



KazakhExport

ANNUAL REPORT

2019 ↗

OPEN UP NEW HORIZONS



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Address of the Chairman of the Board of Directors



Ladies and Gentlemen!

The country's leaders assigned the key part to KazakhExport Export Insurance Company JSC in ramping up the volume of non-resource Kazakhstan export and diversifying the commodity sale and export markets.

In 2019, the foreign trade turnover of Kazakhstan made up 96 billion US dollars. The export made up 57.7 billion US dollars.

As per the message of the RK First President – Elbasy N.A. Nazarbayev – to the people of Kazakhstan dated 5 October 2018 'Growth in prosperity of the Kazakhstan people: increase in income and living quality', the export-oriented industrialization shall become the central element in the economic policy. In this regard, the Government of the Republic of Kazakhstan was committed to allocate additional 500 billion tenge to support the manufacturing industry and non-resource export for the next following 3 years of which the amount of 68 billion tenge was allocated to additional capitalization of KazakhExport EIC JSC and 102 billion tenge – to the state guarantee for commitments of KazakhExport.

In the context of execution of the above-mentioned commission, in 2019, KazakhExport was capitalized in the amount of 34 billion tenge out of the funds of the republican budget.

The analysis of the world practice showed that the effective measures to support the export development are to provide the state guarantees for the commitments of the export-credit agencies. During 2019, the Ministry of Trade and Integration of the Republic of Kazakhstan and KazakhExport completed the work on development and provision of enactment of respective regulatory legal acts.

As a result, the necessary legal conditions were created and, by resolution of the Government of the Republic of Kazakhstan dated 24 December 2019, it was decided to grant the state guarantee to KazakhExport for the purposes of the export support in the amount of 102 billion tenge, valid for 10 years, as a security of its commitments related to repayment of the insurance indemnities payable.

The received state guarantee will increase the amount of assumed insurance commitments without additional infusions of funds in the Company's capital, allow raising international capital to finance the export transactions of the Republic of Kazakhstan, and expanding the geography of the domestic export.

The state measures for export support allowed enhancing KazakhExport performance efficiency and provided assumption of insurance commitments in 2019 in the amount of 97 billion tenge that is higher than the level 2018 by 7.8%.

KazakhExport has strong financial position to continue its development. On 15 October 2019, the financial strength rating of KazakhExport EIC JSC was affirmed by Moody's Investors Service at Baa3 level; the forecast of the financial strength rating was changed from 'stable' to 'positive' that conforms to the sovereign rating of the Republic of Kazakhstan.

In 2020, KazakhExport continued to work on institutional development of the Company with a view to ramp up the volumes of the non-resources export. Obtaining the state guarantee for commitments and increase in the equity will boost over again the growth of KazakhExport and scales of its operations.



A number of initiatives were planned for the year 2020 intended to further increase a degree of reliability of and confidence in KazakhExport on the part of the exporting companies, Kazakhstan and international financial institutions, as well as the export-credit agencies. Within the framework of the planned events, it is expected particularly to enshrine in the law the rules for providing financial support for the private businesses in the form of subsidy of the interest rate on financial services when exporting the Kazakhstan products.

Moreover, the next year the increase in the authorized capital stock of KazakhExport EIC JSC is expected with a view to support the Kazakhstan producers of the non-resource commodities and service providers in the foreign markets and to enhance their competitiveness through effective financial measures of the export support.

Chairman of the Board of Directors,
Minister of Trade and Integration
of the Republic of Kazakhstan
Bakhyt SULTANOV

Address of the Chairman of the Management Board



Dear customers, partners and colleagues!

KazakhExport is continuing the great work on institutional development; the volumes of support for the exporters are enlarging; the number of supported companies from the processing sectors is increasing; and the volume of export with the aid of our instruments is increasing.

We have already supported more than 100 Kazakhstan exporting companies with 42 of which have made use of services of KazakhExport in 2019 for the first time.

During the reporting year, more than 458 insurance agreements were entered into which is 37% more than in 2018. KazakhExport supported the export contracts in the amount exceeding 543 billion tenge to supply the Kazakhstan products of the engineering, metallurgy, chemical, food and consumer goods industries, and the agro-industrial complex.

Our partners in all regions of Kazakhstan are both major companies and representatives of the small and medium-sized business. The products of the Kazakhstan producers are exported to Azerbaijan, Armenia, Belarus, Germany, Georgia, Italy, China, Kyrgyzstan, Mongolia, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Japan.

In 2019, owing to received support, the domestic exporters performed export contracts to supply the equipment, mechanical transport, steel pipes, flour, dairy products, meat, and other foodstuffs, provided the services for the foreign customers in engineering and construction of complicate industrial facilities, and performed the works at oil field abroad. You also can find in this report the description of the other important projects implemented with support of KazakhExport.

We continue to expand the geography of our presence. At present, the support is provided to the Kazakhstan exporters by the foreign representatives of KazakhExport in Uzbekistan (Tashkent), Tajikistan (Dushanbe), Russian Federation (Yekaterinburg, Novosibirsk, Kazan), Kyrgyz Republic (Bishkek), and the PRC. The foreign representatives promote and protect the interests of KazakhExport in relations with counterparties regarding increase of the volumes of export of non-resource goods, works, and services of the Republic of Kazakhstan to the foreign countries.

Following performed work through the foreign representatives of KazakhExport, 49 projects were implemented in the reporting year for insurance of export transactions, 42 foreign importers were engaged, and the insurance commitments were assumed in the amount of 8.9 billion tenge. Moreover, the foreign representatives verified the information about trustworthiness of more than 70 foreign counterparties that made it possible for KazakhExport to assume risks more actively and to provide protection for exporters. More than 25 agreements and memoranda of cooperation were signed with the foreign importers, trade networks, banks, insurance and reinsurance organizations, and the other financial institutions.

For instance, in 2019, the financing of export of the helicopter H125 Airbus Helicopters of Eurocopter Kazakhstan engineering LLP to the Republic of Tajikistan was arranged. In addition, the major projects with insurance coverage of KazakhExport for supply of the products in chemical and construction industries for the major Tajik importer – TALCO MANAGEMENT LIMITED – were implemented.



We continue the focused efforts to develop a network of the banks-partners both in Kazakhstan and in the near and far foreign countries. In 2019, KazakhExport established the partnership relationship with a number of the banks in the Republic of Uzbekistan, including Ipoteka bank JSCB, Turon bank JSCB, Tenge bank JSCB, Aloqabank JSCB, Qishloqqurilish Bank JSCB, and others.

Considering the tasks entrusted to KazakhExport Export Insurance Company JSC, in 2020, KazakhExport together with the Sole Shareholder – Baiterek National Management Holding JSC – and the Government of the Republic of Kazakhstan will continue to work on expansion of the customer base, as well as development of a network of the banks-partners both in Kazakhstan and in the near and far foreign countries.

I am grateful to our customers and partners for effective cooperation. I wish stability and prosperity!

Chairman of the Management Board
KazakhExport Export Insurance Company JSC
Ruslan ISKAKOV

KEY PERFORMANCE 2019



↗ **544** BILLION
TENGE

amount of supported
export contracts



↗ **97.1** BILLION
TENGE

amount of assumed insurance
commitments



↗ **368** CONTRACTS

contracts supported
by KazakhExport EIC JSC export



↗ **286.3** BILLION
TENGE

amount of export proceeds
of the companies using
the support instruments
of KazakhExport EIC JSC



↗ **716.9** BILLION
TENGE

the achieved output of the
products manufactured by
the business entities obtained
support from KazakhExport EIC
JSC



↗ **3.44%**

↗ Return on Total Assets as
of year-end 2019

ROA



↗ **42**

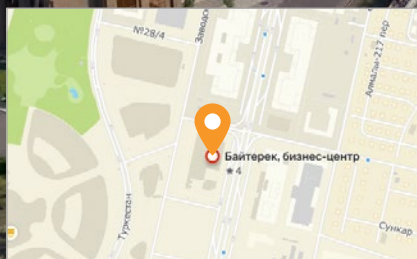
exporters obtained support
of KazakhExport EIC JSC
for the first time

KEY EVENTS 2019

- ◆ The authorized capital stock increased by the amount of 34 billion tenge.
- ◆ KazakhExport EIC JSC obtained the State guarantee of support of the export in the amount of 102 billion tenge for 10-year period of validity.
- ◆ The offices were opened in the countries of high export and priority export interest in Tashkent (Republic of Uzbekistan), Dushanbe (Republic of Tajikistan), Yekaterinburg, Novosibirsk (Russian Federation), and Bishkek (Kyrgyz Republic).
- ◆ Moody's affirmed the financial strength rating at Baa3 level, forecast for the financial strength rating was changed from "Stable" to "Positive".
- ◆ The Kazakhstan commodities department was opened in the chain store Zhongshan in Wuhan (People's Republic of China).
- ◆ The first transactions of export trade financing were settled with the high-street Russian banks – Bank VTB PJSC, Bank FC Otkrytie PJSC, and Sovcombank PJSC.
- ◆ The Cooperation Agreement was signed with Moscommercebank JSC to expand further cooperation in export trade financing.
- ◆ The cooperation was established with the Tajik airline company Somon Air to supply the helicopters.
- ◆ Within the framework of the XIII International Conference 'Eurasian Economic Integration' the reinsurance agreement was signed between the National Company 'KazakhExport' and the Russian Agency for Export Credit and Investment Insurance 'EXIAR'.



Nur-Sultan



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ABOUT THE COMPANY



KazakhExport Export Insurance Company Joint-Stock Company ('KazakhExport' or the 'Company') is the national development institution established to support the Kazakhstan export by implementing the insurance instruments to protect the export operations. KazakhExport offers the services of insurance of commercial and political risks incidental to performance of the foreign economic contracts of the exporting companies from the non-resource sector.

Mission

- ◆ Support of the growth of export of non-resource commodities, works, and services in the priority economy sectors and formation of the practice of financial-and-insurance and non-financial support of the Kazakhstan companies.

Vision

- ◆ By the year 2023, to become the key development institution in implementation of the state foreign economic policy of the Republic of Kazakhstan in the Central Asia region and the countries of the Eurasian Economic Union.

Company Background

2003

- ◆ Establishment of KazakhExport (Resolution of the Government of the Republic of Kazakhstan No.442).

2004

- ◆ Accession to the Prague Club of the Berne Union – the Association of the major international export-credit agencies (37 agencies, 34 countries, and 3 transnational organizations).

2005–2018

- ◆ Operations in the insurance market as the reinsurance company both on proportional and non-proportional basis.

2010

- ◆ Increase of the authorized capital stock in order to support the operations of export trade financing.

2012

- ◆ For the first time ever in Kazakhstan, with the financial and insurance support of KazakhExport, the domestic locomotives were exported to the Republic of Tajikistan.

2013

- ◆ Accession to Baiterek NMH JSC (Sole Shareholder).

2014

- ◆ Accession to Aman Union – the Association of the major export-credit agencies of the Islamic states and the Arab world.

2015

- ◆ Award of the status of the Observer of the Berne Union established in 1934 and representing an informal association of insurance companies involved in insurance of export credits and investments.
- ◆ For the first time ever in Kazakhstan, with the participation of KazakhExport, the first export transaction of international level was concluded according to the procedure of the leasing financing to supply 10 domestic locomotives to the Republic of Azerbaijan.

2016

- ◆ The licenses were obtained from the National Bank of the Republic of Kazakhstan for additional classes of insurance 'Loan Insurance', 'Civil Liability Insurance', as well as the rules were worked out and the new export support instruments were introduced that include voluntary loan insurance, advance payment insurance, pre-export financing, and leasing insurance.
- ◆ Expansion of the line of insurance support instruments: voluntary loan insurance, advance payment insurance, trade financing in the national currency and Russian rouble, as well as finance leasing insurance.
- ◆ Increase of the authorized capital stock by the amount of 14 billion tenge.
- ◆ Joint credit transactions are settled with Kazakhstan Development Bank JSC under which KazakhExport provided insurance cover through the product of loan insurance.



2017

- ◆ Transformation of KazExportGarant Export-Credit Insurance Corporation JSC to KazakhExport Export Insurance Company JSC and listing among the national companies.
- ◆ Updating of the Development Strategy of KazakhExport for 2014–2023 in accordance with the National Export Strategy of the Republic of Kazakhstan.
- ◆ Increase of the authorized capital stock by the amount of 13.9 billion tenge.

2018

- ◆ March 2018: relocation of the Company in Astana City to the new address: 55A, Mangilik El Avenue, BC Baiterek, Astana City.
- ◆ Establishment of a representative office in Almaty City.
- ◆ Reissue of license No.2.1.55 dated 21 May 2018 to the right to conduct insurance (reinsurance) activities in 'general insurance' section.
- ◆ September 2018: accession of KazakhExport to the Board of Representatives of the Insurance Ombudsman under the new requirements of the laws concerning the insurance activities.
- ◆ Opening the office in Kazan (Russian Federation) and appointment of a foreign representative in the PRC.

2019

- ◆ Opening the offices in the countries of the high export and priority export interest: Tashkent (Republic of Uzbekistan), Dushanbe (Republic of Tajikistan), Yekaterinburg, Novosibirsk (Russian Federation), and Bishkek (Kyrgyz Republic).
- ◆ Increase of the authorized capital stock by the amount of 34 billion tenge.
- ◆ KazakhExport EIC JSC obtains the State guarantee of export support in the amount of 102 billion tenge for 10-year period of validity.

Business Model Description





Procedure for insurance



- ◆ Exporter and importer conclude an export contract with an option to defer a payment



- ◆ Exporter supplies the goods and pays insurance premium



- ◆ Exporter makes an application for insurance to KazakhExport



- ◆ Unless exporter pays for received goods, KazakhExport compensates losses of exporter



- ◆ KazakhExport considers an application and enters into an insurance agreement with an exporter

Our advantages

- ◆ Opportunity to export subject to payment deferment or to increase volume of export sales subject to payment deferment;
- ◆ Enlarging opportunities and improving conditions of crediting given insurance protection by KazakhExport, as insurance of KazakhExport is a security for bank credits;
- ◆ Reduction of losses upon occurrence of an insured event of political nature, when fulfilment of obligations under an export contract does not depend on a counter-partner abroad;
- ◆ Minimization of payment risks since even providing a guarantee a risk is not excluded in full;
- ◆ Effective instrument for the strategy of new market 'safe entry';
- ◆ Protection of the Kazakhstan investments abroad against political risks;
- ◆ Strategic planning based on revealed export risks;
- ◆ As a rule, the procedure for insurance of export credits requires less expenses than opening a letter of credit; and
- ◆ Insurance of export credits is cheaper than factoring operations.

Support instruments

KazakhExport is a unique insurance organization supporting the export of products of the domestic manufacturers through the generally accepted international practices of insurance and it is an important element supporting the entrepreneurs from the stage of manufacturing of domestic goods to their sale in the foreign markets.

Activity of KazakhExport, as a national development institution, is primarily based on a need and opportunity to cover commercial and political risks in order to support the national export of the goods, services, and investments abroad.

KazakhExport provides insurance instruments to support the national export, which instruments are developed in accordance with the best world practices in the area of export credit insurance, as well as meet to the maximum the needs of the potential and active customer.

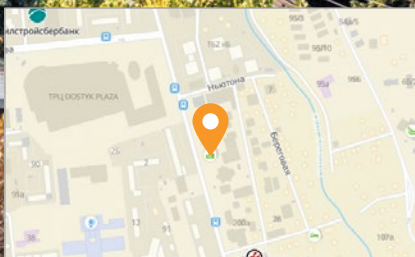
The available basic products are grouped in 3 types as per a type of a customer:

- ◆ Products for exporters;
- ◆ Products for financial institutions; and
- ◆ Products for investors.

The products of KazakhExport enable an exporter:

To verify reliability of a foreign purchaser free of charge	Insurance of exporter's credit
To insure a risk of payment by a foreign purchaser	Insurance of short-term receivables
	Insurance of a bank guarantee
To replenish working capital	Pre-export financing
	Insurance of international factoring
To finance a foreign purchaser to purchase the Kazakhstan goods	Insurance of documentary letters of credit
	Export trade financing
To receive an advance payment from a foreign purchaser	Insurance of advance payments
To raise the capital by issuing the bonds	Insurance of civil liability of exporters under the bonds
To receive financing in a bank provided that a collateral is insufficient	Insurance of loans
To sell or purchase equipment on leasing	Finance leasing insurance
To receive a bank guarantee to take part in a tender	Insurance of a bank payment guarantee
To hedge foreign exchange risks	Insurance of civil liability of an exporter under forward transactions in foreign exchange
To secure foreign investments	Insurance of Kazakhstan investments abroad

Almaty



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DEVELOPMENT STRATEGY



Subject to the tasks of the 'National export strategy of the RK' for 2018–2022, the key strategic goals of KazakhExport are to increase the volume of supported export contracts and to increase the quantity of exporters received financial support to the target indications.

On the one hand, the development strategy of KazakhExport must contribute to growth of the number of exporters and volumes of non-resource export and, on the other hand, satisfy technologically and institutionally the requirements of enlarging customer base under conditions of increase in volumes of provided support.

The strategic directions of KazakhExport development include improvement of the export support instruments, creation of conditions to increase the number of exporters and to enhance operating performance.

As the part of its primary activity, KazakhExport provides the companies-exporters from the processing sector and the second-tier banks with the insurance coverage of payment risk in foreign trade transactions and guarantees safety of export transactions.

The primary goal of the government policy in the area of export is to diversify the export basket and to ensure growth of the non-resource export at outstripping rates.

Increase in the number of exporters received financial support can be achieved through:

- ◆ attracting active and potential exporters in the regions;
- ◆ organizing business contacts through the foreign representative offices; and
- ◆ enhancing recognisability and awareness of activity of KazakhExport.

Increase in the number of export transactions per supported exporter can be achieved through:

- ◆ creating a single Internet resource for the exporters (Digital Baiterek);
- ◆ cutting the cost of crediting and insurance services; and
- ◆ enhancing efficiency by means of automation of business processes.

