

# Contents

Speech of the Chairman of the Board of Directors.....	4
Speech of the Chairman of the Management Board.....	6
Key events in 2017.....	8
2017 Key performance indicators.....	9
1. Company information.....	10
2. Development strategy.....	12
3. Products and services of the company.....	12
4. Interactive activity results review .....	15
5. Market share for major activities.....	17
6. Sales of products/Service sector.....	20
7. General information on plans for further periods.....	24
8. Corporate governance.....	25
9. Report on activities of the Board of Directors.....	32
10. Report on the activities of the Management Board .....	36
11. Remuneration system of the Management Board members and the Board of Directors.....	36
12. Internal control, risk management and internal audit.....	37
13. Staff policy.....	40
14. Annual financial statements.....	42



## Speech *of the Chairman of the Board of Directors*

### **Dear Ladies and Gentlemen!**

The strategic course of the country's development determined by N.A. Nazarbayev, the President of the Republic of Kazakhstan, in his message «The Third Modernization of Kazakhstan: Global Competitiveness» is aimed at diversification of economy and large

scale industrialization with focus on development of competitive export production in priority sectors.

Nowadays Kazakhstani products are exported to 123 countries of the world.

In order to ensure the further growth of non-commodity export volumes,

the Government intends to find complex solutions to challenges aimed at improving the institutional framework of support of Kazakhstani exporters.

In this regard, the establishment of an export development institution in accordance with the best world practices became a key step. In February of 2017, the Export-Credit Insurance Corporation «KazExportGarant» JSC was reorganized into the Export Insurance Company «KazakhExport» JSC and was included into the list of National companies by a Government Resolution in March of 2017.

The National Export Strategy of the Republic of Kazakhstan was approved for 2018–2022 aimed at creating conditions to increase non-commodity export volumes 1,5 times up to 1 bln. USD by 2022 and diversifying market outlets and exports of goods and services.

The State programme of industrial and innovative development of the Republic of Kazakhstan was updated for 2015–2019, within the framework of which the national export development is prioritized including establishment of a fully operating export and credit agency.

In 2017, Kazakhstan was the 51st in the world for exports of goods.

The exportation is predominantly presented by primary products as well as non-commodity goods of a low processing. At the same time, for the last 10 years, the exports of services including transport services, tourist services, and construction and mechanical engineering services has increased almost 2 times having reached \$6,4 bln. in 2017.

There was a steady tendency of the export geography expansion.

The Kazakhstan foreign trade turnover increased by 25% to 77,6 bln. USD against 2016, the exports increased by 32% amounting to 48,3 bln. USD. In addition, the share of exports in the manufacturing industry where sales of products from the metallurgical and oil refining industries prevail in the total export volumes of Kazakhstan has increased from 23% to 32% over the last 4 years.

In 2017, KazakhExport supported over 40 Kazakhstani export enterprises. Over 200 insurance agreements were made, under which export contracts amounting to more than 550 mln. USD were supported. 1 859

export shipments of Kazakhstani products from the food, chemical, metallurgical and mechanical engineering industries to countries such as Azerbaijan, Belarus, Germany, Czech Republic, Georgia, China, Mongolia, Kyrgyzstan, Russia, Tajikistan and Uzbekistan were insured.

Subject to the tasks set to KazakhExport, the 2023 Company Development Strategy was updated, the capitalization of KazakhExport to the amount of 13,9 bln. KZT was performed, and new instruments of non-commodity export support were introduced.

The financial reliability rating of the Company according to the Moody's Investors Service was confirmed at the level of «Baa3» and financial reliability rating forecast was improved from «negative» to «stable». It is very important that the Moody's Rating Agency confirmed the Company's rating at a level of the sovereign rating of the Republic of Kazakhstan not for the first time.

KazakhExport is a full-fledged member of international associations such as the Prague Club of the Berne Union and the Aman Union that include the world's largest export credit agencies. The company has an extensive partner network in Tajikistan, the Russian Federation, Uzbekistan and other countries.

The planned and already introduced system and operational measures will allow increasing the performance of KazakhExport National Company and ensure the assumption of insurance obligations 3 times more in 2018 against the level of 2017.

The Chairman of the Board of Directors,  
Deputy Prime Minister  
of the Republic of Kazakhstan  
E. Dossaev



## Speech ***of the Chairman of the Management Board***

### **Dear Clients, Partners and Colleagues!**

We would like to bring to your attention the Annual Report according to the results of the activity of the Export Insurance Company «KazakhExport» JSC over 2017. That year was very important for us, we did not only change the name and got the status of a national company

but reviewed our goals and objectives having focused on manufacturing enterprises.

That year we focused on creation and development of modern and up-to-date financial instruments to support non-commodity exports thereby



KazakhExport is currently able to support export contracts at all stages of the implementation thereof, from the creation of fixed assets up to the search for export markets and the structuring of export transactions.

Today, our partners are both representatives of small and medium-sized businesses in Kazakhstan, as well as large industrial and production companies such as «Rakhat» JSC, «Kantau Transformer Works» JSC, «Ural Transformer Works» LLC, «Hyundai Trans Auto» LLC, «RG Brands Kazakhstan» LLC, «Khlopkoprom-Cellulose» LLC, «Raimbek Bottlers» LLC, «Kostanay «Confectionary Factory of Bayan Sulu» JSC, GC «Agroproduct» and many others.

In 2017, we developed a set of instruments to support domestic services exporters and implemented a pilot project.

We are sure that the said area of activity of KazakhExport will provide a lot of opportunities for domestic enterprises that gained a great experience in the engineering and construction of infrastructure and industrial facilities.

The widening of cooperation with national development institutions as well as with international financial institutions and second-tier banks is a step to achieve the goal of providing a comprehensive, easy-to-access and transparent support of Kazakhstan exporters.

We made first transactions with new partners such as Eurasian Development Bank and «Agrarian Credit Corporation» JSC in 2017. We hope that we will be able to simplify access to cheap and long-term credit resources of development institutions by opening new ways for development of domestic exporters.

In 2018, we will continue work on the institutional development of KazakhExport on the increase in exporters' support volumes and the number of enterprises that increased their exports by means of our instruments!

I am thankful to all the clients and partners of KazakhExport for the effective and mutually beneficial cooperation.

The Chairman of the Management Board  
R. Iskakov

## KEY EVENTS IN 2017

CAPITALIZATION IN THE AMOUNT OF 13,9 BLN. KZT TO SUPPORT FINANCIAL STABILITY AND TO INCREASE A SCOPE OF SUPPORT PROVIDED



TRANSFORMATION OF EXPORT-CREDIT INSURANCE CORPORATION «KAZEXPORTGARANT» JSC INTO EXPORT INSURANCE COMPANY «KAZAKHEXPORT» JSC AND ENTRY IN THE LIST OF THE NATIONAL COMPANIES



UPDATING THE KAZAKHEXPORT DEVELOPMENT STRATEGY FOR 2014-2023 IN ACCORDANCE WITH THE NATIONAL EXPORT STRATEGY OF THE REPUBLIC OF KAZAKHSTAN



LAUNCHING SUPPORT TOOLS TO EXPORT SERVICES AS A PILOT PROJECT



MAKING A TRANSACTION TO INSURE A LOAN WITH THE EURASIAN DEVELOPMENT BANK UNDER THE AGREEMENT ON COOPERATION FOR ASSISTANCE IN EXPORTATION OF MANUFACTURED GOODS AND SERVICES



SIGNING A COOPERATION AGREEMENT WITH THE «AGRARIAN CREDIT CORPORATION» JSC, UNDER WHICH KAZAKHEXPORT'S COVERAGE SHALL BE DEEMED TO BE A HIGHLY LIQUID SECURITY



LAUNCHING AN EXPORT TRADE FINANCE INSTRUMENT IN RUSSIAN RUBLES AIMED AT STIMULATING EXPORTS TO THE RUSSIAN FEDERATION WITH THE PARTICIPATION OF MAJOR RUSSIAN BANKS («SBERBANK OF RUSSIA», «ABSOLUTBANK», «AK BARS BANK», «RAIFFEISENBANK» JSC, «ALFA BANK» JSC). THE IMPLEMENTATION OF THE TOOL ALLOWED THE KAZAKHSTAN PRODUCERS TO INCREASE THEIR SUPPLIES OF FERROSILICON MANGANESE, SODIUM SALT, BATTERIES AND CONFECTIONERY PRODUCTS TO THE TERRITORY OF THE RUSSIAN FEDERATION



EXPANSING THE NETWORK OF PARTNER BANKS OF THE REPUBLIC OF KAZAKHSTAN



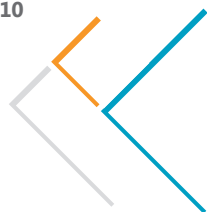
REIMBURSEMENT OF «KAZAKHEXPORT» JSC FOR UNEXECUTED LETTERS OF CREDIT BY «TOJKSODIROTBANK» JSC IN THE AMOUNT OF 3,5 MLN. USD.



IMPROVING A FORECAST ON THE CREDIT RATING OF «BAA3» BY MOODY'S FROM «NEGATIVE» TO «STABLE»

# 2017 KEY PERFORMANCE INDICATORS

Indicator	2017
<b>High-priority indicators of the Company</b>	
ROE, (%)	5,69
ROA (%)	6,26
Credit rating	Not below the current one (Baa3)
Operating income (ths. KZT)	2 047 955
Debt/equity	0,09
Volume of assets to GDP, (%)	0,09
Labor productivity (ths. KZT)	52 512
Share of the local content in purchases of goods, works and services (%)	83
<b>Strategic direction 1: Developing financial and insurance support of Kazakhstan exports</b>	
Increase in the scope of obligations assumed, mln. KZT	40 087
Scope of premiums under insurance contracts mln. KZT	1 060
Share of non-commodity exports (%)	3,9
Increase in the scope of trade financing provided (mln. KZT)	2 454
Scope of pre-export financing provided (mln. KZT)	4 803
<b>Strategic direction 2: Non-financial support for export activities of Kazakhstan companies</b>	
Share of export-oriented enterprises that received consulting services (%)	10,2
<b>Strategic direction 3: Reinsurance</b>	
Scope of collection of reinsurance net premiums, mln. KZT	281,8



