment losses

	2019 '000 KZT	2018 '000 KZT
Held-to-maturity investments (Note 15)	252	591
Insurance and reinsurance receivables (Note 18)	(29,413)	50,564
Other assets (Note 21)	(40,230)	(144,832)
	(69,391)	**(93,677)**

10 General administrative expenses

	2019 '000 KZT	2018 '000 KZT
Wages and salaries	7,660,416	4,930,837
Expenses on insurance development*	2,901,293	2,793,984
Other taxes and duties	933,575	628,868
Depreciation and amortisation	434,487	323,518
Tantieme **	349,903	29,156
Rent	235,390	219,511
General economic costs	172,608	169,335
Communication services	161,660	116,024
Repair and maintenance	109,011	49,249
Security	82,794	66,519
Bank charges	82,742	70,533
Consulting and professional services	134,818	71,587
Business travel	74,622	78,306
Utilities	42,682	46,365
Advertising	31,141	23,403
Other	449,816	686,041
	13,856,958	**10,303,236**

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

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

11 Income tax expense

	2019 '000 KZT	2018 '000 KZT
Current year tax expense	(4,308,842)	(5,032,828)
Current income tax overprovided in prior periods	48,554	20,914
Total current tax expense	**(4,260,288)**	**(5,011,914)**
Movement in deferred tax liabilities/deferred tax assets due to origination and reversal of temporary differences and movement in provisions	(369,409)	33,762
Total income tax expense	**(4,629,697)**	**(4,978,152)**

In 2019, the applicable tax rate for current and deferred tax is 20% (2018: 20%).

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

	2019 '000 KZT	%	2018 '000 KZT	%
Profit before tax	**33,645,625**	**100**	**37,801,446**	**100**
Income tax at the applicable tax rate	(6,729,125)	(20.0)	(7,560,289)	(20.0)
Tax exempt income from available-for-sale financial assets and held-to-maturity investments	2,356,571	7.0	2,487,296	6.6
Income tax overprovided in prior periods	48,554	0.1	20,914	0.1
Change in unrecognised deferred tax asset	-	-	261,373	0.7
Other non-deductible expenses	(305,697)	(0.9)	(187,446)	(0.5)
	(4,629,697)	**(13.8)**	**(4,978,152)**	**(13.2)**

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 net deferred tax liabilities as at 31 December 2019 and 31 December 2018. The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

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

'000 KZT	Balance at 1 January 2019	Recognised in profit or loss for the period	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)**

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

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

12 Cash and cash equivalents

	2019 '000 KZT	2018 '000 KZT
Cash on hand	964	4,763
Cash in transit	1,857	-
Current accounts and demand deposits with banks		
Kazakhstan banks		
Rated from Ba3 to Baa1	1,041	40,616
Rated from B3 to B1	319,585	1,439
Rated from C to Caa2	-	14
	320,626	**42,069**
Foreign bank rated A2	-	11
Total current accounts and demand deposits with banks	**320,626**	**42,080**
Reverse repurchase agreements with initial maturity less than three months – not rated	2,129,280	-
Total cash and cash equivalents	**2,452,727**	**46,843**

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

As at 31 December 2019 and 31 December 2018 the Company has no balances on current accounts and demand deposits with banks whose balances exceed 10% of equity.

13 Placements with banks

	2019 '000 KZT	2018 '000 KZT
Loans and deposits		
Kazakhstan banks		
Rated from Baa1 to Baa3	11,630	-
Rated from Ba1 to Ba3	19,300	163,045
Rated from B1 to B3	7,541,237	15,652,759
	7,572,167	**15,815,804**

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 2019, the annual effective interest rates generated by placement with banks ranges from 1.5 % to 11.2% per annum (31 December 2018: from 1.3% to 13.5%)

As at 31 December 2019 and 31 December 2018 the Company has no balances on accounts and deposits with banks exceeding 10% of equity.

14 Available-for-sale financial assets

	2019 '000 KZT	2018 '000 KZT
Neither past due nor impaired		
Equity instruments of foreign corporations and international financial organisations		
Shares of BAYER AG	695,302	600,417
Total equity instruments of foreign corporations and international financial organisations	**695,302**	**600,417**
Equity instruments		
Shares of Insurance Payments Guarantee Fund JSC	17,559	17,666
Total equity instruments	**17,559**	**17,666**
	712,861	**618,083**

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 2018: KZT 17,666 thousand). There is no market for these investments and there have not been any recent transactions that provide reliable evidence of their current fair value.

