



KazakhExport

**JSC “KazakhExport”
Export Insurance Company**

Interim Condensed
Financial Information
for the six months ended 30 June 2021

Contents

Independent Auditors' Report on Review of Interim Condensed Financial Information

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income 4

Interim Condensed Statement of Financial Position 5

Interim Condensed Statement of Cash Flows 6

Interim Condensed Statement of Changes in Equity 7-8

Notes to the Interim Condensed Financial Information 9-33



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Independent Auditors' Report on Review of Interim Condensed Financial Information

To the Board of Directors of JSC "KazakhExport" Export Insurance Company

Introduction

We have reviewed the accompanying interim condensed statement of financial position of JSC "KazakhExport" Export Insurance Company as at 30 June 2021, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes to the interim condensed financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information as at 30 June 2021 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Madina Magomedova
Audit Director
KPMG Audit LLC
Almaty, Republic of Kazakhstan
2 August 2021



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JSC "KazakhExport" Export Insurance Company
Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2021

		Unaudited	Unaudited
		For the six months	For the six months
KZT'000	Note	ended 30 June 2021	ended 30 June 2020
Gross insurance premiums written	5	1,745,539	79,672
Written insurance premiums ceded to reinsurers	5	(2,100)	-
Net insurance premiums written		1,743,439	79,672
Change in the gross provision for unearned premiums	5	(358,117)	775,125
Reinsurers' share of change in the gross provision for unearned premiums	5	(23,047)	(38,094)
Net insurance premiums earned		1,362,275	816,703
Claims paid	6	(237,826)	(1,166,665)
Reimbursement from recourse claims	6	91,009	-
Change in gross insurance contract provisions	6	(2,661,776)	(966,410)
Change in reinsurers' share in insurance contract provisions	6	(8,446)	(22,657)
Net claims paid		(2,817,039)	(2,155,732)
Interest income calculated using the effective interest rate method	7	4,260,644	3,086,225
Other interest income	7	28,821	22,921
Interest expense	7	(8,925)	(10,300)
Net gain from change in fair value of investment securities measured at fair value through profit or loss		26,650	32,654
Net foreign exchange gain		649,743	414,487
General administrative expenses		(840,670)	(687,028)
Reversal of impairment loss/(impairment loss) on debt financial assets		73,381	(97,150)
Other operating income, net		20,005	12,445
Profit before income tax		2,754,885	1,435,225
Income tax expense	8	(647,787)	(403,600)
Profit for the period		2,107,098	1,031,625
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movement in fair value reserve:			
- Net change in fair value		535,463	(192,932)
- Net change in fair value transferred to profit or loss		-	3,368
Other comprehensive income/(loss) for the period, net of income tax		535,463	(189,564)
Total comprehensive income for the period		2,642,561	842,061

The interim condensed financial information as set out on pages 4 to 33 was approved by the Management Board on 2 August 2021 and were signed on its behalf by:

Iskakov R.V.

Chairman of the Management Board

Sartkozhinova Zh.K.

Chief Accountant

JSC "KazakhExport" Export Insurance Company
Interim Condensed Statement of Financial Position as at 30 June 2021

KZT'000	Note	Unaudited 30 June 2021	31 December 2020
ASSETS			
Cash and cash equivalents	9	10,598,027	9,779,322
Placements with banks	10	61,688,016	63,917,841
Investment securities measured:			
- at fair value through other comprehensive income	11	34,584,449	19,928,909
- at amortised cost	11	19,871,610	25,576,523
- at fair value through profit or loss	11	750,009	727,495
Insurance and reinsurance receivables	12	2,331,344	1,818,877
Reinsurers' share in insurance contract provisions	13	219,534	251,027
Property, plant and equipment		121,989	122,212
Current tax asset		170,572	462,562
Deferred tax assets		40,311	40,311
Other assets		291,963	247,818
Total assets		130,667,824	122,872,897
LIABILITIES			
Insurance contract provisions	13	16,020,052	13,000,159
Insurance and reinsurance payables		23,855	27,529
Loan from Samruk-Kazyna JSC		80,708	71,876
Other liabilities		164,920	332,872
Total liabilities		16,289,535	13,432,436
EQUITY			
Share capital	14(a)	105,100,000	100,100,000
Additional paid-in capital on loan received from Samruk-Kazyna JSC at the below market rate		732,819	732,819
Stabilisation reserve		240,259	90,508
Provision for unexpected risks		11,374,919	7,544,808
Reserve for changes in fair value of securities		(989,649)	(1,525,112)
Accumulated loss/retained earnings		(2,080,059)	2,497,438
Total equity		114,378,289	109,440,461
Total liabilities and equity		130,667,824	122,872,897

JSC “KazakhExport” Export Insurance Company
Interim Condensed Statement of Cash Flows as at 30 June 2021

KZT'000	Unaudited For the six months ended 30 June 2021	Unaudited For the six months ended 30 June 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,754,885	1,435,225
<i>Adjustments for:</i>		
Change in insurance contract provisions, less reinsurers' share	3,051,386	252,040
Amortisation of discount and premiums	(734,560)	(296,765)
Depreciation and amortisation	19,804	12,121
Interest expense on loan from Samruk-Kazyna JSC	8,925	10,300
(Reversal of impairment loss)/impairment loss on debt financial assets	(73,381)	97,150
Net gain from change in fair value of investment securities measured at fair value through profit or loss	(26,650)	(32,654)
Interest income calculated using the effective interest rate method	(3,526,084)	(2,789,460)
Other interest income	(28,821)	(22,921)
Foreign exchange difference	(649,743)	(414,236)
Cash flows from operating activities before changes in operating assets and liabilities	795,761	(1,749,200)
(Increase)/decrease in operating assets		
Placements with banks	2,713,235	(21,863,954)
Insurance and reinsurance receivables	(510,925)	336,753
Other assets	(52,153)	(39,473)
Increase /(decrease) in operating liabilities		
Insurance and reinsurance payables	(3,674)	(45,197)
Other liabilities	(167,492)	(83,334)
Net cash from/(used in) operating activities before interest received and income tax paid	2,774,752	(23,444,405)
Income tax paid	(355,797)	(403,600)
Interest receipts	3,655,407	544,086
Net cash from/(used in) operating activities	6,074,362	(23,303,919)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and repayment of investment securities	22,573,275	-
Acquisition of debt securities	(30,132,043)	(11,246,001)
Acquisition of property, plant and equipment and intangible assets	(11,221)	(20,543)
Cash flows used in investing activities	(7,569,989)	(11,266,544)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	5,000,000	29,000,000
Dividends paid	(2,704,733)	(2,355,586)
Cash flows from financing activities	2,295,267	26,644,414
Net increase/(decrease) in cash and cash equivalents	799,640	(7,926,049)
Effect of changes in exchange rates on cash and cash equivalents	19,065	357,886
Cash and cash equivalents at the beginning of the period	9,779,322	17,655,699
Cash and cash equivalents at the end of the period	10,598,027	10,087,536

