KazakhExport

JSC "KazakhExport"
Export Insurance Company

Interim Condensed Financial Information
for the six months ended 30 June 2019

Contents

«КПМГ Аудит» жауапкершілігі
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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 (the "Company") as at 30 June 2019, 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 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Assel Urdabayeva
Authorised representative (Partner)

KPMG Audit LLC

Almaty, Republic of Kazakhstan

1 August 2019

'000 KZT	**Note**	**Unaudited For the six months ended 30 June 2019**	**Unaudited For the six months ended 30 June 2018**
Gross premiums written	5	1,130,353	1,502,354
Written premiums ceded to reinsurers	5	(34,810)	(566,152)
Net premiums written		**1,095,543**	**936,202**
Change in the gross provision for unearned premiums	5	(244,251)	(567,397)
Reinsurers' share of change in the gross provision for unearned premiums	5	(128,170)	16,917
Net earned premiums		**723,122**	**385,722**
Claims paid	6	(3,404)	(31,394)
Reimbursement from recourse claims	6	225	225
Change in gross insurance contract provisions	6	(1,676,504)	(139,993)
Change in reinsurers' share in insurance contract provisions	6	163,436	33,334
Net claims paid		**(1,516,247)**	**(137,828)**
Interest income calculated using the effective interest method	7	2,021,844	1,495,317
Other interest income	7	30,775	55,199
Interest expense	7	(12,544)	(14,641)
Net gain/(loss) from change in fair value of investment securities measured at fair value through profit or loss		32,081	(6,135)
Net foreign exchange gain/(loss)		483,792	(82,302)
Net commission (expense)/income		(5,074)	3,326
General administrative expenses	8	(588,162)	(465,700)
Reversal of impairment loss/(impairment loss) on debt financial assets	10,11	615,308	(68,513)
Other operating income, net		94	4,682
Profit before income tax		**1,784,989**	**1,169,127**
Income tax expense	9	(227,002)	(198,213)
Profit for the period		**1,557,987**	**970,914**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve:			
- Net change in fair value		97,485	174,337
Other comprehensive income for the period, net of income tax		**97,485**	**174,337**
Total comprehensive income for the period		**1,655,472**	**1,145,251**

The interim condensed financial information as set out on pages 5 to 43 were approved by the Management Board on 1 August 2019 and were signed on its behalf by:

«KazakhExport»

Zhaksybayev R.O.
Deputy Chairman of the Management Board

Sartkozhinova Zh.K.
Chief Accountant

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

'000 KZT	Note	Unaudited 30 June 2019	31 December 2018
ASSETS			
Cash and cash equivalents	10	31,009,301	26,871,413
Placements with banks	11	34,209,725	11,099,359
Investment securities:			
- measured at fair value through other comprehensive income	12	10,340,052	7,435,977
- measured at amortised cost	12	6,645,527	-
- measured at fair value through profit or loss	12	1,003,021	1,511,226
Insurance and reinsurance receivables	13	1,674,676	1,014,713
Reinsurers' share in insurance contract provisions	14	544,359	509,093
Property and equipment		68,909	71,662
Current tax asset		145,918	92,632
Deferred tax assets		24,455	24,455
Other assets		49,179	15,726
Total assets		**85,715,122**	**48,646,256**
LIABILITIES			
Insurance contract provisions	14	6,806,551	4,885,796
Insurance and reinsurance payables		9,688	36,764
Loan from Samruk-Kazyna JSC		224,825	212,512
Other liabilities		184,580	201,514
Total liabilities		**7,225,644**	**5,336,586**
EQUITY			
Share capital	15(a)	71,100,000	37,100,000
Additional paid-in capital on loan received from Samruk-Kazyna JSC at the below market rate		732,819	732,819
Stabilisation reserve		65,919	7,904
Provision for unexpected risks		421,085	510,942
Revaluation reserve for changes in fair value of securities		(1,170,179)	(1,267,664)
Retained earnings		7,339,834	6,225,669
Total equity		**78,489,478**	**43,309,670**
Total liabilities and equity		**85,715,122**	**48,646,256**

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 statements.

'000 KZT	Unaudited For the six months ended 30 June 2019	Unaudited For the six months ended 30 June 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before income tax	**1,784,989**	**1,169,127**
Adjustments for:		
Change in insurance contract provisions, less reinsurers' share	1,885,489	657,139
Amortisation of discount and premiums	(38,324)	32,895
Depreciation and amortisation	7,621	8,496
Interest expense on loan received from Samruk-Kazyna JSC	12,544	14,641
Tax withheld at the source of payment	-	(191,926)
Reversal of impairment loss/(impairment loss) on debt financial assets	(615,308)	68,513
Net (gain)/loss from change in fair value of investment securities measured at fair value through profit or loss	(32,081)	6,135
Interest income calculated using the effective interest method	(1,973,108)	(1,323,994)
Other interest income	(41,185)	(67,491)
Foreign exchange difference	(483,793)	82,302
Cash provided from operating activities before changes in operating assets and liabilities	**506,844**	**455,837**
(Increase)/decrease in operating assets		
Placements with banks	(21,558,056)	(5,170,716)
Insurance and reinsurance receivables	(657,527)	(522,685)
Other assets	(34,298)	(5,029)
Increase/(decrease) in operating liabilities		
Insurance and reinsurance payables	(27,075)	(75,810)
Other liabilities	(13,100)	(5,236)
Net cash used in operating activities before interest received and income tax paid	**(21,783,212)**	**(5,323,639)**
Income tax paid	(277,002)	-
Interest receipts	1,596,471	1,254,731
Interest paid	(180)	(314)
Cash flows used in operating activities	**(20,463,923)**	**(4,069,222)**

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

'000 KZT	Unaudited For the six months ended 30 June 2019	Unaudited For the six months ended 30 June 2018
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale and repayment of investment securities	684,230	-
Acquisition of debt securities	(9,576,162)	-
Acquisition of property and equipment and intangible assets	(3,854)	(323)
Cash flows used in investing activities	**(8,895,786)**	**(323)**
CASH FLOW FROM FINANCING ACTIVITIES		
Share issue	34,000,000	-
Dividends paid	(475,666)	-
Cash flow from financing activities	**33,524,334**	-
Net increase/(decrease) in cash and cash equivalents	**4,164,625**	**(4,069,545)**
Effect of changes in exchange rates on cash and cash equivalents	(26,737)	(21,734)
Cash and cash equivalents at beginning of year	26,871,413	27,045,334
Cash and cash equivalents at end of period (Note 10)	**31,009,301**	**22,954,055**