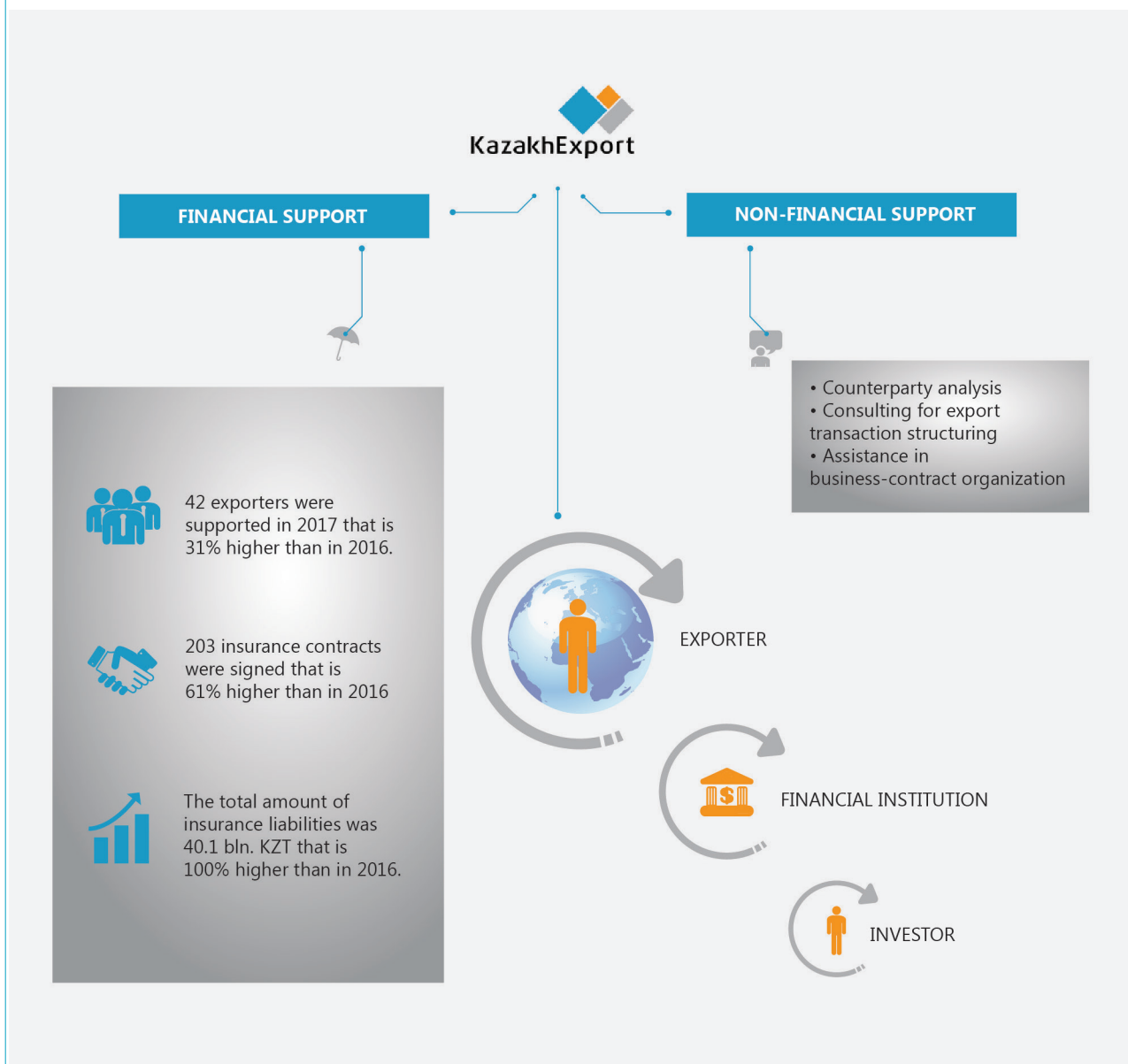
# 1. COMPANY INFORMATION

The Export Insurance Company «KazakhExport» (hereinafter – the «Company») is a national development institution established to support Kazakhstan exports through the implementation of insurance instruments to protect export operations. The Company offers insurance services for commercial and political risks accompanying the implementation of foreign economic contracts of exporting enterprises of the non-commodity sector.

## MISSION

To support the growth of exports of non-commodity goods, jobs and services in priority sectors of the economy and to develop practices of financial & insurance, and non-financial support of Kazakhstan enterprises.

## COMPANY'S BUSINESS-MODEL





## COMPANY'S HISTORY AND ACHIEVEMENTS

- 2003** Establishment of the Company (Resolution of the Government of the Republic of Kazakhstan No. 442)
- 2004** Joining the Prague Club of the Berne Union – Association of the largest international export credit agencies (37 agencies, 34 countries and 3 transnational organizations)
- 2004** Assignment of the international financial stability rating by the Moody's Investors Service rating agency
- 2005–  
till now** Operating as a reinsurance company in the insurance market, both on a proportional basis and on a non proportional basis
- 2010** Increase of the authorized capital to support operations on export trade financing
- 2012** For the first time in the history of Kazakhstan, domestic locomotives were exported to the Republic of Tajikistan with the financial and insurance support of the Company
- 2013** Joining Baiterek NMH JSC (Sole Shareholder)
- 2014** Joining the Aman Union – Association of the largest export credit agencies of Islamic states and the Arab world
- 2015** Assignment of the status of an Observer for the Berne Union established in 1934 and representing an unofficial union of insurance companies engaged in insurance of export credits and investments
- 2015** For the first time in the history of Kazakhstan, with the participation of the Company, the first export transaction of the international level was concluded under the leasing financing structure to supply 10 domestic locomotives to the Republic of Azerbaijan
- 2016** Expansion of the range of insurance support instruments: voluntary loan insurance, advance payment insurance, trade financing in the national currency and Russian rubles, as well as financial leasing insurance
- 2016** Capitalization of the Company in the amount of 14 bln. KZT, financial resources were intended to provide support to exporters through the implementation of pre-export and export trade finance instruments
- 2016** Joint credit transactions were made with the Development Bank of Kazakhstan JSC, under which the Company provided with insurance coverage through a loan insurance product. The total amount of the provided financing amounted to 7,2 bln. KZT and was aimed at developing exports of chemical industry products (ammonium nitrate, nitrogen fertilizers and sodium cyanide). Part of the risks under the said transactions were transferred to professional participants of the Kazakhstan insurance market for reinsurance that allowed raising the capital of private insurance companies into support tools
- 2016** Licenses for additional insurance classes – «Loan Insurance» and «Civil Liability Insurance» were obtained from the National Bank of the Republic of Kazakhstan, and rules were prepared and new export support tools were implemented including voluntary loan insurance, advance payment insurance, pre-export financing, and leasing insurance

## 2. DEVELOPMENT STRATEGY

### PERSPECTIVE

The perspectives of the Company by 2023 are to become a key institution for development in the implementation of the state foreign economic policy of the Republic of Kazakhstan in Central Asia and the countries of the Eurasian Economic Union.

### STRATEGIC DIRECTIONS, GOALS AND OBJECTIVES UNTIL 2023

The Company has ambitious goals to increase the volume of export support in accordance with the National export strategy of the Republic of Kazakhstan for 2018-2020, the purpose of which is the creation of conditions to increase a volume of non-commodity exports 1,5 times by 2022. A course towards the institutional strengthening of the Company was adopted to increase and diversify Kazakhstan exports including a further capitalization, receipt of a state guarantee and human capital development.

## 3. PRODUCTS AND SERVICES OF THE COMPANY

The Company provides such insurance instruments to support national exports as developed in accordance with the best practices of export credit insurance, and complying with the needs of prospective and current clients as much as possible.

- Products for exporters.
- Products for financial institutions.
- Products for investors.

No.	Product	Brief Description of the Product	Risks covered
Products for exporters			
1	Export credit insurance	Protection of the exporter against the risk of non-fulfillment of financial liabilities by a foreign counterparty when selling exporter's goods/work/services for export on the condition of deferred payment	Commercial and political
2	Pre-export financing	Financing the exporter for the replenishment of working capital to manufacture export products or to perform export-oriented works/services	Commercial and political





3	Advance payment insurance	Obtaining alternative financing in the form of advance payments from foreign contractors required for the replenishment of circulating assets with a view to manufacture export products or to perform export-oriented works/services	Commercial and political
4	Insurance of exporters' civil liability on bonds	Protection of holders of bonds issued by exporters to perform export contracts against the default risk	Commercial and political
<b>Products for banks and factoring companies</b>			
5	Documentary letter of credit insurance	Protection of the exporter's bank (confirming bank) against the risk of a failure to fulfill financial liabilities by the issuing bank, which opened a documentary letter of credit on behalf of the buyer of Kazakhstan goods in favor of the exporter	Commercial and political
6	Export trade financing	The financing shall be provided to the importer of Kazakhstan goods indirectly through second-tier banks as part of the letter of credit payment method	Commercial and political
7	Credit line insurance	The possibility of obtaining access to loan capital for the development of exports subject to an insufficient collateral and/or unwillingness of the creditor to assume a transaction risk in full	Commercial and political
8	Financial leasing insurance	Obtaining access to leasing products to acquire equipment, provided that there is an insufficient bid security and/or unwillingness of the lessor to accept a transaction risk in full; International leasing of Kazakhstan machine-builders' products	Commercial and political
9	Bank payment guarantee Insurance	The product provides an opportunity for participants of international tenders to provide bank guarantees issued by second-tier banks of the Republic of Kazakhstan, without the condition of confirmation from foreign financial institutions	Commercial and political
10	Bank guarantee insurance	Protection of financial institutions from the default risk by a foreign bank	Commercial and political
11	Exporter's insurance for forward exchange transactions	The product is aimed at hedging currency risks of exporters	Commercial and political
12	International factoring insurance	Insurance coverage of a financial institution in factoring operations against the risk of non-performance by the buyers of Kazakhstan goods of their contractual obligations	Commercial and political
<b>Products for investors</b>			
13	Insurance of Kazakhstan Investments abroad	Protection of a Kazakhstan investor against the risk of loss due to political risks in the country of investment	Political



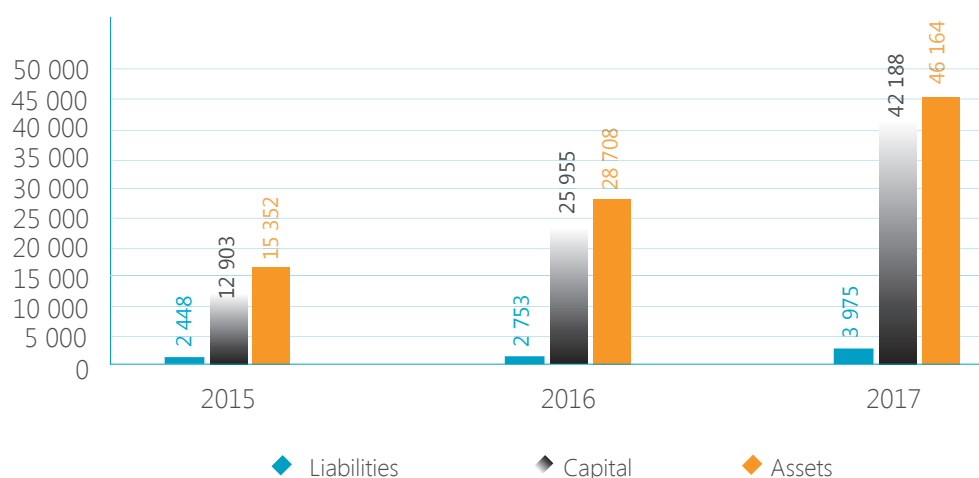
## 4. INTERACTIVE ACTIVITY RESULTS REVIEW

As of December 31, 2017, the Company's assets were 46 164 mln. KZT. The increase was due to the

capitalization in the amount of 13,9 bln. KZT.

**Dynamics of liabilities, capital and assets over 2015-2017**

(mln. KZT)

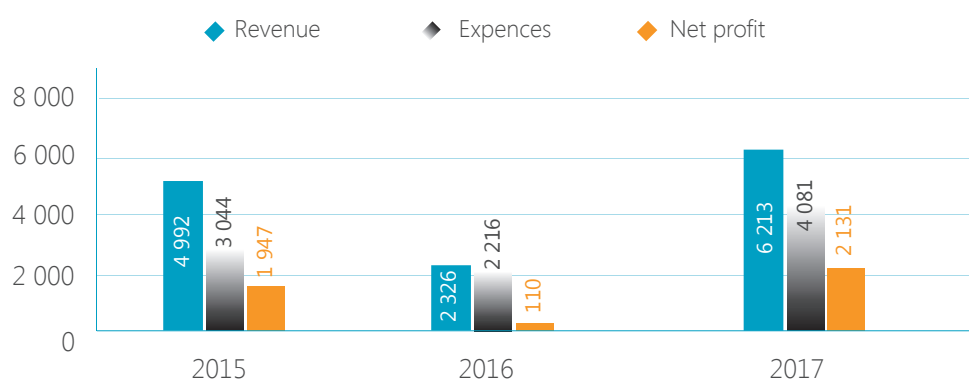


As of December 31, 2017, the own capital of the Company was 42 188 mln. KZT.

Based on the results of 2017, the liabilities amounted to 3 975 mln. KZT.

**Revenue and expenses over the period of 2015-2017**

(mln. KZT)



The total revenue for 2017 amounted to 6 213 mln. KZT including:

- 1) insurance premiums – 1 060 mln. KZT;
- 2) income from reinsurance – 846 mln. KZT;
- 3) income from tied deposits – 141 mln. KZT;
- 4) income from financial instruments – 2 849 mln.

KZT, including:

- remuneration for bank deposits - 2 234 mln. KZT;
- incomes on REPO operations - 91 mln. KZT;
- income from securities - 524 mln. KZT;
- 5) there was a positive value of the exchange rate

difference in the amount of 65 mln. KZT;

6) the total amount of reimbursed insurance payments was 1 251 mln. KZT.

The total costs over 2017 including the corporate income tax amounted to 4 081 mln. KZT including:

1) Expenses from the operating activities – 2 725 mln. KZT. The total amount of payments for insurance, reinsurance and settlement of claims over 2017 amounted to 1 375 mln. KZT including 1 244 mln. KZT paid to «Tojiksodirotbank» JSC for unfulfilled liabilities. The premiums transferred to reinsurance

and commission amounted to 572 mln. KZT. The net amount of reserves was 775 mln. KZT.

2) The total administrative expenses were 891 mln. KZT.