JSC “Kazakh Export” Export Insurance Company
Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2021

	Share capital	Additional paid-in capital on loan received from Samruk-Kazyna JSC at the below market rate	Stabilisation reserve	Provision for unexpected risks	Revaluation reserve for changes in fair value of securities	Retained earnings/ accumulated loss	Total equity
KZT'000							
Balance at 1 January 2021	100,100,000	732,819	90,508	7,544,808	(1,525,112)	2,497,438	109,440,461
Total comprehensive income							
Profit for the period, unaudited	-	-	-	-	-	2,107,098	2,107,098
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value	-	-	-	-	535,463	-	535,463
Total other comprehensive income	-	-	-	-	535,463	-	535,463
Total comprehensive income for the period	-	-	-	-	535,463	2,107,098	2,642,561
Transactions with owners recorded directly in equity							
Shares issued (Note 14(a))	5,000,000	-	-	-	-	-	5,000,000
Dividends paid (Note 14(c))	-	-	-	-	-	(2,704,733)	(2,704,733)
Transfer to provision for unexpected risks	-	-	-	3,830,111	-	(3,830,111)	-
Transfer to stabilisation reserve	-	-	149,751	-	-	(149,751)	-
Total transactions with owners	5,000,000	-	149,751	3,830,111	-	(6,684,595)	2,295,267
Balance at 30 June 2021, unaudited	105,100,000	732,819	240,259	11,374,919	(989,649)	(2,080,059)	114,378,289

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

JSC “KazakhExport” Export Insurance Company
Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2021

KZT'000	Share capital	Additional paid-in capital on loan received from Samruk-Kazyna JSC at the below market rate	Stabilisation reserve	Provision for unexpected risks	Revaluation reserve for changes in fair value of securities	Retained earnings	Total equity
Balance at 1 January 2020	71,100,000	732,819	65,919	2,555,200	(1,263,767)	6,003,314	79,193,485
Total comprehensive income							
Profit for the period, unaudited	-	-	-	-	-	1,031,625	1,031,625
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value	-	-	-	-	(189,564)	-	(189,564)
Total other comprehensive income	-	-	-	-	(189,564)	-	(189,564)
Total comprehensive income for the period	-	-	-	-	(189,564)	1,031,625	842,061
Transactions with owners recorded directly in equity							
Shares issued (Note 14(a))	29,000,000	-	-	-	-	-	29,000,000
Dividends paid (Note 14(c))	-	-	-	-	-	(2,355,586)	(2,355,586)
Transfer from provision for unexpected risks	-	-	-	(827,967)	-	827,967	-
Transfer from stabilisation reserve	-	-	24,589	-	-	(24,589)	-
Total transactions with owners	29,000,000	-	24,589	(827,967)	-	(1,552,208)	26,644,414
Balance at 30 June 2020, unaudited	100,100,000	732,819	90,508	1,727,233	(1,453,331)	5,482,731	106,679,960

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

1 Reporting entity

(a) Organisation and operations

JSC “KazakhExport” Export Insurance Company (hereinafter, the “Company”) is a joint-stock company incorporated in 2003 in the Republic of Kazakhstan in accordance with the Kazakhstan legislation.

The Company holds a license to conduct insurance and reinsurance activity No.2.1.55 dated 21 May 2018 issued by the National Bank of the Republic of Kazakhstan (the “NBRK”). The license allows the Company to conduct the voluntary insurance in the following classes:

- 1) insurance of guarantees and sureties;
- 2) insurance against other financial losses;
- 3) insurance of the financial organisations’ losses, except for the insurance classes specified in sub-paragraphs 13), 14), 15) and 16) of paragraph 3, Article 6 of the Law of the Republic of Kazakhstan “On Insurance Activity”;
- 4) loan insurance;
- 5) civil liability insurance, except for the classes specified in sub-paragraphs 9)-11) of paragraph 3, Article 6 of the Law of the Republic of Kazakhstan “On Insurance Activity”; and
- 6) execution of reinsurance operations.

The areas of the Company’s strategic development comprise further improvement of the instruments to support export, create conditions to increase a number of exporters and enhance the operating efficiency.

The Company’s registered office and place of business is 55A Mangilik El Avenue, Nur-Sultan, Republic of Kazakhstan, Z05T3E2.

(b) Shareholder

As at 30 June 2021 and 31 December 2020, National Management Holding “Baiterek” JSC hereinafter referred to as the “Parent Company” owns 100% of the Company’s outstanding shares. The Company’s ultimate shareholder is the Government of the Republic of Kazakhstan. Under the Contract of Share Transfer No.299-i dated 29 May 2013, the Company’s holding of shares was transferred under trust management to National Management Holding “Baiterek” JSC. National Management Holding “Baiterek” JSC was established in accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013, No.571 “On Certain Measures for Optimisation of the System of Management of the Development Institutions, Financial Organisations and Development of the National Economy.”

As at 30 June 2021 the number of employees of the Company was 98 persons (31 December 2020: 98 employees).

(c) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment.

During recent months, the Company’s business has been stable and its operations have not been interrupted. The Company, on a monthly basis, assesses current situation for possible adverse impact of external business environment on the Company’s financial and risk indicators. To continue as a going concern, the Company keeps carrying out its operations using a remote access and takes measures to protect health of the employees working on site, including provision of the individual protective devices, observance of distancing regime, and disinfection of the Company’s premises.

The interim condensed financial information reflects 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

This interim condensed financial information has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual reporting period ended 31 December 2020.

This interim condensed financial information does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The interim condensed financial information is prepared on the historical cost basis except for the financial instruments at fair value through profit or loss and at fair value through other comprehensive income that are stated at fair value.

(c) Use of estimate and judgments

The preparation of this interim condensed financial information in conformity with IFRS 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.

The most significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last annual financial statements which are described in Note 13.