Strategic development directions and strategic initiatives

No.	Strategic direction	Strategic initiative
1	Improvement of export support instruments	Improvement of financial measures to support export <ul style="list-style-type: none"> • receiving the State guarantee • compensation of a part of interest rates on export credits • increase in capitalization Improvement of service support (organization of business contacts)
2	Creation of conditions to increase the number of exporters	Providing regional presence and enlargement of a focus on small and medium-scale business and priority branches Providing foreign presence Enhancing recognisability and awareness of KazakhExport
3	Enhancing operating performance	Providing financial services based on the principle 'one-stop service' by implementing a common portal for supporting the Kazakhstan exporters Increase in the number of employees and development of human capital Implementation of innovative technologies and automation of business processes

Key strategic performance

No.	Key Performance Indicator	Unit	2018 Actual	2019 Planned	2019 Actual	2020 Planned	2021 Planned	2022 Planned
1	Amount of export contracts	billion tenge	420	325	544	390	455	520
2	Volume of export revenue earned by the companies using KazakhExport support instruments	billion tenge	104,5	164,2	286,3	328,20	458,99	679,43
3	Volume of assumed insurance commitments	billion tenge	90,2	95,0	97,1	150,0	200,0	250,0
4	Number of exporters received support of KazakhExport for the first time	ea.	27	25	42	25	25	25
5	Volume of products manufactured by the entrepreneurs received support	billion tenge	157,8*	164,2	716,9	328,20	458,99	679,43
6	Number of export contracts	ea.	334	343	368	353	363	373
7	ROA	%	3.3	Not less than 1	3.44	Not less than 1	Not less than 1	Not less than 1

Strategic Direction 1.

Improving export support instruments.

In the Message of the President of the Republic of Kazakhstan 2018 to the RK Government, it was committed to spend additional amount of 500 billion tenge to support the processing industry and non-resource export, of which the amount of 170 billion tenge was provided for KazakhExport, including 102 billion tenge as the State guarantee and 68 billion tenge in the context of increase of the authorized capital stock.

In accordance with the Law of the Republic of Kazakhstan “On the republican budget for 2019–2021” dated 30 November 2018, the amount of 68 billion tenge was approved for capitalization of KazakhExport in 2019–2020 (34 billion tenge – 2019, 34 billion tenge – 2020). The Company was capitalized in March 2019 in the amount of 34 billion tenge in accordance with the prescribed procedures.

The legal conditions have been created to enable KazakhExport to receive the State guarantee of the RK to support export that would allow significantly expanding on a long term basis the insurance capacity (by the amount of 102 billion tenge) in order to support domestic exporters by concluding the insurance agreements with them. Moreover, this would allow raising international capital for financing export transactions of Kazakhstan, as well as expanding the geography of domestic export.

The limit of providing the State guarantee in the amount of 102 billion tenge for 2019 is fixed in the Law of the Republic of Kazakhstan “On amendments and alterations to the Law of the Republic of Kazakhstan ‘On the republican budget for 2019–2021’ dated 22 October 2019.

RESULTS OF WORK IN THE STRATEGIC DIRECTIONS



Strategic Direction 2.

Creating conditions to increase the number of exporters.

In 2019, the new organization chart of KazakhExport was approved, which provided for 81 staff member (increase by 16 staff members of which there are 9 foreign representatives).

In 2019, 6 foreign representatives were appointed and proceeded to operations in the Republic of Uzbekistan (Tashkent – 2), Republic of Tajikistan (Dushanbe – 1), Kyrgyz Republic (Bishkek – 1), and Russian Federation (Yekaterinburg, – 1, Novosibirsk – 1), which represent, promote and protect interests of the Company in relationship with the counterparties regarding increase in volumes of export of non-resource goods, works, and services of the Republic of Kazakhstan abroad.

Following performed work, in 2019, 49 projects of insurance of export transactions were implemented through the foreign representatives of KazakhExport, 42 foreign importers were involved, insurance commitments were assumed in the amount of 8.9 billion tenge on which the insurance premium amounted to 224.9 million tenge. Moreover, with the assistance of the foreign representatives of the Company, 72 conclusions on trustworthiness of the foreign counterparties were prepared, as well as 27 agreements and memoranda of cooperation were signed with the foreign importers, retail store chains, banks, insurance and reinsurance organizations, and other financial institutions.

For example, in 2019, the foreign representative in the Republic of Tajikistan established cooperation with the Tajik airline company 'Somon Air', the company's needs for modernization of aircraft fleet were discovered. As a result, the first helicopter produced by Eurocopter Kazakhstan Engineering LLP was exported to the Republic of Tajikistan. In addition, the arrangements were achieved to supply 5 domestically assembled helicopters to the Republic of Tajikistan in 2020. The cooperation also was established with SUE Tajik Aluminium Company. The held negotiations resulted in 3 export contracts concluded with the Kazakhstan companies.

With the assistance of the foreign representative in the Republic of Uzbekistan, the arrangement was achieved with the Uzbek party for financing a letter of credit to supply 766 cars of models JAC S3 and JAC S5 to Uzbekistan in the amount of 11.8 million US dollar in favour of Nurafshon Avtocentr LLC. This is the first transaction within the framework of planned supply of 5,000 JAC branded cars that is equivalent to the cost of 93.5 million US dollar.

One of successful projects implemented with the assistance of the foreign representative in the Republic of Tatarstan is supply of the cars assembled in Kazakhstan to the Russian Federation. Under the export contracts concluded



between SaryarkaAutoProm LLP and UzAutoMotors CIS LLC, the arrangements were achieved to export the Kazakhstan cars.

With the assistance of the foreign representative in the People's Republic of China, the arrangement was achieved with Wuhan Asia Europe Logistics Co., Ltd to jointly promote the Kazakhstan export in Hubei Province. As the result of performed work, a department of the Kazakhstan foodstuffs was opened in one of the stores of the retail store chain of Wuhan Zhongshang Supermarket Chain Co., Ltd. At the same time, the arrangement was achieved with Hunan Zhonghong Investment Management Co., Ltd to open a showroom of the Kazakhstan products in which all wholesale purchasers interested in

the Kazakhstan products can find the goods of interest.

In 2019, the representatives of KazakhExport took part in the international state commissions jointly with the Russian Federation, Republic of Belarus, Azerbaijan Republic, Islamic Republic of Iran, Republic of Korea, Kyrgyz Republic, Republic of Uzbekistan, Republic of Tajikistan, and Lithuanian Republic.

In May 2019, the Eurasian Development Bank (EDB) and KazakhExport signed the agreement of cooperation in the field of assistance to export aimed at increasing the capabilities to increase the volumes of export of the Kazakhstan goods, works, and services within and outside the Eurasian Economic Union. Under the

agreement, the preliminary estimated limit of EDB to participate in financing of the exporters having insurance coverage provided by KazakhExport is about 100 million US dollars. Under the agreement, the EDB participates in joint events organized in order to develop the insurance risks of exporters of the Kazakhstan goods, works, and services within and outside the EEU.

In the context of the forum in Omsk in November 2019, the agreement of cooperation was signed with Moscommercebank LLC to expand further cooperation in export trade financing.

The first transactions of export trade financing were settled with the core Russian banks: Bank VTB PJSC – for financing supply of ferrosilicium, FC Otkrytie Bank PJSC – for financing supply of transformers, and Sovcombank PJSC – for financing supply of accumulators.

In October 2019, the financial strength rating of KazakhExport was affirmed

by Moody's Investors Service agency at the level Baa3, the forecast for the financial strength rating was changed from 'stable' to 'positive'.

Based on existing infrastructure of the partners of the National Chamber of Businessmen of the Republic of Kazakhstan 'Atameken', BDF Damu JSC and Agrarian Credit Corporation JSC trained the employees of the companies-partners in the products of KazakhExport in all 14 regional centres, as well as the cities of Nur-Sultan, Almaty, and Shymkent. The total quantity of the persons participated in training workshop was: BDF Damu JSC – 74 employees, Agrarian Credit Corporation JSC – 46 employees, and the National Chamber of Businessmen of the RK 'Atameken' – 52 employees.

In addition, during 2019 the officers of the second-tier banks (the STBs) were trained and provided with information hand-outs. 106 regional subdivisions (branches of the STBs) in total were covered with trainings with 263 participating officers of the STBs.

Strategic Direction 3.

Enhancing operating performance

In 2019, the international probations were organized for the employees of KazakhExport. In particular, participation of the Company's employees was organized in the line of sharing experiences with the Italian export insurance agency 'SACE' and the Russian agency for insurance of export credits and investments 'EXIAR'. In the context of membership in the Berne Union and sharing of experience, the Company's employees participated in training in the risk management and conference of the specialists regarding debt collection. Under the memorandum of the Eurasian Economic Union, the Company's employees undertook an internship in the Belorussian company – 'BelEximGarant'. The training of the Korean Trade Insurance Corporation 'K-SURE' was organized in insurance and reinsurance of export credits and investments. The agreements with the Russian agency for insurance of export credits and investments 'EXIAR' for probation for the employees of KazakhExport and cooperation in exchanging employees as part of the international probations with the countries-partners (Republic of Poland, Russian Federation, United Arab Emirates, Japan, Republic of Belarus) are at the stage of negotiations.

For the purposes of preparation of the complex support of entrepreneurs at all levels on the principle of 'one-stop service', Digital Baiterek single

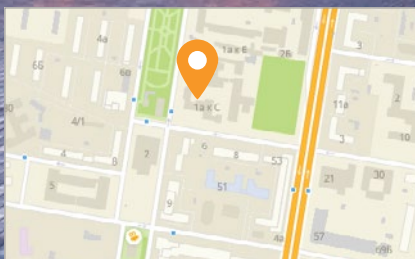
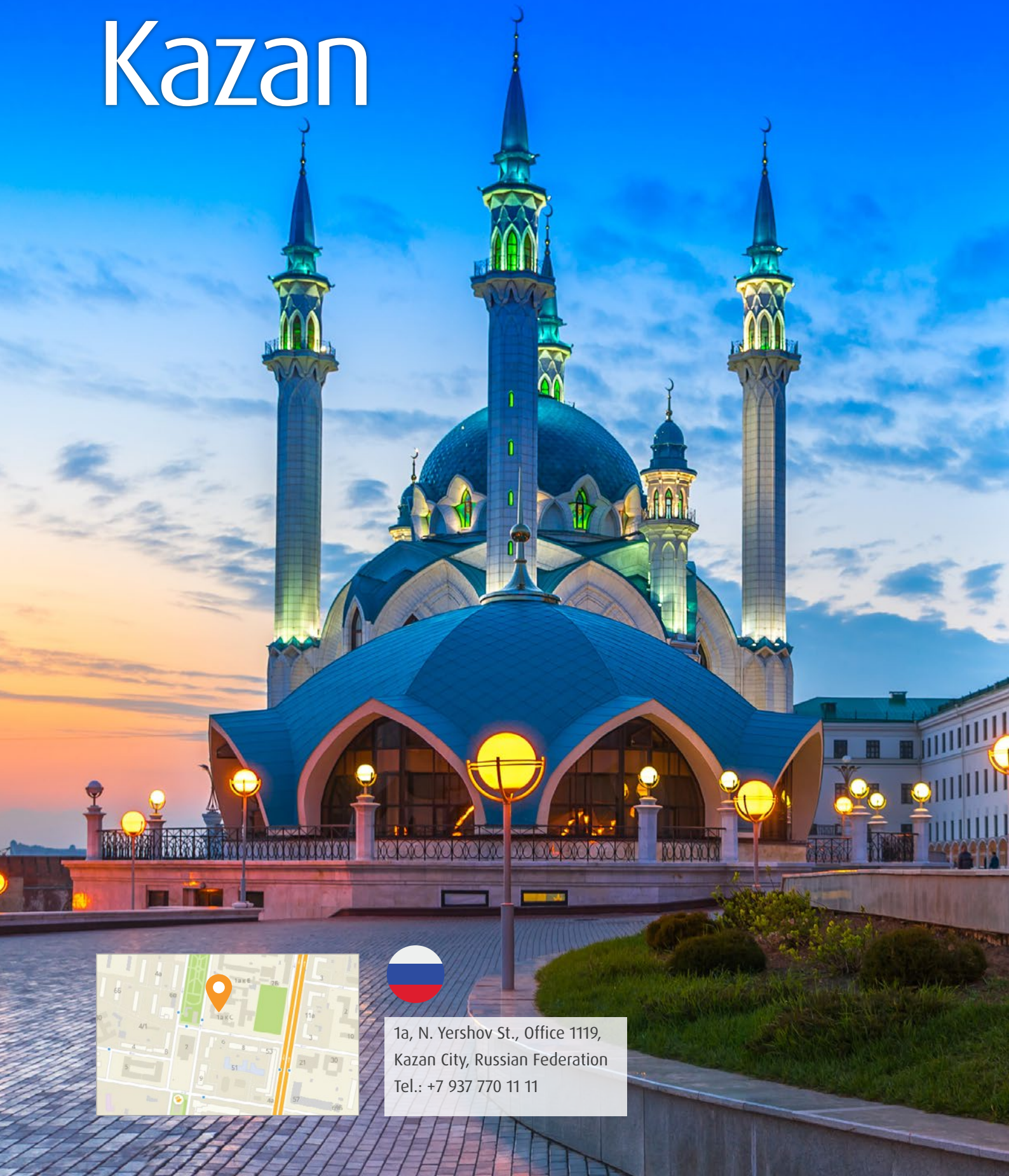
information platform is put into experimental operation. As part of this platform, KazakhExport implements 6 exporter support measures:

1. voluntary insurance of loans;
2. insurance of bank payment guarantees;
3. insurance of liability of an exporter for refunding an advance payment;
4. voluntary insurance of finance leasing;
5. insurance of exporter credit (insurance of a deferred payment under an export contract); and
6. export trade financing.

To enhance the operating performance of the Company, in 2019, 17 statements were automated in the accounting system 1C, the scoring service 'Insurance of short-term receivables' was implemented.

To manage the foreign exchange risks, the Risk Management Department developed the mechanism to compare assumed insurance commitments in foreign currency as against the assets. Based on the monitoring, the collegial body of KazakhExport shall determine adequacy of cash in foreign currency in order to discharge the insurance commitments in foreign currency and for the purpose of expediency of cash conversion providing deficit of assets in foreign currency to settle payments.

Kazan



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OPERATING PERFORMANCE



Review of external environment

In 2019, the volume of the Gross Domestic Product of Kazakhstan increased by 4.5% to 68.6 bln tenge. The economic growth was provided primarily by the state investments and increasing consumer demand.

In 2019, the average dollar rate amounted to 382.75 tenge for a dollar that is 11% more than the indication in 2018. In 2019, the inflation rate was equal to 5.4%.

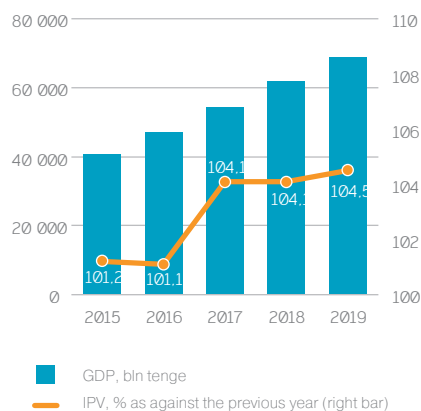
As per data of the Committee for Statistics of the RK MNE, in 2019, the industrial production index was equal to 103.8%. The production volumes increased in 15 regions of the republic, and they decreased in Kyzylorda Oblast and West Kazakhstan region.

In 2019, the industrial production index in the mining industry was equal to 103.7%. In the processing industry, the production index increased by 4.4%. In particular, the production of foodstuffs and beverages (110.2%), oil-refining products (106.6%), basic precious and non-ferrous metals (106.8%), and mechanic engineering (120.9%) increased.

Activities of KazakhExport are focused on development of the non-resource export of the country by implementing the insurance support instruments. The basic macroeconomic indicator affecting activities of KazakhExport is the export of products of the processing sector of the economy.

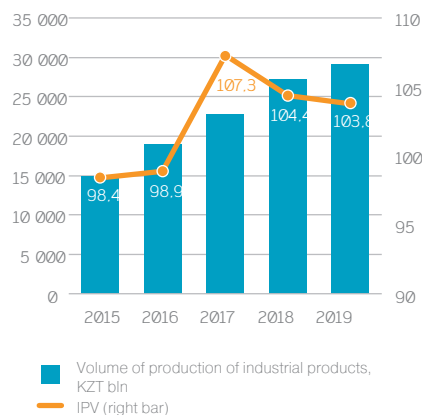


Dynamics of the Gross Domestic Product



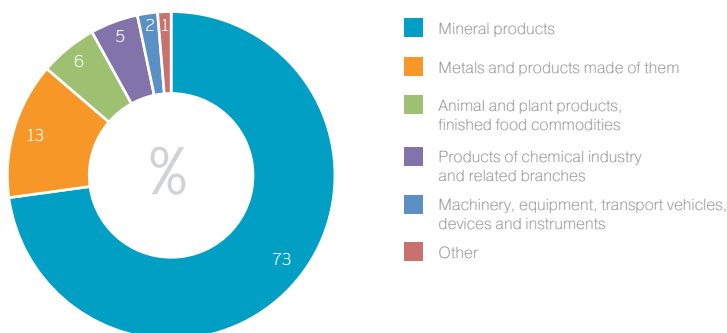
Source: Committee for Statistics of the RK MNE

Industry dynamics



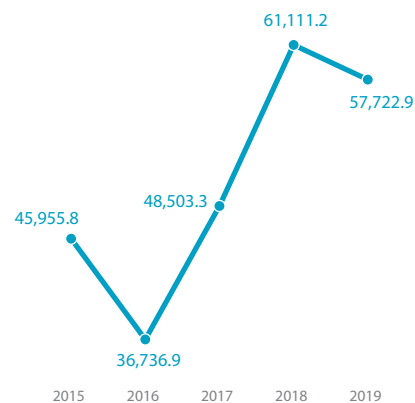
Source: Committee for Statistics of the RK MNE

RK export structure at the end of 2019



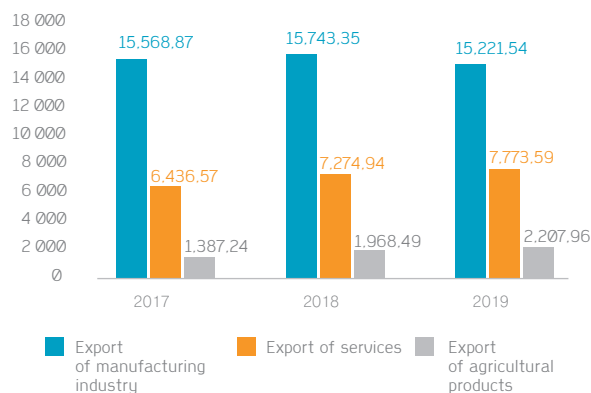
Source: Committee for Statistics of the RK MNE

RK export, \$ mln

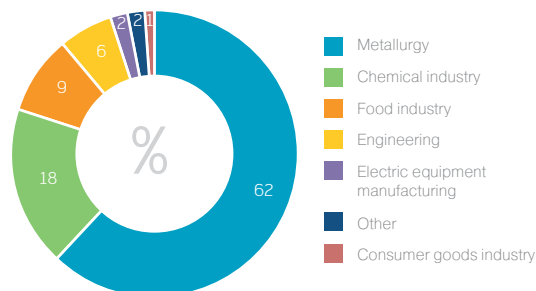


Source: Committee for Statistics of the RK MNE

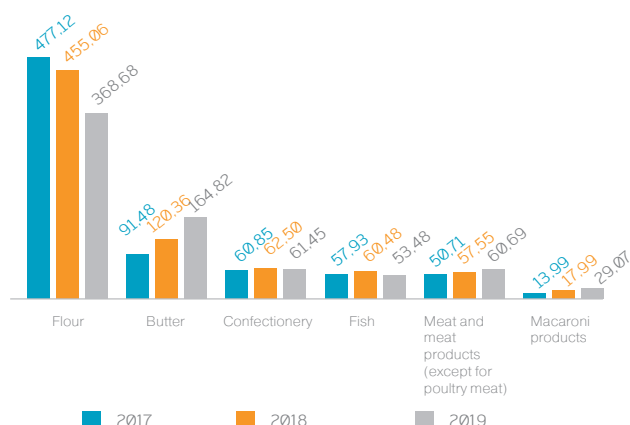
Export, \$ mln



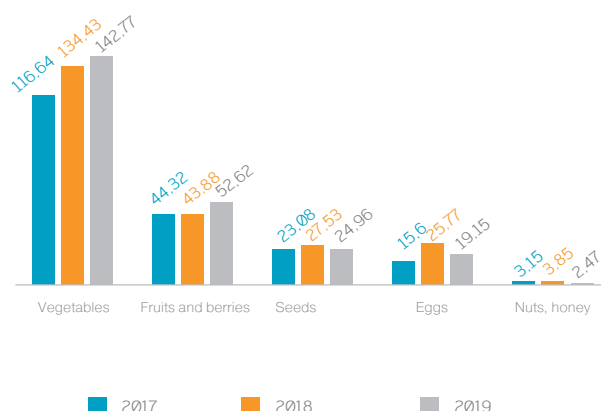
Processed export of Kazakhstan at the end of 2019



Export of products of food industry supported by KazakhExport EIC JSC, \$ mln



Export of agricultural products supported by KazakhExport EIC JSC, \$ mln



As of 1 January 2020, the structure of the insurance market was represented by 28 companies¹. The export credits and investments abroad against payment risks in the market of Kazakhstan are insured by

KazakhExport only, notwithstanding that the most of the insurance companies of Kazakhstan also have the right to carry out that type of activity under available licenses.

