



KazakhExport



RELIABLE PROTECTION FOR EXPORTERS

**ANNUAL REPORT
KAZAKHEXPORT
EXPORT INSURANCE
COMPANY JSC**

(previously, KazExportGarant Export Credit
Insurance Corporation JSC)

2016

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ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

E.A. DOSSAEV

Chairman of the Management Board of Baiterek NMH JSC, Chairman of the Board of Directors

DEAR LADIES AND GENTLEMEN!

KazakhExport Export Insurance Company JSC (hereinafter, the Company, KazakhExport) is a state export insurance agency primarily focusing on export support and protection of export operations based on insurance tools.

The status of the National Company that KazakhExport received in March 2017 as well as its overall transformation allowed expanding the corporate capacities on supporting domestic exporters. The main objectives of the National Institute, among others, now include insurance of export credits, pre-export and trade export financing, and reinsurance. The progressive increase on the authorized capital and the introduction of new relevant insurance instruments of export support will foster the Company's emergence as the single hub of financial and insurance support for national non-resource exports.

Looking back at 2016, we can say that it has become a benchmark year for KazakhExport. During this time, the Government of Kazakhstan has updated the 2015-2019 State Program of Industrial and Innovative Development of the Republic of Kazakhstan highlighting the need to develop national exports, including by establishing a national export credit agency. The same year, the Company underwent capitalization to the amount of 14 bln KZT and deployed novel instruments of supporting non-resource exports aimed at insuring credit as well as exporter civil liability risks. In addition, KazakhExport provided trade financing under export contracts with counterparties from the Russian Federation.

In 2016, the Company supported about 1,200 deliveries under export contracts for the total amount of more than \$390 mln. Over 30 Kazakhstani exporters received export protection.

As of today, KazakhExport is a full-fledged member of international associations such as the Prague Club of the Berne Union and Aman Union, which include the largest export credit agencies of the world. The Company enjoys an extensive partner network in Tajikistan, the Russian Federation, Uzbekistan, and other countries. The corporate financial strength rating was confirmed at Baa3 by the Moody's Investors Service.

The planned and already mainstreamed systemic and operational initiatives will enable enhancing the overall performance of KazakhExport as a new National Institute and achieving the targets of increasing the volume of non-resource exports, strengthening confidence among international and Kazakhstan financial institutions, as well as importers of Kazakhstani goods and export credit agencies of the world.



ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD

R.V. ISKAKOV

Chairman of the Management Board

DEAR CLIENTS, PARTNERS AND COLLEAGUES!

We submit to your attention the Annual Report on the performance of KazakhExport Export Insurance Company JSC for the period of 2016.

In the course of this year, we focused our efforts on designing and advancing cutting-edge relevant financial instruments to support the non-resource exports. As the result, at present KazakhExport is capable of supporting export contracts on all stages of their implementation – from formation of fixed assets to searching markets and structuring export transactions.

In 2016, over 30 Kazakhstani exporters received state insurance support extended via KazakhExport within the framework of more than 120 insurance contracts covering export contracts with the total value exceeding \$390 mln. About 1,200 export shipments of Kazakhstani food, chemical, metallurgical and mechanical engineering goods to such countries as Azerbaijan, Belarus, Germany, Georgia, Mongolia, Kyrgyzstan, Russia, Tajikistan and Uzbekistan were executed.

Today our partners include leading Kazakhstan's small and medium businesses as well a number of domestic production giants like Rakhat JSC, Kentau Transformer Plant JSC, Ural Transformer Plant LLP, Raimbek Bottlers LLP, Bayan Sulu Kostanay Confectionery JSC, Alina Group, Agroprodukt Group, etc.

Implementation of the first joint projects with Development Bank of Kazakhstan JSC – within the framework of which Kazakhstani exporters of chemical goods received insurance support – became yet another significant event of the reported year.

Effective cooperation with the national institute promoting the advancement of non-resource and infrastructure sectors of the national economy and, likewise with international financial institutions and second-tier banks constitutes a step towards the corporate goal of rendering most comprehensive, accessible and transparent support to Kazakhstani exporting companies.

I thank all KazakhExport's clients and partners for our effective and mutually beneficial collaboration aimed at supporting significant foreign economic transactions reflecting the overall process of diversification of Kazakhstan's economy!

01 MISSION, VISION, STRATEGIC GOALS AND OBJECTIVES



SUPPORT OF GROWTH IN EXPORTS OF NON-PRIMARY GOODS



MISSION

The Company's mission is to support the growth in exports of non-resource goods, works and services in priority sectors of the national economy and promote the practices of financial, insurance and non-financial support of Kazakhstani enterprises.

VISION

The corporate vision until 2023 is to become the key agent developing and implementing the state foreign trade policy of the Republic of Kazakhstan (RK) in the Central Asian region and countries of the Eurasian Economic Union.

STRATEGIC ENGAGEMENT, GOALS AND OBJECTIVES UNTIL 2023

As per the 2014-2023 Corporate Development Strategy, to accomplish the corporate mission and vision, the Company engages in the following three key strategic spheres:

1. Advancing financial and insurance support of Kazakhstani exports;
2. Non-financial support of exports by Kazakhstani enterprises;
3. Reinsurance.

SPHERES OF STRATEGIC ENGAGEMENT	GOALS	STRATEGIC OBJECTIVES
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ADVANCING FINANCIAL AND INSURANCE SUPPORT OF KAZAKHSTANI EXPORTS

Foster exports of Kazakhstani goods

Financial and insurance support to expand commodity and geographical coverage by Kazakhstani enterprises

Support of trade financing operations within the framework of 2010-2014 SPAIID and 2015-2019 SPIID

NON-FINANCIAL SUPPORT OF EXPORTS BY KAZAKHSTANI ENTERPRISES

Inform domestic enterprises on advantages of financial and insurance support of national exports

Expand the range of consulting services on foreign trade activities of enterprises

REINSURANCE

Ensure stable growth of the number/volume of reinsurance operations

Facilitate the development of reinsurance business infrastructure in Kazakhstan and build the capacity of the national insurance market

Contribute to the reduction of capital outflow abroad and the expansion of Kazakhstani insurance companies

02 ABOUT THE COMPANY

2003

The Company was established in May 12, 2003 as one of the new development institutes to assist the the implementation of the RK industrial and innovative development Strategy aimed at shifting away from the raw-material orientation of the national economy and advancing the export-oriented industrial sectors pursuant to the 2004 Address of the Head of State to the People of Kazakhstan and Regulation No. 442 of the RK Government

2004

In February 2004, the Company became the full member of the Prague Club of the Berne Union – an association of 37 largest international export credit agencies (ECA) and 3 transnational organizations from 34 countries.

On November 4, 2004, the Company became one of Kazakhstan's first insurance companies to be awarded the international financial strength rating by Moody's Investors Service Rating Agency (hereinafter - the "Agency").

2005–2010

In January 2005, the Company launched its reinsurance operations within the Kazakhstan's insurance market both on proportional and non-proportional basis.

In 2010, the Company was allocated 1.5 bln KZT from the national budget to increase its authorized capital with the aim of supporting an export trade financing program.

2012–2013

In 2012, for the first time in the Kazakhstan's history the Company rendered financial and insurance support under the contract to export domestically manufactured locomotives to the Republic of Tajikistan.

On May 22, 2013, in accordance with Decree No. 571 of the President of Kazakhstan "On Certain Measures to Optimize the Control System over Development Institutes, Financial Organizations and Development of the National Economy", Baiterek National Management Holding (NMH) JSC became the Company's Sole Shareholder.

2014

August 12, 2014, the Board of Directors (hereinafter - the "BD") of KazakhExport endorsed the 2014-2023 Corporate Development Strategy complying with the Development Strategy of Baiterek NMH JSC as well as strategic and programmatic documents of the Republic of Kazakhstan, describing the Company's mission, vision, strategic spheres of engagement, goals and objectives.

In November 2014, the Company officially became the full member of Aman Union – an association of the largest export credit agencies of Islamic states and the Arab world.

2015

In February 2015, KazakhExport received the Observer status in the Berne Union, established in 1934 as an informal association of companies involved in insurance of export credits and investments.

In October 2015, for the first time in the history of Kazakhstan the Company assisted the first international lease-financing-based export contract on the delivery of 10 domestically produced locomotives to Azerbaijan. Baiterek NMH JSC subsidiaries (Development Bank of Kazakhstan JSC, BRK-Leasing JSC and the Company) provided the domestic exporter with a full range of services, including structuring, financing and insurance protection during the whole period of transaction. The risk associated with the contract was transferred for reinsurance to ICIEC Islamic Insurance Company. The acquired experience of interacting with subsidiaries has served an efficient platform for executing subsequent export transactions in priority sectors of the national economy.

2016

To ensure maximum satisfaction of the needs of Kazakhstani exporters, in 2016 the Company expanded its line of insurance services, i.e. obtained the license of the National Bank of the Republic of Kazakhstan (hereinafter, NB of the RK) for additional types of insurance as well designed and launched several new tools: voluntary loan insurance, insurance of advance payments, trade financing in the national currency and Russian rubles, and insurance of financial leases. The introduction of new export promotion tools will ensure high-quality assistance to exporters in their efforts to advance non-resource exports.

On October 27, 2016, the Company underwent capitalization. The national budget means (14 bln KZT) are intended for aiding domestic exporters via pre-export and export trade financing.

In December 2016, jointly with the Development Bank of Kazakhstan JSC the Company executed several loan insurance protection transactions. The corresponding total financing amounted to 7.2 bln KZT and was aimed at promoting the export of chemical goods (ammonium nitrate, nitrogen fertilizers and sodium cyanide). Certain risks under these contracts were transferred for reinsurance to professional insurance agents operating in Kazakhstan, thus allowing to attract the capital of private insurance companies for use within utilized support instruments.

03 OFFERED INSURANCE SUPPORT

AT PRESENT, KAZAKHEXPORT OFFERS THREE MAIN TYPES OF PRODUCTS (SERVICES) DEPENDING ON CLIENTS:

- FOR EXPORTERS;
- FOR FINANCIAL INSTITUTIONS;
- FOR INVESTORS.

As one of the national development institutes and the national agent of assisting the implementation of the Strategy of Industrial and Innovative Development of the RK – targeting the shift from resource-based economy to the development of export-oriented enterprises within the processing (non-resource) sectors of economy – the Company has been mainstreaming insurance tools to support national exports designed with the account of the experience of leading export credit agencies, corresponding advanced international practices of export credit insurance as well as of specific requirements on behalf of potential and existing clients.

