First-Time Adoption of IFRS 17 for JSC "Euroasia Insurance": Accounting and Reserving Methodology, Transition Approach, Accounting Policies and Financial Reporting Analysis

Accounting and Reserving Methodology

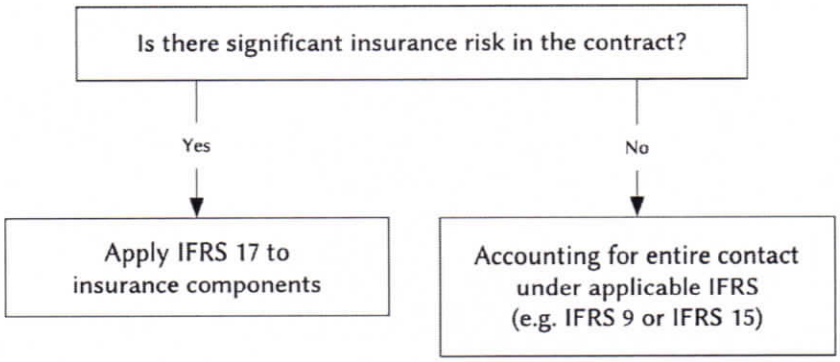
1. Introduction

This document serves as a guide and methodology in implementing the requirements of the International Financial Reporting Standard 17 (IFRS 17), "Insurance Contracts," for Euroasia Insurance JSC (The Company). IFRS 17, issued by the International Accounting Standards Board (IASB), replaces IFRS 4 and introduces a new accounting model for insurance contracts. It aims to provide a more accurate and consistent accounting framework for insurance contracts across the globe.

2. Identification of the contracts

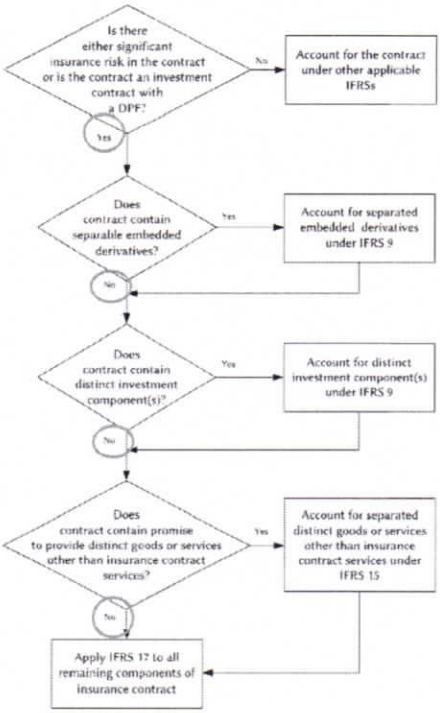
Under IFRS 17, an insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. The company analysed all of insurance contracts including reinsurance contracts and found that they fall under the definition of the insurance contracts as per IFRS 17 ie there is significant insurance risk from another party and insurer (the company) accepts this risk and to compensate if the insured event occurs. Hence, they should be accounted under IFRS 17. Please see below decision tree used.

This definition determines which contracts are within the scope of IFRS 17 as opposed to other standards.



In addition to the above, Insurance contracts may contain one or more components that would be within the scope of another IFRS if they were separate contracts. Such components may be embedded derivatives, an investment component or a component for services other than insurance contract services. The attached decision tree is used in order to identify whether the

Company's insurance contracts contain any of the above elements.



The company does not provide any instalment payment schemes or similar. Hence, there are no embedded derivatives, an investment component or a component for services other than insurance contract services.

3. Contract Grouping

The company divided the portfolio into 3 groups based on the type, nature and class of direct insurance contracts and reinsurance contracts:

- Loan insurance contracts (includes other financial risk insurance contracts)
- Mandatory and other insurance contracts
- Property insurance contracts

*Others include mainly accidents insurances and other non-significant insurance.

4. Measurement Models Selection

IFRS 17 introduces three primary measurement models to ensure appropriate accounting for the diverse range of insurance contracts:

General Measurement Model (GMM), also known as the Building Block Approach (BBA): This model applies to most insurance contracts and calculates the present value of expected future cash flows with an adjustment for the time value of money and non-financial risk, as well as a contractual service margin representing unearned profit.

Premium Allocation Approach (PAA): Applicable to simpler insurance contracts, typically those with a coverage period of one year or less. It simplifies measurement by allowing the premium received to be allocated over the coverage period, minus any incurred claims.

Variable Fee Approach (VFA): Designed for contracts with direct participation features where the policyholder participates in a share of a clearly identified pool of underlying items. The VFA adjusts the contractual service margin for changes in the fair value of the underlying items.

After a thorough evaluation of the company's insurance portfolios and in-depth calculations comparing the Premium Allocation Approach (PAA) and the General Measurement Model (GMM), adopting the GMM for accounting across all four insurance groups is considered to be appropriate.

While the PAA offers a simplified measurement approach for contracts with coverage of one year or less, the assessment performed indicates that using the GMM will provide a consistent and robust framework for the diverse contract durations, which span beyond one year and up to 20 years.

This decision ensures uniformity in the company's accounting practices and aligns with the management's commitment to upholding the highest standards of financial reporting. By applying the GMM across the board, the management maintain clarity and consistency for stakeholders reviewing the financial statements.

5. Implementation of measurement model: GMM

1) Contract Boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services.

2) Discount Rate

One element of the building blocks in the general model is an adjustment (i.e. discount) to the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows.
IFRS 17 proposes two methods for determining discount rates for cash flows of insurance contracts that do not vary based on the returns on underlying items as follows:

- a 'bottom-up' approach; and
- a 'top-down' approach.

The Company management uses a 'bottom-up' approach using EIOPA USD curves with volatility adjustment and another adjustment for country risk in comparison to USD.

Source: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

This is a public resource maintained by Professor Ashwanth Damodaran of Stern School of Business at New York University, an authoritative researcher who posts the working behind the figures too. His numbers are close to other globally recognised source.

Year Start Curve Code	Year End Curve Code	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Year	Year	1	2	3	4	5	6	7	8	9	10
2022	2021 and Prior	5.12%	5.52%	5.76%	5.87%	5.96%	6.01%	6.06%	6.11%	6.14%	6.18%
2023	2022	13.36%	12.95%	12.55%	12.34%	12.24%	12.17%	12.11%	12.07%	12.03%	12.04%
2024	2023	10.49%	9.79%	9.45%	9.30%	9.23%	9.19%	9.18%	9.17%	9.17%	9.18%
2025	2024	9.35%	9.26%	9.23%	9.21%	9.19%	9.22%	9.22%	9.25%	9.23%	9.24%

3) Liability for Incurred Claims (LIC)

The Company estimated the ultimate cost of settling claims incurred but unpaid at the reporting dates and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims was estimated using a loss reserving technique – the chain-ladder methods. This technique assumes that the Company's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each insurance group, except for large claims, which are assessed separately from other claims.
The assumptions used, including loss ratios, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

The Chain Ladder Method is one of the most widely used techniques for estimating IBNR reserves. It is a deterministic method based on historical claims data, particularly the development patterns of claims over time.

- The Chain Ladder Method uses a triangular structure of claims data (e.g., paid or incurred claims) organized by accident periods (rows) and development periods (columns).
- Development factors (also called link ratios) are calculated to project future claims payments based on past trends.
- These factors are applied to the latest available data to estimate the ultimate claims amount, from which IBNR is derived.

Key assumptions:

- Historical development patterns will continue into the future.
- Claims are reported and settled in a predictable manner.

Formula:

- Ultimate Claims=Latest Reported Claims × Development Factor
- IBNR=Ultimate Claims−Reported Claims

The steps involved in determining the liability for incurred claims, as follows:

Step 1: Construction of Claim Triangles
Utilizing Yearly Claim Payment Data, claim triangles are to be constructed.

Step 2: Calculation of Development Factors and Loss Ratios
From the constructed triangles, development factors and loss ratios are computed.
Calculation of IBNR using the formula provided above.

Step 3: Computation of Claims Cash Flow
Claims cash flow is determined in the payment pattern tables, incorporating IBNR, development factors from CL reserving calculation, and outstanding claims data sourced from the "Outstanding Claims" data. This cash flow serves as the foundation for establishing the liability for incurred claims.

Step 4: Discounting of Cash Flow Claims

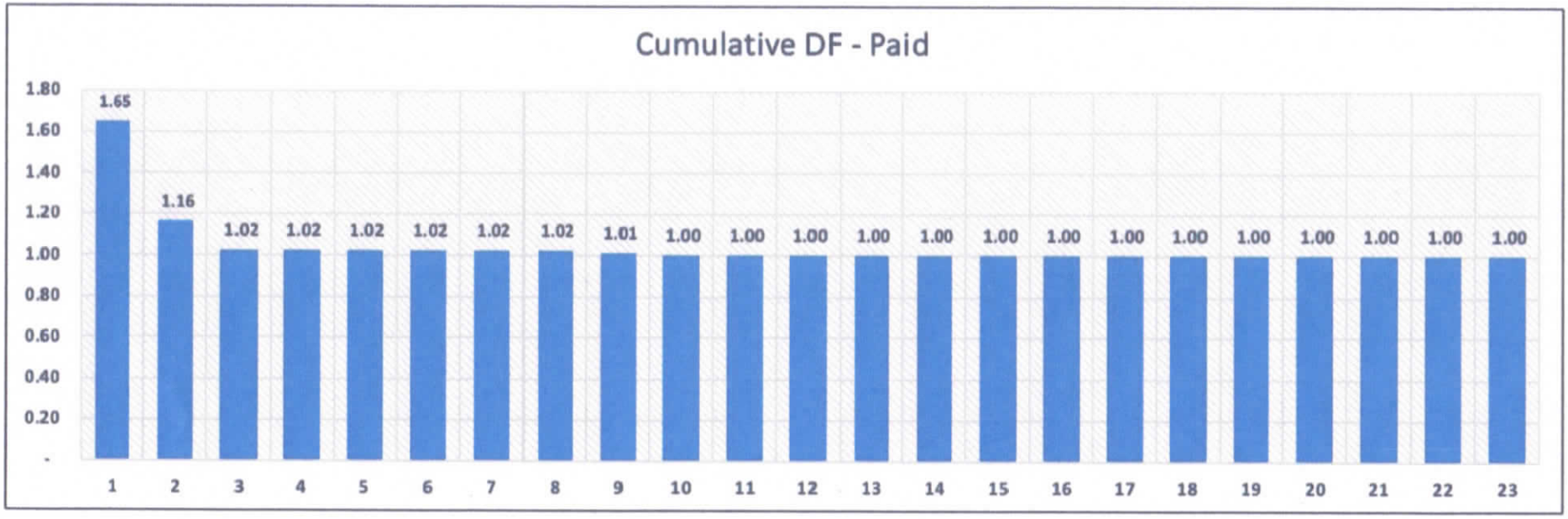
The cash flow derived in Step 3 undergoes discounting using appropriate discount rates to ascertain the present value of the cash flow, which represents the best estimate of the liability (BEL).

