



KazakhExport

**JSC “KazakhExport”
Export Insurance Company**

Interim Condensed
Financial Information
for the six months ended 30 June 2022

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Report on Review of Condensed Interim Financial Information

To the Shareholder, the Board of Directors and the Management Board of Export Insurance Company
KazakhExport JSC:

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Export Insurance Company KazakhExport JSC (the "Company") as at 30 June 2022 and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim 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 condensed interim 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 accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers LLP.

1 August 2022

Almaty, Kazakhstan

"Export insurance company "KazakhExport" JSC
Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for six months ended 30 June 2022

		(Unaudited) For the six months ended 30 June 2022 KZT'000	(Unaudited) For the six months ended 30 June 2021 KZT'000
Gross insurance premiums written	5	2,186,363	1,745,539
Written insurance premiums ceded to reinsurers	5	(171,956)	(2,100)
Net insurance premiums written		2,014,407	1,743,439
Change in the gross provision for unearned premiums	5	(76,391)	(358,117)
Reinsurers' share of change in the gross provision for unearned premiums	5	(157,820)	(23,047)
Net insurance premiums earned		1,780,196	1,362,275
Claims paid	6	(5,371,907)	(237,826)
Reimbursement from recourse claims	6	2,023,358	91,009
Reimbursement of expenses on risks ceded for reinsurance		12,091	
Change in gross insurance contract provisions	6	(5,275,848)	(2,661,776)
Change in reinsurers' share in insurance contract provisions	6	218,948	(8,446)
Net claims paid		(8,393,358)	(2,817,039)
Interest income calculated using the effective interest rate method	7	5,550,606	4,260,644
Other interest income	7	35,100	28,821
Interest expense		-	(8,925)
Net gain from changes in fair value of investment securities measured at fair value through profit or loss		7,938	26,650
Realized gain from changes in fair value of investment securities measured at fair value through other comprehensive income		8,235	
Net foreign exchange gain		6,195,056	649,743
Net commission income		27,411	-
General administrative expenses		(886,398)	(840,670)
Reversal of impairment (loss)/gain on debt financial assets		(118,071)	73,381
Other operating (expense)/income, net		(74,603)	20,005
Profit before income tax		4,132,112	2,754,885
Income tax expense	8	(1,117,359)	(647,787)
Profit for the period		3,014,753	2,107,098
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		(2,274,816)	535,463
Other comprehensive (loss)/income for the period, net of income tax		(2,274,816)	535,463
Total comprehensive income for the period		739,937	2,642,561

This interim condensed financial information as set out on pages 4 to 36, was approved by the Management Board on 1 August 2022 and were signed on its behalf by:

Kaligazin A.B.
Chairman of the Management Board

Sartkozshinova Zh.K.
Chief Accountant

"Export insurance company "KazakhExport" JSC
Interim Condensed Statement of Financial Position at 30 June 2022

		(Unaudited)	
		For the six months ended 30 June 2022	31 December 2021
	Note	KZT'000	KZT'000
ASSETS			
Cash and cash equivalents	9	17,441,670	14,657,355
Placements with banks	10	18,410,868	59,859,106
Investment securities measured:			
- at fair value through other comprehensive income	12	24,464,755	35,166,389
- at amortized cost	12	22,263,601	22,803,125
- at fair value through profit or loss	12	778,263	775,185
Repo operations receivables	11	52,308,513	-
Insurance and reinsurance receivables		5,605,960	3,372,039
Reinsurers' share in insurance contracts provisions		1,378,892	1,317,764
Property, plant and equipment		105,077	116,968
Current tax asset		-	837,619
Deferred tax assets		40,090	40,090
Other assets		889,773	452,243
Total assets		143,687,462	139,397,883
LIABILITIES			
Insurance contract provisions		28,897,725	23,545,486
Insurance and reinsurance payables		930,924	1,201,876
Current income tax liabilities		134,157	-
Other liabilities		179,170	436,579
Total liabilities		30,141,976	25,183,941
EQUITY			
Share capital		105,100,000	105,100,000
Additional paid-in capital		732,819	732,819
Stabilisation reserve		136,042	240,259
Provision for unexpected risks		10,941,629	14,941,834
Reserve for changes in the fair value of securities		(3,333,705)	(1,058,889)
Accumulated loss		(31,299)	(5,742,081)
Total equity		113,545,486	114,213,942
Total liabilities and equity		143,687,462	139,397,883

"Export insurance company "KazakhExport" JSC
Interim Condensed Statement of Cash Flows for six months
ended 30 June 2022

	(Unaudited) For the six months ended 30 June 2022 KZT'000	(Unaudited) For the six months ended 30 June 2021 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	4,132,112	2,754,885
<i>Adjustments for:</i>		
Chang in insurance contract provisions, less reinsurer's share	5,291,111	3,051,386
Depreciation and amortisation	37,522	19,804
Impairment loss/(Reversal of impairment loss) on debt financial assets	118,072	(73,381)
Net gain from change in the fair value of investment securities measured at fair value through profit or loss	(7,938)	(26,650)
Realized gain from change in fair value of investment securities measured at fair value through other comprehensive income	(8,236)	-
Interest income calculated using the effective interest rate method	(5,550,428)	(4,260,644)
Other interest income	(35,100)	(28,821)
Interest expense on loan		8,925
Provision for receivables	3,285,952	
Unrealised foreign exchange difference	(6,195,056)	(649,743)
Cash flows from operating activities before changes in operating assets and liabilities	1,068,011	795,761
(Increase)/decrease in operating assets		
Placements with banks	43,837,498	2,713,235
Insurance and reinsurance receivables	(5,497,797)	(510,925)
Repo operations receivables	(52,197,874)	-
Other assets	(420,554)	(52,153)
Increase/(decrease) in operating liabilities		
Insurance and reinsurance payables	(270,952)	(3,674)
Other liabilities	(257,909)	(167,492)
Net cash (used in)/from operating activities before interest received and income tax paid	(13,739,577)	2,774,752
Income tax paid		(355,797)
Interest receipts	5,437,791	3,655,407
Cash flows used in operating activities	(8,301,786)	6,074,362