15 Held-to-maturity investments

	2019 '000 KZT	2018 '000 KZT
Neither past due nor impaired		
Government bonds of the Republic of Kazakhstan		
Rated Baa3		
- pledged under sale and repurchase agreements	2,185,912	-
- held by the Company	66,857,277	63,487,826
Government bonds of foreign states		
Rated from Aa1 to Aa3	4,419,391	5,521,683
Rated from A1 to A3	-	377,922
Total government bonds	**73,462,580**	**69,387,431**
Bonds of foreign corporations and international financial organisations		
Rated Aaa	18,338,592	-
Rated from A1 to A3	15,909,461	15,986,320
Rated from Baa1 to Baa3	18,060,925	21,919,688
Total bonds of foreign corporations and international financial organisations	**52,308,978**	**37,906,008**
Bonds of Kazakhstan banks		
Rated from Baa1 to Baa3	9,400,573	10,394,894
Rated from Ba1 to Ba3	13,598,036	6,370,170
Rated from B1 to B3	22,729,023	32,015,872
Total bonds of Kazakhstan banks	**45,727,632**	**48,780,936**
Corporate bonds of Kazakhstan companies		
Rated from Baa1 to Baa3	31,812,437	31,933,934
Total corporate bonds of Kazakhstan companies	**31,812,437**	**31,933,934**
Overdue or impaired bonds		
Corporate bonds of Kazakhstan companies	199,157	199,409
Impairment allowance	(199,157)	(199,409)
Total overdue or impaired bonds, net	**-**	**-**
	203,311,627	**188,008,309**

The credit ratings are presented by reference to credit ratings of Moody's credit ratings agency or analogues of similar international agencies.

As at 31 December 2019 the Company has financial instruments of 1 issuer (2018: 3 issuers), whose balance exceeds 10% of equity. The total gross value of these balances as at 31 December 2019 is KZT 69,043,189 thousand (2018: KZT 93,529,288 thousand).

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

	2019 '000 KZT	2018 '000 KZT
Balance at the beginning of the year	(199,409)	(200,000)
Net reversal	252	591
Balance at the end of the year	**(199,157)**	**(199,409)**

As at 31 December 2019, the annual effective interest rates generated by investments held to maturity ranges between 1.08% and 11.3% per annum (31 December 2018: 3.9% and 11,3%). As at 31 December 2019 the maturity of the held-to-maturity investments ranges from March 2020 to October 2048 (31 December 2018: from January 2019 to July 2048).

16 Investment property

'000 KZT	Land and buildings
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 for the year	(56,363)
Balance at 31 December 2019	**(161,012)**
Carrying amount	
At 31 December 2019	**4,730,670**
Cost	
Balance at 1 January 2018	1,232,441
Reclassification from property, plant and equipment	1,754,765
Balance at 31 December 2018	**2,987,206**
Depreciation	
Balance at 1 January 2018	(77,763)
Depreciation for the year	(26,886)
Balance at 31 December 2018	**(104,649)**
Carrying amount	
At 31 December 2018	**2,882,557**

As at 31 December 2019 and 31 December 2018 the carrying value of the investment property approximates its fair value. In 2019 and 2018 the Company performed an internal valuation of investment property. The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar properties. The fair values of investment properties are categorised into Level 3 of the fair value hierarchy.

17 Property, plant and equipment and intangible assets

‘000 KZT	Land and buildings	Computer equipment and office equipment	Vehicles	Construction in progress	Other property, plant and equipment	Intangible assets	Total
Cost							
Balance at 1 January 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 and amortisation							
Balance at 1 January 2019	(157,201)	(297,275)	(195,783)	-	(315,178)	(128,227)	(1,093,664)
Depreciation and amortisation 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**
Cost							
Balance at 1 January 2018	3,446,994	506,003	305,771	523,845	743,539	152,949	5,679,101
Additions	-	76,848	37,020	1,092,485	384,370	93,077	1,683,800
Reclassification	(142,916)	4,481	-	(1,616,330)	-	-	(1,754,765)
Disposals	-	(14,481)	(41,378)	-	(1,869)	-	(57,728)
Balance at 31 December 2018	**3,304,078**	**572,851**	**301,413**	**-**	**1,126,040**	**246,026**	**5,550,408**
Depreciation and amortisation							
Balance at 1 January 2018	(100,167)	(254,268)	(187,826)	-	(202,214)	(108,634)	(853,109)
Depreciation and amortisation for the year	(57,034)	(57,468)	(48,358)	-	(114,179)	(19,593)	(296,632)
Disposals	-	14,461	40,401	-	1,215	-	56,077
Balance at 31 December 2018	**(157,201)**	**(297,275)**	**(195,783)**	**-**	**(315,178)**	**(128,227)**	**(1,093,664)**
Carrying amount							
At 31 December 2018	**3,146,877**	**275,576**	**105,630**	**-**	**810,862**	**117,799**	**4,456,744**

