



KazExportGarant

EXPORT CREDIT
INSURANCE CORPORATION
“KAZEXPORTGARANT” JSC

ANNUAL REPORT

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BAITEREK



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CHAIRMAN OF THE BOARD OF DIRECTORS' STATEMENT



DEAR LADIES AND GENTLEMEN!

One of the priority tasks set by the President of the Republic of Kazakhstan Nursultan Abishevich Nazarbayev to the Government of the Republic of Kazakhstan, local administrations and entrepreneurship support institutions is the necessity to improve export support tools, in order to create conditions for Kazakhstani goods to enter foreign markets. The experience of some countries such as Singapore, Thailand and Malaysia vividly demonstrates advantages of export-oriented strategies, and the foreign market launch of goods contributed to the vigorous economic growth of the mentioned countries. The accession of Kazakhstan to the World Trade Organization (WTO) in December of 2015 also sets new tasks to entrepreneurs – now Kazakhstan goods have to compete with goods from around the world.

Currently, in the Republic of Kazakhstan systematically implemented a set of measures aimed at supporting the domestic entrepreneurship and processing industry.

Thus, the most ambitious initiative of the State for the industrial development of Kazakhstan is the State Program of the Industrial and Innovation Development of the Republic of Kazakhstan (SPIID) for 2015-2019, under which the Export Credit Insurance Corporation "KazExportGarant" JSC (KazExportGarant) is an export support operator, whose activities are aimed at creating adequate financial mechanisms to support the release of Kazakh-

stani products of the manufacturing sector to foreign markets.

The consolidation of domestic development institutions under the guidance of the Sole Shareholder – Baiterek National Management Holding, JSC in accordance with Decree No. 571 of the Head of our State dated May 22, 2013 "On some measures to optimize the management system of development institutions, financial organizations and development of the national economy" contributes to the implementation of the complex approach to the support of exporters of Kazakhstan products and investments.

The work carried out by the Shareholder has favourably influenced on the key performance indicators of KazExportGarant. Export operations were supported in non-primary sectors of economy such as mechanical engineering industry, chemical industry, building materials and food industry.

With the assistance of KazExportGarant, the Kazakhstan manufacturers' products were exported in 2015 both to the countries of the Eurasian Economic Council and to CIS and non-CIS countries such as Azerbaijan, Tajikistan, Uzbekistan, Turkmenistan as well as China, Germany and UAE.

I would like to wish KazExportGarant not to reduce the rate of development, to strengthen trust of Kazakhstan exporters and their positions in the international market, and to continue the implementation of the best practices opening up new business vistas.

*Chairman of the Managing Board
of Baiterek National Management
Holding, JSC
Chairman of the Board of Directors
Y. A. Dossayev*

CHAIRMAN OF THE BOARD STATEMENT



DEAR CLIENTS, PARTNERS AND COLLEAGUES!

The past year 2015 became for KazExportGarant a year of extension of the Kazakhstan export geography. With the assistance of KazExportGarant, products of the Kazakhstan leading manufacturers such as Rakhat JSC, the Kentau Transformer Works JSC, Raimbek Bottlers LLP, RG Brands LLP, the Kostanay Confectionary Plant – Bayan Sulu JSC were exported to Armenia, UAE, Russia, Tajikistan and Uzbekistan. An export transaction of the international level was concluded being the first one for Kazakhstan according to the leasing financing structure for export locomotives of the Locomotive Kurastyru Zauyty JSC in Azerbaijan for an overall amount of KZT 8 928 mln.

Within the framework of the implementation of state programs supporting exports of Kazakhstan products, KazExportGarant has signed 107 insurance contracts with 32 domestic exporters for an overall amount of KZT 19,8 billion that is more than twice as much as the indicator of the year 2014. The partners to grant the export trade financing were the Bank Center-Credit JSC, Kazkommertsbank JSC and Forte Bank JSC.

Based on the results of 2015, a positive financial result was obtained. The net profit over 2015 was KZT 1 947 mln. that is more than twice as

much as the similar indicator of the year 2014. The company's assets increased by 20% and amounted to KZT 15 352 mln.

It should be noted that in 2015, KazExportGarant launched its new product for the pre-export financing under SPIID for 2015-2019. With a view to carry out the said program, KZT 1,7 billion of conditional deposits were made in Kazakhstan banks under the export trade and pre-export financing.

KazExportGarant plans extension of its line of export credit support tools for 2016. This will enable the financial insurance volume support for export contracts to be increased, the current production level to be supported and extended, the stable advantages to be created for those exporters who operate in priority branches under SPIID for 2015-2019, and the trade volumes and the geographic orientation of domestic products to be expanded. For the purposes of complex and effective export support, KazExportGarant plans to implement joint projects with other development institutions being members of the Baiterek NMH JSC, and also by reinsurance and involvement of private and international insurance companies.

We always look to the future with optimism, and we thank our clients and partners for an effective and mutually beneficial cooperation, which will be supported and extended by us!

*Chairman of the Board
R.V. Iskakov*

KEY INDICATORS

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1. MISSION, VISION, STRATEGIC GOALS AND OBJECTIVES

MISSION

The mission of KazExportGarant is to support the growth of export non-primary goods, works and services in the priority sectors of economy and to form practices of financial insurance and non-financial support of Kazakhstan exporters.

VISION

The vision of KazExportGarant is to become a key development institution in the implementation of the state foreign economic policy of the Republic of Kazakhstan in the Central Asian region and the countries of the Eurasian Economic Union by 2023.

STRATEGIC DIRECTIONS, GOALS AND OBJECTIVES UNTIL 2023

With the aim of implementing its mission and vision, KazExportGarant carries out its work in the following three key strategic directions as approved in the Development Strategy of KazExportGarant for 2014-2023:

1. Development of financial insurance support of Kazakhstan exports;
2. Non-financial support of export business of Kazakhstan enterprises;
3. Reinsurance.

№	Strategic directions	Goal	Strategic objectives
1	Development of financial insurance support of Kazakhstan exports	Assistance in the promotion of exports of Kazakhstan goods	<p>Financial insurance support to increase commodity and geographic expansion of Kazakhstan enterprises</p> <p>Support operations of the trade financing under the State Program of Accelerated Industrial Innovation Development (SPAIID) for 2010-2014 and SPIID for 2015-2019</p>
2	Non-financial support of export business of Kazakhstani enterprises	Informing of domestic enterprises on the benefits of financial and insurance support of national exports	Extension of consulting services as related to foreign economic activities of enterprises
3	Reinsurance	Ensuring a stable growth of reinsurance operations	<p>Assistance in the development of the reinsurance business infrastructure in Kazakhstan and the increase in the national insurance market capacity</p> <p>Assistance in the decrease in the capital outflow abroad, increase of volumes for Kazakhstan insurance organizations</p>

2. INFORMATION ON KAZEXPORTGARANT

On May 12, 2003, by Regulation No. 442 of the Government of the Republic of Kazakhstan in accordance with the Message of the Head of the State to the Kazakhstan people for 2004, the Export Credit Insurance Corporation "KazExportGarant" JSC was established as one of the new development institutions to assist in the implementation of the R.K. Industrial Innovation Development Strategy aimed at the retreat from the primary orientation of the state and the development of export-oriented producing units in the processing sector of economy. In February of 2004, KazExportGarant became a full member of the Prague Club of the Berne Union – the Association of the largest international export credit agencies, which includes 37 agencies representing 34 countries and 3 transnational organizations.

On November 4, 2004, KazExportGarant – one of the first insurance organizations of Kazakhstan, which obtained an international rating of financial stability from the Rating Agency "Moody's Investors Service" (hereinafter – "the Agency"). In 2015, the Credit Rating Service of the Agency confirmed KazExportGarant's rating at the Baa2 Level, the "Stable" forecast. It is the highest rating among the insurance companies of Kazakhstan and the countries of the Eurasian Economic Union.

Since January of 2005, KazExportGarant started to operate in the Kazakhstan insurance market as a reinsurance company conducting this type of operations both on the proportional and non-proportional basis.

In 2010, KazExportGarant obtained funds in the amount of KZT 1,5 billion from the Republican budget for

an increase in the authorized capital to support operations on the export trade financing.

In 2012, domestic locomotives were exported to the Republic of Tajikistan for the first time in the history of Kazakhstan due to the financial insurance support of KazExportGarant.

On May 22, 2013, pursuant to Decree No. 571 of the R.K. President "On some measures to optimize the management system of development institutions, financial organizations and development of the national economy", Baiterek NMH JSC became the Sole Shareholder of KazExportGarant.

On August 12, 2014, the Board of Directors of KazExportGarant approved the Development Strategy for 2014-2023, which was worked out in accordance with the Development Strategy of Baiterek NMH JSC, and also with the strategic and program documents of the Republic of Kazakhstan and determines its mission, vision, strategic directions, goals and objectives.

In November of 2014, KazExportGarant officially became a full member of Aman Union – the Association of the largest export credit agencies of Islamic states and the Arabian world.

In February of 2015, KazExportGarant obtained the status of an Observer of the Berne Union, which was created in 1934 and is an unofficial association of insurance companies engaged in the insurance of export credits and investments.

In October of 2015, the first export transaction of the international level was concluded for the first time in the history of Kazakhstan with the participation of KazExportGarant according to the leasing financing structure for delivery of

10 domestic locomotives to Azerbaijan where subsidiary and dependent organizations of Baiterek NMH JSC (Bank for Development of Kazakhstan JSC, BRK-Leasing JSC and KazExportGarant) provided a full set of services to a domestic exporter starting with the structuring, financing and insurance protection for the entire term of the transaction.

2004

In February of 2004, KazExportGarant became a full member of the Prague Club of the Berne Union – the Association of the largest international export credit agencies, which includes 37 agencies representing 34 countries and 3 transnational organizations

3. KEY ACTIVITIES

KazExportGarant as one of the development institutions of the Republic of Kazakhstan, carries on the following activities to assist in the implementation of the Industrial Innovation Development Strategy of the Republic of Kazakhstan aimed at the retreat from the primary orientation of the State and the development of export-oriented producing units in the processing (non-primary) sector of economy:

- ▶ insurance of exports of non-primary goods/works and services;
- ▶ insurance of direct Kazakhstan investments abroad;
- ▶ provision of consulting services in relation to the insurance of foreign economic activity;
- ▶ provision of the export trade financing;
- ▶ reinsurance activities.