Note that depending on the circumstances Expected Loss Ratio (ELR) and Bornhuetter-Ferguson (BF) methods can also be considered to use and results of these 3 methods can be compared.

Loan insurance contracts 2023

Cumulative Paid Triangle and Cumulative Development Factors

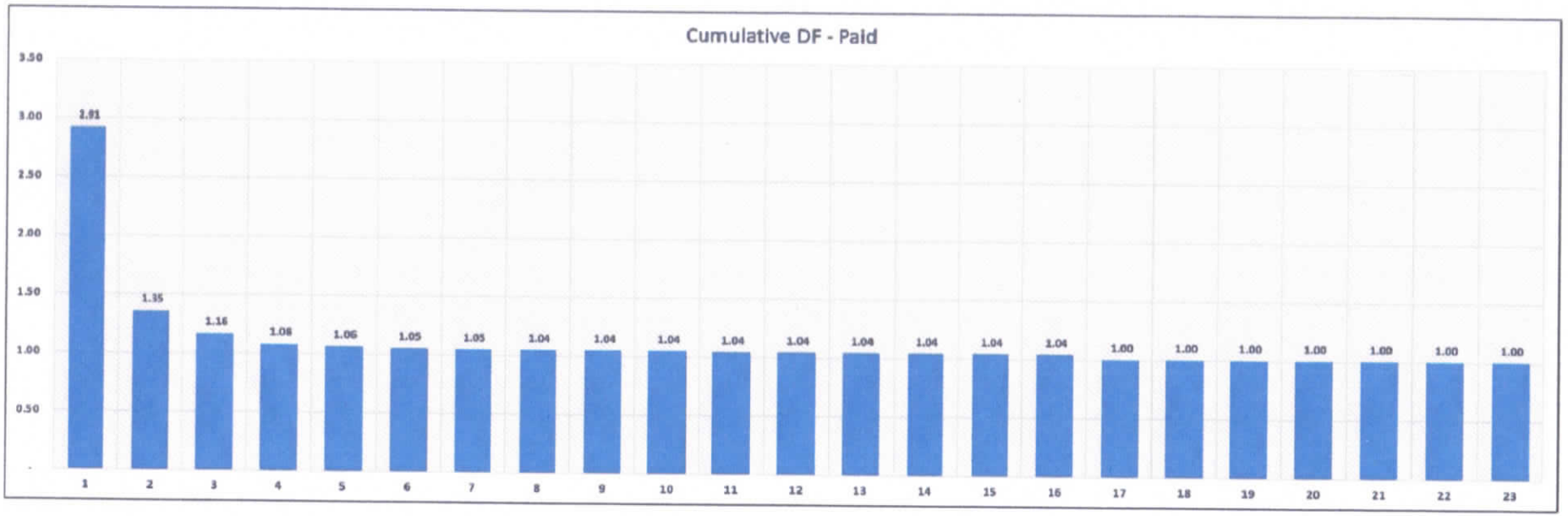
	1	2	3	4	5	6	7	8	9	10	11	12
Loss Qtrs	0	1	2	3	4	5	6	7	8	9	10	11
0	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105
1	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	
2	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292		
3	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735			
4	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207				
5	4,962,260,541	4,962,260,541	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524					
6	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732						
7	6,325,011,967	19,008,054,938	19,008,054,938	19,008,054,938	19,008,054,938							
8	801,688,760	943,385,645	943,385,645	943,385,645								
9	267,774,038	296,958,964	296,958,964									
10	10,802,685,544	14,062,327,336										
11	5,109,144											



Mandatory and other insurance contracts 2023

Cumulative Paid Triangle and Cumulative Development Factors

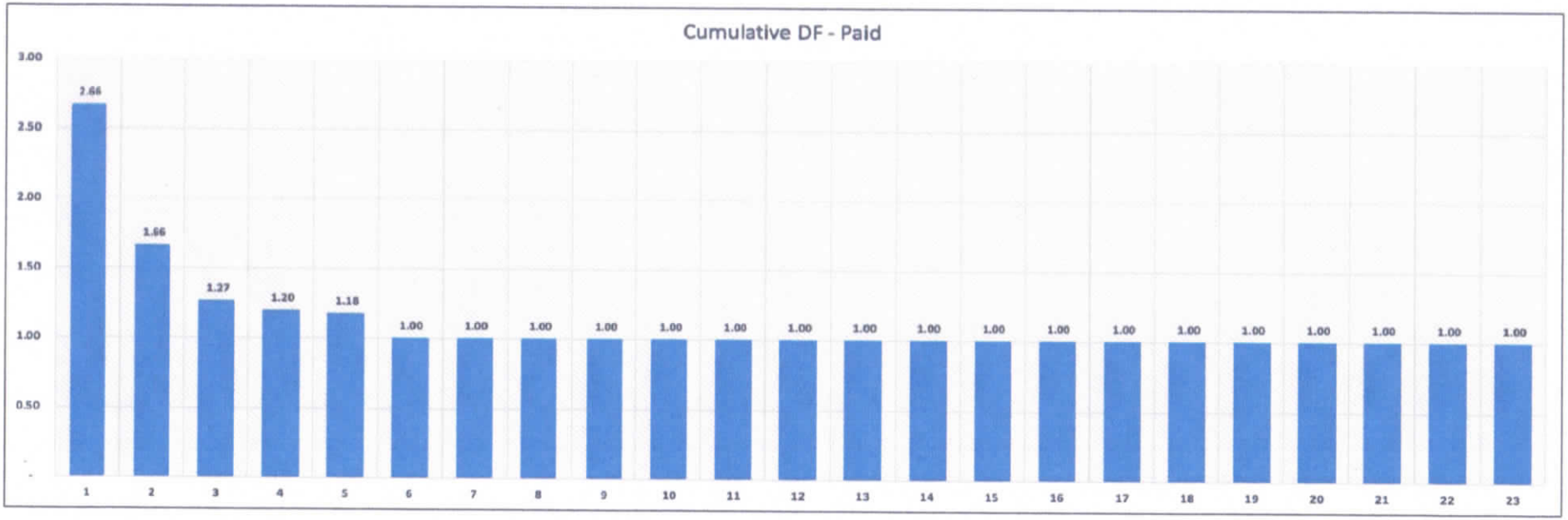
Loss Qtrs	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	-	-	-	-	4,705,465	4,705,465	4,705,465	4,705,465	4,705,465	4,705,465	4,705,465
2	-	-	-	-	-	-	-	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	
3	-	-	-	-	-	4,200,000	12,293,611	12,293,611	14,087,611	14,087,611	14,087,611	14,087,611	14,087,611	14,087,611	14,087,611	14,087,611	28,995,611		
4	-	-	-	-	82,045,082	82,642,637	94,314,057	98,015,206	98,015,206	124,015,206	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989			
5	-	-	-	615,030,298	772,439,987	797,565,657	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724				
6	-	-	925,825,007	1,281,345,808	1,281,345,808	1,281,345,808	1,283,628,819	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515					
7	-	2,055,491,101	3,126,583,710	4,314,720,489	4,334,102,359	4,367,134,240	4,379,182,073	4,379,182,073	4,379,182,073	4,439,082,255	4,439,844,160	4,439,844,160	4,439,844,160						
8	1,111,067,079	4,732,155,118	5,201,666,769	5,895,968,157	6,015,009,512	6,037,218,237	6,037,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,051,218,237							
9	3,183,261,728	6,712,054,151	7,875,889,285	8,588,100,325	8,679,092,588	8,694,464,661	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446								
10	1,781,903,697	3,789,925,489	5,322,107,372	5,534,592,691	5,562,210,585	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866									
11	1,632,816,948	4,104,562,898	4,613,189,467	4,687,348,370	4,745,423,417	4,763,410,020	4,789,410,020	4,789,410,020	4,789,410,020										
12	1,517,639,082	3,039,087,020	3,227,556,383	3,322,982,132	3,614,540,932	3,614,540,932	3,614,540,932	3,614,540,932											
13	1,807,230,097	4,051,817,567	5,264,204,329	5,383,894,129	5,403,094,129	5,513,823,080	5,545,518,091												
14	1,218,282,874	2,728,190,475	3,283,235,498	3,337,491,772	3,389,491,772	3,419,564,692													
15	2,518,606,374	3,764,401,861	4,220,853,645	4,257,177,044	4,257,177,044														
16	2,099,169,213	3,753,898,824	3,981,374,979	3,990,464,911															
17	778,363,212	1,790,094,855	1,844,606,117																
18	540,966,908	800,370,434																	
19	57,915,812																		



Property insurance contracts 2023

Cumulative Paid Triangle and Cumulative Development Factors

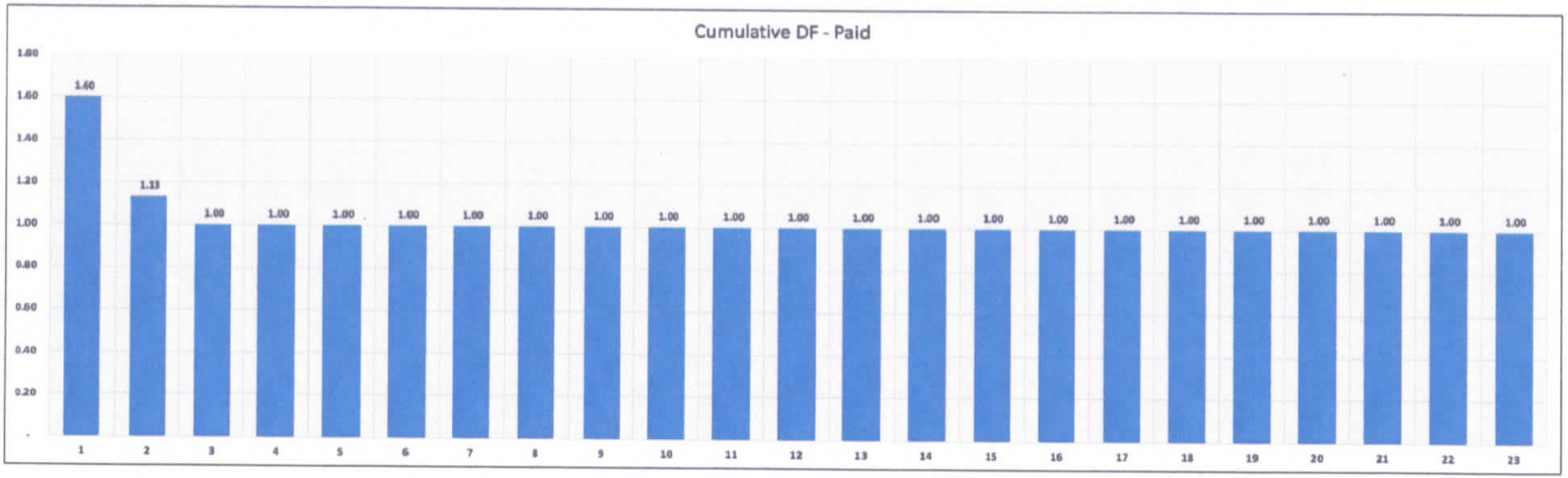
Loss Qtrs	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
0	-	-	-	-	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347
1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2	-	-	-	-	-	21,241,555	21,241,555	21,241,555	21,241,555	21,241,555	21,241,555	21,241,555	21,241,555	21,241,555		
3	-	-	97,434,287	97,434,287	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251			
4	125,000,000	232,068,587	239,562,198	239,562,198	239,562,198	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666				
5	550,132,840	750,132,840	756,427,840	756,427,840	760,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606					
6	-	11,316,000	346,445,300	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846						
7	-	-	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000							
8	3,052,000	17,802,500	17,802,500	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193								
9	16,941,751	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532									
10	6,000,000	6,000,000	6,000,000	21,207,119	21,207,119	21,207,119										
11	5,085,750	19,217,390	19,217,390	19,217,390	19,217,390											
12	904,660	904,660	904,660	904,660												
13	2,908,600	11,166,400	11,166,400													
14	3,300,000	32,916,695														
15	504,492,992															