"Export insurance company "KazakhExport" JSC
Interim Condensed Statement of Cash Flows for six months
ended 30 June 2022

	For the six months ended 30 June 2022 KZT'000	For the six months ended 30 June 2021 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and repayment of investment securities	21,662,322	22,573,275
Acquisition of debt securities	(11,966,525)	(30,132,043)
Acquisition of property, plant and equipment and intangible assets	(16,244)	(11,221)
Cash flows used in investing activities	9,679,553	(7,569,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	-	5,000,000
Dividends paid	(1,408,393)	(2,704,733)
Cash flows from financing activities	(1,408,393)	2,295,267
Net (decrease)/increase in cash and cash equivalents	(30,626)	799,640
Effect of changes in exchange rates on cash and cash equivalents	2,814,941	19,065
Cash and cash equivalents at the beginning of the period	14,657,355	9,779,322
Cash and cash equivalents at the end of the period (Note 9)	17,441,670	10,598,027

"Export insurance company "KazakhExport" JSC
Interim Condensed Statement of Changes in Equity for six months ended 30 June 2022

	(Unaudited) Share capital	(Unaudited) Additional paid-in capital	(Unaudited) Stabilization reserve	(Unaudited) Contingency risk reserve	(Unaudited) Provision for changes in the fair value of securities	(Unaudited) Accumulated loss	(Unaudited) Total equity
KZT'000							
Balance at 1 January 2022	105,100,000	732,819	240,259	14,941,834	(1,058,889)	(5,742,081)	114,213,942
Total comprehensive income	-	-	-	-	-	3,014,753	3,014,753
Profit for the period	-	-	-	-	-	-	-
Other comprehensive loss							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value	-	-	-	-	(2,274,816)	-	(2,274,816)
Total other comprehensive loss	-	-	-	-	(2,274,816)	-	(2,274,816)
Total comprehensive income for the period	-	-	-	-	(2,274,816)	3,014,753	739,937
Transactions with owners recorded directly in equity							
Dividends paid	-	-	-	-	-	(1,408,393)	(1,408,393)
(Note 15 (c))	-	-	-	-	-	-	-
Transfer to the provision for unexpected risks	-	-	-	(4,000,205)	-	4,000,205	-
(Note 15 (d))	-	-	(104,217)	-	-	104,217	-
Transfer to stabilisation reserve	-	-	(104,217)	-	-	-	-
Total transactions with owners	-	-	(104,217)	(4,000,205)	-	2,696,029	(1,408,393)
Balance at 30 June 2022	105,100,000	732,819	136,042	10,941,629	(3,333,705)	(31,299)	113,545,486

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

	Additional paid-in capital on a loan received at a below-market rate from Samruk- Kazyna JSC	Stabilization reserve	Contingency risk reserve	Provision for changes in the fair value of securities	Retained earnings	Total equity
KZT'000						
Balance at 1 January 2021	732,819	90,508	7,544,808	(1,525,112)	2,497,438	109,440,461
Total comprehensive income						
Profit for the period	-	-	-	-	2,107,098	2,107,098
Other comprehensive loss						
<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 recognised directly in equity						
Shares issued	-	-	-	-	-	5,000,000
Dividends paid	-	-	-	-	(2,704,733)	(2,704,733)
(Note 15 (c))						
Transfer from provision for unexpected risks	-	-	3,830,111	-	(3,830,111)	-
(Note 15 (d))						
Transfer to stabilisation reserve	-	149,751	-	-	(149,751)	-
Total transactions with owners	149,751	149,751	3,830,111		(6,684,595)	2,295,267
Balance at 30 June 2021	732,819	240,259	11,374,919	(989,649)	(2,080,059)	114,378,289

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

1 Reporting entity

(a) Organizational structure 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 (“NBRK”). This license allows the Company to conduct the voluntary insurance activities in the following classes:

- 1) insurance of guarantee and sureties;
- 2) insurance against other financial losses;
- 3) insurance of the financial organizations’ 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 for 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 2022 and 31 December 2021, 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 Organizations and Development of the National Economy”.

As at 30 June 2022, the number of employees of the Company was 98 persons (31 December 2021: 98 employees).

(c) The economic environment in which the Company operates

The Republic of Kazakhstan. In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country’s export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region and volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading

band and start a free-floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of these financial statements the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 477.09 per USD 1 compared to Tenge 465.08 per USD 1 as at 30 June 2022 (31 December 2021: Tenge 467.09 per USD). Therefore, uncertainty remains in relation to the exchange rate of Tenge and future actions of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

On 4 March 2022, the international rating agency S&P Global Ratings affirmed the sovereign rating of Kazakhstan at "BBB-". The outlook for the change in the credit rating is "stable". The stable forecast is confirmed by the presence of positive balance sheet indicators generated by additional revenues to the National Fund of the Republic of Kazakhstan, low public debt, the total volume of which will not exceed the external liquid assets of the state within two years, as well as measures implemented by the Government of the Republic of Kazakhstan aimed at curbing negative manifestations pandemics on the economy.

On 2 January 2022, rallies of the population began in the Mangistau region, caused by an increase in prices for automobile gas, which then spread to other regions of Kazakhstan. During the rallies, a number of socio-economic and political demands were put forward. Despite the fact that the Government took a set of specific measures in response to the demands of the population, including to reduce gas prices, later the rallies turned into mass riots with the seizure of buildings of administration and law enforcement agencies. The main events unfolded in Almaty and the southern regions of the country.

In this regard, on 5 January 2022, a state of emergency was introduced in the country until 19 January 2022, there were restrictions on communications, as well as on the movement of citizens and transport, including rail and air travel.

On 10 January 2022, the Order of the Chairman of the Agency of the Republic of Kazakhstan for the regulation and development of the financial market "On measures to support individuals and legal entities affected by the introduction of a state of emergency" was issued, whereby individuals and legal entities affected by the introduction of a state of emergency were provided with deferral of loan payments.

To date, the situation has stabilized in all regions of the country, the state of emergency has been lifted. The work of communal facilities and life support systems has been restored, restrictions on communications, as well as the movement of citizens and transport, have been lifted.

