

OUTLOOK

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Insurance – Kazakhstan

Outlook positive thanks to healthy economy and supportive regulation

Our outlook for Kazakhstan's (Baa1 stable) P&C insurance sector is positive. The industry will benefit in 2026 and 2027 from increased demand for corporate and retail insurance amid robust economic growth. Its profitability will remain strong, with average return on equity likely to exceed 20% in 2026, reflecting good investment income on the back of high interest rates as well as a healthier underwriting performance. Kazakh insurers' capitalization is a key strength, with good internal generation supporting an average solvency ratio of around 360%. The country's regulatory and policy environment also remains supportive

OVERVIEW OF KEY DRIVERS – INSURANCE KAZAKHSTAN

Macroeconomic environment	Non-Life	We expect robust economic growth in Kazakhstan to continue through 2026-2027, driving demand for both corporate and retail insurance
Profitability	Non-Life	Profitability will improve, supported by a better underwriting performance, increased investment returns thanks to higher interest rates, and lower claims as inflation eases in 2026-2027
Asset risk	Non-Life	Over 70% of assets are held in investment-grade fixed income, primarily domestic government and quasi-government securities, with limited equity and real estate exposure Historical regulatory restrictions on risky asset classes have reinforced the sector's conservative investment approach.
Capital	Non-Life	Strong internal capital generation and robust regulatory solvency will underpin insurers' capital adequacy
Regulatory and ESG risk	Non-Life	Regulatory and government initiatives continue to foster a supportive policy environment, enhancing policyholder protection and signaling long-term growth potential for the insurance market

Improving Stable Deteriorating

Macroeconomic conditions are favorable. We expect Kazakhstan's real GDP to expand by a robust 4% in 2026, down slightly from 6.5% in 2025 (Exhibit 1). The economy will benefit from growth in the non-oil sector, and from the growing importance of the "Middle Corridor" trade route that links China and Europe, bypassing Russia. We expect inflation to moderate to around 11% in 2026 and 9% in 2027, having averaged 11.4% in 2025. Interest rates will remain in the high to mid teens (Exhibit 3), supporting income from the sector's investment portfolio, which consists largely of fixed income instruments.

Insurance market set for continued strong growth. We expect non-life premiums to grow in excess of 20% per annum in 2026, with economic growth and rising incomes driving demand for both corporate and retail insurance. Additionally, the market will expand due to the introduction of new compulsory insurance requirements. According to the National Bank of Kazakhstan, total non-life gross premiums increased by 23% to KZT 863 billion in 2025 (Exhibit 2). We estimate that the insurance penetration rate (premiums as a share of GDP) was a relatively low 1.3% (includes life and non life) at the end of 2025, up from 1.2% a year earlier. This indicates ample room for further growth. The government aims to increase the insurance penetration rate to 5% by 2030. While this target is ambitious, government initiatives will continue to bolster growth in the insurance sector over the next 12 to 18 months.

Profitability will improve. Kazakh non-life insurers' profitability will be robust in 2026, with return on equity (ROE) likely to exceed 20%, up slightly from 19% in 2025 (Exhibit 4). We foresee continued premium growth, with loss ratios (claims as a share of premiums) stabilizing in the 40% range. Insurers will also benefit from strengthened underwriting practices, portfolio rebalancing, higher motor third party liability prices after a rise in claims in 2025, and cost control measures. The motor claims burden is likely to moderate as local currency appreciation in late 2025 and weaker inflation stabilize overall car repair costs. Investment yields will remain strong, supporting interest income and positively affecting overall investment results (Exhibit 3). In 2025, the sector's overall performance was negatively affected by higher claims and revaluation losses driven by significant currency volatility (Exhibits 3 and 5).

