

FULFILLING
THE EXPECTATIONS



ANNUAL REPORT | 2017

BAITEREK NATIONAL MANAGING HOLDING JSC

ABOUT THE REPORT

Baiterek National Managing Holding JSC (hereinafter referred to as Baiterek NMH JSC) realizes the significance of its economic and social activities and strives to provide the high level of transparency for internal and external stakeholders. Starting from 2013, the Holding discloses the results of its activities in annual reports provided on the corporate website: https://www.baiterek.gov.kz/en/resources?field_resource_type_target_id=96.

The 2017 annual report of Baiterek NMH JSC (hereinafter referred to as the Report) is the first Report prepared in accordance with the international standards of information disclosure and contains the information on the Holding's activities in the field of sustainable development. Recommendations of the Global Reporting Initiative Standards in the field of sustainable development (GRI Standards, the "main" disclosure option), provisions of the Holding's Corporate Governance Code as well as the best practices of information disclosure were applied in the process of the Report preparation. Special attention is paid to the disclosure of information on the Holding's commitment to the principles of the United Nations Global Compact in the areas of human rights, labour, environment, anti-corruption and also to the Sustainable Development

Goals (hereinafter referred to as the SDG), adopted by the UN in 2015 within the framework of the "Transforming our World: The 2030 Agenda for Sustainable Development" document.

This report reflects the results of the Holding's activity from January 1, 2017 till December 31, 2017. The annual report of Baiterek NMH JSC for 2016 was published in July 2017.

DEFINING THE CONTENT OF THE REPORT

In order to outline the content of this Report, the materiality of disclosed issues was evaluated. Preliminary list of the Holding's material issues was prepared based on the analysis of the best practice of information disclosure applied by the international peer companies as well as the analysis of the Holding's key events in the reporting period and the provisions of internal documents. In addition, the Holding conducted the surveys of the heads structural divisions and employees that allowed to identify the most material issues for disclosure in the Report. Taking into account the analysis performed and the materiality of issues for the stakeholders of Baiterek NMH JSC, the final list of material issues was defined.

MATERIAL ISSUES AND THEIR BOUNDARIES

Category	Topic	Pages in the Report	Inside the Holding	Outside the Holding
Economic	Economic effectiveness	64-71	✓	✓
	Indirect economic impacts	7, 67-71	✓	✓
	Anti-corruption	55	✓	✓
Environmental	Compliance with the requirements	77	✓	✓
Social	Employment	78-79	✓	✓
	Education and training	80-81	✓	✓
	Diversity and equal opportunities	80-81	✓	✓

In the reporting year, the priority theme of the Report was selected for the first time, which allowed structuring the Report content based on the tasks assigned to the Holding. The priority theme "Fulfilling the expectations" bears the meaning of the practical implementation of the Holding's core mission — to promote the sustainable economic development of the Republic of Kazakhstan.

BOUNDARIES OF THE REPORT

The Report contains information on the activities of the Holding Group. More detailed information about the Holding's 11 subsidiaries is provided in Annex 6.1 "The Activities of subsidiaries in 2017".

Financial and economic results are disclosed in section 5.1 "Operating and financial activities" in accordance with the perimeter of IFRS consolidation standards and in section 5.2 "Investment activity". Other sections of the Report also contain general information of the Holding Group, unless otherwise specified.

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ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

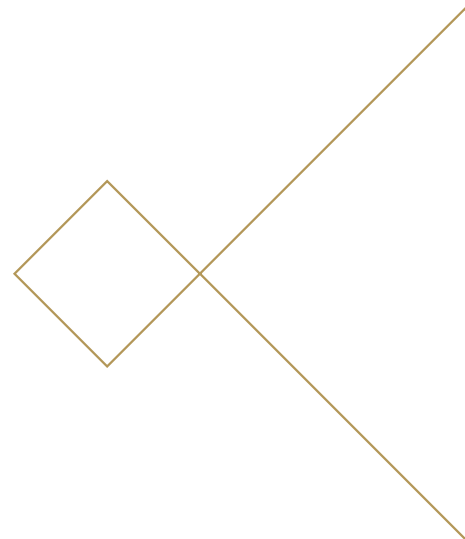
Dear Ladies and Gentlemen!

The President of the Republic of Kazakhstan Nursultan Nazarbayev in his Address to the Nation “Third modernization of Kazakhstan: global competitiveness” set a goal to create a new model of economic growth. Significant role is played by the development institutions, which are owned by Baiterek Holding, acting as the operator of the key state programs for the development of entrepreneurship, industrialization and housing construction.

Over 5 years since the establishment, the Holding has developed a goodwill among the entrepreneurs, population and has achieved effective performance.



BAKYTZHAN SAGINTAYEV



The efficiency of financial resource has increased significantly. If the share of the loan and investment portfolios in the Holding's assets was 47% in 2013, then by the end of 2017 it reached 69%.

The increase in efficiency and coverage of lending are ensured by the introduction of new approaches to the management of the loan and investment portfolios, as well as the improvement and acceleration of business processes in the work with entrepreneurs.

Due to such measures, the Holding's share in the annual long-term loans to large enterprises of non-resource sectors of the economy has increased more than 2 times – from 19% in 2013 to 44% in 2017.

In 2017, the Development Strategy of Baiterek NMH JSC till 2023 was updated taking into account new challenges and opportunities.

At a new stage, the Holding aims to attract non-government investments into the economy, to support large enterprises and to create conditions for the growth of small and medium-sized businesses, to increase export potential, and to provide affordable housing.

Taking into account the Third wave of technological modernization of the country, the National Managing Holding is searching for potential investors in priority sectors of the economy and provides an integrated package of financial services for Kazakhstani and foreign investors.

The Board of Directors confirms the commitment to the best practices of the corporate governance and intends to further enhance the efficiency and transparency of the Holding's institutions for sustainable economic development of the Republic of Kazakhstan.

Bakytzhan Sagintayev

Chairman of the Board of Directors of Baiterek NMH JSC,
Prime Minister of the Republic of Kazakhstan

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear partners, colleagues, investors!

Baiterek NMH JSC plays the key role in providing financial support of the government for the priority sectors of the economy, attracting non-government and foreign investments, development of the public-private partnership system.

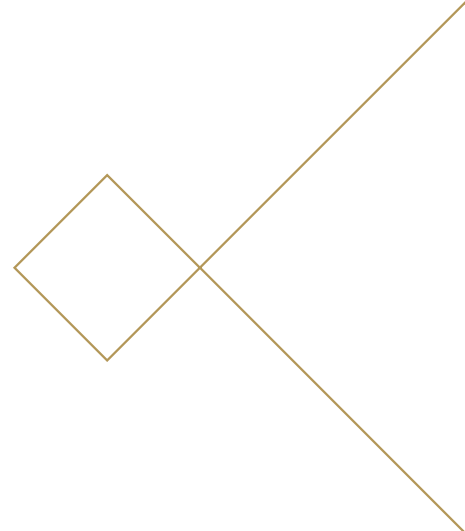
The annual report illustrates the ways of the Holding's evolution in contributing to the sustainable development of the country's economy through diversification, support of innovation, increase of export and labour productivity.

Due to the support measures provided for all of the Holding's activities in 2017, 85 thous. jobs were created and preserved, KZT 418 bn of taxes were paid to the budget, products for KZT 5,662 bn were manufactured, products for KZT 192 bn were exported abroad, 628.6 thous. sq. m of housing — that is 10,829 apartments — were made available.

In 2017, within the framework of investment attraction and promotion of its financial tools both in domestic and in the foreign market, Baiterek NMH JSC



AIDAR ARIFKHANOV



has entered into 25 loan contracts and framework agreements with the foreign companies, financial institutions and representatives of governments of different countries. The investments in amount of USD 2,094 bn and RUB 3 bn were attracted in 2017. In the reporting year, work aimed to emphasize the support of sub-segments of small and micro-businesses in the context of the Holding's financial support instruments was carried out. The main goal of such process is to achieve the maximum effect in creating jobs and increasing output.

By the results of the last year, net profit of Baiterek NMH JSC reached KZT 44 bn. During the reporting period, the Holding group assets have increased by 8% and amounted to KZT 4,433 bn. The equity has increased from KZT 943 bn to KZT 1,052 bn in 2017.

One of the main ways to increase the economic and operating efficiency of Baiterek NMH JSC is to update the corporate standards both in the Holding itself and in its subsidiaries. The Holding's Development Strategy for 2014-2023 was updated with the consideration of the state

programs and the completion of the high commodity prices cycle in external markets. It provides the task of reducing state participation in the national economy to the level of the countries of the Organization for Economic Co-operation and Development – 15% by 2020.

Also, in accordance with the OECD's standards, a new version of the Corporate Governance Code of Baiterek NMH JSC and its subsidiaries has been approved. Special attention in the code is paid to the sustainable development principle, within which the coherence of economic, environmental and social goals is provided. This approach is integrated into all the key processes of the Holding, including HR and risk management, planning, management, investments, reporting, operating activities etc.

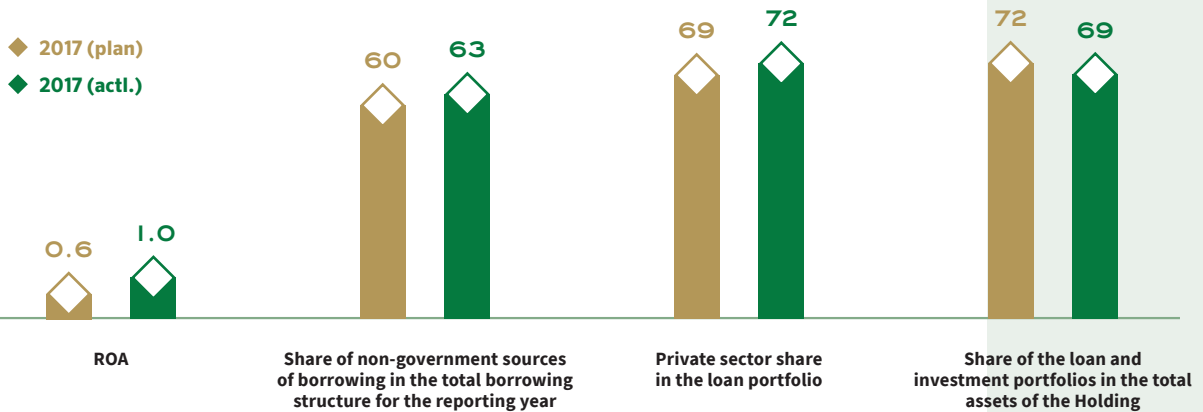
Summarizing the results of 2017, it can be stated that Baiterek NMH JSC and its subsidiaries successfully fulfill the goals set by the Head of the State and the Government and are aimed to further facilitate further prospects of economic development of Kazakhstan.

Aidar Arifkhanov

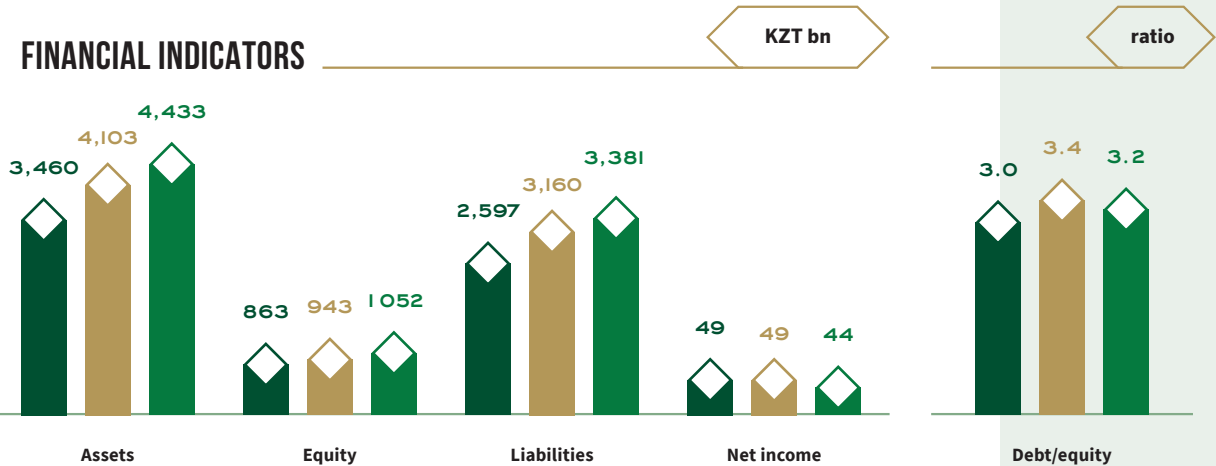
Chairman of the Management Board of Baiterek NMH JSC

KEY PERFORMANCE INDICATORS FOR 2017

CONSOLIDATED KPIS OF THE HOLDING TO STIMULATE SUSTAINABLE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF KAZAKHSTAN



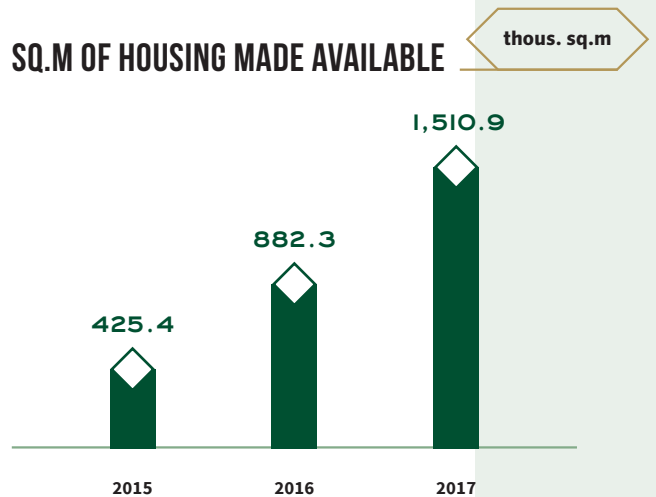
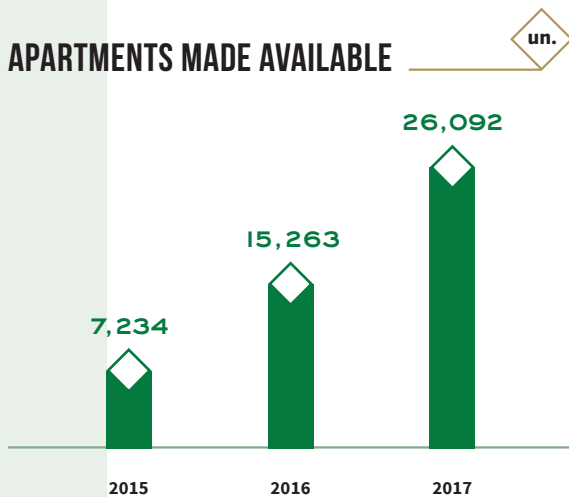
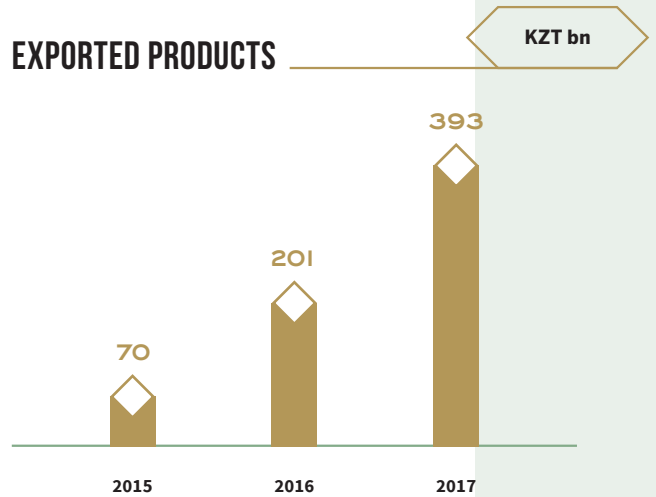
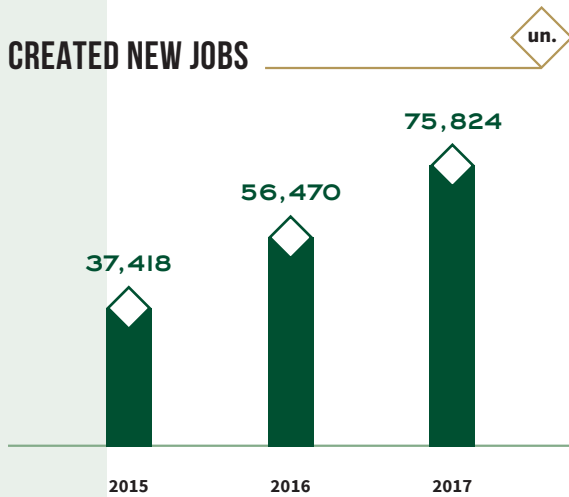
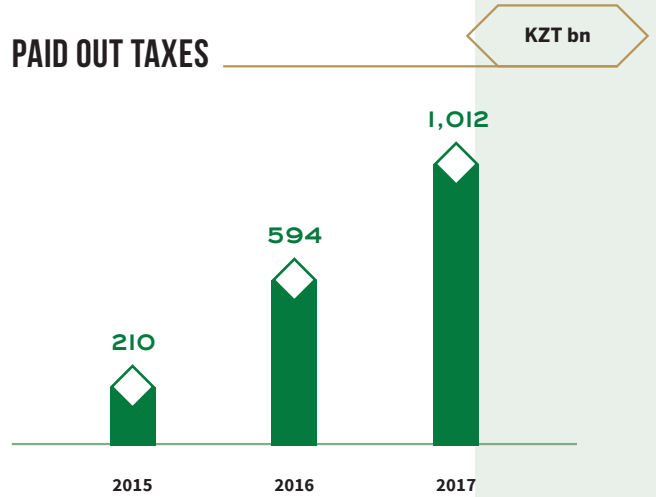
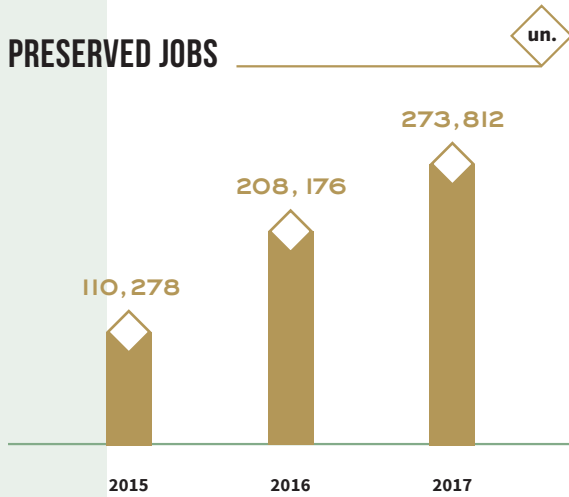
FINANCIAL INDICATORS



Note: KZT/USD average annual exchange rate: 2015 — 221.73 KZT/USD; 2016 — 342.16 KZT/USD; 2017 — 326.00 KZT/USD
Source: National bank of the Republic of Kazakhstan

◆ 2016 ◆ 2017
◆ 2015

THE SOCIO-ECONOMIC EFFECT OF THE MAJOR DEVELOPMENT PROGRAMS IMPLEMENTATION BY THE HOLDING (WITH ACCUMULATION FROM 2015)



KEY EVENTS IN 2017



CREDIT RATINGS ASSIGNMENT

Fitch Ratings agency confirmed the rating of Baiterek NMH JSC at “BBB” level, the forecast is “Stable”. Moody’s Investors Service rating agency assigned “Baa3” rating to Baiterek NMH JSC, the forecast is “Stable”. The Holding’s ratings comply with the sovereign ratings of Kazakhstan, National long-term ratings are at AAA (kaz)/Aaa.kz level.



BORROWING FUNDS

In 2017, the Holding group raised funds in the amount of KZT 467 bn (excluding intra-group financing), 63% of which were borrowed from non-state financial sources.

In 2017, DBK JSC made a public issue of tenge-denominated Eurobonds for amount of KZT 100 bn (for a wide range of foreign and domestic investors), which was debut for the Kazakhstani issuers, while international investors have purchased 98% of the emission volume.



APPROVAL OF THE CORPORATE DOCUMENTS

The updated Development Strategy of Baiterek NMH JSC for 2014-2023 is approved by the Government Decree No.331 dated 01.06.2017.

The new Corporate Governance Code of Baiterek NMH JSC is approved by the Resolution of the Sole Shareholder No.646 dated September 22, 2017.

The Digitization Strategy of Baiterek NMH JSC for 2018-2023 is approved by the Board Resolution dated 27.12.2017 (Minutes No.53/17). The “Digital Baiterek” information system, which was approved by the Order No. 127-B dated December 28, 2017, and put into operation provides unified entrepreneurship support portal with an integrated and customer-focused business support.



CONCLUSION OF AGREEMENTS

An agreement on co-investing in infrastructural and other projects in the Republic of Kazakhstan for the amount of up to USD 500 mln was concluded between the Holding and Abu Dhabi Mubadala sovereign fund within the framework of the Kazakhstan Infrastructure Fund (KIF).

As part of KIF, a Co-investment agreement for the amount of USD 150 mln was concluded with CITIC Capital Silk Road Fund and Qatar Investment Authority.

Within the framework of attracting foreign funding for the priority sectors of the economy, Damu Fund JSC has signed loan agreements with ADB for KZT 72 bn, with EBRD — for KZT 13 bn.

Memorandum of Understanding has been signed between KPPF, EBRD and International Finance Corporation for the joint selection and implementation of industrial and infrastructure projects. Within the framework of this memorandum, the issue of concluding contracts for the preparation of projects is being discussed.

Within the framework of “Nurly Zhol” Infrastructure Development State Program for 2015-2019, with the support of KPPF, negotiations between the Government of the Republic of Kazakhstan and a consortium of Turkish and South Korean companies on the project for construction and operation of Big Almaty Ring Road (BARR) totaling KZT 151 bn have been completed.



CHANGES IN THE STRUCTURE OF THE HOLDING'S ASSETS

The Holding's subsidiaries DBK JSC and KCM JSC have established the DBK EquityFund, which is a direct investment fund with the size of USD 100 bn aimed to capitalize the DBK JSC projects.

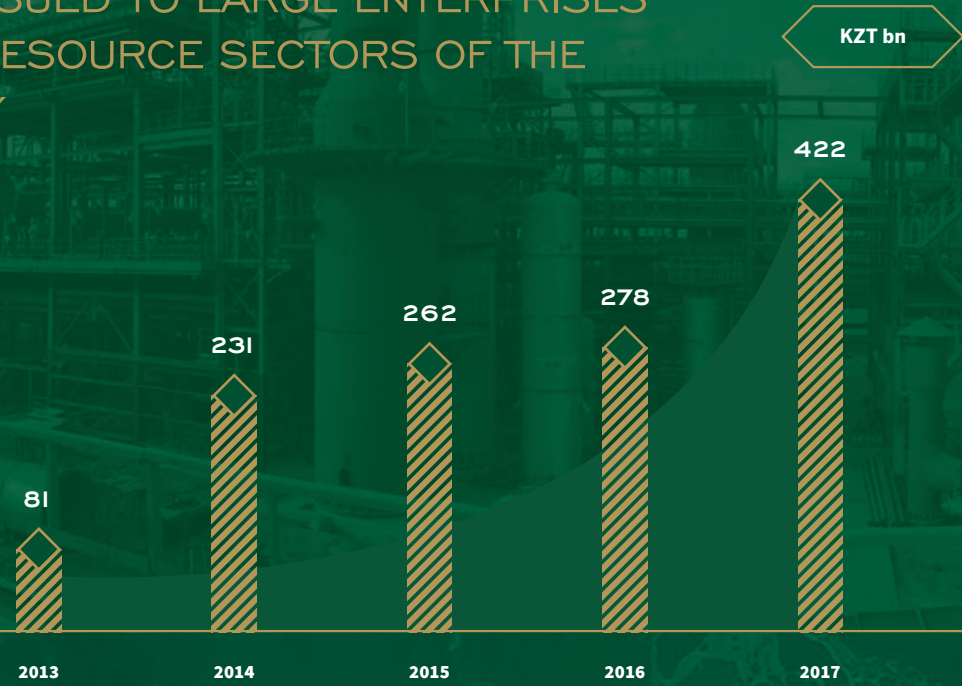
In addition, the Holding has implemented procedures for optimization of its structure. In particular, participation shares in 4 projects of IFK JSC for the total amount of KZT 337 mln were sold in accordance with the Decree of the Government of the Republic of Kazakhstan No.1141 dated 30 December 2015 “On some privatization issues for 2016-2020”. Also, within the framework of NATD JSC activities the participation share in “Technological park of KazNTU named after K. Satpayev” has been sold.



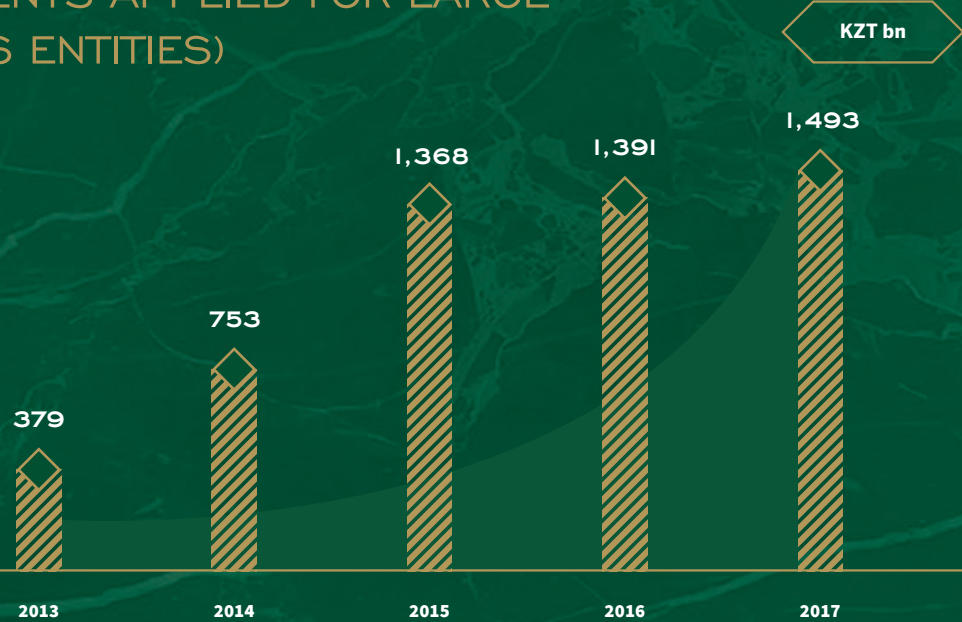
GOVERNMENT SECURITIES OF THE LOCAL EXECUTIVE AUTHORITIES

Being the single financial operator of “Nurly Zher” Housing Construction Program for financing the credit housing construction, BD JSC has purchased the bonds of the local executive authorities for a total of KZT 72 bn.