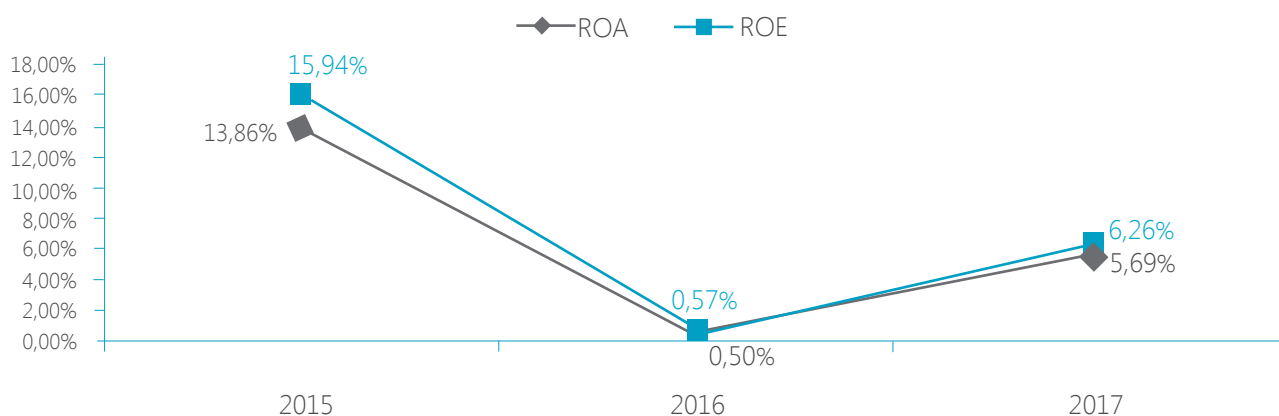
3) Expenses from financing – 33 mln. KZT.

4) The Corporate Income Tax amounted to 432 mln. KZT.

At the end of 2017, the financial results were 2 131 mln. KZT.

The ROA and ROE indicators were 5.69% and 6.26%.

Financial Output-Input Ratio for the period of 2015-2017



As of December of 31,

2017,

the Company's  
assets were



**46 164 mln. KZT**

As of December of 31,

2017,

the Company's equity  
capital was



**42 188 mln. KZT**

The increase

was due to the  
capitalization to the  
amount of



**13 900 mln. KZT**

Based on the results

of 2017,  
the liabilities were



**3 975 mln. KZT**



## 5. MARKET SHARE FOR MAJOR ACTIVITIES

### INSURANCE

Insurance activities in the Republic of Kazakhstan are carried out by legal entities that have a license for the conduct of insurance activities from the authorized body.

As of January 1, 2018, the insurance market structure is represented by 32 companies<sup>1</sup>.

#### *Structure of the insurance market of the Republic of Kazakhstan for the period of 2015-2018*

Institutional structure of the insurance sector	01.01.2015	01.01.2016	01.01.2017	01.01.2018
Number of insurance organizations (reinsurance)	34	33	32	32
<i>Including life insurance</i>	7	7	7	7
Number of insurance brokers	15	15	15	15
Number of actuaries	71	61	59	58
The number of (re)insurance organizations that are members of Insurance Compensation Fund JSC	30	30	22	22
Number of representative offices of non-resident insurance organizations of the Republic of Kazakhstan	3	3	3	3

And despite the fact that many insurance organizations have licenses for almost all classes of insurance in the General Insurance industry, they do not insure export credits and investments abroad from the risks of non-payment. These functions in the market of Kazakhstan are carried out exclusively by KazakhExport.

The Company's activities are aimed at developing non-commodity exports of the country by implementing insurance support instruments. The main macroeconomic indicator influencing the activity of the Company is the export of products of the manufacturing sector of the economy.

The structure of Kazakhstan's exports shows that Kazakhstan mainly exports primary commodities. The growth in the total volume of national exports in 2017 was above all due to the drop in prices for energy resources for the period under review, since oil supplies constitute a significant share of Kazakhstan's exports.

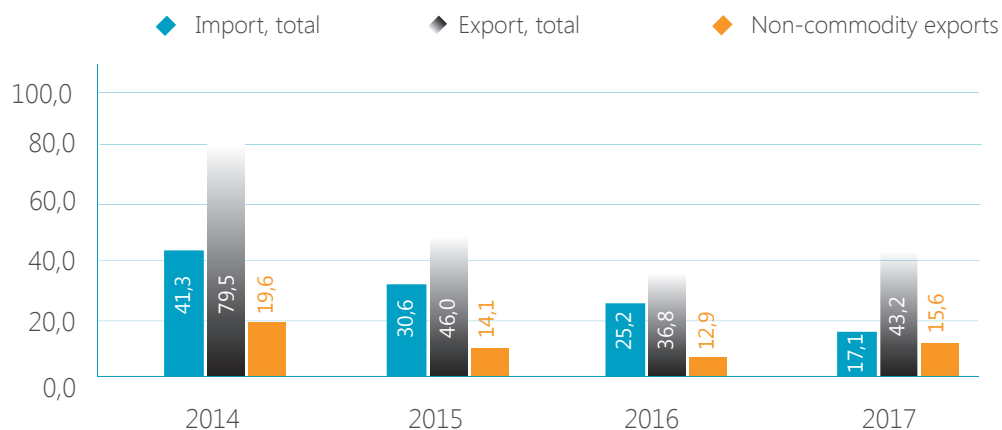
The share of non-commodity exports in 2017 in the structure of total exports was 36%<sup>2</sup> (in 2016 – 35%), respectively, the raw materials volume was 64% (in 2016 – 65%). Compared to 2016, the share of non-commodity exports in 2016 increased by 1%, although the total volume of non-commodity exports in value terms increased by 20%.

<sup>1</sup>According to the report of the National bank of Kazakhstan on the current condition of the insurance sector

<sup>2</sup>According to the data of the National Company «Kazakh Invest» JSC

## Dynamics of foreign trade and volumes of non-commodity exports over the period of 2014-2017

(in bln. USD)



Despite the overall decline in exports since 2014, in 2017, there was a positive dynamics in the export volume as well as an increase in the insurance

coverage due to stage-by-stage Company's core activities expansion.

### REINSURANCE

During 2015-2017, the Company's estimated capacity (share) of the reinsurance market was estimated on the basis of the amount of a reinsurance premium transferred to residents for reinsurance.

And the Company accepts no reinsurance risks for highly unprofitable insurance classes such as «motor transport insurance», «annuity insurance», «medical reinsurance» and some types of civil liability insurance.







### **Estimated capacity (share) of the reinsurance market over 2015-2017**

**(in mln. KZT)**

Indicators	Period		
	2015	2016	2017
Total amount of premiums	288 272	356 903	370 173
Transferred to reinsurance, total	89 883	131 580	129 736
(in %)	31,18%	36,87%	35,05%
of which, those transferred to residents for reinsurance	14 614	18 327	20 668
(in %)	5,07%	5,14%	5,58%
Collection of the Company's net reinsurance premiums	492	297	281
Share of the Company In % of market premiums transferred to residents	3,37%	1,62%	1,36%

The company focuses on core activities and does not plan to increase the volume of business in reinsurance to the common market.

## 6. SALES OF PRODUCTS/ SERVICE SECTOR

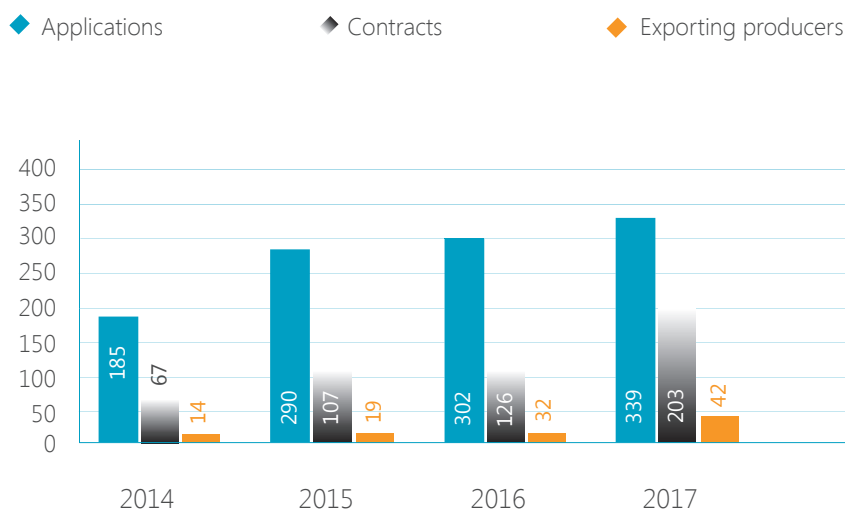
### INSURANCE

According to the results of 2017, the Company supported 42 domestic exporters involved in the manufacturing industry and signed 203 insurance contracts (in

2016, the number of supported exporters was 32 and 126 insurance contracts were signed) for a total amount of 40,1 bln. KZT of insurance liabilities.

#### Dynamics in the number of applications, concluded insurance contracts and exporters over 2014-2017

(in pcs.)



The following factors were the main reasons for the refusal of applications:

- impossibility to identify the counterparty;
- no finance reporting; existence of a non-classified risk;
- unsatisfactory financial reporting indicators;
- recent establishment of the counterparty;
- registered legal claims etc.

In 2017, the existing instruments were updated, and three new insurance instruments were launched:

- insurance of exporter's civil liability on bonds;
- insurance of exporter's civil liability on forward exchange transactions;
- international factoring insurance.

Due to the implementation of new export support tools, and with a view to satisfy the needs of domestic exporters as much as practical at

all stages of a transaction, the following opportunities emerged:

- Obtaining access by Kazakhstan exporters to the crediting and leasing if pledges are insufficient, and attracting advance payments from foreign buyers to manufacture export products or to finance pre-export purchases due to the available financing from the Company;
- service companies (exporters of services) have the opportunity to participate in international tenders under guarantees issued under the insurance coverage of the Company;
- foreign buyers of Kazakhstan goods have the opportunity to purchase the necessary amount of goods due to the available export financing from the Company.

### EXPORTER'S CREDIT INSURANCE

The confectionary factory «Bayan Sulu» has been using insurance since 2009. With the assistance of KazakhExport, it exports more than a third of its production to the Russian Federation, Germany and Azerbaijan. More than 40 Russian companies signed contracts and sell Kazakhstani confectionary in the territory from Kaliningrad to Vladivostok. In total, 55 export contracts were signed, the share of the company's export revenue reached 40% of the total revenue in 2017.

### LETTER OF CREDIT INSURANCE

Supported by KazakhExport, «Saryarka-Avtoprom» LLP signed a contract for the supply of 1,000 JAC S3 cars to Tajikistan. The total value of the project amounted to 10,5 mln. USD. In October 2017, the first batch of 55 cars produced in Kazakhstan

was transferred to the taxi fleet of Dushanbe. The subsequent batches of cars will be supplied according to the needs of the importer until the full discharge of obligations under the contract.

### CREDIT LINE INSURANCE

The insurance coverage by KazakhExport solved the problem of insufficiency of pledges for «RG Brands Kazakhstan» LLP. The borrowed capital received by the company from the Eurasian Development Bank under the insurance coverage allowed the enterprise to replenish its working capital and to have the opportunity to increase export volumes. As part of that project, the annual product exports are to be increased up to over 10 bln. KZT to the Russian Federation, Kyrgyzstan, Turkmenistan and Tajikistan.

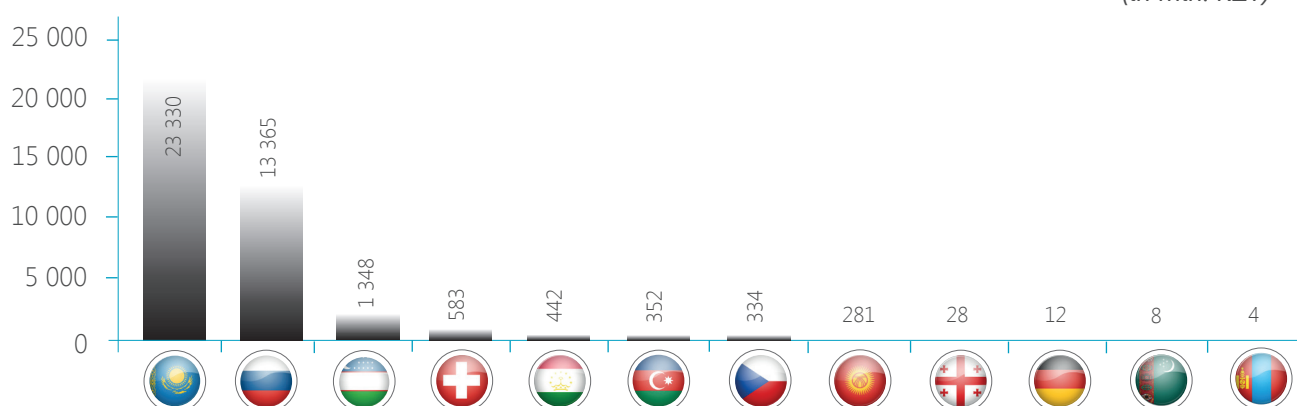
Due to the implementation of a voluntary loan insurance instrument, 9 export-oriented enterprises were supported including «Molproduct» LLC (dairy products), «Akorda Capital» LLC (food products), «RG Brands Kazakhstan» LLC (drinks), «Chlopkoprom-Cellulose» LLC (cellulose), «Bayan Sulu» JSC (confectionery products), «Kaz-Ir Agro» LLC (safflower oil), «PC AGF Group» LLC (textiles), «Integra Construction KZ» LLC (construction of cars and railway roads).