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

'000 KZT	Share capital	Additional paid-in capital on loans received from Samruk-Kazyna JSC at below market rate	Stabilisation reserve	Provision for unexpected risks	Revaluation reserve for changes in fair value of securities	Retained earnings	Total equity
Balance at 31 December 2018	37,100,000	732,819	7,904	510,942	(1,267,664)	6,225,669	43,309,670
Total comprehensive income							
Profit for the period, unaudited	-	-	-	-	-	1,557,987	1,557,987
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value	-	-	-	-	97,485	-	97,485
Total other comprehensive income	-	-	-	-	97,485	-	97,485
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**97,485**	**1,557,987**	**1,655,472**
Transactions with owners, recorded directly in equity							
Share issue	34,000,000	-	-	-	-	-	34,000,000
Dividends paid (Note 15(c))	-	-	-	-	-	(475,666)	(475,666)
Transfer to provision for unexpected risks	-	-	-	(89,857)	-	89,859	2
Transfer from stabilisation reserve	-	-	58,015	-	-	(58,015)	-
Total transactions with owners	**34,000,000**	**-**	**58,015**	**(89,857)**	**-**	**(443,822)**	**33,524,336**
Balance at 30 June 2019, unaudited	**71,100,000**	**732,819**	**65,919**	**421,085**	**(1,170,179)**	**7,339,834**	**78,489,478**

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 statements.

'000 KZT	Share capital	Additional paid-in capital on loans received from Samruk-Kazyna JSC at below market rate	Stabilisation reserve	Revaluation reserve for changes in fair value of securities	Retained earnings	Total equity
Balance at 31 December 2017	37,100,000	732,819	62,114	(1,849,217)	6,142,446	42,188,162
Impact of adopting IFRS 9 as at 1 January 2018, unaudited	-	-	-	343,791	(406,208)	(62,417)
Restated balance at 1 January 2018, unaudited	**37,100,000**	**732,819**	**62,114**	**(1,505,426)**	**5,736,238**	**42,125,745**
Total comprehensive income						
Profit for the period, unaudited	-	-	-	-	970,914	970,914
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value	-	-	-	174,337	-	174,337
Total other comprehensive income for the period	-	-	-	174,337	-	174,337
Total comprehensive income for the period	-	-	-	**174,337**	**970,914**	**1,145,251**
Transactions with owners, recorded directly in equity						
Dividends declared	-	-	-	-	(639,389)	(639,389)
Transfer from stabilisation reserve	-	-	(54,210)	-	54,210	-
Total transactions with owners	-	-	**(54,210)**	-	**(585,179)**	**(639,389)**
Balance at 30 June 2018, unaudited	**37,100,000**	**732,819**	**7,904**	**(1,331,089)**	**6,121,973**	**42,631,607**

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 statements.

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), which replaced the license No.2.1.55 dated 20 April 2017 issued by 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) performing 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, 010000.

(b) Shareholder

As at 30 June 2019 and 31 December 2018, National Management Holding "Baiterek" JSC hereinafter referred to as the "Parent Company" owns 100% of the outstanding shares. The Company's ultimate shareholder is the Government of the Republic of Kazakhstan. Under the Contract of Share Transfer No.299-и 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 2019 the number of employees of the Company was 67 people (2018: 62 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. The interim condensed financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of accounting

(a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Company's financial statements as at and for the year ended 31 December 2018 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements.

This is the first set of the Company's financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in this note.

(b) Basis of measurement

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

(c) Use of estimates and judgments

The preparation of interim condensed financial statements 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 could differ from those estimates.

The significant judgements made by management in applying the Company's accounting policies are the key sources of estimation uncertainty were the same as those that applied to the last annual financial statements, except for the areas described below.

(d) Functional and presentation currency

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

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

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

(e) Changes in accounting policies and presentation

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2019.

IFRS 16

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

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

2 Basis of accounting, continued

(e) Changes in accounting policies and presentation, continued

IFRS 16, continued

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to "grandfather" the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee

The Company leases number of property items.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

If the Company has contracts to be classified as finance lease, the Company will presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property. The Company presents lease liabilities in "loans and borrowings" in the statement of financial position

Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The carrying amount of lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

2 Basis of accounting, continued

(e) Changes in accounting policies and presentation, continued

IFRS 16, continued

Significant accounting policies, continued

The Company has applied judgement to determine the lease term for all lease contracts in which it is a lessee, based on the period for which the contract is enforceable. The Company considers that enforceability of the lease is established by the written contract in combination with applicable legislation related to renewal or termination rights. However, the Company determined, that the lease contract do not provide for the right to extend the lease after the lease term expiry. As a consequence, for the leases with short contractually stated term (12 months) where the Company has no a preferential right to renew in accordance with law, the Company determined that the lease term does not exceed the term stated in the contract (12 months).]

Transition

Previously, the Company classified all lease contracts as operating leases under IAS 17.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

The Company leases a number of property items (office premises). Given the short term (12 months) and absence of preferential right to extend a lease in accordance with the legislation, since 1 January 2019 the Company continues accounting these contracts as operating lease under IFRS 16.

Impacts on financial statements

Impacts on transition

Given that all leased property items have short term (12 months) and continue to be accounted for as an operating lease, no changes have occurred in the accounting of these contracts as compared with the prior periods. Therefore, IFRS 16 has no impact on the Company's financial statements as of the transition date. A number of other new standards and interpretation are effective from 1 January 2019 but they do not have a material effect on the Company's interim financial statement.

3 Significant accounting policies

In preparation of these interim condensed financial statements the Company has used the significant accounting policies applied to prepare the financial statements for the year ended 31 December 2018, except for those, which related to application of IFRS 16 (Note 2) and are effective from 1 January 2019.

4 Insurance risk management

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

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

The Company's management of insurance 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.