Loan insurance contracts 2024

Cumulative Paid Triangle and Cumulative Development Factors

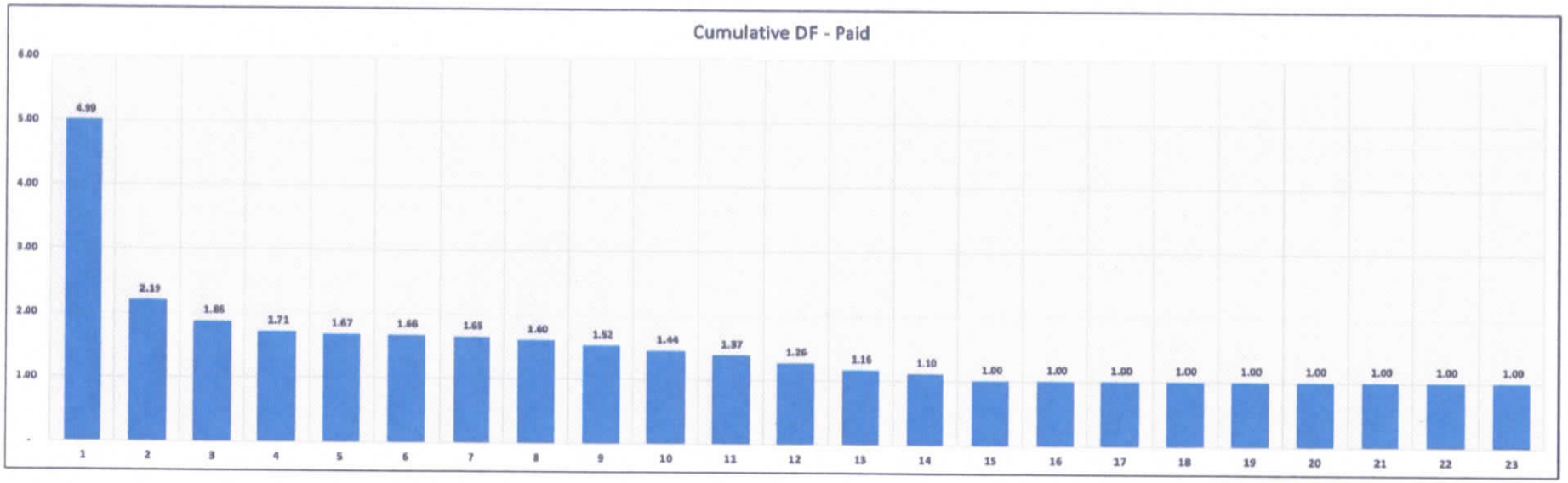
Loss Qtrs	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
0	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105	984,634,105
1	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	2,110,400,673	
2	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292	4,008,014,292		
3	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735	1,664,907,735			
4	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207	3,309,400,207				
5	4,962,260,541	4,962,260,541	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524	10,529,546,524					
6	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732	3,182,580,732						
7	6,325,011,967	19,008,054,938	19,008,054,938	19,008,054,938	19,008,054,938	19,008,054,938	19,008,054,938	19,008,054,938	19,008,054,938							
8	801,688,760	943,385,645	943,385,645	943,385,645	943,385,645	943,385,645	943,385,645	943,385,645								
9	267,774,038	296,958,964	296,958,964	296,958,964	301,371,964	301,371,964	301,371,964									
10	10,802,885,344	14,062,827,336	14,062,827,336	14,062,827,336	14,062,827,336	14,062,827,336										
11	5,109,144	5,109,144	131,147,626	131,147,626	131,147,626											
12	7,525,000	7,525,000	7,525,000	23,176,614												
13	660,447,977	752,927,824	2,252,927,824													
14	259,861,532	275,861,532														
15	704,796,052															



Mandatory and other insurance contracts 2024

Cumulative Paid Triangle and Cumulative Development Factors

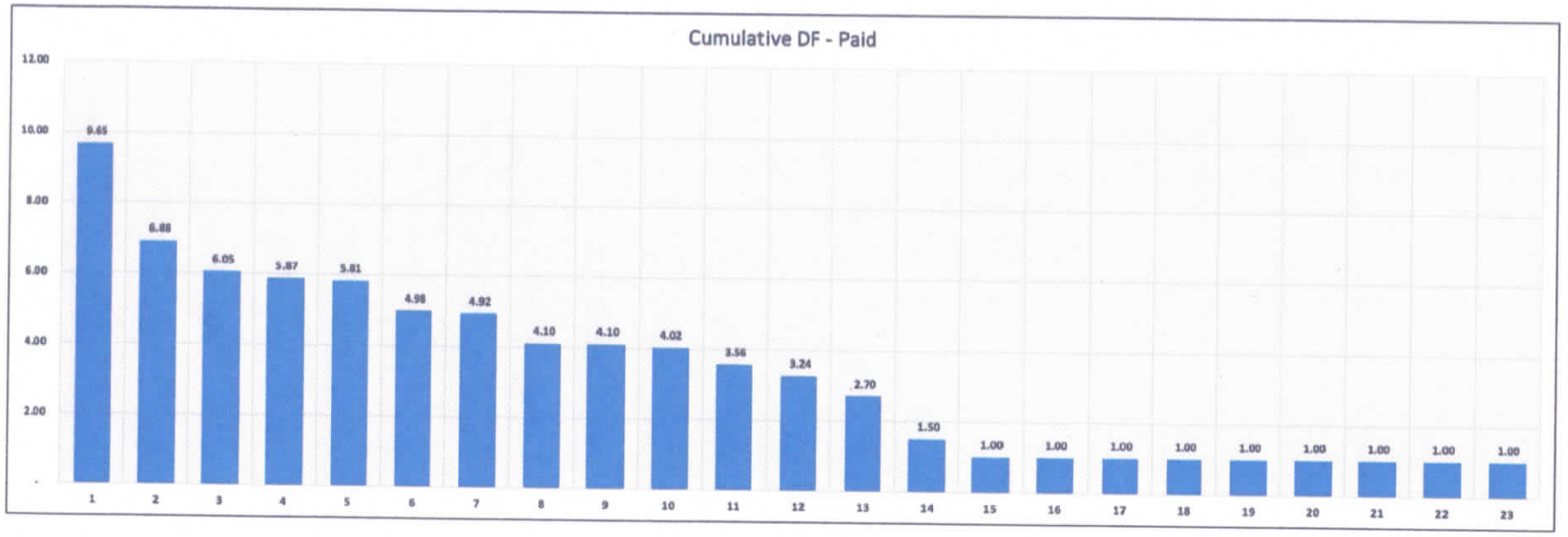
Loss Qtrs	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
0	-	-	-	-	82,045,082	82,642,637	94,314,057	98,015,206	98,015,206	124,015,206	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989	126,487,989
1	-	-	-	615,030,298	772,439,987	797,565,657	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	834,733,724	
2	-	-	925,825,007	1,281,345,808	1,281,345,808	1,281,345,808	1,283,628,819	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515	1,297,552,515		
3	-	2,655,451,161	3,126,583,710	4,314,720,489	4,334,102,959	4,367,194,240	4,379,182,073	4,379,182,073	4,379,182,073	4,435,082,255	4,459,844,160	4,459,844,160	4,459,844,160	4,459,844,160	4,459,844,160	4,459,844,160	4,459,844,160			
4	3,111,067,079	4,732,155,118	5,201,666,769	5,995,968,157	6,015,009,512	6,037,218,237	6,037,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,051,218,237	6,065,218,237	6,065,218,237			
5	3,181,161,728	6,712,054,151	7,875,889,285	8,588,100,325	8,679,092,538	8,694,464,661	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446	8,777,346,446				
6	1,781,903,697	3,789,925,489	5,322,107,372	5,534,592,691	5,562,210,535	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866	5,586,023,866					
7	3,032,810,948	4,104,562,898	4,613,199,487	4,687,348,370	4,745,422,417	4,789,410,020	4,789,410,020	4,789,410,020	4,789,410,020	4,789,410,020	4,798,410,020	4,798,410,020	4,798,410,020	4,798,410,020						
8	3,517,639,082	3,039,087,920	3,227,556,383	3,322,982,132	3,614,540,932	3,614,540,932	3,614,540,932	3,614,540,932	3,615,740,932	3,620,587,919	3,620,587,919	3,620,587,919								
9	2,807,730,097	4,051,317,567	5,264,204,329	5,383,894,129	5,403,094,129	5,519,823,060	5,545,518,091	5,638,245,449	5,666,505,339	5,666,505,339	5,666,505,339									
10	3,218,382,874	2,728,190,475	3,283,235,498	3,337,491,772	3,389,491,772	3,419,564,692	3,513,305,032	3,513,305,032	3,513,305,032	3,513,305,032										
11	2,518,606,874	3,764,401,863	4,130,853,845	4,267,177,044	4,267,177,044	4,328,132,738	4,331,310,667	4,331,310,667	4,376,392,837											
12	2,099,169,213	3,759,898,324	3,981,374,979	3,980,464,911	4,387,456,812	4,407,078,549	4,412,550,817	4,435,451,623												
13	778,363,212	1,790,094,855	1,844,606,137	2,240,393,895	2,266,103,090	2,268,103,090	2,308,141,741													
14	548,966,908	800,370,434	1,608,471,981	1,729,113,626	1,743,177,531	1,757,177,531														
15	57,915,812	2,040,679,237	2,153,497,550	2,821,789,508	2,826,726,908															
16	248,857,898	652,673,175	789,318,243	799,054,855																
17	243,216,521	687,778,436	844,092,665																	
18	193,711,722	526,766,730																		
19	470,013,300																			