### BANK PAYMENT GUARANTEE INSURANCE

In 2017, KazakhExport supported «Integra Construction KZ» LLP (earlier – «Zhol Zhondeushi» LLP) by providing insurance coverage in favor of the issued insurance bank guarantee, which contributed to the export of services in the construction of railways and highways totaling 46,5 mln. EUR in the projects implemented by the Kazakhstani company in the territory of Georgia.

### Insurance liabilities assumed by the countries in 2017

(in mln. KZT)

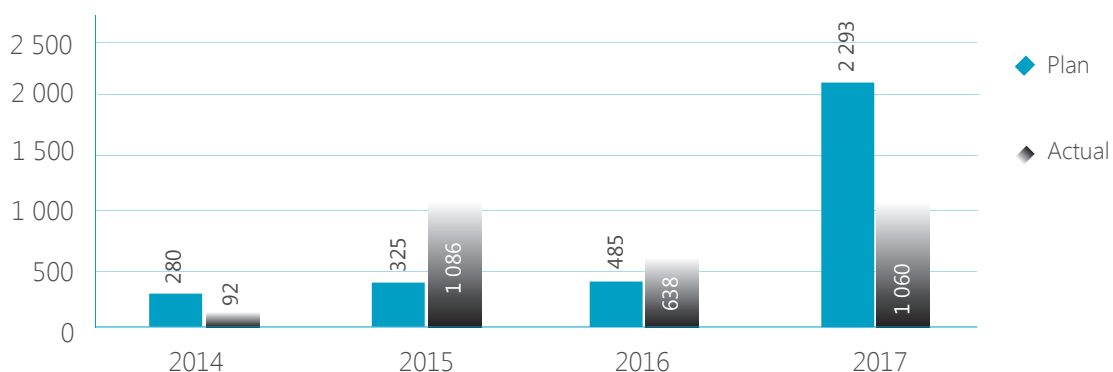


Over the reporting period, insurance premiums for a total amount of 1 060 mln. KZT were accrued.



Dynamics of insurance premiums accrued over 2014-2017

(in mln. KZT)



Data on the exporters who obtained the financial and insurance support in 2017 (in the context of the RK oblasts and industries):



Qualitative changes were made in the supported exports structure. Earlier, the most of the supported exporters were trading companies, as a rule, exporters of agricultural raw materials, in 2017, all the supported

exporters and accordingly, export contracts were referred to the manufacturing and services sector.

In 2017, the Company entered into joint loan insurance transactions with the subsidiary organization

of «Baiterek NMH» JSC («Kazakhstan Development Bank» JSC), under which the exporters («KazAzot» LLP and LLP «Talas Investment Company», «Moldproduct» LLP, «Bayan Sulu» JSC) obtained access to the pre-export financing totaling to 12,8 bln. KZT that allowed supporting export contracts for the supply of chemical products (ammonium nitrate and nitrogen fertilizers and sodium cyanide) for a total of more than 16,3 bln. KZT.

In addition, risks in the amount of 2,8 bln. KZT were reinsured in the domestic insurance market of the Republic of Kazakhstan, in accordance with reinsurance contracts.

As part of the implementation of the State Program for Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019 (hereinafter referred to as the «SPIID»), in October 27, 2016, the Company's capital was increased by 14 bln. KZT. The Company's capitalization is aimed at providing support to exporters through pre-export and export trade finance instruments.

The financing for these instruments is provided indirectly through second-tier banks of the Republic of Kazakhstan by making a conditional deposit. Funds are used on a revolving basis.

#### PRE-EXPORT FINANCING

Under the SPIID in 2017, the volume of the pre-export financing provided amounted to 4 803 mln. KZT, and export contracts to supply export products of general and heavy engineering, food (confectionery, salt, beverages), agricultural and chemical industries were supported.

In 2017, in relation to the pre-export financing product, KazakhExport supported Alageum Electric JSC's Group of Companies (Kantau Transformer Works and Ural Transformer Works). The Group got the financing for a total of 1,5 bln. KZT. Export supplies of transformers worth over 2,5 bln. KZT were insured, resulting in the increased volume of production and, accordingly, increased export of products (transformers) to the CIS countries: the Russian Federation, Tajikistan, Kyrgyzstan.

#### TRADE FINANCING

The volume of trade financing provided for 2017 amounted to 2 454 mln. KZT. With the participation of partner banks («Eurasian Bank» JSC, «Sberbank» JSC, «Kazkommertsbank» JSC, «Tsesnabank» JSC), export contracts to supply export products of mechanical engineering (batteries), food (confectionery, salt) and chemical industries were supported.

«Kaynar AKB» LLP, the leading manufacturer of batteries in Kazakhstan, exports its products to the Russian Federation by attracting the trade financing from KazakhExport. In 2017, the total value of exports subject to the said support amounted to more than 1 bln. KZT.

In March 18, 2017, the Company was capitalized by 13,9 bln. KZT to maintain its financial stability and to increase the capacity of the financial and insurance support under export contracts. Funds were applied in full.

#### REINSURANCE

Over 2017, 382 inwards insurance contracts were concluded for a total amount 845 mln. KZT of accrued gross premiums and 24 outwards insurance

contracts for a total amount of of 572 mln. KZT of accrued premiums.

#### Data on reinsurance activity over 2015-2017:

(in mln.KZT)

Indicators	Period		
	2015	2016	2017
Gross inwards reinsurance premium incoming reinsurance premium	575	474	845
Payments made	170	77	63,70
Level of payments subject to reimbursement, (in %)	29,62	16,24	7,54

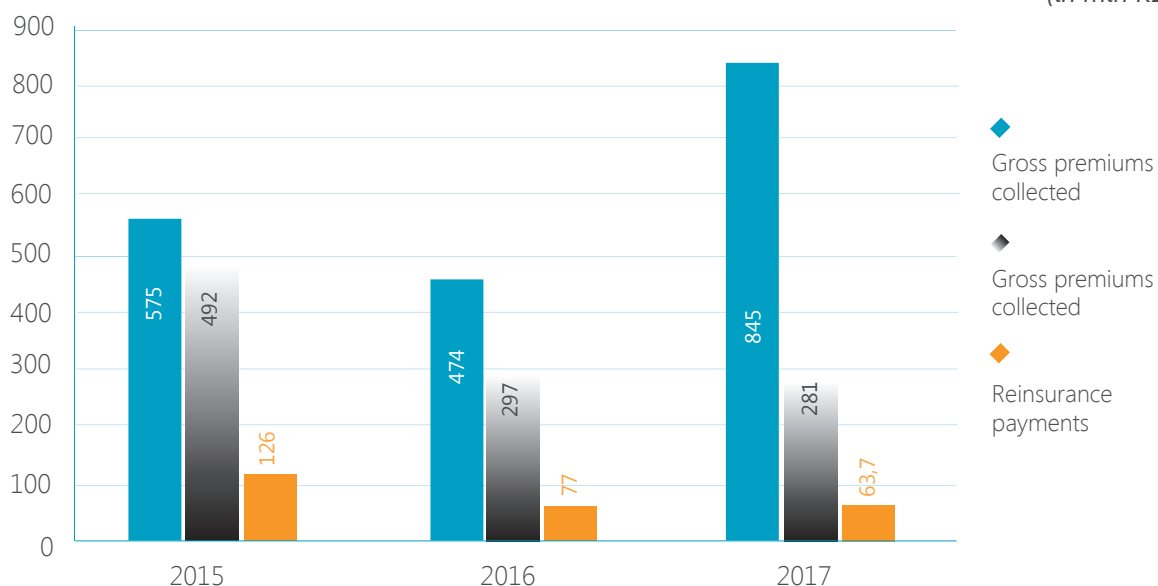
Due to the well-balanced Reinsurance Policy, the qualitative underwriting of reinsurance payments was

below the average level of payments in the market by 20%.



Dynamics of the collected premiums and reinsurance payments over 2015-2017

(in mln KZT)



## 7. GENERAL INFORMATION ON PLANS FOR FURTHER PERIODS

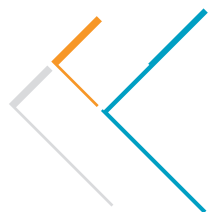
It is expected that at the next stage of the development of financial support for non-commodity exports, the key challenge the Company will be facing is an increase in the scale of support for export operations, the number of exporters and business entities that were supported planning to enter foreign markets.

In the coming year, a number of initiatives is planned to improve the level of reliability and confidence to the company from exporting enterprises, Kazakhstan and international financial institutions, and export credit agencies of the world.

As part of the planned activities, it is expected:

- to introduce a state guarantee for the Company's obligations;
- to further increase the Company's authorized capital;
- to introduce new instruments to support national exports;
- to amend some normative acts to enable a more effective support for the export development on the principle of a single window;
- to develop a network of foreign representative offices.





## 8. CORPORATE GOVERNANCE

The Company considers the corporate governance as a means of increasing the efficiency of the Company's activities, strengthening its reputation and reducing the costs of attracting capital. The Company considers the proper system of corporate governance as its contribution to ensure the supremacy of the legislation in the Republic of Kazakhstan and the factor that determines a place of the Company in a modern economy and society as a whole.

To ensure the compliance of the Company's corporate governance with the relevant standards of the Organization for Economic Cooperation and Development, the Company adopted the Corporate Governance Code (hereinafter – the «Code» being a set of rules and recommendations that the Company follows in the course of its activities to ensure efficiency, transparency, accountability, ethics in relations within the Company and with other interested parties.

### CORPORATE GOVERNANCE PRINCIPLES

The corporate governance of the Company is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence.

In its activities, the Company strives to follow standards of the proper corporate governance, constantly improving and developing its corporate governance system.

The corporate governance in the Company is based on the following basic principles:

- principle to protect the Sole Shareholder's rights and interests;
- principle to effectively manage the Company by the Board of Directors;
- principle to effectively manage the Company by the Management Board;
- principle of the Company's independent activities;
- principles of transparency and objectivity in the disclosure of information on the Company's activities;
- principles of legality and ethics;
- principles of an effective dividend policy;
- principles of an effective personnel policy;
- principle of environmental protection;
- principle of fair regulation of corporate conflicts and conflicts of interest;
- principle of responsibility.

Control over the Company's compliance with the Code is imposed on the Board of Directors of the Company. The Corporate Secretary monitors and advises the Board of Directors and the Management Board of the Company on the proper compliance with the Code, and also prepares an annual report on the compliance/non-compliance with its principles and regulations. Subsequently, the said report is submitted to the relevant committee of the Board of Directors and approved by the Board of Directors.

In December 2017, at the meeting of the Board of Directors of the Company, a report on the observance of the principles of the Corporate Governance Code of the Company in 2017 was considered and approved.

The Company follows the corporate governance principles and provisions set out in the Code and there are no cases of the non-observance of the principles and provisions of the Code in 2017.

To observe the corporate governance principles, the Company uses internal normative documents regulating the operation of the Company's bodies, the Code of Business Ethics, the Corporate Conflict Settlement and Conflict of Interest Policy and other internal documents that are designed to preserve the basic principles and corporate governance system. The Company constantly develops measures to improve the corporate governance system.

As part of improving the corporate governance system, from January 9 to February 10, 2017, the Internal Audit Service of the Company conducted an audit to diagnose the corporate governance according to the methods for diagnosing the corporate governance of the Company. Based on the results of the evaluations, the result of the compliance with the best practice of corporate governance was 80,1%, the total score of the effectiveness of the internal control system was 77,78% and the efficiency of the corporate risk management system was 67,67%.