THE VOLUME OF THE LONG-TERM LOANS ISSUED TO LARGE ENTERPRISES OF NON-RESOURCE SECTORS OF THE ECONOMY



THE HOLDING'S LOAN PORTFOLIO (AS PART OF THE DIRECT LENDING INSTRUMENTS APPLIED FOR LARGE BUSINESS ENTITIES)



Every

2ND
TENGE,

issued for the long-term lending of non-resource industries in 2017, is invested by the Holding.

I. ABOUT THE HOLDING

1.1 HISTORY OF DEVELOPMENT

2013

- Baiterek NMH JSC was established by the Decree of the President of the Republic of Kazakhstan No.571 dated May 22, 2013 to optimize the management system of development institutions, financial organizations and national economy development.
- The main objective of the Holding is to manage the shares (participation shares) of the national development institutions, national companies and other legal entities, which belong to it on the right of ownership and which are transferred to its trust management.
- The Holding included 10 development institutes formerly managed by state bodies and National Welfare Fund Samruk-Kazyna JSC.

- The Holding and Kazakhstan PPP Center JSC jointly established “The Center for Support of the Public-Private Partnership Projects” LLP (currently – Kazakhstan Project Preparation Fund LLP) to facilitate the infrastructure development in the country.
- Within the Holding structure Baiterek Venture Fund for investing into the priority economic sectors was established.
- Security agreement is signed with the European Bank for Reconstruction and Development on the loan of Bank CenterCredit JSC for KZT 10 bn to provide financing for SMEs.

2014

- The Holding became an operator of “Nurly zhol” State Program of Infrastructure Development for 2015-2019. Kazakhstan Infrastructure Fund was established within the Holding with the capitalization of KZT 20 bn allocated from the republican budget in 2013 and 2014.

2015

- “Competitive leaders — National champions” program was initiated as a part of the 62nd step of the “Nation’s plan — 100 specific steps” in order to facilitate the dynamic growth of the participant companies which may become competitive leaders in EEU. 27 participant companies are defined from three sectors: food industry (16 companies), machine engineering (6 companies) and production of construction materials (5 companies).
- Within the framework of the Regional Development Program till 2020, the Holding has made 425,4 thous.

sq. m of housing (7,234 apartments) available to the public within the MO Kazakhstan Mortgage Company's "Housing" program and facilitated the buyout of 404 thous. sq. m of housing (6,558 apartments) via the Housing Construction Savings Bank of Kazakhstan JSC.

- The process of consideration of requests for getting loan guarantees of private entrepreneurs by Damu Fund JSC on e-gov platform was automated. The project to support youth entrepreneurship "Startup Bolashak" startup-project competition was implemented.

2016

- The Holding continued to implement state and government programs — "Nurly zhol", Industrial and Innovative Development Program for 2015-2019, "Business Roadmap 2020".
- Within the "Competitiveness leaders — National champions" program, the income of the participant companies in 2016 totaled KZT 423 bn, which exceeded the 2015 figure by 26%.
- Within the framework of direct lending, the projects in processing industry and production infrastructure (energy, transport and communications) were financed by the amount of KZT 278 bn, which exceeds

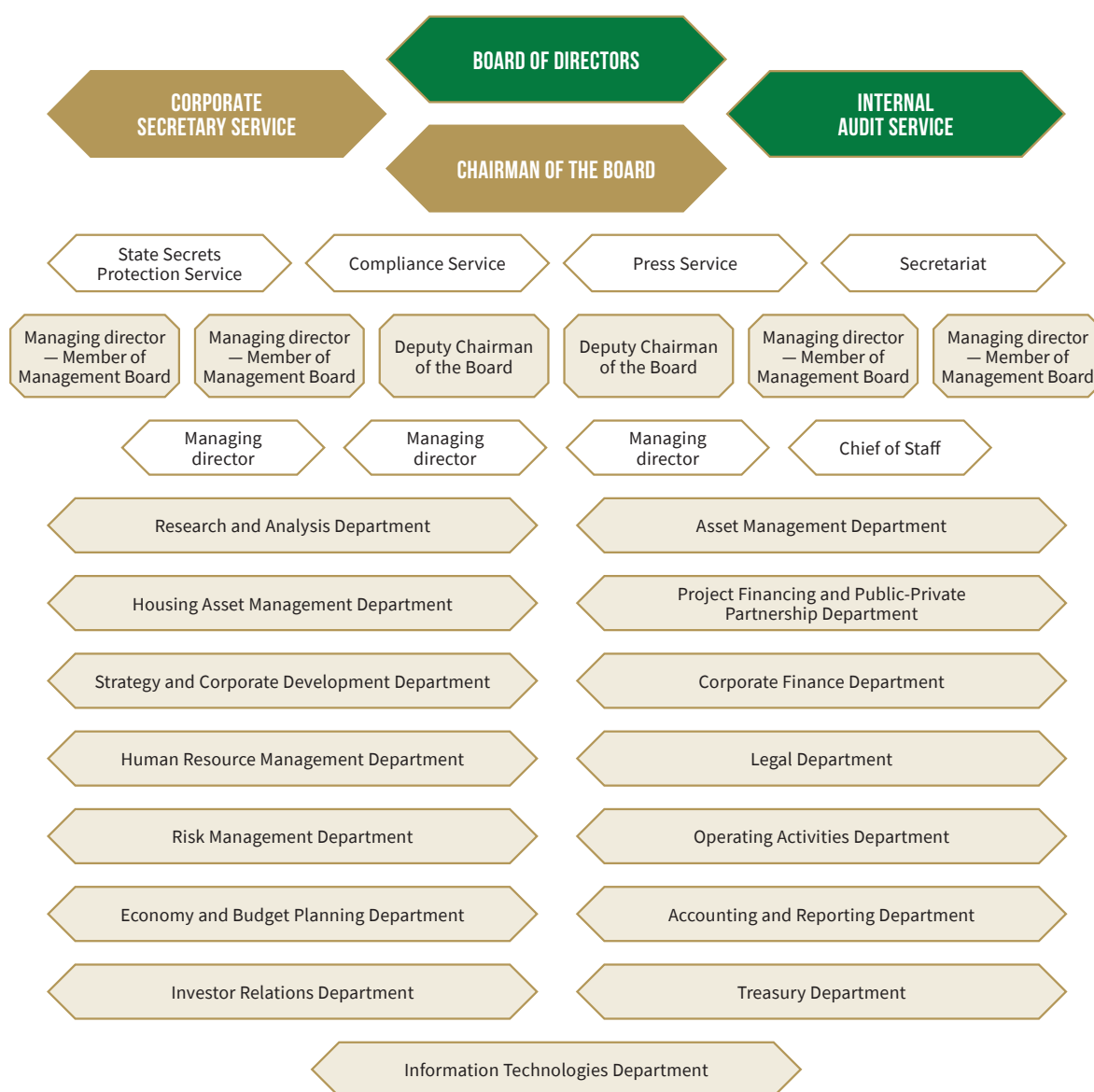
the result of the previous year by 6%, or by KZT 16 bn. About 13 thous. SME projects worth KZT 606 bn (31% of the total volume of SME lending by banks) were supported through Damu Fund JSC.

- Within the framework of "Nurly Zhol" Program, the Holding provided housing for 15,324 families. The total area of apartments: through the input of rental and credit housing was 456.9 thous. sq. m., through the housing construction by the system of housing construction savings — 452,5 thous. sq. meters.
- The Mortgage Loans Guarantee Fund was reorganized into the Housing Guarantee Fund JSC.
- DBK JSC financed 10 export operations for the amount of KZT 95 bn, including two transactions of Talas Investment Company LLP and KazAzot JSC involving KazExportGarant JSC with DBK JSC, which provided insurance coverage for the whole amount of loans.
- By the direction of transfer and introduction of technologies, 212 applications for getting innovative grants were considered and 66 contracts for the amount of KZT 2 bn were signed. Grantees received KZT 4 bn of taxes, products worth KZT 58 bn were issued. At the same time, exports amounted to KZT 28 bn.
- In September 2016 the decision to expand the mandate of The Center for Support of the Public-Private Partnership Projects LLP was made. The company was renamed to the Kazakhstan Project Preparation Fund LLP and is aimed to finance and develop the project documentation for industrial and infrastructure projects.

1.2 ORGANIZATIONAL STRUCTURE

Baiterek NMH JSC is an integrated development institution which includes 11 subsidiaries¹, using the broad range of instruments to support diverse business in Kazakhstan.

ORGANIZATIONAL STRUCTURE OF BAITEREK NMH JSC



¹ 100% participation of the Holding (excluding "KPPF" LLP — 97.7%)

The Holding's structure includes the following subsidiaries:

- Development institutions involved in financing, investing, searching for investors and export support of the large projects and enterprises: DBK JSC, KCM JSC, IFK JSC, KazakhExport EIC JSC, KPPF LLP.
- Development institutions providing support for the small and medium-sized businesses and innovative activities of enterprises: Damu Fund JSC, NATD JSC.
- Development institutions involved in the programs of housing construction and housing construction savings development: BD JSC, MO KMC JSC, HCSBK JSC, HGF JSC.

More detailed information on subsidiaries included in the Holding's structure is enclosed in Annex 6.1 "The activities of subsidiaries in 2017".



1.3 HOLDING'S SUPPORT TOOLS

Each subsidiary of the Holding has its own specialization and criteria for selecting recipients of financial and non-financial support.

General selection principles for all types of support are in line with the state priorities in the field of socio-economic development of the country. In particular, they include diversification and modernization of the economy, increase of its competitiveness, development of infrastructure and export potential, creation of new jobs, provision of housing affordability. At the same time, this support is aimed to form and develop competitive business sector operating under market conditions, and as a whole should not lead to expansion of state participation in the economy.

Investment projects are supported by DBK JSC (credit financing, guarantees, leasing), KCM JSC (equity financing in the form of direct investments, including venture capital) and KPPF LLP (financing and preparation of project documentation, searching for investors).

KazakhExport EIC JSC assists exporters, including the organization of financing and insuring of export and

pre-export operations. DBK JSC carries out financing of export and pre-export operations as well. As a rule, these types of support cover the activities of relatively large companies.

Support of small and medium enterprises (SMEs) is the core function of Damu Fund JSC. The Fund has two main activities: financial support for SMEs and non-financial support through consulting.

NATD JSC provides support for commercialization and access to new technologies.

The following subsidiaries of the Holding provide support in the field of housing construction: Housing Guarantee Fund JSC (support of shared-equity housing construction), MO KMC JSC (mortgage lending, subsidizing, operations with rental housing), HCSBK JSC (mortgage lending, housing loans issue), BD JSC (financing of developers by retirements of securities from the local executive authorities, operations with rental housing).

Full list of programs involving the Holding Group is available on the official website of Baiterek NMH JSC: <https://www.baiterek.gov.kz/en/about-holding>.

TYPES OF FINANCIAL AND NON-FINANCIAL SUPPORT OF THE HOLDING

Activities of the Holding	Tools	DBK JSC	KazakhExport EIC JSC	IFK JSC	KCM JSC ²	KPPF LLP	Damu Fund JSC	NATD JSC	HCSBK JSC	MO KMC JSC	HGF JSC	BD JSC
Entrepreneurship support in the large business segment	Debt financing											
	Equity financing											
	Non-performing loans											
	Guarantees											
	Leasing											
	Financing and preparation of project documentation, search for investors											
Entrepreneurship support in the SME segment	Financial support ³											
	Counseling											
Improvement of housing affordability	Financing of constructors by retirements of securities from the local executive authorities											
	Mortgage credit lending											
	Subsidizing											
	Rental housing											
	Securing of shared-equity housing construction											
	Issue of housing loans											
Develop of export potential ⁴	Guarantees and insurance											
	Export and pre-export financing											
Transfer and implementation of innovations	Grants											

² Including medium and large business

³ Including conditional placement in STBs, issuance of state subsidies for interest rates, guarantees

⁴ Including small, medium and large business

INTEGRATED AND CUSTOMER-FOCUSED BUSINESS SUPPORT BY USING THE “ONE-STOP-SHOP” PRINCIPLE

One of the steps in the development of the customer-focused approach of Baiterek NMH JSC is the introduction of the “one-stop-shop” principle which is aimed to improve the level of work with customers through the structure of Baiterek NMH JSC and to provide integrated solutions.

In order to implement this principle, the information system “Digital Baiterek” Unified Entrepreneurship Support Portal” was developed and introduced into permanent (industrial) operation in 2017 by the order No. 127-B.

“Digital Baiterek” is a single digital platform of the Holding’s services aimed at providing integrated and customer-focused business support. The entire range of services provided by Baiterek NMH JSC and its subsidiaries is available through the “Digital Baiterek” shop-window.

In 2017, 24 services of the Holding and its subsidiaries were placed on the “Digital Baiterek” shop-window, including:

- 9 automated services;
- 15 information services.

Automated services provides the process of accepting an application from the client, processing and transferring the result to him in automated mode. This type of service allows the client to apply for the service in digital form by using his or her personal account and to transfer the information about the application to the Holding’s appropriate subsidiary. The result of consideration of the application and the corresponding reply will be available to the client in his/her personal account.

Information services allow the client to get acquainted with the service, the terms of its provision, the actions for its receipt and contact information.

LIST OF AUTOMATED SERVICES

Nº	Organization name	Service name
1	Baiterek NMH JSC	1. Registration as an investor 2. Application for the project financing
2	NATD JSC	3. Providing innovative grants for technological development of industries (Front office) 4. Providing innovative grants for technological development of operating enterprises (Front office) 5. Providing innovative grants for the commercialization of technologies (Front office)
3	BD JSC	6. Consideration of documents on payment by the completion certificates 7. Consideration of housing construction projects for financing
4	HGF JSC	8. Guarantee for the completion of housing construction
5	KPPF LLP	9. To submit the project proposal

LIST OF INFORMATION SERVICES

Nº	Organization name	Service name
1	Damu Fund JSC	1. Subsidizing part of the interest rate on loans to STBs 2. Guaranteeing loans of private business entities, issued by the second-tier banks within the framework of the Single Business Support and Development Program “Business Roadmap – 2020” 3. Subsidizing the interest rate on the loans issued by STBs to private developers
2	HCSBK JSC	4. Participation in “Nurly Zher” Housing Construction Program 5. “How to get a housing loan” 6. “How to open a deposit” 7. “My house” Program
3	MO KMC JSC	8. Subsidizing the interest on mortgage loans
4	DBK JSC	9. Financing and development of medium and large business
5	KazakhExport EIC JSC	10. Voluntary insurance of financial leasing 11. Insurance of bank payment guarantees 12. Insurance of export credit (Insurance of deferred payment under an export contract) 13. Insurance of the exporter’s liability for the return of the advance payment 14. Voluntary loan insurance
6	DBK-Leasing JSC	15. Preliminary consideration of business proposals within the framework of leasing financing

All information arising in the process of communication with the customers and providing services to them accumulates in the database, which makes it possible to provide support for decision-making based on collected data about the activities of all the Holdings subsidiaries.

In the next reporting year, it is planned to expand the list of services provided by the Holding and its subsidiaries.

SUCCESSFUL BUSINESS CASES WITH THE USE OF “ONE-STOP-SHOP” PRINCIPLE

KAZAZOT JSC

PROJECT NAME

Insurance of export support and support of pre-export financing of nitrogen fertilizers and liquid ammonia

YEAR OF THE PROJECT IMPLEMENTATION

2017



TOTAL COST OF THE PROJECT

6 KZT BN

INSURANCE TERM

36 MONTHS

INTEREST RATE / INSURANCE PREMIUM

9%

PARTICIPATION OF THE HOLDING'S SUBSIDIARIES IN THE PROJECT

- DBK JSC
- KazakhExport EIC JSC

ASIA TRAF0 JSC

PROJECT NAME

110 and 220 kW power transformers plant in Shymkent

SALES MARKETS

- Kazakhstan
- Russia
- Uzbekistan
- Iran



TOTAL COST OF THE PROJECT

17,906 KZT MLN

NEW JOBS

220

PRODUCTION CAPACITY

120 TRANSFORMERS



PARTICIPATION OF THE HOLDING'S SUBSIDIARIES IN THE PROJECT

- The funds of DBK-Leasing JSC in amount of KZT 4,708 bn are allocated to the procurement of technological equipment;
- Loan funds of DBK JSC are issued to finance the construction and installation works (KZT 6,688 mln), as well as to replenish working capital of the project (KZT 2,000 mln).

MAKINSK POULTRY PLANT LLP

PROJECT GOAL

Construction of a poultry farm for broilers breeding with in-site engineering infrastructure in Bulandy district of Akmola region of the Republic of Kazakhstan.

**START OF
THE PROJECT
FINANCING**

2017

**YEAR OF THE
PROJECT
IMPLEMENTATION**

2018



TOTAL COST OF THE PROJECT

33,576 KZT MLN

LOAN TERM

10 YEARS



INTEREST RATE / INSURANCE PREMIUM

9.15%

PARTICIPATION OF THE HOLDING'S SUBSIDIARIES IN THE PROJECT

- DBK JSC
- Baiterek Venture Fund

PRODUCTION VOLUME

Broilers breeding with a capacity of 25 thous. tons of live weight per year.

1.4 DEVELOPMENT STRATEGY

The development strategy of Baiterek NMH JSC for 2014-2023 (hereinafter referred to as the Development Strategy) was approved by the Decree of the Government of the Republic of Kazakhstan No. 674 dated June 18, 2014. Due to a number of changes in the state programs involving Baiterek NMH JSC in 2015-2016, the slowdown in overall economic growth caused by the completion of the cycle of high commodity prices and the goal of reducing the state's participation in the economy, the Development Strategy was updated in 2017.

The Development Strategy is designed with the consideration of the strategic and program documents of the Republic of Kazakhstan and determines its mission, vision, strategic directions, goals and objectives for 2014-2023.

MISSION

To support the sustainable economic development of the Republic of Kazakhstan in order to implement state policies and achieve goals set by the 2050 Strategy.

VISION

Baiterek NMH JSC is a key institution of the Government of the Republic of Kazakhstan complying with the best-practice standards of corporate governance and ensuring the fulfillment of objectives aiming at the sustainable development of Kazakhstan's economy through diversification, support for innovations, exports development, and increase in productivity.

In order to implement its mission and vision, the Holding is working on five strategic activities:

- entrepreneurship support in the large business segment;

- entrepreneurship support in the SME segment;
- improvement of housing affordability;
- develop of export potential;
- transfer and implementation of innovations.

The updated Development Strategy of the Holding takes into account changes in approaches of managing financial resources received from the National Fund of the Republic of Kazakhstan, as well as the task of reducing state participation in the economy to the level of OECD countries of 15% by 2020. In addition, it reflects the following changes: treasury/funding functions, portfolio risk management and interaction with government agencies have switched over to the level of centralized management of the Holding, while the remaining functions will be implemented in subsidiaries. The Boards of Directors of subsidiaries will focus on such strategic issues as setting target KPIs, appointment of the Management Board and evaluation of its work, approval of the budget, investment plans and major transactions. In turn, the Management Boards of subsidiaries will be responsible for implementing the strategy and achieving the target efficiency.

In accordance with the Rules for the development, approval of development strategies and development plans of national managing holdings, national holdings, national companies with a state shareholding, and for the monitoring and evaluation of their implementation, approved by the Order of the Minister of National Economy of the Republic of Kazakhstan No. 149 dated February 27, 2015, the Holding conducted the first assessment of the implementation of the Holding's Development Strategy for 2014-2016 in the reporting year. Based on evaluation results, the implementation of the Development Strategy for this period was recognized as effective.

By the end of 2017, all strategic KPIs have been fully implemented.

THE FULFILLMENT OF THE STRATEGIC KPIS OF THE HOLDING GROUP IN 2017 AND THE PLANS FOR THE NEXT YEAR AND FOR THE MEDIUM TERM

STRATEGIC AREA

1

ENTREPRENEURSHIP SUPPORT
IN THE LARGE BUSINESS SEGMENT

2

ENTREPRENEURSHIP SUPPORT
IN THE SME SEGMENT

STRATEGIC TASKS



Development of non-resource
sectors of the economy



Development of entrepreneurship (private
sector of the economy)

STRATEGIC KPIS AND THEIR FULFILLMENT IN 2017

Indicator	2017			2018	2023
	planned	actual	% of fulfillment	planned	planned
Number of new projects, projects of modernization and expansion of current production with consideration for production growth and expansion of sales markets (with accumulation from 2014), units.	31,129	36,844	118	36,970	55,600
Volume of products produced by supported business entities (with accumulation from 2014), KZT bn	12,671	13,070	103	17,013	42,700
Foreign investments attraction, ratio (KCM JSC)	at least 2:1	2.2:1	110	at least 2:1	at least 2:1

STRATEGIC AREA

3

IMPROVEMENT OF HOUSING
AFFORDABILITY

STRATEGIC TASKS



Support economy
urbanization

STRATEGIC KPIS AND THEIR FULFILLMENT IN 2017

Indicator	2017			2018	2023
	planned	actual	% of fulfillment	planned	planned
Volume of housing receiving support tools (with accumulation from 2014), thous. sq. m	1,884	2,105	112	2,377	The planned KPI for 2019 is set for this indicator — 2,851
Share of housing savings system participants in economically active population of the Republic of Kazakhstan, % (HCSBK JSC)	11	12	112	12	17
Guaranteeing the contributions of shared commercial housing construction participants, % (HGF JSC)	5	5	100	25	50

STRATEGIC AREA

4

DEVELOP OF EXPORT POTENTIAL

STRATEGIC TASKS



Support export of non-resource products

STRATEGIC KPIS AND THEIR FULFILLMENT IN 2017

Indicator	2017			2018	2023
	planned	actual	% of fulfillment	planned	planned
Volume of export revenues of enterprises receiving support under export and pre-export financing (with accumulation from 2014), KZT bn	683	1,299	190	803	1,054

STRATEGIC AREA

5

TRANSFER AND IMPLEMENTATION OF INNOVATIONS

STRATEGIC TASKS



Development of innovations

STRATEGIC KPIS AND THEIR FULFILLMENT IN 2017

Indicator	2017			2018	2023
	planned	actual	% of fulfillment	planned	planned
Number of commercialized technologies, introduced technologies in production process and projects aimed at solving technological tasks of the industries, units. (NATD JSC)	21	22	105	29	81

2. OVERVIEW OF THE ECONOMY

2.1 MACROECONOMIC OVERVIEW

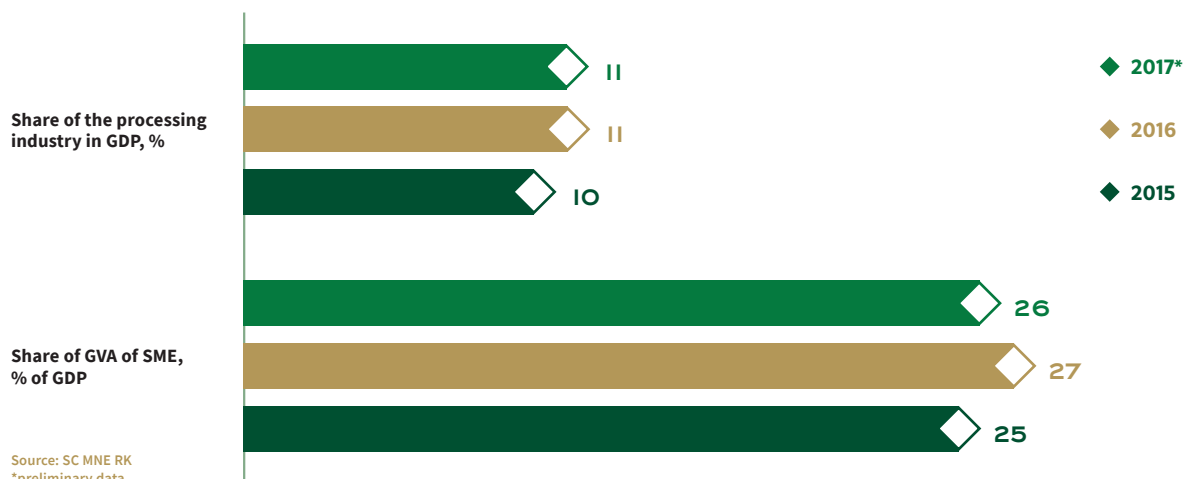
According to the preliminary data of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter referred to as the SC MNE RK), in 2017, GDP growth in real terms amounted to 4% (in nominal terms — KZT 51,967 bn). GDP growth is

mainly due to an increase in the growth rates of production sectors, caused by increased investment activity along with the restoration of domestic demand. In 2017, the production of goods in real terms increased by 6%, the production of services — by 3%.

DYNAMICS OF THE VOLUME INDEX (VI) OF GDP AND GVA IN THE PROCESSING INDUSTRY



DYNAMICS OF THE SHARES OF THE PROCESSING INDUSTRY IN GDP AND GVA OF SMALL AND MEDIUM ENTERPRISES



In 2017, the steady trend of positive growth of the processing sector continued, the volume of industrial production in real terms increased by 6%, the share in the total GDP was 11%. Accelerated growth of the processing industry is caused by an increase in the production of pharmaceutical products (142%), chemicals industry (107%), metallurgy (106%), food products (104%), etc.

The implementation of large-scale infrastructure projects also ensured a positive growth rate in the construction sector (102%) and transport industry (105%). In particular, an increase in the growth rate of the construction sector is connected with an increase in the commissioning of residential real estate. With a plan of 10.5 mln sq. m, actually 11.2 mln sq. m are put in operation in the reporting year. A total of 100,812 units of housing were made available across the country, including 27,908 units of individual housing construction (4.3 mln sq. m) and 72,904 units of housing in youth residential complexes (6,9 mln sq. m). KZT 980 bn were invested in housing construction in 2017, which is 12% more than in 2016.

In 2017, there was a positive growth in the service sector (wholesale and retail trade — 103%, accommodation and catering services — 104%), which is related to the proposal of new state support tools for SME initiatives. In 2017, there was a recovery in economic activity in the segment of small and medium-sized businesses. Thus, the volume of products released by SMEs increased in real terms by 0.4%

(in nominal terms — KZT 21,148 bn) against the decline by 6% in 2016. At the same time, the number of active SMEs increased by 4% in 2017 (by 2016) and the number of employees at SMEs decreased by 0.7%. According to preliminary data for 2017, the share of GVA of SMEs in the structure of GDP was 26% (27% — in 2016).

Taking into account a general slowdown in inflation processes from the beginning of 2017, the National Bank of the Republic of Kazakhstan (hereinafter referred to as NB RK) has continued the policy of gradual reduction of the base rate, thereby pursuing the goal of stimulating economic activity.

According to the National Bank of the Republic of Kazakhstan, the total volume of loans issued in 2017 amounted to KZT 11 trillion, which exceeds the similar indicator of 2016 by 10%. Significant growth in lending activity in 2017 was largely due to an increase in the volume of the long-term loans issued by commercial banks to the processing enterprises, which amounted to KZT 286 bn, that is 33% higher than the level of the previous year. This indicator increased due to the growth in the volume of loans in the metallurgical industry (6 times increase as compared to the level of 2016), the production of vehicles (2 times increase as compared to the level of 2016), etc. At the same time, the reduction in lending was observed in the chemical industry (16% decrease), in the coke production and petrochemical industry (69% decrease).