Subject to the key activities, the list of consumers of products and services from KazExportGarant includes:

- ▶ Kazakhstan exporting enterprises; SME exporting goods, works and services;
- ▶ investors making investments abroad;
- ▶ Kazakhstan and foreign credit organizations participating in the financing to exporters, or the servicing of exporters' foreign trade operations;
- ▶ Export credit agencies (hereinafter – "ECA") of other countries; Local insurance companies and insurance brokers;
- ▶ Foreign insurance (reinsurance) companies and brokers.

INSURANCE PRODUCTS

KazExportGarant's products were developed on the basis of the experience of the leading ECA and correspond to the best international practices of insurance export credits, and satisfy the needs of the potential and existing customers to the maximum. The available basic products are grouped into 3 kinds as per the customer type:

- ▶ Products for exporters;
- ▶ Products for banks;
- ▶ Products for investors.

№	Name of product	Brief description of product	Coverable risks
PRODUCTS FOR EXPORTERS			
1	Export credit insurance	The product ensures protection of an exporter from a risk of non-performance of financial obligations by a foreign counterparty when selling its goods /works/services and upon the terms of delay in payment	Commercial and political
2	Export trade financing	Financing is provided indirectly through second-tier banks according to settlements on the basis of letters of credit	Commercial and political
3	Pre-export financing	Financing provided to an exporter to replenish working capital with a view to manufacture export and/or to render services, such exporter exporting goods /services	Commercial and political



№	Name of product	Brief description of product	Coverable risks
PRODUCTS FOR BANKS			
4	Export credit insurance	The product ensures protection to an exporter's bank (confirming bank) against the risk of non-performance of financial obligations by an issuing bank, which opened a documentary letter of credit in favour of an exporter under instructions of an importer	Commercial and political
5	Documentary credit insurance with financing by making conditional deposits with second-tier banks (TF)	The product is offered to those exporters, which concluded export contracts upon the terms of payment on the basis of letters of credit where the exporter's bank acts as a confirming bank	Commercial and political
PRODUCTS FOR INVESTORS			
6	Insurance of Kazakhstan investments abroad	The product protects investors from a risk of loss owing to political risks in a country of investment	Political

4. KEY PERFORMANCE INDICATORS

Under the priority tasks and each strategic direction (see Table 1), with a view to assess efficiency of its operation and activities, KazExportGarant carries out a regular monitoring of the specified goals achieved by it by using the following key performance indicators:

Table 1: Key Performance Indicators over 2015:

(in mln KZT)

Indicator	2015 year		
	Plan	Fact	Execution
PRIORITY TASKS OF KAZEXPORTGARANT			
ROE, (in %)	3,97	15,94	401 %
ROA, (in %)	3,62	13,86	382 %
Financial Reliability Rating	"Baa2", "Stable"	"Baa2", "Stable"	Executed
Revenue from the principal activities	1 309	2 203	168 %
Net income	466	1 947	417 %
Debt/Capital	0,04	0,03	75 %
Labour productivity (gross income per employee)	35	60	171 %
Local content share in purchases of goods, works and services, total indicator, (in %)	57	67	118 %
STRATEGIC DIRECTION NO. 1: DEVELOPMENT FINANCIAL INSURANCE SUPPORT KAZAKHSTAN EXPORT			
Scope of obligations assumed	12 500	17 787	142 %
Volume of premiums under insurance contracts	325	1 087	334 %
Share of covering non-primary exports, (in %)	1,5	2,7	180 %
STRATEGIC DIRECTION NO. 2: NON-FINANCIAL SUPPORT OF EXPORT BUSINESS CONDUCTED BY KAZAKHSTAN ENTERPRISES			
Share of export oriented enterprises, to which consulting services are provided, (in %)	4,5	4,5	100 %
STRATEGIC DIRECTION NO. 3: REINSURANCE			
Volume in relation to collection of reinsurance net premiums	777	492,8	63 %

MARKET ANALYSIS

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5. APPRAISAL OF OPERATING RESULTS IN DYNAMICS FOR THE LAST THREE YEARS

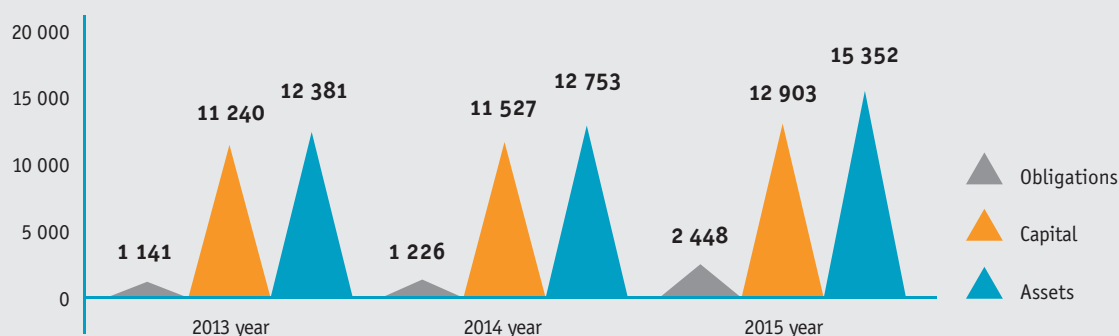
In 2014, the increase in assets was 3% (see Diagram 1). Such low increase was due to the early repayment of part of the loan to the Sovereign Wealth Fund «Samruk-Kazyna» JSC in the amount of KZT 213 mln. Over 2015, the assets

increased by 20%. The increase in the assets was impacted by the positive reassessment of currency positive assets due to the adjustment of rate of foreign currencies, which are 30% in the asset structure, and KazExport-

Garant has no obligations in a foreign currency. In addition, a transaction on the locomotive export insurance with the participation of BRK-Leasing JSC affected the Indicator.

(in mln KZT)

Diagram 1: Dynamics of obligations, capital and assets over 2013-2015:



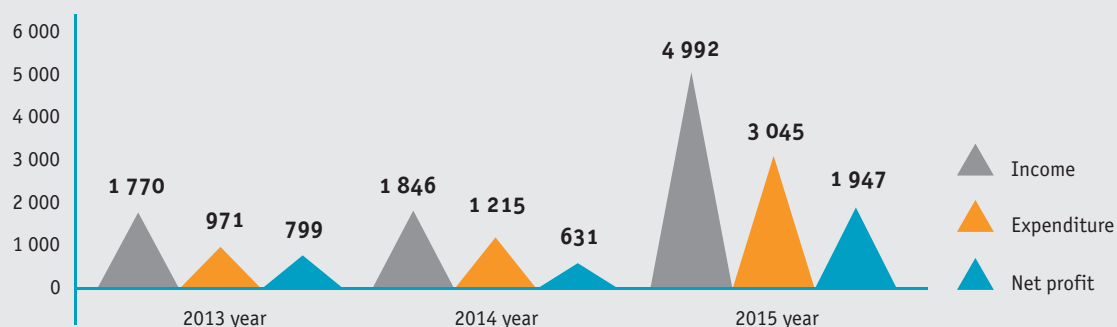
In 2014, the obligations increased by 7% due to the early repayment of part of the loan to the Sovereign Wealth Fund «Samruk-Kazyna» JSC in the total amount of KZT 213 mln. The increase of the Indicator in 2015 by 99.7 % was due to the creation of reserves under the insurance

contracts in the amount of KZT 1 234 mln where the main share of reserves by 73% was due to the creation of reserves under the locomotive export insurance transaction with the participation of BRK-Leasing JSC in the amount of KZT 904 mln.

In 2014, the increase in the capital was by 3 % due to the earned profit of KZT 799 mln. As of January 1, 2016, the increase in the capital over 2015 was 12 % due to the earned profit of KZT 1 947 mln.

(in ths. KZT)

Diagram 2: Dynamics of income and expenditure over 2013-2015:



Based on the results of 2014, the income earned by KazExportGarant was KZT 1 846 mln., which increased by 4% as compared to 2013 (see Diagram 2). The Indicator of income over 2015 was KZT 4 992 mln., which increased by 170% as compared to 2014, or by KZT 3 146 mln., which was affected by:

► the increase in the income from the principal activity by KZT 1 472 mln., i.e. by 202% (including the income from the accrued insurance premiums for the locomotive export insurance on transaction with the participation of BRK-Leasing JSC in the amount of KZT 904 mln.);

► due to the difference in exchange related to the adjustment of the rate of foreign currencies in the amount of KZT 2 147 mln.

Reinsurance revenue reduced being a part of the income from the principal activity over 2015 by the following reasons:

1. Reduction in the market share, which confirmed by the statistics of the National Bank of the Republic of Kazakhstan, whereby reinsurance transactions among the residents reduced by 14,4% against 2014.

2. Reduction in the maximum net retention (self-retention) under insurance/reinsurance contracts according to Regulation No. 131 of the R.K. National Bank where since January 1, 2015, the maximum net retention is 30% of the actual margin of paying capacity (hereinafter – “AMPC”) now. For example, in 2014, the Maximum Net Retention was 50 % of the AMPC. Thus, since 2015, the possibility of participation of KazExportGarant in risks and reinsurance premiums has reduced from 50% of the AMPC to 30 %.

The income from the financial activity was KZT 641 797 ths. including:

1. Income as remuneration for securities:

► securities in the amount of KZT 537 335 ths.;

► REPO reverse operations in the amount of KZT 83 840 ths..

2. Dividends on shares of Kazakhtelecom JSC in the amount of KZT 773 ths.;

3. Remuneration for deposits in the amount of KZT 95 355 ths.;

4. Remuneration for balances on current accounts in the amount of KZT 12 363 ths.;

The item of income due to financial instruments also includes amounts of amortization/discount on securities: – KZT 59 003 ths..