Based on the results of the audit conducted by the Internal Audit Service of the Company, by a resolution of the Board of Directors of the Company, a plan of actions to improve the Corporate Governance of the Company for 2017-2018 (MoM No.3 dated April 24, 2017) was approved.

### INFORMATION ON THE SHAREHOLDER AND ORGANIZATIONAL STRUCTURE OF CORPORATE GOVERNANCE

The effective structure of corporate governance implies the respect of rights and interests of all parties

interested in the activities of the Company and contributes to its successful activities.

The corporate governance structure provides for a clear delineation of powers and responsibilities between the bodies, officials and employees of the Company, the competencies of the Company's bodies are assigned by the relevant internal documents on the bodies of the Company.

The corporate governance system of the Company is established as required by the current legislation of the Republic of Kazakhstan and includes the following bodies of the Company:

– The Supreme Body of the Company is the Sole Shareholder – «Baiterek» National Managing Holding JSC;

– The Supervisory Body of the Company is the Board of Directors exercising interests and protecting rights of the Sole Shareholder, as well as the general management of the Company's activities and control over the activities of the Company's Management Board within its competence;

– The Executive Body of the Company is the Management Board headed by its Chairman. The Management Board manages the day-to-day activities of the Company.

Supreme Body: Sole Shareholder	Supervisory Body: Board of Directors	Executive Body: Management Board
The Sole Shareholder is the Supreme Body of the Company, due the participation in which the Shareholder exercises his right to manage the Company. The rights and obligations of the Shareholder, his competence and other issues are assigned by the legislation of the Republic of Kazakhstan and the Articles of Association of the Company.	The Board of Directors is the Supervisory Body providing the strategic management of the Company and control over the activities of the Management Board. The Board of Directors ensures the full transparency of its activities to the Sole Shareholder, as well as the implementation of all provisions of the Code. The Board of Directors performs its duties in accordance with the legislation of the Republic of Kazakhstan, the Articles of Association of the Company, the Code, the Regulations on the Board of Directors and other internal documents of the Company. At the same time, the Board of Directors pays special attention to such issues as related to: 1) determination of the Development Strategy (directions and results); 2) formulation and monitoring of the efficiency coefficient set in the development strategy and/or development plan; 3) organization and supervision of an effective operation of the risk management system, internal control and internal audit; 4) approval and monitoring of an effective implementation of major investment projects and other key strategic projects within the competence of the Board of Directors; 5) election (re-election) of members of the Management Board other than the Chairman of the Management Board, remuneration, succession planning and control over the activities of the Management Board; 6) corporate governance; 7) compliance with the provisions of the Code and the Company's corporate standards for business ethics (Code of Business Ethics).	The Management Board is accountable to the Board of Directors and manages the day-to-day activities of the Company, is responsible for implementing the development strategy and / or the development plan and resolutions passed by the Board of Directors and the Sole Shareholder.

To ensure an effective corporate governance system, the Company has a Corporate Secretary accountable to the Board of Directors, which directly coordinates work within the corporate structures ensuring an effective interaction between the Sole Shareholder, the Board of Directors and the Management Board of the Company.

With a view to provide an independent and objective information to the Board of Directors of the Company intended to ensure an effective management of the Company by introducing a systematic approach to improve risk management, internal control and corporate governance systems, an Internal Audit Service is set up by the Company, which is directly subordinated and accountable to the Board of Directors of the Company. The activity of the Internal Audit Service is supervised by the Audit Committee of the Company's Board of Directors.

The Company has a compliance system intended to ensure an effective compliance risk management. In particular, risks such as:

- loss occurrence risk due to the Company's non-compliance with the requirements of the legislation of the Republic of Kazakhstan, as well as its internal rules and procedures;
- risk of applying limited enforcement actions and sanctions of the authorized body, of a significant loss or loss of reputation as a result of the Company's

non-compliance with the legislation of the Republic of Kazakhstan as related to the regulation of its insurance activities;

- risk of profit loss due to conflicts of interest or non-conformity of employees' actions to internal and external regulatory documents.

The responsibility for the compliance with the business ethics principles and optimal settlement of disputes on violation of provisions of the Company's Corporate Ethics Code are borne by the Compliance Controller.

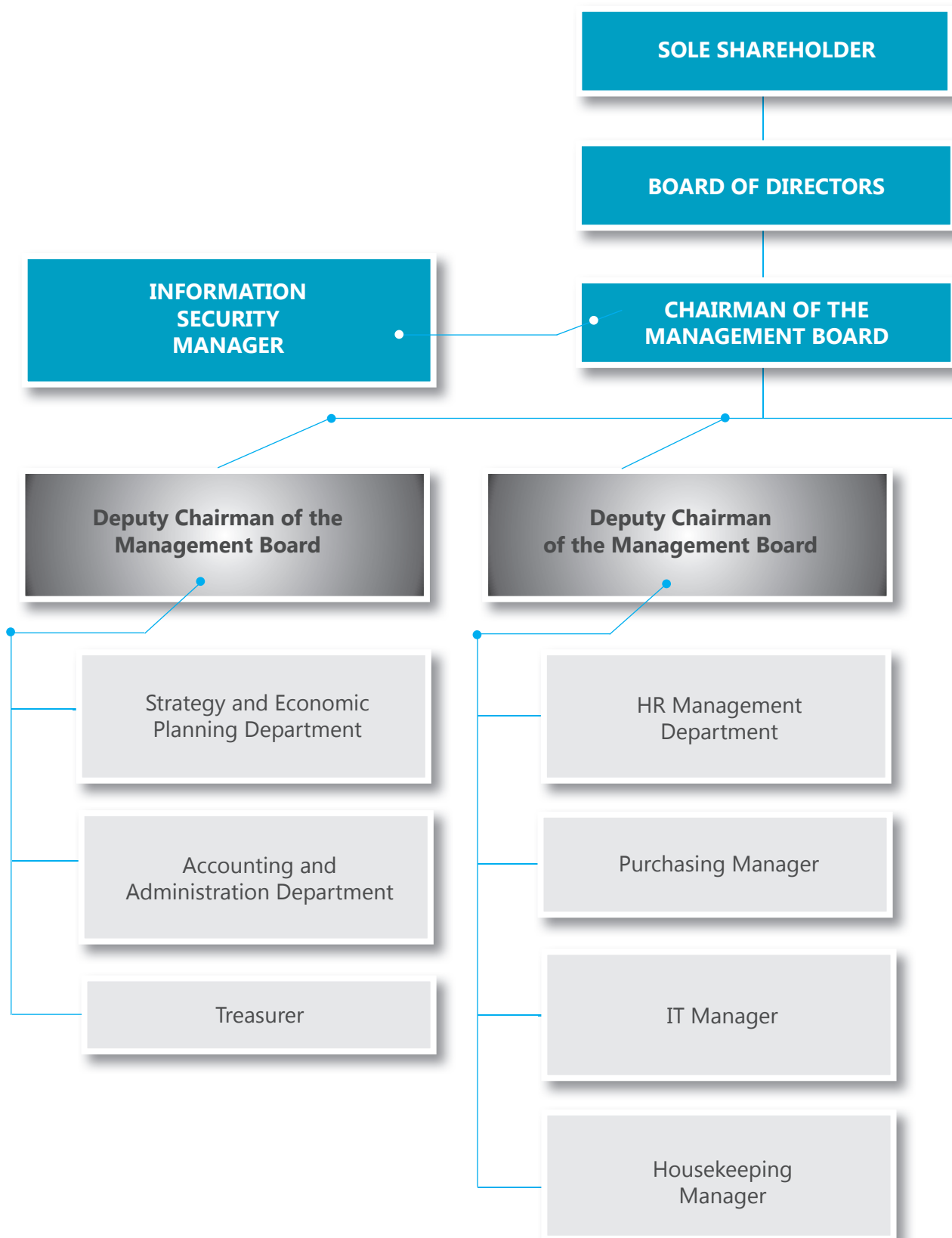
An ombudsman institution was set up in the Company to fulfil the legislative requirements of the Republic of Kazakhstan and the internal regulatory documents of the Company on fight against corruption, corporate conflict settlement and arrangement of conflicts of interest.

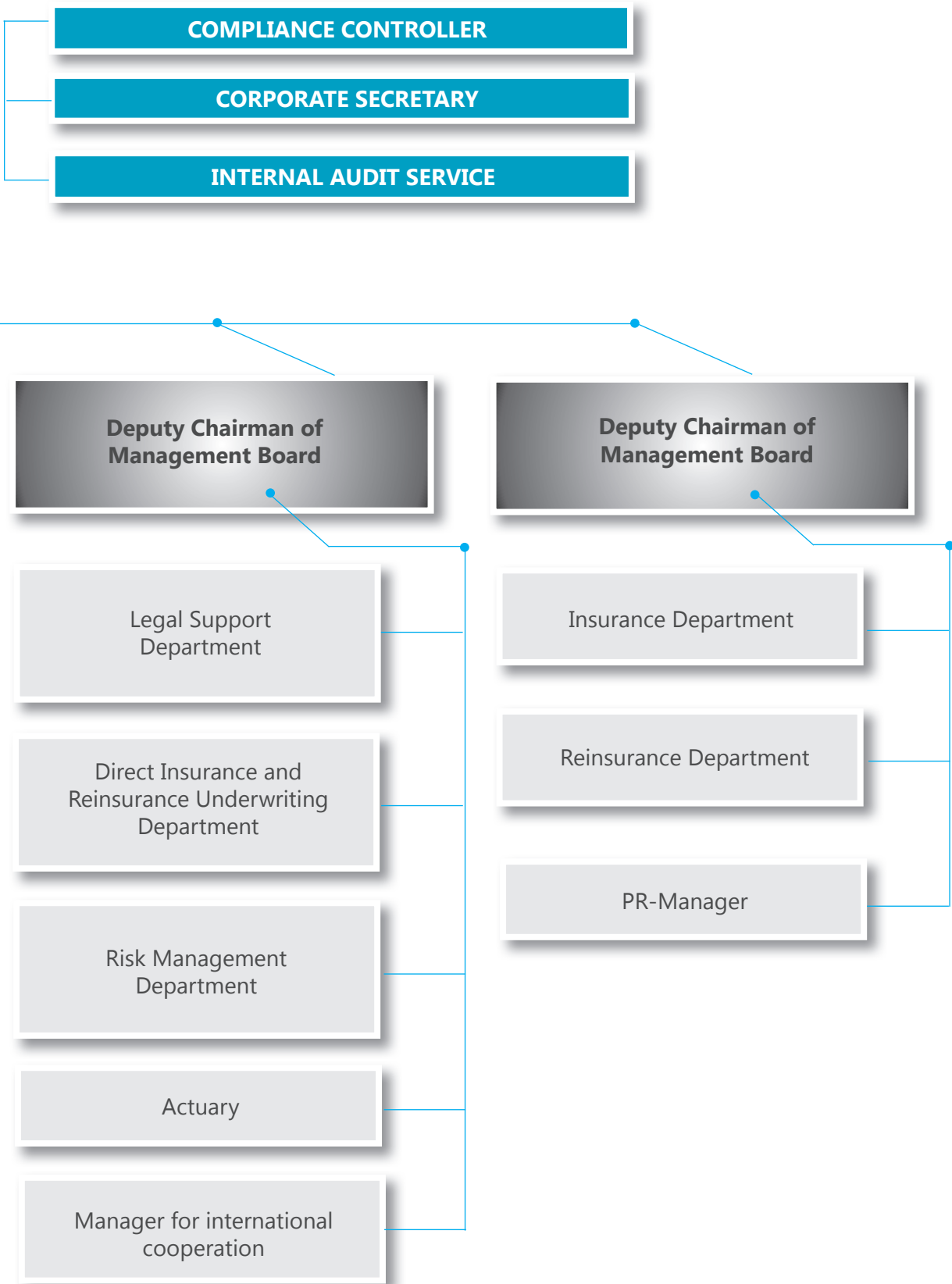
The Ombudsman's duties and responsibilities include collection of information, complaints and other claims from individuals and legal entities for actions (omissions) of officials and employees of the Company, arrangement for consideration thereof and of disputes on the application of business ethics and settlement of conflicts of interests.

All the Company's employees, clients, partners and other interested parties have the right to apply to the Ombudsman.