18 Insurance and reinsurance receivables

	2019 '000 KZT	2018 '000 KZT
Amounts due from policyholders	1,734,762	2,097,317
Amounts due from reinsurers	8,024,618	5,285,135
	9,759,380	**7,382,452**
Impairment allowance	(71,817)	(55,288)
	9,687,563	**7,327,164**

As at 31 December 2019 and 31 December 2018 the Company had no balances with policyholders, whose balances exceeded 10% of equity.

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

	2019 '000 KZT	2018 '000 KZT
Balance at the beginning of the year	(55,288)	(206,812)
Net (charge) /reversal	(29,413)	50,564
Write-offs	12,884	100,960
Balance at the end of the year	**(71,817)**	**(55,288)**

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 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 due 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%**

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

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

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

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

	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**

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

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

	2019 '000 KZT	2018 '000 KZT
Balance at the beginning of the year, net of reinsurance	80,056,010	71,167,417
Premiums written	87,568,645	65,190,104
Premiums earned	(77,844,193)	(60,627,549)
Claims reported	36,040,187	41,203,753
Claims paid	(41,273,998)	(33,403,842)
Estimate of claims incurred but not reported during the year	8,191,665	5,107,193
Change in estimates of claims incurred and reported in prior reporting periods but not settled	(20,967,908)	(11,276,049)
Change in provisions for prior year claims incurred but not reported	(7,919,798)	(5,484,314)
Change in reinsurers' share	23,157,978	8,179,297
Balance at the end of the year, net of reinsurance	**87,008,588**	**80,056,010**

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

	2019 '000 KZT	2018 '000 KZT
Balance at the beginning of the year, net of reinsurance	25,552,395	20,736,852
Premiums received	87,568,645	65,190,104
Premiums earned	(77,844,193)	(60,627,549)
Change in reinsurers' share	776,337	252,988
Balance at the end of the year, net of reinsurance	**36,053,184**	**25,552,395**

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

	2019 '000 KZT	2018 '000 KZT
Balance at the beginning of the year, net of reinsurance	11,578,034	12,059,859
Estimate of claims incurred but not reported during the year	8,191,665	5,107,193
Change in provision for prior years' claims	(7,919,798)	(5,484,314)
Change in reinsurers' share	203,274	(104,704)
Balance at the end of the year, net of reinsurance	**12,053,175**	**11,578,034**

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

	2019 '000 KZT	2018 '000 KZT
Balance at the beginning of the year, net reinsurance	42,925,581	38,370,706
Current year's claims reported	28,520,033	29,392,009
Prior years' claims reported	7,520,154	11,811,744
Change in estimates of claims of prior reporting periods	(20,967,908)	(11,276,049)
Current year's claims paid	(11,941,670)	(10,215,166)
Prior years' claims paid	(29,332,328)	(23,188,676)
Change in reinsurers' share	22,178,367	8,031,013
Balance at the end of the year, net reinsurance	**38,902,229**	**42,925,581**

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

	Obligatory insurance			Voluntary insurance					
2019 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**Other voluntary**	**Total**
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**

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

(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 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	2019 '000 KZT Amount of investment
Eurasia Life Insurance Company JSC	Kazakhstan	Life insurance	100%	5,404,035
				5,404,035
Impairment allowance				-
				5,404,035

On 19 November 2018 the Company established a subsidiary organisation named 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 obtained a licence for insurance (reinsurance) activity in the "life insurance" line. As at 31 December 2019 the Company owns a 100% share in the subsidiary.

The Company uses its own experience and judgments to assess provision for impairment of investments in subsidiary. The Company's 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 2019 the Company's management did not identify any evidence of impairment of investment in subsidiary.