(d) Functional and presentation currency

The national currency of the Republic of Kazakhstan is Kazakhstan tenge (the “KZT”). Management of the Company decided to use KZT as a functional currency as it reflects the economic substance of underlying events and circumstances relevant to them. The KZT is also the presentation currency for the purposes of this interim condensed financial information.

Interim condensed financial information is rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies applied in this interim condensed financial information are the same as those applied in the financial statements for the year ended 31 December 2020.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021, they do not have a material effect on the Company’s interim condensed financial information:

- *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- *COVID-19 Related Rent Concessions* (Amendment to IFRS 16);

- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16 Property, Plant and Equipment);
- *Reference to Conceptual Framework* (Amendments to IFRS 3);
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1);
- *Onerous contracts - Cost of Fulfilling a Contract* (Amendments to IAS 37);
- IFRS 17 *Insurance Contracts*.

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 insurance risk is a critical aspect of the business.

The primary insurance and reinsurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, cargo, health, financial or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The theory of probability is applied to the pricing and provisioning for insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

(i) Underwriting strategy

The Company’s underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is set out in the business plan that sets out the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Company is prepared to underwrite.

Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorisation are subject to the special attention of the Company’s Board of Directors.

(ii) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and ensure financial stability. The Company buys facultative and obligatory based reinsurance to reduce the net exposure and not to exceed the actual margin of solvency.

Ceded reinsurance contains credit risk, and such reinsurance recoveries are reported after deductions for provisions and uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company monitors the financial and credit rating of reinsurers on a monthly basis, and also analyses financial soundness of reinsurers on a quarterly and annual basis.

The Company does not utilise any stop-loss reinsurance to control its risk of losses resulting from one-off event.

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

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

(i) Insurance contracts – Insurance against other financial losses

Product features

Insurance against other financial losses protects the property interest of an exporter related to contract execution by a foreign counterparty-importer.

Covered risks:

Insured political events:

- acts of the governmental authority of the country of transit or the country of destination of delivery of the Kazakhstani goods, works, services, or the country of the foreign counterparty on expropriation, confiscation, restriction of ownership rights to the goods, works, services, the result of the work performed owned by the exporter;
- contingency actions of the governmental authority of the country of destination of delivery of the Kazakhstani goods, works, services restricting or prohibiting delivery of the goods, performance of works, provision of services;
- war, civil commotion, mass riots outside the Republic of Kazakhstan, preventing the execution of obligations under the contract insured;
- contingency actions of the governmental authority in the country of the foreign counterparty restricting or prohibiting the conversion into a freely convertible currency and/or transfer of payment.

Insured commercial events:

- bankruptcy of the foreign counterparty;
- default on financial obligations under the contract by the foreign counterparty.

Risk management

The risk assessment is based on the specific character of the transaction, which the exporter is willing to insure. The Company's risk assessment comprises two components: assessment of political or country risks and assessment of commercial risks. The projects are assessed on the basis of a country (political) risk and the risk related to trustworthiness of a counterparty abroad.

Commercial risk assessment

The Company assesses separately each transaction to determine the trustworthiness of a buyer. The Company, in assessment of the commercial risks, is based on assessment of the buyer's country, industry, market position and financial position.

Insurance risk assessment

The Company assesses the country risks according to the list of countries and classification of countries by the risk level published by the Organisation for Economic Cooperation and Development (OECD). This list also contains recommendations for the export credit agencies of the OECD countries on the premium rates depending on the insurance period by country categories.

(ii) Insurance contracts – Insurance of loans

Product features

Insurance of loans protects the property interest of a credit organisation related to the obligations of an exporting entity (borrower) to reimburse, in accordance with the procedure set by the legislation and loan agreement, the losses incurred as a result of non-fulfilment (improper fulfilment) of liabilities under a loan agreement.

Covered risks:

Insured political events:

- war, civil commotion, mass riots inside and outside the Republic of Kazakhstan, preventing the execution of obligations under the loan contract;
- contingency actions of the governmental authority restricting or prohibiting the conversion into a freely convertible currency and/or transfer of payment.

Insured commercial events:

- Non-fulfilment (improper fulfilment) by a policyholder of monetary obligations according to the terms and conditions of a loan contract;
- Bankruptcy of a policyholder.

Risk management

The risk assessment is based on the adequate assessment of a borrower, its financial position, assessment of political or country risks and commercial risks. The projects are assessed on the basis of a borrower's credit risk related to its paying capacity and factors that may affect it.

(iii) Reinsurance contracts – General civil liability

The Company undertakes general civil liability insurance on voluntary types of insurance in the Republic of Kazakhstan.

Risk management

Similarly, the risk assessment is based on the specific character of the transaction, which the exporter is willing to insure. The Company's risk assessment comprises two components: assessment of political and country risks and assessment of commercial risks. The projects are assessed on the basis of a country (political) risk and the risk related to trustworthiness of a counterparty abroad.

(c) Concentration of insurance risk

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

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

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed.

Secondly, the risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its liability and property business. The Company assesses the costs and benefits associated with the reinsurance program 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 programs and the net exposure to which the Company is exposed.

As at 30 June 2021 the Company had 173 insurance agreements that were in force (31 December 2020: 176 insurance agreements).

Due to expiry of the term of contracts of inward and outward reinsurance under the class of “insurance of employees against industrial accidents”, there is no amount of existing obligations (insured amount). At the same time, the Company has loss statistics and, as a result, loss provisions are formed.

Exposure to various business lines

The key concentrations identified as at 30 June 2021 are:

	Unaudited		
	Total insured amount KZT'000	Reinsurance amount KZT'000	Net retention (after reinsurance) KZT'000
Type of insurance			
Voluntary insurance			
General civil liability	12,673,730	-	12,673,730
Insurance against other financial losses	30,701,817	(5,624,640)	25,077,177
Loan insurance	150,136,099	-	150,136,099
Other voluntary insurance	15,856,213	(982,691)	14,873,522
Total	209,367,859	(6,607,331)	202,760,528

The key concentrations identified as at 31 December 2020 are:

	Total insured amount KZT'000	Reinsurance amount KZT'000	Net retention (after reinsurance) KZT'000
Type of insurance			
Voluntary insurance			
General civil liability	12,475,607	-	12,475,607
Insurance against other financial losses	30,287,634	(5,624,640)	24,662,994
Loan insurance	120,246,722	-	120,246,722
Other voluntary insurance	16,513,119	(821,903)	15,691,216
Total	179,523,082	(6,446,543)	173,076,539

(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 this financial information 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 at 30 June 2021 is adequate. However, due to the inherent uncertainties in the provisioning process, it cannot be assured that such estimates will ultimately prove to be adequate.