Property insurance contracts 2024

Cumulative Paid Triangle and Cumulative Development Factors

Loss Qtrs	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
0	-	-	-	-	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347	13,571,347
1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	97,434,287	97,434,287	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251	120,113,251
4	125,000,000	232,068,587	239,562,198	239,562,198	239,562,198	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666	248,417,666
5	550,132,840	750,132,840	756,427,840	756,427,840	780,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606	1,057,786,606
6	-	11,316,000	346,445,300	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846	398,353,846
7	-	-	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	82,755,712	345,820,405	345,820,405	345,820,405	398,153,846	398,153,846	398,153,846	398,153,846	398,153,846	398,153,846
8	3,052,000	17,802,500	17,802,500	41,948,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193	41,946,193
9	16,941,751	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532	76,341,532
10	6,000,000	6,000,000	6,000,000	21,207,119	21,207,119	21,207,119	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775	46,081,775
11	5,085,750	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390	19,217,390
12	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660	904,660
13	2,908,600	11,166,400	11,166,400	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107	28,015,107
14	3,300,000	22,916,895	54,480,367	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517	56,650,517
15	504,492,992	582,141,015	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599	809,823,599
16	-	2,529,812,464	2,529,812,464	2,566,009,290	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	52,143,099	52,143,099	52,143,099	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

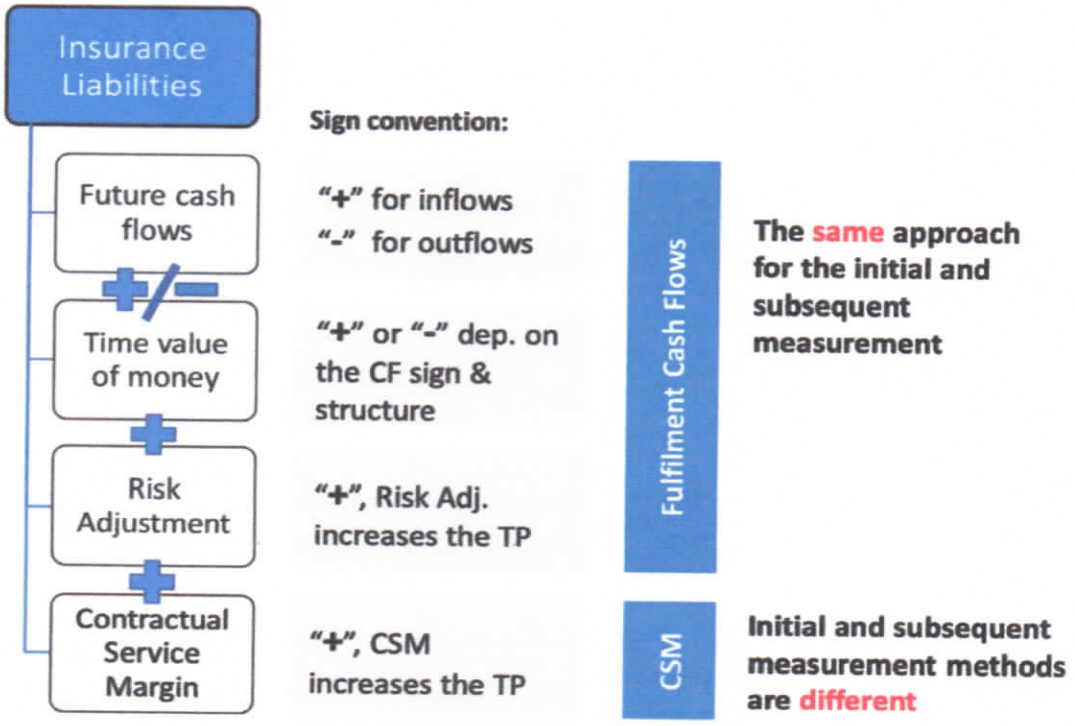


4) Risk Adjustment for LIC

Risk adjustment is identified by analysing and finding difference between average historical loss ratios and maximum loss ratio combining management's view and consideration of the upcoming macroeconomic and other external factors etc. Risk adjustment for non-financial risk is set at 10% for all insurance groups for the year ending 2022, 2023 and 2024.

5) Liability for Remaining Coverage (LRC)

At initial recognition, the liability for remaining coverage includes all remaining cash inflows and outflows under an insurance contract. Subsequently, at each reporting date, the liability for remaining coverage, excluding the contractual service margin, is re-measured using the fulfilment cash flow requirements. That is, it comprises the present value of the best estimate of the cash flows required to settle the obligation together with an adjustment for non-financial risk. The fulfilment cash flows for the liability for remaining coverage for contracts without direct participation features are discounted at the date of initial recognition of the group.



A. Assumptions

In order to calculate LRC the following assumptions are to be determined:

2022:

Portfolio	LR*	Expense*	RA*	Combined Ratio
Loan Insurance Contracts	40%	40%	10%	90%
Mandatory and Other Insurance Contracts	20%	40%	10%	70%
Property Insurance Contracts	10%	40%	10%	60%

2023:

Portfolio	LR*	Expense*	RA*	Combined Ratio
Loan Insurance Contracts	20%	10%	10%	40%
Mandatory and Other Insurance Contracts	20%	10%	10%	40%
Property Insurance Contracts	10%	10%	10%	30%

2024:

Portfolio	LR*	Expense*	RA*	Combined Ratio
Loan Insurance Contracts	20%	10%	10%	40%
Mandatory and Other Insurance Contracts	20%	10%	10%	40%
Property Insurance Contracts	10%	10%	10%	30%

- Loss Ratio (LR)

  Loss ratios within the context of Incurred But Not Reported (IBNR) reserves are calculated using the Expected Loss Ratio (ELR) Method. The ELR represents the anticipated proportion of losses relative to earned premiums, serving as a key indicator of the expected claims experience for each insurance portfolio.

  Following the computation of the ELR, both weighted average and simple average loss ratios are derived for each insurance group. The weighted average accounts for the varying levels of exposure or premium volume across groups, while the simple average provides a straightforward measure of central tendency.

  To ensure consistency and accuracy in the determined ratios, a smoothing process is applied. This process mitigates the impact of outliers or anomalies, resulting in more stable and reliable loss ratios that better reflect the underlying risk profile of the portfolios.

- Expense ratio

  To accurately assess the expenses associated with insurance contracts, it is necessary to identify and allocate directly attributable expenses to the cost of sale. These expenses include items such as acquisition costs, underwriting expenses, and other costs explicitly incurred in securing and servicing the insurance contracts. Once identified, these expenses should be analyzed in relation to the gross written premium (GWP) for each year, both at the level of individual insurance groups and on an

overall consolidated basis. This analysis involves calculating the expense ratio, which is defined as the proportion of directly attributable expenses to the gross written premium.

The computation of the expense ratio serves as a critical metric for evaluating the efficiency and profitability of the insurance operations. To ensure the chosen expense ratio is reasonable and reflective of the actual cost structure, a comparative analysis should be performed. Specifically, the expected expenses (based on historical trends, industry benchmarks, or management estimates) should be compared against the actual incurred expenses recognized during the year. This comparison allows for the identification of any significant variances, which may indicate changes in cost drivers, inefficiencies, or the need for adjustments in assumptions used for expense projections.

- Risk Adjustment ratio for LRC

The determination of the risk adjustment is based on an analysis of loss ratios (e.g., average loss ratio and maximum loss), consideration of the risks inherent to each portfolio, historical volatility, and management's judgment regarding the associated risks within the portfolios.

B. Contractual Service Margin (CSM)

Contractual Service Margin (CSM) under IFRS 17 represents the unearned profit embedded in an insurance contract. It's calculated by spreading the profit expected to emerge from fulfilling the contract over the coverage period. This ensures a systematic recognition of profit over time as services are provided, rather than recognizing all profits upfront.

Unearned Premium and Deferred Acquisition Costs have been calculated based on the Premium Start and End dates in the insurance portfolios for each insurance group and each year. Then, these are grouped by insurance contract start dates and insurance groups. CSM release % is calculated as 1-net unearned profit at closing/net unearned profit at opening. Net unearned profit represented by unearned profit less deferred acquisition cost. Note that gross unearned profit can be also used instead of net unearned profit in some cases.

C. Calculation of initial and subsequent CSM and BEL for LRC

Using the assumptions for Loss Ratio, Expense Ratio cash flow for claims and directly attributable expense are calculated for the remaining coverage periods. All relevant cash flows have been discounted using appropriate discount rates to find the present value of the liabilities (BEL). Accordingly, RA balances and CSM balances are computed in accordance with GMM model.

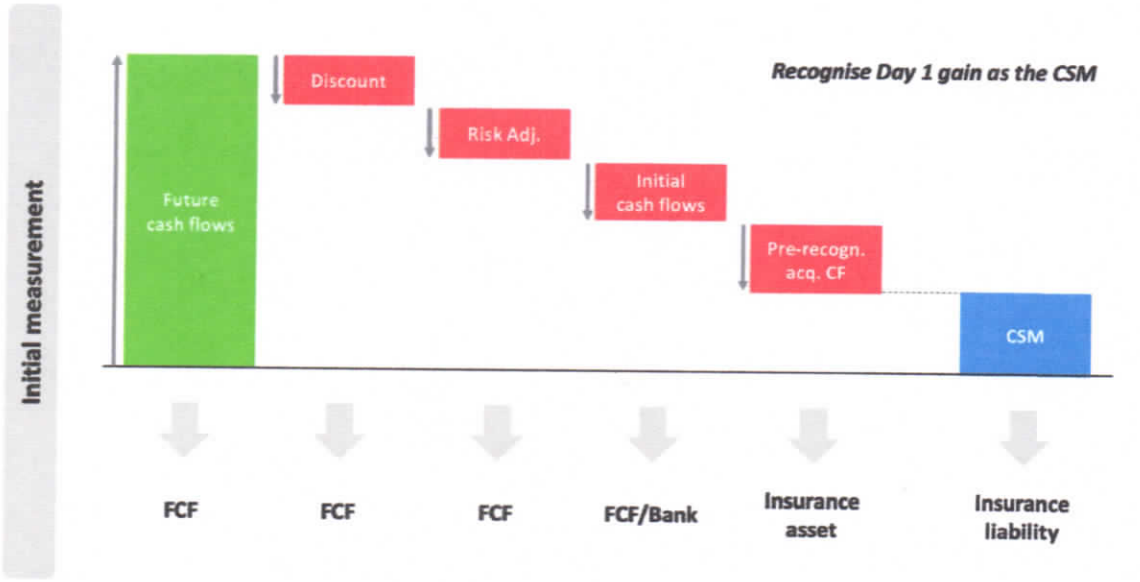
BEL for claim = UPR at opening * loss ratio.