The dynamics of investment in fixed assets demonstrated a steady growth rates in 2017, reaching 6% at the end of the reporting period (5% in 2016). The investment activity was mainly provided at the expense of the own funds of enterprises, their share in the total volume was 69%, which was KZT 6,007 bn in nominal terms. One of the key drivers of the growth in investment activity in fixed assets in the sectoral context was agriculture (an increase by 29% to KZT 353 bn), housing and catering services (an increase by 57% to KZT 136 bn), trade (an increase by 22% to KZT 204 bn), industrial production (an increase by 4% to KZT 4,792 bn).

According to SC MNE RK, in 2017, the level of investment in the fixed capital of the processing enterprises increased by 5%, amounting to KZT 982 bn in nominal terms. The increase in growth rates was largely due to an increase in investment volume in fixed assets of petrochemical enterprises by 64%, enterprises producing finished metal products — by 45%, and enterprises producing motor vehicles — 4 times. At the same time, in certain sectors of the economy there was a decrease in the level of investment in fixed assets. Thus,

in metallurgy the indicator decreased by 45%, in the chemical industry — by 34%.

In addition, during the reporting period the volume of investments in the processing industry financed from the borrowed funds amounted to KZT 316 bn (9% below the indicator of 2016), including at the expense of bank loans — KZT 217 bn or 22% of the total investment volume in the processing industry and other borrowed funds — KZT 99 bn (10%). At the same time, investments from own funds of enterprises remained the dominant source of the sector financing (68%), amounting to KZT 666 bn by the results of 2017 (37% higher than in 2016).

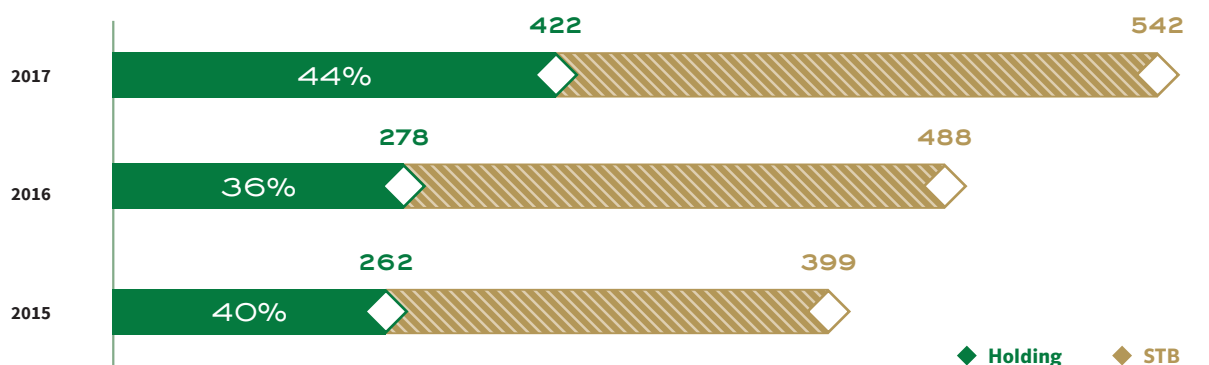
According to the data of SC MNE RK, in 2017 the volume of exports increased by 32% to USD 48 bn, and the volume of imports — by 16% to USD 29 bn. As a result, the foreign trade turnover increased by 25% to USD 78 bn by the results of 2017. Exports with the EEA countries totaled USD 5 bn, or 30% more than in 2016, while imports reached USD 12 bn (24% increase). Europe (57% of total exports), China (12%) and Russia (9%) have been the major destination points for the exported Kazakhstani products.

2.2 MARKET SHARE OF THE HOLDING'S TOOLS BY THE TYPES OF CORE ACTIVITIES

According to official data of the National Bank of the Republic of Kazakhstan, the volume of the long-term loans issued to priority non-resource sectors of the economy (processing industry, energy, transport and communications) amounted to KZT 542 bn by the results of 2017, which is 11% higher than in the previous year. At the same time, through

the direct lending instruments of the Holding (mechanisms of DBK JSC) in 2017, large businesses in non-resource sectors were financed by the amount of KZT 422 bn, which amounted to 44% of the total long-term crediting of non-resource sectors of the economy (processing industry, energy, transport and communications).

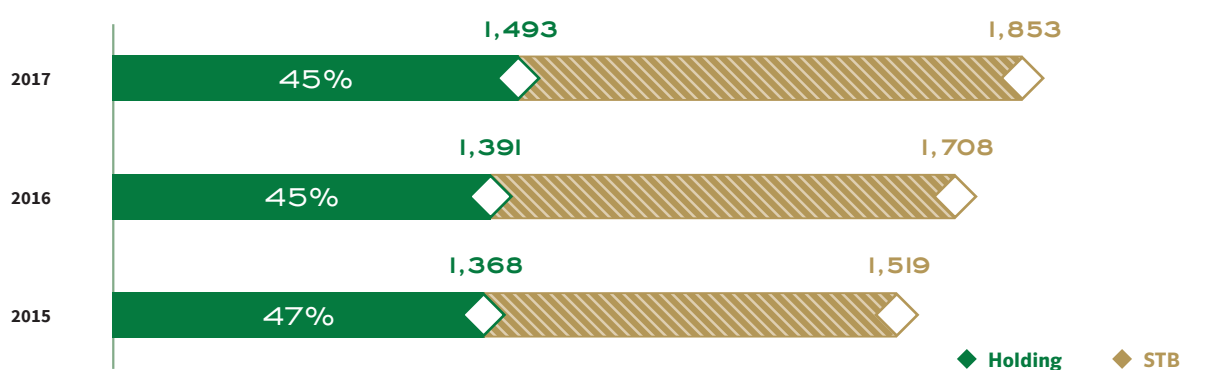
THE HOLDING'S SHARE IN THE ANNUAL LONG-TERM LOANS TO LARGE ENTERPRISES OF NON-RESOURCE SECTORS OF THE ECONOMY



As of December 31, 2017, the volume of the long-term debt of enterprises of non-resource sectors of the economy (processing industry, energy, transport and communications) to second-tier banks (hereinafter referred to as STB) amounted to KZT 1,853 bn. At the same time, the volume of the loan portfolio of the

Holding within the framework of direct lending to large business entities (hereinafter referred to as the LBE) was KZT 1,493 bn, or 45% of the total long-term debt of enterprises in non-resource sectors of the economy (processing industry, energy, transport and communication) including debts to STBs.

THE SHARE OF THE HOLDING'S LOAN PORTFOLIO (AS PART OF THE DIRECT LENDING INSTRUMENTS OF LBE) IN THE TOTAL LONG-TERM DEBT OF ENTERPRISES IN NON-RESOURCE SECTORS OF THE ECONOMY (AT THE END OF THE PERIOD)



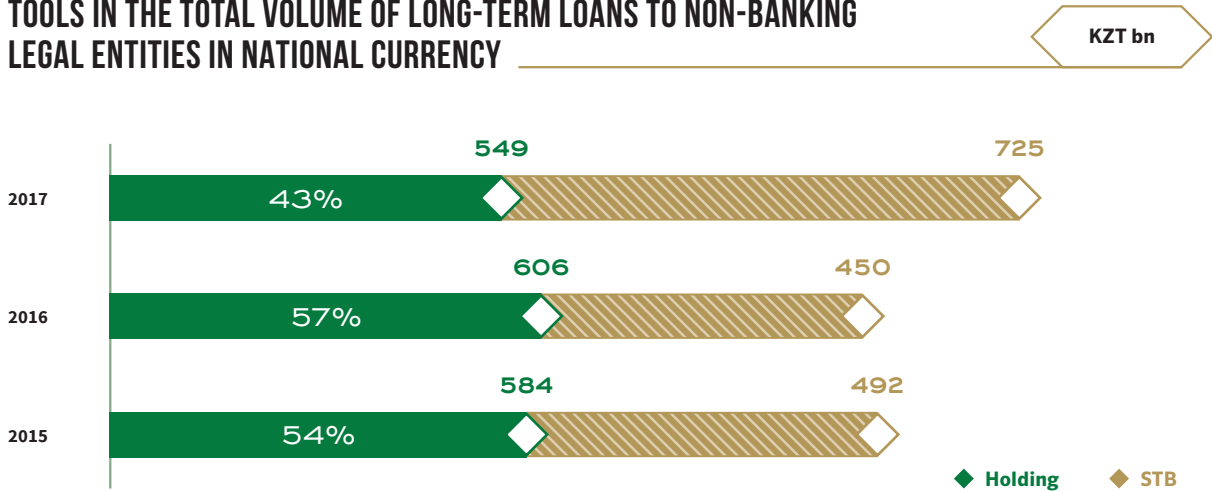
According to the official data of the National Bank of the Republic of Kazakhstan, the total amount of issued long-term loans to non-banking legal entities in national currency amounted to 1,274 bn in 2017, that is 21% higher than previous year. At the same time, the volume of loans granted to SMEs,

with the assistance of the Holding's tools (mechanisms of Damu Fund JSC) amounted to KZT 549 bn in the reporting period, which is 9% lower than in 2016. Within this, the share of the Holding's tools to support SME initiatives in the total volume of long-term loans granted to non-banking legal

entities in KZT was 43% in 2017 (57% — in 2016). The decrease of the share in 2017 is mainly due to a reduction in the amount

of funds allocated for subsidies within the framework of “Nurly zher” and “Business Roadmap 2020” programs.

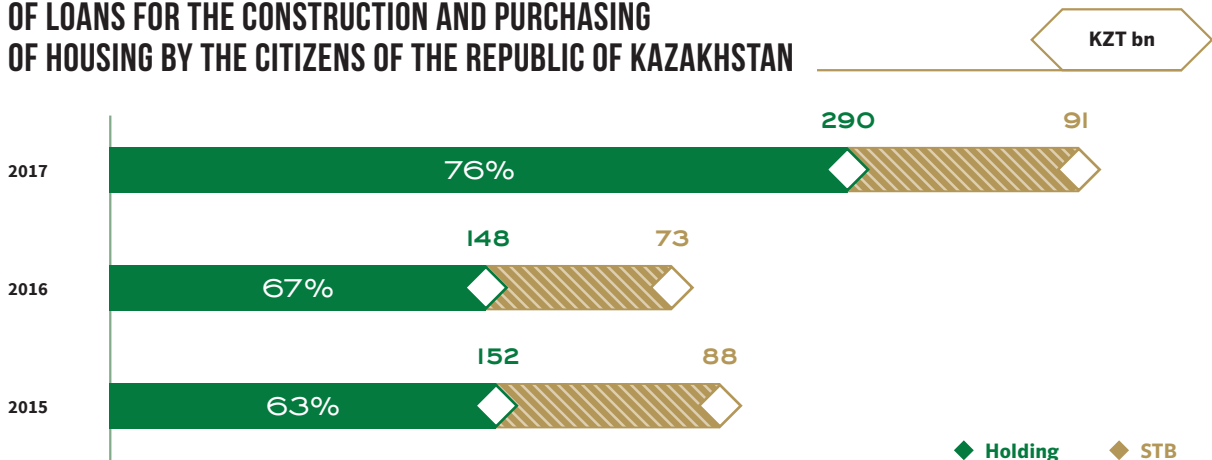
THE SHARE OF SME LENDING WITH THE ASSISTANCE OF THE HOLDING'S TOOLS IN THE TOTAL VOLUME OF LONG-TERM LOANS TO NON-BANKING LEGAL ENTITIES IN NATIONAL CURRENCY



According to the NB RK, in the reporting year there was a moderate growth in mortgage lending in the country. Thus, the total volume of issued loans for the construction and purchase of housing by the population was KZT 381 bn, which is 2 times higher than the same indicator in 2016. One of the key drivers of growth in mortgage lending includes the tools of the Holding's subsidiary organization — HCSBK JSC. **By the results of 2017, the HCSBK JSC became the leader in the mortgage market**

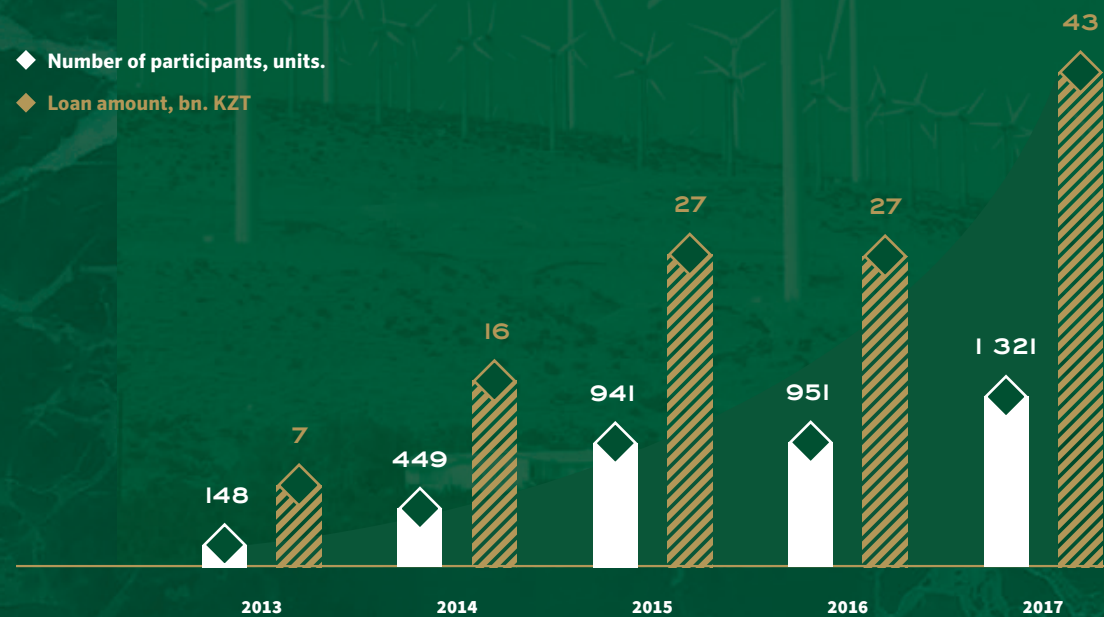
of Kazakhstan, issuing 76% of all mortgage loans in the country. In addition, the continuous transformation and improvement of banking processes allowed to strengthen the positions of HCSBK JSC in the financial market of the country, which is confirmed by the largest share in the total volume of long-term deposits of individuals (27%), as well as a significant share in the total loan portfolio of STB for the purpose of construction and purchasing of housing (34%).

THE HOLDING'S SHARE IN THE TOTAL ANNUAL VOLUME OF LOANS FOR THE CONSTRUCTION AND PURCHASING OF HOUSING BY THE CITIZENS OF THE REPUBLIC OF KAZAKHSTAN



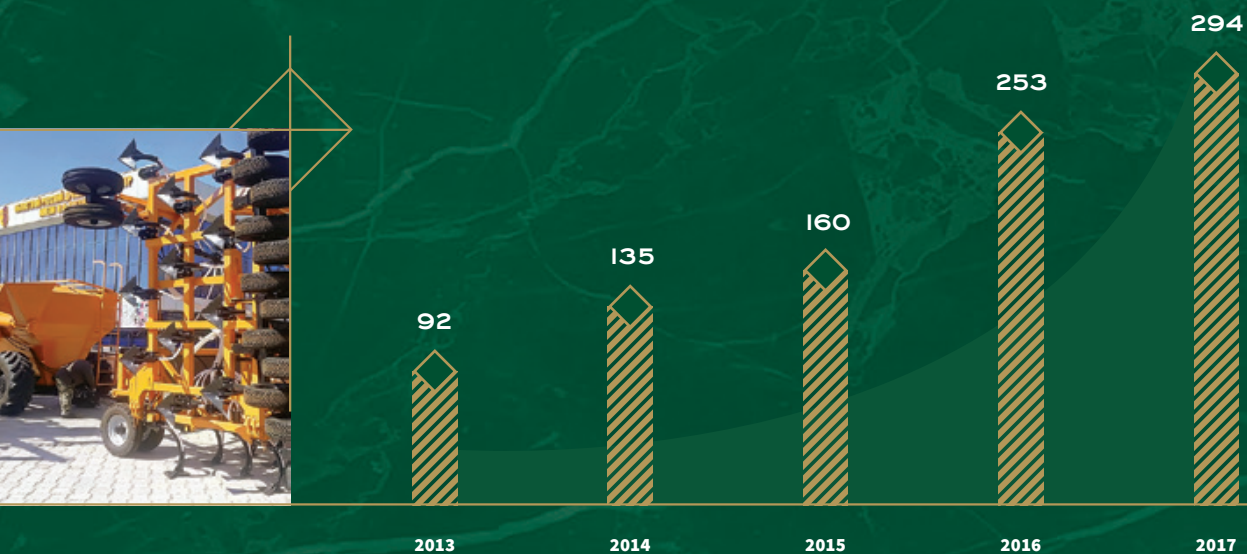
GUARANTEEING OF THE LOANS OF SMES

- ◆ Number of participants, units.
- ◆ Loan amount, bn. KZT



THE AMOUNT OF TAXES PAID BY PARTICIPANTS OF SME SUPPORT AND DEVELOPMENT PROGRAMS

KZT bn



As compared with the market, every

7TH TENGE

in the priority sectors of the economy and every

6TH TENGE

in the manufacturing industry are the loans granted in 2017 as part of the implementation of financial programs of SME support and development.



3. CORPORATE GOVERNANCE

3.1 CORPORATE GOVERNANCE SYSTEM

Baiterek NMH JSC considers the corporate governance as the key tool which increases the operating efficiency of the Holding and its subsidiaries, ensures the transparency and accountability, strengthens its reputation and reduces the cost of capital. The Holding aims to contribute to ensure the supremacy of law in the Republic of Kazakhstan via implementation of good corporate governance practices. The Holding's corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. The corporate governance system of the Holding provides a clear segregation of powers and responsibilities between the bodies, officials and employees of the Holding.

The basic principles of the Holding's corporate governance include:

- principle of segregation of powers;
- principle of protection of rights and interests of the Sole Shareholder;
- principle of effective management of the Holding by the Board of Directors and the Management Board;
- principle of sustainable development;
- principle of risk management, internal control and internal audit;
- principle of regulating corporate conflicts and conflicts of interest;
- principles of transparency and objectivity of disclosure of information on the Holding's activities.

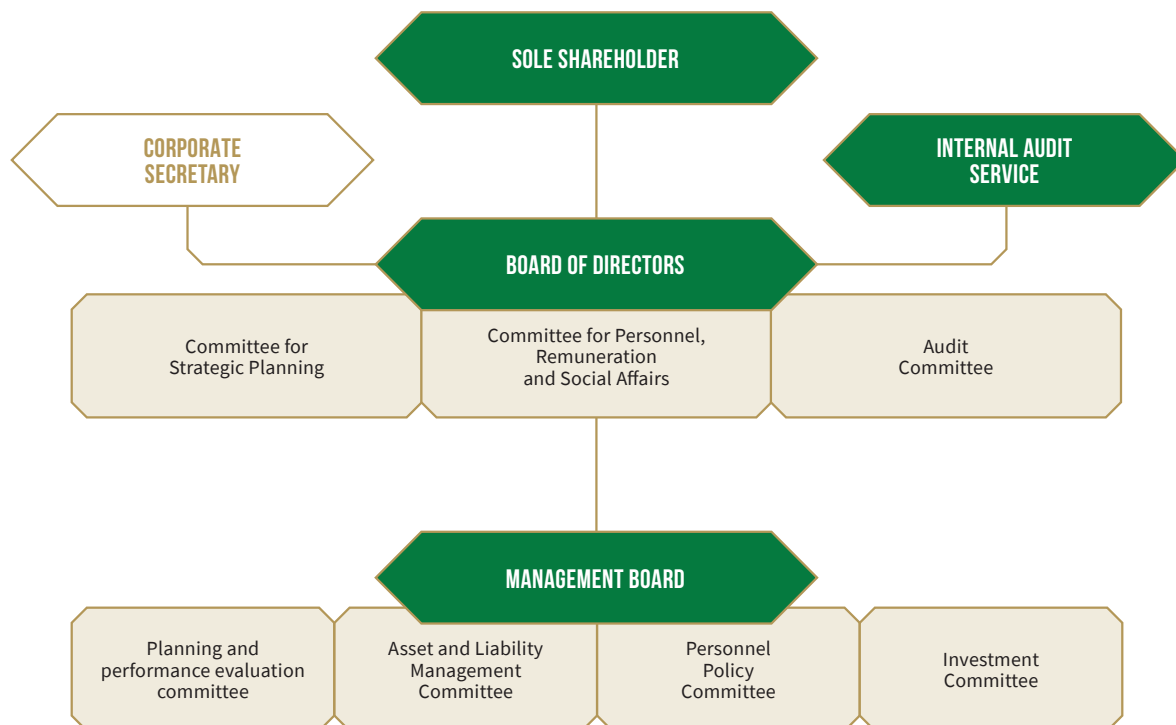
In 2017, the Holding carried out activities aimed at compliance with the principles and provisions of the Corporate Governance Code of Baiterek NMH JSC, approved by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh.M. Kassymbek on September 22, 2017 No. 646.⁵

The supreme governing body of the Holding is the Sole Shareholder, the Board of Directors is the governing body, the Management Board is the executive body. Internal audit service is the body performing supervision over the financial and business operations of the Holding, assessment of internal control and risk management, execution of corporate governance documents and consultancy in order to improve the Holding's performance. The Board of Directors of the Holding established the committees, which are competent to view the audit, risk management, strategic planning, HR management, remuneration and social issues. The following committees are established under the Management Board in order to prepare advisory decisions for the Management Board on individual activities of the Holding, which include the preparation and pre-examination of the issues referred to the Management Board's competence: Asset and Liability Management Committee, Personnel Policy Committee, Investment Committee, Planning and Performance Evaluation Committee. The corporate governance system of the Holding provides:

⁵ The full text of the Report on compliance with the principles and provisions of the Corporate Governance Code of the Holding is posted on the Holding's official website after approval by the Board of Directors of the Holding.

- presence of a clear management system within the Group, delineation of powers and decision-making process, absence of duplication of functions and processes;
- unified standards, policies and processes that concern defining common approaches to planning, monitoring and control, evaluating performance and applying corrective actions;
- access to qualitative information on the Group activities;
- proper management of the Group's risks.

STRUCTURE OF THE CORPORATE GOVERNANCE SYSTEM



By the decision of the Sole Shareholder No. 646 dated September 22, 2017, a new Corporate Governance Code of Baiterek NMH JSC (hereinafter – the Code) was approved based on the updated Model Code for joint-stock companies with state participation approved by the Ministry of National Economy of the Republic of Kazakhstan and approval of the similar codes in subsidiaries of Baiterek NMH JSC was implemented.

The new Code provides more detailed description of the rights of the Sole Shareholder, the principles of dividend policy, principles of performing functional duties by the members of the Board of Directors, their election. In particular, it is stated that independent directors of the

Board of Directors shall be elected for not more than three years and upon the expiry of this term an independent director may be reelected for the next term if the performance results are satisfactory. The election period of independent directors to the Board of Directors for more than six successive years (for example, two six-year terms) shall be considered individually taking into account the need of quality renewal of the Board of Directors. The recommended number of independent directors in the Board of Directors shall be up to fifty percent of the total number of members of the Board of Directors.

Also, the new Code provides more detailed description of sections on assessment of performance of the Board

of Directors, the functions of the Corporate Secretary, the role of the Ombudsman, the principles of activities of the Internal audit service, the activities of the Management Board, evaluation and remuneration of the members of the Management Board, information disclosure.

The principle of sustainable development provides the coherence of economic, social and environmental goals with the further integration into the key processes, including risk management, planning, human resource management, investments, reporting, operating activities etc.

In 2017, the Holding also updated its standard provisions on the Board of Directors and on assessment of the activities of the Board of Directors for subsidiaries.

The Holding and its subsidiaries adopted the Corporate governance diagnostics methodology, on the basis of which the internal audit services assessed the corporate governance system⁶ in 2017 with the subsequent development of new action plans aiming to improve the corporate governance systems, including the activities provided by international practices, in particular, the

structure of corporate governance, regulation of conflict of interest, effectiveness of the work of the boards of directors, risk management system, internal audit and transparency.

In the mid-term, the Holding will continue its work to improve the corporate governance system. In particular, according to the Action Plan for improving the corporate governance system for 2018-2019, it is planned to:

- update the corporate governance codes of the Holding's subsidiaries;
- prepare and submit the report on compliance with the principles and provisions of the Corporate Governance Code of the Holding for consideration by the Audit Committee and for approval by the Board of Directors;
- monitor the implementation of the Action plan for the corporate governance improvement of the Holding and its subsidiaries;
- test the knowledge of the Holding's employees about the regulations and provisions of the Corporate Governance Code of the Holding.

3.2 THE SOLE SHAREHOLDER

The Government of the Republic of Kazakhstan represented by the Ministry of Investment and Development of the Republic of Kazakhstan (hereinafter referred to as the MID RK) is the Sole Shareholder of the Holding, which makes decisions on the issues referred to the competence of the Sole Shareholder according to the legislation and the Holding's Charter and formally documented by the orders of the authorized officials of MID RK.

THE SHARED EQUITY

As of December 31, 2017, the shared equity of Baiterek NMH JSC was KZT 846,218,711,608.

- Number of authorized ordinary shares — 5,000,086,550.
- Number of allotted and paid-up ordinary shares — 846,218,712.
- Number of authorized but unallocated ordinary shares — 4,153,867,838.

DIVIDEND POLICY

In accordance with the Decree of the Government of the Republic of Kazakhstan No. 633 dated July 26, 2007 "On dividends for state shares stock and incomes on the government participation shares in organizations", Baiterek NMH JSC was exempted from paying dividends on the state shares stock in 2013-2017 in order to finance new projects and programs aimed at the development of the economy of the Republic of Kazakhstan.

⁶ The corporate governance system is assessed every two years.

3.3

BOARD OF DIRECTORS

The Board of Directors is the management governing body providing strategic management for the Holding and control over the Management Board's activities.

The Board of Directors performs its functions in accordance with the legislation of the Republic of Kazakhstan, the Charter of the Holding, the Corporate

Governance Code, the Regulations of the Board of Directors and other internal documents of the Holding.

Within its competence, the Board of Directors approves development plan, controls the effective functioning of the risk management system, internal control and internal audit, approves and monitors the effective implementation of major investment projects and other key strategic projects.

COMPOSITION AND BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

As of December 31, 2017, the Board of Directors of the Holding consisted of nine directors, including three independent directors.

Was born on October 13, 1963.

Citizenship: Republic of Kazakhstan.

EDUCATION: Graduated from Kazakh State University, Economist, Candidate of economic sciences.

PROFESSIONAL EXPERIENCE: September 2012 – January 2013 – the First Deputy Chairman of “Nur Otan” People’s Democratic Party.

January 2013 – November 2013 – the First Deputy Prime Minister of the Republic of Kazakhstan – the Minister of Regional Development of the Republic of Kazakhstan.

