

REPORT ARCHIVE COPY

**INSURANCE COMPANY "BASEL"
JOINT STOCK COMPANY**

Financial Statements and
Independent Auditors' Report
For the Year Ended 31 December 2021

Insurance company “Basel” JSC

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Insurance company "Basel" JSC

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2021

Management is responsible for the preparation of the financial statements that present fairly the financial position of Insurance company "Basel" Joint Stock Company ("the Company") as at 31 December 2021, and the related statements of profit or loss, comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2021 were authorized for issue on 8 April 2022 by the Management Board of the Company.


On behalf of the Management Board:



Chokin T.K.
Chairman of the Management Board

8 April 2022
Almaty, Kazakhstan





Kapitanenko V.V.
Chief Accountant

8 April 2022
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Board of Directors of Insurance company "Basel" JSC

Opinion

We have audited the financial statements of Insurance company "Basel" JSC ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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No. 0000015, type MFU-2, issued by the
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006



Zhangir Zhilysbayev
Engagement Partner
Qualified Auditor
of the Republic of Kazakhstan

Qualification certificate
No.MF-0000116
dated 22 November 2012
General Director
Deloitte LLP


8 April 2022
Almaty, Kazakhstan

Insurance company "Basel" JSC

Statement of Profit or Loss for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
INSURANCE ACTIVITY:			
Direct written insurance premiums, gross	5, 21	4,343,909	3,522,076
Ceded reinsurance premiums	5	(352,874)	(25,707)
Written premiums, net of reinsurance	5	3,991,035	3,496,369
Change in provision for unearned premiums, net of reinsurance	5, 21	(1,165,851)	68,894
Earned insurance premiums, net		2,825,184	3,565,263
Claims paid, net of reinsurance	5, 21	(264,635)	(672,325)
Change in provision for insurance losses, net of reinsurance	5, 21	729,621	704,479
Claims reimbursed, net of reinsurance		464,986	32,154
Broker and agent commissions, net	5	(337,161)	(3,626)
Results of insurance activity		2,953,009	3,593,791
INVESTING ACTIVITY:			
Interest income	6	580,320	641,323
Net realised gain/(loss) on investments available-for-sale		1,343	(19,925)
Results of investing activity		581,663	621,398
Net (loss)/gain on foreign exchange operations	7	(1,828)	128,787
Operating expenses	8, 21	(948,095)	(591,655)
Recovery of provision for impairment loss on other assets	15	124,324	7,504
Other income, net		357	1,518
PROFIT BEFORE INCOME TAX		2,709,430	3,761,343
Income tax expense	9	(371,700)	(594,431)
NET PROFIT		2,337,730	3,166,912

On behalf of the Management Board:


Chokin T.K.
Chairman of the Management Board

8 April 2022
Almaty, Kazakhstan




Kapitanenko V.V.
Chief Accountant

8 April 2022
Almaty, Kazakhstan

The notes on pages 11-43 form an integral part of these financial statements.

Insurance company "Basel" JSC

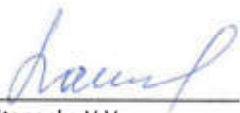
Statement of Other Comprehensive Income for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

	Year ended 31 December 2021	Year ended 31 December 2020
NET PROFIT FOR THE YEAR	2,337,730	3,166,912
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net gain resulting on revaluation of investments available-for-sale during the year, net of income tax of KZT Nil	85,341	164,306
Net realised loss/(gain) on investments available-for-sale transferred to the statement of profit or loss, net of income tax of KZT Nil and KZT Nil thousand, respectively	(1,343)	19,925
OTHER COMPREHENSIVE INCOME	83,998	184,231
TOTAL COMPREHENSIVE INCOME	2,421,728	3,351,143

On behalf of the Management Board:


Chokin T.K.
Chairman of the Management Board

8 April 2022
Almaty, Kazakhstan


Kapitanenko V.V.
Chief Accountant

8 April 2022
Almaty, Kazakhstan

The notes on pages 11-43 form an integral part of these financial statements.

Insurance company "Basel" JSC

Statement of Financial Position

as at 31 December 2021

(in thousands of Kazakhstani tenge)

	Notes	31 December 2021	31 December 2020
ASSETS:			
Cash and cash equivalents	10, 21	340,610	1,747,618
Investments available-for-sale	11	8,667,772	7,407,399
Advances paid		66,313	21,137
Unearned premiums reserve, reinsurers' share	16	110,933	21,071
Insurance losses reserve, reinsurers' share	17	49,184	44,355
Insurance and reinsurance receivable	12	292,602	68,227
Property, equipment and intangible assets	13	748,175	743,169
Current income tax asset		23,029	167,772
Deferred acquisition cost	14	355,994	4,154
Other assets	15	9,852	2,140
TOTAL ASSETS		10,664,464	10,227,042
LIABILITIES AND EQUITY			
LIABILITIES:			
Provision for unearned premiums	16, 21	1,443,273	187,560
Provision for insurance losses	17, 21	1,988,391	2,713,183
Advances received		3,400	3,283
Deferred income tax liabilities	9	67,734	65,600
Other liabilities	18, 21	150,564	68,042
TOTAL LIABILITIES		3,653,362	3,037,668
EQUITY:			
Share capital	19	206,000	206,000
Investments available-for-sale fair value deficit		(165,861)	(249,859)
Unexpired risk reserve		25,523	-
Retained earnings		6,945,440	7,233,233
TOTAL EQUITY		7,011,102	7,189,374
TOTAL LIABILITIES AND EQUITY		10,664,464	10,227,042

On behalf of the Management Board:


 Chokin T.K.
 Chairman of the Management Board

8 April 2022
 Almaty, Kazakhstan




 Kapitanenko V.V.
 Chief Accountant

8 April 2022
 Almaty, Kazakhstan

The notes on pages 11-43 form an integral part of these financial statements.

Insurance company "Basel" JSC

Statement of Changes in Equity for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

	Notes	Share capital	Investments available-for-sale fair value deficit	Stabilization reserve	Unexpired risk reserve	Retained earnings	Total equity
1 January 2020		206,000	(434,090)	-	6,586	11,259,735	11,038,231
Net profit		-	-	-	-	3,166,912	3,166,912
Other comprehensive income		-	184,231	-	-	-	184,231
Total comprehensive income		-	184,231	-	-	3,166,912	3,351,143
Transfer from stabilization reserve and unexpired risk reserve		-	-	-	(6,586)	6,586	-
Dividends declared	19	-	-	-	-	(7,200,000)	(7,200,000)
31 December 2020		206,000	(249,859)	-	-	7,233,233	7,189,374
Net profit		-	-	-	-	2,337,730	2,337,730
Other comprehensive income		-	83,998	-	-	-	83,998
Total comprehensive income		-	83,998	-	-	2,337,730	2,421,728
Transfer from stabilization reserve and unexpired risk reserve		-	-	25,523	-	(25,523)	-
Dividends declared	19	-	-	-	-	(2,600,000)	(2,600,000)
31 December 2021		206,000	(165,861)	25,523	-	6,945,440	7,011,102

On behalf of the Management Board:


Chokin T.K.
Chairman of the Management Board

8 April 2022
Almaty, Kazakhstan




Kapitnenko V.V.
Chief Accountant

8 April 2022
Almaty, Kazakhstan

The notes on pages 11-43 form an integral part of these financial statements.