21 Other assets

	2019 '000 KZT	2018 '000 KZT
Other receivables	512,819	1,103,723
Impairment allowance	(92,098)	(61,133)
Total other financial assets	**420,721**	**1,042,590**
Prepayments	270,399	187,350
Settlements with employees	17,443	5,393
Materials and supplies	390	261
Impairment allowance	(124,020)	(114,755)
Total other non-financial assets	**164,212**	**78,249**
Total other assets	**584,933**	**1,120,839**

Analysis of movements in the impairment allowance

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

	2019 '000 KZT	2018 '000 KZT
Balance at the beginning of the year	(175,888)	(31,056)
Net charge	(40,230)	(144,832)
Balance at the end of the year	**(216,118)**	**(175,888)**

As at 31 December 2019 overdue receivables of KZT 167,496 thousand (31 December 2018: KZT 142,109 thousand) were included in other assets, of which KZT 38,966 thousand (31 December 2018: KZT 20,296 thousand) are overdue for more than 90 days, but less than one year and KZT 92,098 thousand (31 December 2018: KZT 61,133 thousand) are overdue for more than one year.

22 Insurance and reinsurance payables

	2019 '000 KZT	2018 '000 KZT
Reinsurance payables	388,014	1,653,986
Insurance payables	998,680	940,659
Prepaid insurance premiums	420,093	337,920
Brokers' fees payable	379,811	242,623
	2,186,598	**3,175,188**

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

23 Amounts payable under repurchase agreements

During 2019, the Company entered into repurchase agreements at Kazakhstan Stock Exchange. As at 31 December 2019 the amounts payable under repurchase agreements were KZT 2,123,521 thousand (31 December 2018: none), which was subsequently repaid 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 2,074,583 thousand.

24 Other liabilities

	2019 '000 KZT	2018 '000 KZT
Other taxes payable	280,327	252,249
Payable to employees	278,209	220,288
Other payables	195,518	313,007
	754,054	**785,544**

25 Equity

(a) Share capital

	Ordinary shares 2019	Ordinary shares 2018
Authorised (ordinary) shares	150,000,000	150,000,000
Issued and outstanding (ordinary) shares	121,316,085	99,074,285
Nominal value, '000 KZT	1	1
Issued and fully paid, '000 KZT	**121,316,085**	**99,074,285**

During the year ended 31 December 2019 the Company issued 22,241,800 ordinary shares (2018: 7,453,000 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 2019 and 31 December 2018, the Company complies with the solvency margin ratios, which are as follows:

	2019 '000 KZT	2018 '000 KZT
Actual solvency margin	111,210,050	108,774,038
Minimum solvency margin	10,235,650	8,116,258
Solvency margin	**10.86**	**13.40**

(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 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 2019 total reserves available for distribution amounted to KZT 29,016,017 thousand (31 December 2018: KZT 38,227,738 thousand).

During the year ended 31 December 2019 dividends of KZT 37,121,800 thousand or KZT 374.69 per share were declared and paid (2018: KZT 7,453,000 thousand or 81.35 per share), of which KZT 22,241,800 thousand the shareholders reinvested as contribution to share capital (2018: KZT 7,453,000 thousand).

(d) Statutory reserve

During 2019 the Company transferred KZT 1,105,849 thousand from retained earnings to the statutory reserve (2018: KZT 151,487 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 financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis.

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

(i) Interest rate risk

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

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

(ii) Currency risk

The Company has assets and liabilities denominated in several foreign currencies. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

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
Available-for-sale financial assets	17,559	-	695,302	-	-	-	712,861
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	**112,328,249**	**104,742,813**	**6,183,640**	**1,563,987**	**388,408**	**709,553**	**225,916,650**
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	**99,321,060**	**83,564,857**	**(5,163,106)**	**1,456,288**	**(1,446,045)**	**(9,174,872)**	**168,558,182**

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

'000 KZT	**KZT**	**USD**	**EUR**	**GBP**	**RUB**	**Other**	**Total**
Assets							
Cash and cash equivalents	45,604	354	421	461	3	-	46,843
Placements with banks	13,123,138	2,510,525	-	-	182,141	-	15,815,804
Available-for-sale financial assets	17,666	-	600,417	-	-	-	618,083
Held-to maturity investments	80,010,186	100,292,434	6,514,793	1,190,896	-	-	188,008,309
Insurance and reinsurance receivables	2,305,733	3,845,837	290,313	119	442,343	442,819	7,327,164
Reinsurers' share in insurance contract provisions	24,131,509	9,116	-	-	-	-	24,140,625
Other financial assets	1,037,903	1,891	2,796	-	-	-	1,042,590
Total assets	**120,671,739**	**106,660,157**	**7,408,740**	**1,191,476**	**624,487**	**442,819**	**236,999,418**
Liabilities							
Insurance contract provisions	(36,958,881)	(22,173,486)	(8,842,331)	(101,525)	(1,786,074)	(8,781,943)	(78,644,240)
Insurance and reinsurance payables	(1,232,227)	(1,543,264)	(35,411)	-	(470)	(25,896)	(2,837,268)
Other financial liabilities	(699,888)	(85,656)	-	-	-	-	(785,544)
Total liabilities	**(38,890,996)**	**(23,802,406)**	**(8,877,742)**	**(101,525)**	**(1,786,544)**	**(8,807,839)**	**(82,267,052)**
Net position as at 31 December 2018	**81,780,743**	**82,857,751**	**(1,469,002)**	**1,089,951**	**(1,162,057)**	**(8,365,020)**	**154,732,366**