November 2013 – September 2016 – the First Deputy Prime Minister of the Republic of Kazakhstan.

From September 2016 – Prime Minister of the Republic of Kazakhstan.

On June 25, 2013, by the order of the Chairman of the Committee of the State Property and Privatization E.Uteпов No.471 “On the governing body of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On December 30, 2013, by the order of the First Vice Minister of Industry and New Technologies of the Republic of Kazakhstan A. Rau No.464 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On September 28, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.689 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as the Chairman of the Board of Directors.



BAKYTZHAN SAGINTAYEV

Prime Minister of the Republic of Kazakhstan, Chairman of the Board of Directors

On December 26, 2016, the powers of the Chairman of the Board of Directors were extended for three years by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”.

Was born on May 21, 1970.

Citizenship: Republic of Kazakhstan

EDUCATION: Graduated from Almaty Power Engineering Institute, Moscow State Technical University named after Bauman.

PROFESSIONAL EXPERIENCE: 2006-2012 — Chairman of the Board of Directors of KazInvestBank JSC

September 2012 — January 2013 — Minister of Economic Development and Trade of the Republic of Kazakhstan.

January 2013 — August 2014 — Minister of Economy and Budget Planning of the Republic of Kazakhstan.

August 2014 — May 2016 — Minister of National Economy of the Republic of Kazakhstan.

May 2016 — August 2017 — Chairman of the Management Board of Baiterek NMH JSC

From August 29, 2017 — Deputy Prime Minister of the Republic of Kazakhstan.

On June 25, 2013, by the order of the Chairman of the Committee of the State Property and Privatization E.Utepov No.471 “On the governing body of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On December 30, 2013, by the order of the First Vice Minister of Industry and New Technologies of the Republic of Kazakhstan A.Rau No.464 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On May 24, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan A.Issekeshov No.437 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected the member of the Board of Directors.

On December 26, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, the powers of the member of the Board of Directors were extended for three years.

On November 29, 2017, by the order of the acting Minister of Investment and Development of the Republic of Kazakhstan T. Toktabayev No. 824 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.



YERBOLAT DOSSAYEV

Deputy Prime Minister of the Republic of Kazakhstan, member of the Board of Directors

Was born on December 18, 1972.

Citizenship: Republic of Kazakhstan.

EDUCATION: Graduated from Kazakh State National University named after Al-Farabi with major in Applied Mathematics. Graduated from Kazakh Institute of Management, Economics and Strategic Research under the President of the Republic of Kazakhstan, with the Master's degree in public management.

PROFESSIONAL EXPERIENCE: 2008 — 2009 — Vice Minister of Finance of the Republic of Kazakhstan.

2009 — 2014 — Chairman of the Statistics Agency of the Republic of Kazakhstan.

2014 — 2015 — Chairman of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan.

From December 2015 — Assistant to the President of the Republic of Kazakhstan.

On May 24, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan A.Issekeshev No.437 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On December 26, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, the powers of the member of the Board of Directors were extended for three years.



ALIKHAN SMAILOV

**Assistant to the President
of the Republic of Kazakhstan,
member of the Board of Directors**

Was born on May 7, 1975.

Citizenship: Republic of Kazakhstan.

EDUCATION: Graduated from Kazakh Leading Academy of Architecture and Civil Engineering (Almaty) with a degree in “Architect-Designer” and Eurasian National University named after L.Gumilev (Astana) with a degree in “Economist-Manager”, Candidate of economic sciences.

PROFESSIONAL EXPERIENCE: November 2005 — March 2009 — Vice Minister of Transport and Communications of the Republic of Kazakhstan.

March 2009 — March 2014 — Executive Secretary of the Ministry of Transport and Communications of the Republic of Kazakhstan.

March — June 2014 — Minister of Transport and Communications of the Republic of Kazakhstan.

August 2014 — June 2016 — the First Deputy Minister of Investment and Development of the Republic of Kazakhstan.

From June 2016 till present time — Minister of Investment and Development of the Republic of Kazakhstan.

From June 2016 — Minister of Investment and Development of the Republic of Kazakhstan.

On July 28, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.583 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On December 26, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, the powers of the member of the Board of Directors were extended for three years.



ZHENIS KASSYMBEK

Minister of Investment and Development of the Republic of Kazakhstan, members of the Board of Directors

Was born on November 29, 1971.

Citizenship: Republic of Kazakhstan.

EDUCATION: Graduated from Kazakh National Technical University and Kazakh State Management Academy. He has diplomas of Electrical Engineer and Economist.

PROFESSIONAL EXPERIENCE: March 2010 — January 2012 — Assistant to the President of the Republic of Kazakhstan.

January 2012 — November 2013 — Deputy Head of Administration of the President of the Republic of Kazakhstan

November 2013 — August 2014 — Deputy Prime Minister of the Republic of Kazakhstan — Minister of Finance of the Republic of Kazakhstan.

From August 2014 — Minister of Finance of the Republic of Kazakhstan.

On June 25, 2013, by the order of the Chairman of the Committee of the State Property and Privatization E.Utepov No.471 “On the governing body of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On December 30, 2013, by the order of the First Vice Minister of Industry and New Technologies of the Republic of Kazakhstan A.Rau No.464 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On September 28, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.689 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.

On December 26, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, the powers of the member of the Board of Directors were extended for three years.



BAKHYT SULTANOV

**Minister of Finance of
the Republic of Kazakhstan,
member of the Board of Directors**

Was born on April 5, 1978.

Citizenship: Republic of Kazakhstan

EDUCATION: Graduated from Pavlodar State University, University of Maryland (USA) with a Master’s degree in Business Administration under “Bolashak” program, Management, MBA with specialization in “Finance”, certification of the Institute of Chartered Accountants in England and Wales.

PROFESSIONAL EXPERIENCE: 2009 — 2012 — Deputy Country Manager of the World Bank for Kazakhstan and Deputy Country Manager of EBRD for Kazakhstan.

March 2010 — February 2012 — Vice Minister of Economic Development of the Republic of Kazakhstan.

February 2012 — December 2016 — Member of the Eurasian Economic Commission (Minister) for Economy and Financial Policy.

From December 2016 — Minister of National Economy of the Republic of Kazakhstan.

On January 26, 2017, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.49 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors.



TIMUR SULEIMENOV

**Minister of National Economy of
the Republic of Kazakhstan,
member of the Board of Directors**

Was born on June 6, 1943.

Citizenship: Germany.

EDUCATION: Studied law and economy in the universities of Munich, Geneva, London, Mainz and Heidelberg. Professor, PhD.

PROFESSIONAL EXPERIENCE: 1995 – 2003 – Member of the Management Board of DaimlerChrysler AG and Chairman of the Management Board of Debis AG.

2000 – 2010 – Chairman of the German Committee on Eastern European Economic Relations.

From 2011 – Chairman of the Supervisory Board of TUI AG, member of supervisory boards of Continental AG, Alstom S.A., Chairman of the Supervisory Board of Rothschild GmbH.

On June 25, 2013, by the order of the Chairman of the Committee of the State Property and Privatization E.Utepov No.471 “On the governing body of Baiterek National Managing Holding Joint Stock Company”, he was elected as an independent director of the Board of Directors.

On December 30, 2013, by the order of the First Vice Minister of Industry and New Technologies of the Republic of Kazakhstan A.Rau No.464 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors (independent director).

On December 26, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, the powers of the member of the Board of Directors were extended for three years.



KLAUS MANGOLD

**Independent
Director**

Was born on October 29, 1946.

Citizenship: Republic of Singapore

EDUCATION: Graduated from St. Joseph Institute (Singapore), University of Toronto (Canada).

PROFESSIONAL EXPERIENCE: Till 2007 — Chairman of A*STAR, Agency for Science, Technology and Research, Singapore.

2007 — 2011 — Special Advisor on Economic Development at the Singapore Prime Minister's Office.

From April 1, 2007, he is the Chairman of SPRING Singapore — the Singapore Government Agency for enterprise development, whose main purpose is to help the development of Singapore small and medium-sized businesses.

In March 2013, established and was appointed the Chairman of Economic Development Innovations Singapore Pte Ltd., a service management company for economic development whose mission is to plan, develop and manage overseas technology parks and eco-cities.

2010 — 2013, was the member of the UN Committee of Experts on State Administration, established by the Economic and Social Council for the promotion and development of public administration and governance among the participating countries in accordance with the UN Development Programme.

At present — Chairman of Accuron Technologies and Economic Development Innovations Singapore Pte Ltd., Chairman of Economic Development Innovations Singapore Pte Ltd (EDIS).

On June 25, 2013, by the order of the Chairman of the Committee of the State Property and Privatization E.Utepov No.471 "On the governing body of Baiterek National Managing Holding Joint Stock Company", he was elected as an independent director of the Board of Directors.

On December 30, 2013, by the order of the First Vice Minister of Industry and New Technologies of the Republic of Kazakhstan A.Rau No.464 "On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company", he was elected as a member of the Board of Directors (independent director).

On December 26, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 "On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company", the powers of the Board of Directors were extended for three years.



PHILIP YEO

**Independent
Director**

Was born on January 6, 1953.

Citizenship: Germany.

EDUCATION: Graduated from Bonn University, defended the doctoral thesis on the issue of “Policy of France in Europe during the period of Fifth republic”.

PROFESSIONAL EXPERIENCE: 2005 — 2008 — Deputy Minister of Finance of Germany.

2008 — 2012 — President of the European Bank for Reconstruction and Development (EBRD).

He is the Chairman of the Supervisory Board of HSH Nordbank AG (Hamburg), member of the International Advisory Council of Rothschild&Cie (London/Paris), member of the членом Shareholders’ Committee of F. Laeisz (Hamburg).

On June 25, 2013, by the order of the Chairman of the Committee of the State Property and Privatization E.Utepov No.471 “On the governing body of Baiterek National Managing Holding Joint Stock Company”, he was elected as an independent director of the Board of Directors.

On December 30, 2013, by the order of the First Vice Minister of Industry and New Technologies of the Republic of Kazakhstan A.Rau No.464 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, he was elected as a member of the Board of Directors (independent director).

On December 26, 2016, by the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, the powers of the member of the Board of Directors were extended for three years.



THOMAS MIROW

**Independent
Director**

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2017

By the order of the acting Minister of Investment and Development of the Republic of Kazakhstan T.Toktabayev No.824 dated November 29, 2017 “On the composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company”, the powers of Askar Mamin, member of the Board of Directors, were terminated.

SELECTION CRITERIA

In accordance with clause 3 of article 181 of the Law of the Republic of Kazakhstan “On public property”, the boards of directors of national managing holdings shall include the representatives of the authorized body on public planning, the authorized body on public property, the authorized body of the relevant industry and other state bodies defined by the decision of the Government of the Republic of Kazakhstan.

In accordance with clause 60 of article 10 of the Holding’s Charter, the Board of Directors consists of the Chairman and members elected by the Sole Shareholder.

The Board of Directors is formed from the members of the Government of the Republic of Kazakhstan, the Chairman of the Management Board, independent directors and other persons.

By the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.877 dated December 26, 2016, the composition of the Board of Directors of the Holding is defined as ten persons with the term of powers of three years from December 30, 2016.

THE RESULTS OF WORK OF THE BOARD OF DIRECTORS IN 2017

Meetings of the Board of Directors of the Holding in 2017 were held on a regular basis in accordance with the Work Plan of the Board of Directors of the Holding approved on November 24, 2016 (Minutes No. 10/16). Also, the Board of Directors held extraordinary meetings, as required.

During the reporting period, 10 meetings of the Board of Directors were held, 5 of them were held by personal

attendance and 5 meetings were held in absentia. In total, the Board of Directors has viewed 58 issues. The most important decisions:

- an updated Development Strategy of Baiterek NMH JSC for 2014-2023 was approved (Minutes No.03/17 dated 02.03.2017);
- an updated Development Plan of the Holding for 2017-2021 was approved (Minutes No.05/17 dated 08.06.2017);
- the annual financial statements of the Holding for 2016 were pre-approved (Minutes No.05/17 dated 08.06.2017);
- an updated Corporate Governance Code of the Holding was pre-approved (Minutes No.06/17 dated 24.07.2017);
- the Holding’s Ombudsman was appointed (Minutes No.06/17 dated 24.07.2017);
- several decisions on conclusion of related-party transactions with the Holding’s subsidiaries were made:
 - loan agreements with DBK JSC to provide financing for the investment projects within the implementation of SPIID of the Republic of Kazakhstan for 2015-2019, for the further lending of DBK-Leasing JSC to fund the renewal of the passenger compartments fleet and to provide the long-term leasing financing within “Business Roadmap — 2020” Unified program of business support and development (Minutes No.03/17 dated 02.03.2017);
 - loan agreement with Baiterek Development JSC for retirement of debt securities of the local executive authorities of Astana and Almaty cities and the regions, issued for the purpose of housing construction (Resolution No.07/17 dated 06.09.2017);
- amendments and additions to the range of internal documents of the Holding were approved: Regulation on the Management Board of the Holding (Resolution No.02/17 dated 16.02.2017), Information Disclosure Policy of the Holding (Minutes No.05/17 dated 08.06.2017), Corporate accounting policy of the Holding (Resolution No.09/17 dated 18.10.2017).

PARTICIPATION OF THE MEMBERS OF THE BOARD OF DIRECTORS IN THE MEETINGS IN 2017

Member of the Board of Directors	Meetings of the Board of Directors	%	Period of membership in the Board of Directors
Bakytzhan Sagintayev	10/10	100	01.01.2017-31.12.2017
Askar Mamin	8/9	89	01.01.2017-29.11.2017
Yerbolat Dossayev	7/7	100	01.01.2017-29.08.2017 29.11.2017-31.12.2017
Alikhan Smailov	8/10	80	01.01.2017-31.12.2017
Zhenis Kassymbek	8/10	80	01.01.2017-31.12.2017
Bakhyt Sultanov	8/10	80	01.01.2017-31.12.2017
Timur Suleimenov	9/9	100	26.01.2017-31.12.2017
Klaus Mangold	10/10	100	01.01.2017-31.12.2017
Philip Yeo	10/10	100	01.01.2017-31.12.2017
Thomas Mirow	10/10	100	01.01.2017-31.12.2017

COMMITTEES OF THE BOARD OF DIRECTORS

In order to develop recommendations on the range of the most important issues before their consideration at the meeting of the Board of Directors, the following Committees operate within the Holding:

1. Audit Committee
2. Committee for Personnel, Remuneration and Social Affairs
3. Committee for Strategic Planning

AUDIT COMMITTEE

The purpose of the Audit Committee (hereinafter referred to as the Committee) is to elaborate recommendations for the Board of Directors on certain issues, such as the organization of an efficient system of controls over financial and business operations of Baiterek NMH JSC (including the completeness and reliability of financial statements), control over the reliability and efficiency of internal controls and risk management systems, and also compliance with the documents on corporate governance, supervision of independence of external and internal audits.

Composition of the Committee:

- Thomas Mirow — Independent Director, Chairman of the Committee;
- Klaus Mangold — Independent Director, member of the Committee.

In 2017, the Committee held 4 in-person meetings and 3 meetings in absentia with consideration of 31 issues.

The most significant decisions made by the Committee:

- the Report on compliance with the principles of the Corporate Governance Code of Baiterek NMH JSC was considered;
- the annual financial statements (consolidated and separate) of the Holding for 2016 was considered and pre-approved;
- the reports on the Holding's risk, updated risks registers and risks maps, reports of Internal Audit Service with information on audit findings and results of monitoring of the implementation of corrective actions by the recommendations of internal and external auditors, inspecting state bodies were considered on a quarterly basis;
- matrix of business processes, risks and controls of Baiterek NMH JSC for 2016 was considered and approved;
- information on the most important findings of internal audit services of the Holding's subsidiaries was considered;
- the updated draft Corporate Governance Code of the Holding was pre-approved and amendments and additions to the Corporate accounting policy of the Holding were considered and approved.

COMMITTEE FOR PERSONNEL, REMUNERATION AND SOCIAL AFFAIRS

The activities of the Committee for Personnel, Remuneration and Social Affairs (hereinafter referred to as the Committee) is focused on improving of the Board of Directors' performance by means of in-depth elaboration and monitoring of issues applicable to the Board's competence in the areas of human resources policy, appointment and remunerations system, as well as performance assessment of the members of the Management Board of the Holding and the Corporate Secretary.

The basic functions of the Committee include appointment (election), establishment of motivational KPIs, evaluation of performance, remuneration and succession planning for the Chairman and members of the Management Board, appointment and remuneration of the Corporate Secretary, participation in considering of those matters with respect to the composition of the Board of Directors itself, if the Sole Shareholder provides such powers.

Composition of the Committee:

- Klaus Mangold — Independent Director, Chairman of the Committee.
- Philip Yeo — Independent Director, member of the Committee.
- Thomas Mirow — Independent Director, member of the Committee.

In 2017, the Committee held 4 in-present meetings and 4 meetings in absentia with consideration of 12 issues.

The most significant decisions made by the Committee:

- recommendations were provided to the Board of Directors on appointment of the members of the Management Board of Baiterek NMH JSC;
- KPI maps for the Chairman and the members of the

Management Board of the Holding with the target values for 2017 were considered and approved.

COMMITTEE FOR STRATEGIC PLANNING

The purpose of the Committee for Strategic Planning (hereinafter referred to as the Committee) is to elaborate and provide recommendations for the Board of Directors of the Holding on the issues of priority activities of the Holding and on the strategy of its development, including the issues on elaboration of activities enhancing the Holding's performance in mid- and long-term period.

Composition of the Committee:

- Philip Yeo — Independent Director, Chairman of the Committee.
- Thomas Mirow — Independent Director, member of the Committee.
- Zhenis Kassymbek — Minister of Investment and Development, member of the Committee.
- Yerbolat Dossayev — member of the Committee (from 01.01.2017 till 29.08.2017).

In 2017, the Committee held 3 in-present meetings and 1 meeting in absentia with consideration of 8 issues.

The most significant decisions made by the Committee:

- the draft adjusted Development Strategy of the Holding for 2014-2023 was considered and pre-approved;
- the draft adjusted Development Plan of the Holding for 2017-2021 was considered and approved;
- the report on fulfillment of the Development Strategy of the Holding for 2014-2023 by the results of 2014-2016 was considered and approved;
- the report on fulfillment of the Development Plan for 2014-2018 by the results of 2016 was considered and approved.

3.4 MANAGEMENT BOARD

The Management Board is the collegial executive body of the Holding, that manages the current activities of the Holding and bears responsibility for the implementation of the development strategy and development plan as well as the decisions made by the Board of Directors and the Sole Shareholder. The Management Board of the Holding performs its activities in accordance with the legislation

of the Republic of Kazakhstan, the Holding's Charter, the decisions of the Sole Shareholder, the Board of Directors of the Holding, the Regulation on the Management Board and other internal documents of the Holding.

The Chairman of the Management Board performs general management of the activities of Baiterek NMH JSC in accordance with the legislation of the Republic of

Kazakhstan, the Charter and internal documents of the Holding. The Chairman of the Management Board organizes the fulfillment of decisions of the Sole Shareholder, the Board of Directors and the Management Board of the Holding.

The Chairman of the Management Board is appointed by the decision of the Sole Shareholder. The members of the Management Board are appointed by the Board of Directors, with a consideration of the Chairman of the Management Board's recommendations.

In its activity, the Management Board and the Chairman of the Management Board are accountable to

the Sole Shareholder and the Board of Directors of the Holding.

The main criterion for assessing the performance of the Chairman and members of the Management Board is achievement of the established KPIs approved by the Board of Directors of the Holding. The Chairman of the Management Board is eligible to provide recommendations on determining the motivational KPIs of the members of the Management Board and present them to the Board of Directors for consideration.

COMPOSITION AND BIOGRAPHIES OF THE MEMBERS OF THE MANAGEMENT BOARD

As of December 31, 2017, the Management Board of the Holding consisted of six members.

Was born on November 28, 1974.

EDUCATION: Graduated from Kazakh State Academy of Management, the Diplomatic Academy of the Ministry of Foreign Affairs of the Republic of Kazakhstan with honors. In the framework of “Bolashak” presidential program, graduated from Columbia University and in 2008 received a Master's degree in public administration on economic policy management program.

PROFESSIONAL EXPERIENCE: 2004 — 2006 — Vice Minister of Finance of the Republic of Kazakhstan.

2006 — Deputy Head of the Office of the Prime Minister of the Republic of Kazakhstan.

2006 — 2007 — Vice Minister of Labour and Social Protection of the Republic of Kazakhstan.

2009 — Advisor to the Prime Minister of the Republic of Kazakhstan.

2009 — 2010 — Deputy Chairman of Informatization and Communication Agency of the Republic of Kazakhstan.

2010 — 2011 — Managing Director of Kazakhtelecom JSC.

2011 — 2015 — Deputy Chairman of the Management Board of Kazatomprom National Joint Stock Company, Acting Chairman of the Board (from 31.03.2015).

2015 — 2017 — Vice Minister of National Economy of the Republic of Kazakhstan.

January — December 2017 — Deputy Chairman of the Management Board of Baiterek NMH JSC.

From December 2017 — Chairman of the Management Board of Baiterek NMH JSC.



AIDAR ARIFKHANOV

Chairman of the Management Board (from December 12, 2017), member of the Board of Directors

RESPONSIBILITIES: issues of asset management and corporate finance (till December 12, 2017), management of the Holding's current activities, responsibility for monitoring of the formation of the Holding's development plan.

Was born on October 31, 1973.

EDUCATION: Graduated from the Kazakh State Agrarian University, Bremen Institute (Germany).

PROFESSIONAL EXPERIENCE: July — November 2002 — Attaché of the Investment Committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan.

2002 — 2006 — third Secretary of the Embassy of the Republic of Kazakhstan in Germany.

2006 — 2007 — Chief inspector of the Protocol Department of the President of the Republic of Kazakhstan.

January — March 2007 — Deputy Head of the Secretariat — Head of the Protocol Service of the Prime Minister of the Republic of Kazakhstan.

2007 — 2012 — Head of the Department of External Relations and Protocol Office of the Prime Minister — Chief of Protocol of the Prime Minister of the Republic of Kazakhstan.

2012 — 2014 — Chief of the Secretariat of the Head of the Presidential Administration of the Republic of Kazakhstan.

April 2014 — October 3, 2016 — Deputy Head of the Prime-Minister's Office of the Republic of Kazakhstan.

From October 3, 2016 — Deputy Chairman of the Management Board of Baiterek NMH JSC.

RESPONSIBILITIES: development and introduction of information technologies, legal support, construction and risks.

Was born on October 24, 1964.

EDUCATION: Graduated from the Karaganda Graduate School of the Ministry of Internal Affairs, Akmola Agrarian University, Diplomatic Academy of the Eurasian National University named after L.N. Gumilev, Yale University (USA). Has an academic degree of Candidate of Economic Sciences.

PROFESSIONAL EXPERIENCE: 2006 — 2011 — Chairman of the Committee of Tourism Industry of the Ministry of Tourism and Sports of the Republic of Kazakhstan, Vice Minister of Tourism and Sports.

2011 — 2016 — Head of the Central Office of the logistical support of "Military unit 20015" RSU, Deputy General Director of KaMunayGas-Service LLP, First Vice Minister of Regional Development of the Republic of Kazakhstan, Vice Minister of National Economy of the Republic of Kazakhstan.

From 2016 — Managing Director — member of the Management Board of Baiterek NMH JSC.

RESPONSIBILITIES: risk and housing construction asset management.



ANUAR OMARKHOJAYEV

**Deputy Chairman of
the Management Board**



KAIRBEK USKENBAYEV

**Managing Director —
Member of the Management Board**

Was born on September 5, 1983.

EDUCATION: Graduated from Kostanai State University named after A. Baitursynov.

PROFESSIONAL EXPERIENCE: 2007 — 2009 — Deputy Head of Corporate Business Section of BTA Bank JSC.

2009 — 2010 — Senior Manager of the Department of Investment Management of Samruk-Energy JSC.

2010 — 2013 — Senior Manager of the Department of Corporate Finance of National Welfare Fund Samruk-Kazyna JSC.

2013 — 2014 — Director of the Corporate Finance Department of Baiterek NMH JSC.

From 2014 — Managing Director of Baiterek NMH JSC.

From February 2016 — Member of the Management Board of Baiterek NMH JSC.

RESPONSIBILITIES: issues of economics, accounting and reporting, treasury



YERSAIN KHAMITOV

**Managing Director —
Member of the Management Board**

Was born on October 13, 1973.

EDUCATION: Graduated from Kazakh State Academy of Management, Middlesex University (UK).

PROFESSIONAL EXPERIENCE: 2005 — 2007 — Vice President of Lancaster Invest JSC.

2007 — 2010 — Director of Business Development and Marketing of KMK Munai JSC.

2010 — 2012 — President of Karpovsky Severny JSC.

2012 — 2013 — Adviser of the Minister of Environment and Water Resources of the Republic of Kazakhstan.

2014 — 2015 — Deputy Chairman of the Management Board of NC Astana EXPO-2017 JSC.

2015 — 2016 — Deputy Chairman of the Management Board for Strategy and Business Transformation of NAC Kazatomprom JSC.

From 2016 — Managing Director of Baiterek NMH JSC.

From July 2016 — Member of the Management Board of Baiterek NMH JSC.

RESPONSIBILITIES: working with investors, project financing and public-private partnership



AINUR KUATOVA

**Managing Director —
Member of the Management Board**

Was born on July 1, 1975.

EDUCATION: Graduated from Kogod School of Business at American University, Stanford Graduate School of Business

PROFESSIONAL EXPERIENCE: 1998 — 2002 — Deputy Director of Project Evaluation Department of the International Bank for Reconstruction and Development.

2004 — 2005 — Managing Director of ICDM Group Investment Company.

2005 — 2006 — Deputy Director of the Corporate Financing Department of Private Company with Limited Liability “KMG Kashagan B.V.”

2006 — 2007 — Director of the Corporate Financing Department of Private Company with Limited Liability “KMG Kashagan B.V.”

2007 — 2008 — Deputy Director of the branch of Private Company with Limited Liability “KMG Kashagan B.V.”

2007 — 2013 — Deputy General Director for Economy and Finance of KazMunayTeniz OOC JSC.

From June 10, 2013 — Managing Director — member of the Management Board of Baiterek NMH JSC.

RESPONSIBILITIES: strategy and corporate development, analysis and research.

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD IN 2017

By the order of the Minister of Investment and Development of the Republic of Kazakhstan Zh. Kassymbek No.613 dated September 6, 2017 “On some issues of Baiterek National Managing Holding Joint Stock Company”, the powers of Yerbolat Dossayev, Chairman of the Management Board of Baiterek NMH JSC, were terminated.

By the order of the Acting Minister of Investment and Development of the Republic of Kazakhstan A. Aidarbayev No.860 dated December 12, 2017 “On some issues of Baiterek National Managing Holding Joint Stock Company”, Aidar Arifkhanov was appointed the Chairman of the Management Board of Baiterek NMH JSC.