Insurance company “Basel” JSC

Statement of Cash Flows for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		2,709,430	3,761,343
Adjustments for:			
Change in provision for unearned premiums, net of reinsurance	5	1,165,851	(68,894)
Change in provision for insurance losses, net of reinsurance	5	(729,621)	(704,479)
Change in deferred acquisition cost		(351,840)	-
Net realized (gain)/loss on investments available-for-sale		(1,343)	19,925
Recovery of provision for impairment loss on other assets	15	(124,324)	(7,504)
Unrealized loss/(gain) on foreign exchange operations	7	2,489	(128,799)
Depreciation and amortization	8	41,169	31,181
Net change in accrued interest		64,152	114,043
Cash flows from operating activities before changes in operating assets and liabilities		2,775,963	3,016,816
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Insurance and reinsurance receivable		(224,375)	(68,189)
Advances paid		(44,792)	4,426
Other assets		116,612	6,834
Increase/(decrease) in operating liabilities			
Advances received		117	(4,044)
Other liabilities		82,549	10,286
Cash flows from operating activities before income tax paid		2,706,074	2,966,129
Income tax paid		(224,823)	(725,683)
Net cash from operating activities		2,481,251	2,240,446
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	13	(46,175)	(25,674)
Purchase of investments available-for-sale		(14,553,758)	(3,787,889)
Proceeds from disposal and redemption of investments available-for-sale		13,314,574	8,347,043
Net cash from investing activities		(1,285,359)	4,533,480

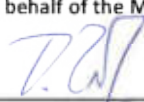
Insurance company "Basel" JSC

Statement of Cash Flows (Continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	19	(2,600,000)	(7,200,000)
Net cash used in financing activities		(2,600,000)	(7,200,000)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,900)	128,818
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,407,008)	(297,256)
CASH AND CASH EQUIVALENTS, beginning of the year		1,747,618	2,044,874
CASH AND CASH EQUIVALENTS, end of the year	10	340,610	1,747,618


Interest received by the Company during the years ended 31 December 2021 and 2020 amounted to KZT 644,472 thousand and KZT 755,366 thousand, respectively.

On behalf of the Management Board:


Chokin T.K.
Chairman of the Management Board

8 April 2022
Almaty, Kazakhstan




Kapitanenko V.V.
Chief Accountant

8 April 2022
Almaty, Kazakhstan

The notes on pages 11-43 form an integral part of these financial statements.

Insurance company “Basel” JSC

Notes to the Financial Statements for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

1. Organisation

JSC Kaspi Insurance is a joint-stock company and has been performing its operations in the Republic of Kazakhstan since 1994. On 13 May 2020, the shareholder of JSC Kaspi Insurance renamed the name of JSC Kaspi Insurance to Insurance company “Basel” Joint Stock Company (“the Company”). The Company’s activity is regulated by the National Bank of Kazakhstan (“the NBK”) and the Agency of the RK for Regulation and Development of Financial Market (“the FMRDA”) under license No. 2.1.5 dated 9 July 2020. The primary business of the Company is provision of insurance activities in the field of “general insurance”.

As at 31 December 2021 and 2020, the number of the Company’s employees was 97 and 72 employees, respectively.

As at 31 December 2021, Daniyar Zhanbekov owns 100% of Company’s shares. As at 31 December 2020, the Company is a 100% subsidiary of JSC Kaspi Bank.

The registered office of the Company is located at 244A Nazarbayev Ave., Almaty, the Republic of Kazakhstan.

These financial statements were authorized for issue by the Management Board of the Company on 8 April 2022.

2. Significant accounting policies

Statement of compliance. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements have been prepared assuming that the Company is a going concern and will continue operation for the foreseeable future.

The management and shareholder have the intention to further develop the business of the Company in the Republic of Kazakhstan. The Management believes that the going concern assumption is appropriate for the Company due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

Basis of preparation. These financial statements are presented in thousands of Kazakhstani tenge (“KZT thousand”), unless otherwise indicated.

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets or services.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 24.

Operating Environment. Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly and are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the government’s fiscal and monetary policies, together with developments in the legal, regulatory and political environment.

Global inflationary processes are growing due to the rapid restoration of global consumer demand after the relaxing of quarantine measures, increased savings, and the realisation of deferred demand. Supply growth still lags behind demand due to supply issues and material shortages. According to the World Bank, economic growth in Central Asia in 2022 will fall to 3%, which is nearly half of the 2021 level, due to the tightening of macroeconomic policy and new COVID-19 outbreaks, including the omicron variant. As a result of the growth in demand exceeding supply, the trend of rising inflation in many countries will remain, despite measures introduced to curb price rises. Trading partners, with the exception of China, are experiencing historical inflation highs. Prices have also been rising in Kazakhstan. A slowdown in food product inflation and in paid services has been compensated by an acceleration in non-food item inflation. Increased inflation expectations only strengthen the foundation for inflation. The domestic economy continues to actively recover on the basis of relatively high prices for raw materials and the relaxing of quarantine measures.

Due to its reliance on raw materials, the Kazakhstan economy is sensitive to changes in global energy resource prices. At the end of December 2021, the Brent oil price had grown 13.3% to \$77.72 per barrel, at some point during the month, reaching \$80 per barrel.

The change in the operating environment directly correlates to the Company’s activities in the future, impacting policy holders’ ability to enter into/extend insurance agreements, while volatility on capital markets impacts Kazakhstan’s investment activities.

Company management monitors current changes in the economic situation in Kazakhstan and takes all necessary measures to support the Company’s sustained medium-term development.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

COVID-19 pandemic – A new coronavirus disease (COVID-19) began to spread rapidly across the world at the start of 2020 resulting in the World Health Organization’s announcement of a pandemic in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. Therefore, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company’s business largely depends on the duration and the spread of the pandemic on the global and Kazakhstani economies. In response to the pandemic, the government of Kazakhstan has implemented several measures, aimed at curbing the spread and impact of COVID-19, such as: limiting international air travel, instituting quarantine in certain regions of the country, limiting business activities of certain sectors. As a result of the spread of COVID-19, following measures were implemented to ensure the sustainability of the Company’s activities, support for its customers and employees

- during the quarantine period, most of the Company’s employees were transferred to remote work;
- additional sanitary measures were provided in the Company’s office.