A weakening of KZT, as indicated below, against the following currencies at 31 December 2019 and 2018 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	2019		2018	
	Net profit	Equity	Net profit	Equity
20% appreciation of USD	13,370,377	13,370,377	13,257,240	13,257,240
20% appreciation of EUR	(826,097)	(826,097)	(235,040)	(235,040)
20% appreciation of GBP	233,006	233,006	174,392	174,392
20% appreciation of RUB	(231,367)	(231,367)	(185,929)	(185,929)

A strengthening of KZT against the above currencies at 31 December 2019 and 31 December 2018 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 2019 and 2018 and a simplified scenario of a 5% change in all securities prices is as follows:

	2019		2018	
	Profit or loss	Equity	Profit or loss	Equity
5% increase in securities prices	-	35,643	-	30,904
5% decrease in securities prices	-	(35,643)	-	(30,904)

(c) Credit risk

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

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

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

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

	2019 '000 KZT	2018 '000 KZT
ASSETS		
Cash and cash equivalents	2,451,763	42,080
Placements with banks	7,572,167	15,815,804
Held-to maturity investments	203,311,627	188,008,309
Insurance and reinsurance receivables	9,687,563	7,327,164
Reinsurers' share in insurance contract provisions	1,758,984	24,140,625
Other financial assets	420,721	1,042,590
Total maximum exposure	**225,202,825**	**236,376,572**

As at 31 December 2019 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 customers as at 31 December 2019 is KZT 69,043,189 thousand (31 December 2018: KZT 63,487,826 thousand). Reinsurers' share in insurance contract provisions of KZT 158,933 thousand (2018: KZT 22,870,868 thousand) relates to international companies with a credit rating of A2 and above and KZT 823,157 thousand (2018: 272,448 thousand) - with a credit rating of Baa3 and above. The credit ratings are presented by reference to credit ratings of Moody's credit ratings agency or analogues of similar international agencies.

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 the 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 offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019:

'000 KZT Types of financial assets/liabilities	**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 Financial instruments**	**Net amount**
Reverse repurchase agreements, securities borrowings	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	(2,074,583)	48,938
Total financial liabilities	**2,123,521**	**-**	**2,123,521**	**(2,074,583)**	**48,938**

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 2019. Insurance liabilities are shown based on expected maturities. Total liabilities on insurance contract provisions are presented below:

'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	1,569,310	47,725,050	52,714,388
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**	**1,661,167**	**47,777,283**	**57,358,468**

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

'000 KZT	Less than 1 month	From 1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities					
Insurance contract provisions	1,702,696	3,405,392	4,633,877	68,902,275	78,644,240
Insurance and reinsurance payables	2,183,939	652,139	1,190	-	2,837,268
Other financial liabilities	548,665	220,289	16,590	-	785,544
Total financial liabilities as at 31 December 2018	**4,435,300**	**4,277,820**	**4,651,657**	**68,902,275**	**82,267,052**

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, in particular recognition of income, expenses and other items of the consolidated financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties 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

As at 31 December 2019 and 31 December 2018 fair value of the Company's financial assets and financial liabilities approximates their carrying amount, except for held-to-maturity investments. Carrying amount and fair value of held-to-maturity investments as at 31 December 2019 amounted to KZT 203,311,627 thousand and KZT 218,668,125 thousand, respectively (31 December 2018: KZT 188,008,309 thousand and KZT 188,205,209 thousand, respectively).

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 (2018: KZT 17,666 thousand) cannot be determined.