4 Insurance risk management, continued

(a) Risk management objectives and policies for mitigating insurance risk, continued

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 ongoing 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 protect capital resources. 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 loss

Product features

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

4 Insurance risk management, continued

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

(i) Insurance contracts – Insurance against other financial loss, continued

Product features, continued

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) Reinsurance contracts – Property

Product features

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

4 Insurance risk management, continued

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

(ii) Reinsurance contracts – Property, continued

Product features, continued

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

Risk management

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

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. The Company operates in a competitive environment and is hence under the risk of writing premiums with reference to the competitors' pricing strategies rather than to its own loss experience.

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

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

(iii) Reinsurance contracts – Employer's civil liability

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

Risk management

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

- in case of persistent disablement of the employee:
  - amount of the lost future wages (income) to be reimbursed;
  - repayment period – the period of establishing physical disability by the medical expert committee (it may be several years or lifetime disability benefit);
  - degree of employer's culpability.

4 Insurance risk management, continued

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

(iii) Reinsurance contracts – Employer's civil liability, continued

Risk management, continued

- in case of death:
  - funeral expenses;
  - number of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan;
  - age of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan;
  - amount of the lost future wages (income) to be reimbursed;
  - period of insurance payments.

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

(iv) Reinsurance contracts – General civil liability

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

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.

(c) Concentration of insurance risk

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

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

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its liability and property business. The Company assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

4 Insurance risk management, continued

(d) Total aggregate exposures

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

As at 30 June 2019 the Company had 234 insurance agreements that were in force (31 December 2018: 1,796 insurance agreements).

Exposure to various business lines

The key concentrations identified as at 30 June 2019 are:

		Unaudited	
Insurance type	**Total insured amount '000 KZT**	**Reinsurance amount '000 KZT**	**Net retention (after reinsurance) '000 KZT**
Obligatory insurance			
Employer's liability	-	-	-
Carrier's liability to passengers	-	-	-
Voluntary insurance			
Property	7,792,991	-	7,792,991
Civil liability	20,098,514	-	20,098,514
Railway transport	-	-	-
Insurance against other financial loss	133,674,114	(2,795,000)	130,879,114
Civil liability of the vehicle owners	-	-	-
Accident	8,410	-	8,410
Air transport	-	-	-
Water transport	-	-	-
Total	**161,574,029**	**(2,795,000)**	**158,779,029**

The key concentrations identified as at 31 December 2018 are:

Insurance type	**Total insured amount '000 KZT**	**Reinsurance amount '000 KZT**	**Net retention (after reinsurance) '000 KZT**
Obligatory insurance			
Employer's liability	60,312,452	(60,306,420)	6,032
Carrier's liability to passengers	240,260	-	240,260
Voluntary insurance			
Property	69,771,873	(12,713,171)	57,058,702
Civil liability	95,913,175	-	95,913,175
Railway transport	13,712,754	-	13,712,754
Insurance against other financial loss	115,493,696	(5,378,040)	110,115,656
Civil liability of the vehicle owners	175,000	-	175,000
Accident	700,801	-	700,801
Civil liability of owners of water transport, including:	490,545	-	490,545
Water transport	623,715	-	623,715
Total	**357,434,271**	**(78,397,631)**	**279,036,640**

4 Insurance risk management, continued

(e) Claims development

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

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding as of 30 June 2019 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

4 Insurance risk management, continued

(e) Claims development, continued

Analysis of claims development for the six months ended 30 June 2019 (gross) – total

	Accident year									
'000 KZT	2011	2012	2013	2014	2015	2016	2017	2018	Unaudited 30 June 2019	Total
Estimate of cumulative claims										
At end of accident year	115,562	162,651	110,144	287,453	429,562	1,419,905	935,213	297,850	562,994	-
- one year later	99,624	80,531	114,865	289,674	285,243	1,934,327	1,003,008	518,438	-	-
- two years later	105,984	133,825	150,006	273,674	206,683	2,055,213	1,168,778	-	-	-
- three years later	116,739	130,638	116,426	293,618	255,458	2,155,617	-	-	-	-
- four years later	151,355	114,691	171,237	383,563	382,708	-	-	-	-	-
- five years later	149,833	168,316	256,264	510,488	-	-	-	-	-	-
- six years later	204,695	251,973	386,152	-	-	-	-	-	-	-
- seven years later	294,822	378,898	-	-	-	-	-	-	-	-
- eight years later	423,914	-	-	-	-	-	-	-	-	-
Estimate of cumulative claims as at 30 June 2019	**423,914**	**378,898**	**386,152**	**510,488**	**382,708**	**2,155,617**	**1,168,778**	**518,438**	**562,994**	**6,487,987**
Cumulative payments as at 30 June 2019	119,295	74,279	81,533	205,869	78,089	1,802,958	705,666	23,907	2,039	3,093,635
Gross outstanding claims liabilities as at 30 June 2019	**304,619**	**304,619**	**304,619**	**304,619**	**304,619**	**352,659**	**463,112**	**494,531**	**560,955**	**3,394,352**

4 Insurance risk management, continued

(e) Claims development, continued

Analysis of claims development for 2018 (gross) – total

			Accident year						
'000 KZT	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of cumulative claims									
At end of accident year	115,562	162,651	110,144	287,453	429,562	1,419,905	935,213	297,850	-
- one year later	99,624	80,531	114,865	289,674	285,243	1,934,327	1,003,008	-	-
- two years later	105,984	133,825	150,006	273,674	206,683	2,055,213	-	-	-
- three years later	116,739	130,638	116,426	293,618	255,458	-	-	-	-
- four years later	151,355	114,691	171,237	383,563	-	-	-	-	-
- five years later	149,833	168,316	256,264	-	-	-	-	-	-
- six years later	204,695	251,973	-	-	-	-	-	-	-
- seven years later	294,822	-	-	-	-	-	-	-	-
Estimate of cumulative claims as at 31 December 2018	**294,822**	**251,973**	**256,264**	**383,563**	**255,458**	**2,055,213**	**1,003,008**	**297,850**	**4,798,151**
Cumulative payments as at 31 December 2018	117,128	74,279	78,570	205,869	77,764	1,802,958	703,274	20,461	3,080,303
Gross outstanding claims liabilities as at 31 December 2018	**177,694**	**177,694**	**177,694**	**177,694**	**177,694**	**252,255**	**299,734**	**277,389**	**1,717,848**