The Management of the company assessed short-term and long-term potential financial effects of the COVID-19 pandemic. It is the Management’s opinion that the Company has sufficient liquidity and will continue to comply with regulatory requirements, including the solvency margin and the adequacy ratio of highly liquid assets, for the foreseeable future.

Management of the Company is monitoring developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Company’s business for the foreseeable future. However, the consequences of the January events and related future changes may have a significant impact on the Company’s operations.

Functional currency. Items included in the financial statements of the Company are measured using the currency of the primary of the economic environment in which the Company operates (“the functional currency”). The functional currency of the Company is the Kazakhstani Tenge (“KZT”). The presentational currency of the financial statements of the Company is also the Kazakhstani Tenge. All values are rounded to the nearest thousand Tenge (“KZT thousand”), except when otherwise indicated.

Offsetting. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

The principal accounting policies are set out below.

Revenue recognition

Recognition of underwriting income and expense. Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the provision for unearned premiums, claims paid, the provision for insurance losses and policy acquisition costs.

Insurance company "Basel" JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

Net written insurance premiums represent gross written premiums less reinsurance premiums ceded. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The provision for unearned premiums represents the portion of the premiums written relating to the unexpired terms of coverage and is included as a liability in the statement of financial position.

Claims paid and the change in provision for insurance losses are charged to the statement of profit or loss as incurred through the reassessment of the provision for insurance losses.

Acquisition costs, comprising broker and agent commissions, which vary and are directly related to the production of new business, are deferred and amortized over the whole period, in which the related written premiums are earned.

Broker and agent commissions. Broker and agent commissions are recognized at the commencement of insurance contracts and are charged to expenses at the moment of initial recognition of insurance and reinsurance contracts in the statement of profit or loss.

Recognition of interest income. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset (or group of financial assets) and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) on a shorter period, to the net carrying amount on initial recognition of the debt instrument.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the interest rate to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of dividend income. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Financial instruments. The Company recognizes financial assets and financial liabilities in its statement of financial position when it becomes a party to the contractual obligations of the financial instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date of accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets. Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), held to maturity (“HTM”) investments, available-for-sale (“AFS”) investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL. Financial assets are classified as at FVTPL, when the financial asset is either held for trading or it is designated as at FVTPL at the initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on revaluation recognised in profit or loss. The net gain or loss incorporates any dividend and interest earned on the financial asset and is included in the ‘dividend income’ and interest income line item, respectively.

Investments held-to-maturity. Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Investments held-to-maturity are measured at amortised cost using the effective interest method less any impairment.

Investments available-for-sale. Investments available-for-sale are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. Fair value is determined in the manner described (see Note 22). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest income calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including due from banks, insurance receivables and other financial assets) are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Insurance company "Basel" JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

Impairment of financial assets. Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired, when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS investments is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments available-for-sale fair value deficit.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the statement of profit or loss.

Financial liabilities and equity instruments issued

Classification as debt or equity. Debt and equity financial instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities. Financial liabilities including reinsurance payables, dividends payable and other financial liabilities are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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Notes to the Financial Statements (continued)

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Derecognition of financial liabilities. The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of profit or loss.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts with the banks with original maturity of less or equal to 90 days, as well as reverse repurchase agreements, that are free from contractual encumbrances.

Accounts receivable. Accounts receivable consist of insurance receivable, commission receivable from reinsurance operations and the amount of claims on reinsured risks receivable from reinsurers at the reporting date. Premiums on insurance operations and reinsurance commissions are accounted for on the accrual basis.

Property, equipment and intangible assets. Property, equipment and intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Building and other real estate	2%
Machinery and equipment	20-30%
Vehicles	7-10%
Other fixed assets	10%
Intangible assets	10%

An item of property, equipment and intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, equipment and intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

Impairment of tangible and intangible assets. At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss in the same period.

Taxation. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner, in which the Company expects at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

Current and deferred tax for the year. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Operating taxes. The Republic of Kazakhstan where the Company operates also has various other taxes, which are assessed on the Company’s activities aside from corporate income tax. These taxes are included as a component of operating expenses in the statement of profit or loss.

Reinsurance. In the ordinary course of business, the Company cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from legal risks and provide additional capacity for growth.

Reinsurance assets include balances for unpaid losses and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying statement of financial position within reinsurance assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the Company to the reinsurer.

If there is objective evidence that the reinsurance receivable is impaired, the Company reduces the carrying amount of the reinsurance receivable accordingly and recognises that impairment loss in the statement profit or loss. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

Contingencies. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position, but disclosed when an inflow of economic benefits is probable.

Foreign currencies. In preparing the financial statements, transactions in currencies other than the Company’s functional currency (“foreign currencies”) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The exchange rates used by the Company in the preparation of the financial statements as at year-end are as follows:

	31 December 2021	31 December 2020
KZT/USD	431.8	420.91
KZT/RUB	5.76	5.62

Share capital. Contributions to share capital are recognized at cost.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 *Events after the Reporting Period* and disclosed accordingly.

Equity reserves. The reserves recorded in the Company’s statement of financial position include:

- available-for-sale fair value deficit, which comprises changes in fair value of financial assets of this category;
- stabilization reserve which is recognized by adjusting retained earnings and is an estimate of the Company’s liabilities to cover any unforeseen future losses in case of exceed of average ratio over unprofitable insurance lines of business;
- unexpired risk reserve which is formed when the provision for unearned premiums is insufficient to cover insurance losses and unallocated loss adjustment expenses.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, the Management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies. The following are the critical judgements, apart from those involving estimations that the Company management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for insurance losses. Provision for insurance losses is a summary of estimates of ultimate losses, and includes both claims reported but not settled (“RBNS”) and claims incurred but not reported (“IBNR”).

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Company during its investigation of insured events. IBNR is estimated by the Company based on its previous history of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data. For lines of insurance that do not have statistical data, IBNR is calculated according to NBK requirements as 5% of the written premiums.

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Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

The reinsurers’ share in the provision for insurance losses is calculated in accordance with the reinsurers’ share under the reinsurance contracts.

Valuation of insurance liabilities. For insurance liabilities, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

Liability adequacy test. The Company applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate in the light of the estimated future cash flows.