THE RESULTS OF WORK OF THE MANAGEMENT BOARD IN 2017

In 2017, the Management Board of the Holding held 53 meetings, including 49 meetings by personal attendance and 4 in absentia meetings. The most important decisions made:



DINARA SEIDZHAPAROVA

**Managing Director —
Member of the Management Board**

- Action Plan for 2017-2019 on implementation of the Development Strategy of Baiterek NMH JSC for 2014-2023 was approved (Minutes No.38/17 dated 04.10.2017)
- An updated Anti-Corruption Policy of Baiterek NMH JSC was approved (Minutes No.08/17 dated 23.02.2017) .
- Compliance program of Compliance Service of Baiterek NMH JSC for 2017 was approved (Minutes No.25/17 dated 07.06.2017) .
- Digitization Strategy of the Holding for 2018-2023 was approved (Minutes No.53/17 dated 27.12.2017) .
- Charity program of the Holding was approved (Minutes Mo.10/17 dated 01.03.2017).
- Regulation on the Project Office for implementation of the Development Strategy of Baiterek National Managing Holding Joint Stock Company for 2014-2023 was approved (Minutes No. 25/17 dated 07.06.2017).

PARTICIPATION OF THE MEMBERS OF THE MANAGEMENT BOARD IN THE MEETINGS IN 2017

Member of the Management Board	Attendance of the meetings	%	Period of membership in the Management Board
Aidar Arifkhanov	45/53	85	01.01.2017-31.12.2017
Yerbolat Dossayev	34/34	100	01.01.2017-29.08.2017
Anuar Omarkhojayev	45/53	85	01.01.2017-31.12.2017
Kairbek Uskenbayev	40/53	75	01.01.2017-31.12.2017
Yersain Khamitov	49/53	92	01.01.2017-31.12.2017
Ainur Kumatova	48/53	91	01.01.2017-31.12.2017
Dinara Seidzhaparova	44/53	83	01.01.2017-31.12.2017

COMMITTEES OF THE MANAGEMENT BOARD

The Asset and Liability Management Committee is a permanent consultative and advisory body under the Management Board of the Holding, the main purpose of which is to consider issues and develop recommendations for improving the management of the assets and liabilities of the Holding and its subsidiaries, including debt financing and investing in financial tools in order to achieve the principles of asset and liability diversification, optimization of risks (financial, operational, strategic, legal) and to ensure financial sustainability.

PLANNING AND PERFORMANCE ASSESSMENT COMMITTEE is a permanent consultative and advisory body under the Management Board of the Holding, the main purpose of which is to increase the effectiveness of budget planning activities of the Holding and subsidiaries

through the mechanism of agreeing and adjusting of the development plans and budgets of the Holding and subsidiaries.

PERSONNEL POLICY COMMITTEE is a permanent consultative and advisory body under the Management Board of the Holding, the main purpose of which is to improve the efficiency of HR management of the Holding and subsidiaries. The main tasks of the Committee are the formation of a single HR and social policy of the Holding and subsidiaries, the development of corporate culture.

INVESTMENT COMMITTEE is a permanent consultative and advisory body under the Management Board of the Holding, the main purpose of which is to increase efficiency, as well as the formation of a unified investment policy of the Holding and subsidiaries.

3.5 CORPORATE SECRETARY

The Corporate Secretary is an employee of Baiterek NMH JSC, who is not a member of the Board of Directors or the Management Board of the Holding, appointed by the Board of Directors of Baiterek NMH JSC and accountable to the Board of Directors of the Holding.

The legal status of the Corporate Secretary is determined by the legislation of the Republic of Kazakhstan, the Charter of the Holding, the Regulations on the Corporate Secretary of the Holding and other internal documents of the Holding.

In accordance with clause 1.3. of the Regulations on the Corporate Secretary of the Holding approved by the decision of the Board of Directors of the Holding No. 3 dated September 25, 2013, by the decision of the Board of Directors of the Holding, the duties of the Corporate Secretary of the Holding may be assigned to the Head of the Prime Minister's Office of the Republic of Kazakhstan, who is not the Holding's employee and is not subject to labour relations and remuneration is not paid to him. At the same time, the Head of the Prime Minister's Office of the Republic of Kazakhstan does not participate in the management of the Holding.

Ensuring the effective implementation of functions assigned to the Corporate Secretary is the main objective of the Corporate Secretary's Service of the Holding. The Service is headed by the Deputy Corporate Secretary, the Head of the Corporate Secretary's Service, who determines and allocates the duties between the employees of the Service. The Service of the Corporate Secretary is the structural subdivision of the Holding and reports directly to the Corporate Secretary.

The main tasks of the Corporate Secretary are:

- facilitation of compliance of the bodies and officials of the Holding with the corporate governance rules and procedures that guarantee the implementation and protection of the rights and interests of the Sole Shareholder;
- facilitation of the implementation of activities to prepare decisions of the Board of Directors in accordance with the requirements of the legislation of the Republic of Kazakhstan and the internal documents of the Holding;
- facilitation of the effective operation of the Board of Directors of the Holding and its committees;
- facilitation of the storage, disclosure and provision of necessary information about the Holding;
- facilitation of a clear and effective interaction between the Holding's bodies.

By the decision of the Board of Directors of the Holding No.04/17 dated May 12, 2017, Nurlan Aldabergenov, the Head of the Prime Minister's Office of the Republic of Kazakhstan, was appointed as the acting Corporate Secretary of Baiterek NMH JSC.

3.6 INTERNAL AUDIT SERVICE

The mission of Internal Audit Service (hereinafter referred to as IAS) is to ensure and add value to the organization by means of objective internal audits on a risk-based approach, to provide recommendations and to share knowledge.

In order to facilitate the independence and fairness of the internal audit, IAS is designed as the Holding's body which directly complies to the Board of Directors and regularly provides information on its activities to the Board of Directors.

In accordance with the requirements of the legislation of the Republic of Kazakhstan, norms of Regulation

on IAS and the Rules for the organization of internal audit in the Holding IAS is guided by the International fundamentals of professional internal audit practice (IFPIAP), which includes such constituent elements as mission and definition of internal audit, the main principles of internal audit practices, the code of ethics, International Standards for the Professional Practice of Internal Auditing (hereinafter referred to as ISPPA), as well as the guides for the application of IPSIA and practical instructions of the Institute of Internal Auditors on the organization of activities and internal audit workflow.

In the reporting year, IAS of the Holding conducted audits of the terms and procedure for the formation and submission of reports on the implementation of the development plan for Baiterek NMH JSC, compliance with the limits for certain types of administrative expenses, calculations of the actual values of key performance indicators of the members of the Management Board of the Holding, (complex) assessments of efficiency of fighting fraud and anti-corruption systems, internal control, risk management and corporate governance.

A comprehensive assessment of the anti-fraud and anti-corruption systems was carried out with consideration of the IIA recommendations outlined in the “Auditing Anti-bribery and Anti-corruption Programs”, “Internal Auditing and Fraud” practical guidelines, and also in compliance with the criteria of the “An Anti-Corruption Ethics and Compliance Program for Business: A Practical Guide” practical guidance prepared by the UN Office on Drugs and Crime (UNODC).

THE SUMMARY EVALUATION OF THE EFFICIENCY OF THE CGS, RMS, ICS



By the results of the audit of the levels of compliance with the criteria for the Corporate Governance Assessment Rules in state-controlled joint-stock companies approved by Order of the Minister of Economic Development and Trade of the Republic of Kazakhstan No.157 dated 06.06.2011 (as amended on September 24, 2014), the summary evaluation of the efficiency of the CGS of Baiterek NMH JSC was 89% at the end of 2017, which means that the quality of corporate governance in the Holding is being improved in most areas.

By the results of fulfillment of all audit tasks in 2017 the corrective action plans were approved by the decisions of the Management Board on the consolidated 84 recommendations of the Holding’s IAS on the further development and improvement of related business processes and key corporate systems of information

security, information technologies, fraud prevention and anti-corruption, HR performance management, (automated) managerial reporting, internal (compliance) control, risk management, corporate governance.

By the results of the first five years of activity in 2017, an independent external audit of the activities of the Holding’s IAS was conducted. **Based on evaluation results, KPMG Tax and Advisory LLP confirmed the compliance of the activities of the Holding’s IAS with the principles and provisions of the International Professional Standards of Internal Audit.** At the same time, in order to further improve the activities of the Holding’s IAS, KPMG Tax and Advisory LLP issued recommendations regarding the formalization of performed consulting services and internal trainings on internal audit issues.

3.7 CORPORATE ETHICS AND SETTLEMENT OF CONFLICT OF INTERESTS

Principles and regulations of corporate ethics of the Holding's officials and employees are stipulated in the Code of Business Conduct of Baiterek NMH JSC approved by the decision of the Board of Directors of the Holding No.04/15 dated April 21, 2015.

The core values of the Holding in accordance with the approved Code of Business Conduct are meritocracy, responsibility, professionalism and development, proactivity, mutual respect and trust, honesty and openness, team spirit.

Every year the Holding's employees successfully pass the testing for knowledge of the norms of the Code of Business Conduct of Baiterek NMH JSC.

The Holding's Ombudsman collects information about non-compliance with the provisions of the Holding's Code of Business Conduct, initiates consideration of disputes connected with its violation and participates in the settlement of disputes. As for the corporate conflicts and the conflict of interests, Ombudsman coordinates its actions with the officials responsible for the settlement

of the corporate conflicts and the conflicts of interests according to the Holding's Policy on settlement of the corporate conflicts and conflicts of interests.

By the decision of the Board of Directors of the Holding dated July 24, 2017 (minutes No.06/17), Maira Turganova, Deputy Corporate Secretary — Head of the Corporate Secretary Service of the Holding, is assigned the Holding's Ombudsman with the term of powers of two years.

In order to provide fair, objective and independent decision-making process for the interests of the Holding and its Sole Shareholder, the Policy for the settlement of corporate conflicts and the conflict of interests is approved by the decision of the Board of Directors dated July 24, 2014 (minutes No.06/14).

The Policy regulates the order and procedures for the pre-trial settlement of conflicts and the actions of bodies, officials and employees of the Holding within these processes.

In 2017, the cases of the corporate conflicts and the conflict of interests were not registered.

3.8

ANTI-CORRUPTION

By the decision of the Management Board of Baiterek NMH JSC dated 04.07.2017, an updated Anti-corruption policy (hereinafter referred to as the Policy) was approved. The task of the Policy is to form the legal culture of the Holding's employees ensuring the compliance with the honesty and transparency principles in performance of their official duties. The formation of anti-corruption culture shall be the duty of each Holding's manager and employee and is carried out also through a set of educational and preventive measures. In 2017, the following activities on the formaton of anti-corruption culture were performed:

- in July and October 2017, the Holding organized the seminars on the themes "Fighting and mitigation of fraud risk" and "Anti-corruption compliance/fighting corruption". The seminars

were attended by the employees of the Holding and subsidiaries;

- in November 2017, all the employees of the Holding were tested for their knowledge of the Law of the Republic of Kazakhstan "On fighting corruption" and the Anti-Corruption Policy of the Holding. The results of testing demonstrated high awareness of the employees about the management and organizational bases for the prevention of corruption offenses.

In 2017, the Holding's employees did not recorded and facts of corruption offenses. In the mid-term, the Holding and its subsidiaries will continue work aimed at strengthening control over the prevention and detection of corruption, as well as the formation of an atmosphere of their strict rejection in the Holding.

SUPPORTED EXPORT CONTRACTS

- ◆ Number of supported manufacturers, units
- ◆ The amount of supported export contracts, KZT bn



In 2013-2017, the volume of support provided for export contracts of manufacturers in non-resource sectors increased by more than

5 TIMES

4. RISK MANAGEMENT AND INTERNAL CONTROL

4.1 COMPONENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The purpose of the risk management process is to achieve balance between the maximum use of opportunities in order to gain benefits and to prevent losses. This process is an important component of the managerial process and an integral part of the developed corporate governance system. The core element of the Holding's risk management process is its integration with the specifics of organization, main principles of activities, business processes and involvement of each employee into the risk management process.

The Holding applies the Risk management policy, which specifies the main principles of risk management process:

- integrity — consideration of the elements of integrated risk of the Holding and its subsidiaries in the context of the corporate risk management system;
- openness — prohibition against the consideration of the corporate risk management system as an autonomous or separate;

- structure — complex risk management system has clear structure;
- awareness — risk management is supported by the availability of objective, reliable and relevant information;
- continuity — risk management process is performed on a permanent basis;
- recurrence — risk management process is a constantly repeating aligned cycle of its main components.

The structure of the risk management system in the Holding is represented by risk management on several levels involving the following bodies and subdivision of the Holding: Board of Directors, Management Board, structural subdivision responsible for risk management and other structural subdivisions as well as the Internal Audit Service.

The Board of Directors plays a key role in the supervision of the corporate risk management system.

The main functions of the Board of Directors include setting of the long- and short-term goals for the Holding, approval of the main documents regulating risk management in the Holding, consideration of reports on the efficiency of the risk management system. The Audit Committee is established under the Board of Directors and is a consultative and advisory body providing the Board of Directors with recommendations concerning the control of financial and economic activities of the Holding, reliability and efficiency of the risk management system, implementation of documents in the field of the corporate governance, independence of external and internal audit.

The Management Board is responsible for organization of the efficient risk management system and for the creation of the risk control structure in order to ensure the fulfillment and observance of the corporate policies. For the purpose of efficient risk management organization, the Asset and Liability Management Committee is established under the Management Board. The Asset and Liability Committee is responsible for elaborating recommendations on improving the efficiency of asset and liability management in the Holding and its subsidiaries in order to reach the principles of asset and liability diversification, optimizing risks and ensuring the financial stability.

An essential component aimed at achieving the strategic goals set by the Holding and mitigating risks in achieving them is an effectively functioning internal control system. The organization of the internal control system in the Holding involves operations, directed to build a management system, which is able to react quickly to risks, control the main and auxiliary business processes and daily operations of the Holding, as well as immediately inform the participants of the internal control system of the appropriate level on any significant shortcomings and areas for improvement. The reliable and efficient functioning of internal control system requires the involvement and continuous interaction within the internal control of officials and employees of all the Holding's levels.

The corporate risk management system of the Holding covers all levels and activities, business processes, reporting/information types and operations. This system is organized in accordance with the common principles, rules and the best practices.

Control procedures are the documented system of activities and actions ensuring the efficient internal control of the fulfillment of the aims, tasks and plans of the Holding, detecting and performing non-typical operations and preventing and restricting risks and possible illegal actions by the official and employees of the Holding. Control procedures are performed at all the Holding's levels and are subject to be observed by the bodies, structural subdivision and employees of the Holding.

In general, risk management is a constant, dynamic and continuous process in the Holding, which consists of the following components: identification, measurement, control, monitoring.

In the reporting period, the following risk management activities were implemented in the Holding:

- an integrated analysis of all business processes was performed in the Holding before the risk identification process. Defining of business processes in the Holding is based on two key approaches: description and documentation of business process. The phased use of these approaches is aimed at the comprehensive definition of the essence of any business process and its continuous monitoring in the future.
- matrix of business processes, risks and controls for 2017 was approved. The matrix is a tool of the internal control and risk management system, which allows analyzing the core business processes of the Holding and is aimed at evaluation of their risk exposure and setting the control procedures for managing such risks.
- risk appetite for various components and metrics is approved, representing the possibility of changes in the results on both short-term and long-term basis, which the Holding and its managers are ready to accept as part of their business development strategy.

In 2017, the Board of Directors and the Management Board of the Holding on a quarterly basis considered consolidated statements on the risks with description of the core risks of the Holding group and action plans for their management, provided the monitoring and update of the key risk indicators, risk register, and risk map as well as the action plans for managing the critical risks.

For the purpose of further improvement and development, the Holding sets for itself the following mid-term tasks:

- improvement of the Holding's risk culture and its integration into the Holding's corporate governance system;
- integration and unification of the existing approaches to risk identification and assessment in the Holding group in the field of risk management and internal control systems in accordance with Basel and COSO concepts;
- automatization of the risk management and internal control system within the framework of the automated management reporting system in the areas of: timely risk identification, effective risk assessment and control procedures, minimization of all risk types and consolidation of the Holding's risk reports.

4.2 KEY RISKS OF THE HOLDING

During the key risk evaluation and identification process, the Holding adheres to a single standard within the framework of the centralized risk management model developed with the assistance of an external consultant. The model includes assessment of the key types of risk (liquidity risk, market risk, credit risk), as well as their aggregation and assessment of sufficiency of available financial resources to cover the aggregate size of risks calculated in normal and stressed situations.

LIQUIDITY RISK

The liquidity risk arises when the maturity dates of assets and liabilities do not coincide, which, in turn, affects providing the Holding with sufficient adequately-priced liquid funds needed to timely respond to its balance and off-balance sheet commitments.

The Holding manages the liquidity in order to ensure the constant availability of funds required to meet all of its obligations as they fall due.

The Holding's liquidity management procedures include:

- forecasting of the cash flows in the context of major currencies and the calculation connected with these cash flows of the required level of liquid assets;
- support of diversified structure of financing sources;

- management of the concentration and structure of borrowed funds;
- development of plans for debt financing;
- maintenance of a portfolio of highly liquid assets, which can be freely implemented as a protective measure in case of a cash liquidity gap;
- development of reserve plans to maintain liquidity and a given level of funding;
- control of the compliance of balance liquidity indicators of the Holding Group with the legally established standards.

On a consolidated basis, there is a positive cumulative liquidity position for all terms, there are no GAPs.

MARKET RISK

The Holding is exposed to the market risk connected with open positions on the currency, interest and equity instruments subject to the risk of general and specific changes in the market.

The purpose of market risk management systems is to maintain the accumulated risk undertaken by the Holding in accordance with its own strategic tasks. The priority is to ensure the maximum safety of assets and capital of the Holding on the basis of minimizing exposure to market risks that can lead to unexpected financial losses.

Market risk management process includes the following subsequent stages:

- planning of management — defining the relevant approaches for effective management of market risk exposure;
- identification — defining and documenting the types of market risk exposure which can have an adverse influence on financial results of the Holding;
- qualitative evaluation — qualitative analysis of the market risks, defining the reasons of their occurrence in order to assess their influence on the Holding's financial result;
- quantitative evaluation — quantitative analysis of the probability of market risk occurrence and the influence of their consequences;
- response planning — defining the procedures and methods for mitigation of adverse consequences of market risks;
- monitoring and control of exposure — monitoring of the market risks and performance of the procedures for their timely management; evaluation of efficiency of measures undertaken for the minimization of exposure to market risks.

No limit violations were observed in the reporting year.

CREDIT RISK

The Holding is exposed to the credit risk which is the risk of failure by the financial instrument counterparty to comply with its obligations.

The purpose of the credit risk management system is risk prevention, reduction of the probability of financial losses due to the borrower's failure to fulfill its financial obligations.

Credit risk management process includes the following subsequent stages:

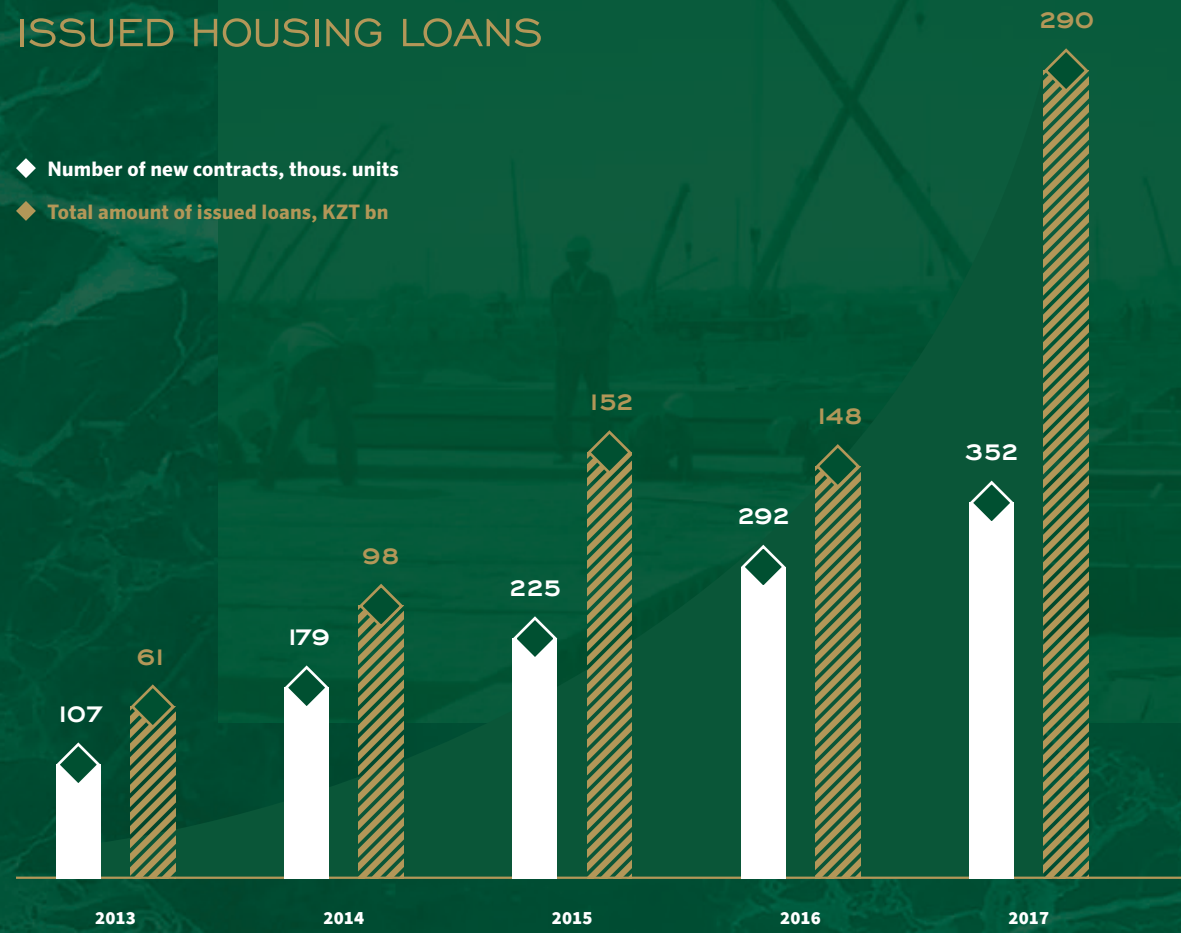
- identification — defining and documenting the credit risk factors which can have an adverse influence on financial results of the Holding;
- qualitative evaluation — qualitative analysis of the credit risk, defining the reasons of their occurrence in order to assess their influence on the Holding's financial result;
- quantitative evaluation — quantitative analysis of the probability of credit risk occurrence and the influence of credit risk consequences on the Holding's financial result;
- response — defining the procedures and methods for mitigation of adverse consequences of credit risk;
- monitoring and control of exposure — monitoring of the credit risk, performance of the procedures for its timely management; evaluation of efficiency of measures undertaken for the minimization of the Holding's exposure to credit risk.

The Holding and its subsidiaries have already faced the non-fulfillment of financial obligations undertaken by STBs that occurred in 2016 — 2017, which affected the formation of a significant amount of provisions (reserves) by the Holding.

The Holding pays special attention to credit risk, the credit risk level is determined on a regular basis by setting maximum limits for one borrower and/or a group of related borrowers. In setting limits, the Holding uses the credit ratings of its counterparties assigned by international rating agencies, and assesses the financial condition based on available data provided in financial statements. Monitoring and control of this risk type on a consolidated basis is carried out by the Holding's authorized body. At the same time, the limits are reviewed at least once in a month.

ISSUED HOUSING LOANS

- ◆ Number of new contracts, thous. units
- ◆ Total amount of issued loans, KZT bn



Share in the housing lending market by the results of 2017

76%



3 OUT OF 4 TENGE

of the Kazakhstani mortgage market in 2017 was issued by the Holding.

5. OVERVIEW OF PERFORMANCE INDICATORS

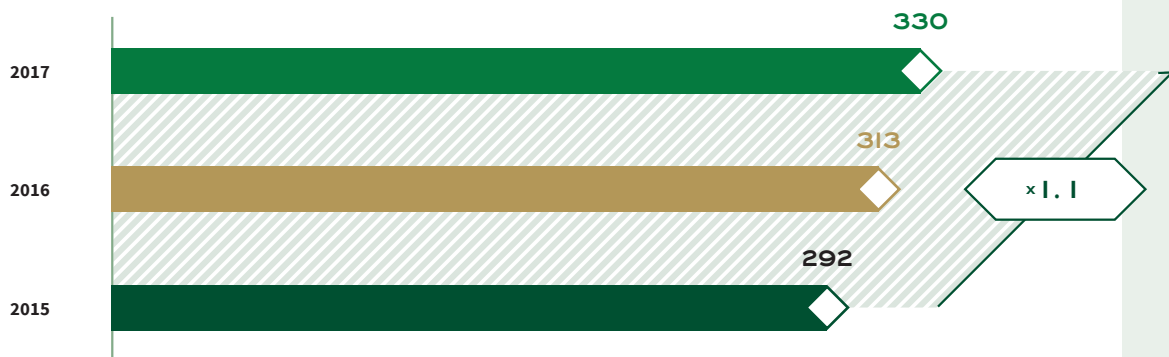
5.1 OPERATING AND FINANCIAL ACTIVITIES

In 2017, net profit of the Holding was KZT 44 bn, which is 10% lower than in 2016. The reduction of net profit is associated with the accrual of loan loss provision and with the growth of loans issued to the clients (excluding the reserves for possible losses) from KZT 1,958 bn at the end of 2016 to KZT 2,225 bn at the end of 2017. Thus, the growth in 2017 was KZT 267 bn. For comparison, in 2016 the growth of this indicator was KZT 51 bn.

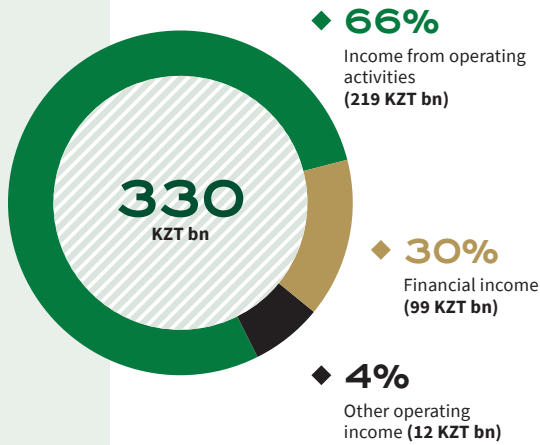
In the reporting year, the Holding's revenues amounted to KZT 330 bn, which is 5% higher than the level of the same indicator in 2016. The largest weight in the structure of income was due to the incomes from operating activities (66%), which amounted to KZT 219 bn in the reporting year.