Based on the results of 2013, KazExportGarant's expenses (see Diagram 2) amounted to KZT 971 mln. where the principal sum of KZT 463 mln., i.e. 48% was expenses for the financial activity, which included the amount of the loan servicing for the Sovereign Wealth Fund «Samruk-Kazyna» JSC and expenses for sales of securities. The administrative expenses were KZT 353 mln. and were a share of 36% in the expenditure pattern. The expenses for the principal activity were KZT 73 mln., i.e. 8% in the expenditure pattern. In 2014, the expenses increased by KZT 245 mln. against 2013, i.e. by 25% where, due to the increase in the indicators of the principal activity, it became necessary to create reserves on the obligations assumed that resulted in the increase of expenses for the principal activity by KZT 451 mln. more than 7 times as much.

The administrative expenses increased by KZT 68 mln., i.e. by 19%, under the approved development plan for a medium-term period. The expenses for financial instruments reduced by KZT 279 mln., i.e. by 60% due to the early repayment of part of the loan of the Sovereign Wealth

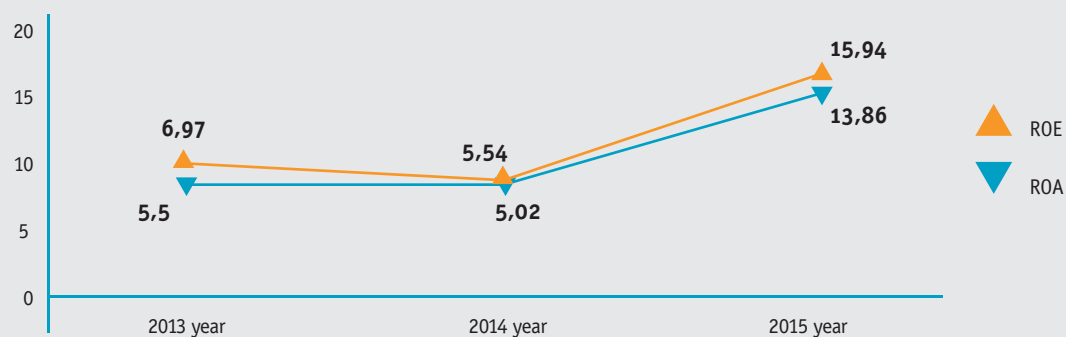
Fund «Samruk-Kazyna» JSC. The expenses for 2015 were KZT 3 045 mln., which were higher than the indicator of 2014 by KZT 1 829 mln., i.e. by 150%. The increase in the indicator is due to the necessity to create reserves on the earned income from the principal activity where the principal sum is the amount of the created reserves under the locomotive export transaction with the participation of BRK-Leasing JSC by KZT 904 mln. In addition, the expenses include the amount of loss from the sale of shares of Kazakhtelecom JSC by KZT 164 mln. sold on the recommendation of Baiterek NMH JSC to bring the portfolio in accordance with the internal rate of return.

► **1 947**
mln KZT

The financial result over the 3-year's activities was as follows:

► 2013: KZT 799 mln;
► 2014: KZT 631 mln;
► 2015: KZT 1 947 mln, which is 1 317 mln more than in 2014 year

(in %)

Diagram 3: Dynamics of financial Efficiency Coefficient over 2013-2015:

The Profitability Indexes (see Diagram 3), ROA, ROE over 2015 were exceeded due to the over fulfilment of the profit plan more than four times as much, of which:

- ▶ ROA was 13,86% whereas the planned value was 3,62%;
- ▶ ROE was 15,94% whereas the planned value was 3,97%;
- ▶ The profitability of activities was 74,72% where the planned value was 35,45%.



6. MARKET SHARE ON KEY ACTIVITIES

INSURANCE

The insurance activities in the Republic of Kazakhstan are carried on by those legal entities, which have a license of the authorized body for the conduct of insurance activities.

As of January 1, 2016, the insurance market structure is represented by 33 companies¹ and given in the following table.

Table 2: R.K. Insurance Market Structure over 2013-2015:

Institutional Structure of Insurance Sector

The number of insurance (reinsurance) organizations

01.01.2014

34

01.01.2015

34

01.01.2016

33

Including life insurance

7

7

7

The number insurance brokers

14

15

15

The number actuaries

72

71

61

The number insurance (reinsurance) organizations being members of the Insurance Payment Security Fund JSC

30

30

30

¹ According to the report of the National Bank of the Republic of Kazakhstan titled "Current condition of the insurance sector"

And despite the fact that many insurance organizations hold licenses practically for all insurance classes as related to the "General Insurance", they insure no export credits and investments abroad against non-payment risks. These functions in the Kazakhstan market are only performed by KazExportGarant. Due to the fact that the principal activity of KazExportGarant is aimed at the support of non-primary export countries with the help

of the export credit support instruments, the main macroeconomic indicators affecting the activity is exports of the non-primary sector of economy.

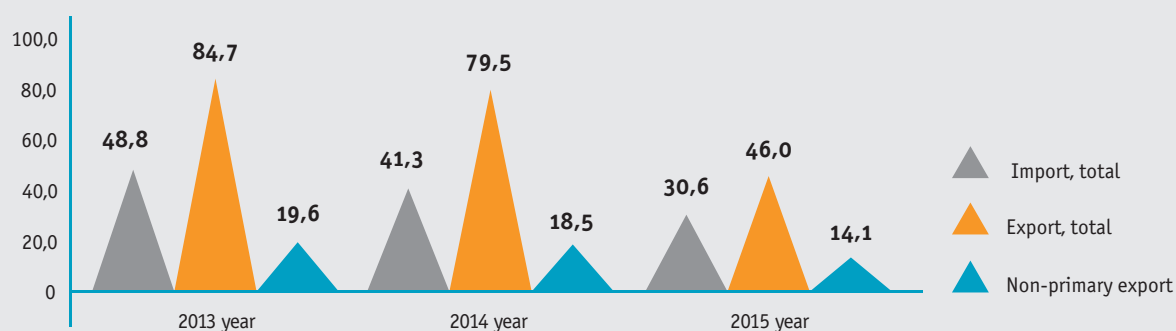
The Kazakhstan export structure testifies that Kazakhstan exports predominantly primary goods. The actual increase/decrease in raw material exports is first of all due to the rise/ drop in prices for energy resources in the period concerned as oil deliveries are the lion's share

of the Kazakhstan export.

In 2015, the share of non-primary exports (see Diagram 4) in the total export structure was 30,6 % (in 2014 – 23,3 %), accordingly, the primary volume was 69,4 % (in 2014 – 76,7 %). In comparison with 2014, the share of non-primary exports increased by 7,3 % in 2015, though the total export volumes reduced by 42,2 % in monetary terms.

(in billion USD)

Diagram 4: Dynamics of foreign trade turnover and non-primary export volumes over 2013-2015:



As it is seen from Diagram 4, since 2013, there has been an overall reduction in export volumes affecting the operation of KazExportGarant. However, over the period concerned, KazExportGarant increased scopes of insurance coverage due

to the systematic activation of its principal activity.

For example, the share of the non-primary export coverage, which consists in the indication of the coverage of export operations (export contracts) by financial

and insurance services in the total volume of non-primary exports was 2,7% where the planned value was 1,5%, and the execution of the Indicator was 180%.

² According to the National Agency for Export and Investments и investments "Kaznex Invest" JSC

REINSURANCE

During 2013-2015, the rated capacity (share) of the reinsurance market for KazExportGarant was assessed on the basis of the reinsurance premium sum transferred to the residents for the purposes of reinsurance (see Table 3). At the same time, KazExportGarant assumes no reinsurance risks for highly unprofitable insurance classes such as motorcar insurance, annuity insurance, medical reinsurance and some kinds of personalliability insurance.

Table 3: Rated capacity (share) of market reinsurance over 2013-2015:

(in mlnKZT)

Indicators	Period		
	2013 year	2014 year	2015 year
Total volume of insurance premiums	253 072	266 121	288 272
Transferred for reinsurance, total	75 086	79 900	89 883
(in %)	29,7 %	30,02 %	31,18 %
of which to residents for reinsurance	14 233	17 071	14 614
(in %)	5,6 %	6,41 %	5,07 %
Income on net reinsurance premiums of KazExportGarant	505	538	492
Share of KazExportGarant in % of market premiums transferred to residents	3,55 %	3,15 %	3,37 %

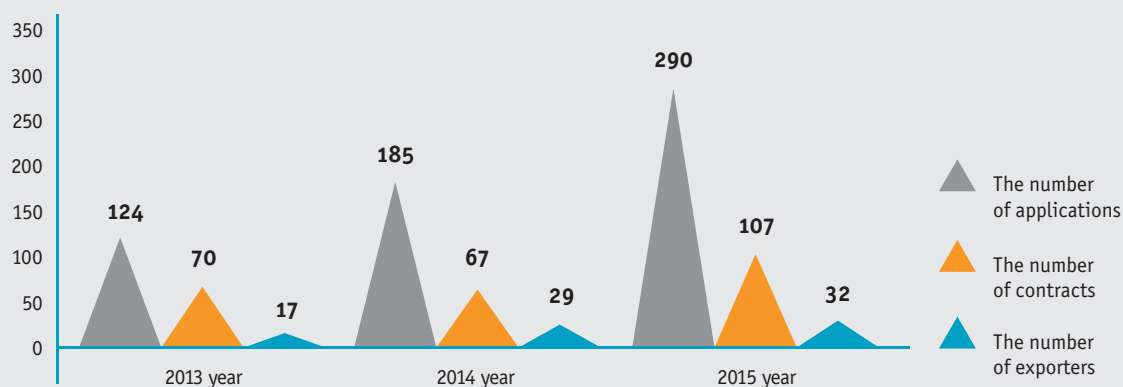
7. SALES OF PRODUCTS / SERVICE SECTORS

INSURANCE

Over 2015, 32 domestic exporters were supported and 107 insurance contracts signed (in 2014, 29 ones were supported and 67 insurance contracts were signed) (see Diagram 5) totalling to KZT 17,8 billion of insurance obligations where the execution of the plan was 142 %.

(in pcs.)