Valuation of financial instruments. As described in Note 22, the Company uses valuation techniques that include inputs on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

4. Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended IFRS Standards that are effective for the current year.

The following amendments and interpretations are effective for the Company effective January 1, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (Phase 2)

The above standards and interpretations were reviewed by the Company’s management, but did not have a significant effect on the consolidated financial statements of the Company.

New and revised IFRS Standards in issue but not yet effective.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 16	Property, Plant and Equipment – Revenue Before Intended Use
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets –Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 12	Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

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IFRS 17 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

The Standard will have an impact on the financial statements due to the new accounting principles for calculating insurance liabilities. However, as at reporting date, the management of the Company has not completed its assessment of the impact on the Company’s financial statements.

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Notes to the Financial Statements (continued)
for the Year Ended 31 December 2021
(in thousands of Kazakhstani Tenge)

5. Analysis of premiums and losses

The following is the analysis of insurance activity results for the year ended 31 December 2021:

	Obligatory insurance of civil liability of car owners	Title insurance	Voluntary vehicle insurance	Voluntary property insurance	Voluntary accident insurance	Voluntary insurance from other financial losses	Voluntary insurance in case of loss	Voluntary insurance in liability of car owners	Other	Total
Direct written insurance premiums	1,250,728	146,213	1,465,061	419,951	14,688	7,454	352,774	242,251	126,589	4,025,709
Premiums on inward reinsurance	-	-	15,376	1,569	22	-	-	6,870	294,363	318,200
Written insurance premiums, gross	1,250,728	146,213	1,480,437	421,520	14,710	7,454	352,774	249,121	420,952	4,343,909
Premiums ceded to reinsurance	-	-	(17,199)	(126,378)	-	-	(199,607)	(2,015)	(7,675)	(352,874)
Written premiums, net of reinsurance	1,250,728	146,213	1,463,238	295,142	14,710	7,454	153,167	247,106	413,277	3,991,035
Change in provision for unearned premiums, gross	(766,024)	(74,392)	(3,506)	(237,046)	454	243	2,307	(84,255)	(93,494)	(1,255,713)
Change in provision for unearned premiums, reinsurer's share	-	-	15,517	73,585	-	-	-	(546)	1,306	89,862
Change in provision for unearned premiums, net of reinsurance	(766,024)	(74,392)	(12,011)	(163,461)	454	243	2,307	(84,801)	(92,188)	(1,165,851)
Earned insurance premiums, net of reinsurance	484,704	71,821	1,475,249	131,681	15,164	7,697	155,474	162,305	321,089	2,825,184
Claims paid, gross	(282,498)	-	(220,690)	-	-	-	(66,372)	-	(362)	(569,922)
Reimbursement on regression claim	10,873	-	105,974	-	-	188,440	-	-	-	305,287
Change in provision for insurance losses, gross	(176,813)	(6,802)	974,194	(18,871)	1,671	381	(17,072)	(14,164)	(17,732)	724,792
Change in provision for insurance losses, reinsurer's share	-	-	860	5,164	-	-	9,979	3	(11,177)	4,829
Change in provision for insurance losses, net of reinsurance	(176,813)	(6,802)	975,054	(13,707)	1,671	381	(7,093)	(14,161)	(28,909)	729,621
Claims reimbursed/(incurred), net of reinsurance	(448,438)	(6,802)	860,338	(13,707)	1,671	188,821	(73,465)	(14,161)	(29,271)	464,986
Broker and agent commissions expenses	(243,186)	(7,201)	(1,482)	(14,185)	(16)	-	(40)	(40,315)	(33,584)	(340,009)
Broker and agent commissions income	-	-	388	82	-	-	-	-	2,378	2,848
Results of insurance activity	(206,920)	57,818	2,334,493	103,871	16,819	196,518	81,969	107,829	260,612	2,953,009

For the year ended 31 December 2021, the Company had a negative result of insurance activity under "insurance of civil liability of car owners" line of the business in the amount of KZT 206,920 thousand, which resulted from high frequency of insurance cases.

Insurance company "Basel" JSC

Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

The following is the analysis of insurance activity results for the year ended 31 December 2020:

	Obligatory insurance of car owners	Title insurance	Voluntary vehicle insurance	Voluntary property insurance	Voluntary accident insurance	Voluntary insurance from other financial losses	Voluntary insurance in case of illness	Voluntary insurance of civil liability of car owners	Other	Total
Direct written insurance premiums	5,770	10,152	3,368,051	52,403	25,191	12,756	17,050	4,494	986	3,496,853
Premiums on inward reinsurance	-	-	-	-	-	-	-	-	25,223	25,223
Written insurance premiums, gross	5,770	10,152	3,368,051	52,403	25,191	12,756	17,050	4,494	26,209	3,522,076
Premiums ceded to reinsurance	-	-	-	(23,301)	-	-	-	(1,959)	(447)	(25,707)
Written premiums, net of reinsurance	5,770	10,152	3,368,051	29,102	25,191	12,756	17,050	2,535	25,762	3,496,369
Change in provision for unearned premiums, gross	19,287	9,926	114,575	(45,049)	367	108	14,964	3,744	(70,059)	47,823
Change in provision for unearned premiums, reinsurer's share	-	-	-	19,360	-	-	-	-	1,711	21,071
Change in provision for unearned premiums, net of reinsurance	19,287	9,926	114,575	(25,689)	367	108	14,964	3,744	(68,388)	68,894
Earned insurance premiums, net of reinsurance	25,057	20,078	3,482,626	3,413	25,558	12,864	32,014	6,279	(42,626)	3,565,263
Claims paid, gross	(115,716)	-	(867,152)	-	-	-	(1,012)	-	-	(983,880)
Reimbursement on regression claim	5,967	-	148,956	-	-	156,632	-	-	-	311,555
Change in provision for insurance losses, gross	168,850	508	561,158	(1,937)	7,640	4,862	853	225	(82,035)	660,124
Change in provision for insurance losses, reinsurer's share	-	-	-	1,156	-	-	-	98	43,101	44,355
Change in provision for insurance losses, net of reinsurance	168,850	508	561,158	(781)	7,640	4,862	853	323	(38,934)	704,479
Claims reimbursed/(incurred), net of reinsurance	59,101	508	(157,038)	(781)	7,640	161,494	(159)	323	(38,934)	32,154
Broker and agent commissions	(1,796)	(23)	(353)	(159)	(23)	-	-	-	(1,272)	(3,626)
Results of insurance activity	82,362	20,563	3,325,235	2,473	33,175	174,358	31,855	6,602	(82,832)	3,593,791