Structure of insurance market of the Republic of Kazakhstan

Institutional structure of the insurance sector	01.01.2018	01.01.2019	01.01.2020
Quantity of insurance (reinsurance) organizations	32	29	28
<i>Including life insurance</i>	7	6	8
Quantity of insurance brokers	15	15	13
Quantity of actuaries	58	56	57
Quantity of insurance (reinsurance) organizations being members of Insurance Compensation Guarantee Fund JSC	22	23	25
Quantity of representative offices of insurance organizations being non-residents of the Republic of Kazakhstan	3	3	3

¹ As per data from the report of the National Bank of the Republic of Kazakhstan 'Current condition of the RK insurance sector'

Insurance activity performance

Over the last years, KazakhExport demonstrated sustainable growth of support provided to the exporters of the Kazakhstan goods.

In 2019, more than 100 exporting manufacturers received support from KazakhExport in all regions of Kazakhstan of which 42 companies received support for the first time. It is possible to achieve such a result thanks to work on development of the line of instruments and involvement of the second-tier banks and development institutions in cooperation.

From beginning of activities of the Company, support was provided to approximately 107 companies in total in such branches as mechanic

engineering, metallurgy, chemistry, food and consumer goods industry, agro-industrial complex (meat processing, egg production, vegetable production, etc.).

In 2019, the volume of provided insurance support of export increased by 7.6% as compared to 2018. During 2019, 368 export contracts were supported to the total amount of 544 billion tenge that is 39% more than the similar indicator 2018.

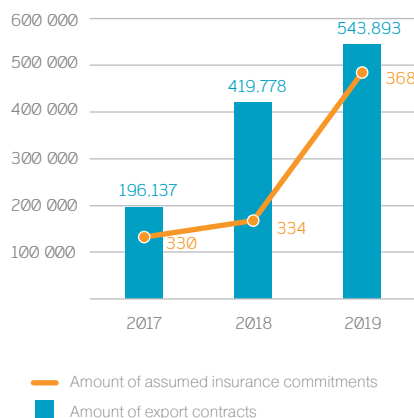
During 2019, KazakhExport insured 1,468 export shipments forwarded to 384 foreign importing counterparties. 458 insurance agreements were entered into given 699 received applications.

Basic insurance performance

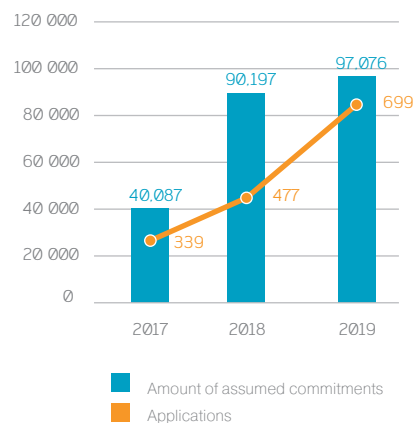
Item	2017	2018	2019
Amount of assumed commitments (<i>million tenge</i>)	40,087	90,197	97,076
Amount of premiums under insurance agreements (<i>thousand tenge</i>)	1,060,186	2,119,505	2,390,138
Amount of supported export contracts (<i>million tenge</i>)	196,137	419,778	543,893
Amount of provided trade financing (<i>million tenge</i>)	2,454	10,265	10,395*
Amount of provided pre-export financing (<i>million tenge</i>)	4,803	6,911	11,813
Quantity of supported manufacturers	42 (42)	50 (27)	82 (42)
Quantity of insurance agreements	203	334	458
Quantity of foreign purchasers	108	191	384

* the TF projects were additionally financed with the use of STB funds in the amount of 4.6 billion tenge

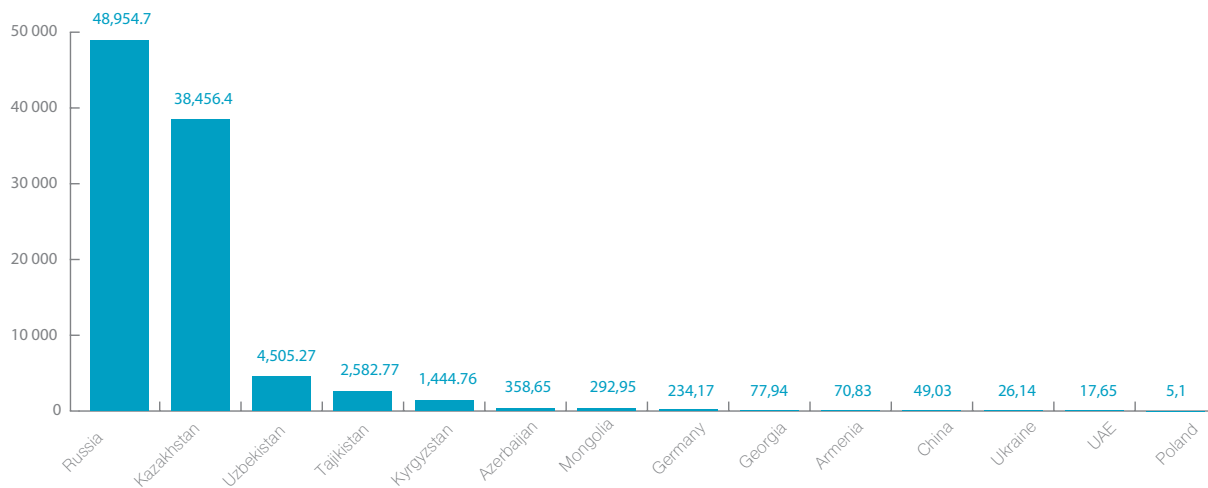
Dynamics of amount of export contracts and amount of assumed insurance commitments (mln tenge)



Amount of assumed commitments, mln



Assumed commitments broken down by countries during 2019, mln tenge





Priority sectors supported by KazakhExport during 2019



Major transactions settled with support of KazakhExport in 2019

No.	Exporter	Insurance product	Branch	Products	Amount of assumed commitments (million tenge)
1	KSP Steel LLP	Insurance of export documentary letters of credit Insurance of export credits	Metalworking	Steel seamless pipes	13,396.5
2	AAEngineering Group LLP	Insurance of loans	Export of services/works	Design and construction	9,762.1
3	RG Brands Kazakhstan LLP	Insurance of loans Insurance of export credits Insurance of short-term receivables	Food industry	Juices, beverages, water	9,408.1
4	Bayan Sulu JSC	Insurance of loans Insurance of export documentary letters of credit Insurance of short-term receivables	Food industry	Confectionery products	7,505.5
5	Rakhat JSC	Insurance of export documentary letters of credit Insurance of short-term receivables	Food industry	Confectionery products	5,916.8
6	AksuKant LLP	Insurance of loans	Food industry	Sugar, pulp	4,000.0
7	Polymer Production LLP	Insurance of export documentary letters of credit, Insurance of short-term receivables, Insurance of export credits	Chemical industry	Polymeric products	3,976.4
8	Green Capital Kazakhstan LLP	Insurance of loans	AIC – finished products	Cucumbers, tomatoes	3,512.6
9	AkTep LLP	Insurance of loans	AIC – finished products	CS meat processing	2,970.0
10	Maslo-Del LLP	Insurance of loans	Food industry	Fat-and-oil products	2,800.0

KSP Steel LLP, Pavlodar City

The first Kazakhstan company producing steel seamless pipes for the oil-and-gas industry was established early in 2007. The manufacturing centre of the company is located in Pavlodar City; the operations of the plant are coordinated by the head office of the company located in Almaty City. The total area on which the manufacturing facilities of the company are situated is about 133 ha. There are more than 7 500 specialists.

To increase the share of export and to entry the world market the exporter asked for help from KazakhExport EIC JSC, which rendered support regarding insurance of export credit, pre-export financing and export trade financing.

During 2019, under the scheme of trade financing the transactions of KSP Steel LLP were financed in order to export large shipments of seamless pipes to the Russian Federation in the amount of approximately 900 million Russian roubles. In 2019, KazakhExport EIC JSC together with SB Alfa-Bank JSC also provided support in insurance of the exporter's credit and pre-export financing in order to replenish the current assets in the amount of 8.6 billion tenge. Thanks to provided support, the company could boost export of steel seamless casing, oil line, pumping and compression pipes and collars to the Russian Federation. During 2019 the export proceeds of the company increased to 37.88 billion tenge.



RG Brands Kazakhstan LLP, Almaty City

This is the big Kazakhstan company producing beverages and foodstuffs, which was established in 1994. It has 4 manufacturing facilities in the north and south of Kazakhstan with the total capacity of 750 million litres per year.

In 2017, RG Brands Kazakhstan LLP applied to Eurasian Development Bank to obtain financing in order to replenish the current assets against insurance coverage from KazakhExport EIC JSC. Thanks to support provided by KazakhExport EIC JSC as part of 'Loan Insurance' product, the company could obtain financing in the amount of 1.27 billion Russian roubles for 36

months that allowed purchasing raw materials to the fullest extent and fulfilling its obligations to the foreign counterparties.

In 2019, in connection with a need for the current assets the exporter asked again KazakhExport EIC JSC for insurance coverage as part of 'Loan Insurance' product. KazakhExport EIC JSC decided to enter into a new financing agreement for 7 years. Further, since 2019 seven export contracts of the exporter were insured as part of the product 'Insurance of short-term receivables', assumed commitments thereon amounted to 1.2 billion tenge.





AAEngineering Group LLP, Almaty City

This is the leading engineering and construction company in the Republic of Kazakhstan, which is specializing in implementation of the 'turnkey' complex projects in the mining industry in accordance with the highest international standards. The company carries out activity since 1994. The company's staff comprises 1,028 persons, including 823 persons in the regional branches and at construction sites and 205 persons in the central office in Almaty City.

The company has its own production capacities in Almaty City and a fleet of high-performance construction machinery totalling 154 units. To increase the share of export and entry the world market the exporter asked for help from KazakhExport EIC JSC, which provided support regarding loan insurance. Earlier, in 2018, KazakhExport EIC JSC together with Kazakhstan Development Bank JSC rendered support by providing insurance coverage on issued bank guarantees of Kazakhstan Development Bank JSC in the amount

of 31 million US dollar. The exporter was issued the advance payment guarantees and performance bond under the contract concluded between the exporter and Altyn Alliance LLC. At the current moment, the exporter fulfils obligations relating to engineering, supply of equipment and construction of the gold beneficiation plant (Jeruy deposit), the value of the export contract amounts to 107.5 million US dollar. In 2019, KazakhExport EIC JSC together with RBK Bank JSC provided support in insuring the loan to replenish the current assets by providing insurance coverage on obligations of AAEngineering Group LLP to Bank RBK JSC in the amount of 35 million US dollar. With the use of obtained credit funds the exporter fulfils obligations relating to engineering, supply of equipment and construction of the gold beneficiation plant (Jamgyr deposit) under the export contract made with Jamgyr Mining with the value of the export contract amounting to 49.7 million US dollar.

Rakhat JSC, Almaty City

Rakhat JSC is one of the biggest manufacturers of confectionery products in Kazakhstan, which traces its history during 75 years. Approximately 4,500 persons are working for Rakhat JSC. The production capacities are situated in two facilities in the cities of Almaty and Shymkent. Today, the brand portfolio of Rakhat JSC comprises more than 400 articles of various confectioneries classified as 14 different groups. In 2013, the leading confectionery company of the South Korea – LOTTE Confectionery – purchased the basic holding of shares in Rakhat JSC. In 2019, by purchasing the outstanding shares in Rakhat JSC, LOTTE Confectionery increased its interest to 95.5656%. At the present, the products of Rakhat JSC are known not only in the Kazakhstan market, but also far beyond the republic – in Russia, Belarus, Azerbaijan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Germany, China, Afghanistan, and Mongolia. In prospect, taking into account the interest of the other CIS republics and far foreign countries in the products

of Rakhat JSC, the company is going to boost production and expand the market outlets by increasing the volumes of export.

Thanks to support of KazakhExport, the company took advantage of financial-and-insurance instrument of support – ‘Insurance of short-term receivables’ – that enabled the company to insure early in 2019 the annual turnover of products for export in the amount of 5.619 billion tenge under the export contracts under the condition of payment deferment, thereby enabling the company – Rakhat JSC – to minimize a risk of default of refund of the money for shipped goods and to increase the volumes of sales to such countries as: RF, Tajikistan, Uzbekistan, Azerbaijan, and Mongolia.

We note additionally that by using the product ‘Export trade financing’ KazakhExport provided concessionary financing in the roubles of the Russian importer (Novosibirsk) of Rakhat JSC to purchase the products in the amount of 300 million tenge.





Bayan Sulu JSC, Kostanay City

The confectionery factory established in 1974 is exporting today about 30% of the total volume of output capacity. The products are forwarded to such countries as Russia, China, Germany, Uzbekistan, Tajikistan, Kyrgyzstan, Mongolia, and Azerbaijan. Almost 20 thousand tons of chocolate, cookies, caramel, and other sweets produced by the Kazakhstan factory are consumed in the world every year. 1,722 persons are working in 14 branches of the company all over the country.

Thanks to the state support provided to the factory by the insurance company –

KazakhExport EIC JSC – in the form of insurance of payment risks under the contracts with the foreign purchasers, the export of Bayan Sulu JSC increases according to a plan.

Moreover, the exporter is supported under the program of pre-export financing to purchase raw materials to produce the confectioneries under the State program for infrastructure development 'Nurly zhol' under which the creditor is Kazakhstan Development Bank JSC.



AksuKant LLP, Almaty Obalst

Aksu sugar mill and refinery plant located in Zhansugurov S. in Aksu District of Almaty Oblast was built in 1967 and was one of the leading sugar plants in Kazakhstan. Due to irregularity of supply of the raw materials – sugar beet – the plant suspended its activity in 2007. On 1 March 2017, the Akimat of Almaty Oblast and ENERGOMOST Consortium signed the Memorandum of mutual cooperation in implementing the investment project to restore Aksu sugar mill and refinery plant. The end product of the production of AksuKant plant is white granulated sugar. The critical raw material is sugar beet and raw cane sugar.

In 2019, the company applied to the bank for financing in the amount of 4.0 billion tenge for investment purposes (2.4 billion tenge), as well as for replenishing the current assets (1.6 billion tenge) on the security of insurance coverage

from KazakhExport as part of 'Loan Insurance' product. Having obtained support from KazakhExport and disbursed the credit funds, the company became capable of significantly increasing the volume of purchase of the raw materials, and, therefore, increasing the output volume, as well as modernizing the production as regards replacement of obsolete equipment and purchase of the property, plant and equipment that allowed, providing sugar beet processing, increasing the sugar output from 11% to 14% and, providing cane sugar processing, achieving 98% sugar output.

The output of finished products of the company will be increased from 99,000 tons a year in 2020 to 147,000 tons a year in 2022. Thus, thanks to support from KazakhExport, the volume of produced sugar both for domestic consumption and for export increases.

Polymer Production LLP, Atyrau City

Polymer Production LLP implements the investment project of 'Manufacturing the polymeric products in Atyrau Oblast'. The project is implemented within the special-purpose economic area – the National Industrial Petrochemical Technological Cluster in Atyrau City. The company manufactures the polymeric products (oriented polypropylene film, three-layer polyethylene film, flacon bags). The packages are subsequently made of the film for perfumery products, tobacco products, refreshment beverages, flour bags and bags for construction mix, and many other things.

The amount of 91.2 million dollars was invested to construct the plant opened in 2015. The equipment was delivered from Germany and Austria. The plant supplies the products inside Kazakhstan, to the countries of the

Central Asia and specifically to Russia, which became the primary (up to 60% of export) market outlet.

Earlier, in 2017, KazakhExport supported Polymer Production LLP by providing the pre-export financing through the STBs that allowed the exporter increasing production capacities and expanding geography of export.

In 2019, KazakhExport supported Polymer Production LLP with two support instruments: insurance of short-term receivables and insurance of documentary letters of credit. For the purposes of successful competition and minimization of risks in the foreign markets, Polymer Production LLP insured the export contracts made with 14 foreign purchasers in the amount of 3,522,351,000 tenge.