Diagram 5: Dynamics as per the number of received applications concluded insurance contracts and exporters over 2013-2015:

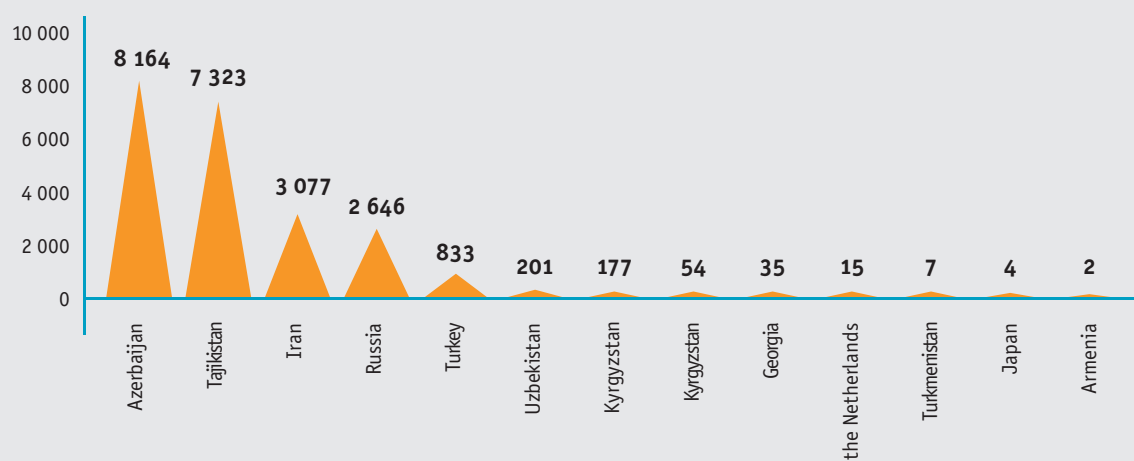


The following factors were the main reasons of refusals of KazExportGarant under the received applications:

- ▶ Impossibility to identify a counterparty;
- ▶ Lack of financial statements, non-classified risk;
- ▶ Unsatisfactory of financial reporting indicators;
- ▶ New establishment of a counterparty;
- ▶ Registered court actions etc.

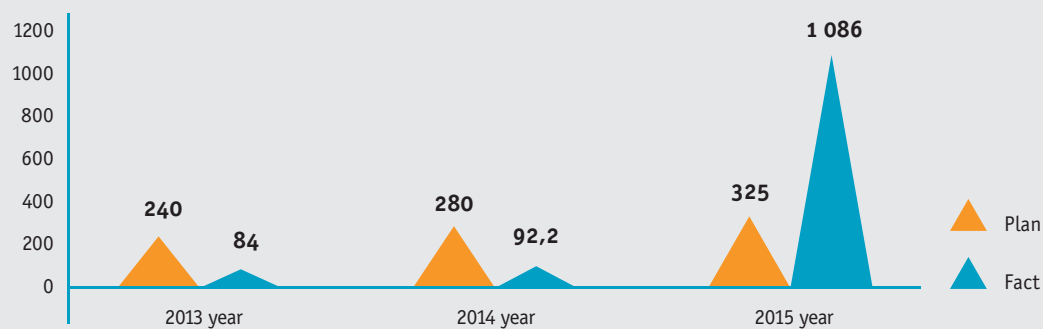
In 2015, support of exports to the border areas of the Russian Federation was largely expanded (see Diagram 6.) For example, in 2014, support was provided in 12 regions general in Russia, and in 2015, export was supported in 23 regions.

(in mln KZT)

Diagram 6: Insurance obligations over 2015 with a breakdown into countries:

Over the reporting period, insurance premiums were accrued (charged) (see Diagram 7) for an overall amount of 1 086,9 mln KZT, of which 903,9 mln KZT - insurance premium of BRK-Leasing JSC for the locomotive export transaction. The total insurance premium income exceeded the planned value by 234 %.

(in mln KZT)

Diagram 7: Dynamics of accrued insurance premiums over 2013-2015:

Over 2015, export operations were supported in the following non-primary sectors of the Republic of Kazakhstan:

- ▶ Machinery-producing industry (Kentaу Transformer Works JSC, Locomotive Kurastyru Zauyty JSC, Kainar-AKB LLP);
- ▶ Pharmaceutical industry (Dolce-Pharm LLP);
- ▶ Chemical industry (Kazfosfat LLP, P.E.T. LLP);
- ▶ Building materials (Alina Trade LLP, Knauf Gips JSC, IT&M LLP);
- ▶ Wood-working industry ("Semi-palatinsk Wood-working Plant 1" LLP);
- ▶ Food industry (Bayan Sulu JSC, Raimbek Bottlers LLP, Tau Agro Sauda LLP, Agro Life Harvest LLP, Rakhat JSC, Tsesna-Astyк Concern JSC, Caspian Beverage Holding JSC, Bairam Astык LLP, RG Brands Kazakhstan LLP);
- ▶ Heavy industry (Arcelor Mittal Temirtau, Euras Caspian Steel LLP, KazFerro LLP).

It should be noted that in 2015, KazExportGarant concluded the first Kazakhstan transaction of the international level according to the leasing financing of export domestic locomotives of Locomotive Kurastyru Zauyty JSC in quantity of 10 units to Azerbaijan totalling to KZT 8,9 billion.

In the said transaction, the subsidiary and dependent organizations of Baiterek NMH JSC (Bank for Development of Kazakhstan, BRK-Leasing JSC and KazExportGarant) provided a full range of services to the domestic exporter subject to their specialization starting with the structuring, financing and insurance protection for the entire term of the transactions.

In addition, KazExportGarant reinsured 70% of risks in the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a member of the Islamic Development Bank Group under the facultative reinsurance contract.

EXECUTION OF THE STATE PROGRAMS

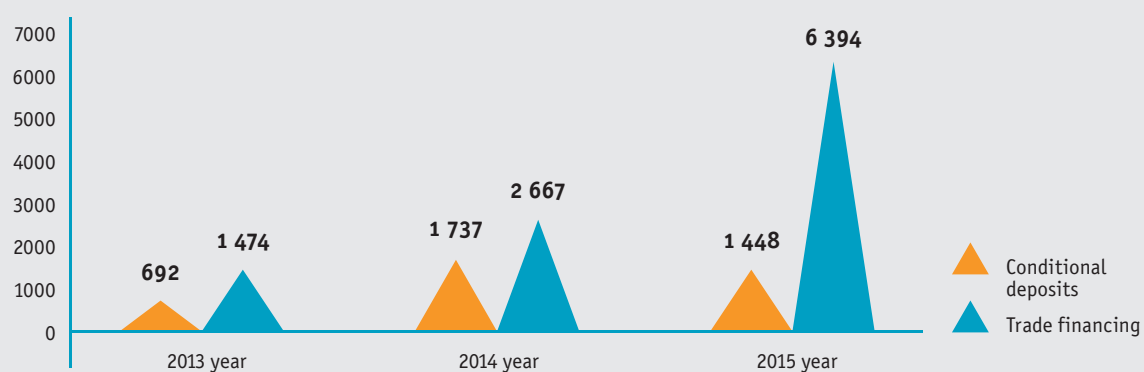
According to Paragraph 4.1.2. of the State Program of Accelerated Industrial Innovation Development of the Republic of Kazakhstan for 2010-2014 (hereinafter – "SPAIID"), KazExportGarant is a financial operator to support operations "... on trade financing and insurance of export trade operations as well as a number of related services of small and medium business of the non-primary sector of economy...". According to the Plan of Measures of the R.K. Government to carry out SPAIID, in December of 2010, KazExportGarant received KZT 1,5 billion of funds from the Republican budget to increase the authorized capital to support trade financing operations. The final goal of the mechanism to use the allocated funds is to ensure a delay in payment and a relatively inexpensive funding of credits under letters of credit of foreign buyers of Kazakhstan products of the non-primary sector.

Financing under the program is provided indirectly through the Kazakhstan second-tier banks by a letter of credit payment method. Under SPAIID, over 2015 (see Diagram 8), the volume of the provided export trade financing was KZT 6,4 billion.

▶ **6,4** KZT 6,4 billion

As part SPAIID in 2015 (see. chart №8) volume provided export trade funding It amounted to 6.4 billion

(in mln KZT)

DIAGRAM 8: Dynamics of making conditional deposits and of the provided trade financing over 2013-2015:

In general, over the period of sales from 2011 till 2015, the volume of the provided export trade financing was more than KZT 13,5 billion due to the revolving usage of such budgetary funds as allocated under SPAIID.

REINSURANCE

Over 2015, 675 inwards reinsurance contracts were entered into for an overall amount of accrued premiums of KZT 575 mln and 33 outwards reinsurance contracts for an overall amount of accrued premiums of KZT 121 mln (see Diagram 9).

Table 4: Information on reinsurance activity over 2013-2015:

(in mln KZT)

Indicators

Period

Gross inwards reinsurance premium

565

631

575

Payments already made

45

126

170

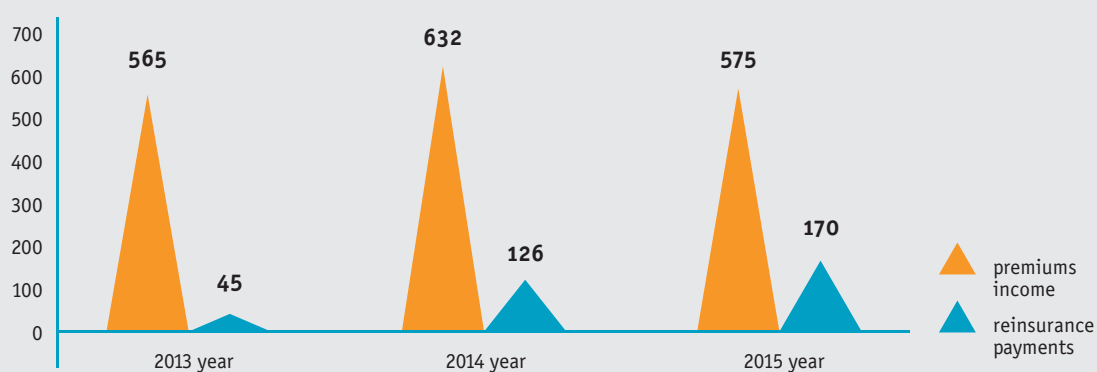
Paymentlevel, (in %)

8,08

20,09

29,62

(in mln KZT)

DIAGRAM 9: Dynamics of premiums income of and reinsurance payments over 2013-2015.