Insurance company "Basel" JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

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6. Interest income

	Year ended 31 December 2021	Year ended 31 December 2020
Interest Income		
Interest income on non-impaired investments	557,461	641,323
Interest income from reverse repo agreements	22,859	-
Total interest income	580,320	641,323

7. Net (loss)/gain on foreign exchange operations

	Year ended 31 December 2021	Year ended 31 December 2020
Unrealized (loss)/gain	(2,489)	128,799
Trade operations, net	661	(12)
Total net (loss)/gain on foreign exchange operations	(1,828)	128,787

8. Operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Staff costs	544,714	297,553
Professional services	182,544	91,707
Bank services	62,256	103,704
Depreciation and amortization	41,169	31,181
Rent expenses	22,525	8,332
Taxes, other than income tax	20,988	25,239
Membership fee	5,830	7,452
Property and equipment maintenance	5,566	3,882
Payments to JSC Insurance Payments Guarantee Fund	5,485	20
Business trip expenses	3,571	1,266
Stationery	2,622	1,235
Mail and courier expenses	1,474	1,629
Other expenses	49,351	18,455
Total operating expenses	948,095	591,655

9. Income taxes

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Kazakhstan which may differ from IFRS.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

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Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2021 and 2020 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases’ differences for certain assets. The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Kazakhstan on taxable profits (as defined) under tax law in that jurisdiction.

Temporary differences as at 31 December 2021 and 2020 comprise:

	31 December 2021	31 December 2020
Deductible temporary differences:		
Provision for unused vacation	30,000	16,438
Total deductible temporary differences	30,000	16,438
Taxable temporary differences:		
Property, equipment and intangible assets	(368,671)	(344,438)
Total taxable temporary differences	(368,671)	(344,438)
Net taxable temporary differences	(338,671)	(328,000)
Net deferred tax liabilities	(67,734)	(65,600)

The movement of deferred income tax liabilities was as follows:

	2021	2020
1 January	(65,600)	(64,586)
Change in deferred income tax	(2,134)	(1,014)
31 December	(67,734)	(65,600)

The effective tax rate reconciliation is as follows for the years ended 31 December 2021 and 2020:

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before income tax	2,709,430	3,761,343
Tax at the statutory tax rate (20%)	541,886	752,269
Tax effect of permanent differences:		
Non-taxable income on governmental and securities listed on Kazakhstan Stock Exchange	(141,210)	(125,780)
Non-taxable income on insurance operations	(37,613)	(24,470)
Other	8,637	(7,588)
Income tax expense	371,700	594,431
	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax expense	369,566	593,417
Deferred income tax expense	2,134	1,014
Income tax expense	371,700	594,431

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Notes to the Financial Statements (continued)
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10. Cash and cash equivalents

	31 December 2021	31 December 2020
Current accounts in foreign currency	110,359	1,414,952
Current accounts in KZT	82,294	310,639
Cash on hand	18,933	22,027
Repurchase Agreements (REPO)	129,024	-
Total cash and cash equivalents	340,610	1,747,618

Fair value and carrying value of the loans under reverse repurchase agreements as at 31 December 2021 comprise:

	31 December 2021	
	Book Value	Fair Value
Ministry of Finance of Kazakhstan bonds	129,024	129,010
Total Repurchase Agreements (REPO)	129,024	129,010

11. Investments available-for-sale

	31 December 2021	31 December 2020
Debt securities	8,630,106	7,369,733
Equity securities	37,666	37,666
Total investments available-for-sale	8,667,772	7,407,399

	Interest to nominal %	31 December 2021	Interest to nominal %	31 December 2020
Debt securities:				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	4.93-7.25	4,423,539	5.50-7.25	3,726,040
Discount notes of NBRK	9.23-9.74	4,206,567	9.72-10.45	3,643,693
Total debt securities		8,630,106		7,369,733

	Share, %	31 December 2021	Share, %	31 December 2020
Equity securities:				
Shares of JSC Insurance Payments Guarantee Fund	-	37,666	-	37,666
Total equity securities		37,666		37,666

Assumptions applied in determining fair values are described in Note 22. As at 31 December 2021 and 2020, accrued interest of KZT 62,169 thousand and KZT 126,321 thousand, respectively, was included in investments available-for-sale.

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Notes to the Financial Statements (continued)
for the Year Ended 31 December 2021
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12. Account Receivables from insurers and reinsurers

	31 December 2021	31 December 20120
Account receivables from insurers	96,864	45,526
Account receivables from reinsurers	195,738	22,701
Total account receivables from insurers and reinsurers	292,602	68,227

13. Property, equipment and intangible assets

	Building and other real estate	Machinery and equipment	Vehicles	Other fixed assets	Intangible assets	Total
At cost						
1 January 2020	829,970	15,367	12,000	36,450	94,856	988,643
Additions	-	15,111	-	1,521	9,042	25,674
Disposals	-	(1,806)	-	(546)	-	(2,352)
31 December 2020	829,970	28,672	12,000	37,425	103,898	1,011,965
Additions	-	36,088	-	1,408	8,679	46,175
31 December 2021	829,970	64,760	12,000	38,833	112,577	1,058,140
Accumulated depreciation						
1 January 2020	107,195	11,662	7,257	24,042	89,811	239,967
Depreciation charge	16,632	3,350	548	3,642	7,009	31,181
Disposals	-	(1,806)	-	(546)	-	(2,352)
31 December 2020	123,827	13,206	7,805	27,138	96,820	268,796
Depreciation charge	16,632	11,353	548	3,701	8,935	41,169
31 December 2021	140,459	24,559	8,353	30,839	105,755	309,965
Net book value						
As at 31 December 2021	689,511	40,201	3,647	7,994	6,822	748,175
As at 31 December 2020	706,143	15,466	4,195	10,287	7,078	743,169

As at 31 December 2021 and 2020 the Company's intangible assets included license agreements and computer software.

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Notes to the Financial Statements (continued)
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14. Deferred Acquisition Costs

	Obligatory insurance of civil liability of car owners	Voluntary property insurance	Voluntary insurance of civil liability	Voluntary insurance of professional liability	Voluntary transportation insurance	Voluntary title insurance	Other	Total for 2021
Deferred acquisition costs	275,326	44,716	14,543	6,320	5,981	8,432	676	355,994

	Obligatory insurance of civil liability of car owners	Voluntary property insurance	Voluntary insurance of civil liability	Voluntary insurance of professional liability	Voluntary transportation insurance	Voluntary title insurance	Other	Total for 2021
Deferred acquisition costs	128	1,697	-	-	79	993	1,257	4,154

15. Other assets

	31 December 2021	31 December 2020
Other financial assets:		
Receivable from Kazakhstan Kagazy JSC	-	588,296
Other	876	74
	876	588,370
Less: allowance for impairment loss	-	(588,296)
Total other financial assets	876	74
Other non-financial assets:		
Prepayments	8,965	2,055
Inventory	11	11
Total other non-financial assets	8,976	2,066
Total other assets	9,852	2,140

The movements in allowance for impairment losses on other assets were as follows:

	2021	2020
As at 1 January	595,800	595,800
Assets write-off	(463,972)	-
Recovery of provision for impairment loss on other assets*	(124,324)	(7,504)
As at 31 December	7,504	588,296

*This recovery of provision is related to the receipt of cash from Kazakhstan Kagazy JSC.