PRODUCTS FOR EXPORTERS

PRODUCT TITLE	BRIEF PRODUCT DESCRIPTION	COVERED RISKS
EXPORTER CREDIT INSURANCE	Protection of Exporter against the risk of non-execution of financial liabilities by Foreign Counterparty during export sale of goods/ works/ services under delayed payment terms	Commercial and political
PRE-EXPORT FINANCING	Financing of Exporter for replenishment of current assets with the aim of production/ performance of export goods/works/services	Commercial and political
INSURANCE OF ADVANCE PAYMENTS	Opportunity to receive alternative financing (in the form of advance payments) from Foreign Counterparties necessary for replenishment of current assets with the aim of production/ performance of export goods/works/services	Commercial and political

PRODUCTS FOR BANKS

PRODUCT TITLE	BRIEF PRODUCT DESCRIPTION	COVERED RISKS
INSURANCE OF DOCUMENTARY CREDITS	Protection of Exporter bank (confirming bank) against the risk of non-execution of financial liabilities by the issuing bank that opened a documentary credit in favor of Exporter on behalf of Importer	Commercial and political
EXPORT TRADE FINANCING	Proxy financing via second-tier banks under letter of credit payment method	Commercial and political
LOAN INSURANCE	Opportunity to gain access to loan capital with the aim of developing exports in case of insufficient security and/or inability of creditor to assume the full risk associated with a transaction	Commercial and political
FINANCIAL LEASE INSURANCE	Opportunity to gain access to lease products with the aim of acquiring equipment in case of insufficient security and/or inability of lessor to assume the full risk associated with a transaction	Commercial and political
INSURANCE OF BANK PAYMENT GUARANTEE	Opportunity for international tender participants to provide bank guarantees issued by Kazakhstani second-tier banks in case of insufficient security and/or inability of creditor to assume the full risk associated with a transaction	Commercial and political
INSURANCE OF BANK GUARANTEE	Protection of financial institutions against the risk of non-execution of liabilities by foreign banks	Commercial and political

PRODUCTS FOR INVESTORS

PRODUCT TITLE	BRIEF PRODUCT DESCRIPTION	COVERED RISKS
INSURANCE OF KAZAKHSTANI INVESTMENTS ABROAD	Protection of Kazakhstani investors against the risk of loss due to political risks in the country of investment	Political

04 KEY PERFORMANCE INDICATORS

IN THE COURSE OF ACCOMPLISHING ITS PRIORITY OBJECTIVES AND ENGAGING IN STRATEGIC SPHERES OF OPERATION (SEE TABLE 1.), THE COMPANY CARRIES OUT REGULAR MONITORING OF ITS PERFORMANCE BASED ON KEY INDICATORS BELOW



TABLE 1. Key performance indicators for 2016.

PRIORITY CORPORATE OBJECTIVES

INDICATOR	PLANNED	ACTUAL	PERFORMANCE (%)
ROE (%)	4,04	0,57	14%
ROA (%)	3,60	0,50	14%
FINANCIAL STRENGTH RATING	NOT LOWER THAN CURRENTLY (BAA3)	NOT LOWER THAN CURRENTLY (BAA3)	100%
INCOME FROM CORE ACTIVITIES (THS. KZT)	1 733 596	1 112 935	64%
NET INCOME (THS. KZT)	803 603	109 851	14%
DEBT/CAPITAL	0,09	0,11	123%
LABOUR EFFICIENCY (THS. KZT)	46 854	31 798	68%
LOCAL CONTENT IN PROCUREMENT OF GOODS/WORKS/SERVICES (%)	57	72	126%

STRATEGIC AREA 1: Advancing financial and insurance support of Kazakhstani exports.

INDICATOR	PLANNED	ACTUAL	PERFORMANCE (%)
ASSUMED LIABILITIES (MLN KZT)	16 561	19 578	118%
INSURANCE PREMIUMS (MLN KZT)	485	638	132%
COVERAGE OF NON-RESOURCE EXPORTS (%)	1,5	3,1	205%

STRATEGIC AREA 2: Non-financial support of exports by Kazakhstani enterprises.

INDICATOR	PLANNED	ACTUAL	PERFORMANCE (%)
SHARE OF CONSULTED EXPORT-ORIENTED ENTERPRISES (%)	5,0	7,3	146%

STRATEGIC AREA 3: Reinsurance.

INDICATOR	PLANNED	ACTUAL	PERFORMANCE (%)
REINSURANCE NET PREMIUMS (MLN KZT)	1 000	297	30%

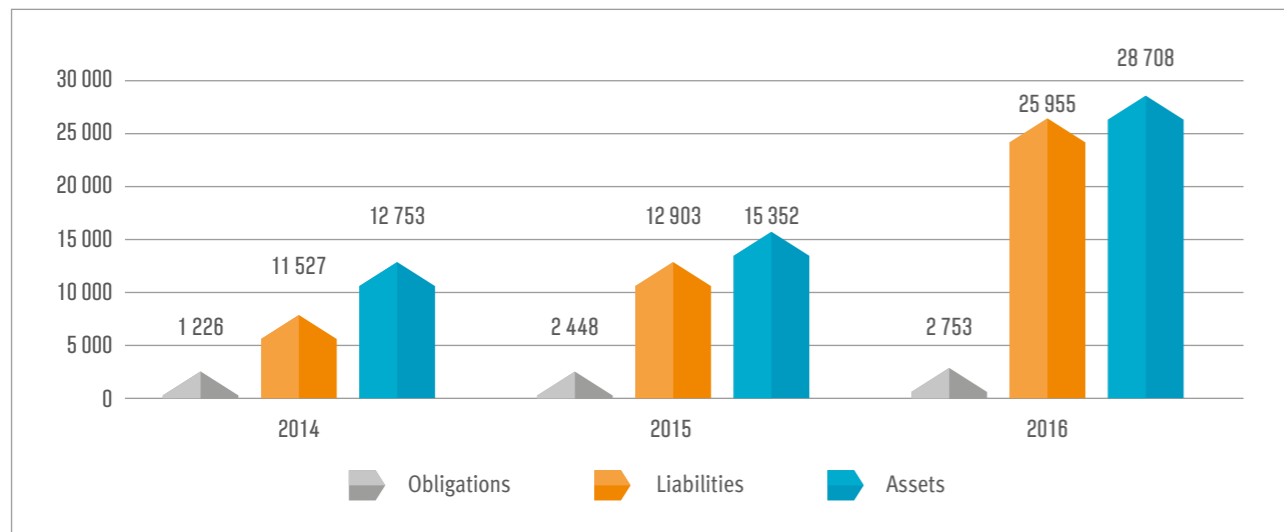
05 ASSESSMENT OF PERFORMANCE DYNAMICS DURING PREVIOUS 3 YEARS

THE INCREASE IN ASSETS WAS **86%** IN 2016



As of December 31, 2016, the corporate assets were 28,708,046 ths. KZT. The 86% increase was observed due to the 14 bln KZT increase of the authorized capital in October 2016.

DIAGRAM 1. 2014-2016 liabilities, capital and assets dynamics (mln KZT).

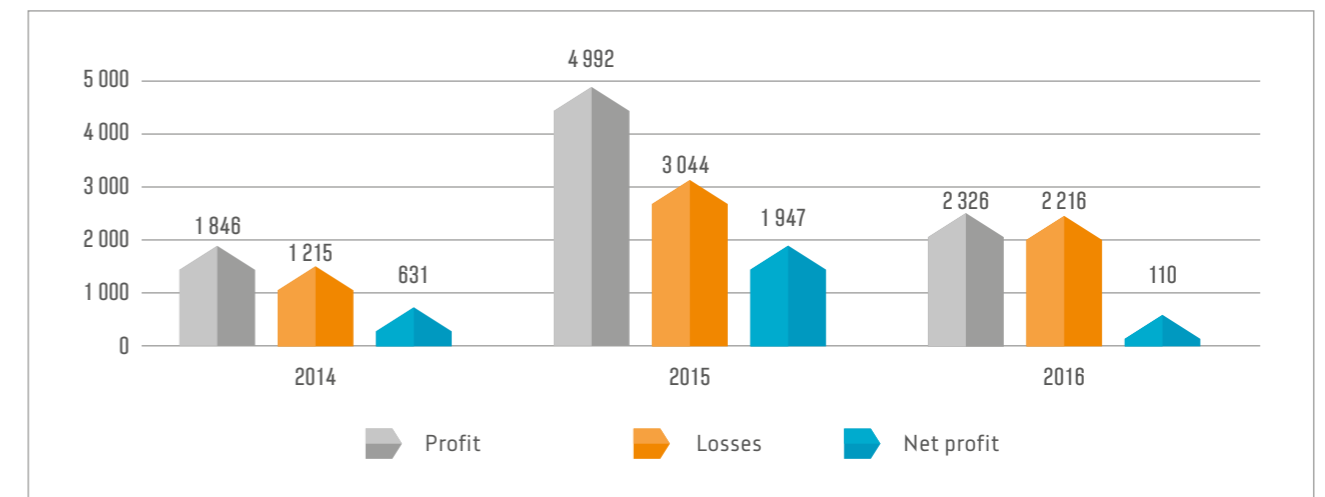


The corporate liabilities amounted to 2,8 bln KZT. Increase in 2016 for 304,4 mln KZT was due to the 374,770 ths. KZT accrual of reserves associated with insurance and reinsurance operations, depreciation of the loan by Samruk-Kazyna National Welfare Fund JSC based on loan repayment and discount recalculation (56,2 mln KZT) as well as the decrease in other accounts payable by 14,1 mln KZT.

The corporate capital amounted to 25,9 bln KZT. Increase in 2016 was due to the 14 bln KZT replenishment of the authorized capital. The increase in reserves was associated with their accrual as the result of revaluation of financial available for sale assets (274 mln KZT), reserves of unforeseen risks (283,4 mln KZT) and the increase in the of equalization provision (by 12,2 mln KZT).

2016 CONSOLIDATED INCOME 2 326 165 THS. KZT

DIAGRAM 2. 2014-2016 profit and loss dynamics (mln KZT).



As of the end of 2016, the aggregated corporate profit made up 2,326,165 ths. KZT, including:

- insurance premiums (638,492 ths. KZT);
- reinsurance premiums (474,443 ths. KZT);
- financial instruments income (1,260,713 ths. KZT), including:
 1. remuneration on bank deposits (600,896 ths. KZT);
 2. revenue from REPO operations (82,558 ths. KZT);
 3. securities income (552,424 ths. KZT), including:
 4. estimated fee for contingency deposits (24,834 ths. KZT);
- the currency exchange premiums amounted to negative 47,483 ths. KZT.

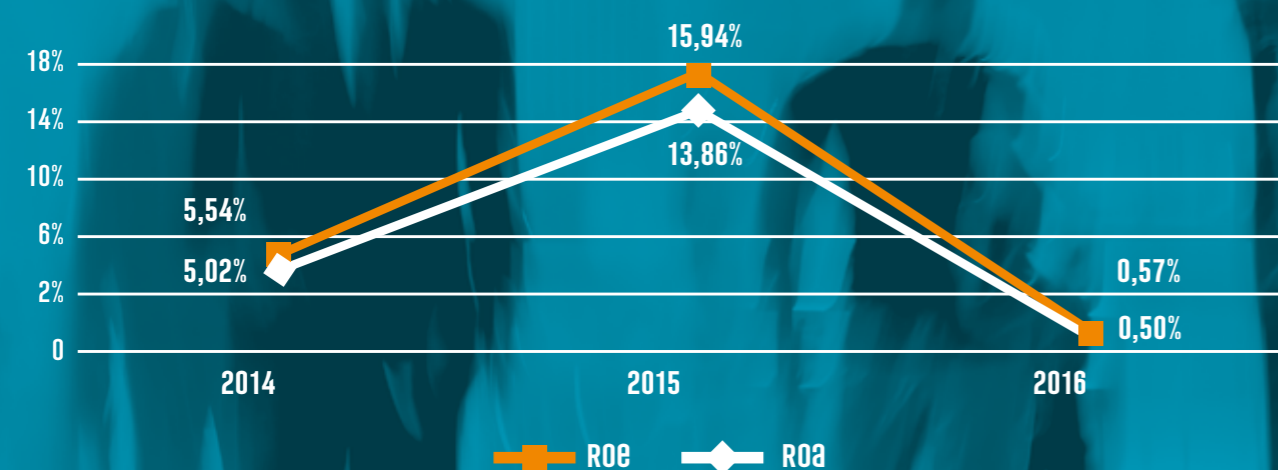
The 2016 aggregated losses, including Corporate Income Tax (CIT) made up 2,216,313 ths. KZT, including:

1. core activity losses (1,726,590 ths. KZT) exceeded the target value by 61% due to overrunning the insurance payments plan. The total amount of issued insurance payments amounted to 1,166,532 ths. KZT;
2. the total amount of administrative costs in 2016 made up 451,335 ths. KZT, i.e. 27% less than planned (616,995 ths. KZT);
3. financing losses slightly (7%) exceeded the target value and amounted to 40,133 ths. KZT. The deviation was associated with the unplanned additional accrual of receivables provision (2,773 ths. KZT) as per the IFRS requirements;
4. The overpaid CIP made up negative 1,745 ths. KZT.