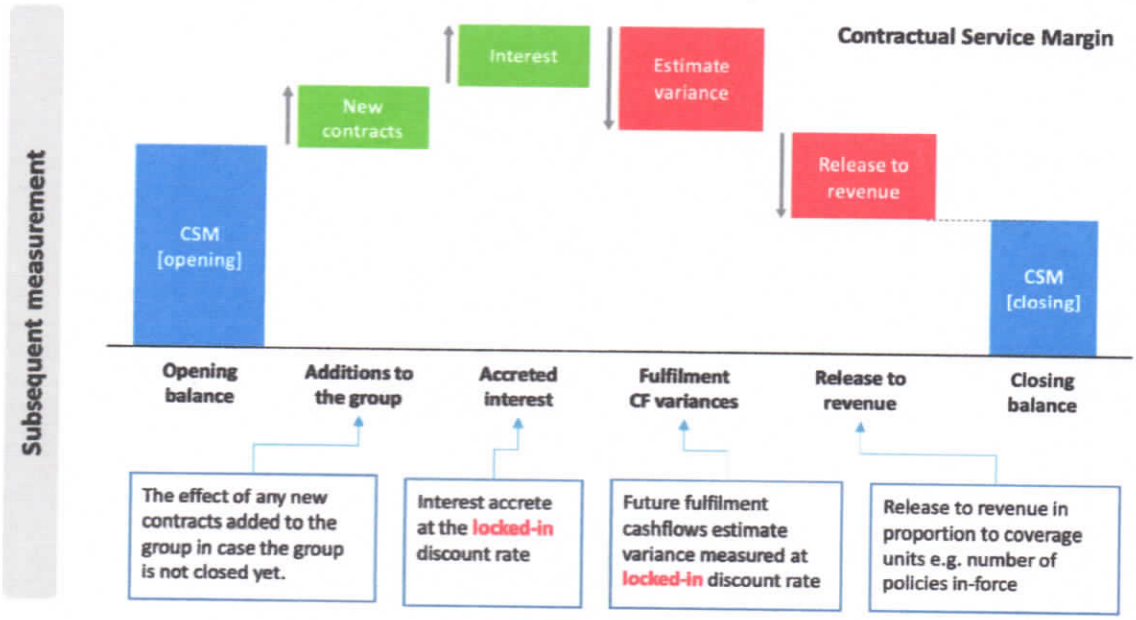
BEL for expense = UPR at opening * expense ratio.

RA = UPR at opening * RA ratio

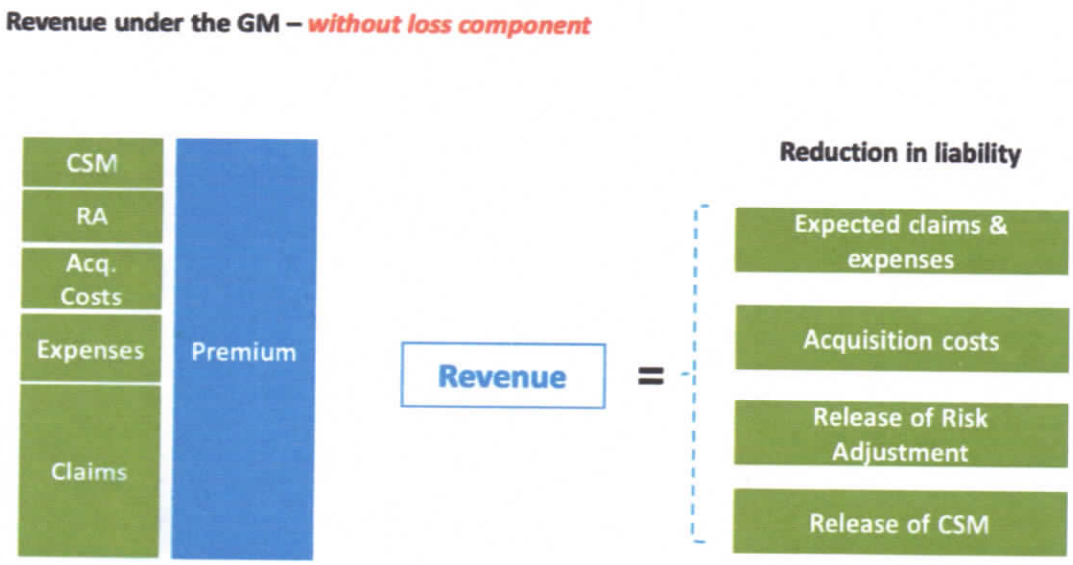
New CSM = UPR at opening – BEL for claim – BEL for Expense – RA – Commissions.

See below charts for initial and subsequent measurements.





D. Revenue is calculated as follow:



6. Onerous contracts

An onerous contract is a contract where the expected costs to fulfill the obligations under the contract exceed the economic benefits expected to be received from the contract. This situation arises when the present value of future cash outflows (costs) exceeds the present value of future cash inflows (revenue or premiums).

- Net Loss Position : The total expected costs (including fulfillment costs, claims, and other expenses) exceed the total expected revenues (premiums and investment income).
- Irrevocable obligation The insurer is committed to fulfilling the contract, even if it results in a loss
-

Measurement Under IFRS 17 : The assessment of whether a contract is onerous depends on the measurement of the contractual service margin (CSM) and the fulfillment cash flows (FCFs)

- If the FCFs indicate a net outflow, the contract may be onerous.
- The CSM cannot be negative; any excess loss must be recognized immediately in profit or loss.

7. Reinsurance contracts approach

The following approach is adopted to value liability/asset regarding to the outgoing reinsurance contract: share of RI in LIC=gross LIC*(RI UPR/Gross UPR).

RI LRC represents assets for remaining coverage and allocation of reinsurer premium is calculated using straight line method.

8. Composition of Balance Sheet and Income Statement under IFRS 17.

Balance sheet includes the following balances related to IFRS 17:

- Insurance contract assets/liabilities,
- reinsurance contract assets and liabilities.

Income statement has the following lines related to IFRS 17 insurances:

Insurance revenue	
	Expected benefits incurred
	Expected expenses incurred
	Change in the risk adjustment
	CSM recognized
	Recovery of acquisition cash flows
	Experience adjustments

Insurance service expense	
	Incurred benefits
	Incurred directly attributable expenses
	Losses on onerous contracts and reversal of those losses
	Changes that relate to past service - adjustments to LfIC
	Insurance acquisition costs

Net income or expense from reinsurance contracts held	
	Allocation of reinsurer premium
	Amounts recoverable from reinsurer and incurred expenses

Insurance finance expenses	
	Interest accreted to insurance contracts
	Change in financial assumptions through P&L

Transition Approach

The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. In the case of Euroasia Insurance JSC it is 1 January 2023.

As per IFRS 17, an entity should apply IFRS 17 retrospectively from the transition date unless: [IFRS 17.C3] (Full retrospective approach)

- Impracticable or
- The entity chooses to apply the fair value approach for a group of insurance contracts with direct participation features.

If it is impracticable, IFRS 17 proposes these 2 approaches:

- a modified retrospective approach
- a fair value approach

After reviewing the requirements for a full and modified retrospective application, the management concluded that the detailed historical analysis is not feasible due to the extensive data required.

Due to unavailability of reliable historic data as required for a Full Retrospective and Modified Retrospective Approaches, Management have elected to use the Fair Value Approach. The Fair Value for each group of contracts at transition is estimated as the prorated net-of-commissions premiums (UPR less DAC), as this is an approximation of refund value of each underlying policy. This practical alternative will allow the company to transition to IFRS 17 effectively, without the exhaustive process of reconstructing past financial information.

Accounting Policies

Summary of significant accounting policies for insurance contracts

Insurance and reinsurance contracts definition and classification

Insurance contracts - Insurance contracts are those contracts that have significant insurance risk at the inception of the contract. Insurance risk arises when the company agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder, with the possibility of paying, including variability in the timing of payments, significantly more in a scenario where the insured event occurs than when it does not occur. [IFRS 17.2]

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Separating components from insurance and reinsurance contracts - The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation. [IFRS 17.10]

Unit of account and recognition and derecognition - The Company recognizes insurance contract based on IFRS 17 [25-28]. Insurance contracts are required to be aggregated into portfolios of insurance contracts (quarter cohorts), based on underlying risk and the management of those risks, then further aggregated into groups based on the underlying expected profitability and date of issuance, with groups not containing contracts issued more than one year apart.
The profitability of aggregated groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- *Pricing information*
- *Results of similar contracts it has recognised*
- *Environmental factors, e.g., a change in market experience or regulations*

Insurance contracts are recognized from the earliest of: the beginning of the insurance contract's coverage period; when payment from the policyholder becomes due or, if there is no contractual due date, when it is received; and when a contract is onerous.

Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group. The company derecognizes insurance based on IFRS [74.77].

An insurance contract is derecognized when it is extinguished, i.e. when the specified obligations in the contract expire or are discharged or cancelled. An insurance contract is also derecognized if its terms are modified in a way that would have significantly changed the accounting for the contract

had the new terms always existed, in which case a new contract based on the modified terms is recognized. If an insurance contract modification does not result in derecognition, then the changes in cash flows caused by the modification are treated as changes in estimates of fulfillment cash flows.

Measurement

IFRS 17 introduces three primary measurement models to ensure appropriate accounting for the diverse range of insurance contracts:

General Measurement Model (GMM), also known as the Building Block Approach (BBA): This model applies to most insurance contracts and calculates the present value of expected future cash flows with an adjustment for the time value of money and non-financial risk, as well as a contractual service margin representing unearned profit.

Premium Allocation Approach (PAA): Applicable to simpler insurance contracts, typically those with a coverage period of one year or less. It simplifies measurement by allowing the premium received to be allocated over the coverage period, minus any incurred claims.

Variable Fee Approach (VFA): Designed for contracts with direct participation features where the policyholder participates in a share of a clearly identified pool of underlying items. The VFA adjusts the contractual service margin for changes in the fair value of the underlying items.