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Notes to the Financial Statements (continued)
for the Year Ended 31 December 2021
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16. Provision for unearned premiums

	Provision for unearned premiums, gross	Provision for unearned premiums, reinsurers' share	Provision for unearned premiums, net of reinsurers' share
1 January 2020	235,383	-	235,383
Change for the year	(47,823)	(21,071)	(68,894)
31 December 2020	187,560	(21,071)	166,489
Change for the year	1,255,713	(89,862)	1,165,851
31 December 2021	1,443,273	(110,933)	1,332,340

17. Provision for insurance losses

	2021			2020		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Reported but not settled ("RBNS")	2,351,671	-	2,351,671	3,083,751	-	3,083,751
Incurred but not reported ("IBNR")	361,512	(44,355)	317,157	289,556	-	289,556
Total provision for insurance losses at the beginning of the year	2,713,183	(44,355)	2,668,828	3,373,307	-	3,373,307
Claims paid/(returned)	264,635	-	264,635	672,325	-	672,325
Decrease in liabilities	(989,427)	(4,829)	(994,256)	(1,332,449)	(44,355)	(1,376,804)
Change in provision for insurance losses (Note 5)	(724,792)	(4,829)	(729,621)	(660,124)	(44,355)	(704,479)
Reported but not settled ("RBNS")	1,616,179	-	1,616,179	2,351,671	-	2,351,671
Incurred but not reported ("IBNR")	372,212	(49,184)	323,028	361,512	(44,355)	317,157
Total provision for insurance losses at the end of the year	1,988,391	(49,184)	1,939,207	2,713,183	(44,355)	2,668,828

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)
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18. Other liabilities

	31 December 2021	31 December 2020
Other financial liabilities:		
Payables to suppliers and contractors	65,910	8,081
Payables to reinsurers	28,301	24,045
Insurance premium payable on terminated agreements	978	19,412
Other	55	-
	95,244	51,538
Other non-financial liabilities:		
Provision for unused vacation	46,438	16,438
Taxes payable, other than income tax	6,625	37
Other	2,257	29
	55,320	16,504
Total other liabilities	150,564	68,042

19. Equity

Share capital. As at 31 December 2021 and 2020, declared, issued and fully paid share capital consisted of 10,000 ordinary shares, with a par value of KZT 20,600 each. All shares are ranked equally and carry one vote each.

During the year ended 31 December 2021, the amount of dividends declared and paid by the Company amounted to KZT 2,600,000 thousand.

During the year ended 31 December 2020, the amount of dividends declared and paid by the Company amounted to KZT 7,200,000 thousand.

20. Commitments and contingencies

Capital commitments. As at 31 December 2021 and 2020, the Company did not have any significant capital commitments.

Legal proceedings. From time to time and in the normal course of business, claims against the Company are received from customers and counterparties. Management is of the opinion that no material non-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

Taxes. Due to the presence in Kazakhstani commercial legislation and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management’s judgment of the Company’s business activities was to be challenged by the tax authorities, the Company may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals’ pricing. The Company believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Employee payments and retirement benefits. The Company’s employees after retirement age receive pension benefits in accordance with the legislation of the Republic of Kazakhstan. As at 31 December 2021 and 2020, the Company was not liable for any supplementary pensions, post-retirement health care or other social payments to its current or former employees.

21. Transactions with related parties

Related parties and transactions with related parties are assessed in accordance with IAS 24 *Related party disclosures*.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following transactions outstanding as at 31 December 2021 and 2020 with related parties:

	31 December 2021		31 December 2020	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents	-	340,610	1,702,124	1,747,618
- the Parent company	-	-	1,702,124	-
Provision for unearned premiums	100	1,443,273	14	187,560
- the Parent company	-	-	-	-
- other related parties	100	-	14	-
Provision for insurance losses	-	1,998,391	4,977	2,713,183
- the Parent company	-	-	3,066	-
- other related parties	-	-	1,911	-
Other liabilities	-	150,564	5,037	68,042
- the Parent company	-	-	-	-
- key management personnel	-	-	5,037	-

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

Included in the statement of profit or loss for the years ended 31 December 2021 and 2020, are the following amounts, which arose due to transactions with related parties:

	Year ended 31 December 2021		Year ended 31 December 2020	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Direct written insurance premiums, gross	334	4,343,909	210	3,522,076
- the Parent company	-		-	
- other related parties	334		210	
Change in provision for unearned premiums, net of reinsurance	86	(1,165,851)	(1,000)	68,894
- the Parent company	-		(950)	
- other related parties	86		(50)	
Claims paid, net of reinsurance	-	(264,635)	318	(672,325)
- the Parent company	-		318	
- other related parties	-		-	
Change in provision for insurance losses, net of reinsurance	(4,977)	729,621	326	704,479
- the Parent company	(3,066)		103	
- other related parties	(1,911)		223	
Operating expenses, including:				
-Bank services	-	62,256	(103,704)	(103,704)
-Key management remuneration	129,995	544,714	(90,187)	(297,553)

22. Fair value of financial instruments

Fair value of financial instruments. IFRS defines fair value as 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.

Fair value of the Company's financial assets and financial liabilities measured at fair value on a recurring basis. Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key inputs
Investments available-for-sale (Note 11)	7,776,810	5,050,048	Level 1	Quoted bid prices in an active market.
Investments available-for-sale (Note 11)	853,296	2,319,685	Level 2	Quoted prices in markets that are not active.

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Notes to the Financial Statements (continued)
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The table above does not include available-for-sale equity investments as at 31 December 2021 and 2020, in the amount of KZT 37,666 thousand, which do not have a quoted market price in an active market and whose fair value cannot be reliably measured due to absence of the market for such instruments. Currently, the Company does not intend to dispose these investments.

23. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholder through the optimization of the debt and equity balance.

The Company is subject to the regulatory requirements for the solvency margin set by the NBK. The Company is obliged to maintain the solvency margin normative not less than 1. As at 31 December 2021 and 2020, the Company's solvency margin was 2.55 and 2.33, respectively.