THE FINANCIAL OUTCOME
OF 2016 AMOUNTED TO

109 851 THS. KZT

DIAGRAM 3. 2014-2016 financial efficiency.



THE RETURN ON ASSETS (ROA) AND RETURN ON EQUITIES (ROE) INDICATORS WERE 0.50% AND 0.57% RESPECTIVELY. THE DECREASE COMPARED TO 2015 LEVEL CAN BE ATTRIBUTED TO THE RECOGNITION OF LOSSES (1,3 BLN KZT) ON NON-FULFILLED LIABILITIES BY TODZHIKSODIROTBANK JSC

06 MARKET SHARE BY
CORE ACTIVITIES

32 COMPANIES OPERATING
ON THE INSURANCE MARKET
OF KAZAKHSTAN

INSURANCE

In Kazakhstan, insurance transactions are performed by legal entities possessing corresponding licenses issued by the authorized state body.

As of January 1, 2017, the structure of the domestic insurance market included 32 companies listed in Table 2. below.

TABLE 2. Structure of insurance market in Kazakhstan in 2014-2016.

INSTITUTIONAL STRUCTURE OF INSURANCE MARKET	JAN 01, 2015	JAN 01, 2016	JAN 01, 2017
NUMBER OF INSURANCE (REINSURANCE) COMPANIES	34	33	32
INCLUDING PROVIDING LIFE INSURANCE	7	7	7
NUMBER OF INSURANCE BROKERS	15	15	15
NUMBER OF ACTUARIES	71	61	59
NUMBER OF INSURANCE (REINSURANCE) COMPANIES MEMBERS OF INSURANCE PAYMENTS GUARANTEE FUND JSC	30	30	22
NUMBER OF REP OFFICES OF INSURANCE COMPANIES NON-RESIDENTS OF KAZAKHSTAN	3	3	3

* Based on data of Kazakh Invest National Company.

06 MARKET SHARE BY CORE ACTIVITIES

AGAINST 2015, THE SHARE OF THE NON-PRIMARY EXPORTS INCREASED BY 4% IN 2016



Despite the fact that multiple insurance companies possess licenses to execute practically all types of insurance operations falling under the category of “general insurance”, they are not involved in insuring export credits and investments abroad from non-payment risks. KazakhExport is the only agent performing these functions in Kazakhstan.

Since the Company aims to promote the development of the national non-resource exports by means of insurance instruments, the export of goods by the processing sector serves as the key macroeconomic indicator of corporate performance.

The structure of Kazakhstan’s exports shows the predominance of raw material exports with a considerable share of oil. The drop in the total amount of national exports was mainly caused by the falling prices for energy resources observed during the reporting period.

The share of non-resource exports (see Diagram 4.) within 2016 total exports amounted to 35% (against 31% in 2015), and of raw materials – 65% (against 69% in 2014). Compared to 2015, the share of non-resource exports in 2016 grew by 4% with the total amount of exports in value terms decreasing by 20%.

DIAGRAM 4. Foreign trade turnover and non-resource exports in 2014-2016 (bln USD).

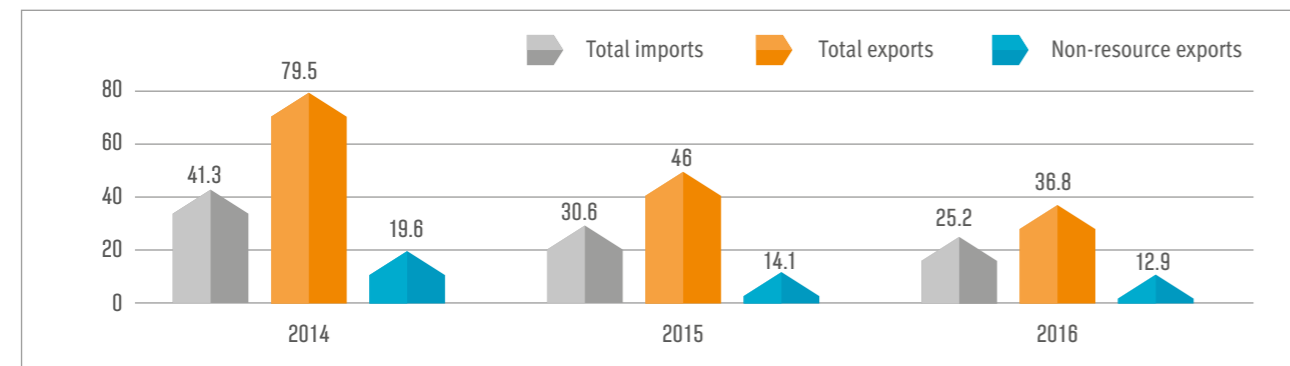


Diagram 4. reveals the overall decrease in exports exerting effect on the Company’s performance starting 2014. However, thanks to the gradual build-up of operations in its core spheres, KazakhExport managed to increase the overall insurance coverage during the reporting period.

THE COVERAGE OF NON-RESOURCE EXPORTS MANIFESTED BY THE VOLUME OF FINANCIAL AND INSURANCE SERVICES IN RELATION TO EXPORT OPERATIONS (CONTRACTS) WITHIN THE TOTAL VALUE OF NON-RESOURCE EXPORTS AMOUNTED TO 3,1% AGAINST THE TARGETED 1,5%, AND THE CORRESPONDING PERFORMANCE WAS 207%.

* Based on data of Kazakh Invest National Company.

REINSURANCE

In 2014-2016, the rated reinsurance market capacity (share) of the Company was estimated based on the volume of reinsurance premiums transferred for reinsurance to resident insurers (see Table 3.).

The Company does not accept reinsurance risks for highly unprofitable types of insurance like “motor insurance”, “annuity insurance”, “medical reinsurance” and certain types of civil liability insurance.



TABLE 3. Rated reinsurance market capacity (share) in 2014-2016 (mln KZT).

INDICATOR	2014	2015	2016
TOTAL INSURANCE PREMIUMS	266 121	288 272	356 903
TRANSFERRED FOR REINSURANCE, TOTAL	79 900	89 883	131 580
(B %)	30,02%	31,18%	36,87%
INCLUDING THESE TRANSFERRED TO RESIDENT INSURERS	17 071	14 614	18 327
(B %)	6,41%	5,07%	5,14%
CORPORATE NET REINSURANCE PREMIUMS	538	492	297
CORPORATE SHARE (%) OF MARKET PREMIUMS TRANSFERRED TO RESIDENT INSURERS	3,15%	3,37%	1,62%

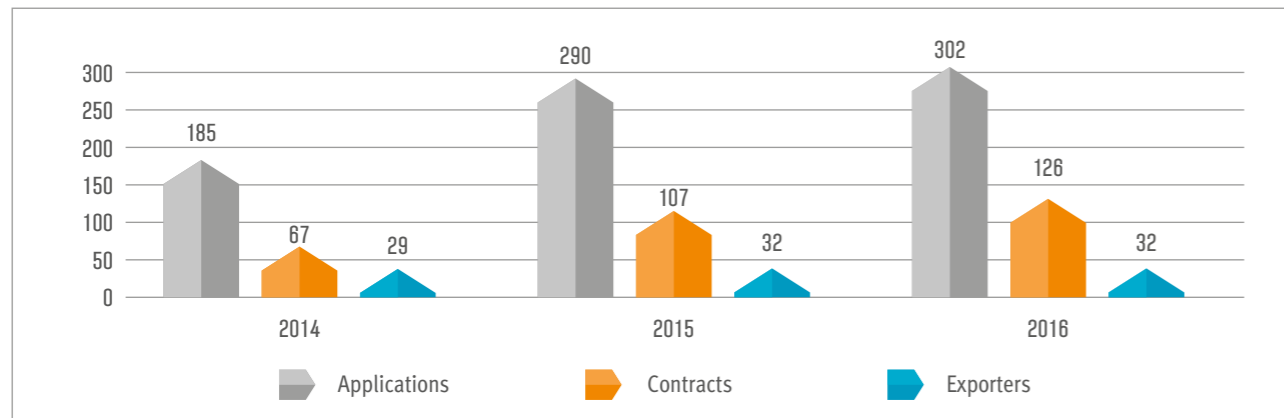
07 SALES OF PRODUCTS [SERVICE SECTORS]

IN 2016, THE PLAN WAS REALIZED BY
118%

INSURANCE

During 2016, 32 domestic industrial exporters received support under 126 insurance contracts (32 exporters under 107 contracts in 2015, see Diagram 5.) with 19,6 bln KZT as the total value of insurance liabilities. Thus, the performance for this indicator was 118%.

DIAGRAM 5. Number of applications, signed contracts and serviced exporters in 2014-2016.

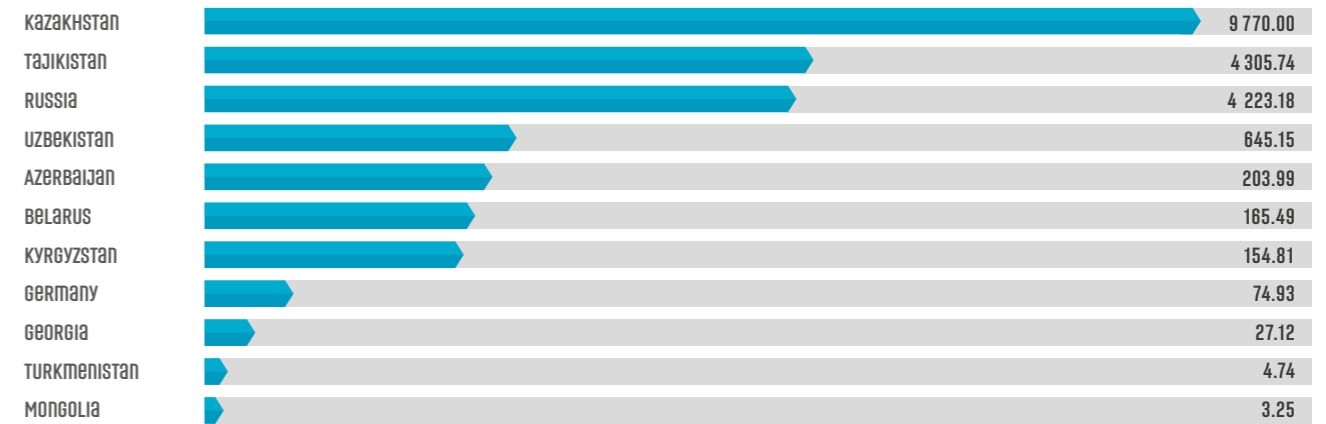


The main reasons for rejecting registered applications for insurance include the following:

- impossibility to identify Counterparty;
- lack of financial statements, non-classified risks;
- unsatisfactory financial performance indicators;
- newly formed Counterparty;
- registered legal claims, etc.