5 Premiums

	Obligatory insurance			Voluntary insurance					
Unaudited **For the six months ended 30 June 2019** **'000 KZT**	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Gross premiums written	(27)	-	-	(435)	156,132	-	974,688	(5)	1,130,353
Change in the gross provision for unearned premiums	29,993	499	-	11,412	80,023	951	(474,053)	106,924	(244,251)
Gross earned premiums	**29,966**	**499**	**-**	**10,977**	**236,155**	**951**	**500,635**	**106,919**	**886,102**
Less: written premiums ceded to reinsurers	27	-	-	-	-	-	(34,837)	-	(34,810)
Reinsurers' share of change in the gross provision for unearned premiums	(29,395)	-	-	(597)	(17,412)	-	(80,766)	-	(128,170)
Ceded earned premiums	**(29,368)**	**-**	**-**	**(597)**	**(17,412)**	**-**	**(115,603)**	**-**	**(162,980)**
Net earned premiums	**598**	**499**	**-**	**10,380**	**218,743**	**951**	**385,032**	**106,919**	**723,122**

	Obligatory insurance			Voluntary insurance					
Unaudited **For the six months ended 30 June 2018** **'000 KZT**	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Gross premiums written	356,149	1,022	-	138,154	112,467	5,207	844,852	44,503	1,502,354
Change in the gross provision for unearned premiums	76,597	984	119	(62,307)	2,365	(697)	(583,085)	(1,373)	(567,397)
Gross earned premiums	**432,746**	**2,006**	**119**	**75,847**	**114,832**	**4,510**	**261,767**	**43,130**	**934,957**
Less: written premiums ceded to reinsurers	(349,025)	-	-	-	-	-	(217,127)	-	(566,152)
Reinsurers' share of change in the gross provision for unearned premiums	(74,998)	-	-	(2,872)	(17,412)	-	112,522	(323)	16,917
Ceded earned premiums	**(424,023)**	**-**	**-**	**(2,872)**	**(17,412)**	**-**	**(104,605)**	**(323)**	**(549,235)**
Net earned premiums	**8,723**	**2,006**	**119**	**72,975**	**97,420**	**4,510**	**157,162**	**42,807**	**385,722**

6 Claims incurred

Unaudited For the six months ended 30 June 2019 '000 KZT	Obligatory insurance			Voluntary insurance					
	Employer's liability	Vehicle owner's liability	Other obligatory	Property	Other financial loss insurance	Air/Water/Mot or transport	Loan insurance	Other voluntary	Total
Claims paid	2,241	-	-	1,163	-	-	-	-	3,404
Claims paid, net of reinsurance	**2,241**	**-**	**-**	**1,163**	**-**	**-**	**-**	**-**	**3,404**
Change in provisions for incurred but not reported claims	34,116	(51)	-	(6,895)	247,741	(261)	975,070	70,299	1,320,019
Change in provisions for reported but not settled claims	116,039	-	-	13,414	(14,954)	(10,170)	223,510	28,646	356,485
Change in reinsurers' share in claims provisions	(168,002)	-	-	(2,885)	-	-	7,451	-	(163,436)
Change in net insurance contract provisions	**(17,847)**	**(51)**	**-**	**3,634**	**232,787**	**(10,431)**	**1,206,031**	**98,945**	**1,513,068**
Reimbursement from recourse claims	-	-	-	-	(225)	-	-	-	(225)
Net claims paid	**(15,606)**	**(51)**	**-**	**4,797**	**232,562**	**(10,431)**	**1,206,031**	**98,945**	**1,516,247**

Unaudited For the six months ended 30 June 2018 '000 KZT	Obligatory insurance			Voluntary insurance					
	Employer's liability	Vehicle owner's liability	Other obligatory	Property	Other financial loss insurance	Air/Water/Mot or transport	Loan insurance	Other voluntary	Total
Claims paid	9,752	-	-	100	21,542	-	-	-	31,394
Claims paid, net of reinsurance	**9,752**	**-**	**-**	**100**	**21,542**	**-**	**-**	**-**	**31,394**
Change in provisions for incurred but not reported claims	(22,885)	6	(13)	(168,644)	100,946	(814)	215,187	(365)	123,418
Change in provisions for reported but not settled claims	8,174	-	-	42,558	(42,836)	(13,841)	-	22,520	16,575
Change in reinsurers' share in claims provisions	(14,802)	-	-	(8,340)	-	(483)	(9,795)	86	(33,334)
Change in net insurance contract provisions	**(29,513)**	**6**	**(13)**	**(134,426)**	**58,110**	**(15,138)**	**205,392**	**22,241**	**106,659**
Reimbursement from recourse claims	-	-	-	-	(225)	-	-	-	(225)
Net claims paid	**(19,761)**	**6**	**(13)**	**(134,326)**	**79,427**	**(15,138)**	**205,392**	**22,241**	**137,828**

7 Interest income/(expense)

	Unaudited For the six months ended 30 June 2019 '000 KZT	Unaudited For the six months ended 30 June 2018 '000 KZT
Interest income calculated using the effective interest method		
Placements with banks and cash and cash equivalents	1,731,701	1,305,521
Investment securities measured at fair value through other comprehensive income	220,778	189,796
Investment securities measured at amortised cost	69,365	-
	2,021,844	**1,495,317**
Other interest income		
Investment securities measured at fair value through profit or loss	30,775	55,199
	30,775	**55,199**
Interest expense		
Interest expense on loan from Samruk-Kazyna JSC	(12,544)	(14,641)
	(12,544)	**(14,641)**

8 General and administrative expenses

'000 KZT	Unaudited For the six months ended 30 June 2019	Unaudited For the six months ended 30 June 2018
Salaries and bonuses	327,477	225,458
Rent	81,307	47,620
Business trip expenses	42,379	15,764
Social tax and social contributions	32,540	19,163
Advertising and marketing	18,656	17,956
Consulting and professional services	11,774	17,975
Administrative expense of the Board of Directors	9,700	5,962
Communication services	8,807	2,023
Repair and maintenance	8,015	406
Depreciation and amortisation	7,620	8,496
Other taxes and duties	2,274	6,208
Training expenses	1,558	-
Bank charges	1,220	2,309
Representation expenses	320	3,123
Compensation due to removal	-	36,619
Transportation expenses	-	28,979
Other	34,515	27,639
	588,162	**465,700**

9 Income tax expense

The Company's current income tax expense for the six months ended 30 June 2019 is KZT 227,002 thousand (the six months ended 30 June 2018: KZT 198,213 thousand). The applicable tax rate for current and deferred tax is 20%.