Green Capital Kazakhstan LLP, Aktobe City

Green Capital Kazakhstan LLP is the project of construction of the 5-generation greenhouse complex of the total area of 21.7 ha located in Prigorodnoye S., near Aktobe City. Thanks to the State support provided by the insurance company KazakhExport EIC JSC in the form of loan insurance, the company obtains the borrowed funds for investment purposes to construct the complex and to purchase equipment from KUBO Greenhouse Projects B.V.

The project comprises three successive stages (first stage –

2017–2018 – 6.7 ha; second stage – 2018–2019 – 5 ha; and third stage – 2020–2021 – 10 ha).

At the present, the support is provided for the first two stages of construction in the total amount of 9,097,398,707 tenge based on the instrument of loan insurance.

The company was also provided with support in the form of export credit insurance for export supplies to the Russian Federation to the major distribution networks in the total amount of 13,700,000 roubles.





AkTep LLP, Aktobe City

AkTep companies group comprising Aktyubinsk meat cluster LLP, AkTep LLP, and Alginskaya export company LLP includes the feeding station with the capacity of 13,000 simultaneously managed heads of cattle; breeding unit with the capacity of 8,000 heads of breeding stock cattle, and 9 (wintering) grounds with the capacity of 4,500 heads of breeding stock cattle; meat cutting plant with the capacity of 7,200 tons per year (15 cattle per hour). The meat is 100% processed at the complex with resulting beef and feed stuff for pets from production waste of about 400 anchor partners procuring fodder and CS among which there are about 80 farms that were provided to manage 8,000 pedigree heads of breeding stock cattle.

As of 01.05.2020, the cattle stock of the CG comprises 20,198 heads of pedigree stock (breeding unit) and 8,776 heads of cattle on feed.

The share of export is equal to 74% of the total revenue.

Thanks to the State support provided by the insurance company KazakhExport EIC JSC in the form of loan insurance, the company gains access to the working capital in the amount of 2,970,000,000 tenge to purchase CS in order to export subsequently the meat to the markets of the Republic of Uzbekistan, People's Republic of China.

Maslo-Del LLP, Almaty City

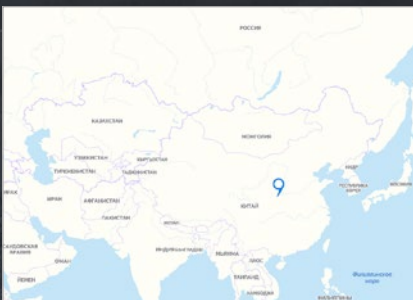
Maslo-Del LLP is one of the biggest companies in Kazakhstan producing the foodstuffs. Today, a mix of products produced by Maslo-Del LLP includes more than 100 types of products: butters and vegetable oils, industrial fats, margarines, mayonnaise sauces, ketchup, tomato paste, shelf-stable milk, and condensed milk. The company is the part of MASLO-DEL CG comprising such companies as: Maslo-Del Petropavlovsk LLP (plant producing milk and milk products in Petropavlovsk City), branch of Maslo-Del LLP – Oil and fat plant in Almaty City (raw oil processing and bottling), branch of Maslo-Del LLP – Oil press plant (processing the seeds of rape, sunflower and other oil-bearing crops), MASLODEL-TRADE LLP (distribution company represented by the retail store chain in 21 cities of Kazakhstan),

branch of Maslo-Del LLP – Food (plant in Almaty City producing butter, condensed milk, vegetable oil, margarine). Today, the company can produce: butter and margarine – 54 tons a day, preserved milk products – 37 tons a day, tomato paste – 34 tons a day, and mayonnaise sauce – 17 tons a day.

With the use of the financial-and-insurance instrument of KazakhExport, Maslo-Del LLP succeeded to obtain financing to replenish the current assets in the amount of 2.8 billion tenge in Kazakhstan Development Bank JSC that, in turn, allowed additionally purchasing raw materials and increasing the volume of products exported to China, RF, Afghanistan, Estonia, Iran, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan.



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FINANCIAL PERFORMANCE



Summarizing the results 2019, assets of KazakhExport increased by 81% to 88.2 billion tenge. At the end of 2019 the equity capital amounted to 79.2 billion tenge and increased by 83%, and liabilities (insurance reserves) amounted to 9 billion tenge. The capitalization realized in the past year will enable the Company to expand the scales of support provided to the exporters.

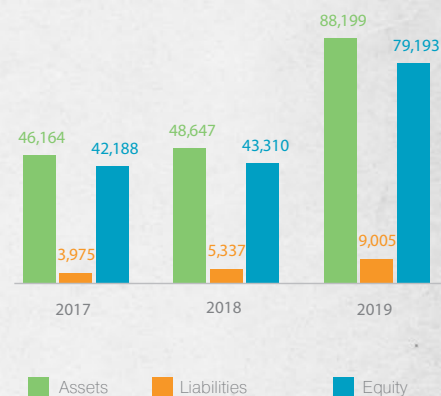
Summarizing the results 2019, **the total incomes** amounted to 8.2 billion tenge and increased by 28% by the year 2018.

The operating incomes amounted to 2.9 billion tenge, including:
2.4 billion tenge – incomes on insurance premiums;
0.3 billion tenge – incomes on deposits in escrow; and
0.074 billion tenge – incomes on reinsurance incomes.

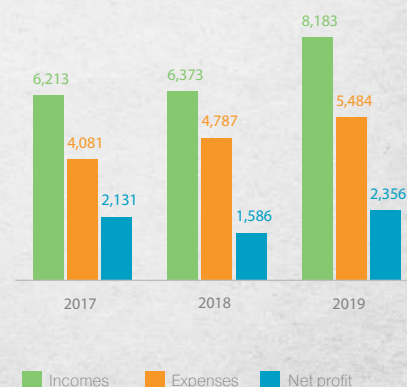
Summarizing the results 2019, **the total expenses** increased by 15% to 5.5 billion tenge. The operating expenses amounted to 4.3 billion tenge, including net insurance indemnities in the amount of 240 million tenge. At the end of 2019 the total administrative expenses amounted to 1.6 billion tenge.

In 2019, the Company's net profit approximated to 2.4 billion tenge exceeding the indication 2018 by 49%. Based on the results of operations during 2019, the return on assets was equal to 3.44%.

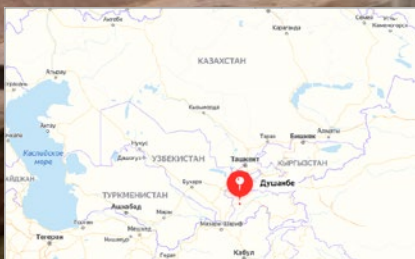
Dynamics of assets, equity and liabilities (insurance reserves), mln tenge



Dynamics of incomes and expenses, mln tenge



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PROCUREMENT PRACTICE



To improve the procurement procedure the new rules were developed for purchasing goods, works, and services by the national management holdings, national holdings, national companies and organizations in which fifty and more per cent of voting shares (interest in the authorized capital stock) are directly or indirectly held by the national management holding, national holding, or national company, which rules were approved by order of the First deputy Prime Minister of the Republic of Kazakhstan – the Minister of Finance of the Republic of Kazakhstan No.1201 dated 31 October 2019 (hereinafter – the 'Procurement Rules').

These Procurement Rules are based on compliance with the generally accepted principles of procurements, such as:

- ◆ optimal and effective application of money used for procurements;
- ◆ openness and transparency of the procurement process;
- ◆ giving equal opportunities to the potential suppliers to participate in the procurement process;
- ◆ fair competition among potential suppliers;
- ◆ responsibility of the participants of procurements; and
- ◆ prevention of corrupt practices.



In the context of compliance with the principles of optimal and effective application of money used for procurements, as well as openness and transparency of the procurement process, the various instruments ensuring increase in competitive mass of potential suppliers and competition among them are applied, including preliminary invitation to take part in procurements in the form of informative mailings concerning planned procurements, well-timed publication of the Plan of procurements and amendments thereto on the official web-site of the Company.

Moreover, to comply with these principles, as well as such as giving equal opportunities to the potential suppliers to take part in the procurement process and fair competition among potential suppliers, since 2017 KazakhExport uses the Internet platform of electronic procurements of the Eurasian electronic portal – eep.mitwork.kz.

So, each potential supplier is able to take part in the procurement process and pretend awarding of a contract of supply of the goods, works, and services.

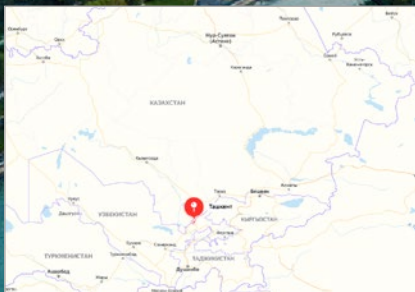
The procurement process requires regulating the principles of responsibility of the participants of procurements and prevention of corrupt practices, for which reason in 2019 the legislative acts of the Republic of Kazakhstan were amended. In accordance with those amendments, the rules of the Code of Administrative Offences and the Law on the State-owned Property began to apply to the whole quasi-public sector, including KazakhExport, by analogy with the mechanism of government purchases.

During the reporting period, KazakhExport made purchases in the amount exceeding 496.8 million tenge from more than 130 suppliers, including the goods in the amount of 52.9 million tenge, works – 23.3 million tenge, and services – 420.6 million tenge.

In the context of the actions taken on a continuing basis to increase and encourage the Kazakhstan production, the field of service provision and work performance, the share of the local content in purchases of the goods, works, and services during 2019 made up 79.3% with having increased a bit the past year indication by 0.3%.



Tashkent



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FURTHER GOALS AND TARGETS

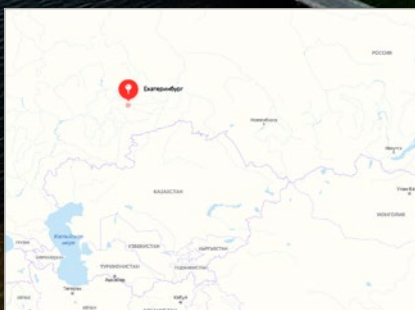


Thereafter, a number of initiatives are planned so as to enhance reliability and confidence in KazakhExport on the part of the exporting companies, Kazakhstan and international financial institutions, as well as export-credit agencies.

As part of the planned actions, the following are expected:

- ◆ providing a legislative framework for activities of KazakhExport beyond direct regulation of the Agency of the Republic of Kazakhstan for regulation and development of the financial market;
- ◆ providing a legislative framework for the standard of implementation of the mechanism for subsidizing a fee rate on issued credits and settled leasing transactions of the second-tier banks for the foreign purchasers of the domestic products with providing an insurance coverage from KazakhExport;
- ◆ increasing the authorized capital stock of KazakhExport EIC JSC in order to support the Kazakhstan manufacturers of non-resource goods and service providers in the foreign markets and to enhance their competitiveness through effective financial measures of the export support;
- ◆ making amendments to the regulatory legal acts of the Agency of the Republic of Kazakhstan for regulation and development of the financial market relating to recognition of the transactions to finance non-residents to purchase the Kazakhstan goods, works, and services secured by the insurance coverage from KazakhExport as a domestic asset, when calculating a coefficient of allocation of a part of the banks' funds to domestic assets, as well as classifying transactions secured by the insurance coverage from KazakhExport in calculating prudential standards as highly liquid assets; and
- ◆ providing the employees of the companies-partners and STBs with trainings in instruments provided by KazakhExport.

Yekaterinburg



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CORPORATE GOVERNANCE



Description of the corporate governance system and principles thereof

KazakhExport considers the corporate governance as an instrument to enhance the standards of operations of the Company, to consolidate its reputation and to reduce costs to raise the capital. An adequate corporate governance system is a factor determining a position of the Company in the present-day economy. The law supremacy principle underlies the corporate governance.

To ensure conformance of the Company's corporate governance

to respective standards of the Organization for Economic Cooperation and Development, the Corporate Governance Code (the 'Code') is adopted in the Company, which is a body of rules and recommendations that the Company follows in the process of its activities to ensure effectiveness, transparency, accountability, high level of business ethics in relations inside the Company and with the other parties concerned.

Corporate governance principles

The Company's corporate governance is based on fairness, honesty, responsibility, transparency, professionalism, and competence.

The Company's corporate governance system provides clear delineation of responsibilities and liability among the bodies, officials, and employees of the Company.

The basic corporate governance principles laid down in the Code are:

- ◆ principle of protection of the rights and interests of the Sole Shareholder;
- ◆ principle of effective management of KazakhExport by the Board of Directors and the Management Board;
- ◆ principle of sustainable development;
- ◆ principle of risk management, internal control and internal audit;
- ◆ principle of power delineation;

- ◆ principle of settlement of corporate conflicts and a conflict of interest; and
- ◆ principles of transparency and impartiality of disclosures about activities of KazakhExport.

In 2019, the Company took the measures focused on abidance by the principles and provisions enshrined in the Corporate Governance Code of KazakhExport EIC JSC approved by resolution of the Management Board of Baiterek NMH JSC No.51/17 dated 13 December 2017.

In pursuance of the provisions of the Company's Corporate Governance Code, a report on compliance with the principles and provisions of the Corporate Governance Code of KazakhExport EIC JSC for 2019 (the 'Report') was prepared, which presented the results of monitoring

regarding proper compliance with the Company's Corporate Governance Code and detailed information on the actions taken to implement its principles and provisions. As per the Report, the principles and provisions of the Corporate Governance Code of KazakhExport EIC JSC are complied with in the Company; the work is performed on a continuous basis on taking actions focused on improvement of the corporate governance, including implementation of the provisions and principles of the Corporate Governance Code of KazakhExport EIC JSC in activities of the Company.

On 25 December 2019, the amendments and alterations to the Corporate Governance Code of KazakhExport EIC JSC were approved by the resolution of the Management Board of Baiterek NMH JSC.

Sustained development policy

On 20 November 2019, the Board of Directors of KazakhExport EIC JSC approved the Policy of the Company's sustained development intended to determine the fundamental regulations, principles, rules, and approaches that the Company shall follow in forming up the system of management in the field of sustained development.

The objectives of the Policy of sustained development of KazakhExport EIC JSC comprise:

- ◆ determination of the principles and directions of the activity of the Company in the field of sustained
- ◆ development, including creation of effective and transparent system of interaction with the parties concerned;
- ◆ assignment of roles, competencies, responsibilities of each body and all employees of the Company for implementation of the sustained development principles; and
- ◆ determination of correlation between sustained development and key processes of the Company.
- ◆ The Company considers the application of the international standards in the field of the

sustained development as a prerequisite to ensure conformance of its activities to the best international practice and achievement of the goals and targets in the field of the sustained development.

The Company's sustained development comprises an aggregate of the principles and obligations that the Company follows in conducting its business, particularly:

- ◆ management of relations with the parties concerned;
- ◆ assessment and management of the effect on the national economy, community and environment.

KazakhExport EIC JSC ensures the coherence of its economic, environmental, and social objectives for the purposes of sustained development over the long term.

Among other things, the Company favours, in the field of environment protection, the approach to environment issues, based on the principle of precaution, takes the initiatives designed to increase responsibility for the environment condition, tries to assist in development and expansion of environmentally-friendly technologies,

as well as implementation of the 'green office' concept.

An environmental component of the Company's sustained development is focused on minimization of the effect on biological and physical natural systems, optimal use of scarce resources, and application of the environmental, energy and material-saving technologies.

In view of the nature of its activities, the Company does not have direct significant impact on the environment. The basic resources consumed by the Company are electric power, heating energy, and water.

The Company applies the principles and methods of efficient use of the resources that ensure in the best way the prevention of adverse impact on the environment.

In its activities, the Company goes for reduction of overconsumption of resources and minimization of existing negative environmental impact through implementation of the energy-efficient technologies, reduction of water consumption, reduction of paper use for office needs owing to implementation of the electronic document flow system and the duplex print practice, as well as implementation of the 'green office' concept.

Capital





As of 31.12.2019, the Company's authorized capital stock amounted to 71,100,000,000 (seventy-one billion one hundred million) tenge; there are 92,000 (ninety-two thousand) authorized ordinary shares; there

are 90,760 (ninety thousand seven hundred and sixty) allocated shares; and there are 1,240 (one thousand two hundred and forty) unallocated shares. The allocated shares are 100% owned by Baiterek NMH JSC.

Board of Directors

Members of the Board of Directors (as of 31 December 2019)

	Full name	Position in the Board of Directors of KazakhExport	Period (date, month, year)	Position in the principal place of work
	Dossayev Yerbolat Askarbekovich	Chairman of the Board of Directors	01.06.2016–31.01.2018 01.06.2016–23.04.2019	Deputy Prime Minister of the Republic of Kazakhstan Chairman of the National Bank of the Republic of Kazakhstan
	Kassymbek Zhenis Makhmuduly	Chairman of the Board of Directors	02.05.2019–03.10.2019	Deputy Prime Minister of the Republic of Kazakhstan Akim of Karaganda Oblast
	Sultanov Bakhyt Turlykhanovich	Chairman of the Board of Directors	from 21.08.2019 to the present time	Minister of Trade and Integration of the Republic of Kazakhstan
	Azamat Askaruly	Member of the Board of Directors	from 6.11.2019 to the present time	Vice-Minister of Trade and Integration of the Republic of Kazakhstan
	Arifkhanov Aidar Abdrazakhovich	Member of the Board of Directors	08.02.2017 – 31.01.2018 08.02.2017 – 21.05.2019 from 22.05.2019 to the present time	Chairman of the Management Board of Baiterek NMH JSC
	Kuatova Ainur Sainovna	Member of the Board of Directors	28.02.2018–21.05.2019 22.05.2019–05.01.2020	Managing Director – member of the Management Board of Baiterek NMH JSC
	Iskakov Ruslan Viktorovich	Member of the Board of Directors	15.02.2016 – 31.01.2018 15.02.2016 – 21.05.2019 from 22.05.2019 to the present time	Chairman of the Management Board of KazakhExport EIC JSC

	Full name	Position in the Board of Directors of KazakhExport	Period (date, month, year)	Position in the principal place of work
	Suyentayev Damir Serkebayevich	Member of the Board of Directors – independent director	15.02.2016 – 31.01.2018 15.02.2016 – 21.05.2019 from 22.05.2019 to the present time	
	Samakova Aitkul Baigazyevna	Member of the Board of Directors – independent director	13.09.2016 – 31.01.2018 13.09.2016 – 21.05.2019 from 22.05.2019 to the present time	
	Dildyayev Yaroslav Grigoriyevich	Member of the Board of Directors – independent director	13.09.2017 – 31.01.2018 13.09.2017 – 21.05.2019 from 22.05.2019 to the present time	
	Michael Weinstein	Member of the Board of Directors – independent director	from 22.05.2019 to the present time	

During 2019 the following changes occurred in the membership of the Board of Directors of KazakhExport:

The Sole Shareholder of KazakhExport made the resolution (minutes of the Management Board of Baiterek NMH JSC No.23/19 dated 23 April 2019)

- ◆ to early terminate the powers of the member of the Board of Directors – Dossayev Yerbolat Askarbekovich;
- ◆ to elect Kassymbek Zhenis Makhmudul to be a member of the Board of Directors of KazakhExport EIC JSC, subject to the term of office ending at expiration of the powers of the Board of Directors of KazakhExport EIC JSC in general;
- ◆ to recommend to the members of the Board of Directors of

KazakhExport EIC JSC to elect Kassymbek Zhenis Makhmuduly to be the Chairman of the Board of Directors.