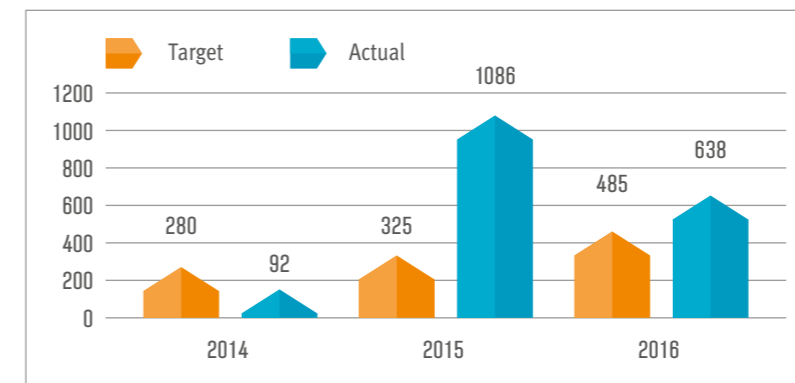
IN 2016, THE COMPANY LAUNCHED ITS EXPORTER LOAN INSURANCE PROGRAM THAT ALLOWED SUPPORTING 4 (FOUR) EXPORT-ORIENTED PROJECTS, INCLUDING MOLPRODUKT LLP (DAIRY PRODUCTS), AKORDA CAPITAL LLP (AGRICULTURAL PRODUCTS), KAZAZOT LLP (AMMONIUM NITRATE), AND TALAS INVESTMENT CO. LLP (SODIUM CYANIDE).

DIAGRAM 6. Insurance liabilities assumed in 2016 by countries (mln KZT).



DURING THE REPORTING PERIOD, 638 MLN KZT OF INSURANCE PREMIUMS WERE ACCRUED (SEE DIAGRAM 7.), WITH THE TOTAL VALUE OF ACCRUED INSURANCE PREMIUMS EXCEEDING THE TARGET VALUE BY 77%.

DIAGRAM 7. Accrued insurance premiums in 2014-2016 (mln KZT).



It should be noted that in 2016 the Company signed its first loan insurance contracts with Development Bank of Kazakhstan JSC – a subsidiary of Baiterek NMH JSC – that allowed exporters (KazAzot LLP and Talas Investment Company LLP) to gain access to pre-export financing amounting to 7,2 bln KZT. The initiative made it possible to support export contracts for delivery of chemical goods (ammonium nitrate, nitrogen fertilizers, sodium cyanide) with the total value of over 8,4 bln KZT.

In addition, more than 50% of risks were reinsured under reinsurance contracts with domestic insurers operating in Kazakhstan.

In 2016, KazakhExport supported the following non-resource sectors and producers of Kazakhstan:

- **chemical industry** (KazAzot LLP, Talas Investment Company LLP, KazFosfat LLP);
- **mechanical engineering** (Kentaу Transformer Plant JSC, Ural Transformer Plant LLP, Lokomotiv Kyrastyru Zauyty JSC, Kaynar-ABK LLP, Aktyubrentgen JSC);
- **pharmaceutical industry** (Dolce LLP);
- **construction materials production** (Almix LLP, AlPaint LLP, Alina Trade LLP, FINNDISP LLP, KNAUF Kapchagay Plaster LLP, IT&M LLP);
- **food industry** (Bayan Sulu JSC, Eurasian Foods Corporation JSC, Rakhat JSC, Raimbek Bottlers LLP, Caspian Beverage Holding JSC, Arasan Firm LLP, Almatinsky Produkt LLP, Molprodukt LLP, RG Brands Kazakhstan LLP, Akorda Capital LLP, Araltuz JSC);
- **agro-industrial complex** (Darnitsa LLP, APK-Invest Corporation LLP, AZK-Esentay LLP);
- **ferrous metallurgy** (KazFerro LLP).

07 SALES OF PRODUCTS [SERVICE SECTORS]

THE AMOUNT OF THE PROVIDED EXPORT TRADE FINANCING WAS

837 MLN TENGE



EXECUTION OF STATE PROGRAMS

As per Clause 4.1.2. of the 2010-2014 State Program of Forced Industrial and Innovative Development (hereinafter - "SPFIID") of the RK, the Company is deemed a financial operator supporting operations "... on trade financing and insurance of export trade operations as well as [rendering] a number of associated services to small and medium size business in the non-resource sector of the economy...".

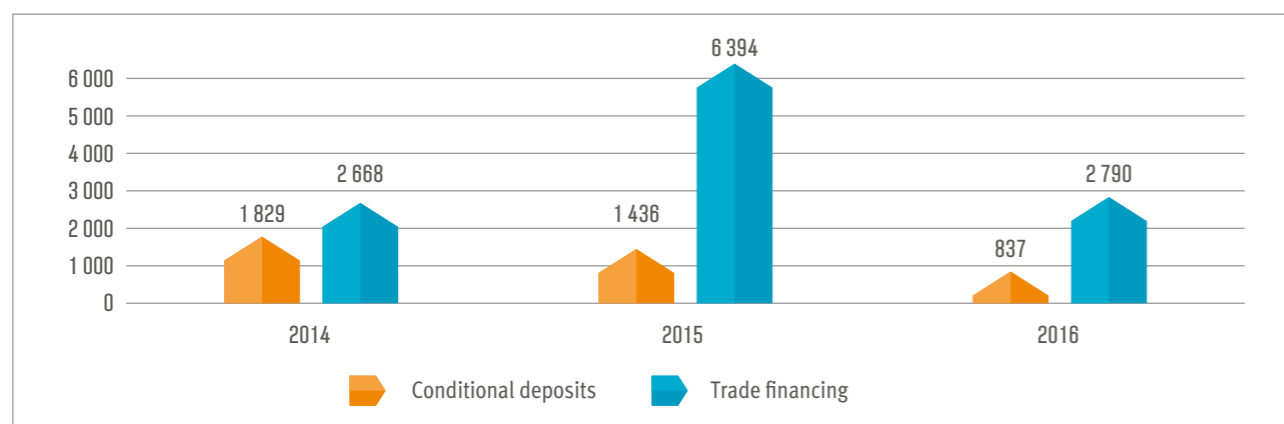
According to the Action Plan of the Government of the RK on SPFIID implementation, in December 2010 the Company received 1.5 bln KZT of the national budget means to increase its authorized capital with the aim of supporting trade financing transactions.

The ultimate goal of utilizing the allocated funds is to allow trade crediting and rather inexpensive funding of credits under letters of credit on behalf of foreign buyers of Kazakhstani non-resource goods.

Financing within the framework of this program is awarded indirectly via second-tier banks (STBs) operating in Kazakhstan under settlement of accounts by letters of credit.

As per the SPFIID, in 2016 the volume of provided export trade financing amounted to 837 mln KZT (see Diagram 8.).

DIAGRAM 8. Conditional deposits and provided trade financing in 2014-2016 (mln KZT).



Overall, during 2011-2016 the volume of provided export trade financing exceeded 14.3 bln KZT thanks to revolving budget funds allocated under the SPFIID.

Within the framework of implementing the 2015-2019 State Program of Industrial and Innovative Development (hereinafter - "SPIID") of the RK, on October 27, 2016 the Company's capital was increased by 14 bln KZT. This capitalization aimed to expand support to exporters via pre-export and expert trade financing tools.

Financing under these tools is provided indirectly via Kazakhstan's STBs by placement of conditional deposits. The funds are utilized on revolving basis.

Within the SPIID, the volume of pre-export financing provided in 2016 made up 470 mln KZT, including export contracts for the delivery of salt and soft and low-alcohol drinks to the Russian Federation exceeding 5.8 bln KZT.

REINSURANCE

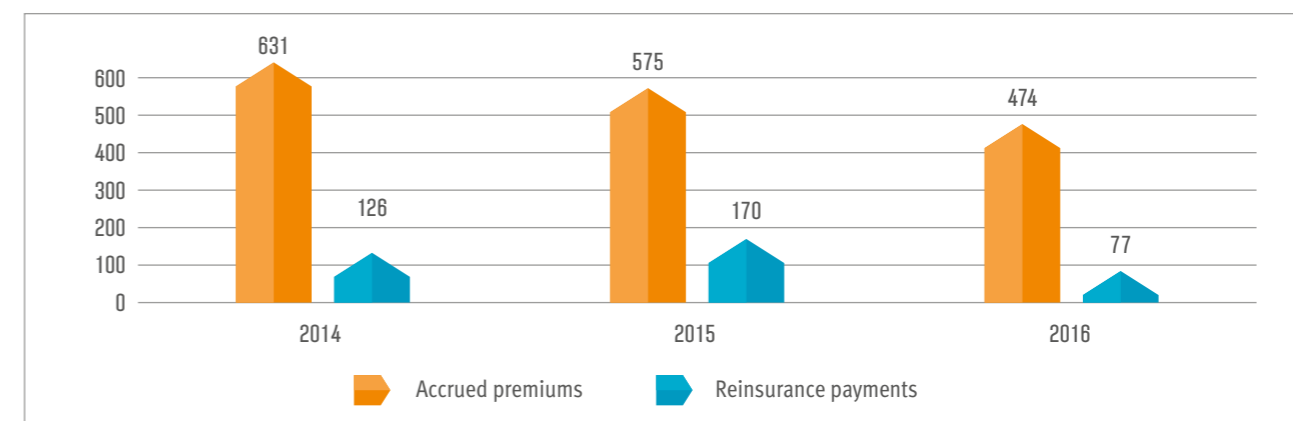
IN THE COURSE OF 2016, 439 CONTRACTS ON INWARD REINSURANCE FOR THE TOTAL AMOUNT OF 474 MLN KZT OF ACCRUED PREMIUMS AND 13 CONTRACTS ON OUTWARD REINSURANCE FOR THE TOTAL AMOUNT OF 176 MLN KZT OF ACCRUED PREMIUMS WERE SIGNED (SEE DIAGRAM 9.).

TABLE 4. Reinsurance operations in 2014-2016 (mln KZT).

INDICATOR	2014	2015	2016
GROSS INWARD REINSURANCE PREMIUMS	631	575	474
RELEASED PAYMENTS	126	170	77
COVERED PAYMENTS (%)	20,09%	29,62%	16,24%

Thanks to prudent reinsurance and effective underwriting of reinsurance risks, the average level of payments during 3 years was 21.98%. It should be noted that the growth of payments within the corporate reinsurance portfolio was caused by payments increase under old contracts ("Compulsory Employee Insurance against Accidents during Execution of Labour (Office) Duties" (CEI)). The Company took measures to cut its CEI-related risks for high-risk professions.