REVENUES OF THE HOLDING

KZT bn

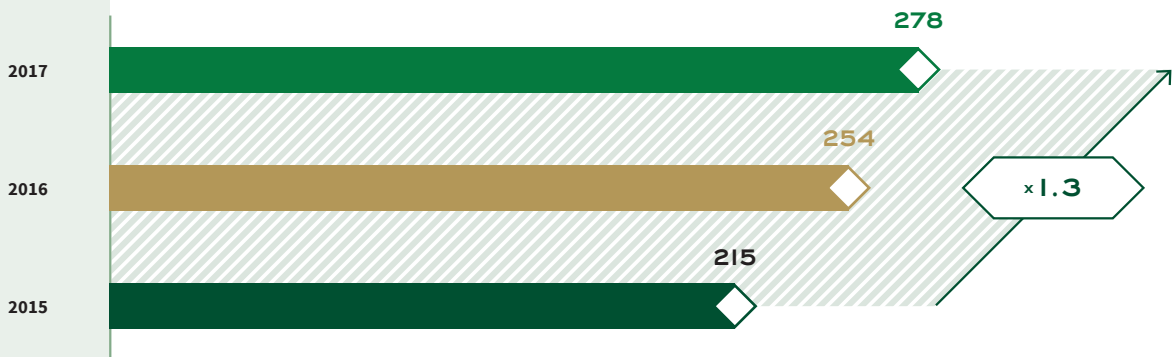


REVENUE STRUCTURE IN 2017

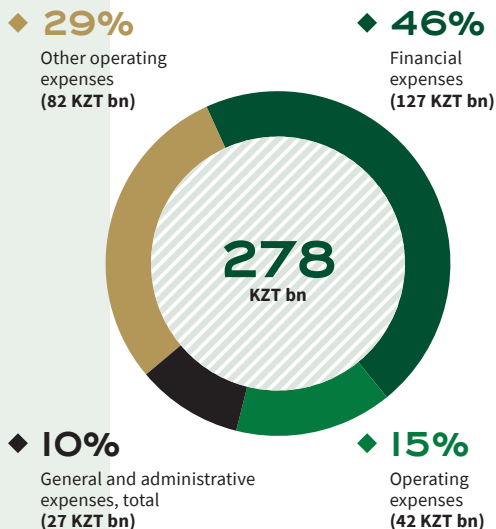


Expenses of the Holding in 2017 exceeded the 2016 figures by 9% and amounted to KZT 278 bn, with the largest share of expenses (46%) related to financial expenses — KZT 127 bn. The increase in expenses was mainly due to the sale of real estate objects within the framework of “Nurly zher” program, as well as due to the growth in loans issued to the clients (from KZT 51 bn in 2016 to KZT 267 bn in 2017), for which loan loss provisions were created (growth from KZT 14 bn in 2016 to KZT 38 bn in 2017).

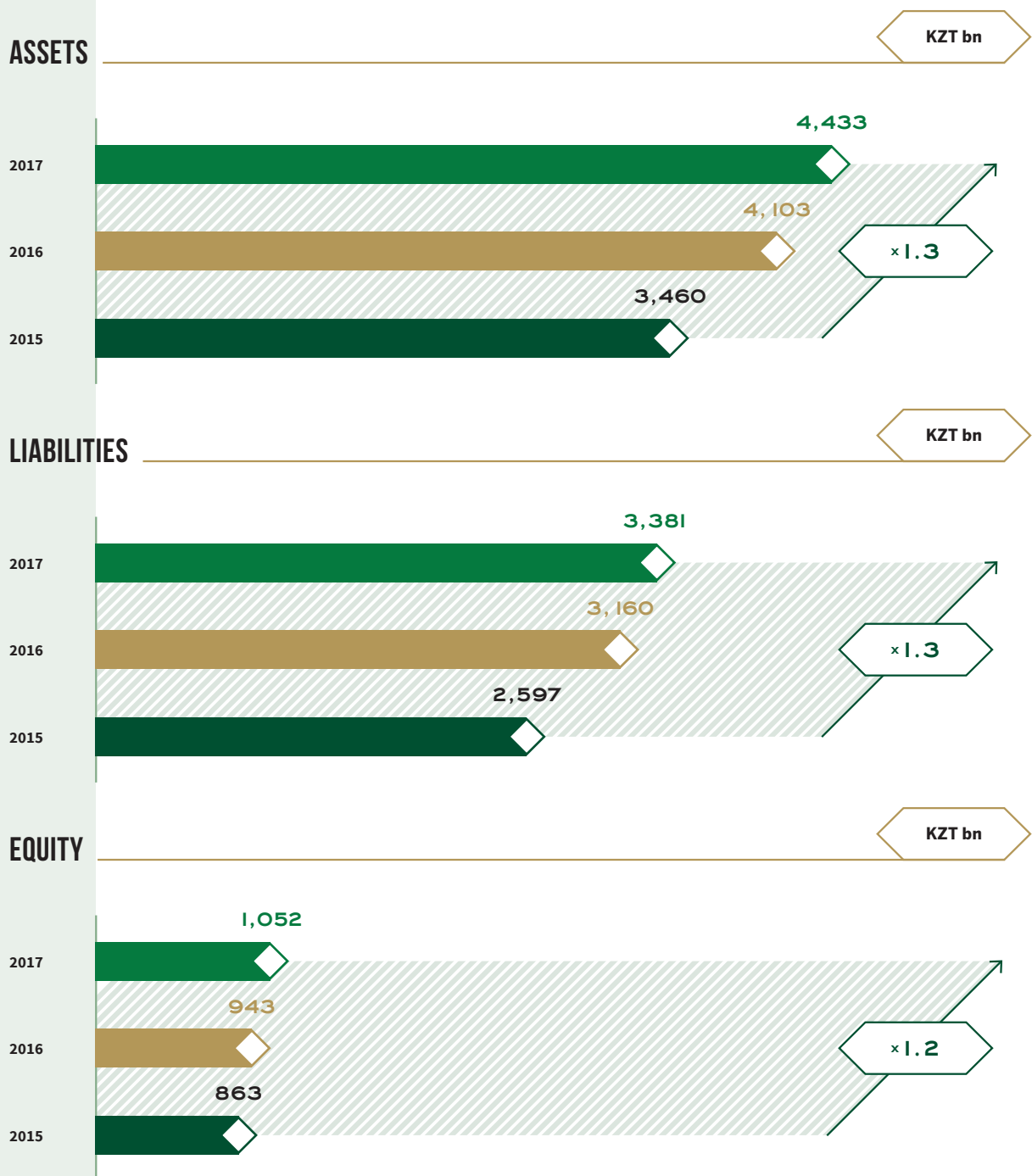
EXPENSES OF THE HOLDING



STRUCTURE OF EXPENSES IN 2017



By the results of 2017, the Holding’s assets increased by 8% and amounted to KZT 4,433 bn. The increase in the volume of assets is due to the attraction of new loans, replenishment of the authorized capital, increase in retained earnings. The liabilities of the Holding in the reporting year amounted to KZT 3,381 bn, which is 7% higher than its 2016 level. It is increased as the result of attracting new loans in the amount of KZT 467 bn aimed for financing the State Program for Industrial and Innovative Development for 2015-2019 projects, renewal of the railway coach fleet, domestic car manufacturers and for general corporate purposes, the repayment of previously raised funds, and raising funds of customers (individuals) of the Housing Construction Savings Bank of Kazakhstan JSC in the amount of KZT 114 bn. The capital increased from KZT 943 bn in 2016 to KZT 1,052 bn in 2017, mainly due to the replenishment of the authorized capital for a total of KZT 44 bn and the increase in retained earnings by KZT 60 bn.



The debt-equity ratio decreased from 3.4 in 2016 to 3.2 in 2017. The reduction is related to the high capital growth rate (111%) compared to the low levels of the liabilities growth rate (107%). In particular, the Holding's liabilities grew by 7% in 2017 and amounted to KZT 3,381 bn, while the reasons for that include:

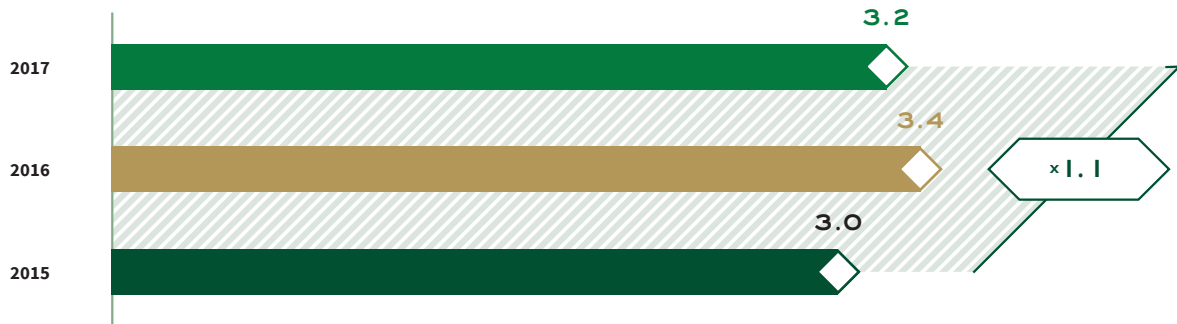
- issue of debt securities in the amount of KZT 205 bn (including Eurobonds denominated in tenge for amount of KZT 100 bn);

- attraction of loans in the amount of KZT 262 bn;
- attraction of the funds of individuals in the amount of KZT 114 bn.

The Holding's capital increased by 12%, the reasons for that include high level of the net profit of KZT 44 bn received in 2017 and replenishment of the share capital in the amount of KZT 44 bn.

DEBT/EQUITY

ratio



The decrease in ROA by 0.3 basis points was associated with the decrease in net profit by 10% and the increase in the average annual amount of assets by 13%. The level of

ROE declined by 1.0 basis points as the result of decrease in net profit and an increase in the average annual amount of equity by 10%.

PROFITABILITY INDICATORS

%

Indicator	2015	2016	2017
ROA (net profit/average annual amount of assets)	1.7	1.3	1.0
ROE (net profit/average annual amount of equity)	5.9	5.4	4.4

5.2 INVESTMENT ACTIVITY

The main objective of the Holding's investment activities is to promote the development, support and improvement of priority sectors of the economy while complying with the parameters of financial stability without taking into account profit maximization. Investment activities of the Holding and its subsidiaries are aimed at:

- investing in projects for the creation of industries with a high level of redistribution and labour productivity;
- maintaining the existing and creating new jobs, taking into account the reduction of social and regional disparities;

- investing in projects of non-resource sectors of the economy;
- recovery of problem (stress) projects (assets) and their rehabilitation.

As of December 31, 2017, the Holding's subsidiaries implemented 228 investment projects (including 13 export operations), for which financing for a total of KZT 5,783 bn was opened with the participation of the Holding in the amount of KZT 2,385 bn.

NUMBER OF PROJECTS SERVICED BY SUBSIDIARIES OF BAITEREK NMH JSC AS OF DECEMBER, 31, 2017

	Number of projects	Cost of projects	Participation of the Holding
		KZT bn	KZT bn
DBK JSC	62	5,077.6	2,110.7
IFK JSC	53	369	73
KCM JSC	58	127	66
NATD JSC	5	3.6	1.7
DBK-Leasing JSC	50*	206	133.7
TOTAL	228	5,783.2	2,385.1

* Without taking into account the Program for supporting of car manufacturers (the acquisition of domestic trucks and buses by legal entities on lease) and the purchase of rail cars under "Nurly Zhol" Program.

The largest share in the structure of the Holding's portfolio of projects on the balance of debt is accounted for DBK JSC, where the total amount of participation is about 88% of all investments of the Holding.

FINANCING OF INVESTMENT PROJECTS

Within the framework of investment activities, the Holding's subsidiaries support domestic business through:

- granting of preferential mid- and long-term crediting of investment projects in the processing industry and production infrastructure;
- crediting of working capital in the framework of implemented investment projects;
- export and pre-export credit;
- lease financing;
- investing in the capital of project companies.

CREDITING

In 2017, the Holding Group issued loans to large businesses for the total amount of KZT 422 bn, which is 44% of the total long-term crediting of non-resource industries (processing, energy, transport and logistics, communications) in the Republic of Kazakhstan in 2017.

In 2017, the credit funds of the Holding's subsidiaries were directed to finance 20 investment projects in the amount of KZT 264 bn.

Loans amounting to KZT 182 bn were granted for the implementation of 11 investment projects in the processing sector in 2017. It includes major strategic projects such

as "Motor fuels production complex in West Kazakhstan region", "Modernization of the mineral fertilizers production plant in Mangistau region", "Construction of Zhairam mining processing plant for the processing of polymetallic ores in Karaganda region", "Construction of power transformers production plant in South Kazakhstan region", "Expansion of oil and gas equipment production plant in Atyrau region", etc.

In addition, the Holding Group financed 9 investment projects in industrial infrastructure sectors for KZT 82 bn, contributing to meeting the needs of processing enterprises in power facilities, as well as providing the companies with access to logistics and communications. Those are: "Construction of Turgusun hydroelectric power station in the East Kazakhstan region", "Reconstruction of the passenger terminal of Astana international airport", "Construction of the transport and logistics complex in the South Kazakhstan region", "Construction of Hilton hotel within the framework of EXPO-2017 organization", "Modernization of gas distribution networks in the South Kazakhstan and Aktobe regions", etc.

Also, within the framework of support of domestic exporters in 2017, DBK JSC financed 11 export (pre-export) operations for the amount of KZT 158 bn. With the support measures provided by DBK JSC by the end of 2017, export of transformers, mineral fertilizers, zinc products, motor oils, processed aluminum, confectionery products, fat-and-oil products and other processed goods were ensured. The products of the supported companies are exported to the countries of Central Asia (Uzbekistan, Kyrgyzstan, Tajikistan), the Middle East, Europe, the Russian Federation and China.

In the reporting year, the Holding Group approved 10 new investment projects and 4 export operations for a total loan amount of KZT 526 bn within the support of large business. The projects include: “Construction of Astana EXPO-2017 wind power station”, “Reconstruction of Shymkent Oil Refinery”, “Modernization of Pavlodar Oil Chemistry Refinery”, “Construction of Karaganda complex alloy plant”, “Power transformers production plant” etc.

Since the establishment of the Holding in 2013-2017 the Holding’s subsidiaries approved 64 applications for financing from large business companies for a total loan amount of KZT 1,331 bn.

By the end of 2017, 11 major investment projects with a total of 2,885 employees were put into operation at the expense of the Group’s loan funds.

LEASE FINANCING

One of the most popular support tools in the market is long-term lease financing of projects in non-resource sectors which have significant socio-economic effect.

In 2017, 53 lease transactions for the total amount of about KZT 87 bn were financed, including:

- lease financing of 12 investment projects within the framework of “Business Roadmap 2020” for the amount of KZT 16 bn;
- financing of 3 projects for the amount of KZT 28 bn at the expense of the funds attracted for the implementation of SPIID projects;
- financing of 30 transactions for the acquisition of domestic cars by legal entities for the amount of KZT 4 bn;
- financing of 4 projects for the acquisition of domestic railcars;
- financing of 4 projects at the expense of commercial funds for the amount of KZT 6 bn.

In 2017, due to the lease instrument, the financing of investment projects such as “Construction of power transformers production plant in Shymkent”, “Expansion of a dairy production plant in the North Kazakhstan region”, “Expansion of the existing confectionery production in Kostanay region”, “Construction of a solar power plant in Mangistau region”, “Construction of a wind power station in Akmola region”, “Financing of the acquisition of domestic passenger cars “Tulpar-Talgo” and railroad freight cars” was initiated.

In 2017, within the leasing sector, 51 new leasing transactions were approved for financing for a total of KZT 119 bn.

By the results of 2017, the volume of the leasing portfolio of DBK-Leasing JSC was KZT 165 bn, an increase of 89% as compared to the previous year. **Since the establishment of the Holding in 2013-2017, the leasing portfolio has grown 6 times or by KZT 136 bn.**

INVESTING IN THE CAPITAL OF PROJECT COMPANIES

The activities on investing in the authorized capital of subsidiaries belonging to the Holding Group are aimed at promoting sustainable development of the national economy by providing equity financing to the project companies at various stages of growth through direct investment funds with public and private participation. Private equity funds (hereinafter referred to as PEF) provide “long investments” that are not burdened by payment of interest rates and principal debt. The development of private investment funds helps to increase the transparency of the economy, to introduce corporate governance standards, as well as it has an influence on improving the experience of the local staff. By investing in capital, PEF undertake the same risks of a portfolio company, as undertaken by its shareholders.

Various major partners represented by institutional investors, international development institutions and large private investors with extensive experience were attracted to Kazakhstan through PEF. The partners are the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), China International Trade & Investment Company (CITIC Group), Rosnano JSC, the Asian Development Bank (ADB), the Eurasian Development Bank (EDB), Japan Development Bank (JDB), SIM Bank, Macquarie Group, Mubadala Investment Company, Dutch Development Fund (FMO Entrepreneurial Development Bank) etc.

In 2017, the funds with the participation of the Holding’s subsidiaries invested in 4 projects on the territory of the Republic of Kazakhstan. The share of the Holding’s subsidiaries in the projects amounted to USD 11 mln or KZT 4 bn. Projects in Kazakhstan account for more than 71% of the investment portfolio of funds with the participation of the Holding’s subsidiaries. As of December 31, 2017, the largest amount of investment of funds was allocated to the energy sector 37%, processing industry — 18%, transport and logistics — 13%.

“COMPETITIVE LEADERS — NATIONAL CHAMPIONS” PROGRAM

Starting from 2015, Baiterek NMH JSC is implementing “Competitive Leaders — National Champions” Program (hereinafter referred to as the Program) aimed at the development and diversification of the economy of the Republic of Kazakhstan through the integrated support of domestic leading companies.

Within the Program, in 2017 the revenue of participating companies was KZT 484 bn, exceeding the level of the indicator for 2016 by 14%. The increase in revenue

contributed to an increase in the level of productivity of participating companies by 17% in the reporting year. Capital investments of participating companies for 2017 amounted to about KZT 41 bn, which is KZT 8 bn higher than the indicator of 2016. At the same time, as a result of devaluation of tenge and, consequently, the increase in the cost of equipment, many companies have revised and postponed their investment plans.

Since the beginning of the Program implementation, financing for a total of KZT 141.5 bn was approved, most of which relates to the instruments of DBK JSC and Damu Fund JSC — lending and conditional financing through STBs.

AMOUNT OF FINANCING OF THE COMPANIES PARTICIPATING IN THE PROGRAM AS OF DECEMBER 31, 2017, KZT BN

Tool	STB*	DBK JSC	DBK-Leasing JSC	Damu Fund JSC	KCM JSC	KazakhExport EIC JSC	Total
Equity financing					2.8		2.8
Crediting							
Investment objectives		27.8	7.9				35.7
Replenishment of working capital	2.1	25.1					27.2
Refinancing	0.5						0.5
Conditional financing through the second-tier banks							
Investment objectives		15.9		1.8			17.7
Replenishment of working capital		6.1		2.0			8.1
Refinancing		7.4		1.7			9.1
Interest rate subsidizing				38.9			38.9
Export financing						1.5	1.5
Total	2.6	82.3	7.9	44.4	2.8	1.5	141.5

STATE PROGRAM FOR INNOVATIVE AND INDUSTRIAL DEVELOPMENT FOR 2015-2019

Lending to strategic industrial and infrastructural projects in accordance with the state industrial and innovation policy is one of the key tasks for the Holding and its subsidiaries.

The Holding was provided with KZT 75 bn from the National Fund of the Republic of Kazakhstan in 2014 and KZT 155 bn of borrowed funds from the Republican budget in 2016-2017, for the implementation of investment projects of the State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019. Since the launch of SPIID in the period of 2015-2017, 17 investment projects for the total loan amount of KZT 363 bn were financed through the allocated funds of DBK JSC.

“NURLY ZHOL” STATE PROGRAM FOR INFRASTRUCTURAL DEVELOPMENT FOR 2015 — 2019

According to the approved Joint action plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan on financing of domestic manufacturers and exporters in 2015-2016 approved by the decree of the Government of the Republic of Kazakhstan No.271 dated April 23, 2015, financing mechanisms are provided on the following four directions:

1. support of domestic car manufacturers;
2. support of domestic helicopter production;
3. support of production of passenger rail cars;
4. support of exporters.

Since the implementation of the Preferential Car Loan Program, six second-tier banks have issued 9877 loans for the

purchase of motor vehicles of domestic car manufacturers for a total of KZT 39 bn.

By the decision of the Board of Directors of DBK-Leasing JSC dated April 21, 2015 (Minutes No.93), Leasing financing program and financing limit for car manufacturers were approved within the framework of support of domestic car production at the expense of the funds of the National Fund of the Republic of Kazakhstan. As of the end of 2017, given the approved changes in leasing transactions (partial early discharge and termination of financial leasing agreements), the amount of actually developed funds by car manufacturers was KZT 4 bn (initial placement) by 22 leaseholders.

As part of support provided to domestic exporters, the funds were allocated from the National Fund in 3 (three) tranches:

- 1 tranche — KZT 35 bn (2015);
- 2 tranche — KZT 15 bn (2015);
- 3 tranche — KZT 15 bn (2016).

Within the framework of the 1st and 2nd tranches as of December 31, 2017, DBK JSC and DBK-Leasing JSC approved 10 export operations for the amount of KZT 50 bn, the accumulated loan funds development of which taking into account their repeated allocation was KZT 156 bn, including:

- KZT 153 bn on 9 export operations approved by the DBK JSC for financing;
- KZT 3 bn on export operation of DBK-Leasing JSC.

As of December 31, 2017, as part of drawdown of the funds of the 3rd tranche from the National Fund of the Republic of Kazakhstan and attracted funds of Unified Accumulative Pension Fund JSC, DBK JSC approved financing of 10 export operations for the total amount of KZT 41 bn, within this the drawdown amount was KZT 73 bn (including the repeated drawdown of repaid loan funds).

In general, during SPIID implementation 30 enterprises were supported by DBK JSC at the expense of funds allocated from the National Fund and the Republican Budget. After putting the projects into operation and reaching planned capacity, the total output of the supported enterprises will reach KZT 2,908 bn (according to the business plans of the projects), of which KZT 1,443 bn will be produced for export. About 16 thous. of new jobs will be created within the framework of the projects.

Due to the financial support of the Bank (within the framework of direct lending), the actual production volumes of the projects commissioned and the operating facilities of the supported exporting enterprises amounted to KZT 341 bn by the end of 2017, the production volume of non-resource exports was KZT 232 bn.

5.3

SUSTAINABLE DEVELOPMENT ACTIVITIES

5.3.1 SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM

The Holding and its subsidiaries strive to provide balance between the interests of business and society as well as harmonious management of economic, environmental and social aspects of its activities to ensure sustainable development in the long-term period. **The Holding's principles in the field of sustainable development are:**

- openness;
- accountability;
- transparency;
- ethical conduct;
- compliance with the interests of the stakeholders;
- legality;

5. OVERVIEW OF PERFORMANCE INDICATORS

- compliance with the human rights;
- anti-corruption;
- prohibition of the conflict of interests.

The Holding's activities in the field of sustainable development are based on the principles and provisions stipulated by the United Nations Global Compact and the Corporate Governance Code of Baiterek NMH JSC.

The Board of Directors of the Holding performs the strategic management and control of the introduction of sustainable development. The Management Board of

the Holding forms the relevant action plan in the field of sustainable development.

The officials of the Holding and its subsidiaries adhere to the principles of sustainable development in the performance of their activities and duties and contribute to the involvement of all employees. The Holding pays special attention to the improvement of professional skills on the topics related to the implementation of sustainable development practices.

The Holding's activities on managing sustainable development include 7 main directions and those are regulated by a number of internal documents.

THE HOLDING'S ACTIVITIES IN THE FIELD OF SUSTAINABLE DEVELOPMENT AND REGULATING DOCUMENTS

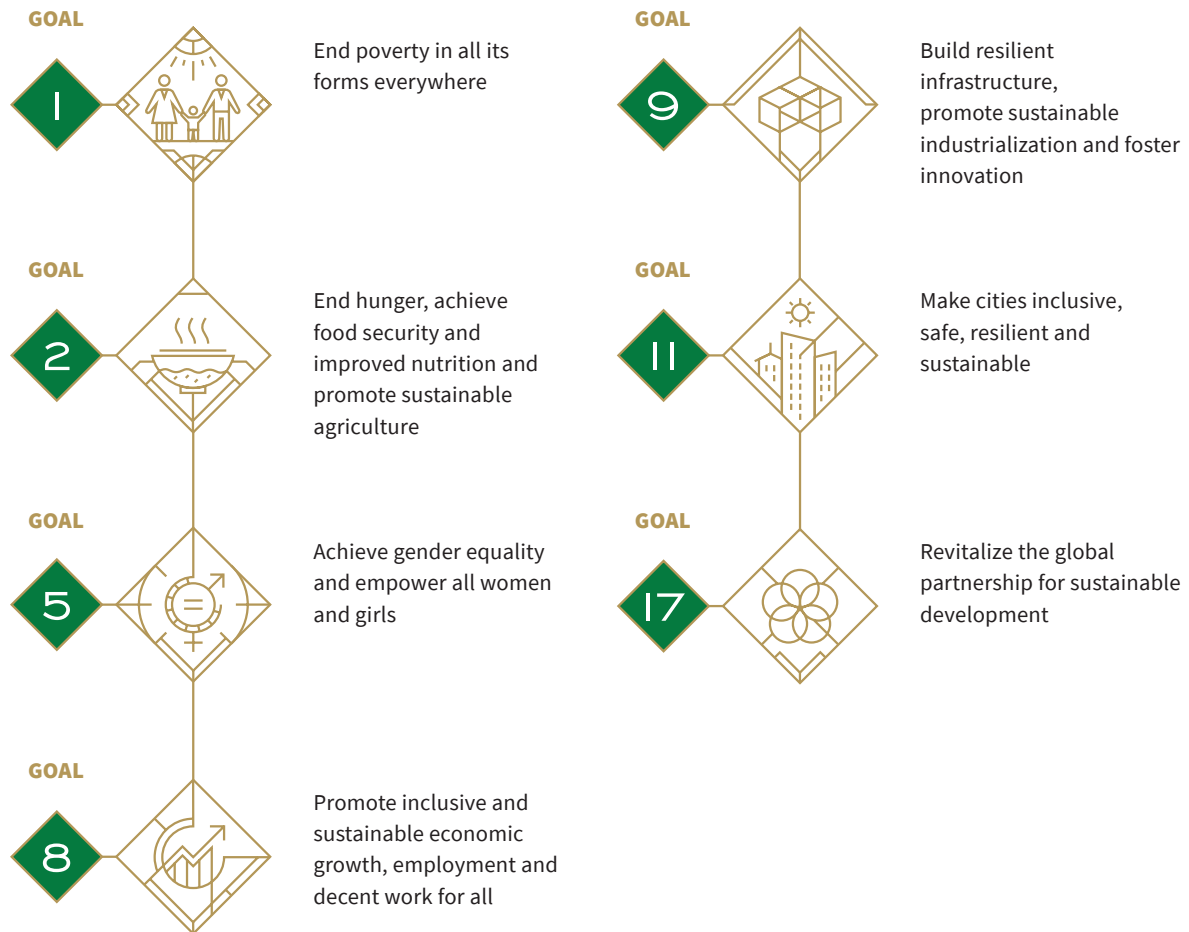
	Important topic	Activity	Documents regulating activities in the field of sustainable development
ECONOMIC TOPICS	Economic performance	Facilitating economic sustainability	<ul style="list-style-type: none"> • Schedule for financial assets and liabilities management • Rules for the management of temporarily free cash • Rules for intra-group financing • Rules for monitoring of the implementation of investment projects and the use of budget funds • Risk management policy
	Indirect economic impacts	Contribution to the socio-economic development of Kazakhstan	<ul style="list-style-type: none"> • Rules for the provision of sponsorship and charitable assistance • Charity program
	Anti-corruption	Formation of the legal culture of employees	<ul style="list-style-type: none"> • Anti-corruption policy • Rules for corruption and fraud prevention
ENVIRONMENTAL TOPICS	Compliance with the requirements	Development of responsible financing	<ul style="list-style-type: none"> • Code of business conduct <p>In the next reporting year, it is planned to improve the Investment policy of Baiterek NMH JSC in order to provide the responsible investment principles as part of making investment decisions.</p>
SOCIAL TOPICS	Employment	Formation of a highly professional team	<ul style="list-style-type: none"> • Human resource strategy for 2015-2020 • Rules for the selection of candidates for vacancies
	Education and training		<ul style="list-style-type: none"> • Rules for the training and professional development of employees
	Diversity and equal opportunities	Human resource management	<ul style="list-style-type: none"> • Rules for remuneration and paying bonuses for employees • Rules for the provision of social support to employees

CONTRIBUTION OF THE HOLDING TO THE ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS

The Holding's management supports the 17 Sustainable Development Goals (hereinafter referred to as SDGs) adopted by the UN General Assembly in 2015, aimed at eliminating poverty, preserving the resources of the planet and ensuring universal well-being.