Reconciliation of effective tax rate for the period:

	Unaudited For the six months ended 30 June 2019 '000 KZT	%	Unaudited For the six months ended 30 June 2018 '000 KZT	%
Profit before income tax	**1,784,989**	**100**	**1,169,127**	**100**
Income tax at the applicable tax rate	(356,998)	(20)	(233,825)	(20)
Non-taxable income on investment securities	55,419	3	61,355	5
Other non-deductible expenses	74,577	4	(25,743)	(2)
	(227,002)	**(13)**	**(198,213)**	**(17)**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 30 June 2019 and 31 December 2018. The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

10 Cash and cash equivalents

As at 30 June 2019 cash and cash equivalents recorded in the statement of cash flows include:

'000 KZT	Unaudited 30 June 2019	31 December 2018
Reverse repurchase agreement	-	**5,371,853**
Current accounts and on-demand deposits with banks		
Rated from BBB+ to BBB-	17,612,226	11,385,245
Rated from BB+ to BB-	2,979,474	8,117,154
Rated from B+ to B-	121,732	199,768
Not rated (Citibank Kazakhstan JSC, a subsidiary bank of Citibank N.A.)	10,300,514	1,797,393
Total current accounts and on-demand deposits with banks	**31,013,946**	**21,499,560**
Impairment allowance	(4,645)	-
Total current accounts and on-demand deposits with banks, less impairment allowance	**31,009,301**	**26,871,413**

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 2019 the Company has accounts with two banks (31 December 2018: two banks), whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2019 is KZT 23,519,554 thousand (2018: KZT 13,127,719 thousand).

As at 30 June 2019 the Company recognised a loss allowance for cash and cash equivalents equal to 12-month expected credit losses.

11 Placements with banks

	30 June 2019 (Unaudited)	
'000 KZT	**Stage 1 12-month ECL**	**Total**
Placements with banks		
- rated from BB- to BB+	33,890,557	33,890,557
- rated from B- to B+	454,856	454,856
	34,345,413	**34,345,413**
Impairment allowance	**(135,688)**	**(135,688)**
Total placements with banks	**34,209,725**	**34,209,725**

	31 December 2018		
'000 KZT	**Stage 1 12-month ECL**	**Stage 3 Lifetime ECL – credit-impaired**	**Total**
Placements with banks			
- rated from BBB- to BBB+	2,002	-	2,002
- rated from BB- to BB+	9,969,137	-	9,969,137
- rated from B- to B+	617,145	1,266,716	1,883,861
	10,588,284	**1,266,716**	**11,855,000**
Impairment allowance	**(55,466)**	**(700,175)**	**(755,641)**
Total placements with banks	**10,532,818**	**566,541**	**11,099,359**

	For the six months ended 30 June 2019 (Unaudited)		
'000 KZT	**Stage 1 12-month ECL**	**Stage 3 Lifetime ECL – credit-impaired**	**Total**
Placements with banks			
Balance at the beginning of the period	50,821	700,175	750,996
Net remeasurement of impairment allowance	84,867	(700,175)	(615,308)
Balance at 30 June	**135,688**	**-**	**135,688**

	For the six months ended 30 June 2018 (Unaudited)		
'000 KZT	**Stage 1 12-month ECL**	**Stage 3 Lifetime ECL – credit-impaired**	**Total**
Placements with banks			
Balance at the beginning of the period	-	-	-
Impact of adopting IFRS 9 as at 1 January 2018	62,417	-	62,417
Net remeasurement of impairment allowance	68,513	-	68,513
Balance at 30 June	**130,930**	**-**	**130,930**

As at 30 June 2019, the annual effective interest rates generated by placements with banks ranged between 2.5% and 11% per annum (31 December 2018: 1.7% and 11%).

As at 30 June 2019 the Company has accounts with two banks (31 December 2018: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2019 is KZT 27,331,645 thousand (2018: KZT 6,703,565 thousand).

Reversal of provisions for deposits in Stage 3 in the amount of KZT 700,175 thousand has been due to maturity of deposits with First Heartland Bank JSC (formerly, Tsesnabank JSC) in March 2019.

12 Investment securities

'000 KZT	Unaudited 30 June 2019	31 December 2018
Measured at fair value through other comprehensive income		
Government bonds of the Republic of Kazakhstan		
Rated BBB-	6,024,382	6,224,127
Government bonds of foreign states		
Rated AA+	288,693	259,876
Total government bonds	**6,313,075**	**6,484,003**
Corporate bonds of Kazakhstan companies		
Rated from BBB+ to BBB-	999,989	951,974
Total corporate bonds of Kazakhstan companies	**999,989**	**951,974**
Securities of international financial organisations		
Rated BBB-	3,026,988	-
Total securities of international financial organisations	**3,026,988**	**-**
	10,340,052	**7,435,977**
Measured at fair value through profit or loss		
Bonds of Kazakhstan banks		
Rated from BB+ to BB-	374,674	365,108
Rated from B+ to B-	628,347	629,686
Total bonds of Kazakhstan banks	**1,003,021**	**994,794**
Corporate bonds of Kazakhstan companies		
Not rated	-	516,432
Total corporate bonds of Kazakhstan companies	**-**	**516,432**
	1,003,021	**1,511,226**
Measured at amortised cost		
Notes of the National Bank of the Republic of Kazakhstan		
Rated BBB-	6,645,527	-
Total bonds of Kazakhstan banks	**6,645,527**	**-**

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 2019 the annual effective interest rates on investments securities varies from 2.44% to 8.73% (31 December 2018: from 3.78% to 8.54%).