The Sole Shareholder of KazakhExport made the following resolution (minutes of the Management Board of Baiterek NMH JSC No.27/19 dated 22 May 2019):

- to fix the number of the members of the Board of Directors of KazakhExport EIC JSC equal to 8 persons and the term of powers of the Board of Directors of KazakhExport EIC JSC to be 3 years;
- to elect the following persons to the members of the Board of Directors of KazakhExport EIC JSC, subject to the term of office ending at expiration of the powers of the Board of Directors of KazakhExport EIC JSC in general:

- ◆ Kassymbek Zhenis Makhmuduly;
- ◆ Arifkhanov Aidar Abdrazakhovich as a representative of the Sole Shareholder;
- ◆ Kuatova Ainur Sainovna as a representative of the Sole Shareholder;
- ◆ Dildyayev Yaroslav Grigoriyevich as an independent director;
- ◆ Suyentayev Damir Serkebayevich as an independent director;
- ◆ Samakova Aitkul Baigazyiyevna as an independent director;
- ◆ Michael Weinstein as an independent director; and
- ◆ Iskakov Ruslan Viktorovich – the Chairman of the Management Board of KazakhExport EIC JSC;

to recommend to the members of the Board of Directors of KazakhExport EIC JSC to elect Kassymbek Zhenis Makhmuduly to be the Chairman of the Board of Directors of KazakhExport EIC JSC.

The Sole Shareholder of KazakhExport made the following resolution (minutes of the Management Board of Baiterek NMH JSC No.41/19 dated 21 August 2019):

- ◆ to fix the number of the members of the Board of Directors of KazakhExport EIC JSC to be equal to nine;
- ◆ to elect Sultanov Bakhyt Turlykhanovich to be a member of the Board of Directors of

KazakhExport EIC JSC, subject to the term of office ending at expiration of the powers of the Board of Directors in general.

The Sole Shareholder of KazakhExport made the following resolution (minutes of the Management Board of Baiterek NMH JSC No.47/19 dated 31 October 2019):

- ◆ to early terminate the powers of the member of the Board of Directors – Kassymbek Zhenis Makhmuduly;
- ◆ to fix the number of the members of the Board of Directors of KazakhExport EIC JSC to be equal to eight;
- ◆ to recommend to the members of the Board of Directors of KazakhExport EIC JSC to elect Sultanov Bakhyt Turlykhanovich to be the Chairman of the Board of Directors.

The Sole Shareholder of KazakhExport made the following resolution (minutes of the Management Board of Baiterek NMH JSC No.53/19 dated 6 November 2019):

- ◆ to fix the number of the members of the Board of Directors of KazakhExport EIC JSC to be equal to nine;
- ◆ to elect Azamat Askaruly to be a member of the Board of Directors of KazakhExport EIC JSC, subject to the term of office ending at expiration of the powers of the Board of Directors in general.

Report on activities of the Board of Directors

During 2019, the Board of Directors of KazakhExport held 12 meetings: 6 meetings – in presentia and 6 meetings – in absentia. The materials, explanatory notes for comprehensive consideration of the items were sent to the Chairman and the members of the Board of Directors of KazakhExport within the terms fixed by the Regulations of the Board of Directors 10 (ten) business days prior to the date of the meeting.

During 2019, the Chairman and the members of the Board of Directors of KazakhExport duly attended the meetings and actively participated in its work.

In percentage terms, the Chairman and the members of the Board of Directors of KazakhExport attended 93% meetings during the reporting period.

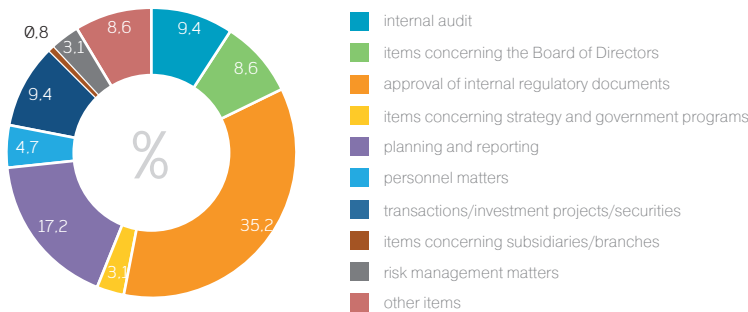
Full name	In presentia	In absentia
Dossayev Yerbolat Askarbekovich	0*/2**	1*/1**
Kassymbek Zhenis Makhmuduly	2*/2**	1*/1**
Sultanov Bakhyt Turlykhanovich	3*/3*	3*/3**
Azamat Askaruly	2*/2**	2*/2**
Arifkhanov Aidar Abdrazakhovich	6*/6**	6*/6**
Kuatova Ainur Sainovna	5*/6**	5*/6**
Iskakov Ruslan Viktorovich	6*/6**	6*/6**
Suyentayev Damir Serkebayevich	6*/6**	6*/6**
Samakova Aitkul Baigazyevna	6*/6**	6*/6**
Michael Weinstein	3*/3**	3*/3**
Dildyayev Yaroslav Grigoriyevich	6*/6**	6*/6**

*The total number of the meetings in which the member of the Board of Directors took part;

** The total number of the meetings in which the member of the Board of Directors could take part.

During 2019, 128 items were considered at the meetings of the Board of Directors of KazakhExport.

Topics of the items considered by the Board of Directors in 2019



Committees of the Board of Directors

For the purposes of enhancement of efficiency of the management of development of KazakhExport through elaboration of soundly-based recommendations for the Board of Directors, the following consulting and advisory bodies are formed and operating in KazakhExport:

- ◆ Audit Committee;
- ◆ Personnel, Remuneration and Social Matters Committee; and
- ◆ Strategic Planning Committee.

All proposals elaborated by the Committees shall be recommendations that shall be submitted for consideration by the Board of Directors of KazakhExport.

For the purposes of conformance to the best corporate governance practice, the Committees comprise the experts (without the right of vote) having professional knowledge necessary to work in a particular committee from among the employees of respective subdivisions of Baiterek NMH JSC.

Members of the Committees of the Board of Directors

No.	Chairman, members, experts of the Audit Committee of the Board of Directors	Full name	Position
1	Chairman of the Committee	Suyentayev Damir Serkebayevich	Member of the Board of Directors – independent director
2	Member of the Committee	Kuatova Ainur Sainovna	Member of the Board of Directors, representative of the Sole Shareholder
3	Member of the Committee	Samakova Aitkul Baigazyevna	Member of the Board of Directors – independent director
4	Member of the Committee	Dildyayev Yaroslav Grigoriyevich	Member of the Board of Directors – independent director
5	Expert without vote	Mamekov Murat Mamyruly	Project Manager of the Asset Management Department of Baiterek NMH JSC

No.	Chairman, members, experts of the Personnel, Remunerations and Social Matters Committee of the Board of Directors	Full name	Position
1	Chairman of the Committee	Samakova Aitkul Baigazyevna	Member of the Board of Directors – independent director
2	Member of the Committee	Kuatova Ainur Sainovna	Member of the Board of Directors, representative of the Sole Shareholder
3	Member of the Committee	Suyentayev Damir Serkebayevich	Member of the Board of Directors – independent director
4	Member of the Committee	Dildyayev Yaroslav Grigoriyevich	Member of the Board of Directors – independent director
5	Expert without vote	Mamekov Murat Mamyruly	Project Manager of the Asset Management Department of Baiterek NMH JSC

No.	Chairman, members, experts of the Strategic Planning Committee of the Board of Directors	Full name	Position
1	Chairman of the Committee	Dildyayev Yaroslav Grigoriyevich	Member of the Board of Directors – independent director
2	Member of the Committee	Kuatova Ainur Sainovna	Member of the Board of Directors, representative of the Sole Shareholder
3	Member of the Committee	Samakova Aitkul Baigazyevna	Member of the Board of Directors – independent director
4	Member of the Committee	Suyentayev Damir Serkebayevich	Member of the Board of Directors – independent director
5	Expert without vote	Mamekov Murat Mamyruly	Project Manager of the Asset Management Department of Baiterek NMH JSC

During 2019, the Corporate Secretary of KazakhExport – A.T. Davletova – was the secretary of the Committees (until 7.03.2019); since 25.07.2019 the secretary of the Committees is the Corporate Secretary of KazakhExport – A.R. Uralbayeva.

Quantity of meetings of the Committees of the Board of Directors

During 2019, the Committees of the Board of Directors of KazakhExport held meetings in presentia at the address of KazakhExport and through video conferences.

During 2019, the Committees of the Board of Directors considered 140 items in total.

Attendance of the meetings by the Chairman and the members of the Committees of the Board of Directors

During 2019, the Chairmen, members of the Committees of the Board of Directors of KazakhExport and experts attended the meetings of the Committees as follows:

Full name of the Chairman/member of the Committee, experts	Physical presence
Samakova Aitkul Baigazyevna	23*/23**
Suyentayev Damir Serkebayevich	23*/23**
Kuatova Ainur Sainovna	23*/23**
Dildyayev Yaroslav Grigoriyevich	23*/23**
Michael Weinstein	11*/11**
Expert of the Personnel, Remunerations and Social Matters Committee, Head of the Asset Management Department of Baiterek NMH JSC – Mamekov M.M.	23*/23**
Expert of the Strategic Planning Committee, Project Manager of the Asset Management Department of Baiterek NMH JSC – Mamekov M.M.	23*/23**

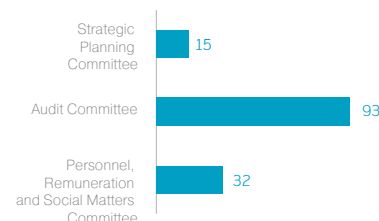
*The total number of the meeting in which the member of the Committee of the Board of Directors, expert took part;

** The total number of the meeting in which the member of the Committee of the Board of Directors, expert could take part.

During 2019, in percentage terms the meetings of the Committees of the Board of Directors of KazakhExport were attended by:

- ♦ the Chairmen and the members of the Committees of the Board of Directors of KazakhExport – 100%;
- ♦ the expert of the Personnel, Remunerations and Social Matters Committee, Strategic Planning Committee, Project Manager of the Asset Management Department of Baiterek NMH JSC – Mamekov M.M. – 100%.

Quantity of items considered by the committees in 2019



Selection and appointment

The Board of Directors of the Company shall be formed from among the persons proposed (recommended) to be elected to the Board of Directors as the representatives of the Sole Shareholder, the individuals not proposed (not recommended) to be elected to the Board of Directors as a representative of the Sole Shareholder.

The memberships of the Board of Directors of the Company and its committees shall provide a balance of skills, experience, and knowledge of their members, subject to industry-specific features of activities of the Company, scale of activity, items considered by the Committees of the Board of Directors, which balance allows providing adoption of independent, unprejudiced and effective resolutions in the interests of the Company and the Sole Shareholder.

The quantity of members of the Board of Directors of the Company shall be fixed by the Sole Shareholder. The membership of the Board of Directors of the Company shall be determined on an individual basis subject to the scale of activity, current tasks, development strategy and (or) development plan and financial ability.

The Sole Shareholder shall elect the members of the Board of

Directors of the Company according to the procedure determined by the legislation of the Republic of Kazakhstan, the articles of association, and internal documents of the Company, subject to the competencies, skills, achievements, business reputation, and professional experience of the candidates.

When re-electing individual members of the Board of Directors of the Company or all of them for a new term, the results of evaluation of activities of the members of the Board of Directors shall be taken into consideration.

When selecting the candidates to the Board of Directors of the Company, the following shall be taken into consideration:

1. experience of work in the executive positions;
2. experience of work as a member of the Board of Directors;
3. years of experience;
4. education, specialty, including availability of international certificates;
5. competencies in directions and branches (the branches can change depending on the asset portfolio);
6. business reputation; and
7. existence of direct or potential conflict of interest.

The term of powers of the members of the Board of Directors of the Company shall coincide with the term of powers of the entire Board of Directors of the Company, unless otherwise determined by the resolution of the Sole Shareholder, and it shall expire upon adoption of the resolution by the Sole Shareholder on election of new members of the Board of Directors. The Sole Shareholder shall be entitled to early terminate the powers of all or individual members of the Board of Directors of the Company.

The same person from among independent directors cannot be elected to the Board of Directors of the Company for more than nine successive years (for example, three three-year terms). In exceptional circumstances it is allowed electing for a term exceeding nine years, and such a person shall be elected to the Board of Directors of the Company on annual or other basis, with explaining in details a need for electing that member of the Board of Directors and effect of that fact on independence of adoption of the resolutions.

Evaluation of work of the Board of Directors and diagnostics of the corporate governance

In accordance with the Corporate Governance Code and the Regulations of evaluation of activities of the Board of Directors of KazakhExport, the efficiency of activities of the Board of Directors shall be evaluated on annual basis. In addition, such evaluation must be made once three years with involving an independent professional organization.

The key task of evaluation of efficiency was to get objective information about current activities of the Board, committees, Corporate Secretary and equation of the membership of the Board of Directors, analysis of individual contribution of directors in work of the Board and committees, determination of directions of further development of the work practice of the Board of Directors.

Career enhancement of the members of the Board of Directors

For the purposes of career enhancement of independent directors being the members of the Board of Directors of the Company (hereinafter – the independent directors), acquisition of skills and knowledge required to enhance personal contribution of the independent directors to work of the Board of Directors and to enhance efficiency of work of the Board of Directors, to study advanced international practices in the field of

corporate governance, the Board of Directors of the Company approved the Plan for career enhancement of the independent directors being the members of the Board of Directors of KazakhExport EIC JSC for 2019.

To complete the course of the “Chartered Director”, the following independent directors were sent to Moscow: Dildyayev Ya.G., Suyentayev D.S.

Conflict of interest

The Policy for settling corporate conflicts and conflict of interest, which regulates the order of and procedures for mediation settlement of conflicts, as well as actions of the bodies, officials and employees of KazakhExport within the context of those matters, is in place in KazakhExport.

A register of affiliates, which is properly brought to the notice of the executives of the business units, executive body and governing body of KazakhExport, is regularly kept in KazakhExport in order to guarantee timely settlement of the conflict of interest.

A register of affiliates shall be approved by the Board of Directors of KazakhExport.

For the purposes of monitoring and prevention of potential conflicts of interest in KazakhExport, the members of the Board of Directors and the Management Board present on a regular basis the information about their affiliates.

The members of the Board of Directors and the Management Board, employees of KazakhExport perform their professional functions in good faith and reasonably in the best interests of KazakhExport and the Sole Shareholder with avoiding conflicts of interest and corporate conflicts.

The Regulations of the Board of Directors of KazakhExport provide that a member of the Board of Directors shall be obliged:

1. to submit to KazakhExport the information about its affiliates within 7 (seven) days after a day of affiliation;

2. to refrain from actions and to prevent situations that result or can potentially result in a conflict between its interests (or interests of its related persons) and interests of KazakhExport; and in such a case to immediately inform the Board of Directors about existence of a conflict of interest;
3. to submit to the Board of Directors the information about proposed transactions in which it can be held interested; and
4. to refrain from voting on items in adoption of a decision on which it is personally interested. In addition, a member of the Board of Directors must immediately disclose to the Board of Directors such interest and a basis for appearance thereof.

A civil contract providing for the conditions of compliance with the requirements provided by the internal regulatory documents of KazakhExport, including corporate conflicts and conflict of interest, shall be concluded with a member of the Board of Directors – an independent director in KazakhExport.

The Regulations of the Management Board of KazakhExport provide for the rule that its members may hold concurrently positions in the governing bodies in the other organizations only by consent of the Board of Directors of KazakhExport.

This promotes the control of situation connected with detection of the factors of appearance of a conflict of interest.

During 2019, in KazakhExport the Corporate Secretary did not notice the cases of corporate conflicts and conflicts of interest in activities of KazakhExport, its bodies and officials.

Compliance control

The compliance risk management system is an integral and integrated part of the overall risk management system of KazakhExport, as well as the internal control system in implementation of which all employees and officials of KazakhExport take part.

The targets of the compliance risk management are:

- 1) ensuring conformance of activities of KazakhExport, its governing bodies, officials and employees to the requirements of the RK legislation, including regulatory legal acts of the competent authority, as well as internal procedures of KazakhExport; and
- 2) ensuring arrangement of a common effective compliance risk management system as part of the common risk management system of KazakhExport.

The process of compliance risk management is based on such principles as awareness of risk, independence of a compliance controller, interest of the Management Board, the Board of Directors, and the Sole Shareholder, integration, interaction and coordination, awareness, consistency, responsibility, and creation of compliance culture.

The Board of Directors of KazakhExport is in charge of the overall control of compliance risk management and implementation of the policy of compliance risk management.

The Management Board shall ensure compliance with the policy of compliance risk management and respective measures to be taken to minimize or prevent the compliance risks in activities of KazakhExport and its business units.

The Compliance Controller, which is accountable to the Board of Directors of KazakhExport and is appointed by it, shall be in charge of direct regular control and monitoring of compliance risks and compliance functions.

In 2019, subject to the requirements of the regulatory legal acts of the National Bank of the Republic of Kazakhstan, the Board of Directors of KazakhExport has approved a new version of the Policy of compliance risk management, which determines the purposes and tasks of the compliance risk management, the principles of compliance risk management, including the principles of creation of the compliance culture, order, methods of and procedures for managing the compliance risk, order, methods of and procedures for managing the risk of deliberate or undeliberate involvement of KazakhExport in the processes of money laundering and terrorism financing, or other criminal activity, powers and responsibility of the Compliance Controller, as well as procedure for cooperation and exchange of information between the business units and the employees of KazakhExport not being their members, in the context of compliance risk management.

In its current activities, KazakhExport is keeping to comply with and meet the requirements of the effective legislative and regulatory legal acts regulating the insurance (reinsurance) activity.