DIAGRAM 9. Accrued premiums and reinsurance payments in 2014-2016 (mln KZT).



08 SIGNIFICANT CORPORATE EVENTS

1

Due to the revision of Kazakhstan's sovereign rating, in April 2016, the international rating agency Moody's Investors Service revised the forecasted Company's financial strength rating from "stable" to "negative". Nevertheless, in November of the same year, the Agency confirmed the Company's financial strength rating on the sovereign level (Baa3), thus confirming the overall positive trend

2

The Company received the obtained licenses of the NB of the RK on additional types of insurance ("Loan Insurance" and "CL Insurance") as well as developed and introduced new instruments of export support, including voluntary loan insurance, insurance of advance payments, pre-export financing and lease insurance

3

The Company launched a export trade financing program in Russian rubles to stimulate Kazakhstani exports to Russia

4

In October 2016, the Company underwent the 14 bln KZT capitalization with the aim of supporting Kazakhstani exporters via pre-export financing (6 bln KZT of target means) and export trade financing (8 bln KZT of target means)

5

The number of corporate partners among STBs increased from 3 (three) to 9 (nine) and now includes the following: CentrCredit Bank JSC, Kazkommertsbank JSC, ForteBank JSC, Halyk Bank of Kazakhstan JSC, SberBank Subsidiary Bank JSC, Eurasian Bank JSC, Alfa Bank Subsidiary Bank JSC, Bank RBK JSC and Tengri Bank JSC

6

The Company succeeded in expanding its cooperation with Kazakhstani and international financial institutions, in particular signed the memorandum with Kazakhstan Stock Exchange JSC and the cooperation agreement with Eurasian Development Bank on assisting the export of processed goods and services, under which the bank had already allocated 100 mln USD

7

The Company signed cooperation agreements with several international ECAs and financial institutions, including: Nippon Export and Investment Insurance (NEXI) of Japan, Korea Trade Insurance Corporation (K-Sure) of Korea, Korporacja Ubezpieczeń Kredytów Eksportowych" (KUKE) of Poland, Export Supporting Fund for Small Business and Private Entrepreneurship of the Republic of Uzbekistan

8

The Company continued its work on synergizing with Baiterek NMH JSC subsidiaries, in particular executed several transactions jointly with Development Bank of Kazakhstan JSC to finance export-oriented enterprises under the Company's insurance

09 CORPORATE management system



CORPORATE MANAGEMENT PRINCIPLES

1. protection of the rights and interests of the Sole Shareholder;
2. ensuring effective corporate management by the Board of Directors and the Management Board;
3. ensuring independence of the Company's operations;
4. ensuring transparency and objectivity of disclosed information on corporate activities;
5. observance of the rule of law and ethics;
6. implementation of an effective dividend policy;
7. adhering to an effective personnel policy;
8. protection of the environment;
9. fair regulation of corporate conflicts and conflicts of interests;
10. accountability.

THE CORPORATE MANAGEMENT PRINCIPLES ARE AIMED AT ENHANCING CONFIDENCE IN RELATIONS



In its operations, the Company – as a legal entity registered in the Republic of Kazakhstan – adheres to the Laws of the RK “On Joint-Stock Companies” and “On Insurance Operations”, Resolution “On Approval of Instructions on Requirements for Existence of Risk Management Systems and Internal Control in Insurance (Reinsurance) Companies” issued by the Board of the Agency for Regulation and Supervision of Financial Market and Financial Organizations of the RK, the Company’s Charter and the Corporate Governance Code (hereinafter - the “Code”) endorsed by the decision of the Company’s Sole Shareholder and other internal corporate regulations.

The Code constitutes a compilation of rules and recommendations, which KazakhExport follows in the course of implementing its activities ensuring efficient internal management and interaction with other market participants. The corporate management principles stipulated for by the Code aim to build confidence among the Company’s counterparties as to its overall management, and serve basis for all Code’s provisions.

The Corporate Governance Code and the Code of Business Ethics are available for viewing on the Company’s official website: www.keg.kz.

The Code of Corporate Management is designed to enhance and streamline the process of the Company’s management, increase transparency of corporate control systems and confirm the continued readiness of KazakhExport to observe the standards of proper corporate management.

The Company considers corporate management as an instrument of increasing its performance, strengthening corporate reputation and cutting costs associated with capital attraction. The Company regards proper corporate management system as a factor determining its place within the modern economy. The principle of the rule of law constitutes the cornerstone of corporate management.

The Company also enforces the Code of Business Ethics endorsed by the Resolution of the Board of Directors (Minutes No. 52 of May 20, 2011) describing corporate values and setting the basis for KazakhExport’s work and external communications. The Code of Business Ethics was drafted with the account of recognized international standards of business behavior, corporate management and environmental protection, prevention of the conflict of interests, and inter alia regulates issues of employee relations, interaction with business partners, shareholders, public authorities and non-governmental organizations.

KazakhExport submits the following reports to the BD: Quarterly Risk Management Report, including the Company’s balance sheet (assets, liabilities, equities) as of the reporting date and the beginning of a financial year; Insurance (Reinsurance) Profit and Loss Report compared to the same period of last year and target indicators; Report on Investment Portfolio Status with segregation of financial instruments by their types and indication of corresponding balance costs, market values and profitability. In addition, the BD is also submitted for review the Brief Analysis of Effects of Price Fluctuations of Most Risky Assets, as well as ensures compliance of the Company’s operations with the national legislation; Brief Analysis of Insurer (Reinsurer) Susceptibility to Rate Risks; Brief Analysis of Ongoing and Forecasted Equity Needs of Insurance (Reinsurance) Company; Report on Technical (Insurance) Risks; and Report on Catastrophe Risks.

On ongoing shareholder issues, the Company reports to its Sole Shareholder as scheduled by the Sole Shareholder.

10 ACTIVITIES OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

THE EXISTING MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS HAVE THE APPROPRIATE KNOWLEDGE, QUALIFICATION AND ACHIEVEMENTS IN THE BUSINESS AND SECTORIAL ENVIRONMENT



The Provisions on the Board of Directors approved by the Resolution of the Sole Shareholder regulate and describe BD functions, competence, formation procedure, structure and authority, duties and responsibilities of BD Members, the procedures of interacting with other corporate bodies, the procedures of BD work, convocation and holding of its meetings, issuance and execution of BD decisions.

Within the limits of its authority, the Board of Directors decides on priority corporate activities, approves the corporate development strategy, performs the overall management of the Company and supervises the work of the Management Board, as well as ensures protection of the interests and rights of the Sole Shareholder.

The Board of Directors operates based on the principles of maximum observance of the interests of the Company's Sole Shareholder, soundness, efficiency, commitment, due diligence, professionalism, objectivity and accountability for decisions.

The BD is fully accountable to the Sole Shareholder. Decisions by the Sole Shareholder made within its competence are mandatory for the Board of Directors.

In its work, the BD adheres to the legislation of the RK, the Company's Charter and Code, corporate Provisions on the Board of Directors, Regulations on consideration of materials for BD meetings of subsidiary and dependent organizations of Baiterek NMH JSC, as well as other internal documents approved by the Sole Shareholder.

The relations with Members of the Board of Directors - Independent Directors are regulated by civil contracts, the terms of which are determined by the Rules of Selection, Remuneration and Costs Compensation for Independent Directors of Baiterek NMH JSC endorsed by the Resolution of Baiterek NMH JSC (Minutes No. 09/14 of April 4, 2014).

The composition of the Company's Board of Directors is determined by the requirements of the Law of the RK "On Joint-Stock Companies" and the corporate Charter, and includes representatives of the Sole Shareholder, Chairman of the Management Board and independent directors.

The Code sets the qualification criteria for BD Members.

Active BD Members possess corresponding knowledge, qualifications and achievements in core and business activities, which are necessary for performance of their duties and ensuring overall effective operation of the Board of Directors in the best interest of the Sole Shareholder of the Company and the Company itself.

KazakhExport BD Members have university economic and financial degrees, possess the experience of working in the financial sphere, management and maintaining financial reporting, and are actively involved in corporate business operations and make essential contribution to effective BD decisions. The BD composition facilitates efficient and result-oriented operation of the Company as well as ensures comprehensive and qualified review of issues within the competence of the Board of Directors.

The quantity of BD Members guarantees the sufficient level of collegiality in decision-making and conforms to the requirements of the Law of the RK "On Joint-Stock Companies" and the corporate Charter.

As per the Decision of the Sole Shareholder (Minutes No. 25/16, Meeting of Baiterek NMH JSC Management Board of May 31, 2016), the Company's BD includes 5 (five) Members, including 2 (two) elected independent directors. The same Decision stipulates for the term of office of BD Members, i.e. 3 (three) years (Decision enforced on June 1, 2016). The term of office of the incumbent Board of Directors expires on June 31, 2019.

According to the Law of the RK "On Insurance Operations", Rules of Approving the Appointment (Election) of Executives of Financial Organizations, Banks, Insurance Holdings, and the list of documents necessary for such approval endorsed by Resolution No. 95 of the Board of the NB of the RK of February 24, 2012, the appointment of the Company's BD Chairman and Board Members is coordinated with the NB of the RK.

DURING THE REPORTING PERIOD, THE FOLLOWING PERSONS MEMBERED KAZAKHEXPORT BOARD OF DIRECTORS:

POSITION WITH BOARD OF DIRECTORS, FULL NAME	TIME IN OFFICE	POSITION WITH PRIMARY EMPLOYER	DECISION OF THE COMPANY'S BODY ON ELECTION/EARLY TERMINATION OF OFFICE OF THE BD CHAIRMAN/MEMBER
Chairman of the Board of Directors ERBOLAT ASKARBEKOVICH DOSSAEV	June 1, 2016 – present	Chairman of the Management Board of Baiterek NMH JSC	Elected as BD Member June 1, 2016 as per Decision of the Sole Shareholder (Minutes No. 25/16 of Baiterek NMH JSC Management Board of May 31, 2016). Member of the Board of Directors from June 1, 2016 to July 12, 2016. Elected as BD Chairman July 12, 2016 as per Decision of the Board of Directors of the Company (Minutes No. 104 of July 12, 2016).
Member of the Board of Directors KANYSH AMANBAYEVICH TULEUSHIN	July 24, 2013 – Feb 3, 2016	Managing Director of Baiterek NMH JSC, Member of the Management Board	Elected as BD Member July 24, 2013 as per Decision of the Sole Shareholder (Minutes No. 01/13 of Baiterek NMH JSC Management Board of July 24, 2013). Early termination of office of BD Member February 4, 2016 as per Decision of the Sole Shareholder (Minutes No. 04/16 of Baiterek NMH JSC Management Board of February 4, 2016).
Member of the Board of Directors YERKIN TOKMUKHAMEDOVICH SADYKOV	Feb 28, 2013 – Feb 14, 2016	Chairman of the Management Board	Elected as BD Member February 28, 2013 as per Decision of the Sole Shareholder (Order No. 53 of the Ministry of Energy and New Technology of the RK of February 28, 2013). Early termination of office of BD Member February 15, 2016 as per Decision of the Sole Shareholder (Minutes No. 05/16 of Baiterek NMH JSC Management Board of February 11, 2016).