# ORGANIZATIONAL STRUCTURE







# THE BOARD OF DIRECTORS

During 2017, the Company's Board of Directors consisted of the following persons:



## THE BOARD OF DIRECTORS

Chairman of the Board of Directors

### **ERBOLAT DOSSAEV**

(date of election as a member of the Board of Directors is June 1, 2016, date of election as Chairman of the Board of Directors is July 12, 2016)

Board of Director member



### **LYAZZAT IBRAGIMOVA**

currently holds the position of the Chairman of the Management Board of Housing Construction Savings Bank of Kazakhstan JSC (the date of early termination of the powers as a member of the Board of Director is February 8, 2017)

Board of Director member



### **AIDAR ARIFKHANOV**

Chairman of the Management Board of «Baiterek» National Managing Holding JSC  
(the date of election to the Board of Directors is February 8, 2017)

Board of Director member – representative of the Sole shareholder



### **RUSLAN ISKAKOV**

Chairman of the Board of EIC «KazakhExport» JSC  
(the date of election as a member of the Board of Directors is June 1, 2016)

Board of Director Member



**DAMIR SUENTAYEV**

(the date of the election to the Board of Directors is June 1, 2016)

Board of Director Member – independent director



**AITKUL SAMAKOVA**

(the date of election to the Board of Directors is September 13, 2016)

Board of Director Member – independent director



**YAROSLAV DILDYAYEV**

(the date of election to the Board of Directors is September 13, 2017)

Board of Director Member – independent director

**MANAGEMENT BOARD**

The Management Board is headed by the Chairman. In accordance with the Company's Articles of Association, a resolution on the election and early termination of the Company's Management Board Chairman's powers shall be passed by the Sole Shareholder of the Company.

In accordance with the Company's Articles of Association, the Board of Directors of the Company shall determine the quantitative composition of the Management Board, term of its powers, operational procedure, election of its members other than the Company's Management Board Chairman, and early termination of their powers other than the Company's Management Board Chairman.

By resolutions of the Board of Directors of the Company, the Management Board of the Company consisted of the following persons in 2017:

**RUSLAN ISKAKOV** – Chairman of the Management Board since February 15, 2016 to the present;

**YERDAN BEKKHOZHIN** – Deputy Chairman of the Management Board – Management Board Member since October 2, 2014 to the present;

**RAUAN ZHAKSYBAEV** – Deputy Chairman of the Management Board – Management Board Member since July 12, 2016 to the present;

**KUAT ZHOLDYBEKOV** – Deputy Chairman of the Management Board – Management Board Member since October 17, 2016 to the present.

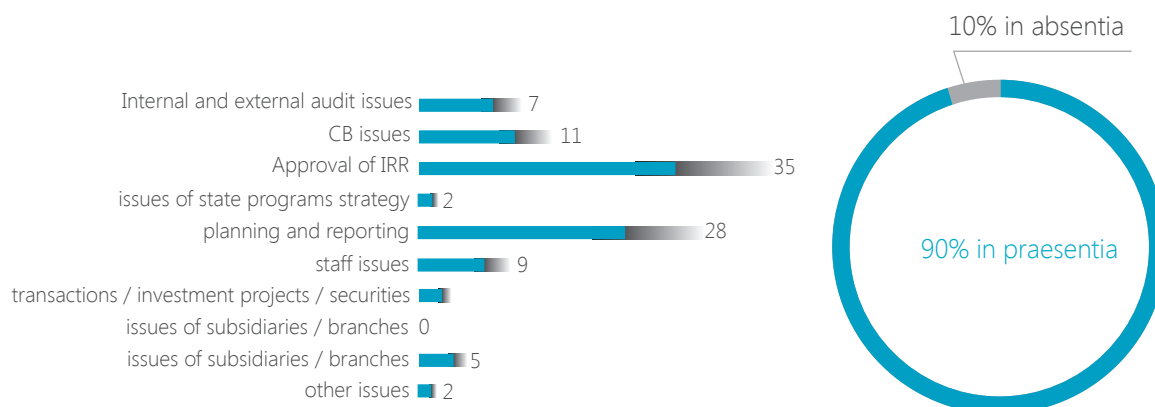
## 9. REPORT ON ACTIVITIES OF THE BOARD OF DIRECTORS

In accordance with the Regulations on the Board of Directors of the Company, reports on the activities of the Board of Directors for the reporting period shall

be drawn up, submitted and approved by the Board of Directors on a quarterly and annual basis.

### MEETINGS OF THE BOARD OF DIRECTORS IN 2017

During 2017, 10 meetings of the Board of Directors were held (9 – in praesentia, 1 – in absentia), 102 issues were considered within the competence of the Board of Directors of the Company.



During 2017, the Chairman and members of the Board of Directors of the Company duly attended meetings of the Board of Directors of the Company and actively took participation in its work.

Full name	in praesentia	in absentia
Erbolat Dossaev	8*/9**	1*/1**
Ruslan Iskakov	9*/9**	1*/1**
Damir Suyentayev	9*/9**	1*/1**
Aitkul Samakova	9*/9**	1*/1**
Aidar Arifkhanov	9*/9**	1*/1**
Yaroslav Dildyaev	2*/2**	0*/0**

\*total number of meetings attended by a member of the Board of Directors

\*\* total number of meetings in which a member of the board of directors could have taken part

Attendances at meetings of the Board of Directors of the Company during the reporting period (in percentage terms) by members of the Board of Directors of the Company were 100% and by the Chairman of the Board of Directors of the Company were 90%.

#### **The most important resolutions passed by the Board of Directors were as follows:**

- 1) The capitalization was implemented in the amount of 13,9 bln. KZT to maintain financial stability and to increase the volume of support provided;
- 2) The first joint transaction with the Eurasian Development Bank was made;
- 3) The plan of actions to improve the corporate governance of the Company for 2017 – 2018 was approved;
- 4) The company Development Strategy for 2014 – 2023 was approved as amended.

## COMMITTEES OF THE BOARD OF DIRECTORS

The following advisory bodies operate at the Board of Directors:

- 1) Audit Committee;
- 2) Staff, Remuneration and Social Affairs Committee;
- 3) Strategic Planning Committee.

All proposals prepared by the Committees are recommendations submitted to the Board of Directors of the Company.

No	Name of the Board of Directors Committee	Duties
1	Audit Committee	Preparation of recommendations to the Board of Directors on the establishment of an effective system to monitor the financial and business activities of the Company (including the completeness and reliability of financial reporting), on the monitoring of the reliability and effectiveness of the internal control and risk management systems, and also to execute documents for the corporate governance, on the control of the independence of external and internal audits and preparation of the necessary recommendations to the Board of Directors.
2	Staff, Remuneration and Social Affairs Committee	Development of comprehensively grounded recommendations to the Board of Directors regarding motivation, staff and social policy, as well as control over the implementation of such resolutions as carried by the Board of Directors of the Company.
3	Strategic Planning Committee	Preparation of recommendations on issues related to the development of priority activities (development), strategic goals (development strategy) of the Company, including issues related to development of measures to improve the Company's performance in the medium and longer term for the Board of Directors of the Company.

## MEMBERS OF THE COMMITTEES OF THE COMPANY'S BOARD OF DIRECTORS:

As of December 31, 2017, the composition of the Committees of the Board of Directors was formed as follows:

No	Audit Committee	Full name	Position
1	Committee Chairman	D. Suyentayev	Board of director member – independent director
2	Committee member	A. Arifkhanov	Board of director member – Sole Shareholder's representative
3	Committee member	A. Samakova	Board of director member – independent director
4	Committee member	Y. Dildyayev	Board of director member – independent director
5	Expert without the right to vote	A. Zhaparova	Project Manager of the Asset Management Department of «Baiterek» JSC

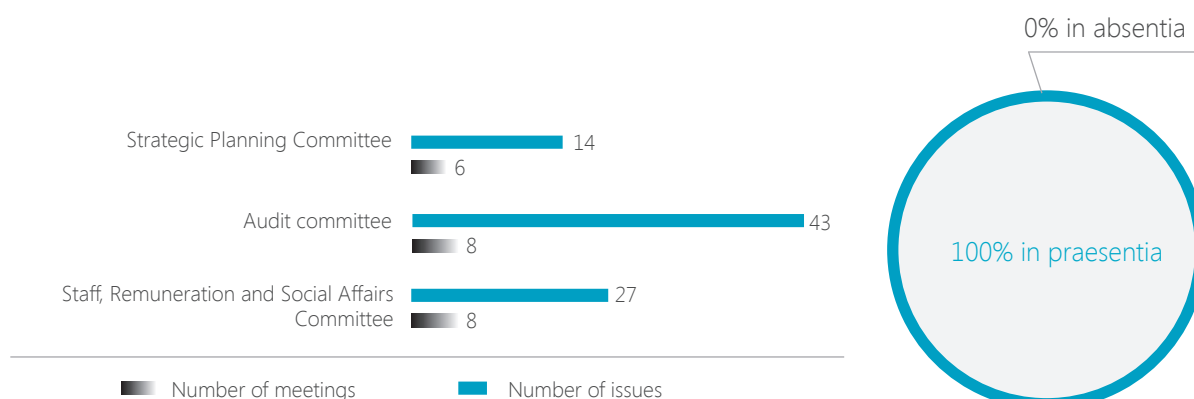
  

No	Staff, Remuneration and Social Affairs Committee	Full name	Position
1	Committee Chairman	A. Samakova	Board of director member – independent director
2	Committee member	Y. Dildyayev	Board of director member – independent director
3	Committee member	A. Arifkhanov	Board of director member – Sole shareholder representative
4	Committee member	D. Suyentayev	Board of director member – independent director
5	Expert without the right to vote	M. Mamekov	Project Manager of the Asset Management Department of «Baiterek» JSC

№	Strategic Planning Committee	Full name	Position
1	Strategic Planning Committee	Y. Dildyayev	Board of director member – independent director
2	Committee member	A. Arifkhanov	Board of director member – Sole Shareholder's representative
3	Committee member	A. Samakova	Board of director member – independent director
4	Committee member	D. Suyentayev	Board of director member – independent director
5	Expert without the right to vote	M. Mamekov	Project Manager of the Asset Management Department of «Baiterek» JSC

During the reporting period, the Committee of the Company's Board of Directors considered 84 issues «in praesentia» including:

- 1) Audit Committee – 43 issues (51,19%), including 24 unscheduled issues, 19 – planned;
  - 2) Staff, Remuneration and Social Affairs Committee – 27 issues (32,14%), including 19 unscheduled issues and 8 planned;
  - 3) Strategic Planning Committee – 14 issues (16,66%), of which 6 were unscheduled issues and 8 planned.
- Attendances at meetings of the Committees of the Company's Board of Directors during the reporting period:



Full name of Chairman/Committee member	in praesentia	in absentia
Aitkul Samakova	22*/22**	0*/0**
Damir Suyentayev	22*/22**	0*/0**
Aidar Arifkhanov	16*/22**	0*/0**
Yaroslav Dildyaev	3*/3**	0*/0**

\*total number of meetings attended by a member of the Board of Directors

\*\* total number of meetings in which a member of the board of directors could have taken part

Attendances at meetings of the Committees of the Company's Board of Directors during the reporting period in percentage terms were as follows:

- By the Member of the Committees of the Company's Board of Directors A.A. Arifkhanov – 73%;
- By the other Chairman, members of the Committees of the Company's Board of Directors – 100%.

## **ASSESSMENT OF THE BOARD OF DIRECTORS' ACTIVITIES**

In accordance with the Code of Corporate Governance, the Regulation on the evaluation of the activities of the Company's Board of Directors – the Board of Directors, committees and members of the Board of Directors shall be assessed on an annual basis until June 1 of the year following the reporting year.

A resolution on the assessment of the Board of Directors' activities (hereinafter – the «BD Assessment») is passed by the Board of Directors.

The assessment of the Board of Directors allows determining the contribution of the Board of Directors and each of its members to the achievement of the Company's strategic development objectives, and to identify directions and recommend measures for improvement. The results of the BD Assessment are taken into account when re-electing or early power termination of the Board of Directors members.

BD Assessment is conducted in order to obtain a comprehensive analysis of the main areas of the Board of Directors and allows the Company's Board of Directors as follows:

- to analyze and identify strengths and weaknesses (advantages and disadvantages) of the Company's Board of Directors activities;
- to make adjustments to the work and adjust the target areas of the Company's Board of Directors;
- to determine the extent to which the structure and number of the Company's Board of Directors contributes to the solution of the Company's strategic tasks;
- to determine the work efficiency of the Chairman of the Board of Directors and each member of the Board of Directors;
- to determine the remuneration system effectiveness for the Board of Directors members;
- to determine the need for training of the Board of Directors members.