In 2019, KazakhExport together with the other financial organizations took active part in law-drafting activities on the platforms organized by the Association of financiers of Kazakhstan regarding amendments to a number of legal and legislative

acts affecting activity of the insurance market participants.

Besides, KazakhExport, as the member of the Board of Representatives of the office of the Insurance Ombudsman, took part in its meetings, election of a new Insurance Ombudsman and determination of its proceedings to settle in the extra-judicial procedure the disputes between participants of the insurance field.

Prevention of corruption and fraud

Counteraction and prevention of corruption and fraud is one of the important tasks of the risk management system. In 2019, the Company's Anti-corruption Plan for 2019–2020 was updated by the resolution of the Management Board, as well as the Anti-corruption Policy was amended and altered.

The Ombudsman institution of KazakhExport actively developed in order to ensure implementation of the provisions of the Code of Business Ethics and to prevent violation of the standards of business ethics by the employees of KazakhExport.

The personnel of KazakhExport regularly underwent the in-company training on anti-corruption topic and in the principles of detection and prevention of financial fraud.

Starting from January 2019, KazakhExport prescribed the procedure for regular verification of the counterparties pronounced the winners of the tenders to purchase the goods, works, and services initiated by KazakhExport. The compliance controller shall verify

trustworthiness of the counterparties and reveal the evidences of affiliation to KazakhExport.

In the context of the tasks of ensuring transparency and disclosure of information concerning activities of KazakhExport, all announcements of the Company's purchases of the goods, works, and services shall be posted on the Eurasian electronic web-portal <https://eep.mitwork.kz>.

In accordance with the requirements of the regulatory legal acts of the Republic of Kazakhstan, the anti-corruption monitoring is regularly carried out in the Company.

In February 2019, the clients and business partners were questioned remotely (through a computer) on an anonymous basis whether they are satisfied with work and services performed and provided by KazakhExport, and asked to evaluate existence of corrupt practices in activity of the latter. Following the questioning, the clients did not make a note of corrupt practices amongst the personnel of KazakhExport.

In April 2019, KazakhExport took part in work of the round-table discussion concerning corruption counteraction, which discussion was organized for the representatives of the quasi-public sector by the Integrity Department of the Agency of the Republic of Kazakhstan for corruption counteraction (Anti-corruption Service) together with SWF Samruk-Kazyna JSC. While in October it participated in the 'First forum of compliance officers of Kazakhstan' held by the

management of the Agency of the Republic of Kazakhstan for corruption counteraction (Anti-corruption Service) together with KPMG Audit LLP for the compliance experts and officers of the compliance services of the financial organizations, national companies, and national management holdings.

During 2019, the corruption factors or fraud actions did not occur in activities of employees and officials of KazakhExport.

Executive body

- ◆ The Management Board is a collegial executive body of KazakhExport and it follows in its activity the legislation of the Republic of Kazakhstan, the Articles of Association of KazakhExport, and the Regulations of the Management Board approved by the resolution of the Board of Directors of KazakhExport.
- ◆ The Management Board is formed by the Board of Directors, which determines the quantity of members, term of office of the Management Board, election of its members, as well as early termination of their powers. In accordance with the legislation concerning insurance activity, the quantity of the members of the Management Board must not be less than three.
- ◆ The exclusive competence of the Sole Shareholder shall include adoption of a resolution on election and early termination of powers of the Chairman of the Management Board.
- ◆ The head of the Management Board of KazakhExport shall be the Chairman of the Management Board and the Chairman of the Management Board shall adopt a resolution on holding a meeting of the Management Board. The competence of the Management Board is determined by the legislative acts of the Republic of Kazakhstan, the Articles of Association of KazakhExport, and the Regulations of the Management Board of KazakhExport. The members of the Management Board must meet the requirements made for the executive officers of the financial organizations.

Members of the Management Board in 2019

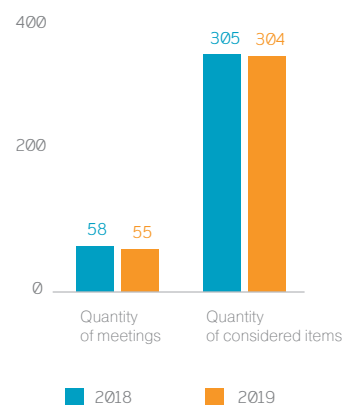
No.	Full name	Position	Period (date, month, year)	Date of admission to the Management Board
	Iskakov Ruslan Viktorovich	Chairman of the Management Board	from 15.02.2016 to the present time	He was elected on 15.02.2016 in accordance with the resolution of the Sole Shareholder of the Company (minutes of the Management Board of Baiterek NMH JSC No.05/16 dated 11.02.2016).
	Bekkhoshin Yerdan Yerlanovich	Vice-Chairman of the Management Board	from 02.10.2014 to the present time	He was elected on 02.10.2014 (resolution of the Board of Directors of KazakhExport EIC JSC No.83 dated 30.09.2014)
	Kaligazin Aslan Yermekovich	Vice-Chairman of the Management Board	from 01.10.2018 to the present time	He was elected on 01.10.2018 (resolution of the Board of Directors of KazakhExport EIC JSC No.8 dated 26.09.2018)
	Zhaxybayev Rauan Omirbekovich	Managing Director – member of the Management Board	from 12.07.2016 to the present time	He was elected on 12.07.2016 (resolution of the Board of Directors of KazakhExport EIC JSC No.104 dated 12.07.2016)
	Zholdybekov Kuat Tolegenovich	Managing Director – member of the Management Board	17.10.2016 – 17.03.2020	He was elected on 17.10.2016 (resolution of the Board of Directors of KazakhExport EIC JSC No.106 dated 14.10.2016)

During the reporting period the Management Board of the Company held 55 meetings in presentia at which 304 items were considered on which respective resolutions were adopted.

Structure of items considered at the meetings of the Management Board:

Topic	Quantity of considered items
Compliance	8
Risk management and internal control	8
Audit	33
Personnel	41
Planning and reporting	52
Transactions/investment projects/securities	67
Approval of internal regulatory documents	69
Other	26
Total:	304 items

Statistics of quantity of the meetings of the Management Board and considered items as compared to 2018/2019



During 2019, the Chairman and the members of the Management Board duly attended the meetings of the Management Board and actively participated in its work.

In percentage terms, during the reporting period the Chairman and the members of the Management Board attended 83% meetings of the Management Board on average.

Personal statistics of attendance of the meetings of the Management Board in 2019:

Full name	Physical presence	Attendance
Iskakov Ruslan Viktorovich	41/55	75%
Kaligazin Aslan Yermekovich	44/55	80%
Bekkhzhin Yerdan Yerlanovich	46/55	84%
Zhaxybayev Rauan Omirbekovich	45/55	82%
Zholdybekov Kuat Tolegenovich	52/55	95%
Average attendance, %	83%	

Management remuneration

The basic principles to remunerate the members of the Management Board are provided for and regulated by the Rules for labour remuneration, evaluation of activities and bonus payment to the executives of KazakhExport Export Insurance Company Joint-Stock Company based on the results of work for a year as approved by the Board of Directors of KazakhExport.

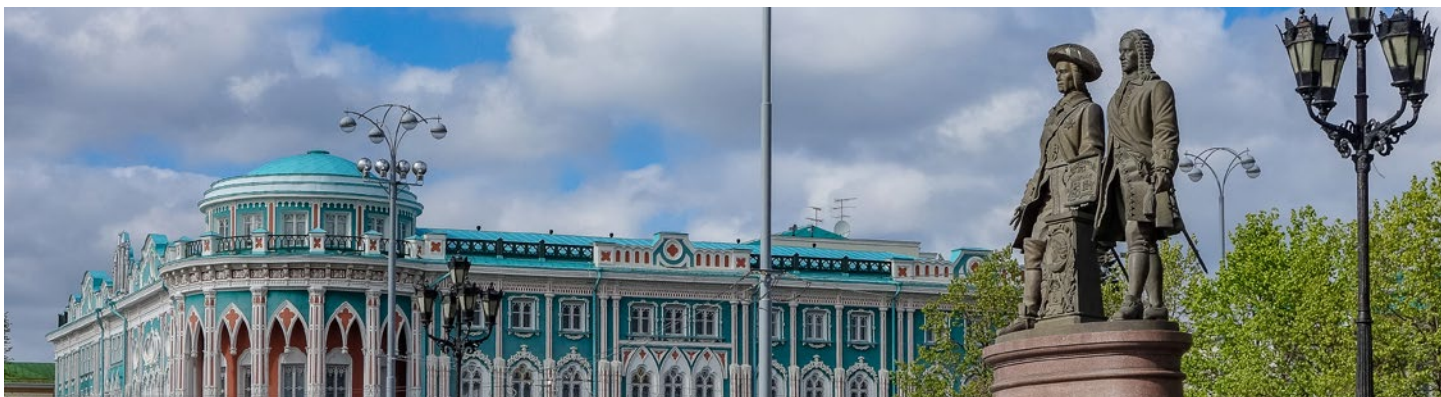
The basic principles are:

- ◆ correlation between remuneration and performance of tasks serving the interests of KazakhExport and shareholder;
- ◆ simplicity and transparency of the principles to assess an amount of a remuneration; and
- ◆ dependence of an amount of a remuneration on the results of activity.

The procedure for, amount and conditions of payment of remunerations, compensation of expenses and payment of bonuses to the members of the Board of Directors of KazakhExport for their performance of their duties, including independent directors, are specified by the resolution of the Sole Shareholder of KazakhExport.

Remuneration is not paid to a member of the Board of Directors, which is a government official, and the members of the Board of Directors, which are employees of the Sole Shareholder of KazakhExport.

Accordingly, remunerations are only paid to the members of the Board of Directors being independent directors of KazakhExport, and the other members of the Board of Directors are not remunerated for performance of duties of a member of the Board of Directors.



Events held to ensure protection of the rights and interests of the Sole Shareholder

All of the instructions of the Sole Shareholder and the Board of Directors were executed in due time;

The audited financial statements for 2018 were approved;

The Sole Shareholder was paid dividends in the amount of 475.6 million tenge;

There were no claims from the Sole Shareholder for actions of the Company and its officials;

All required information was timely disclosed on the Internet resource of the financial reporting depository and the corporate web-site of the Company.

Dividend policy

Under the Procedure for determining an amount of dividend paid by the subsidiaries of Baiterek NMH JSC, the target amount of dividend payable is equal to 30% of the consolidated net profit.

In this regard, the Company paid dividend for 2017 and 2018 in the amount equal to 30% of net profit (639 million tenge and 475.6 million tenge, accordingly).

Corporate ethics

The corporate ethics is an important part of the corporate culture of KazakhExport.

A new version of the Code of Business Conduct is approved for the purpose of development of this direction of work on improvement of the corporate culture in KazakhExport.

The purposes of the Code of Business Conduct are to improve, systematize and regulate the relations of KazakhExport aimed at enhancement of efficiency of the corporate governance and assistance in successful interaction with the employees, customers, suppliers, business partners, persons concerned and competent public

authorities through the application of the generally accepted standards and rules of business conduct.

In accordance with the Code of Business Conduct the employees of KazakhExport assume the obligation to comply with the rules of the Code.

KazakhExport operates in strict accordance with the legislation of the Republic of Kazakhstan, the generally accepted principles of business conduct, and internal documents of KazakhExport.

Relations between the Sole Shareholder, members of the Board of Directors and the Management Board of KazakhExport are built on mutual confidence, respect, accountability, and control.

In 2019, in KazakhExport the employees were tested using computers concerning learning of provisions of the Code of Business Ethics.

KazakhExport carries out its activity with recognising supremacy of the Constitution, laws and other regulatory legal acts of the Republic of Kazakhstan in relation to the internal documents of KazakhExport and without allowing adopting resolutions at personal discretion of officials and other employees of KazakhExport.

In accordance with the corporate governance principles, KazakhExport has the Ombudsman institute.

Its functions include collection of information about non-compliance with the provisions of the Code of

Business Conduct of KazakhExport, consulting the employees, officials of KazakhExport on the provisions of the Code, initiation of consideration of the disputes concerning violation of provision of the Code and participation therein.

Senim hot line (telephone and e-mail) is implemented in KazakhExport to collect confidential communications concerning violation of the principles and rules of the Code of Business Conduct.

KazakhExport Ombudsman initiates consideration of disputes regarding violation of the provisions of the Code of Business Conduct of KazakhExport, including conflicts of interest, and participates in settlement thereof.

During 2019, one complaint from a specialist from the outsourcing sector received with respect to actions of its immediate supervisor about violation of the requirements of the corporate ethics was considered. To verify the arguments set forth in the appeal, the Ombudsman initiated a proposal on forming a commission to carry out an official investigation.

Following the carried out official investigation, the commission composed of the Ombudsman as well concluded that the claims were unjustified: the arguments of violations of the business ethics standards by an immediate supervisor of the outsourcing sector specialist were not confirmed.

A written reply explaining the set forth arguments was sent to the author of the appeal within the time allowed by law.

Internal Audit Service

Mission of internal audit in KazakhExport consists in preservation and increment of value of the Company through conduct of unprejudiced internal audits based on a risk-oriented approach, provision of recommendations and exchange of knowledge. In its activity the Internal Audit Service takes into consideration all effective International professional standards of internal audit and the Code of ethics of internal auditors adopted by the International Institute of Internal Auditors, with following the approved internal regulatory documents relating to internal audit.

The generally accepted conceptual model of internal audit corresponding to the International professional standards of internal audit is in place in KazakhExport, with which the functions of internal audit are separated from the functions of internal control and risk management. The internal audit is in the state of special functional and administrative subordination and accountability ensuring objectivity of auditors and independence of the Internal Audit Service. To the extent of that accountability the governing bodies of the Company are provided with reliable and relevant information about a level of efficiency of the systems of internal control, corporate governance and risk management.

The Board of Directors of KazakhExport approved the risk-oriented Annual audit plan and audit program of the IAS, the key performance indicators of the IAS and its head.

In accordance with the Annual audit plan of the Internal Audit Service for 2019, 12 audit engagements were provided for and carried out in full, including diagnostics of the corporate governance.

The diagnostics of the corporate governance was evaluated in accordance with the updated Methods of diagnostics of the corporate governance as approved by the resolution of the Board of Directors on 30 September 2019. Following made evaluation the aggregate coefficient of conformance of a level of the corporate governance to the best practice requirements made up 78.6%.

The Service quarterly monitors execution of recommendations of the Service and external auditors.

The employees of the Internal Audit Service undergo training on a continuous basis for the purpose of improvement and advanced training.

In performing its functions the Service confirmed for the Board of Directors its independence on influence of any persons.

A report on activity of the IAS is quarterly submitted to the Audit Committee and the Board of Directors of KazakhExport.

The Board of Directors annually evaluates efficiency of work of the Service and its head on the basis of approved key performance indicators. The Board of Directors evaluated the Service's activity as "effective".

Corporate Secretary

During 2019, the Corporate Secretary of KazakhExport performed the work on ensuring timely execution by the heads of subdivisions and officials of the instructions of the Sole Shareholder, the Board of Directors and its committees.

The subdivisions were provided with the extracts from minutes/resolutions within 1-2 business days after the day on which the minutes were signed, based on the results of held meetings of the Board of Directors and its committees. During 2019, there were not failures to meet the dates to sign the minutes of the meetings of the Board of Directors; the minutes were prepared and signed at least within 3 business days after the meeting was held.

During 2019, there were not failures to meet the dates to prepare and submit the reports on work of the Board of Directors, the Corporate Secretary; under the requirements of the Regulations of the Board of Directors of KazakhExport the reports were submitted for consideration by the Board of Directors on quarterly basis – till the end of the first month following the reporting quarter.

Timely disclosure of the information about KazakhExport, corporate events and other information was provided under the requirements of the legislation of the Republic of Kazakhstan and internal documents of KazakhExport.

During 2019, the information about corporate events was posted on the Internet resource of the financial reporting depository of KazakhExport in pursuance of the requirements of the legislation of the Republic of Kazakhstan. The letters of notice were sent to the National Bank of the Republic of Kazakhstan concerning changes in the membership of the Board of Directors and determination of the quantity of members of the Board of Directors.

The RK NB and other competent public authorities did not impose any sanctions, including administrative penalties, on the officials of KazakhExport.

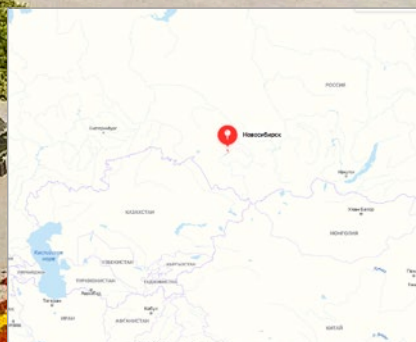
During 2019, the Corporate Secretary of KazakhExport consulted the subdivisions on the matters put for consideration by the Board of Directors and its committees.

External audit

In 2019, the work on external audit of the financial statements was performed by KPMG-Audit LLP with which the contract was concluded for 2019–2021.

- ◆ In accordance with the Policy on organization and carrying out of external audit, the external auditor must pursue the principle of rotation of a partner in the project every five years.
- ◆ In the event an external auditor carried out external audit in the previous year is chosen, such external auditor shall prepare a plan of succession of a partner in the project, which shall be submitted for consideration by the Audit Committee of the Board of Directors of KazakhExport. It is not required to prepare a plan of succession of a partner in the project, if an external auditor other than the previous one is chosen.
- ◆ Under the Code of Ethics, rendering of a number of non-auditing services not connected with audit of the financial statements may result in a conflict of interest affecting independence of an external auditor.
- ◆ To ensure independence of opinion of an external auditor carrying out audit of the financial statements, tax audit, special-purpose audit KazakhExport is prohibited to purchase and/or receive the services of that auditor relating to business accounting and preparation of the financial statements.
- ◆ KazakhExport shall follow the RK legislation and the IRDs of KazakhExport, including the Policy on organization and carrying out of external audit, to determine whether there is a threat of independence for an external auditor when receiving the services.

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RISK MANAGEMENT

Risk management system

The risk management system is an integral component part of activities of KazakhExport, which is aimed at identification, assessment and monitoring of all existing risks, as well as the measures to be taken to minimize a level of the risks that can adversely affect the financial stability and reputation.

The risk management system is based on the process of evaluation of adequacy of domestic capital. Each type of risk shall be evaluated quantitatively in order to further aggregate to calculate domestic capital at the level of KazakhExport and its comparison with available financial resources of the Company designed to cover all risks.

The domestic capital takes account of the following types of risks to be calculated in the normal and stress situations: credit risk, foreign

exchange and interest risk, operating risk, and business risk. All of the mentioned risks are identified and assessed in accordance with the internal documents of KazakhExport and reports on those risks are quarterly submitted to the Holding.