Analysis of claims development for the six months ended 30 June 2021 (gross) – total

	Accident year							Unaudited 30 June 2021	Total
KZT'000	2014	2015	2016	2017	2018	2019	2020		
Estimate of cumulative claims									
At the end of the accident year	287,453	429,562	1,419,905	935,213	297,850	1,943,018	4,899,822	4,471,827	4,471,827
- one year later	289,674	285,243	1,934,327	1,003,008	520,009	2,087,545	4,711,080	-	4,711,080
- two years later	273,674	206,683	2,055,213	1,246,757	392,134	1,583,983	-	-	1,583,983
- three years later	293,618	255,458	2,200,925	1,051,914	262,096	-	-	-	262,096
- four years later	383,563	472,215	2,082,347	917,366	-	-	-	-	917,366
- five years later	601,266	366,822	1,969,403	-	-	-	-	-	1,969,403
- six years later	504,180	253,989	-	-	-	-	-	-	253,989
- seven years later	393,473	-	-	-	-	-	-	-	393,473
Estimate of cumulative claims as at 30 June 2021 (unaudited)	393,473	253,989	1,969,403	917,366	262,096	1,583,983	4,711,080	4,471,827	14,563,217
Cumulative payments as at 30 June 2021 (unaudited)	227,216	88,463	1,803,988	746,108	53,956	1,411,543	241,796	-	4,573,070
Gross outstanding claims liabilities as at 30 June 2021 (unaudited)	166,257	165,526	165,415	171,258	208,140	172,440	4,469,284	4,471,827	9,990,147

Analysis of claims development for 2020 (gross) – total

	Accident year								
	2013	2014	2015	2016	2017	2018	2019	2020	Total
KZT'000									
Estimate of cumulative claims									
At the end of the accident year	110,144	287,453	429,562	1,419,905	935,210	297,850	1,943,018	4,900,313	4,900,313
- one year later	114,866	289,674	285,243	1,934,327	1,003,008	520,009	2,087,545	-	2,087,545
- two years later	150,007	273,674	206,683	2,055,213	1,246,757	392,134	-	-	392,134
- three years later	116,426	293,618	255,457	2,200,925	1,051,914	-	-	-	1,051,914
- four years later	171,237	383,563	472,214	2,082,347	-	-	-	-	2,082,347
- five years later	256,264	601,266	366,822	-	-	-	-	-	366,822
- six years later	493,434	504,180	-	-	-	-	-	-	504,180
- seven years later	382,467	-	-	-	-	-	-	-	382,467
Estimate of cumulative claims as at 31 December 2020	382,467	504,180	366,822	2,082,347	1,051,914	392,134	2,087,545	4,900,313	11,767,722
Cumulative payments as at 31 December 2020	104,108	225,821	88,463	1,803,988	746,108	53,956	1,411,543	5,364	4,439,351
Gross outstanding claims liabilities as at 31 December 2020	278,359	278,359	278,359	278,359	305,806	338,178	676,002	4,894,949	7,328,371

5 Premiums

Unaudited For the six months ended 30 June 2021 KZT'000	Voluntary insurance				Total
	Property	Insurance against other financial losses	Loan insurance	Other voluntary insurance	
Gross insurance premiums written	-	126,832	1,618,672	35	1,745,539
Change in the gross provision for unearned premiums	-	129,882	(619,485)	131,486	(358,117)
Gross earned premiums	-	256,714	999,187	131,521	1,387,422
Less: written premiums ceded to reinsurers	-	(2,100)	-	-	(2,100)
Reinsurers' share of change in the gross provision for unearned premiums	-	(23,047)	-	-	(23,047)
Earned insurance premiums ceded for reinsurance	-	(25,147)	-	-	(25,147)
Net insurance premiums earned	-	231,567	999,187	131,521	1,362,275

Unaudited For the six months ended 30 June 2020 KZT'000	Voluntary insurance				Total
	Property	Insurance against other financial losses	Loan insurance	Other voluntary insurance	
Gross insurance premiums written	-	138,785	(59,113)	-	79,672
Change in the gross provision for unearned premiums	848	107,260	606,301	60,716	775,125
Gross earned premiums	848	246,045	547,188	60,716	854,797
Less: written premiums ceded to reinsurers	-	-	-	-	-
Reinsurers' share of change in the gross provision for unearned premiums	-	(17,509)	(20,585)	-	(38,094)
Earned insurance premiums ceded for reinsurance	-	(17,509)	(20,585)	-	(38,094)
Net insurance premiums earned	848	228,536	526,603	60,716	816,703

6 Claims incurred

	Obligatory insurance	Voluntary insurance				Total
	Employer's liability	Property	Insurance against other financial losses	Loan insurance	Other voluntary insurance	
Unaudited						
For the six months ended						
30 June 2021						
KZT'000						
Claims paid	1,398	-	236,428	-	-	237,826
Claims paid, net of reinsurance	1,398	-	236,428	-	-	237,826
Change in provisions for incurred but not reported claims	21,479	-	(1,134,026)	3,489,842	113,520	2,490,815
Change in provisions for reported but not settled claims	-	(52,937)	(80,751)	340,425	(35,776)	170,961
Change in reinsurers' share in insurance contract provisions	5,855	2,591	-	-	-	8,446
Change in net reinsurance contract provisions	27,334	(50,346)	(1,214,777)	3,830,267	77,744	2,670,222
Reimbursement from recourse claims	-	-	(91,009)	-	-	(91,009)
Net claims paid	28,732	(50,346)	(1,069,358)	3,830,267	77,744	2,817,039
	Obligatory insurance	Voluntary insurance				Total
	Employer's liability	Property	Insurance against other financial losses	Loan insurance	Other voluntary insurance	
Unaudited						
For the six months ended						
30 June 2020						
KZT'000						
Claims paid	21,005	-	-	1,143,094	2,566	1,166,665
Claims paid, net of reinsurance	21,005	-	-	1,143,094	2,566	1,166,665
Change in provisions for incurred but not reported claims	(61,158)	22	(824,683)	2,857,953	41,920	2,014,054
Change in provisions for reported but not settled claims	(2,811)	(48,323)	246,050	(1,227,703)	(14,857)	(1,047,644)
Change in reinsurers' share in insurance contract provisions	18,279	4,378	-	-	-	22,657
Change in net reinsurance contract provisions	(45,690)	(43,923)	(578,633)	1,630,250	27,063	989,067
Reimbursement from recourse claims	-	-	-	-	-	-
Net claims paid	(24,685)	(43,923)	(578,633)	2,773,344	29,629	2,155,732