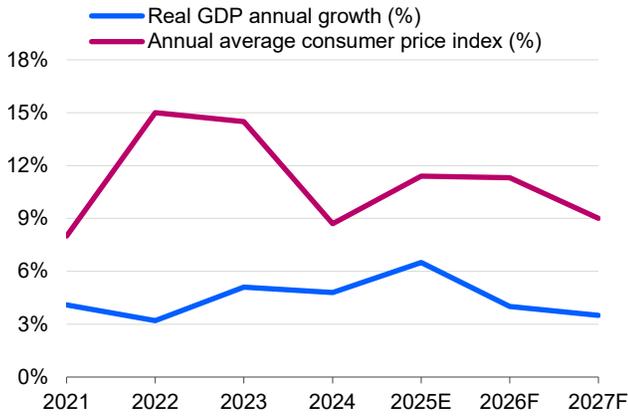
Investment portfolios are conservative. Kazakh insurers' investment strategy is prudent, focusing on stability and risk mitigation. Over 70% of total assets are invested in fixed-income instruments (Exhibit 6), primarily domestic Baa1 rated government and quasi-government securities, as well as investment grade corporate and bank bonds. Exposure to riskier assets such as equity and real estate is limited, partly because of regulatory restrictions. This provides some protection against market volatility. Kazakh insurers cede a portion of their business to reinsurers (around 10% of gross premiums in 2025). The quality of their reinsurance is good, with most of the risk ceded to international companies with higher ratings.

Regulatory solvency is strong. At the end 2025, non-life insurers reported an average regulatory solvency ratio of approximately 360%, down slightly from 380% in 2024 because of business growth, but still nearly four times the required minimum (Exhibit 7). In 2025, the sector's total capital increased 17%, primarily driven by retained earnings. Kazakh insurers' capital is of high quality, consisting largely of paid-in capital and accumulated profit, ensuring resilience and financial flexibility. Current solvency standards will gradually be replaced by individual Solvency Capital Requirement and Minimum Capital Requirement ratios and expanded risk profile indicators which could require some companies to strengthen their capital positions. The regulator is already conducting stress tests on insurance portfolios (using Solvency II methodology) and analyzing companies' Own Risk and Solvency Assessment (ORSA) reports.

Regulatory and policy environment is supportive. Recent regulatory initiatives have been broadly positive for the insurance market, reinforcing its long-term growth potential and stability. The authorities are promoting digitalization by facilitating electronic policy issuance. They have also introduced new compulsory products and aim to improve catastrophe risk management by making home insurance against natural disasters mandatory. Since 2023, Kazakhstan has applied the IFRS 17 accounting standard, enhancing financial transparency and comparability. The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market has outlined a road map for the full implementation of risk-based capital (RBC) requirements by 2030. Stricter governance standards and mandatory annual risk assessments are also being implemented. These reforms move Kazakhstan's insurance regulation closer to Europe's Solvency II regime and will strengthen solvency oversight and capital adequacy.

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Exhibit 1
We expect Kazakhstan's real GDP to expand by a robust 4% in 2026



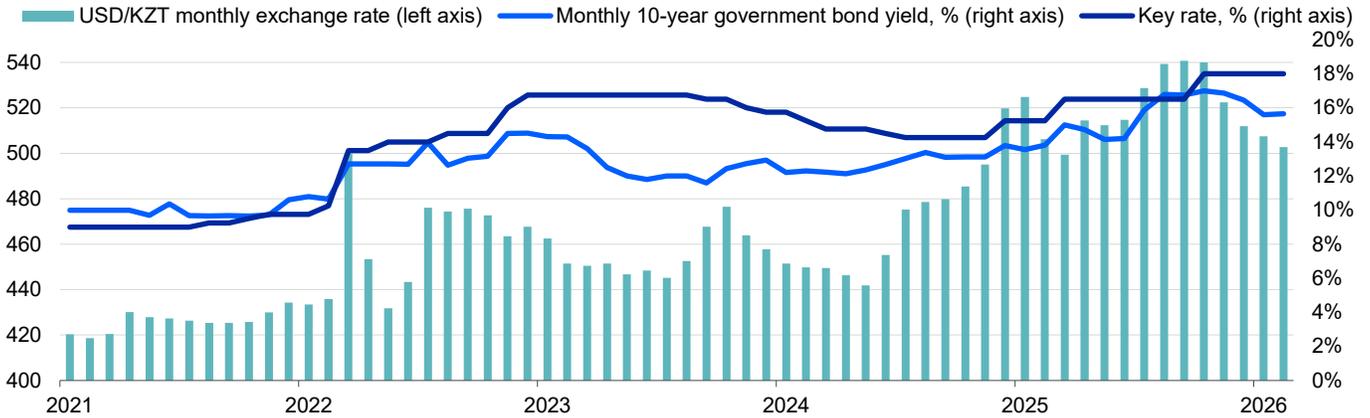
Source: National Bank of the Republic of Kazakhstan, Moody's Ratings