On 24 February 2022, after a long crisis in relations between Russia and Ukraine, Russia launched a special military operation in Ukraine. As a result, sanctions were imposed that limited the access of Russian organizations to financial markets in euros and US dollars, including the abolition of access to the international SWIFT system. Additional sanctions and restrictions are expected to be introduced against Russian companies.

Over the past few years, 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. See also note 4.

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 2021.

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 estimates 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 2021.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022:

- *IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).*
- *Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).*

The Company is currently in the process of developing an implementation plan for IFRS 17.

The following amendments to standards did not have a material impact on the Company’s interim condensed financial information:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).*

- *Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).*
- *Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).*
- *Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).*

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 organizations 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 contracts and the 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.

Insurance commercial events:

- bankruptcy of a 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 in-sure. 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) Insurance contracts - Insurance of losses of financial institutions

Product features

Insurance of losses of financial institutions protects the property interest of a credit institution related to the obligation of the exporting organization (borrower) in the manner prescribed by law and the loan agreement to compensate for losses incurred due to non-performance (improper performance) of obligations under the loan agreement, bank guarantee, letter of credit, a forward exchange transaction under the currency agreement.

Covered risks:

Insured political events:

- contingency actions of the governmental authority restricting or prohibiting the conversion into a freely convertible currency and/or transfer of payment, as a result of which the exporter is unable to fulfil financial obligations to the Insured under the agreement on the provision of financial services to the exporter;

Insured commercial events:

- non-fulfilment (improper fulfilment) by the exporter of its obligations to repay the principal under the loan agreement;
- non-fulfilment (improper fulfilment) by the exporter of its financial obligations under the bank guarantee issued by a financial institution for the obligations of the exporter under the guarantee agreement;
- non-fulfilment (improper fulfilment) by the exporter of its financial obligations under the letter of credit issued by the Issuing Bank for the obligations of the exporter under the letter of credit agreement;

- non-fulfilment (improper fulfilment) by the exporter of its obligations under the forward exchange transaction under the currency agreement;
- 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.

(iv) Reinsurance contracts - General civil liability

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

Management of risks

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 risks

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.

The main established concentration as at 30 June 2022 is as follows:

(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 re-viewing 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 2022, the Company had 117 insurance agreements that were in force (31 December 2021: 167 insurance agreements). The key concentration identified as at 30 June 2022 are:

For the six months ended 30 June 2022

Type of insurance	Unaudited		
	Total amount insured KZT'000	Reinsurance amount KZT'000	Deductible (after reinsurance) KZT'000
Voluntary insurance			
Loan insurance	226,020,306	23,304,600	202,715,706
Insurance against other financial losses	33,894,689	7,475,022	26,419,667
Other voluntary insurance	17,241,109	2,104,249	15,136,860
Civil liability	5,056,155	-	5,056,155
Total	282,212,259	32,883,871	249,328,388

The key concentration identified as at 31 December 2021 are:

31 December 2021

Insurance type			
	Total amount insured KZT'000	Reinsurance amount KZT'000	Deductible (after reinsurance) KZT'000
Voluntary insurance			
Civil liability	11,839,581	-	11,839,581
Insurance against other financial losses	51,564,232	9,288,547	42,275,685
Loan insurance	231,370,480	22,406,600	208,963,880
Other voluntary insurance	15,644,901	2,106,188	13,538,713
Total	310,419,194	33,801,335	276,617,859

(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.

In December 2021, the portfolio under the insurance class “Insurance of an employee against accidents in the performance of his labor (official) duties” was transferred to another insurance company. Below are the disclosures for the analysis of the development of claims for the first half of 2022 and for 2021, excluding this class.

Analysis of claims development for the six months ended 30 June 2022 (gross) - total

(Unaudited)	Accident year							6 month 2022	Total
	2015	2016	2017	2018	2019	2020	2021		
KZT'000									
Estimated of cumulative claims									
At the end of the accident year	3,269	1,079,291	635,838	-	213,587	5,367	2,234,325	17,942,920	17,942,920
- one year later	56,917	1,785,232	657,381	46	1,408,742	241,795	4,845,766	-	4,845,766
- two years later	71,610	1,802,153	658,024	46	1,408,742	4,865,728	-	-	4,865,728
- three years later	71,709	1,803,183	697,637	46	1,408,742	-	-	-	1,408,742
- four years later	72,035	1,803,183	697,637	46	-	-	-	-	46
- five years later	72,035	1,803,183	697,637	-	-	-	-	-	697,637
- six years later	72,035	1,803,183	-	-	-	-	-	-	1,803,183
- seven years later	72,035	-	-	-	-	-	-	-	72,035
Estimated of cumulative claims as at 30 June 2022 (unaudited)	72,035	1,803,183	697,637	46	1,408,742	4,865,728	4,845,766	25,171,725	31,636,057
Cumulative payments as at 30 June 2022 (unaudited)	72,035	1,803,183	697,637	46	1,408,742	241,795	2,240,894	5,365,337	11,829,669
Gross outstanding claims liabilities as at 30 June 2022 (unaudited)	-	-	-	-	-	4,623,934	2,604,871	12,577,583	19,806,388

Analysis of claims development for 2021 (gross) - total

	Accident year								
	2014	2015	2016	2017	2018	2019	2020	2021	Total
KZT'000									
Estimated of cumulative claims									
At the end of the accident year	3,701	3,269	1,079,291	635,838	-	213,587	5,367	9,036,499	9,036,499
- one year later	133,668	56,917	1,785,232	657,381	46	1,408,742	7,964,725	-	7,964,725
- two years later	141,925	71,610	1,802,153	658,024	46	1,414,177	-	-	1,414,177
- three years later	141,925	71,709	1,803,183	697,637	46	-	-	-	46
- four years later	141,925	72,035	1,803,183	697,637	-	-	-	-	697,637
- five years later	141,925	72,035	1,803,183	-	-	-	-	-	1,803,183
- six years later	141,925	72,035	-	-	-	-	-	-	72,035
- seven years later	141,925	-	-	-	-	-	-	-	141,925
Estimated of cumulative claims as at 31 December 2021	141,925	72,035	1,803,183	697,637	46	1,414,177	7,964,725	9,036,499	21,130,227
Cumulative payments as at 31 December 2021	141,925	72,035	1,803,183	697,637	46	1,408,742	241,795	2,234,325	6,599,689
Gross outstanding claims liabilities as at 31 December 2021	-	-	-	-	-	5,435	7,722,930	6,802,174	14,530,539