13 Insurance and reinsurance receivables

'000 KZT	Unaudited 30 June 2019	31 December 2018
Amounts due from policyholders	1,595,780	974,612
Amounts due from reinsurers	78,944	40,149
	1,674,724	**1,014,761**
Impairment allowance	(48)	(48)
	1,674,676	**1,014,713**

13 Insurance and reinsurance receivables, continued

As at 30 June 2019 and 31 December 2018 the Company had no balances with policyholders, whose balances exceeded 10% of equity. Movements in the impairment allowance on insurance and reinsurance receivables for the years ended 31 December are as follows:

	Unaudited For the six months ended 30 June 2019 '000 KZT	Unaudited For the six months ended 30 June 2018 '000 KZT
Balance at the beginning of the year	(48)	(48)
Net charge	-	-
Balance at the end of the year	**(48)**	**(48)**

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 2019:

	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance to gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	1,302,405	-	1,302,405	-
Overdue or impaired:				
- overdue less than 90 days	9,384	-	9,384	-
- overdue more than 90 days and less than 1 year	283,991	-	283,991	-
Total overdue or impaired receivables from reinsurers	293,375	-	293,375	-
Total amounts due from policyholders	**1,595,780**	**-**	**1,595,780**	**-**
Amounts due from reinsurers				
Not overdue:	5,830	-	5,830	-
Overdue or impaired:				
- overdue less than 90 days	66,483	-	66,483	-
- overdue more than 90 days and less than 1 year	6,583	-	6,583	-
- overdue more than 1 year	48	(48)	-	100
Overdue or impaired:	73,114	(48)	73,066	0.07
Total amounts due from reinsurers	**78,944**	**(48)**	**78,896**	**0.06**
Total amounts due from policyholders and reinsurers	**1,674,724**	**(48)**	**1,674,676**	**-**

The Company management believes that the receivables overdue for more than 90 days are fully reimbursable, therefore, the Company has not charged provisions for these receivables. The Company takes measures, on a regular basis, to enhance control of timely payments under the contracts and expects repayment of these amounts.

13 Insurance and reinsurance receivables, continued

Credit quality of insurance and reinsurance receivables, continued

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

	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance to gross receivables %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not overdue	974,612	-	974,612	-
Total amounts due from policyholders	**974,612**	**-**	**974,612**	**-**
Amounts due from reinsurers				
Not overdue	39,868	-	39,868	-
Overdue or impaired:				
- overdue less than 90 days	60	-	60	-
- overdue more than 90 days and less than 1 year	173	-	173	-
- overdue more than 1 year	48	(48)	-	100
Total overdue or impaired receivables from reinsurers	281	(48)	233	17
Total amounts due from reinsurers	**40,149**	**(48)**	**40,101**	**0.12**
Total amounts due from policyholders and reinsurers	**1,014,761**	**(48)**	**1,014,713**	**-**

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

'000 KZT	**Unaudited Gross 30 June 2019**	**Unaudited Reinsurance 30 June 2019**	**Unaudited Net 30 June 2019**
Provision for unearned premiums	3,412,199	(240,424)	3,171,775
Provision for claims incurred but not reported	2,741,570	(158,711)	2,582,859
Provision for claims reported but not settled	652,782	(145,224)	507,558
	6,806,551	**(544,359)**	**6,262,192**

	Gross 2018 '000 KZT	**Reinsurance 2018 '000 KZT**	**Net 2018 '000 KZT**
Provision for unearned premiums	3,167,948	(368,594)	2,799,354
Provision for claims incurred but not reported	1,421,551	(110,957)	1,310,594
Provision for claims reported but not settled	296,297	(29,542)	266,755
	4,885,796	**(509,093)**	**4,376,703**

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

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

'000 KZT	**Unaudited 30 June 2019**	**2018 '000 KZT**
Balance at the beginning of the period	1,577,349	847,135
Current year claims' reported	562,994	297,850
Change in provision for prior period claims	1,126,843	586,212
Total expenses on insurance claims	(13,333)	(112,259)
Change in reinsurers' share	(163,436)	(41,589)
Balance at the end of the period	**3,090,417**	**1,577,349**

(b) Analysis of movements in provision for unearned premiums

'000 KZT	**Unaudited 30 June 2019**	**2018 '000 KZT**
Balance at the beginning of the period	2,799,354	1,725,074
Premiums written	1,164,414	2,682,780
Premiums earned	(920,163)	(1,975,415)
Change in reinsurers' share	128,170	366,915
Balance at the end of the period	**3,171,775**	**2,799,354**

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

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

	Obligatory insurance			Voluntary insurance					
Unaudited 30 June 2019 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Provision for unearned premiums	-	-	-	2,889	743,715	-	2,326,599	338,996	3,412,199
Provision for claims incurred but not reported	350,102	31	-	64	800,002	-	1,496,625	94,746	2,741,570
Provision for claims reported but not settled	141,165	-	-	210,604	19,743	188	223,510	57,572	652,782
Gross insurance contract provisions	**491,267**	**31**	**-**	**213,557**	**1,563,460**	**188**	**4,046,734**	**491,314**	**6,806,551**
Reinsurers' share in insurance contract provisions	(295,224)	-	-	(6,969)	(219,524)	-	(22,642)	-	(544,359)
Net insurance contract provisions	**196,043**	**31**	**-**	**206,588**	**1,343,936**	**188**	**4,024,092**	**491,314**	**6,262,192**

	Obligatory insurance			Voluntary insurance					
2018 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Other financial loss insurance**	**Air/Water/Motor transport**	**Loan insurance**	**Other voluntary**	**Total**
Provision for unearned premiums	29,993	499	-	14,301	823,738	951	1,852,546	445,920	3,167,948
Provision for claims incurred but not reported	315,986	82	-	6,959	552,261	261	521,555	24,447	1,421,551
Provision for claims reported but not settled	25,126	-	-	197,190	34,697	10,358	-	28,926	296,297
Gross insurance contract provisions	**371,105**	**581**	**-**	**218,450**	**1,410,696**	**11,570**	**2,374,101**	**499,293**	**4,885,796**
Reinsurers' share in insurance contract provisions	(156,617)	-	-	(4,681)	(236,936)	-	(110,859)	-	(509,093)
Net insurance contract provisions	**214,488**	**581**	**-**	**213,769**	**1,173,760**	**11,570**	**2,263,242**	**499,293**	**4,376,703**

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

(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. Such methods extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years.

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

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

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 the Company is authorised to use data of the export credit insurance organisations (Prague Club) as the Prague Club is the only leading international association of organisations that provide insurance of export credits and investments. Prague Club 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.