10 ACTIVITIES OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

POSITION WITH BOARD OF DIRECTORS, FULL NAME	TIME IN OFFICE	POSITION WITH PRIMARY EMPLOYER	DECISION OF THE COMPANY'S BODY ON ELECTION/EARLY TERMINATION OF OFFICE OF BD CHAIRMAN/MEMBER
Member of the Board of Directors SERZHAN NURAKHANOVICH MADIYEV	Feb 15, 2016 – June 1, 2016	Managing Director of Baiterek NMH JSC	Elected as BD Member February 15, 2016 as per Decision of the Sole Shareholder (Minutes No. 05/16 of Baiterek NMH JSC Management Board of February 11, 2016). Early termination of office of BD Member June 1, 2016 as per Decision of the Sole Shareholder (Minutes No. 25/16 of Baiterek NMH JSC Management Board of May 31, 2016).
Member of the Board of Directors – Independent Director NAZIRA DZHAMBULOVNA BEYSEMBAYEVA	Dec 6, 2013 – June 1, 2016 June 1, 2016 – Sept 13, 2016		Elected as BD Member – Independent Director December 6, 2013 as per Decision of the Sole Shareholder (Minutes No. 17/13 of Baiterek NMH JSC Management Board of December 6, 2013). Early termination of office of BD Member - Independent Director and elected as BD Member – Independent Director June 1, 2016 as per Decision of the Sole Shareholder (Minutes No. 25/16 of Baiterek NMH JSC Management Board of May 31, 2016). Early termination of office of BD Member - Independent Director September 13, 2016 as per Decision of the Sole Shareholder (Minutes No. 36/16 of Baiterek NMH JSC Management Board of September 13, 2016).
Member of the Board of Directors LIAZZAT YERKENOVNA IBRAGIMOVA	Feb 4, 2016 – June 1, 2016 June 1, 2016 – Feb 7, 2017	Deputy Chairman of the Management Board of Baiterek NMH JSC	Elected as BD Member February 4, 2016 as per Decision of the Sole Shareholder (Minutes No. 04/16 of Baiterek NMH JSC Management Board of February 4, 2016). Elected as BD Chairman February 25, 2016 as per Decision of the Board of Directors of the Company (Minutes No. 101 of February 25, 2016). Occupied the office of BD Chairman dated 25 to June 1, 2016. Early termination of office of BD Member and elected as BD Member June 1, 2016 as per Decision of the Sole Shareholder (Minutes No. 25/16 of Baiterek NMH JSC Management Board of May 31, 2016). Early termination of office of BD Member February 7, 2017 as per Decision of the Sole Shareholder (Minutes No. 06/17 of Baiterek NMH JSC Management Board of February 8, 2016).

POSITION WITH BOARD OF DIRECTORS, FULL NAME	TIME IN OFFICE	POSITION WITH PRIMARY EMPLOYER	DECISION OF THE COMPANY'S BODY ON ELECTION/EARLY TERMINATION OF OFFICE OF BD CHAIRMAN/MEMBER
Member of the Board of Directors RUSLAN VIKTOROVICH ISKAKOV	Feb 15, 2016 – June 1, 2016 June 1, 2016 – present	Chairman of the Management Board	Elected as BD Member February 15, 2016 as per Decision of the Sole Shareholder (Minutes No. 05/16 of Baiterek NMH JSC Management Board of February 11, 2016). Early termination of office of BD Member and elected as BD Member June 1, 2016 as per Decision of the Sole Shareholder (Minutes No. 25/16 of Baiterek NMH JSC Management Board of May 31, 2016).
Member of the Board of Directors – Independent Director DAMIR SERKBAYEVICH SUYENTAYEV	Feb 15, 2016 – June 1, 2016 June 1, 2016 – present		Elected as BD Member – Independent Director February 15, 2016 as per Decision of the Sole Shareholder (Minutes No. 05/16 of Baiterek NMH JSC Management Board of February 11, 2016). Early termination of office of BD Member - Independent Director and elected as BD Member – Independent Director June 1, 2016 as per Decision of the Sole Shareholder (Minutes No. 25/16 of Baiterek NMH JSC Management Board of May 31, 2016).
Member of the Board of Directors – Independent Director AITKUL BAYGAZIYEVNA SAMAKOVA	Sept 13, 2016 – present		Elected as BD Member – Independent Director September 13, 2016 as per Decision of the Sole Shareholder (Minutes No. 36/16 of Baiterek NMH JSC Management Board of September 13, 2016).

10 ACTIVITIES OF THE BOARD OF DIRECTORS AND ITS COMMITTEES



During 2016, the Board of Directors held 9 (nine) meetings (8 – in presentia and 1 – in absentia) and reviewed 116 issues within the BD competence.

During 2016, the BD Chairman and Members properly attended the BD meetings and actively participated in its work. In particular, BD Chairman and Members attended the meeting of the Board of Directors of the Company as follows:

FULL NAME	MEETINGS IN PRESENTIA	MEETINGS IN ABSENTIA
ERBOLAT ASKARBЕКOVICH DOSSAEV	4*/4**	1*/1**
KANYSH AMANBAYEVICH TULEUSHIN	1*/1**	0*/0**
YERKIN TOKMUKHAMEDOVICH SADYKOV	1*/1**	0*/0**
SERZHAN NURAKHANOVICH MADIYEV	1*/3**	0*/0**
NAZIRA DZHAMBULOVA BEYSEMBAYEVA	5*/5**	0*/0**
LIAZZAT YERKENOVNA IBRAGIMOVA	7*/7**	1*/1**
RUSLAN VIKTOROVICH ISKAKOV	7*/7**	1*/1**
DAMIR SERKBAYEVICH SUYENTAYEV	6*/7**	1*/1**
AITKUL BAYGAZIYEVNA SAMAKOVA	3*/3**	1*/1**

*Total number of meetings attended by a BD Member;

** Total number of meetings a BD Member could have attended.

Percentage wise, attendance of the BD meetings of the Company during the reporting period was as follows:

- S.N. Madiyev, BD Member – 33.3%;
- D.S. Suyentayev, BD Member – Independent Director – 85.7%;
- other BD Members – 100%.

COMMITTEES OF THE BOARD OF DIRECTORS

In order to enhance the efficiency of corporate management and development by way of executing comprehensive and sound recommendations to the Board of Directors, as well as in accordance with the requirements of the Law of the RK “On Joint-Stock Companies”, KazakhExport established the following advisory and consultative bodies:

1. Audit Committee of the Board of Directors;
2. Personnel, Remuneration and Social Issues Committee of the Board of Directors;
3. Strategic Planning Committee of the Board of Directors.

All proposals by the Committees are non-regulatory and are submitted to the corporate Board of Directors for further review.

In pursuance of the requirements of Clause 3 Article 53-1 of the Law of the RK “On Joint-Stock Companies” and to ensure observance of best corporate management practices, the BD Committees consist of BD Members and experts (non-voting) with necessary professional

knowledge for working in a specific Committee selected from among the employees of Baiterek NMH JSC relevant divisions.

Members of the Board of Directors - Independent Directors serve as Chairmans of BD Committees.

BD Committees report to the corporate Board of Directors and operate within the authority delegated to them by the BD and based on Regulations on BD Committees of the Company.

As per the Resolution of the Board of Directors (Minutes No. 90 of May 5, 2015), Regulations on BD Committees of the Company determine the status, purpose, functions and competence of BD Committees as well as their structure, procedures of establishment and operation, rights and liabilities of their members, interaction with the Board of Directors, Management Board and other corporate units and divisions.

COMMITTEE OF THE BOARD OF DIRECTORS	FUNCTIONS
1 AUDIT COMMITTEE	Ensures actual participation of the corporate Board of Directors in timely and effective management of financial and economic operations of the Company as well as develops necessary recommendations to the corporate Board of Directors and Management Board
2 PERSONNEL, REMUNERATION AND SOCIAL ISSUES COMMITTEE	Established with the aim of increasing the efficiency of corporate management and development by drafting comprehensive and sound recommendations to the Board of Directors on corporate motivation, personnel and social policy as well as supervises execution of relevant decisions by the corporate Board of Directors
3 STRATEGIC PLANNING COMMITTEE	Created for the purpose of increasing the strategic efficiency of corporate operations as well as drafts and submits recommendations to the BD of the Company on issues associated with strategic objectives of corporate activities aimed at its mid-term (3-5 years) and long-term (over 5 years) development. The Committee also coordinates operations of relevant corporate units and divisions engaged in strategic corporate planning with the work of the Board of Directors

10 ACTIVITIES OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

COMPOSITION OF THE BOARD OF DIRECTORS COMMITTEES

During the reporting period, the composition of the BD Committees of the Company underwent the following changes:

As per the Decision of the Sole Shareholder (Minutes No. 25/16 of Baiterek NMH JSC Management Board of May 31, 2016) on early termination of office of the BD Member of Mr. S.N. Madiyev starting June 1, 2016, his membership in three Committees of the Board of Directors was terminated July 12, 2016.

Due to some changes in the composition of the corporate Board of Directors pursuant to the resolution of the Sole Shareholder (Minutes No. 36/16 of Baiterek NMH JSC Management Board of September 13, 2016), i.e. early termination of office of Ms. N.D. Beysembayeva as BD

Member - Independent Director starting September 13, 2016 and election of Ms. A.B. Samakova as BD Member - Independent Director as of September 14, 2016:

- Ms. N.D. Beysembayeva's authority as Chairman of the Audit Committee, Member of the Personnel, Remuneration and Social Issues Committee, and Member of the Strategic Planning Committee of the Board of Directors was removed;

- Ms. A.B. Samakova was elected as Chairman of the Personnel, Remuneration and Social Issues Committee, Audit Committee, and Strategic Planning Committee of the Board of Directors.

CHAIRMAN AND MEMBERS OF AUDIT COMMITTEE		POSITION
1	Committee Chairman DAMIR SERKBAYEVICH SUYENTAYEV	BD Member – Independent Director
2	Committee Member LIAZZAT YERKENOVNA IBRAGIMOVA	BD Member, representative of the Sole Shareholder
3	Committee Member AITKUL BAYGAZIYEVNA SAMAKOVA	BD Member – Independent Director
4	Committee Member, Expert CANDIDATE COORDINATED WITH BAITEREK NMH JSC	Head of Risk Management Department of Baiterek NMH JSC

CHAIRMAN AND MEMBERS OF PERSONNEL, REMUNERATION AND SOCIAL ISSUES COMMITTEE

POSITION

1	Committee Chairman AITKUL BAYGAZIYEVNA SAMAKOVA	BD Member – Independent Director
2	Committee Member LIAZZAT YERKENOVNA IBRAGIMOVA	BD Member, representative of the Sole Shareholder
3	Committee Member DAMIR SERKBAYEVICH SUYENTAYEV	BD Member – Independent Director
4	Committee Member, Expert CANDIDATE COORDINATED WITH BAITEREK NMH JSC	Head of Human Resources Department of Baiterek NMH JSC

CHAIRMAN AND MEMBERS OF STRATEGIC PLANNING COMMITTEE

POSITION

1	Committee Chairman DAMIR SERKBAYEVICH SUYENTAYEV	BD Member – Independent Director
2	Committee Member LIAZZAT YERKENOVNA IBRAGIMOVA	BD Member, representative of the Sole Shareholder
3	Committee Member AITKUL BAYGAZIYEVNA SAMAKOVA	BD Member – Independent Director
4	Committee Member, Expert CANDIDATE COORDINATED WITH BAITEREK NMH JSC	Head of Entrepreneurship and Innovations Department of Baiterek NMH JSC

MS. A.T. DAVLETOVA, CORPORATE SECRETARY, SERVES AS SECRETARY OF COMMITTEES OF THE BOARD OF DIRECTORS.