In accordance with the requirements of the National Bank of the Republic of Kazakhstan and the best corporate governance practices, the regular reports on risks are put in place from which the Management Board and the Board of Directors of KazakhExport receive from time to time the information about risk situation, including risk map and reports on risks. As and when necessary, the Management Board and the Board of Directors are provided with details of considerable changes in risks. KazakhExport regularly submits reports on risks to the National Bank of the Republic of Kazakhstan.

In 2019, special work was performed to update and develop the internal regulatory documents relating to management of risks of KazakhExport:

- ◆ the Limits of liability (sum insured) are approved and in effect for separate insurance agreements (including an aggregate of insurance and reinsurance agreements) broken down by categories (types) of insurance;
- ◆ the methods to determine the business processes, risks incidental to them and key risk indicators (a new version is approved);
- ◆ the Policy of risk management (a new version is approved);
- ◆ the Instruction is approved to keep a data base of realized risks;
- ◆ the Regulations of financial assets and liabilities management (a new version is approved);
- ◆ the Plan for emergency circumstances and providing continuity of business (a new version is approved);
- ◆ the Policy is approved to manage operating, allied risks;
- ◆ the Strategy is approved to develop the corporate risk management system for 2019–2023; and
- ◆ the Policy of internal control system (a new version is approved).

As of 1 January 2020, the Risk Management Department of KazakhExport together with the business units performed comprehensive identification and assessment of risks of KazakhExport for the reporting period. Based on the results of this work a register of risks, business process, risk and control matrix were elaborated and approved; risk map and the Plan of actions to manage high and critical risks were developed subject to fixing the periods of actions to be taken and responsible persons. Under the Register of risks of KazakhExport, at the end of 2019, 27 risks were identified with no risk within the critical (red) area, 15 risks of high priority (yellow area), and 12 risks take the third place of priority.

Key risks and actions to manage the same

Risks	Actions to manage
Risk of failure to achieve strategic indicators of KazakhExport	<ul style="list-style-type: none"> • enlarging the data base of domestic enterprises engaged in export; • meetings with customers, foreign banks, potential foreign partners; • active PR events on a continuing basis; • optimizing internal business processes relating to the primary activity (on a continuing basis); and • searching for potential partners and conclusion of agreements of cooperation in the field of reinsurance with foreign counterparties (reinsureds).
Risk of early response actions, restricted enforcement actions (compliance risk) or sanctions taken or imposed by the National Bank of the Republic of Kazakhstan	<ul style="list-style-type: none"> • Carrying out proper internal control of compliance with the rules of the effective legislation, including control regulating insurance activity (on a continuing basis).
Underwriting risk	<ul style="list-style-type: none"> • control of quality of opinions and data submitted from business units; • cross-check of submitted data; • involving external providers of information and reliable data bases; • expanding the sources of data submission; and • use of a model to determine allowable limit per transactions with financial organizations in accordance with the Methods of evaluation of a financial institution.
Risk of forming insufficient insurance reserves	<ul style="list-style-type: none"> • monthly monitoring of OCR (outstanding claim reserve); • the results of monitoring are quarterly submitted to the Management Board for informational purposes; • test of adequacy of formed reserves; and • annual audit of calculations of the reserves.
Risk of failure to comply with the AML/TF laws	<ul style="list-style-type: none"> • compliance with the requirements of the legislation and RLAs by the employees of KazakhExport when working with the customers in order to identify them and to collect data; • in-company training of employees in working with customers on compliance with the requirements of the AML/TF laws; and • compliance inspections of a status of insurance cases and personal details of customers in order to comply with the requirements of the anti-money laundering and counter terrorism financing laws.
Foreign exchange risk	<ul style="list-style-type: none"> • continuous control of foreign exchange positions; • stress testing / test of sensitivity of changes in foreign exchange rates (on a quarterly basis); and • monitoring adherence to the limits of foreign exchange position on a monthly basis.
Liquidity risk	<ul style="list-style-type: none"> • continuous gap-analysis of liquidity; • investing cash in highly liquid assets; and • calculating liquidity ratios: Liquidity Coverage ratio and Net stable funding ratio.
Credit risk – a risk of loss of funds placed with second tier-banks, due to default	<ul style="list-style-type: none"> • controlling and monitoring the financial condition of financial organizations being counterparties of KazakhExport (on a quarterly basis); • placing the funds only with the second-tier banks meeting the requirements of the Rules for managing financial assets and liabilities of KazakhExport (on a continuing basis); • monitoring the limits and process of allocation of temporarily free liquidity in the Company (on a monthly basis); and • monitoring reporting on temporarily free funds (on a monthly basis).

Following the evaluation of conformance of the risk management and internal control system, under the requirements of Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No.198 “On approval of the Rules for forming the risk management and

internal control system for insurance (reinsurance) organizations for 2019” dated 27 August 2018, the overall evaluation of conformance to the requirements made for risk management and internal control systems increased from 70% in 2018 to 92% in 2019.

Scoring model

In September 2018, in order to reduce the load on the Underwriting Council, the Management Board of KazakhExport approved the Methods to assess risk of export credit insurance under which the scoring model of assessment of insurance risk was developed and implemented.

The scoring model allows determining a transparent decision-making mechanism based on objective factors and reduces the time to consider the items owing to an opportunity to delegate a part of powers of the Underwriting Council.

Later on, that scoring model was distributed also to assess risk of insurance of short-term receivables.

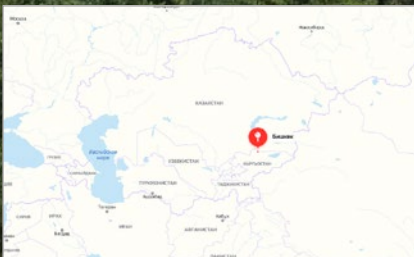
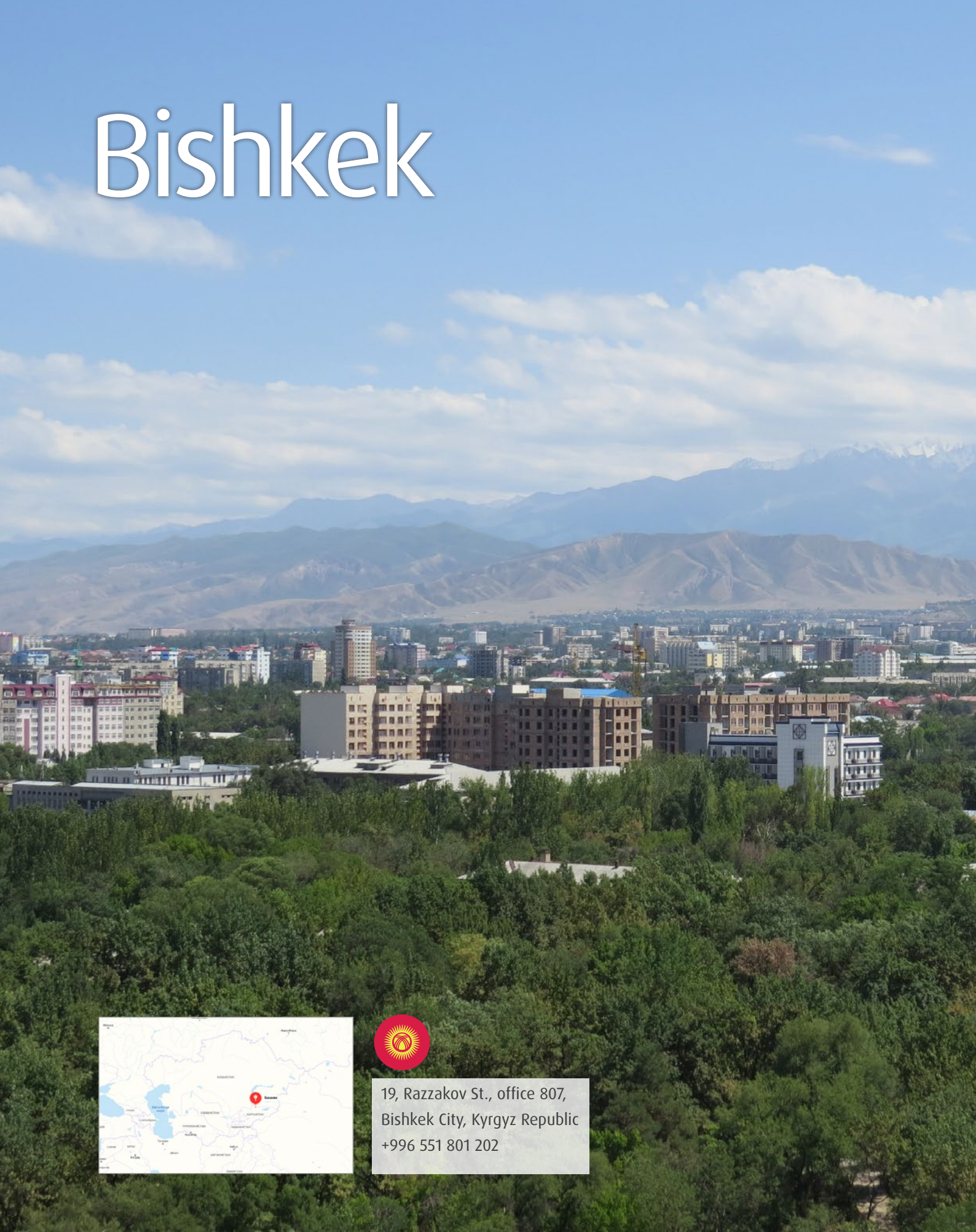
In May 2019, the resolution of the Board of Directors of KazakhExport fixed the limit of liability (sum insured) not exceeding 100,000,000 tenge per reduced team of the Underwriting Council under agreements of insurance of export credits and short-term receivables of exporters.

Thus, in 2019, 16% underwriting decisions were made based on the scoring model.

Implementation of scoring resulted in reduction of the time to consider the applications under agreements of insurance of export credits and short-term receivables of exporters from 10 to 5–7 days.



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PERSONNEL POLICY



The human capital assets are managed in the Company in the following strategic directions:

- ◆ composing the transparent and open system of selection and assessment of the personnel;
- ◆ enhancing labour efficiency;
- ◆ providing continuous training and development of the personnel; and
- ◆ development of the corporate culture.

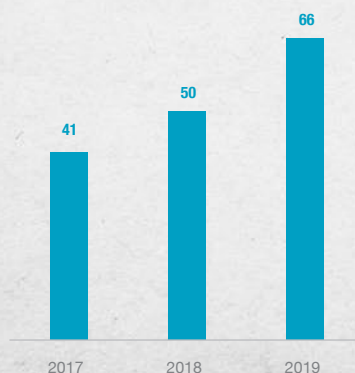
The consistent work is performed in the Company to strengthen and develop the human capital assets, comfortable conditions are created for career development and advancement, training, as well as material and moral well-being of the employees.

Following evaluation of the level of involvement of the Company's employees made by the international consulting company – Ernst & Young, as of year-end 2019 compared to 2018 the level of involvement increased by 7 points from 74% to 81%. This is the highest growth indicator.

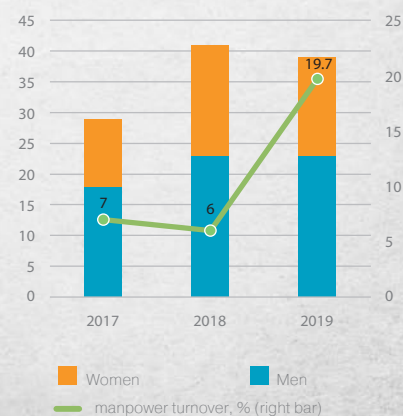
Such significant increase became possible owing to the regulated system of team building events, career motivation of the Company's employees, honouring services of the employees, teambuilding campaigns, etc.

The results of analysis of the dynamics of change of these indicators provide objective information about quality and quantity indicators characterizing the system of personnel management in the Company.

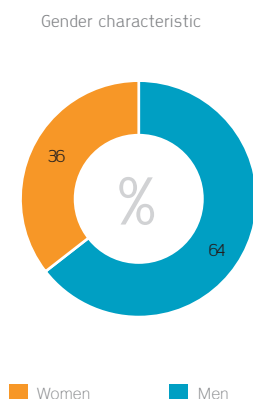
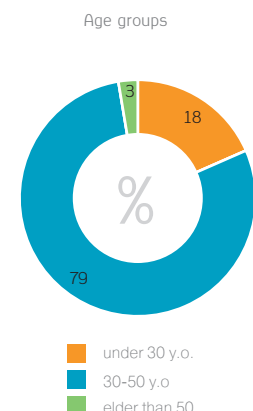
Average headcount of staff, persons



Quantity of new employees, persons



Structure of governing bodies



Selection and orientation of the personnel

The candidates are publicly and transparently selected in the Company to the vacant positions on a competition basis. The personnel selection system is based on equal approach to the candidates when hiring and non-admission of restriction of the rights of the candidates. The

personnel are selected based on assessment of professional and personal competences of a candidate.

The system of orientation of new employees is in place to render support in effective integration of new employees into working environment.

Training and development of the personnel

The system of external and internal personnel training is in place in KazakhExport subject to implementation of the present-day technologies. The access is provided to electronic book library with the use of a mobile application, the language courses are organized.

A business trainer of KazakhExport continuously organizes training workshops not only for the purposes of professional development of active employees, but also orientation training for new employees.

Likewise, a business trainer of KazakhExport holds free workshops for the employees of the companies-partners and the second-tier banks regarding activity and support measures of KazakhExport. The training workshops of the regional subdivisions of BDF Damu JSC, NCB Atameken, Agrarian Credit Corporation JSC concerning the products of KazakhExport EIC JSC cover on an annual basis all of 14 regions of Kazakhstan, as well as the cities of republican status and the capital – Nur-Sultan City.

Evaluation of efficiency of employees' activity

The system of evaluation of efficiency of employees' activity on the basis of the key performance indicators (hereinafter – the KPI) is in place in the Company, which provides for pegging of a remuneration to the results of activity of the employees.

The KPI allow motivating the high-efficiency employees to achieve the results and, on the contrary, to determine the employees, which have to develop.

Labour remuneration and motivation of the employees

The grading system developed together with the external consultants – Hay Group, international consulting company – is implemented in the Company to provide the fair labour remuneration. The grading system provides for

estimating and determining value of each position in achieving strategic goals in order to ensure competitive level of salary of the employees subject to estimation of the market level of labour remuneration.

Social benefits

The social support is focused on enhancement of attractiveness of KazakhExport as an employer, creation of comfortable conditions for the personnel and intensification of their motivation. The basic directions of the social assistance for the

employees provide for rendering the following social support for the employees: rendering material assistance and voluntary medical insurance (health insurance) of the employees and members of employees' families.

Personnel reserve and succession

In the Company, the personnel reserve policy is formed as part of the single personnel reserve of Baiterek NMH JSC.

The high-performance employees with the highest potential of KazakhExport annually participate in the qualifying rounds to be included in the personnel reserve.

Labour protection

The Instruction on safety and protection of labour for the employees of KazakhExport EIC JSC is in place in KazakhExport. In accordance with the Instruction, the instructions on safety and protection

of labour are given in KazakhExport from time to time.

During 2019, there were not any violations of the Instruction and no accident was registered.

SOCIAL RESPONSIBILITY POLICY



KazakhExport confirms its endeavour to carry out business activity in such a way that to take into consideration the interests and to further sustainable development of all parties concerned.

KazakhExport sets itself the following goals by taking the actions in the area of corporate social responsibility:

- ◆ to contribute to maintenance of the high level of the economic development of the country;
- ◆ to further social progress of KazakhExport;
- ◆ to form team-oriented, socially protected, creative and economically motivated collective of employees;
- ◆ to improve labour and rest conditions, to enhance employees' labour safety in accordance with the best world standards; and
- ◆ to achieve and keep a status of the present-day high-efficient and socially responsible KazakhExport.

KazakhExport goes for long-term creation of the value for a wide circle of the parties concerned.

The key groups of stakeholders become apparent based on analysis of a degree of their impact on KazakhExport and the Company's impact on them.

A level of intimacy of the stakeholders (sphere of influence) is expressive of a degree of capability of KazakhExport to influence on one or other party concerned. At page 86 it is presented in the form of III, II, and I linear connections:

- ◆ area of power/responsibility (III). This area presents the stakeholders directly subordinate to KazakhExport (administrative management leverage);
- ◆ area of direct influence (II). This area presents the stakeholder on which KazakhExport has direct influence based on a strategy of exchange of resources or opinion;
- ◆ area of indirect influence (I). This area presents the stakeholders on which KazakhExport has weak, indirect influence using support of the parties concerned.

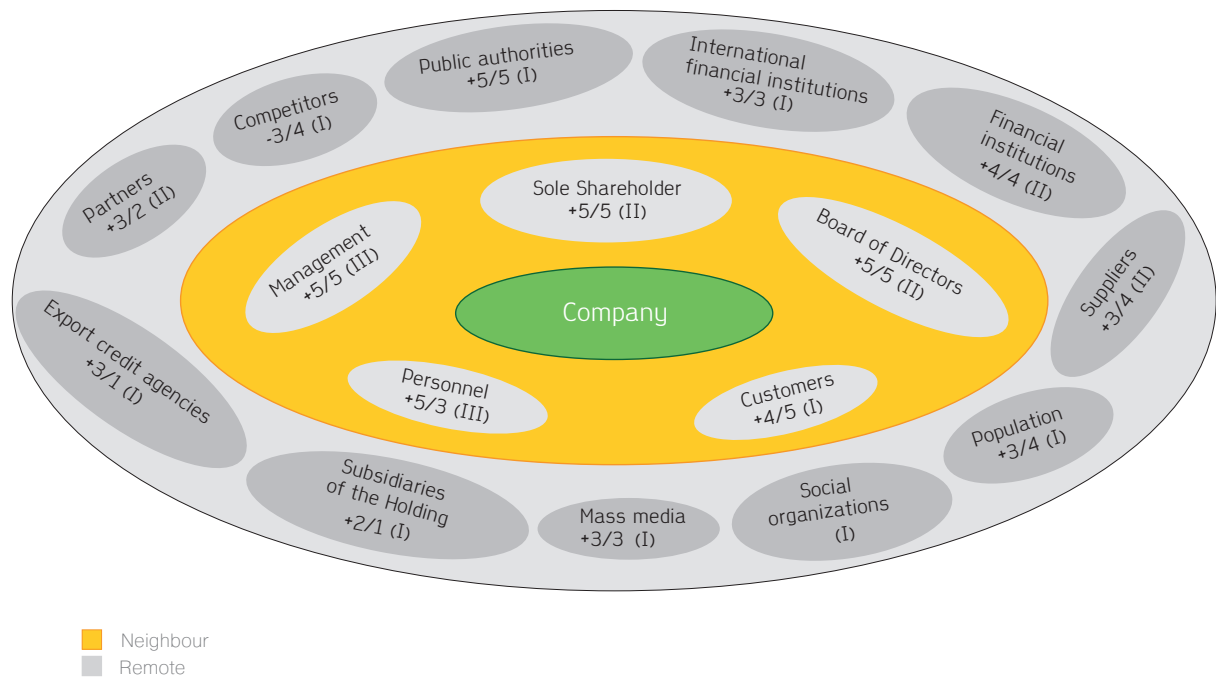
A degree of importance of the influence is estimated by two scales x/y, where: x = from -5 to +5, in increments of 1 (or less), which characterizes a degree of support/counteraction of a stakeholder to KazakhExport ('-5' is extreme counteraction, '+5' is maximum support), y = from 0 to 5 in increments of 1 (or less), which characterizes a degree of influence of a stakeholder on the Company.