The methods for the BD Assessment are self-assessment or involvement of an independent consultant to improve the quality of the assessment. At the same time, at least once every three years the assessment is conducted by involving an independent professional organization.

In 2017, the assessment of the Company Board of Directors' activities over 2016 was carried out by the Company itself by the method of questioning of the Company's Board of Directors members without attracting additional resources (an independent professional organization).

According to the results of the Board's Directors assessment, the Board of Directors took measures to improve the activities of the Board of Directors, and several main areas were specified by the Board of Directors to focus their efforts thereon in 2017:

- 1) strengthening of risk management;
- 2) corporate governance;
- 3) personnel;
- 4) motivation of the Board;
- 5) information technology.

A regular practice of independent evaluation of the Board of Directors effectiveness is one of the indicators of the Company's adherence to the principles of the best practice of corporate governance, in which connection, in 2018, the Company has assessed the activities of the Board of Directors for 2017 by involving an independent professional organization – IFC (International Finance Corporation, a member of the World Bank Group), International finance corporation on corporation management in the Republic of Kazakhstan (Almaty)

Based on the results of the Board of Directors' assessment, the Board of Directors took measures in accordance with the recommendation of IFC to create an effective system of training/improving the qualifications of the members of the Board of Directors.

In addition, the Company is actively working to implement the recommendations of IFC set forth in the submitted report on the assessment of the Board of Directors of the Company for 2017.

The assessment was aimed at obtaining objective information on the activities of the Board of Directors, analyzing an individual contribution of the Board of Directors to the work of the Board of Directors, and determining directions for a further development of the work practices of the Board of Directors. The assessment methods were based on the best international practices on corporate governance issues. The assessment tasks included:

- The obtaining of objective information on the role and activities of the Board of Directors, Committees and the Corporative Secretary;
- evaluation of the strengths and weaknesses of the Board of Directors, Committees and the Corporative Secretary as well as directions for improving plans and methods of their work;
- Preparation of recommendations aimed at increasing the effectiveness of the Board of Directors, Committees and the Corporative Secretary.



## 10. REPORT ON THE ACTIVITIES OF THE MANAGEMENT BOARD

During the reporting period, the Company's Executive Body held 59 meetings in presentia, at which 241 issues were considered and 51 documents were approved.

Statistics of attendances at meetings in presentia of the Company's Management Board by its members in 2017:

No.	Full name	Position	Participation in meetings	in %
1.	R. Iskakov	Chairman of Management Board	51 of 59	86,44
2.	Y. Bekkhozhin	Deputy Chairman of Management Board	51 of 59	86,44
3.	R. Zhaksybayev	Deputy Chairman of Management Board	56 of 59	94,92
4.	K. Zholdybekov	Deputy Chairman of Management Board	47 of 59	79,67

## 11. REMUNERATION SYSTEM OF THE MANAGEMENT BOARD MEMBERS AND THE BOARD OF DIRECTORS

Basic principles of remuneration of the Management Board members are reflected and regulated by the Remuneration Rules for senior executives according to the operating results for the year as approved by the Company's Board of Directors.

The basic principles are:

- interrelation of remuneration with performance of tasks that meet the interests of the Company and the shareholder;
- simplicity and transparency of the principles of determining the amount of remuneration;
- dependence of remuneration amount on performance.

Procedure, amount and terms of remuneration payment, compensation of expenses and bonuses to the Company's Board of Directors members for performance of their duties, including independent directors, shall be established by a decision of the Company's Sole Shareholder.

Remuneration is not paid to a member of the Board of Directors who is a civil servant and members of the Board of Directors who are employees of the Company's Sole Shareholder.

Accordingly, remuneration is paid only to the Board of Directors members – to independent directors of the Company, to other Board of Directors members, remuneration for the performance of duties of a member of the Board of Directors is not paid.

The Company is guided by the Rules for selection, payment of remuneration and compensation for expenses incurred by independent directors of subsidiaries of the «Baiterek National Management Holding» JSC dated 04.04.2014 (MoM No. 09/14).

The main objective of the Rules is to contribute to the strategic goals of the «Baiterek National Management Holding» JSC by introducing of the best practices of corporate governance as related to the attraction and engagement of the most qualified specialists to work on the Boards of Directors of subsidiaries.



## 12. INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

### RISK MANAGEMENT SYSTEM

The risk management system is an integral part of the Company's activities and is aimed at identifying, assessing and monitoring all significant risks, as well as taking actions to reduce their level, which may adversely affect the financial stability and reputation.

As required by the National Bank of the Republic of Kazakhstan and the best practices of corporate governance, a regular reporting on risks was introduced where the Company's Management Board and the Board of Directors receive periodic information on the risk situation including a risk map and reports on risks. As necessary, the Management Board and the Board of Directors are provided with data on significant changes in risks.

The Company regularly reports to the National Bank of the Republic of Kazakhstan on risks in accordance with Resolution No. 4 of the Management Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations dated February 1, 2010 No. 4 «On approval of the Instruction on requirements for the availability of

risk management and internal control systems in insurance (reinsurance) organizations».

The Company has a Risk Management Committee set up under the Company's Management Board.

Regulatory documents for risk management were drawn up affecting the improvement of risk management activities and the increase in the corporate governance rating of the Company.

As of January 1, 2018, during the reporting period, the Company's Risk Management Department, together with its structural divisions, conducted a comprehensive identification and assessment of the Company's risks. As a result of that work, a new risk register, a risk and control matrix, a risk map and an Action Plan to manage high and critical risks for 2018 were prepared and approved by specifying deadlines for putting measures into effect and assigning responsible persons.

According to the Company's Risk Register, at the end of 2017, 49 risks were identified, of which 3 risks were in the critical zone, 36 were of high priority, and 10 were of third priority.

Information on key risks is given below:

Key risks	Actions to manage key risks
Risk of a failure to fulfil the plan for the financial feasibility study	<ul style="list-style-type: none"> <li>Increasing a database on domestic enterprises engaged in export operations;</li> <li>Meetings with clients, foreign banks, potential foreign partners, active PR-activities (on a regular basis);</li> <li>Optimizing internal business processes for core activities (on a regular basis).</li> </ul>
Risk of a failure to achieve target figures for income receipts (insurance premiums under insurance / reinsurance contracts)	<ul style="list-style-type: none"> <li>Increasing a database on domestic exporting enterprises;</li> <li>Quick response to incoming requests for reinsurance (on a regular basis).</li> </ul>
Risk of applying early response actions, limited actions of influence (Compliance Risk) or sanctions by the National Bank of the Republic of Kazakhstan.	<ul style="list-style-type: none"> <li>implementation of proper internal control over observance of the current legislation norms, including regulating insurance activity (on a regular basis).</li> </ul>
Currency risk	<ul style="list-style-type: none"> <li>regular monitoring of currency positions;</li> <li>carrying out stress testing / sensitivity of changes in exchange rates (quarterly);</li> <li>monitoring of the compliance with limits on the currency position (on a monthly basis).</li> </ul>
Credit risk - the risk of losing cash placed in second-tier banks due to default	<ul style="list-style-type: none"> <li>control and monitoring of the financial condition of financial organizations - counterparties of the Company (on a quarterly basis);</li> <li>placement of funds exclusively in second tier banks that meet the requirements of the Regulation on the management of financial assets and liabilities of the Company (on a regular basis);</li> <li>monitoring of limits and process of distribution of temporarily free liquidity in the Company (on a monthly basis);</li> <li>monitoring of temporarily-free cash reporting (on a monthly basis).</li> </ul>
Risk associated with documentary letters of credit insurance	<ul style="list-style-type: none"> <li>high-quality primary underwriting, monitoring, toughening of requirements to issuing banks, introduction of tools for assignment of rights of claims and jurisdiction over judicial disputes</li> </ul>
Risk associated with the insurance of loans	<ul style="list-style-type: none"> <li>quality primary underwriting, monitoring</li> </ul>
Risk of depreciation of the securities portfolio	<ul style="list-style-type: none"> <li>constant monitoring of the financial condition of issuers;</li> <li>efficient management of the Treasury portfolio;</li> <li>Control by the Asset and Liability Management Board</li> </ul>

## LIST OF ACTIONS TAKEN TO IMPROVE THE CORPORATE RISK MANAGEMENT SYSTEM

- Limits of liability (amounts of coverage) for individual insurance contracts were approved subject to insurance classes (types);
- Limits of liability (amounts of coverage) for individual reinsurance contracts were approved subject to insurance classes (types);
- Instructions were approved in the event of emergency circumstances and to ensure the continuity of the Company's activities;
- Some changes to the Risk Management Policy were approved.

## CONTROL OVER THE COMPANY'S ACTIVITIES

Under the current economic conditions, the Company faces risks of the widest range, and therefore importance of the internal audit role in achieving the Company's strategic goals is growing.

The internal audit in the Company is organized and carried out by the Internal Audit Service (hereinafter – the «IAS»), which is functionally accountable to the Board of Directors, and administratively – to the Management Board. The IAS is supervised by the Audit Committee of the Company's Board of Directors.

In 2017, KPMG LLP conducted an independent evaluation of the effectiveness and quality of the IAS, as a result of which the IAS's activities were recognized as corresponding to the International Professional Standards of Internal Audit.

The IAS's activities are aimed at granting objective and independent guarantees to the Board of Directors, and rendering consulting services as to the state of the internal control, risk management and corporate governance systems. The head and employees of the IAS are appointed by the Company's Board of Directors.

The Company's Board of Directors approved a risk-oriented annual audit plan and an audit program for the IAS, key performance indicators of the IAS and its head.

A report on the activities of IAS is quarterly provided to the Audit Committee and the Company's Board of Directors.

In accordance with the Annual Audit Plan of the IAS for 2017, 13 audit engagements were provided for and implemented in full, including the diagnosis of corporate governance, the evaluation of the effectiveness of the internal control system and the risk management system.

The corporate governance diagnostics, the internal control system and risk management systems were assessed in accordance with the approved methods for the Corporate Governance Diagnostics, the performance evaluation of the

internal control system and the corporate risk management system approved by the Board of Directors on March 5, 2015 (MoM No. 89).

Based on the results of the evaluations, the result of the compliance with the best practice of corporate governance was

**80,1%,**

The total score of effectiveness of the internal control system was

**77,78%,**

and the total score of efficiency of the corporate risk management system was

**67,67%.**

On a quarterly basis, the IAS monitors the implementation of recommendations from the IAS and external auditors.

For the purpose of improving and upgrading qualifications, the IAS staff receives a continuous training.

In executing its duties and responsibilities, the IAS confirmed to the Board of Directors its independence from the influence of any persons.

The Board of Directors annually evaluates the effectiveness of the IAS and its manager on the basis of the approved key performance indicators. At the end of 2017, IAS activities were assessed as «effective».

## 13. STAFF POLICY

The human capital asset is the main strategic resource, the quality of which is of paramount importance for achieving the goals and objectives facing the Company.

The Company's human capital asset management policy is carried out in the following strategic directions:

- Development of a modern human resource management system;
- Enhancement of labor efficiency;
- Improvement in quality of human capital asset;
- Corporate culture development.

The Company constantly works to strengthen and develop its human capital asset. Much attention is paid to creation of comfortable conditions for labour activity, career growth, self-improvement, as well as financial and moral well-being of workers.

As of December 31, 2017, the staff consisted of 51 employees (in 2016 – 37). In September 2017, the Board of Directors approved a new organizational structure by increasing the staff by additional 14 persons.

The increase in the staff was initiated with the aim of improving the existing business processes and increasing the coverage of export-oriented business entities in terms of regions by the support measures being carried out. As a result of the revision of the organizational structure, duplication of functions was eliminated and the risk of conflicts of interest between structural divisions was reduced.

At the end of 2017, the staff turnover ratio was 7,32%.

### PERSONNEL SELECTION AND ADAPTATION

A competitive selection of candidates for vacant positions was carried out in the Company. The recruitment system is aimed at ensuring equality in employment and avoiding restriction of the rights of candidates.

A program for new personnel adaptation is in effect to support the effective integration of new employees into the work environment.

### PERSONNEL TRAINING AND DEVELOPMENT

The Company has a system of a continuous training and development of personnel by introducing modern technologies. Access to the

electronic library of books is provided through a mobile application, language courses are organized.

The opportunity was given to exchange the best international practices with international export credit agencies as part of membership in the Prague Club of the Berne Union of the International Association of Insurers, as well as the Aman Union, which is an association of the largest export credit agencies of the Islamic States and the Arab world.