7 Interest income/(expense)

	Unaudited For the six months ended 30 June 2021 KZT'000	Unaudited For the six months ended 30 June 2020 KZT'000
Interest income calculated using the effective interest rate method		
Placements with banks and cash and cash equivalents	2,303,674	2,263,000
Investment securities measured at fair value through other comprehensive income	1,028,145	245,403
Investment securities measured at amortised cost	928,825	577,822
	4,260,644	3,086,225
Other interest income		
Investment securities measured at fair value through profit or loss	28,821	22,921
	28,821	22,921
Interest expense		
Interest expense on loan from Samruk-Kazyna JSC	(8,925)	(10,300)
	(8,925)	(10,300)

8 Income tax expense

The Company's current income tax expense for the six months ended 30 June 2021 is KZT 647,787 thousand (unaudited) (for the six months ended 30 June 2020: KZT 403,600 thousand (unaudited)). The applicable tax rate for current and deferred tax is 20%.

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period.

As such, the effective tax rate in the interim financial information may differ from management's estimate of the effective tax rate for the annual financial statements.

The Company's weighted-average annual income tax rate for 2021 full financial year was 24% due to available deductible expenses for charge of provision for claims incurred but not reported. Tax effect from deduction of expenses for charge of provision for claims incurred but not reported recognised in tax accounts during the six months ended 30 June 2021, will be similar to the tax effect during the subsequent six months.

The Company's weighted-average annual income tax rate for 2020 financial year was 28% due to taxable income being available from reimbursement from recourse claims. Tax effect from recognition of such income in tax accounts during the six months ended 30 June 2020, was similar to the tax effect during the subsequent six months.

The Company's effective tax rate in respect of continuing operations for the six months ended 30 June 2021 was 24% (for the six months ended 30 June 2020: 28%).

Reconciliation of effective tax rate:

	Unaudited		Unaudited	
	For the six months		For the six months	
	ended 30 June 2021		ended 30 June 2020	
	KZT'000	%	KZT'000	%
Profit before income tax	2,754,885	100	1,435,225	100
Income tax at the applicable tax rate	(550,977)	(20)	(287,045)	(20)
Non-taxable income from investment securities	395,838	14	100,418	7
Deductible expenses from charge of provision for claims incurred but not reported	(498,163)	(18)	-	-
Taxable income related to recognition in tax accounts of reimbursement from recourse claims	-	-	(228,619)	(16)
Other non-taxable income	5,515	0.2	11,646	0.8
	(647,787)	(24)	(403,600)	(28)

9 Cash and cash equivalents

As at 30 June 2021 cash and cash equivalents recorded in the statement of cash flows included:

KZT'000	Unaudited	
	30 June 2021	31 December 2020
Current accounts and demand deposits with banks		
Rated from BBB- to BBB+	97,347	22,942
Rated BB- to BB+	1,067,286	626,816
Rated from B- to B+	4	23
Not rated (Citibank Kazakhstan JSC)	9,433,695	9,129,820
	10,598,332	9,779,601
Loss allowance	(305)	(279)
Total current accounts and demand deposits with banks	10,598,027	9,779,322

The credit rating means the long-term credit rating in foreign currency assigned by Standard and Poor's, Fitch Ratings, Moody's Investors Service.

As at 30 June 2021 the Company had no accounts with banks (31 December 2020: no accounts with banks), whose balances exceed 10% of equity.

As at 30 June 2021 and 31 December 2020, placements with banks are categorised into Stage 1 of the credit risk grade. The Company recognised a loss allowance for cash and cash equivalents equal to 12-month expected credit losses.

10 Placements with banks

KZT'000	Unaudited	
	30 June 2021	31 December 2020
Placements with banks		
Rated from BBB- to BBB+	4,898,533	3,045,338
Rated BB- to BB+	56,438,681	60,994,430
Rated from B- to B+	457,952	58,704
	61,795,166	64,098,472
Loss allowance	(107,150)	(180,631)
Total placements with banks	61,688,016	63,917,841

As at 30 June 2021, the annual effective interest rates generated by placements with banks ranged between 0.4% and 9.1% per annum (31 December 2020: from 0.4% to 9.1%).

As at 30 June 2021 the Company had accounts with 2 banks (31 December 2020: 3 banks), whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2021 is KZT 41,157,169 thousand, unaudited (2020: KZT 56,904,867 thousand).

Change in balances of loss allowance for placements with banks is as follows:

	Unaudited For the six months ended	
	30 June 2021	30 June 2020
	Stage 1 12-month expected credit losses	Stage 1 12-month expected credit losses
KZT'000		
Placements with banks		
Balance at the beginning of the period	180,631	73,493
Net remeasurement of loss allowance	(73,481)	16,689
Balance at 30 June	107,150	90,182

11 Investment securities

	Unaudited	
	30 June 2021	31 December 2020
KZT'000		
<i>Measured at fair value through other comprehensive income</i>		
Government bonds of the Republic of Kazakhstan		
Rated BBB-	14,813,179	5,986,139
Government bonds of foreign states		
Rated AA+	328,359	343,057
Total government bonds	15,141,538	6,329,196
Securities of international financial organisations		
Rated AAA	16,466,144	10,629,220
Rated from BBB+ to BBB-	2,976,767	2,970,493
Total securities of international financial organisations	19,442,911	13,599,713
	34,584,449	19,928,909
<i>Measured at fair value through profit or loss</i>		
Bonds of Kazakhstan banks		
Rated from B+ to B-	750,009	727,495
Total bonds of Kazakhstan banks	750,009	727,495
<i>Measured at amortised cost</i>		
Notes of the National Bank of the Republic of Kazakhstan		
Rated BBB-	10,790,828	5,431,662
Total government bonds	10,790,828	5,431,662
Corporate bonds of Kazakhstan companies		
Rated BBB-	4,228,797	4,147,578
Total corporate bonds of Kazakhstan companies	4,228,797	4,147,578
Securities of international financial organisations		
Rated from BBB+ to BBB-	4,851,985	4,822,621
Total securities of international financial organisations	4,851,985	4,822,621
	19,871,610	14,401,861

The above table is based on the credit ratings assigned by Standard & Poor’s or other agencies converted into Standard & Poor’s scale.