The Holding's assistance in achieving the SDGs is carried out through the application of responsible approaches to activities, as well as the provision of various financial and non-financial support tools, including those within the framework of the implementation of state and government programs. The Holding's activities are focused on implementation of SDGs provided below.

THE MOST PRIORITY SDGS FOR THE HOLDING



5.3.2 STAKEHOLDER ENGAGEMENT

The Holding pays special attention to proper stakeholder engagement, striving to establish effective and balanced relationships with all the stakeholders.

In identifying of the stakeholders, the Holding and its subsidiaries use international standards for identifying and engaging with the stakeholders.

By the decision of the Board of Baiterek NMH JSC dated October 1, 2015, the Holding's Stakeholders Map was approved to determine the list of stakeholders and the degree of their influence. **In the reporting year, the Stakeholders Map was finalized with consideration of the**

international standards for stakeholder identification and engagement and the Model Corporate Governance Code for joint-stock companies with state participation approved by the order No. 465 of the Minister of National Economy of the Republic of Kazakhstan on November 1, 2016.

Based on the performed assessment of the degree of support and opposition of the Holding's stakeholder, evaluation of the strength of its influence on the Holding, and the importance parameters of the stakeholder, a strategy for stakeholder engagement is being developed.

MAIN GROUPS OF STAKEHOLDER AND METHODS FOR ENGAGEMENT WITH THEM

Stakeholder groups	Interests of stakeholders	Stakeholder engagement strategy
Sole Shareholder	Compliance with the interests of the Holding's Sole Shareholder	<ul style="list-style-type: none"> Ensuring the implementation of the rights of the Sole Shareholder within the framework of corporate governance principles aimed at the effective adoption of key decisions in accordance with the legislation of the Republic of Kazakhstan and the Charter of the Holding. Providing reliable information on the results of financial and economic activities in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Charter, internal documents of the Holding.
Governing body	General management of the Holding's activities	<ul style="list-style-type: none"> Implementation of the overall management of the Holding's activities, except for the resolution of issues attributed by the legislation of the Republic of Kazakhstan and (or) the Charter to the exclusive competence of the Holding's Sole Shareholder.
Management	Management of the Holding's current activities, adoption of decisions on activities not covered by the competence of other bodies and officials of the Holding	<ul style="list-style-type: none"> Implementation of decisions of the Sole Shareholder and the Board of Directors of the Holding. Preparation and implementation of the Development Plan and other issues related to the activities of the Holding.
Staff	Labour relations with the employer. Directly performs work under an employment contract	<ul style="list-style-type: none"> Performance of official powers aimed at the implementation of the tasks and functions of the Holding. Maintenance of an open, transparent human resource policy aimed at the formation of qualified and motivated staff. Providing all of the employees with equal opportunities to realize their potential in the working process, impartially and fairly evaluate their results, select and facilitate career growth of employees solely based on their professional abilities, knowledge and skills.
Subsidiaries	Observance of the interests of shareholders/participants	<ul style="list-style-type: none"> Enforcement by the Holding of its rights as a shareholder/participant in a subsidiary.
State bodies	Implementation of legislative and executive functions	<ul style="list-style-type: none"> Participation in working groups, forums, conferences; Coordination of the main activities of the Holding.
Customers, consumers	Commercial interests/Social interests	<ul style="list-style-type: none"> Ensuring of compliance with the expectations of consumers of financial/non-financial products and services of the Holding and subsidiaries. Conclusion of contracts, control of their fulfillment.
Suppliers	Commercial interests	<ul style="list-style-type: none"> Conclusion of contracts, control of the performance of contractual relations.
Investors	Investing for the purpose of earning a profit	<ul style="list-style-type: none"> Attraction of investments for the implementation of projects and core activities.
Partners	Commercial interests	<ul style="list-style-type: none"> Mutually beneficial cooperation, improvement of business and technological processes and their automation; Conclusion of contracts, control of the performance of contractual relations.
Auditors, Consulting company	Provision of consulting services and financial audit services	<ul style="list-style-type: none"> Conclusion of contracts for consulting and auditor services; Audit of financial statements, external audit.
Financial Institutions	Placement of free cash in deposit accounts, maintenance of special accounts	<ul style="list-style-type: none"> Conclusion of contracts, control of the implementation of contractual relations; Improving financial performance.
Mass media	Publications and informing about the Holding's activities	<ul style="list-style-type: none"> Organization of information activities through: <ul style="list-style-type: none"> implementation of PR-programs; reporting on the strengths and opportunities of the Holding to the target audience; creating a positive public opinion; ensuring transparency of the Holding's activities through reliable, regular, continuous and timely information disclosure; maintaining the Holding's brand recognition; public presentation of the results of the Holding's main activities.

Stakeholder groups	Interests of stakeholders	Stakeholder engagement strategy
Competitors	Increasing the share of market presence	<ul style="list-style-type: none"> Adherence to the principles of fair competition in accordance with the Corporate Governance Code, the Code of Business Conduct of the Holding; Market monitoring and analysis.
Population	Transparency of the Holding's activities	<ul style="list-style-type: none"> Reputation audit, public opinion polls, implementation of PR strategy; Publication of financial and non-financial reporting on its activities; Demonstration of practical commitment to the principles of social responsibility, transparency of activities and sustainable development; Striving to comply with generally accepted moral and ethical norms.
Public organizations	Implementation of objectives and tasks of public organizations	<ul style="list-style-type: none"> Compliance with legislation, charity and sponsorship; Mutual agreement on general issues; Performance of joint activities with associations and unions.

5.3.3 INTERNATIONAL COOPERATION

Baiterek NMH JSC performs an active work on establishment of the partner relations with foreign and national investors, international financial organizations, development institutions and international companies.

DEBT FINANCING

The Holding and its subsidiaries attract debt financing in the form of issuing bonds and obtaining loans. The significant raising from non-government sources of borrowing in 2017 was the issue of Eurobonds of DBK JSC. On December 14, 2017, DBK JSC placed its debut Eurobonds

denominated in tenge for the amount of KZT 100 bn with the circulation period of 3 years and with the yield of maturity 9.625% per annum. Within this, the accumulated global demand-to-supply in the context of collection of applications was 169%, which demonstrated interest and confidence of international investors in national currency.

In 2017, the share of non-government sources of borrowing in the total borrowing structure of the Holding was about 63% with the plan of not less than 60%. Within this, the Development Strategy of Baiterek NMH JSC for 2014-2023 implies the increase of the share of non-government sources of borrowing up to 80% in 2023.

LOANS FROM INTERNATIONAL BANKS AND OTHER INTERNATIONAL FINANCING INSTITUTIONS ATTRACTED IN 2017

Name of financial institution	Amount, in KZT bn	Redemption date	Currency
Roseximbank	13	2030	RUB
Roseximbank	1	2027	RUB
China Development Bank	67	2030	USD
China Development Bank	16	2024	USD
Asian Development Bank	8	2020	KZT
TOTAL:	105		

ORGANIZATIONS WITH WHICH MEMORANDA OR COOPERATION AGREEMENTS HAVE BEEN SIGNED

China	<ul style="list-style-type: none"> • China Development Bank, China Exim Bank • China-Eurasian Economic Cooperation Fund (CEF) • Bank of China • CITIC Group, CITIC Capital • Silk Road Fund, Asia Investment Finance Group Ltd
Japan	<ul style="list-style-type: none"> • Sumitomo Mitsui Banking Corporation (SMBC) • Bank of Tokyo-Mitsubishi UFJ • Nippon Export and Investment Insurance (NEXI) • Japan Technology Group Inc.
South Korea	<ul style="list-style-type: none"> • Korea Housing & Urban Guarantee Corporation • Korea Trade Insurance Corporation
Islamic Republic of Iran	<ul style="list-style-type: none"> • National Development Fund of Islamic Republic of Iran • Islamic Republic of Iran Shipping Lines • Bahrain Mumtalakat Holding Company
Kingdom of Saudi Arabia	<ul style="list-style-type: none"> • Islamic Corporation for the Development of the Private Sector • Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC)
Philippines	<ul style="list-style-type: none"> • Asian Bank of Development
United Kingdom	<ul style="list-style-type: none"> • European Bank for Reconstruction and Development • The Float Glass Consortium Limited
Germany	<ul style="list-style-type: none"> • Bausparkasse Schwäbisch Hall • Claas, Siemens, Robert Bosch, CAC Chemie-Anlagenbau Chemnitz, DEG
Poland	<ul style="list-style-type: none"> • Bank Gospodarstwa Krajowego • Polska Agencja Rozwoju Przedsiębiorczości, KUKE
France	<ul style="list-style-type: none"> • BPI France, Peugeot France, COFACE • Veolia Water Solutions and Technologies JSC
European Union	<ul style="list-style-type: none"> • European Investment Bank
Russia	<ul style="list-style-type: none"> • Russian Export Center JSC • Eurasian Development Bank (EDB)
USA	<ul style="list-style-type: none"> • Stewart Engineers • Messina Group, Oppenheimer & Co., Blackstone Group, Warburg Pincus, Credit Suisse, KKR Global Institute

In 2017, the Holding concluded the following major contracts:

- in June 2017, within the framework of the scheduled meeting of SCO IBO, DBK JSC and China Development Bank signed the Framework Agreement for USD 500 mln, to finance the projects of DBK JSC and the Loan Agreement for USD 607 mln for further funding the project of “Reconstruction and modernization of Shymkent Oil Refinery”;
- in October 2017, Damu Fund JSC concluded a new loan agreement with the Asian Development Bank for KZT 72 bn (or USD 200 mln) to finance the projects of micro, small and medium-sized businesses that have a minimal environmental impact and promote the development of women’s entrepreneurship. This loan is attracted under the state guarantee of the Government of the Republic of Kazakhstan, so that entrepreneurs can expect to receive preferential loans at the expense of the borrowed amount.
- in December 2017, DBK JSC and the Bank Syndicate signed a loan agreement under Sinasure insurance and the Holding’s guarantee for USD 225 mln

5.3.4 ENVIRONMENTAL PROTECTION

Due to the specific nature of its activities, the Holding does not have a significant impact on the environment. At the same time, the Holding has a strong focus on ecology by taking a responsible approach for its activities. Baiterek NMH JSC ensures distribution of the principles of responsible investment for the Holding’s subsidiaries.

“GREEN OFFICE”

In 2018, the Holding plans to reduce heat losses through the use of more efficient stained-glass system with multifunctional glass in the building’s enclosing structures. Heat retention properties of the building in the aggregate of external and internal enclosing structures will ensure the

limitation of heat loss of buildings taking into account air exchange. In 2018, the following additional energy-saving measures are envisaged:

- installation of thermoregulating fittings in the heating devices to ensure comfortable conditions in the premises;
- reduction of heat losses due to the use of thermal insulation for pipelines;
- installation of energy-saving bulbs in lamps.

The automated building management system will allow to provide autonomous and remote control and monitoring of equipment and internal engineering systems.

Urns for waste paper collection were installed in each office for the rational use of paper.

5.3.5 OCCUPATIONAL HEALTH AND SAFETY

As a responsible employer, the Holding and its subsidiaries seek to facilitate the proper organization of its workplace and to maintain safe working conditions that meet the requirements of the legislation of the Republic of Kazakhstan in this field.

When performing their official duties, as well as during their stay in the premises of the Holding, employees observe the safety rules adopted and developed by the Holding in accordance with the Holding's policies and based on the legislation of the Republic of Kazakhstan.

In order to comply with labour protection and safety rules, the Holding Group holds annual training activities. Thus, in 2017, the Holding and its subsidiaries regularly conducted introductory and planned briefings for their

employees in the field of labour protection and fire safety, as well as trainings on emergency actions. In 2018, it is planned to hold seminars for the heads of structural subdivisions on the topic "Safety and labour protection in enterprises and fire safety basics" with the subsequent special examination, as well to attract safety and labour protection state inspector of Astana as a member of the commission. At the same time, it is planned to organize and conduct a business breakfast on "Safety and labour protection", which will explain the fundamental principles of labour safety in office and industrial premises.

There were no injuries in the Holding and its subsidiaries in 2017.

5.3.6 HUMAN RESOURCE MANAGEMENT

The task of the human resource policy is to attract and retain professionals in the Holding Group that can make a valuable contribution to the development and growth of the Holding's efficiency, as well as maximize the return on investment in human resources.

The Unified HR Policy is being developed in the following areas:

- ensuring fair and competitive remuneration for labour based on the implemented grading system

developed jointly with the largest international consulting company in the field of HR management, conducting motivational research, and responding to changes in legislation. The job grading system was implemented in the central office with subsequent implementation of the process across the entire Baiterek Group;

- effective planning of human resources through the application of the policy of open competitive

selection of personnel that ensures transparency, creation of an integrated staff reserve of the best employees, analysis, rationalization and optimization of the organizational structure;

- raising the level of staff productivity through a fair and systematic performance evaluation;
- efficient HR management through a system of continuous training and development, the introduction of modern technologies and information management systems;
- effective communication and interaction with employees through the organization of internal corporate information sources for the employees and

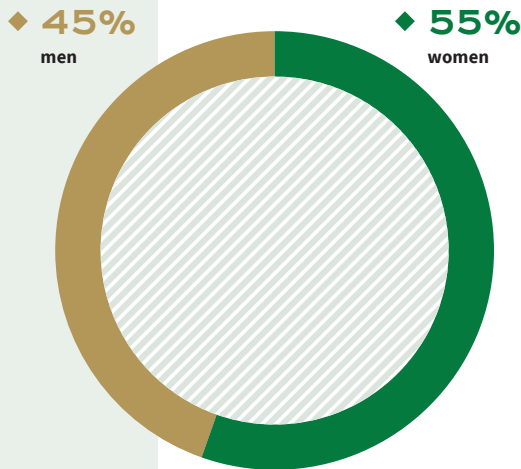
communication channels, including those operating through the internal portal (Intranet), the institution of staff representatives and social partners on site, and other mechanisms.

NUMBER AND COMPOSITION OF STAFF

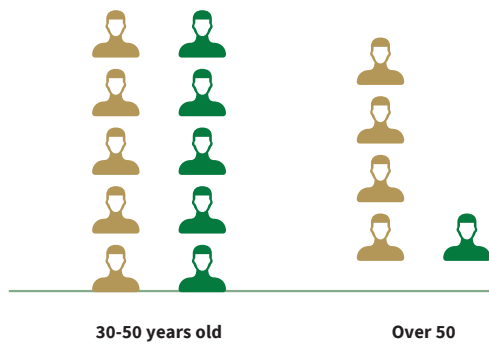
As of December 31, 2017, the average number of the Holding’s personnel was about 2,5 thous. people, more than half of them were women.

The average age of employees of the Holding Group is 36. The number of top managers is 133, 29 of them are women. The number of employees with disabilities is 7.

PERSONNEL STRUCTURE OF THE HOLDING GROUP BY GENDER AS OF DECEMBER 31, 2017



COMPOSITION OF GOVERNANCE BODIES OF BAITEREK NMH JSC BY AGE GROUPS AS OF DECEMBER 31, 2017



- ◆ Board of Directors, pers.
- ◆ Management Board, pers.

MOTIVATION AND REMUNERATION

The system of remuneration of employees is aimed at helping to achieve the strategic goals of the Holding, ensuring a clear correlation between the level of wages of the employee, his individual effectiveness and performance, as well as encouraging the professional growth of employees.

The amount of salary is based on the grading structure and is established in accordance with the scheme of official salaries and the staff schedule approved by the Management Board of the Holding. The scheme of official salaries is formed by the principle of internal justice (remuneration for position of the similar value for the organization in a given range) and external competitiveness (sufficient level of base remuneration for attracting and retaining employees of the Holding).

Quarterly staff performance assessment, covering both employees and managers, is performed on key performance indicators, established in quantitative and qualitative values and reflecting the main strategic priorities of the Holding. In turn, the performance assessment allows to form individual development plans and it is an effective tool for providing feedback to employees on the basis of the results of the reporting period.

The cycle of staff performance planning and assessment in the Holding Company consists of the following stages:

- planning — setting of target KPIs and drawing up of an individual development plan for achieving the set KPIs;

- approval — approval of KPI cards for employees by the Holding's Management Board and KPI cards for top management by the Board of Directors;
- assessment — calculation and approval of actual performance, preparation of report on the training plan and professional development.

TRAINING AND PROFESSIONAL DEVELOPMENT

Training and professional development of employees is performed with the purpose of updating and obtaining additional theoretical and practical knowledge, abilities, competencies and skills in the field of professional and managerial activity of employees for effective performance of their duties and tasks determined in accordance with the Holding's development strategy. Organization of training and professional development of the Holding's employees is based on the following principles:

- the compliance of the topic and contents of training activities with the needs determined in accordance with the official duties of an employee, the results of his performance assessment (planning and assessment form), the goals and objectives set for the employee;
- the focus of the training activities on the specific tasks ensuring the improvement of the Holding's performance, the study of the best corporate practices and standards;
- systemic, applied, planned nature of training and professional development;

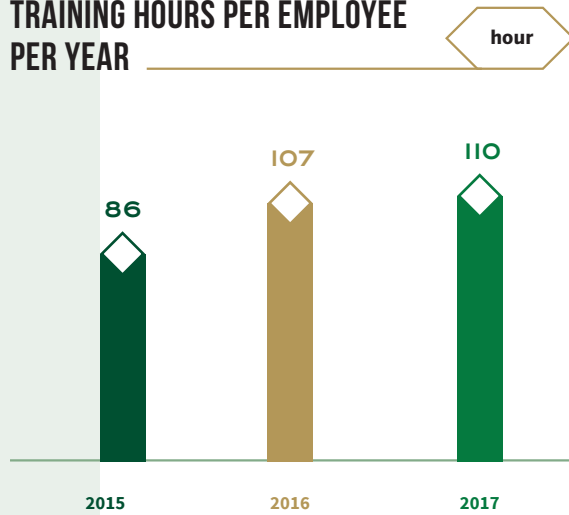
- covering the maximum possible amount of Holding’s employees with training and professional development programs.

The Holding uses such advanced methods of staff training and professional development as electronic and online training, organization and holding of round tables and business breakfasts with the participation of experts from various fields, as well as the organization of seminars, trainings and other training events. **By the results of 2017, the Holding’s total training coverage has been achieved**

by means of provision of training events in the corporate format.

In the reporting year, the Holding organized participation of employees in conferences covering the topics from various areas, such as economics and finance, project management, law and jurisprudence, corporate governance, budgeting and financing, language courses, etc. In total, 114 events were held in 2017 within the framework of the training and professional development programs. The total cost of training was KZT 34 214 thous.

AVERAGE ANNUAL NUMBER OF TRAINING HOURS PER EMPLOYEE PER YEAR

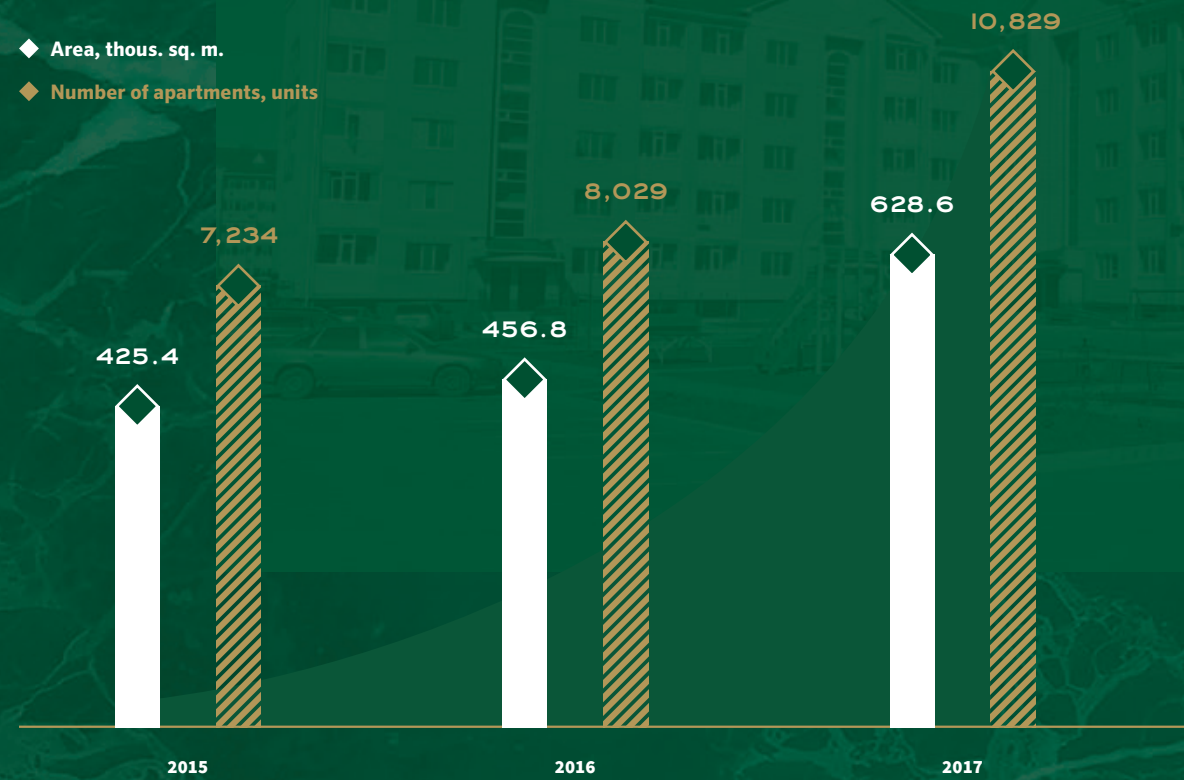


SPONSORSHIP AND CHARITY ACTIVITIES

Sponsorship and charity activities of the Holding are aimed at assisting vulnerable groups of the population, the low-income citizens and revival of national values, support of culture, science and education.

The areas of Holding’s sponsorship and charitable activities in the reporting year included the provision of charitable assistance to the Public Association of Persons with Disabilities “Independent Life “DOS” Center for organizing the exhibition “The Best Social Projects Implemented in Kazakhstan”. The purpose of this event was to draw attention of civil society to the problems of persons with disabilities. Social projects presented for the competition demonstrated an extraordinary vision of existing problems, opportunities and their solutions.

HOUSING MADE AVAILABLE WITH THE HOLDING'S PARTICIPATION



Plan fulfillment of the volume of housing made available in 2017

113.4%



10,829 FAMILIES

were provided with the housing in 2017 within the implementation of "Nurly zher" Housing Construction Program.

6. ANNEXES

6.1 THE ACTIVITIES OF SUBSIDIARIES IN 2017

DEVELOPMENT BANK OF KAZAKHSTAN JSC



Development Bank
of Kazakhstan



MISSION

The mission of Development Bank of Kazakhstan JSC (hereinafter referred to as DBK JSC) is to promote the sustainable development of the national economy by investing in non-resource sector of the country.

MAIN ACTIVITIES

Priority financing directions of DBK JSC include:

1. Investment project, export operation that provides socio-economic effect and are focused on creation and/or development of:
 - infrastructure facilities in the fields of energy, communications, transportation, as well as for the purchase of transport;

- agricultural production, including the production and/or acquisition, transportation of raw materials, its processing and sale of finished products in the framework of the investment project;
- industrial facilities, including the extraction, production and/or acquisition, transportation of raw materials, its processing and sale of finished products in the framework of the investment project, export transaction, leasing transaction in the following industries:
 - metallurgical industry and manufacture of metal products;
 - engineering;
 - mining, subject to further processing of the extracted / produced materials within the framework of the investment project;

- chemical and petrochemical industry, manufacture of basic pharmaceutical products and preparations, rubber and plastic products, non-metallic mineral products.
 - facilities in the service sector: tourist, environmental, health, education, sports and recreation, and hotel services;
 - conditions for the projects implemented abroad and contributing to the development of infrastructure and transit potential of the Republic of Kazakhstan, the export of Kazakhstani goods, works, services and capital;
 - facilities in the food and beverage industry.
2. commercial projects implemented by legal entities that are not subjects of the quasi-public and/or public sector;
 3. projects of subjects of the quasi-public sector and/or legal entities with state participation (excluding the projects of natural monopolies) implementing the programs, including the possibility of subsequent transfer of facilities being created/created/modernized as a result of the project to a competitive environment.



KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	1.7	1.8	1.2
ROA, %	0.3	0.3	0.2
Debt/equity	5.0	5.6	5.3
Assets, KZT bn	2,128	2,449	2,564
Growth of assets, %	63	15	5
Net profit, KZT bn	6	7	5

KEY RESULTS OF ACTIVITIES

- DBK JSC made a public issue of Eurobonds denominated in tenge for the amount of KZT 100 bn (for a wide range of foreign and domestic investors), which was debut for the issuers of Kazakhstan, while international investors purchased 98% of the emission volume.
- In 2017, 14 credit applications for KZT 526 bn were approved (the projects included: Shymkent Oil Refinery – KZT 309 bn, POCR – KZT 16 bn, Kazakhstan complex alloy plant – KZT 64 bn, Zhairam MPP – KZT 33 bn etc.).
- In 2017, DBK JSC financed the projects for the total amount of KZT 422 bn (growth by 52% in 2017 compared to 2016) within the framework of direct crediting. Thus, in the reporting year, DBK JSC financed

20 investment projects for KZT 264 bn and 11 export (pre-export) transactions for KZT 158 bn.