Due to the weighted reinsurance policy, the qualitative reinsurance risk underwriting, the average level of payments is 19,26% for three years. It should be noted that the main reason of the growth

in the payment level for the reinsurance portfolio is the increase in payments for old contracts as per the Class "Compulsory insurance of an employee against accidents in the execution by him/her of his/

herlabour (official) duties" (Compulsory accident insurance). Some measures were taken in order to reduce Compulsory Accident Insurance risks taking with high class of professional risk.



CORPORATE INFORMATION

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8. SUBSTANTIAL CORPORATE EVENTS

The substantial corporate events over 2015 are as follows:

1. Based on the results of the meeting of the Executive Body of the Berne Union in Amsterdam, a resolution was passed on the assignment of the status of an Observer to KazExportGarant in the International Insurers Association.
2. Resolution No. 22/15 of the Managing Board of Baiterek NMH JSC dated July 10, 2015, powers of the member of the Board of Directors – the Chairman of the Board of Directors of KazExportGarant Joint-Stock Company Gulbanu Tazhibayevna Pazykhairova were terminated before to the scheduled date. By the same Resolution, Serzhan Nurakhanovich Madiyev was elected as a member of the Board of Directors.
3. The international rating agency “Moody’s Investors Service” con-

firmed the current Baa2 rating of financial reliability of KazExportGarant, and the forecast is as “Stable”.

4. During the annual meeting of the Berne Union/the Prague Club in Shanghai, KazExportGarant and Italian Export Credit Agency “Sace”, signed an agreement to stimulate a further cooperation, to render technical assistance, to make expert examinations and to provide consultations between the two agencies.

5. For the first time in the history of Kazakhstan, the first transaction of the international level was concluded with the participation of KazExportGarant according to the leasing financing of the delivery of 10 domestic locomotives to Azerbaijan where the subsidiary and dependent organizations of Baiterek NMH JSC (Bank for Development of Kazakhstan JSC, BRK-Leasing JSC and

KazExportGarant) provided a full range of services to the domestic exporter starting with the structuring, financing and insurance protection for the term of the transaction. In addition, KazExportGarant reinsured risks on the said transaction in the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), Member of Islamic Development Bank.

6. A cooperation agreement was signed with the Sinosure, Chinese State Export and Credit Agency “Sinosure”.

7. A Memorandum of Cooperation was signed to improve a foreign trade turnover between the two countries by finding out and using possibilities for the development of exports and investments with the Iranian State Export Credit Agency EGFI.



9. INFORMATION ON THE CORPORATE MANAGEMENT SYSTEM

In its activities, KazExportGarant as a company incorporated in the Republic of Kazakhstan is governed by Law No. 415-II of the Republic of Kazakhstan dated May 13, 2003 "On Joint-Stock Companies", Law No. 126-II of the Republic of Kazakhstan dated December 18, 2000 "On Insurance Activities", Regulation No. 4 of the Board of the R.K. Agency for regulation and supervision of financial market and financial organizations dated 01.02.2010 "On Approval of Instruction on requirements for the availability of risk management and internal control systems in insurance (reinsurance) organizations", the Articles of Association of KazExportGarant as well as the Corporate Management Code.

The Corporate Management Code³ (hereinafter – "the Code") is a set of those rules and recommendations,

which KazExportGarant follows in the course of its activities to ensure a high level of the corporate management in relations within the corporation and with other market participants. The corporate management principles set forth in the Code are aimed at the creation of trust in relations arising in connection with the management of KazExportGarant and are the basis for all rules and recommendations contained in the Code. The fundamental principles are:

- 1) The principle to protect rights and interests of the Sole Shareholder;
- 2) The principle of effective management of KazExportGarant by its Board of Directors and Managing Board;
- 3) The principle of independent activity of KazExportGarant;
- 4) The principle of transparency and objectivity in the disclosure

of information on the activities of KazExportGarant;

- 5) The principles of legitimacy and ethics;
- 6) The principles of an effective dividend policy;
- 7) The principles of an effective personnel policy;
- 8) The environmental principle;
- 9) The principle of a fair regulation of corporate conflicts and conflict of interests;
- 10) The liability principle.

The purposes of the Corporate Management Code are to improve and to systematize the corporate management, to ensure a better transparency of the management and to confirm a constant readiness of KazExportGarant to follow the standards of the proper corporate management.

KazExportGarant considers the cor-



³ The Code of corporate management and the Code of business ethics are available for viewing on official website of KazExportGarant: www.keg.kz



porate management as a tool to improve the efficiency of its activities, to strengthen its reputation and to reduce expenses for the procurement of capital by it. KazExportGarant considers the proper corporate management system as a factor determining its place in the modern economy. The principle of supremacy of law underlies the corporate management.

KazExportGarant also applies a Code of Business Conduct determining the company values as well as the basis of its operation and external communications. This code is worked out subject to the recognized world standards of the business behaviour and the corporate management. This document covers, in particular, matters such as relations between the employees of KazExportGarant, relations with business partners, Shareholders, state bodies and public organizations, environment protection, and prevention of a conflict of interests.

With a view to implement the provisions of the Code of Business Conduct, and to find out violations thereof and to take necessary measures, and also to check the personnel's knowledge of its provisions, at the beginning of 2015, KazExportGarant checked its personnel's knowledge of the Code of Business Conduct through a com-

mission headed by the Chairman of the Board. The results gave a positive evaluation of the personnel's knowledge of the Code of Business Conduct.

KazExportGarant submits a risk management report to the Board of Directors on a quarterly basis, which should include the Company's Consolidated Balance Sheet (assets, liabilities, the own capital of the Company) at the reporting date and at the beginning of the reporting year; Profit-and-Loss Report of an insurance (reinsurance) organizations as compared to the similar period of the previous year and the planned indicators of the activity; Report on the state of investment portfolio grouping financial instruments as per their types and specifying book value, market cost, and profitability; brief analysis of impact of asset price movement where the said assets are at most subject to the market risk of the non-compliance with the legislative requirements of the Republic of Kazakhstan; Brief analysis of exposure of insurance (reinsurance) organizations to the interest risk; brief analysis of the current and predictable needs of insurance (reinsurance) organizations in the own capital; Report on technical (insurance) risks; Report on catastrophic risks.

The Articles of Association of KazExportGarant is the basic internal document, which establishes powers and authority of the managerial bodies of KazExportGarant. The Articles of Association of KazExportGarant determines exclusive competencies of the Sole Shareholder, the Board of Directors, and the Managing Board. Procedure for consideration of matters by the above-mentioned bodies.

Information on the current issues of the Shareholder is provided by KazExportGarant within such period as specified by the Sole Shareholder.

▶ 2015

At the beginning of 2015, KazExportGarant checked its personnel's knowledge of the Code of Business Conduct through a commission headed by the Chairman of the Board

10. ABOUT ACTIVITY OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

Duties, competence, a procedure of formation, composition of the Board of Directors (hereinafter – “BD”), rights, obligations and responsibilities of the members of BD, interaction with other bodies of KazExportGarant, operating procedures of BD, a procedure for convening and holding meetings of BD, and accepting, passing and executing its resolutions is established by the Regulation for BD of KazExportGarant as approved by a resolution of BD of KazExportGarant (Protocol No. 90 dated May 5, 2015) (the said Regulation is Annex 5 to the Regulation for the organizational and functional structure of KazExportGarant as approved by a resolution of BD of KazExportGarant (Protocol No. 90 dated May 5, 2015)).

BD determines the priority directions of the operation of KazExportGarant, approves the development strategy of KazExportGarant, carries out a general management of the activities conducted by KazExportGarant and controls the operation of the Board within its competencies, delegates solution of such tasks as related to the current activities of KazExportGarant to the Board, and ensures the implementation of the interests and the protection of the rights of the Sole Shareholder.

The operation of BD is based on the principle of the maximum compliance and implementation of the interests of KazExportGarant and the Sole Shareholder, and the principles of reasonableness, efficiency, activity, conscientiousness, professionalism, objectivity and responsibility for resolutions passed. The operation of BD is fully accountable to the Sole Shareholder. Resolutions of the Sole Shareholder passed within its competencies are binding on BD.

In its activity, BD is governed by

the laws of the Republic of Kazakhstan, the Articles of Association, the Corporate Management Code, the Regulation for BD of KazExportGarant, the Regulations to consider materials for meetings of the subsidiary boards of subsidiary organizations and dependent joint-stock companies of Baiterek NMH JSC, and by such other internal documents as approved by the Sole Shareholder.

Relations of BD members - independent directors with KazExportGarant are regulated by civil-law agreements, the terms and conditions of which are defined by the Rules of selection, payment of remuneration and compensation for expenses of independent directors of subsidiary organizations of Baiterek NMH JSC as approved by a resolution of the Board of Baiterek NMH JSC (Protocol No. 09/14 dated April 4, 2014).

The composition of BD is formed from representatives of the Sole Shareholder, the Chairman of the Board of KazExportGarant, independent directors and other persons.

The Corporate Management Code of KazExportGarant assigns qualification criteria to the members of BD. The members of BD of KazExportGarant have higher economic, financial education, and experience of work in the financial sphere as well as they are experienced in the work as managers, and have the branch experience, they understand financial statements and are actively involved in the business activity of KazExportGarant making a substantial contribution to the ensuring of qualitative resolutions of BD. The members of BD contribute to the effective and successful activities of KazExportGarant and make it possible to consider matters related to the competencies of

BD on a comprehensive and qualified basis.

The quantitative composition of BD of KazExportGarant provides a sufficient collegiality level for resolutions passed and meets such requirements as assigned by the Law of the Republic of Kazakhstan “On Joint-Stock Companies” and the Articles of Association of KazExportGarant.