Exhibit 2
Total non-life gross premiums increased by 23% in 2025



Sources: National Bank of the Republic of Kazakhstan, Moody's Ratings

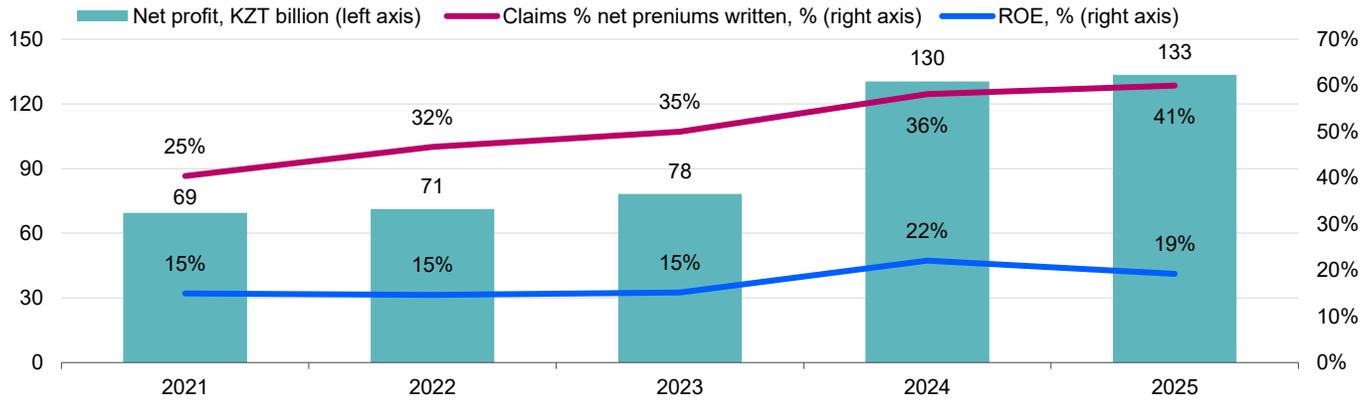
Exhibit 3
Strong Investment yields support overall investment results.



Sources: National Bank of the Republic of Kazakhstan, Factset, Moody's Ratings

Exhibit 4

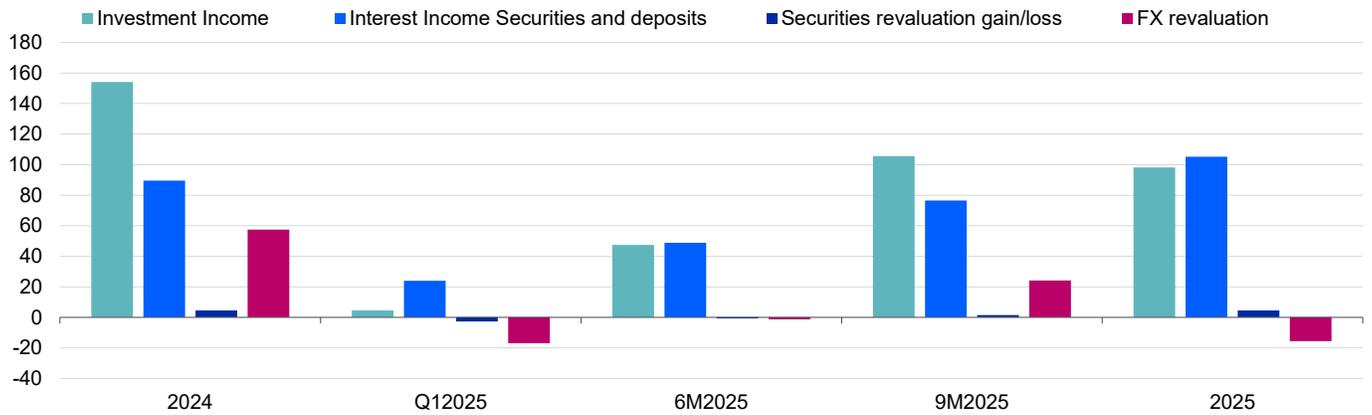
Non-life sector profitability strengthened in 2024 and will remain robust in the next 12-18 months