5 Premiums

Unaudited
For the six months ended 30 June 2022
KZT'000

Gross insurance premiums written
Change in the gross provision for unearned premiums
Gross earned premiums
Less: written premiums ceded to reinsurers
Reinsurers' share of change in the gross provision for unearned premiums
Earned insurance premiums ceded for reinsurance
Net insurance premiums earned

Voluntary insurance				
Loan insurance	Insurance against other financial losses	Loss insurance for financial organizations	Other voluntary insurance	Total
2,171,285	79,996	82,221	(147,139)	2,186,363
(233,990)	136,903	(162,138)	182,834	(76,391)
1,937,295	216,899	(79,917)	35,695	2,109,972
(39,479)	(5,689)	(126,788)	-	(171,956)
(138,121)	(24,376)	4,677	-	(157,820)
1,759,695	186,834	(202,028)	35,695	1,780,196

Unaudited
For the six months ended 30 June 2021
KZT'000

Gross insurance premiums written
Change in the gross provision for unearned premiums
Gross earned premiums
Less: written premiums ceded to reinsurers
Reinsurers' share of change in the gross provision for unearned premiums
Earned insurance premiums ceded for reinsurance
Net insurance premiums earned
Gross insurance premiums written

Loan insurance	Insurance against other financial losses	Other voluntary insurance	Total
1,618,672	126,832	35	1,745,539
(619,485)	129,882	131,486	(358,117)
999,187	256,714	131,521	1,387,422
-	(2,100)	-	(2,100)
-	(23,047)	-	(23,047)
-	(25,147)	-	(25,147)
999,187	231,567	131,521	1,362,275

6 Claims paid

Unaudited

For the six months ended 30 June 2022

KZT'000

	Voluntary insurance				
	Loan insurance	Insurance against other financial losses	Insurance of losses of financial organizations	Other voluntary insurance	Total
Claims paid	5,303,364	68,543	-	-	5,371,907
Claims paid, net of reinsurance	5,303,364	68,543	-	-	5,371,907
Change in provisions for incurred but not reported claims	(2,137,206)	(636,877)	693,401	(91,017)	(2,171,699)
Change in provisions for reported but not settled claims	6,155,892	1,297,091	-	(5,436)	7,447,547
Change in reinsurers' share in insurance contract	(220,407)	1,459	-	-	(218,948)
Change in net reinsurance contract provisions	3,798,279	661,673	693,401	(96,453)	5,056,900
Reimbursement from recourse claims	(1,809,765)	(213,593)	-	-	(2,023,358)
Reimbursement of expenses on risks ceded for reinsurance	-	(12,091)	-	-	(12,091)
Net claims paid	7,291,878	504,532	693,401	(96,453)	8,393,358

Unaudited

For the six months ended 30 June 2021

KZT'000

	Voluntary insurance			Compulsory insurance	
	Loan insurance	Insurance against other financial losses	Property	Other voluntary insurance	Employer's liability
Claims paid	-	236,428	-	-	1,398
Claims paid, net of reinsurance	-	236,428	-	-	1,398
Change in provisions for incurred but not reported claims	3,489,842	(1,134,026)	-	113,520	21,479
Change in provisions for reported but not settled claims	340,425	(80,751)	(52,937)	(35,776)	-
Change in reinsurers' share in insurance contract	-	-	2,591	-	5,855
Change in net reinsurance contract provisions	3,830,267	(1,214,777)	(50,346)	77,744	27,334
Reimbursement from recourse claims	-	(91,009)	-	-	-
Net claims paid	3,830,267	(1,069,358)	(50,346)	77,744	28,732

7 Interest income/(expenses)

	Unaudited For the six months ended 30 June 2022 KZT'000	Unaudited For the six months ended 30 June 2021 KZT'000
Interest income calculated using the effective interest rate method		
Purchase and sell back ("reverse repo") agreements with an original maturity of less than three months	2,413,238	-
Investment securities measured at fair value through other comprehensive income	1,329,335	1,028,145
Placements with banks and cash and cash equivalents	1,008,617	2,303,674
Investment securities measured at amortised cost	799,416	928,825
	5,550,606	4,260,644
Other interest income		
Investment securities measured at fair value through profit or loss	35,100	28,821
	35,100	28,821
Interest expenses		
Interest expense on a loan from Samruk-Kazyna JSC	-	(8,925)
	-	(8,925)

8 Income tax expense

Income tax expense is recognized 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.

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.

Calculation of the effective income tax rate:

	Unaudited For the six months ended 30 June 2022 KZT'000	%	Unaudited For the six months ended 30 June 2021 KZT'000	%
Profit before tax	4,132,112	100	2,754,885	100
Income tax at the applicable tax rate	(826,422)	(20)	(550,977)	(20)
Non-taxable income from investment securities	407,783	10	395,838	14
Non-deductible expenses for the formation of provisions for impairment of insurance receivables and other non-deductible expenses	(698,720)	(17)	(498,163)	(18)
Other non-taxable income			5,515	0,2
	(1,117,359)	(27)	(647,787)	(24)

9 Cash and cash equivalents

As at 30 June 2022, cash and cash equivalents recorded in the statement of cash flows included :

	Unaudited 30 June 2022 KZT'000	31 December 2021 KZT'000
Current accounts and demand deposits with banks		
- with credit ratings from BBB+ to BBB-	2,406,284	2,186,807
- with credit ratings from BB- to BB+	8	2,725,377
- with credit ratings from B- to B+	4,990,119	-
- non-rated	10,045,367	9,747,148
	17,441,778	14,659,332
Loss allowance	(108)	(1,977)
Total current accounts and demand deposits with banks	17,441,670	14,657,355

A credit rating means the long-term credit rating in foreign currency assigned by Standard and Poor's, Fitch Ratings, Moody's Investors Service. If there is a rating from two rating agencies, the minimum rating is taken into account. If there is a rating from three rating agencies, and at the same time from at least two of them the ratings are the same, then this rating is taken into account, and the forecast for the rating is taken as the minimum of two identical ratings. If there are three different ratings from three rating agencies, the average value is taken into account.