15 Equity

(a) Share capital

'000 KZT	Unaudited Ordinary shares 30 June 2019	Ordinary shares 2018.
Authorised shares (ordinary shares)	90,760	90,080
Issued and outstanding shares (ordinary shares)	90,760	90,080
Number of shares	87,300	87,300
Nominal value, KZT'000	265,75	265,75
Number of shares	2,780	2,780
Nominal value, KZT'000	5,000	5,000
Number of shares	680	-
Nominal value, KZT'000	50,000	-
Issued and fully paid, KZT'000	**71,100,000**	**37,100,000**

(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 2019 and 31 December 2018 the Company complies with the solvency margins which are as follows:

	Unaudited Ordinary shares 30 June 2019	Ordinary shares 2018.
Actual solvency margin	72,960,031	42,101,880
Minimum solvency margin	1,515,000	1,082,250
Solvency margin	**48.2**	**38.9**

(c) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or net profit for the current year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the entity's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at 30 June 2019, reserves available for distribution amounted to KZT 7,339,831 thousand (31 December 2018: KZT 6,225,669 thousand).

During the six months ended 30 June 2019 dividends of KZT 475,666 thousand or KZT 5,240.92 per share were declared and paid (six months ended 30 June 2018: KZT 639,389 thousand or KZT 7,324 per share).

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

16 Financial instrument risk management, continued

(a) Risk management policies and procedures, continued

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

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Company operates within established risk parameters. The Head of the Risk 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. He reports directly to the Board of Directors and indirectly to the Chairman.

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

(b) Market risk

Market risk is the risk that 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, which is controlled by the Board of Directors. Market risk limits are approved by the Board of Directors.

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

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

(i) Interest rate risk

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

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

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 (2018: investment securities measured at fair value through profit or loss) with carrying amount of KZT 988,488 thousand as at 30 June 2019 (31 December 2018: KZT 1,446,824 thousand) is within the period from 3 to 6 months (31 December 2018: from 3 to 6 months).

16 Financial instrument risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

An analysis of the sensitivity of net profit or loss and equity as a result of changes in fair value of investment securities measured at fair value through other comprehensive income, measured at fair value through profit or loss and measured at amortised cost (2018: 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 2019 and 31 December 2018 and simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves), is as follows:

	Unaudited 30 June 2019		**31 December 2018**	
	Profit	**Equity**	**Profit**	**Equity**
100 bp parallel rise	(17,967)	(412,261)	(21,285)	(295,823)
100 bp parallel fall	18,749	436,482	22,204	316,976

(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 2019:

Unaudited '000 KZT	**KZT**	**USD**	**RUB**	**Other**	**Total**
Assets					
Cash and cash equivalents	22,583,949	7,361,078	1,000,896	63,378	31,009,301
Placements with banks	27,854,212	-	6,355,513	-	34,209,725
Investment securities:					
- measured at fair value through other comprehensive income	9,051,370	999,988	-	288,694	10,340,052
- measured at fair value through profit or loss	1,003,021	-	-		1,003,021
- measured at amortised cost	6,645,527	-	-		6,645,527
Insurance and reinsurance receivables	1,598,263	9,909	66,483	21	1,674,676
Total assets	**68,736,342**	**8,370,975**	**7,422,892**	**352,093**	**84,882,302**
Liabilities					
Loan from Samruk-Kazyna JSC	(224,825)	-	-	-	(224,825)
Insurance and reinsurance payables	(8,394)	-	(1,294)	-	(9,688)
Other financial liabilities	(34,588)	-	-	(52)	(34,640)
Total liabilities	**(267,807)**	**-**	**(1,294)**	**(52)**	**(269,153)**
Net position as at 30 June 2019	**68,468,535**	**8,370,975**	**7,421,598**	**352,041**	**84,613,149**

16 Financial instrument risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

'000 KZT	KZT	USD	RUB	Other	Total
Assets					
Cash and cash equivalents	23,063,775	3,175,701	631,130	807	26,871,413
Placements with banks	5,750,994	544,309	4,804,056	-	11,099,359
Investment securities:					
- measured at fair value through other comprehensive income	6,224,127	951,974	-	259,876	7,435,977
- measured at fair value through profit or loss	1,511,226	-	-	-	1,511,226
Insurance and reinsurance receivables	1,003,560	11,153	-	-	1,014,713
Total assets	**37,553,682**	**4,683,137**	**5,435,186**	**260,683**	**47,932,688**
Liabilities					
Loan from Samruk-Kazyna JSC	(212,512)	-	-	-	(212,512)
Insurance and reinsurance payables	(35,582)	-	(1,182)	-	(36,764)
Other financial liabilities	(45,795)	-	-	(53)	(45,848)
Total liabilities	**(293,889)**	**-**	**(1,182)**	**(53)**	**(295,124)**
Net position as at 31 December 2018	**37,259,793**	**4,683,137**	**5,434,004**	**260,630**	**47,637,564**

A weakening of the KZT, as indicated below, against the following currencies at 30 June 2019 and 31 December 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

'000 KZT	Unaudited 30 June 2019	2018
10% appreciation of USD (2018: 10%)	669,678	374,651
10% appreciation of RUB (2018: 10%)	593,728	434,720

A strengthening of the KZT against the above currencies at 30 June 2019 and 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

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

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

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

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

16 Financial instrument risk management, continued

(c) Credit risk, continued

	Unaudited 30 June 2019	2018 '000 KZT
ASSETS		
Cash and cash equivalents	31,009,301	26,871,413
Placements with banks	34,209,725	11,099,359
Investment securities:		
- measured at fair value through other comprehensive income	10,340,052	7,435,977
- measured at fair value through profit or loss	1,003,021	1,511,226
- measured at amortised cots	6,645,527	-
Insurance and reinsurance receivables	1,674,676	1,014,713
Reinsurers' share in insurance contract provisions	544,359	509,093
Total maximum exposure	**85,426,661**	**48,441,781**

As at 30 June 2019 the Company had 4 debtors (31 December 2018: 4 debtor), credit risk exposure to whom exceeds 10 percent maximum credit risk exposure. The credit risk exposure for these customers as at 30 June 2019 is KZT 50,851,199 thousand (31 December 2018: KZT 30,364,023 thousand).

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company mitigates this risk by analysing liquidity gaps and maturity on an ongoing basis.