11 ACTIVITIES OF THE MANAGEMENT BOARD

The Management Board (hereinafter - "MB") is a collegiate executive body of the Company. In its operation, the MB adheres to the legislation of the RK, the corporate Charter and the Provisions on Management Board approved by the decision of the corporate BD.

The Management Board is formed by the Board of Directors, which determines its composition, terms of office of MB Members, elects its chairman and members as well as establishes a procedure of early termination of their authority. As per the legislation on insurance operations, the MB membership should have at least 3 (three) members.

The Management the Board Chairman makes a decision on holding MB meetings. The MB authority is stipulated for by the legislation of the RK, the corporate Charter and Provisions on the Management Board. As per the corporate Charter and other internal corporate regulations, the Sole Shareholder has the right to terminate the powers of any MB Member and appoint new member(s). MB Members have to satisfy the requirements for financial organizations' executives.

The Management Board Chairperson serves as the head of the Management Board. A resolution for the election of each candidate for the position of a MB Member is passed pursuant to the corporate Charter.

According to the decisions of the Board of Directors, in 2016 the Management Board of the Company consisted of the following persons:

1. Yerkin Tokmukhamedovich Sadykov, MB Chairman from January 1, 2016 to February 15, 2016;
2. Ruslan Viktorovich Iskakov, MB Chairman since February 15, 2016 till present;
3. Tolegen Toleukanuly Ismailov, MB Member from January 1, 2016 to July 18, 2016;
4. Yerdan Yerlanovich Bekkhozhin, MB Member since January 1, 2016 till present;
5. Rauan Omirbekovich Zhaksybayev, MB Member since July 12, 2016 till present;
6. Kuat Tolegenovich Zholdybekov, MB Member since October 17, 2016 till present.

During the reporting period, the corporate executive body held 27 in presentia meetings during which it reviewed 122 issues and endorsed 43 documents.

ATTENDANCE OF IN PRESENTIA MEETINGS BY MB MEMBERS IN THE COURSE OF 2016

FULL NAME	MEETING ATTENDANCE	%
YERKIN TOKMUKHAMEDOVICH SADYKOV	2 OUT OF 2	100%
RUSLAN VIKTOROVICH ISKAKOV	24 OUT OF 25	96%
YERDAN YERLANOVICH BEKKHOZHIN	26 OUT OF 27	96%
TOLEGEN TOLEUKANULY ISMAILOV	14 OUT OF 14	100%
RAUAN OMIRBEKOVICH ZHAKSYBAYEV	12 OUT OF 13	92,3%
KUAT TOLEGENOVICH ZHOLDYBEKOV	7 OUT OF 7	100%



12 BASIC PRINCIPLES OF REMUNERATION FOR MANAGEMENT BOARD AND BOARD OF DIRECTORS MEMBERS



THE RULES ARE AIMED AT MOTIVATING THE HIGH-LEVEL PERSONNEL TO ACHIEVE THE GOALS STIPULATED BY THE BUSINESS STRATEGY

The basic principles of remuneration for the Management Board Members are regulated by the Rules of Remuneration of Executives Based on the Annual Performance endorsed by the corporate Board of Directors (Minutes No. 94 of August 28, 2015) with amendments and additions (Minutes No. 105 of September 14, 2016).

These Rules were drafted in accordance with the legislation of the RK and establish conditions and procedure of remuneration for executive employees.

BASIC PRINCIPLES

- interrelation of remuneration with accomplished tasks reflecting the best interests of the Company and the Sole Shareholder;
- simplicity and transparency of the principles of determining remuneration size;
- dependence of remuneration size on performance.

The aforementioned Rules aim to motivate executive employees to achieve the goals under the corporate business strategy; ensure objective assessment of the degree of achievements by executive officers, as well as fair reward and further encouragement of such achievements.

The Company recognizes the strategic importance and need of allocating a group of executives exerting the most significant and direct effect on the outcomes of corporate activities and, likewise, the importance of applying uniform approaches to remuneration.

The Resolution of the Management Board of Baiterek NMH JSC (Minutes No. 09/14 of April 04, 2014) endorsed the Rules of Selection, Payment of Remuneration and Compensation of Expenses for Independent Directors of Baiterek NMH JSC Subsidiaries. These Rules comply with the Law of the RK “On Joint-Stock Companies” and internal documents of Baiterek NMH JSC. The key objective of the Rules is to aid the accomplishment of strategic objectives of the National Management Holding by way of introducing best corporate management practices on attraction and retention of most qualified specialists within subsidiaries’ boards of directors.

As per its decision, the Sole Shareholder establishes the procedure, size and terms of remunerations, compensation of expenses and bonus awards to BD Members, including independent directors, for execution of their duties.

Remuneration is not paid to BD Members who occupy positions of public servants and/or are employees of the Sole Shareholder.

Respectively, remuneration is paid only to BD Members – Independent Directors of the Company. Other Members of the Board of Directors receive no remuneration for fulfillment of their BD duties.

The Company adheres to the Rules of Selection, Payment of Remuneration and Compensation of Expenses for Independent Directors of Baiterek NMH JSC Subsidiaries approved by the Resolution of the Management Board of Baiterek NMH JSC (Minutes No. 09/14 of April 04, 2014).

The ultimate goal of the Rules is to aid the accomplishment of strategic objectives of Baiterek NMH JSC by way of mainstreaming best corporate management practices at to attracting and retaining most qualified specialists within subsidiaries’ boards of directors.

13 CORPORATE RISK management system



The risk management system constitutes an integral component of corporate operations and includes identification, assessment and monitoring of all essential risks, which may negatively affect the Company's financial strength and reputation, as well as execution of risk mitigation measures.

In pursuance of the requirements of the National Bank of Kazakhstan and best corporate management practices, KazakhExport has in place the regular risk reporting system allowing the corporate MB and BD to continuously review information on risks, including risk map and risk reports. Also, as required the Company's Management Board and Board of Directors are submitted information on essential risk changes.

As per Resolution No. 4 "On Approval of Instructions on Requirements for Existence of Risk Management Systems and Internal Control in Insurance (Reinsurance) Companies" by the Board of the Agency for Regulation and Supervision of Financial Market and Financial Organizations of the RK of February 1, 2010, the Company submits regular risk reports to the NB of the RK.

The Company has a designated Risk Management Committee operating under the corporate Management Board, as well as enforces corporate risk management regulations positively influencing its corporate risk management efforts and corporate management rating.

As of January 1, 2017, during the reporting period jointly with corporate units and divisions the corporate Risk Manager and Actuary carried out a comprehensive identification and assessment of corporate risks. That analyses provided the basis for drawing up a risk register and a risks and a controls matrix. It also allowed compiling and approving an appropriate risk map and the Action Plan on high and critical risks management for 2017 with fixed execution deadlines and responsible persons. According to the Corporate Risk Register, as of the end of 2016 35 risks were identified, including 2 critical, 25 high priority and 8 secondary priority ones. The information on key risks is presented below.

List of executed measures to enhance the corporate risk management system:

- Resolution No. 107 of the Board of Directors of December 13, 2016 endorsing amendments to the corporate Risk Management Policy;
- Resolution No. 106 of the Board of Directors of October 14, 2016 endorsing amendments to the corporate Investment Policy;
- In January 2016, Dostyk Advisory LLP (independent consultant) carried out an independent assessment of the corporate risk management system.

KEY RISKS

MEASURES TO MANAGE KEY RISKS

RISKS OF NON-EXECUTION OF PLANNED PROFIT INDICATORS

- Extending the database of domestic enterprises engaged in exports;
- Quick response to arriving insurance inquiries

RISKS OF THE NB OF THE RK APPLYING EARLY RESPONSE MEASURES, LIMITED EXECUTIVE MEASURES (COMPLIANCE RISK) OR SANCTIONS

- Enforcement of appropriate internal controls on observance of valid legislation including these regulating insurance operations

REINSURANCE RISKS

- Placement of incoming reinsurance contracts in outgoing retrocession with reliable reinsurance agents;
- Continuous monitoring of financial status and reputation of retrocession counterparties;
- Transfer of reinsurance risks as per norms and requirements of the authorized body (NB of the RK), including re retrocessionaire rating assessment based on international or national rating and capital adequacy margin

CONTINGENCY (EMERGENCY) RISKS; RISKS OF LARGE-SCALE EVENT LEADING TO LARGE INSURANCE PAYMENTS

- Effective underwriting of proposals for reinsurance;
- The volume of "property insurance" liabilities should not exceed 50% of the total amount of liabilities under insurance (reinsurance) contracts; 1 bln KZT restriction per 1 location;
- Transfer of risks for reinsurance for diversification and protection against severe catastrophe losses;
- Collegial decision-making

CREDIT RISKS - RISKS OF LOSING MONEY PLACED IN STBS DUE TO DEFAULT

- Monitoring of the financial condition of corporate financial counterparties;
- Placement of funds exclusively with STBs conforming to requirements of the corporate Financial Assets and Liabilities Management Regulations;
- Monitoring of limits and procedure of idle funds distribution within the Company. Monitoring of TSF reports

RISKS ASSOCIATED WITH INSURANCE OF LETTERS OF CREDIT

- Effective initial underwriting;
- Monitoring and toughening requirements to issuing banks, introduction of tools for transfer of claim rights and jurisdiction of lawsuits

LOAN INSURANCE RISKS

- Effective initial underwriting, monitoring

CURRENCY RISKS

- Continuous monitoring of currency positions;
- Observance of currency position limits;
- Quarterly stress/sensitivity testing of currency rates

RISKS OF SECURITIES PORTFOLIO DEPRECIATION

- Continuous monitoring of the financial condition of issuers and analysis of securities portfolio value;
- Effective treasury portfolio management, observance of requirements of the corporate Investment Policy and Financial Assets and Liabilities Management Regulations;
- Monitoring the condition of securities portfolio by the Assets and Liabilities Board



14 HUMAN RESOURCES

Overall, the corporate Human Resources Policy aims to establish a highly effective personnel management system, increase the transparency of the corporate HR strategy, as well as build a competitive professional team thanks to due to engaging, training and retaining highly competent specialists possessing advanced skills and competences.

As per the current staff list, the Company employs 37 persons.

As of January 1, 2017, the actual number of working employees was 34 persons, and the average payroll count included 35 persons.

According to 2016 Corporate Employee Training Plan, all Company staff underwent training to enhance their professional knowledge on corporate management, internal control and fraud counteraction, risk management, financial accounting, etc.