INTERACTION WITH THE PARTIES CONCERNED



KazakhExport uses a wide list of instruments to effectively interact with the parties concerned and to have feedback. In making the key decisions, the Company tries to take into consideration the interests of different groups of stakeholders found out in the course of interaction.

Stakeholder map



X/Y

X = from -5 to +5 – supporting force/counteracting force of a stakeholder (first figure on the map)

Y = from 0 to 5 - power of influence of a stakeholder (second figure on the map)

n = I, II, III – degree of influence of the Company on stakeholders (in-between parenthesis on the map – I, II, III)

Interaction with the parties concerned

No.	List of stakeholders (groups)	Interests/drivers	Influence instruments	Interaction methods
Neighbour				
1.	Sole Shareholder	Increase in earnings and annual dividends, appreciation of value of KazakhExport, efficiency of activity of KazakhExport	Articles of Association of KazakhExport, Code of Corporate Governance	<p>Approval for basic directions of activity, as well as matters relating to general management of KazakhExport.</p> <p>Ensuring enforcement of the rights of the Sole Shareholder under the principles of corporate governance aimed at effective adoption of key resolutions in accordance with the legislation of the Republic of Kazakhstan and the Articles of Association of KazakhExport.</p> <p>Provision of reliable information about results of financial and business activity in accordance with the requirements of the legislation of the Republic of Kazakhstan, Articles of Association, internal documents of KazakhExport.</p> <p>Provision of information about plans, achievements, problems of activities of KazakhExport.</p> <p>Resolutions of the Sole Shareholder.</p>
2.	Board of Directors	General management of activities of KazakhExport	Articles of Association of KazakhExport, internal documents of KazakhExport	General management of activities of the Company, except resolution of the matters referred by the legislation of the Republic of Kazakhstan and (or) the Articles of Association to the exclusive competence of the Sole Shareholder
3.	Management	Salary, bonuses, premiums, status, areas of responsibility	Articles of Association of KazakhExport, internal documents of KazakhExport	<p>Execution of resolutions of the Sole Shareholder and the Board of Directors of KazakhExport.</p> <p>Preparation, implementation and monitoring of implementation of a plan and strategy of development, plan of actions to manage critical risks of KazakhExport.</p> <p>Preparation and implementation of the other matters provided by the legislation of the Republic of Kazakhstan, Articles of Association, as well as the matters referred to the competence of the Board of Directors and the Management Board of KazakhExport (under the Articles of Association of KazakhExport).</p> <p>Meetings of the Management Board of KazakhExport and committees under the Management Board.</p> <p>Task groups, daily briefings.</p>
4.	Personnel	Salary, premiums, career development, professional development, terms of an employment agreement, social guarantees (including health insurance), level of powers and responsibilities, level of work satisfaction	Labour Code, employment agreements, civil contracts	<p>Exercise of the powers of office aimed at implementation of the tasks and functions of KazakhExport.</p> <p>Pursuing the open, transparent personnel policy focused on formation of skilled and motivated personnel.</p> <p>Providing all employees with equal opportunities to fulfil their potential in the process of labour activity, unprejudiced and fair evaluation of their performance, recruiting employees and their career development based only on professional ability, knowledge and skills.</p> <p>Questioning and polling.</p>

No.	List of stakeholders (groups)	Interests/drivers	Influence instruments	Interaction methods
5.	Customers	Commercial interests, receiving high quality services at reasonable tariff rates	Contracts	Ensuring conformance to the expectations of consumers of the products and services of KazakhExport. Conclusion of contracts, control of contractual relations. Analysis of consumer satisfaction. Negotiations, consultations.
Remote				
6.	State bodies	Law-making and executive functions, tax revenues, economic growth, employment of population	Laws, State programs of social and economic development	Invitation to take part in task groups, forums, and conferences organized by KazakhExport. Preparation and performance of all necessary procedures provided by the legislation of the Republic of Kazakhstan to enable KazakhExport to participate in the government purchases. Approval of the basic directions of activity of KazakhExport. Participation in development and implementation of the state programs. Provision of reliable information about points of interest in accordance with the requirements of the legislation of the Republic of Kazakhstan, Articles of Association, and internal documents of KazakhExport. Participation in the state task groups. Consultations with the authorized state bodies. Revisions and inspections. Proceedings and meetings.
7.	Subsidiaries of the Holding	Joint activity, commercial interests	Contracts, Articles of Association of KazakhExport, internal documents of the Holding, KazakhExport and subsidiaries	Mutually advantageous cooperation, improvement of business and technological processes and automation thereof. Conclusion of contracts, control of contractual relations.
8.	Competitors	Increase in a share of presence in the market of insurance and reinsurance business	Applying more advantageous conditions of insurance / reinsurance, increase in assets, tariff competition, active advertising policy, marketing market researches	Showing respect, avoiding use of unreasonable advantageous and misrepresentation of competition, adhering to the principles of the Code of Corporate Governance and the Code of Business Ethics of KazakhExport. Monitoring, analysis and marketing researches of the market.
9.	Partners	Joint activity, commercial interests	Memoranda, contracts	Conclusion of contracts and agreements of mutually advantageous cooperation and understanding. Control of contractual relations.

No.	List of stakeholders (groups)	Interests/drivers	Influence instruments	Interaction methods
10.	Export credit agencies	Discussion, negotiation of conditions and coordination of actions to develop financial and insurance support between the countries, exchange of experience and information about financial and insurance support of export, implementation of joint projects, commercial interests	Memoranda, contracts	Conclusion of contracts and agreements of mutually advantageous cooperation and understanding. Control of contractual relations.
11.	International financial institutions	Implementation of joint international projects, commercial interests, risk reinsurance	Memoranda, contracts	Conclusion of contracts and agreements of mutually advantageous cooperation and understanding. Improvement of business processes and automation thereof. Control of contractual relations.
12.	Financial institutions	Placing free cash on deposit accounts, participation in implementation of the programs of KazakhExport, insurance of risks of KazakhExport (including health insurance), risk reinsurance, management and registration of special accounts of KazakhExport, transactions with equity securities and other financial instruments	Contracts	Conclusion of contracts, control of contractual relations. Improvement of the terms of a contract.
13.	Suppliers	Commercial interests, compliance with contractual obligations	Rules for purchasing the goods, works, and services of KazakhExport, contracts	Conclusion of contracts, control of contractual relations. Business correspondence, requests. Ensuring transparent and effective purchases of goods, works, and services. Cooperation based on mutual benefit, respect, confidence, honesty, and fairness. Publication of information to potential suppliers/providers on the Internet site.
14.	Population	Opportunity of employment, resolution of social problems, transparency of activity of KazakhExport, environmental protection	Public opinion. Appeals to higher-level and regulating state bodies, mass media.	Public-opinion polls, implementation of communication strategy. Publication of financial and non-financial statements of KazakhExport. Demonstration of practical commitment to the principles of social responsibility, transparency of activity and sustainable development. Aiming for fair competition, generally accepted moral and ethical standards. Assuming additional social commitments, resolution of pressing social problems. Charity activities.

No.	List of stakeholders (groups)	Interests/drivers	Influence instruments	Interaction methods
15.	Public associations	Realization of goals and targets of public associations, receiving sponsor support	Articles of Association of KazakhExport, contractual relations under concluded contracts, forums, conferences, etc.	Compliance with the rules of the legislation. Conclusion of agreements of cooperation and understanding. Charity and sponsorship. Holding joint events (meetings, forums, conferences, etc.).
16.	Mass media	Publications and provision of information about activity of KazakhExport, commercial interests	Publications and provision of information about activity of KazakhExport, interviews, press releases, etc.	Organization of information activity through: - PR events (press releases, press conferences); - reports to the target audience on strengths and potential of KazakhExport; - creation of positive public opinion; - ensuring transparency of activities of KazakhExport through reliable, regular, continuous, and timely disclosure of information; - maintenance of KazakhExport brand recognition; - report to the society on performances of KazakhExport.



You can review the complete financial statements of the Company, including auditors' conclusion, on the corporate web-site:

https://keg.kz/rubric/o_nas/otchetnost/finansovaya_otchetnost

APPENDIX. FINANCIAL STATEMENTS



KazakhExport Export Insurance Company JSC

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Notes	2019 thousand tenge	2018 thousand tenge
Charged insurance premiums, gross	6	2,324,296	2,679,063
Charged insurance premiums transferred to reinsurers	6	(44,811)	(562,370)
Charged insurance premiums, net		2,279,485	2,116,693
Changes in unearned premium reserves, gross	6	(569,908)	(707,365)
Share of reinsurers in changes in unearned premium reserves, gross	6	(139,797)	(366,915)
Unearned insurance premiums, net		1,569,780	1,042,413
Paid claims	7	(240,262)	(55,817)
Indemnity for recourse claim	7	6,802	450
Changes in provisions for insurance agreements, gross	7	(2,988,533)	(771,803)
Change of share of reinsurers in provisions for insurance agreements	7	(50,501)	41,589
Paid claims, net		(3,272,494)	(785,581)
Interest incomes calculated using the effective interest rate method	8	4,786,889	2,896,843
Other interest incomes	8	69,489	102,896
Interest expenses	8	(24,877)	(29,185)
Net income from change of fair value of investment securities measured at fair value the changes in which are reported as parts of profit or loss for the period		73,437	61,006
Net profit from foreign currency transactions		619,708	612,379
Net fee (expenses)/incomes		(4,496)	2,135
General administrative expenses	9	(1,647,296)	(1,162,595)
Reversal of impairment loss/(Losses) from impairment of debt financial assets		662,640	(691,790)
Other operating (expense)/income, net		(134,280)	4,207
Profit before income tax		2,698,500	2,052,728
Expense on income tax	10	(342,916)	(467,176)
Profit for the year		2,355,584	1,585,552
Other comprehensive income, less income tax			
<i>Items, which were or may be subsequently reclassified as parts of profit or loss:</i>			
Provision for changes in fair value:			
• Net change in fair value		(1,303)	239,197
• Net change in fair value carried over as part of profit or loss		5,200	(1,435)
Other comprehensive income for the year, less income tax		3,897	237,762
Total comprehensive income for the year		2,359,481	1,823,314

These financial statements on pages 6-69 have been approved by the management of the Company on 28 February 2020 and signed on its behalf:



R.V. Iskakov

Chairman of the Management
Board




Zh.K. Sartkozhinova

Chief Accountant

KazakhExport Export Insurance Company JSC
Statement of Financial Position as of 31 December 2019

	Notes	2019 thousand tenge	2018 thousand tenge
ASSETS			
Cash and cash equivalents	11	17,655,699	26,871,413
Deposits with banks	12	46,574,121	11,099,359
Investment securities:			
• at fair value through other comprehensive income	13	10,224,696	7,435,977
• at amortized cost	13	10,682,611	-
• at fair value through profit or loss	13	660,849	1,511,226
Accounts receivable on insurance and reinsurance	14	1,391,256	1,014,713
Share of reinsurers in provisions for insurance agreements	15	318,795	509,093
Property, plant and equipment		87,645	71,662
Current tax asset		328,773	92,632
Deferred tax assets	10	36,951	24,455
Other assets		237,245	15,726
Total assets		88,198,641	48,646,256
LIABILITIES			
Provisions for insurance agreements	15	8,444,237	4,885,796
Accounts payable on insurance and reinsurance		65,708	36,764
Loan obtained from Samruk-Kazyna JSC		144,388	212,512
Other liabilities		350,823	201,514
Total liabilities		9,005,156	5,336,586
EQUITY			
Share capital	16(a)	71,100,000	37,100,000
Additional paid capital on loan obtained from Samruk-Kazyna JSC at a rate below market rate		732,819	732,819
Equalization provision		65,919	7,904
Provision for allied perils		2,555,200	510,942
Provision for changes in fair value of securities		(1,263,767)	(1,267,664)
Retained earnings		6,003,314	6,225,669
Total equity		79,193,485	43,309,670
Total liabilities and equity		88,198,641	48,646,256

KazakhExport Export Insurance Company JSC

Statement of Cash Flows for the year ended 31 December 2019

	2019 thousand tenge	2018 thousand tenge
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,698,500	2,052,728
<i>Adjustments:</i>		
Changes in provisions, less reinsurer's share	3,748,739	1,804,494
Depreciation of discount and premiums	(307,360)	66,729
Deterioration and depreciation	16,970	15,681
Interest expense on loan obtained from Samruk-Kazyna JSC	24,877	29,185
(Reversal of impairment loss) / losses from impairment of debt financial assets	(662,640)	691,790
Net income from change in fair value of investment securities measured at fair value the changes in which are reported as parts of profit or loss for the period	(73,437)	(61,006)
Interest incomes calculated using the effective interest rate method	(4,479,529)	(2,963,572)
Other interest incomes	(69,489)	(102,896)
Unrealized foreign exchange difference	(619,708)	(601,197)
Cash flows from operating activities before changes in operating assets and liabilities	276,923	931,936
(Increase)/decrease in operating assets		
Deposits with banks	(32,912,669)	(2,501,958)
Accounts receivable on insurance and reinsurance	(385,673)	(59,298)
Other assets	(255,026)	26,771
Increase/(decrease) in operating liabilities		
Accounts payable on insurance and reinsurance	28,944	(118,220)
Other liabilities	145,715	63,186
Net use of cash from operating activities before received fee and paid income tax	(33,101,786)	(1,657,583)
Paid income tax	(588,308)	(367,057)
Received fee	3,486,196	2,513,306
Paid fee	(541)	(786)
Cash flows (used)/received (in)/from operating activities	(30,204,439)	487,880

KazakhExport Export Insurance Company JSC

Statement of Cash Flows for the year ended 31 December 2019

	2019 thousand tenge	2018 thousand tenge
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and redemption for investment securities	1,062,500	-
Acquisition of debt securities	(13,284,230)	-
Acquisition of property, plant and equipment, and intangible assets	(30,218)	(31,183)
Cash flows used in investing activities	(12,251,948)	(31,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	34,000,000	-
Repayment of loan obtained from Samruk-Kazyna JSC	(92,460)	(92,460)
Paid dividends	(475,666)	(639,389)
Cash flows from/(used in) financing activities	33,431,874	(731,849)
Net decrease in cash and cash equivalents	(9,024,513)	(275,152)
Effect of changes in foreign exchange rates by amount of cash and cash equivalents	(191,201)	101,231
Cash and cash equivalents at the beginning of the year	26,871,413	27,045,334
Cash and cash equivalents at the end of the year (Note 11)	17,655,699	26,871,413

KazakhExport Export Insurance Company JSC

Statement of Changes in Equity for the year ended 31 December 2019

thousand tenge	Share capital	Additional paid capital on loan obtained from Samruk-Kazyna JSC at the rate below the market rate	Equalization provision	Provision for allied perils	Provision for changes in fair value of securities	Retained earnings	Total equity
Balance as at 1 January 2019	37,100,000	732,819	7,904	510,942	(1,267,664)	6,225,669	43,309,670
Total comprehensive income							
Profit for the year	-	-	-	-	-	2,355,584	2,355,584
Other comprehensive income							
<i>Items, which were or may be subsequently reclassified as parts of profit or loss:</i>						r*	
Net change in fair value	-	-	-	-	3,897	-	3,897
Total other comprehensive income	-	-	-	-	3,897	-	3,897
Total comprehensive income for the year	-	-	-	-	3,897	2,355,584	2,359,481
Transactions with owners reported directly as parts of equity							
Share issue	34,000,000	-	-	-	-	-	34,000,000
Paid dividends (Note 16(c))	-	-	-	-	-	(475,666)	(475,666)
Transfer to provision for allied perils (Note 16(d))	-	-	-	2,044,258	-	(2,044,258)	-
Transfer to equalization reserve	-	-	58,015	-	-	(58,015)	-
Total transactions with owners	34,000,000	-	58,015	2,044,258	-	(2,577,939)	33,524,334
Balance as at 31 December 2019	71,100,000	732,819	65,919	2,555,200	(1,263,767)	6,003,314	79,193,48

KazakhExport Export Insurance Company JSC

Statement of Changes in Equity for the year ended 31 December 2019

thousand tenge	Share capital	Additional paid capital on loan obtained from Samruk-Kazyna JSC at the rate below the market rate	Equalization provision	Provision for allied perils	Provision for changes in fair value of securities	Retained earnings	Total equity
Balance as at 1 January 2018	37,100,000	732,819	62,114	-	(1,849,217)	6,142,446	42,188,162
Effect from transition to IFRS 9 as at 1 January 2018	-	-	-	-	343,791	(406,208)	(62,417)
Restated balance as at 1 January 2018	37,100,000	732,819	62,114	-	(1,505,426)	5,736,238	42,125,745
Total comprehensive income							
Profit for the year	-	-	-	-	-	1,585,552	1,585,552
Other comprehensive income							
<i>Items, which were or may be subsequently reclassified as parts of profit or loss:</i>							
Net change in fair value	-	-	-	-	237,762	-	237,762
Total other comprehensive income	-	-	-	-	237,762	-	237,762
Total comprehensive income for the year	-	-	-	-	237,762	1,585,552	1,823,314
Transactions with owners reported directly as parts of equity							
Paid dividends (Note 16(c))	-	-	-	-	-	(639,389)	(639,389)
Transfer to provision for allied perils (Note 16(d))	-	-	-	510,942	-	(510,942)	-
Transfer to equalization reserve	-	-	(54,210)	-	-	54,210	-
Total transactions with owners	-	-	(54,210)	510,942	-	(1,096,121)	(639,389)
Balance as at 31 December 2018	37,100,000	732,819	7,904	510,942	(1,267,664)	6,225,669	43,309,670

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