The composition of BD of 5 (five) members is determined and elected by a resolution of the Sole Shareholder of KazExportGarant, of whom 2 (two) members are independent directors.

The term of BD's power and authority is specified by a resolution of the Sole Shareholder of KazExportGarant.

During 2015 (hereinafter – “the Reporting period”), the following persons were members of BD of KazExportGarant:

Full name	Position in BD	Period (day, month, year)	Title in the primary work location	Resolution body of KazExportGarant on election/termination of powers of the Chairman /members of BD
Gulbanu Tazhibayevna Pazykhairova	Chairman the Board of Directors	05.11.2013-10.07.2015	Managing Director of Baiterek NMH JSC	Elected as a member of BD - Chairman of BD on 05.11.2013 by a resolution of the Sole Shareholder of KazExportGarant (Protocol of the Managing Board of Baiterek NMH JSC under No. 12/13 dated 05.11.2013). Powers of a member of BD are terminated since 10.07.2015 by a resolution of the Sole Shareholder of KazExportGarant (Protocol of the Board of Baiterek NMH JSC under No. 22/15 dated 10.07.2015)..
Yerkin Tok-mukhamedovich Sadykov	Member of BD	28.02.2013-31.12.2015	Chairman of the Board of KazExportGarant	Elected as a member of BD on 28.02.2013 by a resolution of the Sole Shareholder of KazExportGarant (Order No. 53 of the R.K. Ministry of Industry and New Technologies dated 28.02.2013).
Nazira Jambulovna Beisembayeva	Member of BD - independent director	06.12.2013-31.12.2015		Elected as a member of BD - independent director dated 06.12.2013 by a resolution of the Sole Shareholder of KazExportGarant (Protocol of the Managing Board of Baiterek NMH JSC under No. 17/13 dated 06.12.2013).

Full name	Position in BD	Period (day, month, year)	Title in the primary work location	Resolution body of KazExportGarant on election/termination of powers of the Chairman /members of BD
Serzhan Nurakhanovich Madiyev	Member of BD / Chairman of BD	10.07.2015-28.09.2015	Managing Director of Baiterek NMH JSC	<p>Elected as a member of BD on 10.07.2015 by a resolution of the Sole Shareholder of KazExportGarant (Protocol of the Managing Board of Baiterek NMH JSC under No. 22/15 dated 10.07.2015).</p> <p>Elected as a Chairman of BD on 29.07.2015 by a resolution of BD of KazExportGarant (Protocol No. 92 dated 29.07.2015).</p> <p>Powers of a member of BD are terminated on 28.09.2015 by a Resolution of the Sole Shareholder of KazExportGarant (Protocol of the Managing Board of Baiterek NMH JSC under No. 28/15 dated 28.09.2015).</p>
Sabit Temirkhanovich Khakimzhanov	Member of BD - independent director	25.12.2013-23.12.2015		<p>Elected as a member of BD on 25.12.2013 by a resolution of the Sole Shareholder of KazExportGarant (Protocol of the Managing Board of Baiterek NMH JSC under No. 19/13 dated 25.12.2013).</p> <p>Powers of a member of BD - independent director are terminated since 23.12.2013 in accordance with Clause 4 Article 55 of the R.K. Law "On Joint-Stock Companies" (Notice of 21.12.2015) (Protocol No. 99 of BD dated 30.12.2015).</p>

As of December 31, the following persons were members of BD of KazExportGarant:

Nº	Full name	Title
1	Member of BD Kanysh Amanbayevich Tuleushin	Managing Director of Baiterek NMH JSC
2	Member of BD Yerkin Tokmukhamedovich Sadykov	Chairman of the Board of KazExportGarant
3	Member of BD, independent director Nazira Dzhambulovna Beisembayeva	

Over the reporting period, BD of KazExportGarant held 12 meetings “in praesentia” where 123 issues were considered. In addition, over the reporting period, the members of BD of KazExportGarant properly visited meetings of BD of KazExportGarant took an active part in its proceedings. The following members of BD of KazExportGarant visited its meetings:

Nº	Full name	Meetings in praesentia	Meetings in absentia
1	Gulbanu Tazhibayevna Pazykhairova	4*/4**	0*/0**
2	Kanysh Amanbayevich Tuleushin	12*/12**	0*/0**
3	Yerkin Tokmukhamedovich Sadykov	12*/12**	0*/0**
4	Nazira Jambulovna Beisembayeva	12*/12**	0*/0**
5	Sabit Temirkhanovich Khakimzhanov	10*/11**	0*/0**
6	Serzhan Nurakhanovich Madiyev	3*/4**	0*/0**

* - The total meetings, in which the Member of BD participated;

** - The total meetings, in which the Member of BD might have participated.

COMMITTEES OF THE BOARD OF DIRECTORS

In compliance with the applicable requirements and the Law of the Republic of Kazakhstan "On Joint-Stock Companies", and for the purposes of the proper corporate management practice, the following committees of BD of KazExportGarant operated in the reporting period:

1. Audit Committee;
 2. Committee for Personnel, Remuneration and Social Questions;
 3. Strategic Planning Committee.
- The availability of the Audit Committee and Committee for Personnel, Remuneration and Social Questions

is due to the requirement of the Instruction on the requirements for the availability of risk management and internal control systems in insurance (reinsurance) organizations as approved by Regulation No. 4 of the Board of the R.K. Agency for Regulation and Supervision of Financial Market and Financial Organizations dated February 01, 2010.

The BD's Committees are advisory and consultative bodies and are set up to deepen the working out of those matters, which fall within the competencies of BD, or which are considered by BD by controlling the activity of the Board of KazEx-

portGarant, and to develop necessary recommendations to BD and the Board of KazExportGarant. All proposals elaborated by the BD's Committees are recommendations, which are submitted to BD.

The BD's Committees are accountable to BD of KazExportGarant and operate under such powers as granted to them by BD of KazExportGarant and in accordance with the Regulations for the BD's Committees of KazExportGarant.

The BD's Committees consist of the BD members - independent directors are Chairmen of the BD's Committees.

№	Name of Committee of BD	Main functions of Committee
1	Audit Committee	The Committee ensures the actual participation of BD of KazExportGarant in the carrying out of a timely and effective control of the financial and economic activity of KazExportGarant and in the developing of necessary recommendations to BD and the Board of KazExportGarant
2	Committee for Personnel, Remuneration and Social Questions	The Committee is set up to improve the efficiency of managing the development of KazExportGarant by elaborating thoroughly reasonable recommendations of BD in relation to motivations, a personnel and social policy, and to control the execution of such resolutions as passed by BD of KazExportGarant
3	Strategic Planning Committee	The Committee is set up to contribute to the enhancement of efficiency of the activities conducted by KazExportGarant in the longer term, and to develop and provide recommendations to BD of KazExportGarant in such matter a related to the determination of strategic goals of KazExportGarant aimed at its development in the medium term – (3–5 years) and in the longer term (more than 5 years); coordinating activities of respective structural subdivisions of KazExportGarant for strategic planning with those of BD

By a resolution of BD of KazExportGarant (Protocol No. 87 dated December 29, 2014), the following composition of the BD's committees was formed:

1. BD's Audit Committee:

Nº	Chairman and Members of Audit Committee	Full Name	Position
1	Chairman of the Committee	Sabit Temirkhanovich Khakimzhanov	BD Member - independent director
2	Member of the Committee	Gulbanu Tazhibayevna Pazykhairova	BD Chairman, representative of the Sole Shareholder
3	Member of the Committee	Nazira Jambulovna Beisembayeva	BD Member - independent director

2. BD's Committee for Personnel, Remuneration and Social Questions:

Nº	Chairman and Members of Committee for Personnel, Remuneration and Social Questions	Full name	Title
1	Chairman of the Committee	Nazira Jambulovna Beisembayeva	BD Member - independent director
2	Member of the Committee	Gulbanu Tazhibayevna Pazykhairova	BD Chairman, representative of the Sole Shareholder
3	Member of the Committee	Kanysh Amanbayevich Tuleushin	BD Member, representative of the Sole Shareholder
4	Member of the Committee	Sabit Temirkhanovich Khakimzhanov	BD Member - independent director

3. BD's Strategic Planning Committee:

№	Chairman and Members of Strategic Planning Committee	Full name	Title
1	Chairman of the Committee	Sabit Temirkhanovich Khakimzhanov	BD Member - independent director
2	Member of the Committee	Gulbanu Tazhibayevna Pazykhairova	BD Chairman, representative Sole Shareholder
3	Member of the Committee	Kanysh Amanbayevich Tuleushin	BD Member, representative of the Sole Shareholder
4	Member of the Committee	Nazira Jambulovna Beisembayeva	BD Member - independent director

The Corporate Secretary of KazExportGarant N.G. Kabessov was the Secretary of the BD's Committees. During the reporting period, the composition of BD's Committees of KazExportGarant changed as follows:

Due to the termination of powers of BS Member of KazExportGarant Gulbanu Tazhibayevna Pazykhairova since 10.07.2015 by a resolution of the Sole Shareholder of KazExportGarant (Protocol of the Board of Baiterek NMH JSC dated July 10, 2015 under No. 22/15), a BD's resolution (Protocol No. 95 dated September 16, 2015) powers of G.T. Pazykhairova were terminated as a Member of the following BD's Committees of KazExportGarant:

1) Audit Committee;
2) Committee for Personnel, Remuneration and Social Questions;
3) Strategic Planning Committee.
By the BD's resolution (Protocol No. 90 dated May 5, 2015), the following internal normative documents were approved regulating the activities of the BD's Committees:
1) Regulations for BD's Audit Committee of KazExportGarant;
2) Regulations for BD's Committee for Personnel, Remuneration and Social Questions of KazExportGarant;
3) Regulations for BD's Strategic Planning Committee of KazExportGarant.
The said Regulations are Annexes 6, 7 and 9 to the Regulation on orga-

nizational & functional structure of KazExportGarant as approved by the resolution of BD of KazExportGarant (Protocol No. 90 dated May 5, 2015). The Regulations for the BD's Committees of KazExportGarant determine the BD's Committees' status, goals, functions and competencies, the composition, the procedure of forming and operation of the Committees, the rights and obligations of the BD Members, mutual relations with BD and the Board of KazExportGarant, and with the units of KazExportGarant as well.