As at 30 June 2022, the Company had no accounts with banks (31 December 2021: no accounts with banks), whose balances exceed 10% of equity.

As at 30 June 2022 and 31 December 2021, 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

	Unaudited 30 June 2022 KZT'000	31 December 2021 KZT'000
- with credit ratings from BBB+ to BBB-	1,107,850	2,799,525
- with credit ratings from BB- to BB+	9,458,489	56,602,315
- with credit ratings from B- to B+	8,120,221	617,876
- non-rated	2,794	-
	18,689,354	60,019,716
Loss allowance	(278,486)	(160,610)
Total placements with banks	18,410,868	59,859,106

A credit rating is a long-term credit rating in foreign currency from Standard and Poor's, Fitch Ratings, Moody's Investors Service agencies. If there is a rating from two rating agencies, the minimum rating is taken into account. If there is a rating from three rating agencies, and at the same time from at least two of them the ratings are the same, then this rating is taken into account, and the forecast for the rating is taken as the minimum of two identical ratings. If there are three different ratings from three rating agencies, the average value is taken into account.

As at 30 June 2022, the annual effective interest rates generated by placements with banks ranged between 0.4% and 9.1% per annum (31 December 2021: from 0.4% to 9.1%).

As at 30 June 2022, the Company has no balances with banks that account for more than 10% of equity.

As at 30 June 2022 and 31 December 2021, placements with banks are categorized as Stage 1 of the credit risk level. The Company recognised a loss allowance on placements with banks in the amount equal to 12-month expected credit losses.

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

	Unaudited Stage 1	
	For the six months ended 30 June 2022	For the six months ended 30 June 2021
KZT'000		
Balance at the beginning of the period	160,610	180,631
Net remeasurement of loss allowance	117,876	(73,481)
Balance at the end of the period	278,486	107,150

11 Receivables under REPO operations

The fair value and carrying amount of debt securities received as collateral under reverse repurchase agreements as at 30 June 2022 are as follows:

	(Unaudited) 30 June 2022 KZT'000	(Unaudited) 30 June 2022 KZT'000
	Fair value	Carrying amount
Kazakhstan government securities		
With credit rating of BBB	49,949,309	50,831,179
Corporate securities		
With credit rating of BBB	1,475,321	1,477,334
Total	51,424,630	52,308,513

A credit rating is a long-term credit rating in foreign currency from Standard and Poor's, Fitch Ratings, Moody's Investors Service agencies. If there is a rating from two rating agencies, the minimum rating is taken into account. If there is a rating from three rating agencies, and at the same time from at least two of them the ratings are the same, then this rating is taken into account, and the forecast for the rating is taken as the minimum of two identical ratings. If there are three different ratings from three rating agencies, the average value is taken into account.

12 Investment securities

	Unaudited 30 June 2022 KZT'000	2021 KZT'000
Measured at fair value through other comprehensive income	24,464,755	35,166,389
Measured at amortised cost	22,263,601	22,803,125
Measured at fair value through profit or loss	778,263	775,185
	47,506,619	58,744,699
	30 June 2022 KZT'000	31 December 2021 KZT'000
Measured at fair value through other comprehensive income		
Government bonds of the Republic of Kazakhstan		
With credit rating of BBB	13,322,267	15,316,681
Government bonds of foreign states		
With credit rating of AA+	290,733	319,464
Total government bonds	13,613,000	15,636,145
Securities of international financial organizations		
With credit rating of AAA	9,493,207	16,568,298
With credit ratings from BBB+ to BBB-	1,358,548	2,961,946
Total securities of international financial institutions	10,851,755	19,530,244
	24,464,755	35,166,389
Measured at fair value through profit or loss		
Bonds of Kazakhstani banks		
With credit ratings of B+ - B-	778,263	775,185
Total bonds of Kazakhstani banks	778,263	775,185
Measured at amortised cost		
Notes of the National Bank of the Republic of Kazakhstan		
With credit rating of BBB	9,537,831	11,299,114
Total Notes of the National Bank of the Republic of Kazakhstan	9,537,831	11,299,114
Government bonds of the Republic of Kazakhstan		
With credit rating of BBB	2,828,523	-
Total government bonds	2,828,523	-
Corporate bonds of Kazakhstani companies		
With credit rating of BBB- - non-rated	4,677,366	4,280,639
Total corporate bonds of Kazakhstani companies	4,677,366	4,280,639
Securities of international financial organizations		
With credit ratings from BBB+ to BBB-	5,219,881	7,223,372
Total securities of international financial organizations	5,219,881	7,223,372
	22,263,601	22,803,125

A credit rating is a long-term credit rating in foreign currency from Standard and Poor's, Fitch Ratings, Moody's Investors Service agencies. If there is a rating from two rating agencies, the minimum rating is taken into account. If there is a rating from three rating agencies, and at the same time from at least two of them the ratings are the same, then this rating is taken into account, and the forecast for the rating is taken as the minimum of two identical ratings. If there are three different ratings from three rating agencies, the average value is taken into account.

As at 30 June 2022 and 31 December 2021, 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 2022, the Company holds financial instruments of one issuer, whose balances exceed 10% of equity (31 December 2021: one issuer). The total value of these balances as at 30 June 2022 is Tenge 16,150,790 thousand (31 December 2021: 2 issuers amounting to Tenge 26,615,795 thousand).

As at 30 June 2022, annual effective interest rate generated by investment securities ranged between 2.5% and 14.5% per annum (31 December 2021: between 2.5% and 11.58%).