After a thorough evaluation of the company's insurance portfolios and in-depth calculations comparing the Premium Allocation Approach (PAA) and the General Measurement Model (GMM), management has decided to adopt the GMM for accounting across all four insurance groups.

While the PAA offers a simplified measurement approach for contracts with coverage of one year or less, the assessment performed indicates that using the GMM will provide a consistent and robust framework for the diverse contract durations, which span beyond one year and up to 20-30 years.

This decision ensures uniformity in the company's accounting practices and aligns with the management's commitment to upholding the highest standards of financial reporting. By applying the GMM across the board, the management maintain clarity and consistency for stakeholders reviewing the financial statements.

Contract Boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services.

Insurance acquisition costs

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:
a. to that group; and
b. to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts
in that group.

General Measurement Model

The general model measures a group of insurance contracts as the total of:
• Fulfilment cash flows
• A CSM representing the unearned profit the Company will recognise as it provides insurance contract services under the insurance contracts in the group

Insurance contracts at initial measurement

On initial recognition, the company measures a group of insurance contracts as the total of (i) fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and both financial and non-financial risk, and (ii) the contractual service margin ("CSM") representing the unearned profit.

Fulfilment cash flows within the contract boundary - Fulfilment cash flows are current estimates of cash flows within the contract boundary of a group of contracts which include premiums, claims, acquisition costs and other expenses that the company expects, adjusted to reflect the timing and uncertainty of those amounts with an explicit risk adjustment for non-financial risk.
The company estimates the future cash outflow in form of claims and costs based on factual amounts until 2023 and then performed further estimation on probability-weighted mean basis that also can be considered within the boundary of an insurance contract if they arise from substantive rights and obligations. As a result, the estimation considered to be reasonable and based on supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows.

"Liability for Remaining Coverage" (LRC) refers to the obligation of an insurance company to provide coverage for the remaining term of an active insurance contract. It is comprised of BEL (Best estimate of Liability), Risk Adjustment, Discounting and CSM (Contractual Service Margin).

"Liability for Incurred Claims" (LIC) refers to an insurance company's obligation to pay claims that have occurred but have not yet been settled. This includes both reported claims and those that have been incurred but not yet reported (IBNR). It is comprised of BEL (Best estimate of Liability), Risk Adjustment and Discounting.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, reflects the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

For insurance contracts issued, the portion of the risk adjustment for non-financial risk relating to the LRC is recognized in insurance revenue as the risk is released, while the portion relating to the LIC is recognized in insurance service expenses. The entire change in the risk adjustment is therefore included within the insurance service result in the statement of earnings. The CSM on initial recognition of a group of insurance contracts is recognized as the net inflow of the total of fulfilment cash flows and any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets from insurance acquisition cash flows).
If the fulfilment cash flows are a net outflow, then the group of insurance contracts is onerous and the net outflow is recognized as a loss within insurance service expense in the statement of earnings and as a loss component within the LRC on the balance sheet to represent the amount of the net cash outflow, which determines the amounts that are subsequently presented within insurance revenue and insurance service expense.

As for reinsurance contracts the Company measures its assets for a group that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Contractual Service Margin (CSM)

Contractual Service Margin (CSM) under IFRS 17 represents the unearned profit embedded in an insurance contract. It's calculated by spreading the profit expected to emerge from fulfilling the contract over the coverage period. This ensures a systematic recognition of profit over time as services are provided, rather than recognizing all profits upfront.

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the LIC. The LRC comprises the fulfilment cash flows that relate to future insurance coverage and services and remaining CSM. The LIC includes the fulfilment cash flows for losses on claims and expenses that have not yet been paid, including claims that have been incurred but not reported. The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Changes in fulfilment cash flows

Changes in expected fulfilment cash flows which relate to future services adjust the CSM or are recognized in the statement of earnings if there is a loss component or no CSM. Changes in fulfilment cash flows which relate to current or past services are recognized in the statement of earnings. Any changes from the effects of the time value of money or financial risk are recognized within net finance income (expense) from insurance contracts in the statement of earnings.

Changes to the contractual service margin

The CSM of each group of contracts is adjusted to reflect

- changes in unearned profit, including from new contracts, interest accretion on the CSM,
- assumption changes related to future service that impact the fulfilment cash flows,
- effects of currency exchange differences on the CSM, and
- CSM recognized in revenue for services provided in the reporting period.

If a loss component exists, when there are changes to the fulfilment cash flows within the LRC, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. [IFRS 17.66A and IFRS 17.70A]

Insurance contract coverage

The CSM is adjusted in each reporting period for an amount recognized in profit or loss to reflect the insurance contract service provided under the group of insurance contracts in that period. This amount is determined by:

• identifying the coverage units in the group;

• allocating the CSM at the end of the period - before recognizing any release to profit or loss to reflect the services provided - equally to each coverage unit provided in the current period and expected to be provided in the future; and

• recognizing in profit or loss the amount allocated to coverage units to reflect insurance contract services provided in the period. [IFRS 17.43, 44]

Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

Discount rates

Discount rates are used to adjust estimated future cash flows to reflect the time value of money, The discount rate, are to following:

- reflect the lime value of money, the characteristics of the cash flows and the liquidity characteristics. of the insurance contracts
- be consistent with observable current market prices (If any) tor Financial Instruments with cash flows. whose characteristic are consistent with those of the insurance contracts,
- exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Company management used a 'bottom-up' approach using EIOPA USD curves with volatility adjustment and another adjustment for country risk in comparison to USD.

Source: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

This is a public resource maintained by Professor Ashwanth Damodaran of Stern School of Business at New York University, an authoritative researcher who posts the working behind the figures too. His numbers are close to other globally recognised sources.

Insurance revenue

Insurance revenue is recognized over the coverage terms of the underlying policies in accordance with the level of protection provided, which is represented by the total of the changes in the LRC for which consideration is expected, comprised of the following:

- a release of the CSM, measured based on services provided as described below;
- changes in the risk adjustment for non-financial risk relating to current services;
- claims and other insurance service expenses incurred in the period, measured at the amounts expected at the beginning of the year;
- insurance revenue would be reduced by systematic allocations to the loss component for changes in risk adjustment and incurred claims and other insurance service expenses;
- amortization of insurance acquisition cash flows; and
- other amounts, including premium experience adjustments.

The amount of the CSM that is recognized as insurance revenue in each period is determined by calculating the amount of insurance services provided in the current period compared to future periods over the expected coverage period. The expected coverage period reflects the coverage term and expectations of insured events occurring to the extent that they affect the expected coverage period. [IFRS 17.83]

Loss components

The Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group based on IFRS [17.18] and IFRS [17.57]. It should be mentioned that under premium allocation approach for a group of contracts which is assessed as onerous, a loss component is established as per the calculation in IFRS [17.57]. Given the simplified nature of the premium allocation approach, entities also consider using practical applications that would achieve the same accounting outcome as if IFRS [17.57] were applied.

Loss-recovery components

The Company defines a loss-recovery component subsequently by reducing to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component that basically shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance service expense

Insurance service expenses arising from insurance contracts are recognized in the statement of earnings as they are incurred and include losses on claims, other insurance service expenses, amortization of insurance acquisition costs, losses and reversals of losses on onerous contracts, and impairment losses and reversals of those impairment losses on insurance acquisition cash flow assets. [IFRS 17.84-85]

Net finance income or expense from insurance contracts

Net finance income or expense from insurance contracts as presented in the statement of earnings are comprised of changes in the carrying amounts of insurance contracts arising from the effects of the time value of money. The sources of the insurance finance income and expense arise from the effects of discounting the fulfilment cash flows within the LRC under the GMM and LIC under all

measurement models at current rates; discounting LRC under the GMM where a significant financing component exists and accreting interest on the CSM at locked-in rates.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

Transition Approach

The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. In the case of Euroasia Insurance JSC it is 1 January 2023.

As per IFRS 17, an entity should apply IFRS 17 retrospectively from the transition date unless: [IFRS 17.C3] (Full retrospective approach)

- Impracticable or
- The entity chooses to apply the fair value approach for a group of insurance contracts with direct participation features.

If it is impracticable, IFRS 17 proposes these 2 approaches:

- a modified retrospective approach
- a fair value approach

After reviewing the requirements for a full and modified retrospective application, the management concluded that the detailed historical analysis is not feasible due to the extensive data required.

Due to unavailability of reliable historic data as required for a Full Retrospective and Modified Retrospective Approaches, Management have elected to use the Fair Value Approach. The Fair Value for each group of contracts at transition is estimated as the prorated net-of-commissions premiums (UPR less DAC), as this is an approximation of refund value of each underlying policy. This practical alternative will allow the company to transition to IFRS 17 effectively, without the exhaustive process of reconstructing past financial information.

Contracts Issued	Product Classification	Measurement Model	Transition approach
Loan insurance	Insurance Contracts	GMM	Fair Value
Mandatory and other	Insurance Contracts	GMM	Fair Value
Property	Insurance Contracts	GMM	Fair Value

Assumptions and Estimates

Future Cash Flows

Company makes assumptions and estimates regarding future cash flows (claims, expenses) arising from insurance contracts, considering factors such as policyholder behavior and economic conditions. These assumptions (Loss ratio, Expense ratio) are based on historical data, industry trends, and actuarial analysis, adjusted for changes in regulations, market conditions, and other relevant factors. These assumptions are regularly reviewed and updated to reflect the latest available information and changes in circumstances.

Discount Rate Assumptions

The determination of discount rates involves assessing market yields on high-quality corporate bonds, considering factors such as credit risk, liquidity, and term structure. These discount rates are used to discount future cash flows to their present value, reflecting the time value of money and the credit risk associated with the insurance liabilities.

Loss Ratio

Loss ratios were computed utilizing the expected loss ratio method. Following this calculation, both weighted average and simple average loss ratios were derived for each insurance group. Subsequently, a smoothing process was applied to ensure consistency and accuracy in the determined ratios.

Expense Ratio

Directly attributable expenses are identified to the insurance contracts within the cost of the sale and computed expense ratio in relation to the gross written premium for each year.

Risk Adjustment

The approach reflects an adequate level of prudence on underlying reserves. The method of determining risk adjustments to LIC and LRC estimates future claim liabilities by analyzing historical data on reported claims. It uses stochastic techniques to simulate various claim development scenarios, providing a range of potential outcomes and associated risks.

Change of risk adjustment figure for +-5% or +-10% will not materially effect for overall LRC (CSM) and LIC results due to the immateriality of overall group of contracts.