As at 30 June 2021 and 31 December 2020, all investment securities measured at fair value through other comprehensive income and at amortised cost are categorised into Stage 1 of the credit risk grade.

As at 30 June 2021 the Company holds financial instruments of one issuer, whose balances exceed 10% of equity (31 December 2020: one issuer). The total value of these balances as at 30 June 2021 is KZT 14,813,177 thousand (31 December 2020: KZT 17,160,801 thousand).

As at 30 June 2021 the annual effective interest rates generated by investment securities ranged between 2.5% and 11.0% per annum, unaudited (31 December 2020: between 2.5% and 11.0%).

12 Insurance and reinsurance receivables

KZT’000	Unaudited	
	30 June 2021	31 December 2020
Amounts due from policyholders	2,324,790	1,813,096
Amounts due from reinsurers	34,574	33,801
	2,359,364	1,846,897
Impairment allowance	(28,020)	(28,020)
	2,331,344	1,818,877

As at 30 June 2021 and 31 December 2020 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 six months ended 30 June 2021 and 30 June 2020 are as follows:

	Unaudited For six months ended 30 June 2021 KZT’000	Unaudited For six months ended 30 June 2020 KZT’000
Balance at the beginning of the period	(28,020)	(12,305)
Net charge	-	(78,219)
Balance at the end of the period	(28,020)	(90,524)

Credit quality of insurance and reinsurance receivables

The following table provides information on the credit quality of insurance and reinsurance receivables as at 30 June 2021, unaudited:

	Gross receivables KZT'000	Impairment allowance KZT'000	Net receivables KZT'000	Impairment allowance to gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	2,141,152	-	2,141,152	-
Overdue or impaired:				
- overdue less than 90 days	14,457	-	14,457	-
- overdue more than 90 days and less than 1 year	158,888	(17,727)	141,161	11.16
- overdue more than 1 year	10,293	(10,293)	-	100
Total overdue or impaired receivables from policyholders	183,638	(28,020)	155,618	15.26
Total amounts due from policyholders	2,324,790	(28,020)	2,296,770	-
Amounts due from reinsurers				
Not overdue	34,574	-	34,574	-
Total amounts due from reinsurers	34,574	-	34,574	-
Total amounts due from policyholders and reinsurers	2,359,364	(28,020)	2,331,344	-

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2020:

	Gross receivables KZT'000	Impairment allowance KZT'000	Net receivables KZT'000	Impairment allowance to gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	1,769,084	-	1,769,084	-
Overdue or impaired:				
- overdue less than 90 days	24,814	(10,200)	14,614	41
- overdue more than 90 days and less than 1 year	9,941	(8,563)	1,378	86
- overdue more than 1 year	9,257	(9,257)	-	100
Total overdue or impaired receivables from policyholders	44,012	(28,020)	15,992	64
Total amounts due from policyholders	1,813,096	(28,020)	1,785,076	2
Amounts due from reinsurers				
Not overdue	33,801	-	33,801	-
Total amounts due from reinsurers	33,801	-	33,801	-
Total amounts due from policyholders and reinsurers	1,846,897	(28,020)	1,818,877	2

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

	Unaudited Gross 30 June 2021	Unaudited Reinsurance 30 June 2021	Unaudited Net 30 June 2021
KZT'000			
Provision for unearned premiums	6,029,905	(169,587)	5,860,318
Provision for claims incurred but not reported	9,022,332	(49,947)	8,972,385
Provision for claims reported but not settled	967,815	-	967,815
	16,020,052	(219,534)	15,800,518
	Gross 2020 KZT'000	Reinsurance 2020 KZT'000	Net 2020 KZT'000
Provision for unearned premiums	5,671,788	(192,634)	5,479,154
Provision for claims incurred but not reported	6,531,517	(55,802)	6,475,715
Provision for claims reported but not settled	796,854	(2,591)	794,263
	13,000,159	(251,027)	12,749,132

(a) **Analysis of movements in provisions for claims incurred but not reported and in provisions for claims reported but not settled**

	Unaudited 30 June 2021	2020 '000 KZT
KZT'000		
Balance at the beginning of the period, net of reinsurance	7,269,978	4,616,383
Claims incurred during the current period	4,471,827	4,900,313
Adjustment for prior years claims due to change in assumptions	(1,572,225)	(1,004,088)
Claims paid during the period	(237,826)	(1,274,235)
Change in reinsurers' share	8,446	31,605
Balance at the end of the period, net of reinsurance	9,940,200	7,269,978

(b) **Analysis of movements in provision for unearned premiums**

	Unaudited 30 June 2021	2020 KZT'000
KZT'000		
Balance at the beginning of the period, net of reinsurance	5,479,154	3,509,059
Premiums written	1,745,539	3,756,554
Premiums earned	(1,387,422)	(1,822,622)
Change in reinsurers' share	23,047	36,163
Balance at the end of the period, net of reinsurance	5,860,318	5,479,154

(c) **Analysis of insurance contract provisions by main lines of business**

	Obligatory insurance	Voluntary insurance				
			Insurance against other financial losses	Loan insurance	Other voluntary	Total
Unaudited 30 June 2021 KZT'000	Employer's liability	Property				
Provision for unearned premiums	-	-	582,375	5,148,686	298,844	6,029,905
Provision for claims incurred but not reported	218,168	-	422,451	8,204,435	177,278	9,022,332
Provision for claims reported but not settled	-	-	245,741	716,639	5,435	967,815
Gross insurance contract provisions	218,168	-	1,250,567	14,069,760	481,557	16,020,052
Reinsurers' share in insurance contract provisions	(49,947)	-	(169,587)	-	-	(219,534)
Net insurance contract provisions	168,221	-	1,080,980	14,069,760	481,557	15,800,518

	Obligatory insurance	Voluntary insurance				Total
	Employer's liability	Property	Insurance against other financial losses	Loan insurance	Other voluntary	
2020 KZT'000						
Provision for unearned premiums	-	-	712,258	4,529,201	430,329	5,671,788
Provision for claims incurred but not reported	196,689	-	1,556,477	4,714,593	63,758	6,531,517
Provision for claims reported but not settled	-	52,937	326,492	376,214	41,211	796,854
Gross insurance contract provisions	196,689	52,937	2,595,227	9,620,008	535,298	13,000,159
Reinsurers' share in insurance contract provisions	(55,802)	(2,591)	(192,634)	-	-	(251,027)
Net insurance contract provisions	140,887	50,346	2,402,593	9,620,008	535,298	12,749,132

(d) Key provision assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is, however, a general lack of publicly available information on the Kazakhstan insurance market that would be relevant to identification of assumptions and sensitivities.