13 Insurance and reinsurance receivables

	Unaudited 30 June 2022 KZT'000	31 December 2021 KZT'000
Amounts due for insurance payments	7,713,858	-
Amounts due from policyholders	3,597,488	3,353,712
Amounts due from reinsurers	57,305	36,146
	11,368,651	3,389,858
Impairment allowance	(5,762,691)	(17,819)
	5,605,960	3,372,039

As at 30 June 2022 and 31 December 2021, 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 2022 and 30 June 2021 are as follows:

	Unaudited For the six months ended 30 June 2022 KZT'000	Unaudited For the six months ended 30 June 2021 KZT'000
Impairment allowance at the beginning of the period	(17,819)	(28,020)
Net charge to the impairment allowance, less the reversal of the provision	(5,744,872)	-
Impairment allowance at the end of the year	(5,762,691)	(28,020)

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 2022, unaudited:

	Accounts receivable, gross KZT'000	Provision for impairment KZT'000	Accounts receivable, net KZT'000	Provision for impairment of accounts receivable, gross %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	3,458,208	-	3,458,208	-
Overdue or impaired:				
- less than 90 days overdue	91,082	-	91,082	-
- more than 90 days and less than 1 year overdue	30,379	-	30,379	-
- over 1 year overdue	17,819	(17,819)	-	100
Total overdue or impaired receivables of insureds	139,280	(17,819)	121,461	13
Total amounts due from policyholders	3,597,488	(17,819)	3,579,669	
Amounts due from reinsurers				
Not overdue	53,073	-	53,073	-
Overdue or impaired:				
- less than 90 days overdue	4,232	-	4,232	-
Total overdue or impaired receivables from reinsurers	4,232	-	4,232	-
Total amounts due from reinsurers	57,305	-	57,305	-
Total amounts due from policyholders and reinsurers	3,654,793	(17,819)	3,636,974	
Amounts due for insurance and reinsurance payments				
Not overdue	7,703,081	(5,744,872)	1,958,209	75
Overdue or impaired:				
- less than 90 days overdue	10,777	-	10,777	-
Total overdue or impaired receivables for insurance and reinsurance payments	10,777	-	10,777	-
Total amounts due from insurance and reinsurance payments	7,713,858	(5,744,872)	1,968,986	75
Total insurance and reinsurance receivables	11,368,651	(5,762,691)	5,605,960	51

The table below provides information on the quality of insurance and reinsurance receivables as at 31 December 2021:

	Accounts receivable, gross KZT'000	Provision for impairment KZT'000	Accounts receivable, net KZT'000	Provision for impairment of accounts receivable, gross %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	3,090,659	-	3,090,659	-
Overdue or impaired:				
- less than 90 days overdue	227,877	-	227,877	-
- more than 90 days and less than 1 year overdue	17,357	-	17,357	-
- over 1 year overdue	17,819	(17,819)	-	100
Total overdue or impaired receivables of insureds	263,053	(17,819)	245,234	7
Total amounts due from policyholders	3,353,712	(17,819)	3,335,893	-
Amounts due from reinsurers				
Not overdue	36,146	-	36,146	-
Total amounts due from reinsurers	36,146	-	36,146	-
Total amounts due from policyholders and reinsurers	3,389,858	(17,819)	3,372,039	1

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

	Unaudited Gross 30 June 2022 KZT'000	Unaudited Reinsurance 30 June 2022 KZT'000	Unaudited Net 30 June 2022 KZT'000
Provision for unearned premiums	9,091,337	(1,158,485)	7,932,852
Provision claims incurred but not reported	12,079,216	-	12,079,216
Provision for claims reported but not settled	7,727,172	(220,407)	7,506,765
	28,897,725	(1,378,892)	27,518,833
	Gross 2021 KZT'000	Reinsurance 2021 KZT'000	Net 2021 KZT'000
Provision for unearned premiums	9,014,946	(1,316,305)	7,698,641
Provision claims incurred but not reported	14,250,915	-	14,250,915
Provision for claims reported but not settled	279,625	(1,459)	278,166
	23,545,486	(1,317,764)	22,227,722

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

KZT'000	Unaudited 30 June 2022 KZT'000	2021 KZT'000
Balance at the beginning of the period, net of reinsurance	14,529,081	7,269,978
Claims incurred during the current period	16,756,667	4,798,867
Adjustment for prior years claims due to change in assumptions	(6,108,912)	4,879,447
Claims paid during the period	(5,371,907)	(2,476,145)
Change in reinsurers' share	(218,948)	56,934
Balance at the end of the period, net of reinsurance	19,585,981	14,529,081

(b) Analysis of movements in provision for unearned premiums

	Unaudited 30 June 2022 KZT'000	2021 KZT'000
KZT'000		
Balance at the beginning of the period, net of reinsurance	7,698,641	5,479,154
Premiums written	2,186,363	6,839,244
Premiums earned	(2,109,972)	(3,496,086)
Change in reinsurers' share	157,820	(1,123,671)
Balance at the end of the period, net of reinsurance	<u>7,932,852</u>	<u>7,698,641</u>

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

Unaudited	Voluntary insurance				
	Loan insurance	Insurance against other financial losses	Insurance of losses of financial organizations	Other voluntary insurance	Total
30 June 2022 KZT'000					
Provision for unearned premiums	8,294,936	370,760	376,106	49,535	9,091,337
Provision for claims incurred but not reported	11,225,202	20,191	786,382	47,441	12,079,216
Provision for claims reported but not settled	6,392,598	1,334,574	-	-	7,727,172
Gross insurance contract provisions	25,912,736	1,725,525	1,162,488	96,976	28,897,725
Reinsurers' share in insurance contract provisions	(1,232,016)	(132,450)	(14,426)	-	(1,378,892)
Net insurance contract provisions	24,680,720	1,593,075	1,148,062	96,976	27,518,833

Unaudited	Voluntary insurance				
	Loan insurance	Insurance against other financial losses	Insurance of losses of financial organizations	Other voluntary insurance	Total
2021 000'Tenge					
Provision for unearned premiums	8,060,945	507,662	213,969	232,370	9,014,946
Provision for claims incurred but not reported	13,977,558	41,918	92,981	138,458	14,250,915
Provision for claims reported but not settled	236,706	37,484	-	5,435	279,625
Gross insurance contract provisions	22,275,209	587,064	306,950	376,263	23,545,486
Reinsurers' share in insurance contract provisions	(1,149,730)	(158,285)	(9,749)	-	(1,317,764)
Net insurance contract provisions	21,125,479	428,779	297,201	376,263	22,227,722

(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 earned 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 the expected loss method. Given the lack of own statistics on losses, the Company uses data from export credit insurance organizations (The Berne Union Prague Club is an association of the major international export credit agencies), since the union is the only leading international association of organizations providing export credit and investment insurance. The Union is an international organization dedicated to facilitating international cross-border trade and investment, as well as to ensure the professional exchange of data between its members, and accumulates financial indicators and other data for more than twenty-five years. For each organization, available verified data on insurance payments for at least seven years are taken as a basis. In line with the results of this measurement, the average loss ratio for 2014-2020 for ten companies (members of the Union) was 89%. Thus, the resulting loss ratio is applied to the Company's earned insurance premiums, which determines the amount of the reserve for claims incurred but not reported.