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 2019, financial instruments measured at fair value of KZT 695,302 thousand are categorised into Level 1 of fair value hierarchy (31 December 2018: KZT 600,417 thousand are categorised into Level 1 of fair valuer 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 2019:

'000 KZT	**Level 1**	**Level 2**	**Level 3**	**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)

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

'000 KZT	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Assets					
Cash and cash equivalents	-	46,843	-	46,843	46,843
Placements with banks	-	15,815,804	-	15,815,804	15,815,804
Held-to maturity investments	115,086,823	73,118,386	-	188,205,209	188,008,309
Insurance and reinsurance receivables	-	7,327,164	-	7,327,164	7,327,164
Other financial assets	-	1,042,590	-	1,042,590	1,042,590
Liabilities			**-**		
Insurance and reinsurance payables	-	(2,837,268)	-	(2,837,268)	(2,837,268)
Other financial liabilities	-	(785,544)	-	(785,544)	(785,544)

29 Related party transactions

(a) Control relationships

As at 31 December 2019 members of the Board of Directors and the Management Board of the Company and their close family members hold 5% (31 December 2018: 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 2019 and 31 December 2018 is as follows:

	2019 '000 KZT	2018 '000 KZT
Members of the Board of Directors and Management Board	2,434,721	2,859,376

(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 2019 and related profit or loss amounts of transactions for the year then ended 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	-	-	317,288	-	-	**317,288**
Placements with banks						
- in KZT	-	-	5,260,882	11.2	-	**5,260,882**
- in USD	-	-	1,996,378	1.5	-	**1,996,378**
- in RUB	-	-	233,580	7.0	-	**233,580**
Held-to maturity investments						
- in KZT	-	-	12,204,191	8.5	-	**12,204,191**
Investments in subsidiary	-	5,404,035	-	-	-	**5,404,035**
Insurance and reinsurance receivables	-	-	423,710	-	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 expense	-	-	(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**

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

	Parent Company	Fellow subsidiaries		Other	Total
	'000 KZT	**'000 KZT**	**Average interest rate, %**	**'000 KZT**	**'000 KZT**
Assets					
Cash and cash equivalents	-	1,397	-	-	**1,397**
Placements with banks					
- in KZT	-	4,540,200	10.3	-	**4,540,200**
- in USD	-	2,510,525	1.9	-	**2,510,525**
- in RUB	-	182,141	6.0	-	**182,141**
Held-to maturity investments					
- in KZT	-	11,741,823	8.5	-	**11,741,823**
Insurance and reinsurance receivables		380,221	-	-	**380,221**
Liabilities					
Insurance contract provisions	(181)	(2,638,210)	-	(26,648,809)	**(29,287,200)**
Insurance and reinsurance payables	(36,215)	(28,863)	-	(793)	**(65,871)**
Other liabilities	-	(54,328)	-	-	**(54,328)**
Profit/(loss)					
Gross premiums written	27,500	3,977,709	-	11,772,592	**15,777,801**
Net finance income	-	1,530,230	-	-	**1,530,230**
Other income	10,744	49,323	-	-	**60,067**
Claims incurred	-	(561,776)	-	(6,016,375)	**(6,578,151)**
Change in insurance contract provisions	107,330	(248,811)	-	9,784,137	**9,642,656**
Fee and commission expense	-	(81,388)	-	(81)	**(81,469)**
Other expenses	-	(48,082)	-	-	**(48,082)**
Commitments					
Total aggregate exposures*	13,500	209,385,584	-	288,245,183	**497,644,267**

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

30 Subsequent events

As a result of global coronavirus outbreak in 2020 the Government of the Republic of Kazakhstan declared a state of emergency in the Republic of Kazakhstan. Moreover, as a result of the meeting of the Organization of Petroleum Exporting Countries (OPEC), oil prices fell significantly during 2020. These factors have also resulted in decrease of tenge exchange rate against major world currencies.

As of the date of these financial statements the above described events have not resulted in unfavourable changes in the Company's financial position; its impact on quality of assets is assessed as insignificant and its impact on equity - as positive. In particular, a currency risk analysis provided in Note 26(b) demonstrates that 45% or KZT 69,237,122 thousand of the Company's net financial assets are denominated in foreign currency. Due to tenge depreciation against major world currencies, the Company expects significant gain from foreign currency revaluation. The Company's management is in the process of assessment of a further impact of abovementioned events on the Company's operations in 2020.

Stress-tests performed by the Company give the management of the Company a ground to believe that the expected recession in the short run will not have significant unfavourable impact on the Company's performance. The Company is in the process of assessing the effects of expected recession in mid-term. In this regard, based on results of stress testing the Company management believes that the Company has sufficient capital supplies.