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 are estimated using a range of chain ladder and Bornhuetter-Ferguson statistical methods provided that there is sufficient data. 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.

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.

When other information influencing increase in the insurance risk is identified, the Company establishes additional provisions for individual insurance contracts. As each insurance contract/insurance limit has the differentiated risk sources, additional provisioning can also be provided on a differentiated basis, depending on the activity a policyholder is engaged in.

To assess provisions by classes of loan insurance, insurance of guaranties and sureties, other financial loss insurance, loss insurance of financial organisations, the Company is authorised to use data of the export credit insurance organisations (Prague Club of the Berne Union - association of the largest export credit agencies) as the Prague Club is the only leading international association of organisations that provide insurance of export credits and investments. The Union is an international organisation that is aimed at promoting international cross-border trade and investments and ensure professional data exchange between its members and that has accumulated financial and other data for more than twenty-five years.

Moreover, the Company charges an additional provision for claims incurred but not reported based on information received from the Insurance Department and a policyholder. The following criteria for analysis of a counterparty's credit risk are considered: lack of timely reports on monitoring of financial position, information on deterioration of financial position of the insurance object, availability of information on negative trends in those industries where the insurance objects are operating, existence of other deteriorating conditions or factors indicative of a potential insured event. Information for analysis may be based on updated data from the policyholder in the form of letters and notices, availability of information and credit reports from special purpose companies, their information content, expert opinions of the Insurance Department and other business units of the Company concerning information on financial and operating performance of the subject of study, performance results, payment discipline and current capability to fulfil the assumed obligations. Depending on the type of insurance, the Company also considers information on the level of political stability and social and economic development, solvency and other risks of a country where the subject of study is located, as well as other important factors, criteria, and circumstances.

14 Equity

(a) Share capital

	Unaudited	
	Ordinary shares	Ordinary shares
KZT'000	30 June 2021	2020
Authorised shares (ordinary shares)	92,000	92,000
Issued and outstanding shares (ordinary shares)	91,440	91,340
Number of shares	87,300	87,300
Nominal value, KZT'000	266	266
Number of shares	2,780	2,780
Nominal value, KZT'000	5,000	5,000
Number of shares	680	680
Nominal value, KZT'000	50,000	50,000
Number of shares	580	580
Nominal value, KZT'000	50,000	50,000
Number of shares	100	-
Nominal value, KZT'000	50,000	-
Issued and fully paid, KZT'000	105,100,000	100,100,000

(b) Capital management

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

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

As at 30 June 2021 and 31 December 2020 the Company complies with the solvency margins which are as follows:

	Unaudited 30 June 2021 KZT'000	2020 KZT'000
Actual solvency margin	113,035,124	108,135,846
Minimum solvency margin	2,041,900	1,944,600
Solvency margin	55.36	55.61

(c) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency. As at 30 June 2021, the Company's accumulated loss amounted to KZT 2,080,059 thousand, unaudited (31 December 2020: retained earnings of KZT 2,497,438 thousand).

During the six months ended 30 June 2021 dividends of KZT 2,704,733 thousand or KZT 29,611.70 per share were declared and paid, unaudited (six months ended 30 June 2020: KZT 2,355,586 thousand or KZT 25,954.01 per share, unaudited).

(d) Provision for unexpected risks

During the six months ended 30 June 2021, the Company charged a provision for unexpected risks of KZT 3,830,111 thousand (unaudited) within retained earnings as in accordance with the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No.12 dated 31 January 2019 “On Amendments to the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No.304 dated 26 December 2016”, the Company is obliged to establish a provision for those insurance products where provision for unearned premiums cannot cover all expected insurance losses (the six months ended 30 June 2020: the Company wrote back the provision of KZT 827,967 thousand, unaudited).

15 Financial instrument risk management

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

(a) Risk management policies and procedures

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

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 Management 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.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk, yield curve risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk. Overall authority for market risk is vested in the Risk Management Department. 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.

Interest rate risk is managed principally through monitoring interest rate gaps. Interest gap position for investment securities measured at fair value through profit or loss with carrying amount of KZT 750,009 thousand (31 December 2020: KZT 727,495 thousand), at fair value through other comprehensive income with carrying amount of KZT 3,927,785 thousand (31 December 2020: KZT 3,861,769 thousand) is within the period from 2 to 6 months (31 December 2020: from 2 to 6 months) (unaudited).

An analysis of the sensitivity of net profit for the year and equity of the Company as a result of changes in fair value of investment securities measured at fair value through other comprehensive income and measured at fair value through profit or loss to changes of interest rates (based on positions existing at 30 June 2021 and 31 December 2020 and simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves), is as follows:

	Unaudited 30 June 2021		31 December 2020	
	Profit	Equity	Profit	Equity
100 bp parallel rise	(81,242)	(811,099)	(113,171)	(493,632)
100 bp parallel fall	73,858	858,141	117,086	521,654

(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 30 June 2021:

Unaudited KZT'000	KZT	USD	RUB	Other	Total
Assets					
Cash and cash equivalents	9,566,321	415,091	616,208	407	10,598,027
Placements with banks	43,461,002	11,238,548	6,988,466	-	61,688,016
Investment securities measured:					
- at fair value through other comprehensive income	34,256,089	-	-	328,360	34,584,449
- at fair value through profit or loss	750,009	-	-	-	750,009
- at amortised cost	10,790,827	9,080,783	-	-	19,871,610
Insurance and reinsurance receivables	2,293,885	-	37,459	-	2,331,344
Total assets	101,118,133	20,734,422	7,642,133	328,767	129,823,455
Liabilities					
Insurance contract provisions	(14,784,941)	(324,267)	(902,137)	(8,707)	(16,020,052)
Insurance and reinsurance payables	(18,636)	-	(1,253)	(3,966)	(23,855)
Loan from Samruk-Kazyna JSC	(80,708)	-	-	-	(80,708)
Other financial liabilities	(14,678)	-	-	-	(14,678)
Total liabilities	(14,898,963)	(324,267)	(903,390)	(12,673)	(16,139,293)
Net position as at 30 June 2021	86,219,170	20,410,155	6,738,743	316,094	113,684,162