Sources: National Bank of the Republic of Kazakhstan, Moody's Ratings

Exhibit 5

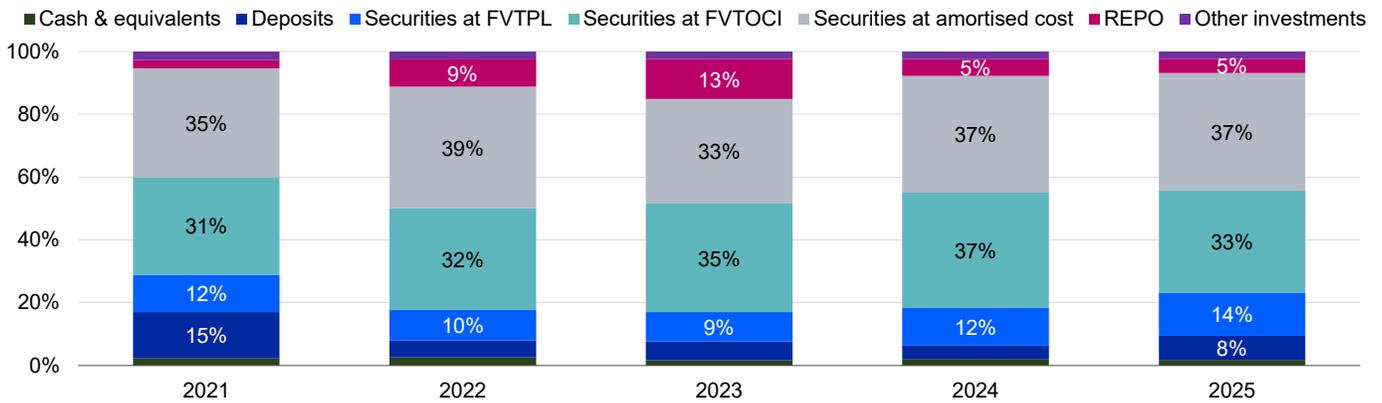
In 2025, the sector's overall performance was negatively affected by forex revaluation losses



Sources: National Bank of the Republic of Kazakhstan, Moody's Ratings

Exhibit 6

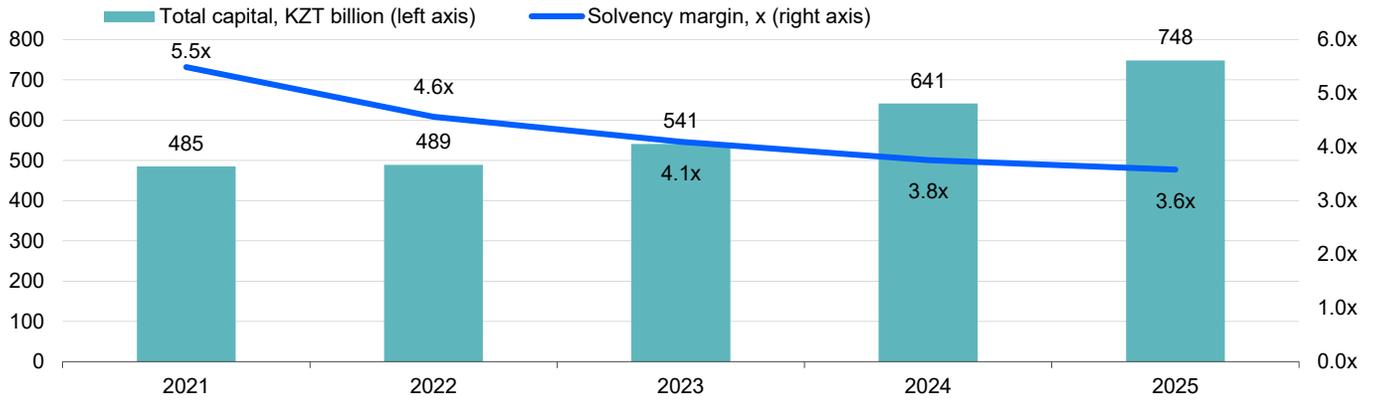
Over 70% of total assets are invested in investment grade fixed-income instruments



Sources: National Bank of the Republic of Kazakhstan, Moody's Ratings

Exhibit 7

In 2025, the sector's total capital increased 17% and regulatory solvency ratios remained strong



Sources: National Bank of the Republic of Kazakhstan, Moody's Ratings

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