In 2017, the Company's employees received international professional development on topical issues in the field of assessing financial organizations, rating modeling and analysis of financial institutions.

### EVALUATION OF THE PERSONNEL PERFORMANCE

To ensure the consistency of strategic goals with those of structural units and individual objectives of employees, the Company has an Employee Performance Evaluation System.

The annual cycle of the system for assessing the performance of employees consists of three stages:

- 1) annual setting of targets for the reporting period with quarterly breakdown;
- 2) a quarterly assessment of the degree to which goals are met;
- 3) annual performance evaluation.

In 2017, the existing Employee Performance Evaluation System achieved the following results:

- understanding by employees of the individual contribution to the Company Strategy and the results to be achieved;
- measuring individual performance results and evaluating the level of professional competence of employees;
- personnel development in accordance with the strategic objectives of the Company;
- ensuring a continuous communication as part of the duties being performed and developing a culture of feedback between the manager and the employee;
- ensuring the linkage of remuneration to the performance of employees.

Based on the results of the personnel performance evaluation in 2017, some managerial decisions were made such as promotion at work, changes in the level of official salary, assignment to the personnel reserve, and also the needs for training and professional development of employees were identified.





## REMUNERATION OF LABOR AND MOTIVATION OF EMPLOYEES

To ensure a fair remuneration of labor, in 2017, the Company introduced a grading system developed in cooperation with external consultants of the international consulting company Hay Group. The grading system provides for measuring and determining the value of each position in achieving strategic goals to ensure a competitive level of personnel wages, taking into account the assessment of the market level of wages.

## SOCIAL SECURITY

The social policy is a competitive advantage of the Company, it increases the Company's attractiveness in the labor market and is aimed at attracting and

retaining highly skilled employees for a long period. The main areas of social security for employees provide for the provision of social support to employees: provision of material assistance, compensation payments and voluntary health insurance (sickness insurance) for employees and family members of employees.

## CANDIDATE POOL AND SUCCESSION

To ensure the preparation of a prospective candidate pool from among those persons who are the most capable and motivated for successful self-actualization, the Company has a system of the Unified Candidate Pool of the «Baiterek National Management Holding» JSC, within which annual qualifying tours are conducted to include advanced employees in the candidate pool.

## 14. ANNUAL FINANCIAL STATEMENTS

The financial statements for 2017 were audited by the international audit company «KPMG Audit» LLP. According to «KPMG Audit» LLP, the financial statements fairly disclosed, in all material respects, the financial position of the Company as of December 31, 2017, as well as its financial results and cash flows for the year ended on that date in accordance with International Financial Reporting Standards.

### STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

	2017 thous. KZT.	2016 thous. KZT.
<b>ASSETS</b>		
Cash and cash equivalents	27,045,334	14,637,557
Deposits in banks	8,436,945	4,067,803
Available-for-sale financial assets	8,576,549	8,418,673
Accounts receivable for insurance and reinsurance	956,700	762,143
Share of reinsurers in reserves under insurance contracts	834,419	531,232
Fixed assets	46,593	15,612
Current tax asset	216,116	256,135
Deferred tax assets	6,361	3,596
Other assets	44,540	15,295
<b>Total assets</b>	<b>46,163,557</b>	<b>28,708,046</b>
<b>LIABILITIES</b>		
Reserves under insurance contracts	3,406,628	2,326,121
Accounts payable for insurance and reinsurance	154,984	21,418
The loan received from «Samruk-Kazyna» JSC	276,573	336,588
Other liabilities	137,210	68,796
<b>Total liabilities</b>	<b>3,975,395</b>	<b>2,752,923</b>
<b>EQUITY</b>		
Share capital	37,100,000	23,200,000
Additional paid-in capital for the loan received at a rate below the market rate from «Samruk-Kazyna» JSC	732,819	732,819
Equalization provision	62,114	24,450
Reserve for unforeseen risks	-	226,361
Revaluation reserve for available-for-sale financial assets	1,849,217	2,083,916
Undistributed profits	6,142,446	3,855,409
<b>Total equity</b>	<b>42,188,162</b>	<b>25,955,123</b>
<b>Total liabilities and equity</b>	<b>46,163,557</b>	<b>28,708,046</b>

# PROFIT AND LOSS STATEMENT

	2017 thous. KZT.	2016 thous. KZT.
Accrued insurance premiums, gross	1,905,462	1,112,935
Accrued insurance premiums transferred to reinsurers	571,988	270,888
<b>Accrued insurance premiums, net</b>	<b>1,333,474</b>	<b>842,047</b>
Change in provision for unearned premiums, gross	904,701	342,764
The share of reinsurers in the change of the provision for unearned premiums, gross	219,335	102,502
<b>Earned premiums, net</b>	<b>648,108</b>	<b>601,785</b>
Claims Paid	1,382,188	1,172,852
Compensation for recourse claim	1,242,081	-
Change in provisions for insurance contracts, gross	175,806	32,006
Change in the share of reinsurers in reserves under insurance contracts	83,852	10,614
<b>Claims paid, net</b>	<b>232,061</b>	<b>1,215,472</b>
Net financial income	2,956,716	1,223,368
Net profit/loss from foreign exchange operations	65,109	47,501
Net commission expense	408	325
General administrative expenses	891,030	451,335
Other operating income/expense, net	16,373	2,414
<b>Pretax profit</b>	<b>2,562,807</b>	<b>108,106</b>
Expense/Savings on Income Tax	431,511	1,745
<b>Profit for the year</b>	<b>2,131,296</b>	<b>109,851</b>
<b>Other comprehensive income, net of income tax</b>		
<i>Items that were reclassified or might be subsequently reclassified to profit or loss:</i>		
<i>Revaluation reserve for available-for-sale financial assets:</i>		
- Net change in fair value	234,699	260,173
- Net change in fair value transferred to profit or loss	-	13,831
<b>Other comprehensive income for the year, net of income tax</b>	<b>234,698</b>	<b>274,004</b>
<b>Total comprehensive income/expense for the year</b>	<b>2,365,995</b>	<b>164,153</b>

## CASH FLOW STATEMENT

	2017 thous. KZT.	2016 thous. KZT.
<b>Cash flow from operating activities</b>		
<b>Pretax profit</b>	<b>2,562,807</b>	<b>108,106</b>
<i>adjustments:</i>		
Changes in provisions, net of reinsurer's share	777,320	282,882
Realized gains for available for sale financial assets	-	13,831
Amortization of discount and premiums	62,733	82,017
Depreciation and amortization	11,779	11,153
Interest expense on the loan received from «Samruk-Kazyna» JSC	33,370	37,344
Tax withheld at the source of payments	356,188	78,585
Interest income	2,696,631	1,250,312
Unrealized foreign exchange rate difference	65,109	69,475
<b>Cash flows from/used in operating activities before changes in operating assets and liabilities</b>	<b>330,081</b>	<b>751,751</b>
<b>Increase/decrease in operating assets</b>		
Deposits in banks	4,176,690	223,704.
Accounts receivable for insurance and reinsurance	211,142	165,408
Other assets	32,451	19,407
<b>Increase/decrease in operating liabilities</b>		
Accounts payable for insurance and reinsurance	133,566	6,441
Other liabilities	68,519	6,280
<b>Net cash used in operating activities before remuneration received and income tax paid</b>	<b>3,888,117</b>	<b>956,173</b>
Income tax paid	38,144	175,942
Remuneration received	2,643,031	986,554
Remuneration paid	925	943
<b>Use of cash in operating activities</b>	<b>1,284,155</b>	<b>146,504</b>
<b>investing cash flow</b>		
Proceeds from the sale of available-for-sale financial assets	-	73,654
Acquisition of fixed assets and intangible assets	39,590	9,261
<b>Cash flows used in/from investing activities</b>	<b>39,590</b>	<b>64,393</b>
<b>Cash flows used in/from investing activities</b>		
Issue of shares	13,900,000	14,000,000
Repayment of a loan received from «Samruk-Kazyna» JSC	92,460	93,403
Dividends paid	32,956	784,222
<b>Cash flow from financial activities</b>	<b>13,774,584</b>	<b>13,122,375</b>

	2017 thous. KZT.	2016 thous. KZT.
<b>Net increase in cash and cash equivalents</b>	<b>12,450,839</b>	<b>13,041,207</b>
The effect of changes in exchange rates on the amount of cash and cash equivalents	43,062	45,630
Cash and cash equivalents as of the beginning of the year	14,637,557	1,641,980
<b>Cash and cash equivalents at the end of the year</b>	<b>27,045,334</b>	<b>14,637,557</b>



## CAPITAL STATEMENT

thousand KZT	Equity capital	Additional paid-in capital for the loan received at a rate below the market rate from Samruk-Kazyna JSC	Equalization provision	Reserve for unforeseen risks	Revaluation reserve for available-for-sale financial assets	Unappropriated balance	Total equity
Balance as at January 01, 2016	9,200,000	732,819	12,349	509,802	1,809,912	4,258,440	12,903,498
<b>Total Comprehensive Income</b>							
Profit for the year	-	-	-	-	-	109,851	109,851
<b>Other comprehensive income</b>							
<i>Items that were reclassified or might be subsequently reclassified to profit or loss:</i>							
Net change in fair value	-	-	-	-	260,173	-	260,173
Net change in fair value transferred to profit or loss	-	-	-	-	13,831	-	13,831
Total other comprehensive income	-	-	-	-	274,004	-	274,004
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>274,004</b>	<b>109,851</b>	<b>164,153</b>
<b>Transactions with owners shown directly in equity</b>							
Issue of shares	14,000,000	-	-	-	-	-	14,000,000
Dividends paid	-	-	-	-	-	784,222	784,222
Transfer to the contingency reserve	-	-	12,101	-	-	12,101	-
Transfer from the equalization provision	-	-	-	283,441	-	283,441	-
<b>Total transactions with owners</b>	14,000,000	-	<b>12,101</b>	<b>283,441</b>	-	<b>512,882</b>	<b>13,215,778</b>
<b>Balance as of December 31, 2016</b>	<b>23,200,000</b>	<b>732,819</b>	<b>24,450</b>	<b>226,361</b>	<b>2,083,916</b>	<b>3,855,409</b>	<b>25,955,123</b>

thousand KZT	Equity capital	Additional paid-in capital for the loan received at a rate below the market rate from Samruk-Kazyna JSC	Equalization provision	Reserve for unforeseen risks	Revaluation reserve for available-for-sale financial assets	Unappropriated balance	Total equity
Balance as at 1 January 2017	23,200,000	732,819	24,450	226,361	2,083,916	3,855,409	25,955,123
<b>Total Comprehensive Income</b>							
Profit for the year	-	-	-	-	-	2,131,296	2,131,296
<b>Other comprehensive income</b>							
<i>Items that were reclassified or might be subsequently reclassified to profit or loss:</i>							
Net change in fair value	-	-	-	-	234,699	-	234,699
Total other comprehensive income	-	-	-	-	234,699	-	234,699
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>234,699</b>	<b>2,131,296</b>	<b>2,365,995</b>
<b>Transactions with owners shown directly in equity</b>							
Issue of shares	13,900,000	-	-	-	-	-	13,900,000
Issue of shares	-	-	-	-	-	32,956	32,956
Transfer to the contingency reserve	-	-	-	226,361	-	226,361	-
Transfer from the equalization provision	-	-	37,664	-	-	37,664	-
<b>Total transactions with owners</b>	13,900,000	-	<b>37,664</b>	<b>226,361</b>	-	<b>155,741</b>	<b>13,867,044</b>
<b>Balance as of December 31, 2017</b>	<b>37,100,000</b>	<b>732,819</b>	<b>62,114</b>	-	<b>1,849,217</b>	<b>6,142,446</b>	<b>42,188,162</b>

[illegible]

[illegible]

[illegible]



This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, providing a template for handwriting practice or general writing. There are no margins, text, or other markings on the page.



## **KazakhExport**

11<sup>th</sup> Floor, «Baiterek» Business Center, 55 «A», Mangilik Yel Ave., Astana,  
Republic of Kazakhstan  
Tel.: +7 (7172) 95-56-56

Representative office in Almaty:  
8<sup>th</sup> Floor, «Koktem» Business Center, 180, Dostyk Ave.  
Tel.: +7 (727) 330-97-74, +7 (727) 250-00-21

E-mail: [info@keg.kz](mailto:info@keg.kz)  
[www.keg.kz](http://www.keg.kz)