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

KZT'000	KZT	USD	RUB	Other	Total
Assets					
Cash and cash equivalents	9,226,493	733	551,702	394	9,779,322
Placements with banks	45,885,629	11,327,758	6,704,454	-	63,917,841
Investment securities measured:					
- at fair value through other comprehensive income	19,585,852	-	-	343,057	19,928,909
- at fair value through profit or loss	727,495	-	-	-	727,495
- at amortised cost	16,606,324	8,970,199	-	-	25,576,523
Insurance and reinsurance receivables	1,784,004	1,658	33,215	-	1,818,877
Total assets	93,815,797	20,300,348	7,289,371	343,451	121,748,967
Liabilities					
Insurance contract provisions	(10,751,147)	(862,584)	(1,386,428)	-	(13,000,159)
Insurance and reinsurance payables	(24,719)	-	(1,204)	(1,606)	(27,529)
Loan from Samruk-Kazyna JSC	(71,876)	-	-	-	(71,876)
Other financial liabilities	(90,043)	(3,448)	(1,126)	-	(94,617)
Total liabilities	(10,937,785)	(866,032)	(1,388,758)	(1,606)	(13,194,181)
Net position as at 31 December 2020	82,878,012	19,434,316	5,900,613	341,845	108,554,786

A weakening of the KZT, as indicated below, against the following currencies at 30 June 2021 and 31 December 2020 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.

KZT'000	Unaudited 30 June 2021	2020
10% appreciation of USD	1,632,812	1,554,745
10% appreciation of RUB	539,099	472,049
10% appreciation of other currencies	25,288	27,348

A strengthening of the KZT against the above currencies at 30 June 2021 and 31 December 2020 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.

16 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 condition or the results of future operations.

(b) Taxation contingencies

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

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

17 Financial assets and liabilities: fair values

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or 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 determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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

(a) Fair value hierarchy

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

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

Unaudited

30 June 2021

KZT'000

	Level 1	Level 2	Total fair value	Total carrying amount
ASSETS				
Cash and cash equivalents	-	10,598,027	10,598,027	10,598,027
Placements with banks	-	61,688,016	61,688,016	61,688,016
Investment securities measured:				
- at fair value through other comprehensive income	328,359	34,256,090	34,584,449	34,584,449
- at fair value through profit or loss	-	750,009	750,009	750,009
- at amortised cost	-	19,770,836	19,770,836	19,871,610
Insurance receivables	-	2,331,344	2,331,344	2,331,344
Liabilities				
Loan from Samruk-Kazyna JSC	-	80,708	80,708	80,708
Insurance and reinsurance payables	-	23,855	23,855	23,855
Other financial liabilities	-	14,678	14,678	14,678

31 December 2020

KZT'000

	Level 1	Level 2	Total fair value	Total carrying amount
ASSETS				
Cash and cash equivalents	-	9,779,322	9,779,322	9,779,322
Placements with banks	-	63,917,841	63,917,841	63,917,841
Investment securities measured:				
- at fair value through other comprehensive income	343,057	19,585,852	19,928,909	19,928,909
- at fair value through profit or loss	-	727,495	727,495	727,495
- at amortised cost	-	25,380,711	25,380,711	25,576,523
Insurance receivables	-	1,818,877	1,818,877	1,818,877
Liabilities				
Loan from Samruk-Kazyna JSC	-	71,876	71,876	71,876
Insurance and reinsurance payables	-	27,529	27,529	27,529
Other financial liabilities	-	94,617	94,617	94,617

18 Related party transactions

(a) Control relationship

Related parties of the Company include counterparties that represent shareholders of the Company, members of the Board of Directors and the Management Board.

The Company’s parent company is National Management Holding “Baiterek” JSC. The Company’s ultimate shareholder is the Government of the Republic of Kazakhstan.

(b) Transactions with key management personnel

Total remuneration included in general and administrative expenses for the six months ended 30 June 2021 and 2020 is as follows:

	Unaudited For the six months ended 30 June 2021	Unaudited For the six months ended 30 June 2020
KZT’000		
Members of the Board of Directors	14,672	14,666
Members of the Management Board	102,258	56,792
	116,930	71,458

(c) Transactions with other related parties

Other related parties comprise the government companies that are not part of “Baiterek” group.

The balances on transactions with other related parties as at 30 June 2021 are as follows:

Unaudited KZT’000	Fellow subsidiaries	Other	Total
Assets			
Cash and cash equivalents	-	4	4
Placements with banks	-	408,417	408,417
Investment securities measured:			
- at fair value through other comprehensive income	-	14,813,179	14,813,179
- at amortised cost	-	15,019,625	15,019,625
Insurance and reinsurance receivables	218,128	59,072	277,200
Current tax asset	-	170,572	170,572
Deferred tax assets	-	40,311	40,311
Other assets	-	173,872	173,872
Liabilities			
Insurance contract provisions	491,103	2,614,964	3,106,067
Loan from Samruk-Kazyna JSC	-	80,708	80,708
Other liabilities	14,307	51,681	65,988

The balances on transactions with other related parties as at 31 December 2020 include:

KZT’000	Fellow subsidiaries	Other	Total
Assets			
Cash and cash equivalents	-	3	3
Placements with banks	-	3,043,515	3,043,515
Investment securities measured at fair value through other comprehensive income	-	5,986,139	5,986,139
Investment securities measured at amortised cost	-	20,753,902	20,753,902
Insurance and reinsurance receivables	196,530	-	196,530
Current tax asset	-	462,562	462,562
Deferred tax assets	-	40,311	40,311
Other assets	-	183,832	183,832
Liabilities			
Insurance contract provisions	454,309	249,948	704,257
Loan from Samruk-Kazyna JSC	-	71,876	71,876
Other liabilities	11,134	32,517	43,651

Amounts in the following tables are included in the interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 and 2020:

	Unaudited For the six months ended 30 June 2021	Unaudited For the six months ended 30 June 2021	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2020
	Fellow subsidiaries	Other companies and state organisations	Fellow subsidiaries	Other companies and state organisations
KZT'000				
Profit				
Gross premiums written	77,484	7,900	-	-
Change in the gross provision for unearned premiums	(36,793)	80,070	68,697	128,267
Change in insurance contract provisions	-	(1,370,942)	-	-
Finance income	-	1,142,983	-	532,444
Finance costs	-	(8,925)	-	(10,300)
Administrative expenses	(85,315)	(14,841)	(66,801)	(20,239)
Income tax expense	-	(647,787)	-	(403,600)