When other information affecting the increase in insurance risk is identified, the Company creates additional provisions for individual insurance contracts. Since each insurance contract/insurance limit has differentiated sources of risk, additional reserves can also be carried out differently depending on the type of activity of the insured party. The Company conducts a case-by-case analysis for each insurance/reinsurance contract and takes into account the factors as follows:

- negative trends in the sectors of activity of risk objects;
- worsening of the financial condition of the insurance object;
- history of performance of credit obligations to the Company and other creditors;
- available facts of restructuring associated with the deterioration of the solvency of the risk object;
- other aggravating conditions/factors characterizing the potential of an insured event.

In identifying the above factors, the Company evaluates the likelihood of an insured event, which depends on the condition of the insured party, the amount of delays, the presence of restructuring under consideration, and additional information from the Beneficiary. The assumptions that have the most significant impact on measuring reserves for general insurance contracts are expected loss ratios and an estimate of the likelihood of an insured event. The Company's portfolio indicators are sensitive to changes in expected loss ratios. The Company regularly adjusts its insurance rates based on recent changes in these variable values in such a way as to take into account any emerging trends.

15 Equity

(a) Share capital

KZT'000	Unaudited Ordinary shared 30 June 2022	Ordinary shares 2021
Authorized shares (ordinary shares)	92,000	92,000
Issued and outstanding shares (ordinary shares)	91,440	91,440
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	1,360	1,360
Nominal value, KZT'000	50,000	50,000
Issued and fully paid, KZT'000	105,100,000	105,100,000

(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 of 30 June 2022 and 31 December 2021, the Company complied with solvency margins which are as follows:

KZT'000	Unaudited 30 June 2022	2021
Actual solvency margin	109,599,404	111,807,848
Minimum solvency margin	3,328,043	2,456,704
Solvency margin	32.93	45.51

(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.

During the six-month period ended 30 June 2022, dividends of Tenge 1,408,394 thousand or Tenge 15,402.39 per share were declared and paid, unaudited (during the year ended 31 December 2021 dividends of Tenge 2,704,733 thousand per share in the amount of 91,340 shares).

(d) Provision for unexpected risks

Within the six months ended 30 June 2022, the Company charged a provision for unexpected risks of Tenge 4,000,205 thousand, unaudited (for the six months ended 30 June 2021: the Company charged a provision of Tenge 3,830,111 thousand, unaudited) as part of retained earnings in accordance with Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 12 dated January 31, 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.

16 Financial 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.

The Company manages its market risk by setting open position limits in relation to the size of the portfolio for individual financial instruments, the timing of changes in interest rates, currency position, loss limits and regularly monitoring their compliance.

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 by monitoring interest rate gaps. Repricing dates for investment securities at fair value through profit or loss with a carrying amount of Tenge 778,263 thousand (31 December 2021: Tenge 775,185 thousand) measured at FVOCI with a carrying amount of Tenge 3,530,661 thousand (31 December 2021: Tenge 3,912,759 thousand), will be revised within the period from 2 to 6 months (31 December 2021: 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 in effect as of June 30, 2022 and 31 December 2021, and a simplified scenario of a symmetrical fall or rise in yield curves by 100 basis points) is as follows:

	Unaudited 30 June 2022		31 December 2021	
	Profit	Equity	Profit	Equity
100 basis points symmetrical rise	(7,408)	(664,378)	(9,870)	(862,514)
100 basis points symmetrical fall	7,536	701,493	10,085	912,253

(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 2022:

Unaudited KZT'000	Tenge	US Dollar	Russian Rouble	Other	Total
Assets					
Cash and cash equivalents	10,330,664	2,120,781	4,990,225	-	17,441,670
Placements with banks	672,583	11,006,552	6,731,733	-	18,410,868
Investment securities:					
- measured at FVOCI	24,174,022	-	-	290,733	24,464,755
- measured at FVTPL	778,263	-	-	-	778,263
- measured at AC	12,366,354	9,897,247	-	-	22,263,601
Repo operations receivables	52,308,513	-	-	-	52,308,513
Insurance and reinsurance receivables	5,548,655	-	57,305	-	5,605,960
Total assets	106,179,054	23,024,580	11,779,263	290,733	141,273,630
Liabilities					
Insurance contract provisions	(24,147,024)	(2,721,235)	(1,968,131)	(61,335)	(28,897,725)
Insurance and reinsurance payables	(851,965)	(66,035)	(1,923)	(11,001)	(930,924)
Other financial liabilities	(55,312)	-	-	-	(55,312)
Total liabilities	(25,054,301)	(2,787,270)	(1,970,054)	(72,336)	(29,883,961)
Net position as at 30 June 2022	81,124,753	20,237,310	9,809,209	218,397	111,389,669

The following table shows the foreign currency exposure structure of financial assets and liabilities as at December 31, 2021:

KZT'000	Tenge	US Dollar	Russian Rouble	Other	Total
Assets					
Cash and cash equivalents	9,772,904	4,318,277	565,758	416	14,657,355
Placements with banks	45,219,657	7,625,274	7,014,175	-	59,859,106
Investment securities:					
- measured at FVOCI	34,846,924	-	-	319,465	35,166,389
- measured at FVTPL	775,185	-	-	-	775,185
- measured at AC	13,677,876	9,125,249	-	-	22,803,125
Insurance and reinsurance receivables	3,335,894	-	36,145	-	3,372,039
Total assets	107,628,440	21,068,800	7,616,078	319,881	136,633,199
Liabilities					
Insurance contract provisions	(21,298,990)	(1,796,059)	(393,752)	(56,684)	(23,545,486)
Insurance and reinsurance payables	(1,195,157)	-	(1,234)	(5,485)	(1,201,876)
Other financial liabilities	(143,315)	(26,988)	(7)	-	(170,310)
Total liabilities	(22,637,462)	(1,823,047)	(394,993)	(62,169)	(24,917,672)
Net position as at 31 December 2021	84,990,978	19,245,753	7,221,085	257,712	111,715,527

A weakening of the KZT, as indicated below, against the following currencies as at 30 June 2022 and 31 December 2021 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 2022	2021
US Dollar rate increase by 30% (2021: 30%)	5,010,749	4,618,981
Russian Rouble rate increase by 30% (2021: 30%)	1,832,475	1,733,060
Other currency rate increase by 10% (2021: 30%)	24,710	61,851

A strengthening of the KZT against the above currencies as at 30 June 2022 and 31 December 2021 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.