Financial Reporting Analysis

Income Statement and Balance Sheet as per IFRS 17 and related Notes (UZS'000)

Income statement that just includes impact of IFRS 17 only:

	Note	2024	2023	2022
Insurance revenue	1. B	103,487,615	92,574,341	124,375,511
Insurance service expense	2. B	(35,448,061)	(59,244,810)	(83,974,246)
Net income or expense from reinsurance contracts held	A	(10,211,742)	(6,296,188)	(9,694,291)
Allocation of reinsurer premium		*(11,511,646)*	*(9,136,964)*	*(9,850,891)*
Amounts recoverable from reinsurer and incurred expenses		*1,299,904*	*2,840,776*	*156,600*
Insurance service result		**57,827,812**	**27,033,342**	**30,706,974**
Investment income		6,890,523	2,053,254	5,600,859
Insurance finance expenses	B	(13,365,246)	(16,112,829)	(2,861,610)
Interest accreted to insurance contracts		*(13,132,440)*	*(12,789,658)*	*(8,620,011)*
Change in financial assumptions through P&L		*(232,806)*	*(3,323,171)*	*5,758,401*
Financial insurance result		**(6,474,724)**	**(14,059,575)**	**2,739,249**
Other operating expenses		(46,396,106)	(22,423,677)	(32,191,851)
Other income		4,429,366	17,257,647	2,453,228
Other expense		(8,698,198)	(59,825)	(592,125)
Other finance income/(costs)		(245,376)	(2,414,153)	(918,490)
Profit before tax		**442,775**	**5,333,759**	**2,196,985**
Income tax		(734,649)	-	(1,014,008)
Profit for the year		**(291,874)**	**5,333,759**	**1,182,977**

Balance sheet has the following IFRS 17 balances:

Insurance and Reinsurance contract (assets)/liabilities

	Note	31 December 2024	31 December 2023
Reinsurance contract (assets)/liabilities	3	(8,918,886)	(11,906,072)
Insurance contract (assets)/liabilities	4	87,701,060	110,320,808

Insurance and Reinsurance contract (assets)/liabilities

	Note	**31 December 2022**	**31 December 2021**
Reinsurance contract (assets)/liabilities	*3*	(968,381)	(229,958)
Insurance contract (assets)/liabilities	*4*	(79,266,636)	83,914,977

Notes to the balance sheet and income statement related to the insurance services in UZS'000:

1. Insurance service revenue for the year ending 31 December 2022, 2023 and 2024:

Insurance revenue	**2024**	**2023**	**2022**
Expected claims incurred	15,508,311	20,746,866	21,843,266
Expected expenses incurred	10,769,288	27,594,724	42,197,442
Change in the risk adjustment	10,078,492	10,704,014	10,549,360
CSM recognized	65,132,156	29,414,255	40,376,322
Recovery of acquisition cash flows	1,999,369	4,114,481	9,409,121
Insurance revenue	**103,487,615**	**92,574,341**	**124,375,511**

2. Insurance service expenses for the year ending 31 December 2022, 2023 and 2024:

Insurance service expense	**2024**	**2023**	**2022**
Incurred claims	(17,136,083)	(47,859,518)	(60,557,734)
Incurred directly attributable expenses	(13,960,603)	(21,360,417)	(55,882,895)
Changes that relate to past service - adjustments to LfIC	(2,352,006)	14,089,606	41,875,504
Insurance acquisition costs	(1,999,369)	(4,114,481)	(9,409,121)
Insurance service expense	**(35,448,061)**	**(59,244,810)**	**(83,974,246)**

3. Reinsurance contract assets/(liabilities)

31 December 2024

Reinsurance contract assets	*Note*	**Assets for remaining coverage**	**Assets for incurred claims**	**Total**
Estimates of present value of future cash flows		7,435,554	3,906,746	11,342,300
Risk adjustment for non-financial risk		-	390,675	390,675
Reinsurance contract assets actuarial		**7,435,554**	**4,297,421**	**11,732,974**
Reinsurance contract receivables/(payables)		(2,814,088)	-	(2,814,088)
Reinsurance contract assets/(liabilities)	*A*	**4,621,466**	**4,297,421**	**8,918,886**

31 December 2023

Reinsurance contract assets	*Note*	**Assets for remaining coverage**	**Assets for incurred claims**	**Total**
Estimates of present value of future cash flows		12,189,635	2,725,015	14,914,650
Risk adjustment for non-financial risk		-	272,502	272,502
Reinsurance contract assets actuarial		**12,189,635**	**2,997,517**	**15,187,152**
Reinsurance contract receivables/(payables)		(3,281,080)	-	(3,281,080)
Reinsurance contract assets/(liabilities)	*A*	**8,908,555**	**2,997,517**	**11,906,072**

3. Reinsurance contract assets/(liabilities)

31 December 2022

Reinsurance contract assets	*Note*	**Assets for remaining coverage**	**Assets for incurred claims**	**Total**
Estimates of present value of future cash flows		2,315,067	142,492	2,457,559
Risk adjustment for non-financial risk		-	14,249	14,249
Reinsurance contract assets actuarial		**2,315,067**	**156,741**	**2,471,808**
Reinsurance contract receivables/(payables)		(1,503,427)	-	(1,503,427)
Reinsurance contract assets/(liabilities)	*A*	**811,640**	**156,741**	**968,381**

31 December 2021

Reinsurance contract assets	*Note*	**Assets for remaining coverage**	**Assets for incurred claims**	**Total**
Estimates of present value of future cash flows		1,016,113	128	1,016,241
Risk adjustment for non-financial risk		-	13	13
Reinsurance contract assets actuarial		**1,016,113**	**141**	**1,016,254**
Reinsurance contract receivables/(payables)		(786,774)	477	(786,296)
Reinsurance contract assets/(liabilities)	*A*	**229,339**	**619**	**229,958**

Note A. Reinsurance contracts. Analysis by remaining coverage and incurred claims

	2024			
		Assets for incurred claims		
	Assets for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Closing assets/(liabilities)	**8,908,555**	**2,725,015**	**272,502**	**11,906,072**
Changes in the statement of profit or loss and OCI				
Allocation of reinsurance premiums paid	(11,511,646)	-	-	(11,511,646)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	-	1,181,731	118,173	1,299,904
Adjustments to assets for incurred claims	-	-	-	-
Net expenses from reinsurance contracts	-	1,181,731	118,173	1,299,904
Total changes in the statement of profit or loss and OCI	**(11,511,646)**	**1,181,731**	**118,173**	**(10,211,742)**
Cash flows				
Premiums paid	7,224,556	-	-	7,224,556
Amounts received	-	-	-	-
Total cash flows	**7,224,556**	-	-	**7,224,556**
Closing assets/(liabilities)	**4,621,466**	**3,906,746**	**390,675**	**8,918,886**

Note A. Reinsurance contracts. Analysis by remaining coverage and incurred claims

	2023			
		Assets for incurred claims		
	Assets for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Closing assets/(liabilities)	**811,640**	**142,492**	**14,249**	**968,381**
Changes in the statement of profit or loss and OCI				
Allocation of reinsurance premiums paid	(9,136,964)	-	-	(9,136,964)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	-	2,582,523	258,252	2,840,776
Adjustments to assets for incurred claims	-	-	-	-
Net expenses from reinsurance contracts	-	2,582,523	258,252	2,840,776
Total changes in the statement of profit or loss and OCI	**(9,136,964)**	**2,582,523** #	**258,252**	**(6,296,188)**
Cash flows				
Premiums paid	17,233,880	-	-	17,233,880
Amounts received	-	-	-	-
Total cash flows	**17,233,880**	-	-	**17,233,880**
Closing assets/(liabilities)	**8,908,555**	**2,725,015**	**272,502**	**11,906,072**

	2022			
		Assets for incurred claims		
	Assets for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Closing assets/(liabilities)	**229,339**	**606**	**13**	**229,958**
Changes in the statement of profit or loss and OCI				
Allocation of reinsurance premiums paid	(9,850,891)	-	-	(9,850,891)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	-	142,363	14,236	156,600
Adjustments to assets for incurred claims	-	-	-	-
Net expenses from reinsurance contracts	-	142,363	14,236	156,600
Total changes in the statement of profit or loss and OCI	**(9,850,891)**	**142,363** #	**14,236**	**(9,694,291)**
Cash flows				
Premiums paid	10,433,191	-	-	10,433,191
Amounts received	-	(477)	-	(477)
Total cash flows	**10,433,191**	**(477)**	**-**	**10,432,714**
Closing assets/(liabilities)	**811,640**	**142,492**	**14,249**	**968,381**

4. Insurance contract (assets)/liabilities

31 December 2024

Insurance contract liabilities	*Note*	**Liability for remaining coverage**	**Liability for incurred claims**	**Total**
Estimates of present value of future cash flows		12,143,946	26,247,484	38,391,430
Risk adjustment for non-financial risk		5,165,725	2,624,748	7,790,473
Contractual service margin		71,735,511	-	71,735,511
Insurance contract liability actuarial		**89,045,182**	**28,872,233**	**117,917,415**
Insurance contract (receivables)/payables		(32,258,269)	2,041,914	(30,216,355)
Insurance contract (assets)/liabilities	*B;C*	**56,786,913**	**30,914,147**	**87,701,060**

31 December 2023

Insurance contract liabilities	*Note*	**Liability for remaining coverage**	**Liability for incurred claims**	**Total**
Estimates of present value of future cash flows		19,673,840	19,532,902	39,206,742
Risk adjustment for non-financial risk		7,537,516	1,953,290	9,490,806
Contractual service margin		73,561,023	-	73,561,023
Insurance contract liability actuarial		**100,772,379**	**21,486,192**	**122,258,571**
Insurance contract (receivables)/payables		(14,866,879)	2,929,116	(11,937,763)
Insurance contract (assets)/liabilities	*B;C*	**85,905,500**	**24,415,308**	**110,320,808**

*LRC-Liability for remaining coverage
*LIC-Liability for incurred claims

31 December 2022

Insurance contract liabilities	Note	Liability for remaining coverage	Liability for incurred claims	Total
Estimates of present value of future cash flows		54,298,030	11,356,490	65,654,520
Risk adjustment for non-financial risk		11,124,234	1,135,649	12,259,883
Contractual service margin		21,713,197	-	21,713,197
Insurance contract liability actuarial		**87,135,462**	**12,492,139**	**99,627,600**
Insurance contract (receivables)/payables		(22,671,164)	2,310,199	(20,360,965)
Insurance contract (assets)/liabilities	*B;C*	**64,464,298**	**14,802,338**	**79,266,636**

31 December 2021

Insurance contract liabilities	Note	Liability for remaining coverage	Liability for incurred claims	Total
Estimates of present value of future cash flows		45,487,153	15,928,528	61,415,681
Risk adjustment for non-financial risk		8,152,481	1,592,853	9,745,334
Contractual service margin		15,612,141	-	15,612,141
Insurance contract liability actuarial		**69,251,775**	**17,521,381**	**86,773,156**
Insurance contract (receivables)/payables		(6,580,502)	3,722,323	(2,858,179)
Insurance contract (assets)/liabilities	*B;C*	**62,671,273**	**21,243,704**	**83,914,977**

Note B. Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts.