The following table shows financial liabilities by remaining contractual maturity dates as at 30 June 2019. Insurance liabilities are shown based on expected maturities. Insurance contract provisions are presented net of reinsurers' share:

Unaudited '000 KZT	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Financial liabilities					
Insurance contract provisions	2,060	36,190	1,480,443	5,287,858	6,806,551
Loan from Samruk-Kazyna JSC	-	-	93,015	185,475	278,490
Insurance and reinsurance payables	-	-	9,688	-	9,688
Other financial liabilities	34,137	504	-	-	34,641
Total financial liabilities as at 30 June 2019	**36,197**	**36,694**	**1,583,146**	**5,473,333**	**7,129,370**

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2018. Insurance liabilities are shown based on expected maturities. Insurance contract provisions are presented net of reinsurers' share:

'000 KZT	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Financial liabilities					
Insurance contract provisions	11,167	40,633	1,145,622	3,688,374	4,885,796
Loan from Samruk-Kazyna JSC	-	-	93,015	185,475	278,490
Insurance and reinsurance payables	36,764	-	-	-	36,764
Other financial liabilities	45,848	-	-	-	45,848
Total financial liabilities as at 31 December 2018	**93,779**	**40,633**	**1,238,637**	**3,873,849**	**5,246,898**

17 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2019:

Unaudited **'000 KZT**	**Amortised cost**	**At FVOCI**	**At FVTPL**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	31,009,301	-	-	31,009,301	31,009,301
Placements with banks	34,209,725	-	-	34,209,725	34,209,725
Investment securities:					
- measured at fair value through other comprehensive income	-	10,340,052	-	10,340,052	10,340,052
- measured at fair value through profit or loss	-	-	1,003,021	1,003,021	1,003,021
- measured at amortised cost	6,645,527	-	-	6,645,527	6,645,527
Insurance and reinsurance receivables	1,674,676	-	-	1,674,676	1,674,676
Reinsurers' share in insurance contract provisions	544,359	-	-	544,359	544,359
	74,083,588	**10,340,052**	**1,003,021**	**85,426,661**	**85,426,661**
Loan from Samruk-Kazyna JSC	(224,825)	-	-	(224,825)	(238,622)
Other financial liabilities	(34,641)	-	-	(34,641)	(34,641)
	(259,466)	**-**	**-**	**(259,466)**	**(273,263)**

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

(a) Accounting classifications and fair values, continued

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

'000 KZT	Amortised cost	At FVOCI	At FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	26,871,413	-	-	26,871,413	26,871,413
Placements with banks	11,099,359	-	-	11,099,359	11,099,359
Investment securities:					
- measured at fair value through other comprehensive income	-	7,435,977	-	7,435,977	7,435,977
- measured at fair value through profit or loss	-	-	1,511,226	1,511,226	1,511,226
Insurance and reinsurance receivables	1,014,713	-	-	1,014,713	1,014,713
Reinsurers' share in insurance contract provisions	509,093	-	-	509,093	509,093
	39,494,578	**7,435,977**	**1,511,226**	**48,441,781**	**48,441,781**
Loan from Samruk-Kazyna JSC	(212,512)	-	-	(212,512)	(218,542)
Other financial liabilities	(45,848)	-	-	(45,848)	(45,848)
	(258,360)	**-**	**-**	**(258,360)**	**(264,390)**

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

(a) Accounting classifications and fair values, continued

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

(b) 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.

As at 30 June 2019 and 31 December 2018 fair value of all financial instruments has been categorised as a Level 2 fair value.

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 JSC National Management Holding "Baiterek". The Company's ultimate shareholder is the Government of the Republic of Kazakhstan.

18 Related party transactions, continued

(b) Transactions with key management personnel

Total remuneration included in general and administrative expenses (see Note 18) for the years ended 30 June 2019 and 2018 is as follows:

'000 KZT	Unaudited For the six months ended 30 June 2019	Unaudited For the six months ended 30 June 2018
Members of the Board of Directors	2,683	3,219
Members of the Management Board	81,400	43,353
	84,083	**46,572**

(c) Transactions with other related parties

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

As of 30 June 2019 the outstanding balances of related profit transactions are as follows:

Unaudited '000 KZT	Fellow subsidiaries	Other	Total
Assets			
Investment securities:			
- measured at fair value through other comprehensive income	-	7,024,370	7,024,370
- measured at amortised cost	-	6,645,527	6,645,527
Insurance and reinsurance receivables	269,208	408,034	677,242
Current tax asset	-	145,918	145,918
Liabilities			
Loan from Samruk-Kazyna JSC	-	224,825	224,825
Provision for unearned premiums	564,851	907,284	1,472,135
Other liabilities	13,124	1,330	14,454

As of 31 December 2018 the outstanding balances of related profit transactions are as follows:

'000 KZT	Fellow subsidiaries	Other	Total
Assets			
Cash and cash equivalents	-	5,371,853	5,371,853
Investment securities measured at fair value through other comprehensive income	-	7,176,101	7,176,101
Insurance and reinsurance receivables	301,349	-	301,349
Current tax asset	-	92,632	92,632
Liabilities			
Loan from Samruk-Kazyna JSC	-	212,512	212,512
Provision for unearned premiums	609,653	203,470	813,123
Other liabilities	9,136	2,026	11,162

18 Related party transactions, continued

(c) Transactions with other related parties, continued

Amounts in the following tables are included in the interim condensed statement of financial position as at 30 June 2019 and statement of financial position a at 31 December 2018 and statement of financial position as at 31 December 2018, interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 and 2018:

	Unaudited For the six months ended 30 June 2019	Unaudited For the six months ended 30 June 2019	Unaudited For the six months ended 30 June 2018	Unaudited For the six months ended 30 June 2018
'000 KZT	**Fellow subsidiaries**	**Other companies and state-owned enterprises**	**Fellow subsidiaries**	**Other companies and state-owned enterprises**
Profit/(loss)				
Gross premiums written	-	409,034	-	245,328
Change in the gross provision for unearned premiums	44,802	(275,040)	44,802	(244,656)
Interest income	-	69,365	-	-
Interest income calculated using the effective interest method	-	-	-	172,893
Interest expense	-	-	-	(14,641)
Other expenses	(58,841)	-	(25,532)	(5,022)
Income tax expense	-	-	-	(198,213)