17 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.

(c) The impact of the geopolitical situation

In February 2022, geopolitical events around Ukraine and Russia have had an adverse effect on the economic situation in Kazakhstan, particularly, in terms of exchange rates, frequent and significant price changes, including in commodity markets. As at the reporting date, the situation continues to deteriorate and remains highly volatile. Additional sanctions and restrictions on the economic activities of entities operating in Russia are expected, as well as consequences for the economy of the region as a whole, the full range and possible consequences of which cannot be assessed.

In its turn, the Company has withdrawn funds from the accounts of banks included in the sanctions list, and also has withdrawn deposits for the purposes of trade financing of export operations and pre-export financing of exporters. To continue providing support in these areas, the Company has managed to transfer exporters to services in Kazakhstani banks, and their Russian buyers to services in Russian banks that have not been included in sanctions list. Also, all limits on placement with banks included in the sanctions list are closed.

In addition, the category of the country for Russia was changed when measuring the country risk, which affected the increase in the insurance rate.

Management cannot predict with any level of certainty the impact of these developments on the Company's future operations, but takes all necessary measures to ensure the sustainability of the Company's operations.

18 Financial Assets and Liabilities: Fair Value

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 prices in an active market (unadjusted) for identical financial instruments.
- 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 2022
KZT'000

ASSETS

	Level 1	Level 2	Total fair value	Total carrying amount
Cash and cash equivalents		17,441,670	17,441,670	17,441,670
Placements with banks		18,410,868	18,410,868	18,410,868
Investment securities:				
- measured at FVOCI		24,464,755	24,464,755	24,464,755
- measured at FVTPL		778,263	778,263	778,263
- measured at AC		22,124,562	22,124,562	22,263,601
Repo operations receivables		52,308,513	52,308,513	52,308,513
Insurance and reinsurance receivables		5,605,960	5,605,960	5,605,960

Liabilities

Insurance and reinsurance payables		930,924	930,924	930,924
Other financial liabilities		55,312	55,312	55,312

31 December 2021 KZT'000	Level 1	Level 2	Total fair value	Total carrying amount
ASSETS				
Cash and cash equivalents		14,657,355	14,657,355	14,657,355
Placements with banks		59,859,106	59,859,106	59,859,106
Investment securities:				
- measured at FVOCI	9,489,692	25,676,697	35,166,389	35,166,389
- measured at FVTPL		775,185	775,185	775,185
- measured at AC		23,046,572	23,046,572	22,803,125
Insurance and reinsurance receivables		3,372,039	3,372,039	3,372,039
Liabilities				
Insurance and reinsurance payables		1,201,876	1,201,876	1,201,876
Other financial liabilities		170,310	170,310	170,310

19 Transactions with Related Parties

(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 senior management personnel

Total remuneration included in general and administrative expenses for the six months ended 30 June 2022 and 2021 was as follows:

KZT'000	Unaudited for the six months ended 30 June 2022	Unaudited for the six months ended 30 June 2021
Members of the Board of Directors	15,243	14,672
Members of the Management Board	124,699	102,258
	139,942	116,930

(c) Transactions involving 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 2022 are as follows:

Unaudited KZT'000	Subsidiaries of the same Group	Other government- related enterprises	Total
Assets			
Cash and cash equivalents	-	1,787,647	1,787,647
Investment securities:			
- at FVOCI	-	13,322,267	13,322,267
- at AC	-	17,043,720	17,043,720
Insurance and reinsurance receivables	255,576	1,814,761	2,070,337
Other assets	-	338,789	338,789
Liabilities			
Provision for unearned premiums	477,069	-	477,069
Provision for incurred but not reported claims	-	-	-
Other liabilities	14,065	190,820	204,885

"Export insurance company "KazakhExport" JSC
Notes to the Interim Condensed Financial Information for six months ended 30 June 2022

As at 31 December 2021, the outstanding balances with other related parties were as follows:

KZT'000	Subsidiaries of the same Group	Other government-related enterprises	Total
Assets			
Investment securities at FVOCI	-	15,316,681	15,316,681
Investment securities at AC	-	15,579,754	15,579,754
Insurance and reinsurance receivables	174,365	17,183	191,548
Current tax asset	-	837,619	837,619
Other assets	-	358,983	358,983
Liabilities			
Provision for unearned premiums	393,791	-	393,791
Provision for incurred but not reported claims	-	3,247,210	3,247,210
Other liabilities	57,229	42,212	99,441

The amounts below are included in the interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 and 2021:

	Unaudited for the six months ended 30 June 2022	Unaudited for the six months ended 30 June 2022	Unaudited for the six months ended 30 June 2021	Unaudited for the six months ended 30 June 2021
KZT'000	Fellow subsidiaries	Other companies and state organizations	Fellow subsidiaries	Other companies and state organizations
Profit				
Gross premiums written	179,213	-	77,484	7,900
Change in the gross provision for unearned premiums	(83,279)	-	(36,793)	80,070
Change in in insurance contract provisions	-	(3,418,965)	-	(1,370,942)
Finance income	-	1,288,359	-	1,142,983
Finance costs	-	-	-	(8,925)
Administrative expenses	(84,391)	(5,362)	(85,315)	(14,841)
Other operating income/(loss), net	-	(24,087)	-	-
Income tax expense	-	(1,117,359)	-	(647,787)