24. Risk management policies

Management of risk is fundamental to the insurance business and is an essential element of the Company's operations. The main risks inherent to the Company's operations are those related to underwriting risk, credit risk, liquidity risk, market risk, operational and currency risk. A summary of the Company's risk management policies in relation to those risks is as follows.

The Company recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Company has established a risk management framework, whose main purpose is to protect the Company from risk and allow it to achieve its performance objectives. Through the risk management framework, the Company manages the following risks:

Insurance risk. The main risk, which the Company is exposed to under the insurance contracts, is that the amount and the period of insurance premiums depend directly on the amounts and periods of loss incurrence by the insured. The Company is also exposed to the risk that its pricing assumptions will result in negative cash flows as a result of adverse claims data. These risks are inherent in all insurance contracts entered into by the Company.

The Company manages the insurance risk through its internal insurance risk policy. This involves assessing the risk exposure of the Company, the analysis of their insurance experience and other statistical data, and the settlement of tariff policy. Full details of the insurance risk by lines of business are presented in Note 5.

Key assumptions. The principal assumption underlying the liability estimates is the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year.

For insurance contracts, provisions for losses are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on information available at the reporting date, including potential outstanding loss notifications, experience with similar claims and case law at the reporting date.

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The Company has used all possible and currently available information to estimate provision for claims reported by policyholders including claims' adjustment expenses according to every class of insurance contract.

IBNR has been evaluated using a modified Chain Ladder method and Bornhuetter-Ferguson method for all classes where there is sufficient data, on the basis of claims settled. Provisions for insurance losses are separately analysed by class of business. In addition, larger claims are usually either separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome. The Company performs utilization analysis of provisions on a regular basis.

Past claims development experience method extrapolates the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Past claims development is mainly analysed by accident years, as well as by significant business lines.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, impact of current changes in legislation such as changes in obligatory payment limits in insurance of employers liability and claims handling procedures.

Judgment is used to assess the extent to which the actual claims tendencies after the reporting date affect the estimates.

Claims development table. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of table below illustrates how the Company's estimate of total claims outstanding for each accident year (including both RBNS and IBNR claims) for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest level. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

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Notes to the Financial Statements (continued)

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A loss development triangle for the incurred but not reported reserves and reported but not settled reserves is shown below:

As at 31 December of the corresponding year:	2015	2016	2017	2018	2019	2020	2021
Gross liability for unpaid claims and expenses for claims (IBNR & RBNS)	2,484,184	3,016,932	3,387,192	3,786,076	3,373,307	2,713,183	1,988,391
Reinsurance amount to be reimbursed	(5,281)	(4,671)	(12,830)	(8,037)	-	(44,355)	(49,184)
Net liability for unpaid claims and claims expenses (net IBNR & net RBNS)	2,478,903	3,012,261	3,374,362	3,778,039	3,373,307	2,668,828	1,939,207
Gross reserve for insurance cases incurred in corresponding year:							
At the end of the year	2,036,767	1,886,896	1,367,390	1,914,362	1,497,867	407,109	547,551
Claims paid (accrual basis) of insurance cases incurred in corresponding year:							
Year after	782,490	687,926	468,753	1,046,834	549,470	101,654	
Two years after	790,932	710,888	478,616	1,074,032	565,438		
Three years after	791,768	715,142	478,622	1,079,809			
Four years after	796,934	715,142	480,080				
Five years after	796,934	718,642					
Six years after	796,934						
Current aggregated claims paid	796,934	718,642	480,080	1,079,809	565,438	101,654	
Gross reserve for insurance cases incurred in corresponding year:							
Year after	895,963	1,083,913	758,672	1,004,918	1,124,665	243,243	
Two years after	881,048	1,052,341	839,031	1,083,581	1,088,479		
Three years later	38,088	28,917	17,400	41,013			
Four years after	649	1,847	1,211				
Five years after	513	505					
Six years after	350						
Current estimate of accumulated claims	350	505	1,211	41,013	1,088,479	243,243	
Current estimate of surplus/(deficit) of provision for insurance losses	1,239,483	1,167,749	886,099	793,540	(156,050)	62,212	
Current surplus/ (deficit) of initial gross reserve, %	60.9%	61.9%	64.8%	41.5%	(10.4%)	15.3%	

Investment risks. The investment policy of the Company is based on levels of income and the Company’s risk appetite at a point in time. The investment activities of Kazakhstani insurance companies are under the strict supervision of the NBK, and the Company does not have permission to operate as a professional participant in the capital markets.

The investment portfolio of the Company comprises financial instruments that are chosen according to profitability rates, maturity and the risk level of the investment. The investment portfolio is diversified to provide smooth income receipts during the investing period. Investment income is generally reinvested to increase the investment portfolio.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

Credit risk. The Company is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or groups of debtors and geographical segments. Limits on the level of credit risk by a debtor and reinsurer are approved by the Management Board and the Board of Directors on a regular basis. Such risks are monitored continuously and subject to an annual or more frequent reassessment.

The Company regularly monitors the collectability of insurance and reinsurance receivable. If receivables are impaired, impairment charges are recognized in the financial statements.

Maximum exposure of credit risk. The Company’s maximum exposure to credit risk varies significantly depending on both individual risks and general market economy risks.

For financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset of assets and liabilities or collateral.

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor’s and Moody’s. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details credit ratings of financial assets held by the Company as at 31 December 2021 and 2020, which were rated using either internationally recognised rating agency or internal rating:

	BBB	<BBB	Not rated	Total
31 December 2021:				
Cash and cash equivalents	134,602	187,075	18,933	340,610
Investments available-for-sale	8,630,106	-	37,666	8,667,772
Insurance and reinsurance receivable	185,231	2,080	105,291	292,602
Other financial assets	-	-	876	876
31 December 2020:				
Cash and cash equivalents	23,452	1,702,139	22,027	1,747,618
Investments available-for-sale	7,369,733	-	37,666	7,407,399
Insurance receivable	22,701	-	45,526	68,227
Other financial assets	-	-	74	74

The entities of the insurance sector are in general exposed to credit risk arising from financial instruments and contingencies. The Company’s credit risk is focused in the Republic of Kazakhstan. The degree of credit risk is monitored on an ongoing basis in order to ensure observance of limits.

As at 31 December 2021 and 2020, the Company does not have any overdue but not impaired financial assets.