11. ABOUT ACTIVITY OF THE BOARD

The Managing Board is a collegial executive body of KazExportGarant and in its activity; it is governed by the R.K. applicable law, the Articles of Association of KazExportGarant and the Regulations for the Board as approved by a resolution of BD of KazExportGarant. The Managing Board is formed by BD, which determines the quantitative composition, the term of powers vested in the Managing Board, the election of its chairman and members as well as the termination of their powers. Pursuant to the laws on insurance activities, the Managing Board should consist of minimum three members.

Meetings of the Managing Board are convened by the Chairman of the Managing Board as and when required, by a Member of the Managing Board or an auditor of KazExportGarant. The competence of the Managing Board is determined by the Articles of Association of KazExportGarant. The Sole

Shareholder is entitled to terminate powers of any Member of the Managing Board and to assign a new one according to the Articles of Association and the internal documents of KazExportGarant. The Members of the Managing Board must meet the requirements to the executive employees of financial organizations.

The Chairman of the Managing Board is the chief executive of the Managing Board of KazExportGarant. The following persons may be elected as members of the Managing Board: Vice Chairmen of the Managing Board; Directors of Departments, whose functional duties and area of responsibility are:

- ▶ Marketing and sales;
- ▶ Underwriting;
- ▶ Reinsurance;
- ▶ Finances and reporting;
- ▶ Legal support.

A resolution on election of each of candidate members of the Managing

Board is carried according to the Articles of Association. By resolutions of BD, in 2015, the Managing Board of KazExportGarant consisted of:

1. Yerkin Tokmukhamedovich Sadykov – Chairman of the Managing Board from January 1, 2015 till December 31, 2015;
2. Ruslan Viktorovich Iskakov – Member of the Managing Board from January 1, 2015 till October 7, 2015;
3. Tolegen Toleukanuly Ismailov – Member of the Managing Board from October 15, 2015 till December 31, 2015;
4. Yerdan Yerlanovich Bekkhozhin – Member of the Managing Board from January 1, 2015 till December 31, 2015.

Over the reporting period, the Executive Body of KazExportGarant held 17 meetings in praesentia, at which 121 issues were considered and 37 documents were approved.

Statistics of attending meetings in praesentia of the Board of KazExportGarant by its Members:

Nº	Full name	Participation in meetings	in %
1	Yerkin Tokmukhamedovich Sadykov	17 of 17	100
2	Ruslan Viktorovich Iskakov	15 of 15	100
3	Yerdan Yerlanovich Bekkhozhin	17 of 17	100
4	Tolegen Toleukanuly Ismailov	2 of 2	100

12. BASIC PRINCIPLES OF REMUNERATION TO THE MEMBERS OF THE BOARD AND THE BOARD OF DIRECTORS

The basic principles of remuneration to the members of the Board are set forth in regulated by the Rules of remunerating executive employees based on the results of work per year as approved by BD of KazExportGarant on July 30, 2013 as amended (Protocol No.71).

The said Rules are drawn up under the laws of the Republic of Kazakhstan and establish conditions and a manner of payment of remuneration to executive employees.

The basic principles are as follows:

- ▶ Interaction of remuneration with the performance of tasks which meet the interests of KazExportGarant and the Shareholder;
- ▶ Simplicity and transparency of principles determining the amount of remuneration;
- ▶ Dependence of the amount of remuneration on the results of activities.

The Rules are aimed at the motivation of executive employees to achieve such goals as conditioned by the business strategy, who are able to evaluate a degree of the achievement of the results by each executive employee, and who are justly remunerated and stimulated for their achievements.

KazExportGarant recognizes the strategic importance and necessity to stimulate a group of executive employees who have the most substantial and direct influence on the final results of works and activity, and the development of unified system approaches to their remuneration.

Payment of remunerations to BD is only made to the independent directors of KazExportGarant being members of BD. Formerly, remuneration and compensations for expenses of independent directors were paid on the basis of compensated service agreements for independent directors in the com-

position of BD of KazExportGarant (hereinafter – “the Agreement”). The said agreement was an integral part of the Rules for paying remuneration and compensations for expenses of independent directors of companies of the Sovereign Wealth Fund «Samruk-Kazyna» JSC approved by the Resolution of the Managing Board of Samruk-Kazyna JSC dated May 22, 2009 (Protocol No. 55/09). The Agreement establishes the rights and obligations of an independent director as a member of BD of KazExportGarant under the current laws of the Republic of Kazakhstan, the Articles of Association and the internal documents, and also the obligation of KazExportGarant to pay remuneration to an independent director and to reimburse for such expenses as related to the performance of obligations under the Agreement and by a resolution of the Sole Shareholder.

By a resolution of the Board of Baiterek NMH JSC (Protocol No.9/14 dated April 04, 2014), rules were approved for selection, payment of remuneration and compensation for expenses of independent directors of subsidiary organizations of Baiterek NMH JSC. The said rules were drawn up in accordance with the R.K. Law “On Joint-Stock Companies” and the internal documents of the Holding. The principal purpose of the Rules is to assist in the achievement of the Holding’s strategic goals by implementing the best practices of the corporate management as applicable to the attraction and retention of the most qualified personnel for work in the subsidiary boards of subsidiary organizations.

2013

The basic principles of remuneration to the members of the Board are set forth in regulated by the Rules of remunerating executive employees based on the results of work per year as approved by BD of KazExportGarant on July 30, 2013 as amended (Protocol No.71)

GENERAL INFORMATION

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13. INFORMATION ON RISK MANAGEMENT SYSTEM

The risk management system is an integral part of the operation of KazExportGarant and is aimed at the identification, assessment and monitoring of all substantial risks, and also at the adoption of measures on the reduction of the level of those risks, which may adversely affect the financial stability and reputation. In compliance with the requirements of the R.K. National Bank and the best practices of the corporate management, a regular risk reporting system was implemented where the Board and BD of KazExportGarant periodically receive information on risk situations including a risk card and risk reports. Furthermore, as and when necessary, the Board and BD are provided with data on the substantial changes in risks. On a regular basis, KazExportGa-

rant submits risk-related reports to the authorized supervisor according to Regulation No. 4 of the Board of the R.K. Agency for Regulation and Supervision of Financial Market and Financial Organizations dated February 1, 2010 "On approval of the Instruction on the requirements for the availability of risk management and internal control systems in insurance (reinsurance) organizations".

KazExportGarant has a Risk Management Committee set up at the Managing Board of KazExportGarant. In addition, regulating documents for risk management are drawn up the said risks affecting the improvement of the risk management system and the corporate management rating of KazExportGarant.

As of January 1, 2016, during the

reporting period, the Department for risk management and actuarial settlements, together with the structural subdivisions, carried out a complex risk identification and assessment for KazExportGarant. Based on the results of the said works, new risk registers, risk and control matrixes were made and approved, a risk card was built, and a plan of measures on the management of high and critical risks was drawn up for 2016 by assigning time-frames of the carrying out of such measures, and responsible persons. According to the Risk Register, at the end of 2015, KazExportGarant identified 37 risks, of which 21 risks had a high priority, and 16 risks – the second ones by priority. Information on the key risks is given below:

Key risks

Risks
reinsurance

Emergency risks.
Risk of occurrence of substantial sizeable events, which will result in large insurance payments

Measures on key risk management

Continuous monitoring of financial condition and reputation of counterparties-retrocessionaires

Risk transfer for reinsurance based on the results of the positive analysis of financial stability and international ratings of a retrocessionaire

Qualitative underwriting of proposals on inwards reinsurance

Establishment of a limit on obligations on the Class of "Property Insurance" of the total volume of obligations under reinsurance contracts. Risk transfer for reinsurance for the purposes of diversification, and protection from large shock losses

Collegial passing of resolutions by the Reinsurance Council

Key risks

Currency risks

Measures on key risk management

Continuous control of currency positions

Compliance with limits on currency position

Conduct of stress-testing/ sensitivity of exchange rate change on a monthly basis

Securities portfolio depreciation risk

Continuous monitoring of financial condition of issuers, securities portfolio cost analysis

Effective management of treasury portfolio, compliance with the requirements of the Investment Policy (some amendments were made, Resolution No. 102 of BD dated 06.05.2016) and the Regulations for financial assets and liabilities management (amendments were made, Resolution No. 311 of the Board dated 30.05.2016)

Control of the state of securities portfolio by the Assets and Liabilities Management Council

List of the actual measures on the improvement of the risk management system

- ▶ By Resolution No. 91 dated June 19, 2015, passed by BD, regulations for a centralized risk management system were approved;
- ▶ By Resolution No. 91 dated June 19, 2015, passed by BD, risk aggregation methods were approved;
- ▶ By Resolution No. 91 dated June 19,

2015, passed by BD, methods of determining business processes and related risks and the key risk indicators were approved;

- ▶ By Resolution No. 94 dated August 28, 2015, passed by BD, the following internal documents were approved:
 - ▶ Credit risk assessment methods;
 - ▶ Business risk assessment methods;
 - ▶ Methods of reserving capital

subject to operational risks;

- ▶ Methods of assessing market risk and liquidity loss risk;
- ▶ Methods of conducting stress-testing and determining a reserve;
- ▶ Operational risk management rules.

14. INFORMATION ON PERSONNEL RELATIONS

On the whole, the personnel policy of KazExportGarant is aimed at the creation of a highly effective human resource management system, a system aimed at the improvement of transparency of activities and businesses in the implementation of the personnel strategy, the setting up of a competitive team of professionals, due to the attraction, training and retention of a high-level personnel having advanced skills and competencies.

As per the staff schedule, the composition of the KazExportGarant's personnel includes 37 in-house employees.

As of January 1, 2016, the actual number of the working employees of KazExportGarant was 36 persons. The fluctuation movement of the personnel was 18,9%, and the aver-

age staffing number was 37 persons. As per plan to train the personnel of KazExportGarant for 2015, all the employees received training where the training process was aimed at the improvement of professional knowledge of the employees, as related to the corporate management and internal control systems, and the prevention of fraudulence, risk management, financial accounting and others.