The Corporate Rules of Compensation, Performance Assessment and Remuneration of Executive Officers approved by the Board of Directors (Minutes No. 94 of August 28, 2015) were amended to ensure adequate employee social protection (Minutes No. 105 of September 14, 2016). The Company's Management Board also approved the Corporate Rules of Compensation and Awarding of Administrative Employees (Minutes No. 310 of May 16, 2016) as well as the Corporate Employee Performance Assessment and Appraisal Rules (Minutes No. 318 of August 18, 2016).

Besides, the Company introduced a corporate voluntary health insurance plan.

15 OVERVIEW OF OBJECTIVES FOR FUTURE PERIODS

During the next phase of developing the financial support system for non-resource exports, the Company plans to take steps to increase the scale of export support operations, the number of supported exporters and companies planning to enter foreign markets.

During the next year, KazakhExport plans to implement several initiatives aimed at increasing its reliability and confidence on behalf of exporting enterprises, Kazakhstani and international financial institutions as well as other ECAs operating around the world.

The planned actions include introduction of a sovereign guarantee and surety on the Company's liabilities, a further increase of corporate authorized capital, introduction of new tools to support national exports, as well as modification of certain regulations with the aim of rendering more effective support to export development based on the single-window principle.

16 2016 FINANCIAL STATEMENT

THE 2016 CORPORATE FINANCIAL STATEMENT
UNDERWENT AUDIT BY KPMG AUDIT LLP
(INTERNATIONAL AUDITOR)

According to KPMG Audit LLP, the financial statement reflects the financial condition and, likewise, financial outcomes and cash flows of the Company as of December 31, 2016 authentically, reliably and in all essential aspects, and was executed compliant to the International Financial Reporting Standards.

FINANCIAL STATEMENT AS OF DECEMBER 31, 2016

ASSETS	2016 (THS. KZT)	2015 (THS. KZT)
Cash and cash equivalents	14 637 557	1 641 980
Bank deposits	4 067 803	3 835 778
Financial available for sale assets	8 418 673	8 806 861
Fixed assets	15 612	17 421
Insurance (reinsurance) accounts receivable	762 143	596 735
Current tax assets	256 135	-
Reinsurer share in reinsurance reserves	531 232	439 344
Deferred tax assets	3 596	1 851
Other assets	15 295	12 008
TOTAL ASSETS	28 708 046	15 351 978
LIABILITIES	2016 (THS. KZT)	2015 (THS. KZT)
Insurance reserves	2 326 121	1 951 351
Insurance (reinsurance) accounts payable	21 418	14 977
Current tax liabilities	-	14 360
Samruk-Kazyna JSC loan	336 588	392 814
Other liabilities	68 796	74 978
TOTAL LIABILITIES	2 752 923	2 448 480
CAPITAL	2016 (THS. KZT)	2015 (THS. KZT)
Equity capital	23 200 000	9 200 000
Additional paid-in capital for Samruk-Kazyna JSC loan (below-market interest)	732 819	732 819
Equalization provision	24 450	12 349
Contingency risk provision	226 361	509 802
Revaluation reserve for available-for-sale financial assets	(2 083 916)	(1 809 912)
Retained profit	3 855 409	4 258 440
TOTAL CAPITAL	25 955 123	12 903 498
TOTAL LIABILITIES AND CAPITAL	28 708 046	15 351 978

16 2016 FINANCIAL STATEMENT

PROFIT AND LOSS STATEMENT	2016 (THS. KZT)	2015 (THS. KZT)
Gross accrued insurance premiums	1 112 935	1 662 357
Accrued insurance premiums transferred to reinsurers	(270 888)	(511 461)
NET ACCRUED INSURANCE PREMIUMS	842 047	1 150 896
Change in provision for unearned premiums, gross	(342 764)	(922 233)
Reinsurers' share of change in provision for unearned premiums, gross	102 502	392 866
EARNED PREMIUMS, NET	601 785	621 529
Claims paid	(1 172 852)	(175 889)
Reinsurers' share in claims paid	-	43 125
Change in provision for insurance, gross	(32 006)	(322 464)
Reinsurers' share of change in provision for insurance	(10 614)	24 480
CLAIMS PAID, NET	(1 215 472)	(430 748)
Net financial income	1 223 368	464 114
Net profit/loss from foreign currency transactions	(47 501)	2 147 427
Net commission profit/loss	(325)	38 445
General administrative expenses	(451 335)	(465 973)
Other operational profit/loss, net	(2 414)	10 869
PRE INCOME TAX PROFIT	108 106	2 385 663
Income tax saving (loss)	1 745	(438 255)
PROFIT FOR YEAR	109 851	1 947 408
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		
<i>Line items re-classified or for re-classification as profit or loss:</i>		
Financial available-for-sale assets valuation reserve:		
- Net change of fair value	(260 173)	(548 525)
- Net change of fair value re-classified as profit or loss	(13 831)	166 296
OTHER PROFIT FOR YEAR AFTER INCOME TAX	(274 004)	(382 229)
OTHER COMPREHENSIVE PROFIT/LOSS FOR YEAR	(164 153)	1 565 179

CASH FLOW STATEMENT

OPERATING BUSINESS CASH FLOW	2016 (THS. KZT)	2015 (THS. KZT)
PRE INCOME TAX PROFIT	108 106	2 385 663
<i>Adjustments:</i>		
Change in provision less reinsurers' share	282 882	827 351
Realized gain/loss for financial available-for-sale assets	(13 831)	166 296
Discount and premium amortization	82 017	59 004
Other operations provision recovery	-	(8 864)
Depreciation and amortization	11 153	11 724
Interest deducted for Samruk-Kazyna JSC loan	37 344	41 079
Tax deducted at source	(78 585)	-
Unrealized foreign exchange rate difference	69 475	(2 155 020)
OPERATING INCOME BEFORE CAPITAL CHANGES	498 561	1 327 233
INCREASE/DECREASE OF OPERATING ASSETS		
Bank deposits	(223 704)	(623 120)
Insurance and reinsurance accounts receivable	(165 408)	(461 914)
Other assets	(19 407)	2 952
INCREASE/DECREASE OF OPERATING LIABILITIES		
Insurance and reinsurance accounts payable	6 441	(9 583)
Other liabilities	(6 280)	9 388
NET OPERATING BUSINESS CASH INCOME PRIOR RECEIPT OF INCOME AND INCOME TAX	90 203	244 956
Income tax paid	(175 942)	(364 309)
APPLICATION OF FUNDS IN OPERATING BUSINESS	(85 739)	(119 353)

16 2016 FINANCIAL STATEMENT

INVESTMENT OPERATIONS CASH FLOW	2016 (THS. KZT)	2015 (THS. KZT)
Revenue from sale of available-for-sale financial assets	13 832	73 286
Fixed and non-material assets acquisition	(9 261)	(12 989)
CASH REVENUE FROM INVESTMENT OPERATIONS	4 571	60 297
FINANCIAL OPERATIONS CASH FLOW	2016 (THS. KZT)	2015 (THS. KZT)
Stock issue	14 000 000	-
Repayment of Samruk-Kazyna JSC loan	(93 403)	(92 735)
Dividends paid	(784 222)	(189 171)
REVENUE (APPLICATION OF FUNDS) FROM FINANCIAL OPERATIONS	13 122 375	(281 906)
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	13 041 207	(340 962)
Currency effect on cash and cash equivalents	(45 630)	505 848
Cash and cash equivalents as of year beginning	1 641 980	1 477 094
CASH AND CASH EQUIVALENTS AS OF YEAR END (NOTE 10.)	14 637 557	1 641 980

The amounts of credited and uncredited interest by the Company in the course of the year that ended December 31, 2016 were 943 ths. KZT and 986,554 ths. KZT, respectively.

The amount of credited and uncredited interest by the Company in the course of the year that ended December 31, 2015 were 276 ths. KZT and 708,648 ths. KZT, respectively.



16 2016 FINANCIAL STATEMENT

CAPITAL CHANGE STATEMENT

(THS. KZT)	EQUITY CAPITAL	ADDITIONAL PAID-IN CAPITAL FOR SAMRUK-KAZYNA JSC LOAN (BELOW-MARKET INTEREST)	EQUALIZATION PROVISION	CONTINGENCY RISK PROVISION	REVALUATION RESERVE FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS	RETAINED PROFIT	TOTAL CAPITAL
Balance as of January 1, 2015	9 200 000	732 819	-	-	(1 427 683)	3 022 354	11 527 490
TOTAL GROSS INCOME							
Income for year	-	-	-	-	-	1 947 408	1 947 408
OTHER GROSS INCOME							
<i>Line items re-classified or for re-classification as profit or loss</i>							
Net change of fair value	-	-	-	-	(548 525)	-	(548 525)
Net change of fair value re-classified as profit or loss	-	-	-	-	166 296	-	166 296
Total other gross income	-	-	-	-	(382 229)	-	(382 229)
TOTAL GROSS INCOME FOR YEAR	-	-	-	-	(382 229)	1 947 408	1 565 179
TRANSACTIONS WITH OWNERS REFLECTED IN CAPITAL							
Dividends paid (Note 15. (c))	-	-	-	-	-	(189 171)	(189 171)
Transfer of contingency risks to reserves (Note 15. (d))	-	-	-	509 802	-	(509 802)	-
Transfer to equalization provision	-	-	12 349	-	-	(12 349)	-
TOTAL TRANSACTIONS WITH OWNERS	-	-	12 349	509 802	-	(711 322)	(189 171)
BALANCE AS OF DECEMBER 31, 2015	9 200 000	732 819	12 349	509 802	(1 809 912)	4 258 440	12 903 498

16 2016 FINANCIAL STATEMENT

CAPITAL CHANGE STATEMENT

(THS. KZT)	EQUITY CAPITAL	ADDITIONAL PAID-IN CAPITAL FOR SAMRUK-KAZYNA JSC LOAN (BELOW-MARKET INTEREST)	EQUALIZATION PROVISION	CONTINGENCY RISK PROVISION	REVALUATION RESERVE FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS	RETAINED PROFIT	TOTAL CAPITAL
Balance as of January 1, 2016	9 200 000	732 819	12 349	509 802	(1 809 912)	4 258 440	12 903 498
TOTAL GROSS INCOME							
Income for year	-	-	-	-	-	109 851	109 851
OTHER GROSS INCOME							
<i>Line items re-classified or for re-classification as profit or loss:</i>							
Net change of fair value	-	-	-	-	(260 173)	-	(260 173)
Net change of fair value re-classified as profit or loss	-	-	-	-	(13 831)	-	(13 831)
Total other gross income	-	-	-	-	(274 004)	-	(274 004)
TOTAL GROSS INCOME FOR YEAR	-	-	-	-	(274 004)	109 851	(164 153)
TRANSACTIONS WITH OWNERS REFLECTED IN CAPITAL							
Stock issue (Note 15. (a))	14 000 000	-	-	-	-	-	14 000 000
Dividends paid (Note 15. (c))	-	-	-	-	-	(784 222)	(784 222)
Transfer of contingency risks to reserves (Note 15. (d))	-	-	12 101	-	-	(12 101)	-
Transfer to equalization provision	-	-	-	(283 441)	-	283 441	-
TOTAL TRANSACTIONS WITH OWNERS	14 000 000	-	12 101	(283 441)	-	(512 882)	13 215 778
BALANCE AS OF DECEMBER 31, 2016	23 200 000	732 819	24 450	226 361	(2 083 916)	3 855 409	25 955 123



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