Geographic concentration. All the Company’s operations are conducted in the Republic of Kazakhstan.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	31 December 2021 Total
FINANCIAL ASSETS:							
Investments available- for-sale	7.67	-	1,054,996	6,205,009	1,370,101	-	8,630,106
Cash and cash equivalents	10.3	129,024	-	-	-	-	129,024
Total interest bearing financial assets		129,024	1,054,996	6,205,009	1,370,101	-	8,759,130
Cash and cash equivalents		211,586	-	-	-	-	211,586
Investments available- for-sale		-	-	-	-	37,666	37,666
Insurance and reinsurance receivable		93,274	52,643	146,685	-	-	292,602
Other financial assets		3	-	873	-	-	876
Total financial assets		433,887	1,107,639	6,352,567	1,370,101	37,666	9,301,860
FINANCIAL LIABILITIES:							
Other financial liabilities		51,304	37,579	6,361	-	-	95,244
Total financial liabilities		51,304	37,579	6,361	-	-	95,244
Liquidity gap		382,583	1,070,060	6,346,206	1,370,101	37,666	
Cumulative liquidity gap		382,583	1,452,643	7,798,849	9,168,950	9,206,616	

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	31 December 2020 Total
FINANCIAL ASSETS:							
Investments available-for-sale	8.30	=	-	5,748,404	1,621,329	-	7,369,733
Total interest bearing financial assets		=	-	5,748,404	1,621,329	-	7,369,733
Cash and cash equivalents		1,747,618	-	-	-	-	1,747,618
Investments available-for-sale		-	-	-	-	37,666	37,666
Insurance and reinsurance receivable		16,129	30,132	21,966	-	-	68,227
Other financial assets		6	-	-	68	-	74
Total financial assets		1,763,753	30,132	5,770,370	1,621,397	37,666	9,223,318
FINANCIAL LIABILITIES:							
Other financial liabilities		35,047	16,344	147	-	-	51,538
Total financial liabilities		35,047	16,344	147	-	-	51,538
Liquidity gap		1,728,706	13,788	5,770,223	1,621,397	37,666	
Cumulative liquidity gap		1,728,706	1,742,494	7,512,717	9,134,114	9,171,780	

The Company does not include its insurance reserves in its liquidity, maturity analysis, including amounts due from reinsurers classified as reinsurance assets, as actual liabilities may vary from the amount reserved, and as such these amounts are not included in the above table.

Discounted liabilities presented in the tables above approximate contractual undiscounted liabilities due to their short-term nature.

Investments available-for-sale are presented by dates to maturity, while they are sufficiently liquid and could be realized at the fair value during three months period, if necessary.

Market risk. Market risk covers interest rate risk, currency risk and other pricing risks to which the Company is exposed. There have been no changes as to the way the Company measures risk or to the risk it is exposed in 2021 and 2020.

Interest rate risk. The Company manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

A 300 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel of the Company and represents management’s assessment of the reasonably possible change in interest rates.

As at 31 December 2021 and 2020, the Company is not exposed to interest rate risk because the Company does not have financial instruments with floating interest rate as at reporting date.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued) for the Year Ended 31 December 2021 (in thousands of Kazakhstani Tenge)

Equity price sensitivity analysis. If equity prices would increase and decrease by 25% in 2021 and 2020, the capital would increase and decrease by KZT 9,417 thousand, respectively.

Currency risk. Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Information about the Company’s currency risk level is provided below:

	KZT	USD USD 1 = KZT 431.8	RUB RUB 1 = KZT 5.76	31 December 2021 Total
FINANCIAL ASSETS				
Cash and cash equivalents	230,251	110,356	3	340,610
Investments available-for-sale	8,630,106	-	-	8,630,106
Insurance and reinsurance receivable	292,602	-	-	292,602
Other financial assets	876	-	-	876
Total financial assets	9,153,835	110,356	3	9,264,194
FINANCIAL LIABILITIES				
Other financial liabilities	95,244	-	-	95,244
Total financial liabilities	95,244	-	-	95,244
NET POSITION	9,058,591	110,356	3	

* The table above does not include available-for-sale equity investments as at 31 December 2021, in the amount of KZT 37,666 thousand.

	KZT	USD USD 1 = KZT 420.91	31 December 2020 Total
FINANCIAL ASSETS			
Cash and cash equivalents	332,666	1,414,952	1,747,618
Investments available-for-sale	7,369,733	-	7,369,733
Insurance and reinsurance receivable	68,227	-	68,227
Other financial assets	74	-	74
Total financial assets	7,770,700	1,414,952	9,185,652
FINANCIAL LIABILITIES			
Other financial liabilities	51,538	-	51,538
Total financial liabilities	51,538	-	51,538
NET POSITION	7,719,162	1,414,952	

* The table above does not include available-for-sale equity investments as at 31 December 2020, in the amount of KZT 37,666 thousand.

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Notes to the Financial Statements (continued)
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Currency risk sensitivity. The following table details the Company’s sensitivity to a 25% increase and decrease in the KZT against the USD. 25% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25% change in foreign currency rates.

Changes of the possible movement of the currency rate by 25% were associated with the transition to flexible exchange rate policy announced by the NBK. The impact on profit before tax and equity based on asset values as at 31 December 2021 and 2020, was calculated using the annual analysis of the exchange rates volatility based on historical data of the exchange rates dynamics over the last two years; see the details in the following table:

	31 December 2021		31 December 2020	
	KZT/USD +25%	KZT/USD -25%	KZT/USD +25%	KZT/USD -25%
Impact on profit before tax	27,589	(27,589)	353,738	(353,738)
Impact on equity	22,071	(22,071)	282,990	(282,990)

Limitations of sensitivity analysis. The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors.

It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Company’s assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company’s financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position.

In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder’s equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company’s view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Operational risk. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The management of the Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

Insurance company “Basel” JSC

Notes to the Financial Statements (continued)

for the Year Ended 31 December 2021

(in thousands of Kazakhstani Tenge)

25. Events after the reporting period

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into unrest. On 5 January, the President introduced a state of emergency across the country, which was in place until 19 January. During the mass protests internet access was restricted across Kazakhstan, bank operations and transactions were suspended, stock and commodity exchanges were closed, and flights were cancelled, resulting in businesses being unable to function effectively. The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January. The government is focusing on addressing the political and socio-economic situation.

In February 2022, tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. In order to reduce the negative impact of external factors on the Kazakhstani economy, the National Bank of the Republic of Kazakhstan (“NBK”) raised the base rate from 10.25% to 13.5% per annum with a corridor of +/- 1.0 p.p., and interventions on the currency market were performed to support tenge exchange rate against foreign currencies. However, there is uncertainty exists related to the future development of the geopolitical risks and their impact on the economy of the Republic of Kazakhstan.

Management of the Company is monitoring developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Company’s business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Company’s operations.