In December of 2015, two evaluations of KazExportGarant's personnel were made: for the adequacy for the job and the knowledge of the Code of Business Conduct.

For the purposes of social protection of the personnel, Rules were drawn up and approved at a meeting of BD of KazExportGarant concerning payment of labour, assess-

ment of activities and remuneration of executive employees of the Export Credit Insurance Corporation "KazExportGarant" JSC (Protocol No. dated August 28, 2015), amendments and supplements were made to the Policy of payment of labour and bonus payment to the personnel of the ExportCredit Insurance Corporation "KazExportGarant" JSC (Protocol No. 94 dated August 28, 2015), and also amendments and supplements were made to the Rules of providing social support to the personnel of the ExportCredit Insurance Corporation "KazExportGarant" JSC (Protocol No.90 dated May 5, 2015).

In addition, a voluntary medical insurance contract was signed for 2015-2016 in case of a disease.



15. GENERAL INFORMATION ON GOALS FOR FUTURE PERIODS

It is suggested that at the following stage of developing a financial insurance support of non-primary exports, the key challenge to KazExportGarant will be an increase in the scope of support of export operations, the number of supported exporters and business entities who plan the entrance to foreign markets.

In the long view, the operation of KazExportGarant will be still focused on the increase in processed exports by expanding a scope of financial insurance support to exporters by:

1. Launching a product under voluntary loan insurance where the security for such loan due to the in-

surance coverage by KazExportGarant will allow exporters to increase accessibility to the financing.

2. Launching a product under the importer prepayment insurance as a tool to attract the financing as advances for future shipments.

3. Realizing a product due to the subsidization of a rate of the post-financing in order to improve competitive advantages of domestic products by financing export transactions on acceptable terms due to the funding of second-tier banks and the subsidy assistance of Damu Fund.

In this regard, KazExportGarant has been taking necessary measures to obtain licenses for voluntary insur-

ance classes and to make amendments to the Program of the "Business Roadmap – 2020" as related to the subsidization of an interest rate for the export trade financing. In general, the above-mentioned measures will allow KazExportGarant to create stable advantages for exporters in the priority branches as per SPIID, to expand commodity and geographic orientation of domestic products by volume subject to the target sales markets as per SPIID, and also to increase a volume of financial insurance support under export contracts and to support the current level of production and the expansion thereof.



FINANCIAL PERFORMANCE

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16. ANNUAL FINANCIAL STATEMENTS

The financial statements over 2015 were audited by the international auditing firm KPMG Audit LLP. According to KPMG Audit LLP, the said financial statements accurately showed the financial position of KazExportGarant in all substantial aspects as of December 31, 2015 as well as its financial results cash flow for the year, which ended at the said date in accordance with the International Financial Reporting Standards.

STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2015

<i>(in ths. KZT)</i>			
	Note	2015, ths. KZT	2014, ths. KZT
ASSETS			
Cash and cash equivalents	10	1,641,980	1,477,094
Bank accounts and deposits	11	3,835,778	2,007,031
Available-for-sale financial assets	12	8,806,861	9,044,131
Fixed assets		17,421	18,027
Accounts receivable for insurance and reinsurance	13	596,735	125,957
Current tax asset		-	41,103
Share of reinsurers in reserves under insurance contracts	14	439,344	21,998
Deferred tax assets		1,851	5,056
Other assets		12,008	13,089
Total assets		15,351,978	12,753,486
LIABILITIES			
Reserves under insurance contracts	14	1,951,351	706,654
Accounts payable for insurance and reinsurance		14,977	24,560
Current tax liabilities		14,360	-
Loan procured from Samruk-Kazyna JSC		392,814	444,519
Other liabilities		74,978	50,263
Total liabilities		2,448,480	1,225,996
CAPITAL			
Share capital	15 (a)	9,200,000	9,200,000
Extra paid capital on loan procured from Samruk-Kazyna JSC at a rate lower than the market one		732,819	732,819
Stabilization reserve		12,349	-
Unforeseen risks reserve	15 (d)	509,802	-
Reserve for revaluation of available-for-sale financial assets		(1,809,912)	(1,427,683)
Undistributed profit		4,258,440	3,022,354
Total capital		12,903,498	11,527,490
Total liabilities and capital		15,351,978	12,753,486

PROFIT AND LOSS STATEMENT*(in ths. KZT)*

	Note	2015 ths. KZT	2014 ths. KZT
Accrued insurance premiums, gross	5	1,662,357	723,742
Accrued insurance premiums transferred to reinsurers	5	(511,461)	(18,590)
Accrued insurance premiums, net		1,150,896	705,152
Change in reserve for unearned premiums, gross	5	(922,233)	(78,100)
Share of reinsurers in change of reserve for unearned premiums, gross	5	392,866	2,633
Earned insurance premiums, net		621,529	629,685
Paid claims	6	(175,889)	(126,893)
Share of reinsurers in paid claims	6	43,125	-
Change in reserves under insurance contracts, gross	6	(322,464)	(226,050)
Change in share of reinsurers in reserves under insurance contracts	6	24,480	1,192
Paid claims, net		(430,748)	(351,751)
Net financial income	7	464,114	537,366
Net profit from operations with foreign currencies		2,147,427	394,508
Net commission income /(expenses)		38,445	(73,821)
Total administrative expenses	8	(465,973)	(421,390)
Other operating income, net		10,869	2,371
Profit prior to deduction of income tax		2,385,663	716,968
Income tax expense	9	(438,255)	(86,398)
Profit per year		1,947,408	630,570
Other total income less income tax			
<i>Items, which were reclassified, or which may be reclassified in future in the composition of profit or loss:</i>			
Reserve for revaluation of available-for-sale financial assets:			
- Net change in fair cost		(548,525)	(96,344)
- Net change in fair cost carried forward to composition of profit or loss		166,296	24,508
Other aggregate income per year, less income tax		(382,229)	(71,836)
Total aggregate income per year		1,565,179	558,734

CASH FLOW STATEMENT

(in ths. KZT)

	2015 ths. KZT	2014 ths. KZT
CASH FLOW FROM INVESTMENT ACTIVITY		
Receipts from sales of available-for-sale financial assets	73,286	455,676
fixed asset acquisition		
Fixed and intangible asset acquisition	(12,989)	(10,670)
(Use)/receipt of cash in/from investment activity	60,297	445,006
CASH FLOW FROM FINANCIAL ACTIVITY		
Repayment of loan procured from Samruk-Kazyna JSC	(92,735)	(307,309)
Paid dividends	(189,171)	(239,896)
Use of cash in financial activity	(281,906)	(547,205)
Net (decrease)/increase in cash and its equivalents	(340,962)	637,327
Impact of changes in exchange rates upon the value of cash and its equivalents	505,848	28,279
Cash and its equivalents as of beginning of year	1,477,094	811,488
Cash and its equivalents as of end of year (Note 10)	1,641,980	1,477,094

The amount of interest paid and received by the Company during the year, which ended on December 31, 2015, was KZT 276 ths. and KZT 708,648 ths., respectively.

The amount of interest paid and received by the Company during the year, which ended on December 31, 2014, was KZT 1,866 ths. and KZ648,731 ths. T, respectively.

STATEMENT OF CHANGES IN CAPITAL
(in ths. KZT)

ths. KZT	Share capital	Extra paid capital on loan procured from Samruk-Kazyna JSC at a rate lower than the market one	Reserve for revaluation of available-for-sale financial assets	Undistributed profit	Total capital
Balance at January 1, 2014	9,200,000	764,364	(1,355,847)	2,631,680	11,240,197
Total aggregate income					
Profit per year	-	-	-	630,570	630,570
Other total income					
<i>Items, which were reclassified, or which may be reclassified in future in the composition of profit or loss:</i>					
Net change in fair cost			(96,344)		(96,344)
Net change in fair cost carried forward to composition of profit or loss	-	-	24,508	-	24,508
Other aggregated income	-	-	(71,836)	-	(71,836)
Total aggregated income per year	-	-	(71,836)	630,570	558,734
Operations with owners recognized directly in composition of capital					
Paid dividends (Note 15 (c))	-	-	-	(239,896)	(239,896)
Decrease in extra paid capital	-	(31,545)	-	-	(31,545)
Total operations with owners	-	(31,545)	-	(239,896)	(271,441)
Balance at December 31, 2014	9,200,000	732,819	(1,427,683)	3,022,354	11,527,490

ths. KZT	Share capital	Extra paid capital on loan procured from Samruk-Kazyna JSC at a rate lower than the market one	Stabilization reserve	Unforeseen risks reserve	Reserve for revaluation of available-for-sale financial assets	Reserve for revaluation of available-for-sale financial assets	Total capital
Balance at January 1, 2015	9,200,000	732,819	-	-	(1,427,683)	3,022,354	11,527,490
Total aggregated income							
Profit per year	-	-	-	-	-	1,947,408	1,947,408
Other total income							
<i>Items, which were reclassified, or which may be reclassified in future in the composition of profit or loss:</i>							
Net change of fair cost					(548,525)	-	(548,525)
Net change of fair cost carried forward to composition of profit or loss	-	-	-	-	166,296	-	166,296
Other aggregated income	-	-	-	-	(382,229)	-	(382,229)
Total aggregated income per year	-	-	-	-	(382,229)	1,947,408	1,565,179
Operations with owners recognized directly in composition of capital							
Paid dividends (Note 15 (B))	-	-	-	-	-	(189,171)	(189,171)
Transfer to Unforeseen Risks Reserve (Note 15 (r))	-	-	-	509,802	-	(509,802)	-
Transfer to Stabilization Reserve	-	-	12,349	-	-	(12,349)	-
Total operations with owners	-	-	12,349	509,802	-	(711,322)	(189,171)
Balance at December 31, 2015	9,200,000	732,819	12,349	509,802	(1,809,912)	4,258,440	12,903,498

Chairman of the Managing Board
Vice Chairman of the Managing Board

R.V. Iskakov
Ye.Ye. Bekkhoshin

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