	2024			
	LRC		LIC	Total
	Excluding Loss Component	Loss Component		
Opening insurance contract liabilities as at 1 January	**85,905,500**	-	**24,415,308**	**110,320,808**
Insurance revenue	**(103,487,615)**	-	-	**(103,487,615)**
Insurance service expenses				
- Incurred benefits and expenses	13,960,603	-	17,136,083	**31,096,686**
- Changes that relate to past service - adjustments to LIC	-	-	2,352,006	**2,352,006**
- Losses on onerous contracts and reversal of those losses	-	-	-	-
- Amortisation of insurance acquisition cash flows	1,999,369	-	-	**1,999,369**
- Impairment of acquisition cost asset	-	-	-	-
Insurance service expenses	**15,959,972**	-	**19,488,089**	**35,448,061**
Insurance service result	**(87,527,643)**	-	**19,488,089**	**(68,039,554)**
Insurance finance expenses through profit and loss	12,755,149	-	610,097	**13,365,246**
Insurance finance expenses through OCI	-	-		-
Total amounts recognised in comprehensive income	**(74,772,494)**	-	**20,098,186**	**(54,674,308)**
Investment components	-	-		-
Cash flows				
Premiums received	59,675,614	-	-	**59,675,614**
Claims paid	-	-	(13,599,347)	**(13,599,347)**
Directly attributable expenses paid	(13,960,603)	-	-	**(13,960,603)**
Acquisition cost paid	(61,104)	-	-	**(61,104)**
Total cash flows	**45,653,907**	-	**(13,599,347)**	**32,054,560**
Closing insurance contract liabilities as at 31 December	**56,786,913**	-	**30,914,147**	**87,701,060**

Note B. Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts.

	2023			
	LRC		LIC	Total
	Excluding Loss Component	Loss Component		
Opening insurance contract liabilities as at 1 January	**64,464,298**	-	**14,802,338**	**79,266,636**
Insurance revenue	**(92,574,341)**	-	-	**(92,574,341)**
Insurance service expenses				
- Incurred benefits and expenses	21,360,417	-	47,859,518	**69,219,935**
- Changes that relate to past service - adjustments to LIC	-	-	(14,089,606)	**(14,089,606)**
- Losses on onerous contracts and reversal of those losses	-	-	-	-
- Amortisation of insurance acquisition cash flows	4,114,481	-	-	**4,114,481**
- Impairment of acquisition cost asset	-	-	-	-
Insurance service expenses	**25,474,898**	-	**33,769,912**	**59,244,810**
Insurance service result	**(67,099,443)**	-	**33,769,912**	**(33,329,531)**
Insurance finance expenses through profit and loss	14,983,312	-	1,129,517	**16,112,829**
Insurance finance expenses through OCI	-	-	-	-
Total amounts recognised in comprehensive income	**(52,116,131)**	-	**34,899,429**	**(17,216,702)**
Investment components	-	-	-	-
Cash flows				
Premiums received	95,377,300	-	-	**95,377,300**
Claims paid	-	-	(25,286,460)	**(25,286,460)**
Directly attributable expenses paid	(21,360,417)	-	-	**(21,360,417)**
Acquisition cost paid	(459,549)	-	-	**(459,549)**
Total cash flows	**73,557,334**	-	**(25,286,460)**	**48,270,874**
Closing insurance contract liabilities as at 31 December	**85,905,500**	-	**24,415,308**	**110,320,808**

Note B. Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts.

	2022			
	LRC		LIC	Total
	Excluding Loss Component	Loss Component		
Opening insurance contract liabilities as at 1 January	**62,671,273**	-	**21,243,704**	**83,914,977**
Insurance revenue	**(124,375,511)**	-	-	**(124,375,511)**
Insurance service expenses				
- Incurred benefits and expenses	55,882,895	-	60,557,734	**116,440,629**
- Changes that relate to past service - adjustments to LIC	-	-	(41,875,504)	**(41,875,504)**
- Losses on onerous contracts and reversal of those losses	-	-	-	-
- Amortisation of insurance acquisition cash flows	9,409,121	-	-	**9,409,121**
- Impairment of acquisition cost asset	-	-	-	-
Insurance service expenses	**65,292,016**	-	**18,682,230**	**83,974,246**
Insurance service result	**(59,083,495)**	-	**18,682,230**	**(40,401,265)**
Insurance finance expenses through profit and loss	3,358,444	-	(496,834)	**2,861,610**
Insurance finance expenses through OCI	-	-	-	-
Total amounts recognised in comprehensive income	**(55,725,050)**	-	**18,185,396**	**(37,539,655)**
Investment components	-	-	-	-
Cash flows				
Premiums received	119,120,470	-	-	**119,120,470**
Claims paid	-	-	(24,626,762)	**(24,626,762)**
Directly attributable expenses paid	(55,882,895)	-	-	**(55,882,895)**
Acquisition cost paid	(5,719,500)	-	-	**(5,719,500)**
Total cash flows	**57,518,075**	-	**(24,626,762)**	**32,891,314**
Closing insurance contract liabilities as at 31 December	**64,464,298**	-	**14,802,338**	**79,266,636**

Note C. Reconciliation of the components of insurance contracts.

	2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening insurance contract liabilities	**27,268,979**	**9,490,806**	**73,561,023**	**110,320,808**
Changes related to current services				
- CSM recognized in profit and loss (Revenue)	-	-	(65,132,156)	(65,132,156)
- Risk Adjustment recognized in profit and loss (Revenue)	-	(10,078,492)	-	(10,078,492)
- Experience adjustments	-	-	-	-
Changes related to future services				
- Contracts initially recognized in the period	(60,766,278)	7,706,700	53,059,577	-
- Changes in estimates that adjust CSM	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	3,238,374	(886,367)	-	2,352,006
Expected benefits incurred (Revenue)	(15,508,311)	-	-	(15,508,311)
Expected expenses incurred (Revenue)	(10,769,288)	-	-	(10,769,288)
Incurred benefits (Insurance Expense)	15,578,257	1,557,826	-	17,136,083
Insurance finance expenses through profit and loss	3,118,179	-	10,247,067	13,365,246
Insurance finance expenses through OCI	-			-
Net foreign exchange income or expense	-	-	-	-
Total changes in statement of profit and loss and OCI	**(65,109,067)**	**(1,700,333)**	**(1,825,511)**	**(68,634,911)**
Cash flow				
Premiums received	59,675,614	-	-	59,675,614
Claims paid	(13,599,347)	-	-	(13,599,347)
Directly attributable expenses paid	-	-	-	-
Acquisition cost paid	(61,104)	-	-	(61,104)
Total cash flows	**46,015,163**	-	-	**46,015,163**
Closing insurance contract liabilities	**8,175,076**	**7,790,473**	**71,735,511**	**87,701,060**

*"Estimates of present value of future cash flows" includes insurance contract (receivables)/payables in this disclosure

Note C. Reconciliation of the components of insurance contracts.

	2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening insurance contract liabilities	**45,293,555**	**12,259,883**	**21,713,197**	**79,266,636**
Changes related to current services				
- CSM recognized in profit and loss (Revenue)	-	-	(29,414,255)	(29,414,255)
- Risk Adjustment recognized in profit and loss (Revenue)	-	(10,704,014)	-	(10,704,014)
- Experience adjustments	-	-	-	-
Changes related to future services				
- Contracts initially recognized in the period	(66,521,413)	8,757,301	57,764,111	-
- Changes in estimates that adjust CSM	-	(1,640,005)	1,640,005	-
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	(10,556,382)	(3,533,224)	-	(14,089,606)
Expected benefits incurred (Revenue)	(20,746,866)	-	-	(20,746,866)
Expected expenses incurred (Revenue)	(27,594,724)	-	-	(27,594,724)
Incurred benefits (Insurance Expense)	43,508,653	4,350,865	-	47,859,518
Insurance finance expenses through profit and loss	(5,745,136)	-	21,857,964	16,112,829
Insurance finance expenses through OCI	-	-	-	-
Net foreign exchange income or expense	-	-	-	-
Total changes in statement of profit and loss and OCI	**(87,655,868)**	**(2,769,076)**	**51,847,825**	**(38,577,119)**
Cash flow				
Premiums received	95,377,300	-	-	95,377,300
Claims paid	(25,286,460)	-	-	(25,286,460)
Directly attributable expenses paid	-	-	-	-
Acquisition cost paid	(459,549)	-	-	(459,549)
Total cash flows	**69,631,291**	-	-	**69,631,291**
Closing insurance contract liabilities	**27,268,979**	**9,490,806**	**73,561,023**	**110,320,808**

*"Estimates of present value of future cash flows" includes insurance contract (receivables)/payables in this disclosure

Note C. Reconciliation of the components of insurance contracts.

2022

	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening insurance contract liabilities	**58,557,502**	**9,745,334**	**15,612,141**	**83,914,977**
Changes related to current services				
- CSM recognized in profit and loss (Revenue)	-	-	(40,376,322)	(40,376,322)
- Risk Adjustment recognized in profit and loss (Revenue)	-	(10,549,360)	-	(10,549,360)
- Experience adjustments	-	-	-	-
Changes related to future services				
- Contracts initially recognized in the period	(56,338,118)	13,521,113	42,817,005	-
- Changes in estimates that adjust CSM	-	-	-	-
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	-	-
Changes that relate to past service				
Changes that relate to past service - adjustments to LfIC	(35,913,052)	(5,962,452)	-	(41,875,504)
Expected benefits incurred (Revenue)	(21,843,266)	-	-	(21,843,266)
Expected expenses incurred (Revenue)	(42,197,442)	-	-	(42,197,442)
Incurred benefits (Insurance Expense)	55,052,486	5,505,249	-	60,557,734
Insurance finance expenses through profit and loss	(798,764)	-	3,660,374	2,861,610
Insurance finance expenses through OCI	-	-	-	-
Net foreign exchange income or expense	-	-	-	-
Total changes in statement of profit and loss and OCI	**(102,038,155)**	**2,514,549**	**6,101,057**	**(93,422,549)**
Cash flow				
Premiums received	119,120,470	-	-	119,120,470
Claims paid	(24,626,762)	-	-	(24,626,762)
Directly attributable expenses paid	-	-	-	-
Acquisition cost paid	(5,719,500)	-	-	(5,719,500)
Total cash flows	**88,774,208**	-	-	**88,774,208**
Closing insurance contract liabilities	**45,293,555**	**12,259,883**	**21,713,197**	**79,266,636**

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