- In 2017, funds for KZT 406 bn were raised, credit line for USD 607 mln was initiated (State Development Bank of China).
- The volume of the leasing portfolio of the subsidiary DBK-Leasing JSC increased by 89% as compared to 2016 and amounted to KZT 165 bn.

CONTACT DETAILS

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e-mail: info@kdb.kz (Administration office),
pressa@kdb.kz (PR service)

WWW.KDB.KZ

ENTREPRENEURSHIP DEVELOPMENT FUND DAMU JSC



MISSION

The mission of Entrepreneurship Development Fund Damu JSC (hereinafter referred to as Damu Fund JSC) is to play an active role in the sustainable development of micro, small and medium enterprises (MSME) in Kazakhstan, by means of implementing comprehensive and effective support tools.

MAIN ACTIVITIES

- Implementation of programs for conditional investment of funds in second-tier banks, leasing companies, microcredit organizations and factor companies for the subsequent SME loans granting;
- Interest rate subsidizing on loans granted to private enterprises and by the second-tier banks and DBK JSC, as well as subsidizing on the financial lease agreements concluded between the legal entities engaged in lease activities and SMEs under the government and state programs;
- Guarantees submission to private entrepreneurs as they receive loans from second-tier banks and other legal entities.

KEY RESULTS OF ACTIVITIES

- 11,936 projects for the total amount of loans of KZT 549 bn were supported within the framework of all financial programs of Damu Fund JSC.
- In 2017, about 8,305 borrowers for the total amount of KZT 230 bn were financed within the programs of conditional placement of funds in STBs and leasing companies.
- In 2017, 2,310 projects of interest rate subsidizing were supported. The amount of loans was KZT 276 bn.

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	17.6	5.8	4.1
ROA, %	5.4	1.6	1.2
Debt/equity	2.7	2.5	2.2
Assets, KZT bn	355	349	320
Growth of assets, %	59	-2	-8
Net profit, KZT bn	16	6	4





- In 2017, 1,321 loan guarantee agreements for the total amount of KZT 43 bn were concluded.
- 1,211 guarantees were provided in mono-cities and small towns, and in priority sectors of the economy in 2017 for the total amount of credits of KZT 40 bn.
- In the reporting year, 25,059 new jobs were created by business entities that received support, taxes amounting to KZT 294 bn were paid by SMEs that received financial support from Damu Fund JSC.



CONTACT DETAILS

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8 (727) 244-55-77, int. 1408

e-mail: info@fund.kz

WWW.DAMU.KZ

HOUSING CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC

**MISSION**

The mission of Housing Construction Savings Bank of Kazakhstan JSC (hereinafter referred to as HCSBK JSC, the Bank) is to provide the families in Kazakhstan with their own housing and strengthen the patriotic feeling towards the homeland.

MAIN ACTIVITIES

- Reception of deposits in housing construction savings, opening and maintaining of the deposit accounts;
- Providing the depositors with pre-housing and intermediate housing loans for improving housing conditions.

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	14.1	20.0	18.8
ROA, %	3.4	4.1	3.7
Debt/equity	3.4	4.2	4.0
Assets, KZT bn	474	622	762
Growth of assets, %	12	31	23
Net profit, KZT bn	15	23	26

KEY RESULTS OF ACTIVITIES

- As of 31 December 2017, the number of concluded HCS contracts was 1,527,542, the amount totaled KZT 4,806 bn. Within this the number of the current HSC contracts was 1,055,599, which was 30% higher than in 2016 (814,629 contracts).
- The commission for the conclusion of HCS contract and for the increase of the contract amount was reduced to zero.
- A new video-banking service is launched, it allows to contact a manager through a video call and to remotely get advice on the terms and conditions of “Nurly zher” Program, the cost per square meter of housing under construction and information on the available facilities and products.
- The work is performed for mobile “HCSBK 24” internet-banking application development; the transition to the online payment acceptance mode through Kazpost JSC, Sberbank JSC was made.
- Compensation was paid on deposits in the amount of KZT 20 bn, including KZT 9 bn at the expense of the Bank’s own funds.
- Integration with state databases was performed.
- In 2017, 1,127 thous. payments with zero commission were made through the information communication channels (payment channels of



- The Bank's share in the total volume of loans for construction and acquisition of housing increased to 76% in 2017.
- A new unified tariff program "Baspana" was introduced to facilitate the choice and transparency of housing distribution, uniting clients, construction companies and government agencies on a single platform in a single database.
- "baspana.kz real estate portal" — a single platform for the implementation of public housing programs and housing programs of HCSBK JSC — was launched.

HCSBK JSC include: egov, terminals of Halyk Bank of Kazakhstan, QIWI, terminals of Bank CenterCredit JSC, Kazkommertsbank JSC, Kaspi Bank, Sberbank JSC, Paypoint, transfers from SCPP, NB RK, from employers).

- The amendment to the draft law "On amendments and additions to some legislative acts of the Republic of Kazakhstan on housing relations with respect to guaranteeing the inviolability of housing payments of servicemen on current and savings accounts with the Bank", which entered into force on January 1, 2018, was initiated.
- A new youth housing program "Almaty Zhastary" has been started, which will allow Almaty residents aged under 35 to receive a preferential loan for purchasing their own apartment. 41 loans were issued within the framework of "Almaty Zhastary" Program.
- The information system "Advisory Social Network" was improved, allowing the Bank's agent to open a deposit account at the depositor's home or at work.
- The following interest rates for preliminary housing loans and intermediate housing loans of "Baspana" were approved in the framework of the "Nurly zher" Program: intermediate and preliminary housing loans — 5% each.
- 4,427 loans were issued within the Housing Construction Program "Nurly zher";

CONTACT DETAILS

Address: 91 Abylai khan ave., A05A2XO, Almaty, Republic of Kazakhstan

Telephone: 8 (727) 279-35-11, int. 300, 8-800-080-18-80

e-mail: mail@hcsbk.kz (for issues not related to the provision of banking services at Housing Construction Savings Bank of Kazakhstan JSC, as well as for legal entities)

www.hcsbk.kz/feedback/ (for applications from individuals on the provision of banking services at Housing Construction Savings Bank of Kazakhstan JSC: questions, complaints, proposals)

WWW.HCSBK.KZ

KAZYNA CAPITAL MANAGEMENT JSC



**KAZYNA
CAPITAL
MANAGEMENT**

MISSION

The mission of Kazyna Capital Management JSC (hereinafter referred to as KCM JSC) is to develop private equity infrastructure in Kazakhstan in order to facilitate the sustainable economic development of Kazakhstan.

MAIN ACTIVITIES

- Support and creation of competitive and export-oriented industries through participation in their equity capital through the private equity funds;
- Attraction of international institutional investors to Kazakhstan, as well as encouragement of domestic investors for joint financing of priority non-resource sectors of the economy through the private equity funds;
- Attraction of the leading international organizations and managing companies with long-term experience and stable profitability indicators as strategic partners for introduction of the best world practice of private equity in Kazakhstan;
- Creation of private equity infrastructure in Kazakhstan through the development of necessary financial instruments and mechanisms;
- Formation of an independent cluster of management companies and funds for the effective development of private equity in Kazakhstan.

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	23.9	-1.5	2.3
ROA, %	23.1	-1.4	2.1
Assets, KZT bn	143	141	145
Growth of assets, %	37	-2	3
Net profit, KZT bn	29	-2	3

**KEY RESULTS OF ACTIVITIES**

- In 2017, investments in the private equity fund amounted to KZT 6,650 mln with a plan of KZT 5,280 mln (the fulfillment is 126%). During the reporting period, the projects in the field of automation and robotics, the media and entertainment industry, as well as in manufacturing were invested.
- At the end of 2017, the investment portfolio of KCM JSC was KZT 66,112 mln and included 59 investment projects. As compared to the indicator for the same period of the previous year, the investment portfolio of KCM JSC increased by 8% or by KZT 4,817 mln.

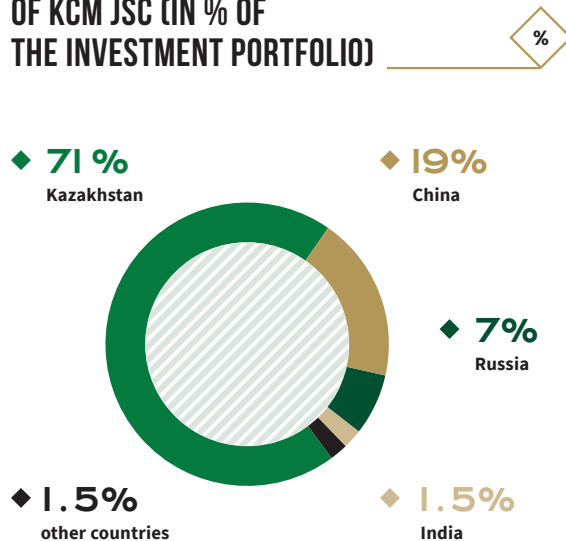




- In quantitative terms, the largest number of projects invested by KCM JSC is implemented in the energy sector — 22 projects and in transport — 7 projects.
- As of December 31, 2017, the total investment portfolio of the private equity fund included 25 projects in Kazakhstan at a cost of 71% of the total investment portfolio. The remaining 29% of the investment portfolio was represented by 34 projects on the territory of other states.



REGIONAL STRUCTURE OF THE INVESTMENT PORTFOLIO OF KCM JSC (IN % OF THE INVESTMENT PORTFOLIO)



CONTACT DETAILS

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Telephone: 8 (7172) 55-42-22

e-mail: info@kcm-kazyra.kz

WWW.KCM-KAZYNA.KZ

BAITEREK DEVELOPMENT JSC



MISSION

The mission of Baiterek Development JSC (hereinafter referred to as BD JSC) is to ensure the availability of financial resources for the construction industry of the Republic of Kazakhstan.

MAIN ACTIVITIES

- Execution of the functions of the financial operator of “Nurly zher” Housing Construction Program for financing the construction of credit housing through the mechanism for the acquisition of securities of the local executive bodies;
- Implementation of investment projects in the construction industry through:
 - conditional financing of investment projects;
 - maintenance of construction companies on the “one-stop-shop” principle by creating an online platform-integrator within “Digital Baiterek” project;
 - raising funds from external financing sources of the construction industry;
 - support of housing construction projects for subsidiaries of Baiterek NMH JSC and other organizations using modern technical means.
- Completion of anti-crisis activities of 2009-2010 and EXPO-2017 projects.

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	13.5	18.0	5.5
ROA, %	7.2	4.8	1.1
Debt/equity	1.4	4.0	4.3
Assets, KZT bn	125	305	322
Growth of assets, %	61	145	6
Net profit, KZT bn	7	10	3



KEY RESULTS OF ACTIVITIES

- Within the framework of the performance of functions of the financial operator of the “Nurly zher” Housing Construction Program of BD JSC:
 - timely commissioning of 425.5 thous. sq. m of credit and rental housing with a plan of 389.3 thous. sq. m;
 - timely input of 142.7 thous. sq. m. of rental housing for MO Kazakhstan Mortgage Company JSC with a plan of 139.6 thous. sq. m;





- bonds of the local executive bodies for a total of KZT 72 bn were purchased with the plan of KZT 72 bn to finance the construction of credit housing.
- As part of the implementation of investment projects, “Baiterek” business center with a total cost of KZT 13 bn, an area of 39.5 thous. sq. m was put into operation in October 2017.



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8 (7172) 76-95-63 (Press service)

e-mail: office@bdevelopment.kz

WWW.BAITEREKDEVELOPMENT.KZ

MORTGAGE ORGANIZATION KAZAKHSTAN MORTGAGE COMPANY JSC



KAZAKHSTAN
MORTGAGE
COMPANY



MISSION

The mission of Mortgage Organization Kazakhstan Mortgage Company JSC (hereinafter referred to as MO Kazakhstan Mortgage Company JSC) as the financial operator is the implementation of the state policy in the field of affordable housing for the people of Kazakhstan through a mortgage credit facility, as well as increasing availability of housing by providing rental housing to the general population in order to address the socio-oriented tasks set in the “Strategy-2050” and state programs.

MAIN ACTIVITIES

- Consignment of rental housing on the condition of further redemption;
- Subsidizing interest rates on mortgage loans;
- Acquisition of rights of demand on mortgage loan from the second-tier banks.

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	8.3	6.3	6.7
ROA, %	1.9	1.2	1.5
Debt/equity	4.1	4.0	3.3
Assets, KZT bn	244	255	250
Growth of assets, %	46	5	-2
Net profit, KZT bn	4	3	4

KEY RESULTS OF ACTIVITIES

- Within the framework of “Nurly zher” Housing Construction Program, 203 thous. sq. m of housing were put into operation: Astana – 4.3 thous. sq. m, Almaty – 117.2 thous. sq. m, 2-level cities – 70.7 thous. sq. m, 3-level cities - 11 thous. sq. m.





- The rights of claims for the amount of KZT 4,129 mln were acquired under the plan of KZT 2,000 mln.
- 1,330 mortgage loans of the population for the amount of KZT 14 bn were subsidized within “Nurly zher” Housing Construction Program.



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e-mail: office@kmc.kz

WWW.KMC.KZ

INVESTMENT FUND OF KAZAKHSTAN JSC



INVESTMENT FUND
OF KAZAKHSTAN



MISSION

The mission of Investment Fund of Kazakhstan JSC (hereinafter referred to as IFK JSC) by 2023 is to promote the sustainable development of the country by recovering the problem projects.

MAIN ACTIVITIES

- Restructuring of assets;
- Claim administration;
- Managing stressful assets;
- Attraction of domestic and foreign strategic investors

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	-64.0	3.9	-9.2
ROA, %	-22.7	0.7	-1.6
Debt/equity	4.5	4.5	5.2
Assets, KZT bn	111	91	84
Growth of assets, %	45	-19	-7
Net profit, KZT bn	-21	1	-1



KEY RESULTS OF ACTIVITIES

- As part of the procedures for the transfer of assets of IFK JSC to the competitive environment by the results of auction, the participation shares in 4 projects were sold for KZT 337 mln.
- As of 31.12.2017, the investment portfolio of IFK JSC consisted of 49 projects with investments of IFK JSC (including the fair value of the assignment for the projects transferred from DBK JSC) in the amount of KZT 74,916 mln, including 27 projects transferred from DBK JSC.
- In 2017, the debt repayment of IFK JSC to DBK JSC under cession agreements amounted to KZT 2 bn, therefore the amount of obligations to DBK JSC was KZT 65 bn.



- As of the end of 2017, the assets of IFK JSC amounted to KZT 84 bn, which is KZT 9 bn less than the planned amount; the liabilities amounted to KZT 70 bn with planned value of KZT 74 bn.
- In 2017, IFK JSC received a return on investment for the projects in the amount of KZT 7 bn, including KZT 5 bn in the form of cash and KZT 2 bn in the form of property.

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8 (7172) 55-95-96, int. 100 (reception)
8 (7172) 55-95-96, int. 272 (administration office)

e-mail: ifk@ifk.kz

WWW.IFK.KZ

NATIONAL AGENCY FOR TECHNOLOGICAL DEVELOPMENT JSC



MISSION

The mission of National Agency for Technological Development JSC (hereinafter referred to as NATD JSC) is to assist the accelerated technological modernization of the economy through the integrated support of innovations and processes of their introduction into production, stimulation and meeting of the demand for new technological solutions.

MAIN ACTIVITIES

- Taking part in the process of technological forecasting;
- Providing information, analytical and advisory services in the field of innovations development;
- Investments in the industrial and innovative projects by means of equity holding of industrial and innovative activity subjects, formation of legal entities with foreign participants, creation or participation in investment funds and other means provided by the law of the Republic of Kazakhstan;

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	4.2	1.0	-12.8
ROA, %	3.7	0.9	-11.0
Debt/equity	0.2	0.2	0.2
Assets, KZT bn	32	32	28
Growth of assets, %	6	-1	-13
Net profit, KZT bn	1	0.3	-3

- Participation in the process of creation, management and control of technology parks, technology commercialization centers, industrial engineering offices, international centers for transfer of technology;
- Cooperation with the international organizations in order to attract informational, educational and financial resources to promote technological development of priority economical areas;
- Providing access to the information on industrial and innovative projects under development, introduced technologies, results of analytical studies in the field of technological forecasting;
- Participation in implementation of state support mechanisms for technological business incubation, technology commercialization and transfer of technology, consolidation of human resources, management and production potential of industrial and innovative activity subjects;
- Issuing of expert conclusions and (or) recommendations to the authorized body in the field of state support of industrial and innovative activity;
- Providing of service to the authorized body in the field of state support of industrial and innovative activity for innovative grants issuing;
- Information collection and analysis of the industrial and innovative system effectiveness in the field of technological development;
- Assistance in development of investment funds of risk investment.



KEY RESULTS OF ACTIVITIES

- In 2017 within the grant program NATD JSC received 208 applications for innovative grants for the amount of KZT 33 bn. After the revision of the applications 9 innovative grants for the amount of about KZT 2 bn were awarded;
- Within the framework of the “Business Roadmap 2020” program, NATD JSC was defined the operator of a business incubation program for industrial and innovative projects;
- The procedures for transferring to a competitive environment were performed for 7 subsidiaries of NATD JSC. By the bidding results, the share of NATD JSC in Technology Park of KazNTU named after K.I. Satpayev LLP was sold;
- The previous investments in the project companies and venture funds for the amount of KZT 2 bn were returned;
- The volume of products manufactured by the companies that received support from NATD JSC amounted to KZT 48 bn, 741 jobs were created;
- The XII Innovation Congress on the theme “Development of Technological Business” and the ceremony of awarding the winners and prize-winners of the National Innovation Contest were held;
- The concept of legislative initiatives on venture financing was prepared.

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8 (7172) 57-10-12, 777, 245 (press service)

e-mail: info@natd.gov.kz

WWW.NATD.GOV.KZ

EXPORT INSURANCE COMPANY KAZAKHEXPORT JSC

**MISSION**

The mission of Export Insurance Company KazakhExport JSC (hereinafter referred to as KazakhExport EIC JSC) is to promote Kazakhstan producers of non-resource goods and service providers in foreign markets and to enhance their competitiveness by providing effective financial measures to support exports.

MAIN ACTIVITIES

KazakhExport EIC JSC within the framework of its main activity provides exporting companies of manufacturing sector and second-tier banks with insurance protection against non-payment risks in foreign trade operations, as well as guarantees the safety of export operations.

- Reinsurance;
- Export-trade financing;
- Insurance of investments;
- Insurance of the exporter's credit;
- Increasing of export potential.

KEY RESULTS OF ACTIVITIES

- KazakhExport EIC JSC was established on the basis of IC KazExportGarant JSC and is included in the list of national companies of the Republic of Kazakhstan;
- In accordance with the Decree of the Government of the Republic of Kazakhstan No. 467 dated August 3, 2017, KazakhExport EIC JSC was excluded from the list of large subsidiaries, affiliated organizations of national managing holdings and other legal entities that are affiliated with them, proposed for the transfer to a competitive environment in priority order;

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	15.9	0.6	6.3
ROA, %	13.9	0.5	5.7
Debt/equity	0.2	0.1	0.1
Assets, KZT bn	15	29	46
Growth of assets, %	20	87	61
Net profit, KZT bn	2	0.1	2





- For the first time, the Eurasian Development Bank, Agrarian Credit Corporation JSC were involved in cooperation, and cooperation with second-tier banks of the Republic of Kazakhstan, Russian and foreign banks was extended;
- Capitalization of KazakhExport EIC JSC for the total amount of KZT 14 bn was performed;
- Initiation of amendments to the Budget Code of the Republic of Kazakhstan regarding state guarantees on insurance payments;
- Moody's confirmed the financial reliability rating at "Baa3" level, the forecast is "stable".
- The range of export support tools of KazakhExport EIC JSC is supplemented with new tools — insurance of civil liability on futures transactions, international factoring insurance, bond insurance;
- KazakhExport EIC JSC initiated the introduction of amendments to the Business Code regarding the introduction of a new support measure in the form of subsidizing the rate of remuneration for financial services in the export of Kazakhstan's products;
- Over 1,800 export deliveries of 42 exporting manufacturers were insured.



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e-mail: info@keg.kz

WWW.KEG.KZ

HOUSING GUARANTEE FUND JCS

HOUSING
GUARANTEE
FUND

MISSION

The mission of Housing Guarantee Fund JSC (hereinafter referred to as HGF JSC) is to provide housing for the country's population through the development of shared housing construction.

MAIN ACTIVITIES

According to the Law "On equity participation in housing construction", the main activity of HGF JSC is the provision of guarantees for the completion of the residential building construction.

Strategic goals:

- Provision of guarantees for the completion of the construction of a residential building;
- Ensuring the stability and effectiveness of the system of guaranteeing equity participation in housing construction;
- Protection of the rights and legitimate interests of equity holders upon the occurrence of the guarantee event.

KEY RESULTS OF ACTIVITIES

- Guarantees were provided for 2 projects for a total of KZT 9 bn, the total area of the projects is 49.4 thous. sq. m.
- Capitalization of HGF JSC for KZT 10 bn was performed to implement the mechanism for guaranteeing equity deposits.
- Amendments were introduced to the regulatory legal acts approved by the orders of the Minister of Investment and Development of the Republic of

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	2.3	3.0	5.1
ROA, %	2.0	2.9	5.0
Debt/equity	0.1	0.02	0.02
Assets, KZT bn	3	13	24
Growth of assets, %	-2	376	86
Net profit, KZT bn	0.1	0.2	0.9



Kazakhstan. As part of amendments, the amount of guarantee was reduced to 2%, the capital adequacy ratio of HGF JSC was revised, and the list of documents provided by the developer and the authorized company for consideration of the application for concluding a guarantee agreement was detailed.

- Memoranda of cooperation were signed with the Akimats of the cities of Astana, Almaty, Shymkent and Karaganda with HCSBK JSC in order to develop regional markets for equity construction.
- An Advisory Council was established under HGF JSC to improve the mechanism for guaranteeing housing construction, the purpose of which is to identify systemic problems and barriers that impede the development of a mechanism for guaranteeing equity participation in construction.
- As of December 31, 2017, the current portfolio of HGF JSC included 9,468 guarantee liabilities for the amount of loans of KZT 30,118 mln, including:
 - on state programs — 9,245 guarantee liabilities in the amount of KZT 29,039 mln;
 - on market programs of partners — 223 guarantee liabilities in the amount of KZT 1,079 mln.



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e-mail: info@hgf.kz

WWW.HGF.KZ

KAZAKHSTAN PROJECT PREPARATION FUND LLP

**MISSION**

The mission of Kazakhstan Project Preparation Fund LLP (hereinafter referred to as KPPF LLP) is to promote investment in development projects of Kazakhstan by means of services providing for high quality development and funding of project documentation as well as investors attraction.

MAIN ACTIVITIES

- Financing of the development of project documentation and structuring of investment and infrastructure projects, including public-private partnership (hereinafter referred to as PPP) projects;
- The provision of services for the analysis and assessment of the feasibility of investment and infrastructure projects, including PPP projects, elaboration of proposals on their financing structure;
- Advisory support provided for the state bodies and potential investors on the creation and structuring of investment and infrastructure projects, including PPP projects.

KEY RESULTS OF ACTIVITIES

- As part of “Nurly zhol” program with the support of KPPF LLP, negotiations were completed on the construction and operation of Big Almaty Ring Road (BARR) between the Government of the Republic of Kazakhstan and a consortium of Turkish and South Korean companies for KZT 151 bn that resulted in the signing of the concession agreement on February 7, 2018.
- A Memorandum of Understanding was signed between KPPF LLP, EBRD and International Finance

KEY INDICATORS

Indicators	2015	2016	2017
ROE, %	1.8	-3.9	1.1
ROA, %	1.6	-3.7	1.1
Debt/equity	0.31	0.04	0.08
Assets, KZT bn	0.2	2.2	2.3
Growth of assets, %	29	989	5
Net profit, KZT bn	0.003	-0.04	0.02





Corporation for joint selection and implementation of industrial and infrastructure projects. Within the framework of this memorandum, the issue of concluding contracts for the preparation of projects is being discussed.

- As for the project of solar power plants construction in Almaty region with the support of KPPF LLP, the transaction on the entry of a foreign investor was closed, and the process of arranging the loan financing for the project was started.



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WWW.KPPF.KZ

6.2 ANNUAL FINANCIAL STATEMENT

Baiterek NMH JSC prepares and publishes its consolidated financial statement in accordance with the International Financial Reporting Standards on a semi-annual basis. The annual consolidated financial statement is audited by KPMG Audit LLP, the independent auditor for 2016-2018.

Full text of consolidated financial statement for 2017 with notes and report of independent auditor is available at the Holding's website <https://www.baiterek.gov.kz/en/resources>.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016
ASSETS		
Cash and cash equivalents	672,098,266	451,512,099
Financial instruments at fair value through profit or loss	147,403,945	165,095,571
Due from banks	480,158,391	743,047,601
Loans to customers	2,040,393,563	1,811,956,999
Investment securities available for sale	561,438,865	532,243,117
Finance lease receivables	230,652,747	119,034,423
Investments in associates and joint ventures	1,834,289	1,926,576
Investment property	12,311,523	24,512,412
Current income tax prepayment	24,073,618	19,677,752
Deferred income tax asset	4,347,437	4,813,645
Property, plant and equipment	10,072,850	11,687,480
Intangible assets	3,873,654	2,921,743
Non-current assets held for sale	18,167,366	23,726,281
Other financial assets	28,711,793	21,516,077
Other assets	197,017,038	169,525,296
TOTAL ASSETS	4,432,555,345	4,103,197,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continuation)

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016
LIABILITIES		
Customer accounts	539,309,735	444,992,956
Debt securities issued	1,125,979,806	1,026,320,825
Subordinated debt	5,381,557	15,165,538
Loans from banks and other financial institutions	1,010,188,639	1,101,456,557
Loans from the Government of the Republic of Kazakhstan	180,029,399	103,624,332
Current income tax liability	877	5,199
Deferred income tax liability	28,421,885	26,160,281
Insurance contracts liabilities	2,753,547	1,536,207
Liabilities directly attributable to disposal groups held for sale	22,445	139,034
Other financial liabilities	40,245,511	70,483,873
Other liabilities	448,371,440	369,915,640
TOTAL LIABILITIES	3,380,704,841	3,159,800,442
EQUITY		
Share capital	846,218,712	802,318,712
Revaluation reserve for investment securities available for sale	(12,562,781)	(31,765,335)
Revaluation reserve for financial assets reclassified from "investment securities available for sale" to "loans to customers"	914,412	2,931,319
Foreign currency translation reserve	3,780,435	4,663,739
Hedging reserve	-	(6,673)
Business combination reserve and additional paid-in capital	108,407,533	102,742,890
Other reserves	7,169,251	24,869,011
Retained earnings	97,231,129	36,820,284
Net assets attributable to the Holding's owners	1,051,158,691	942,573,947
Non-controlling interests	691,813	822,683
TOTAL EQUITY	1,051,850,504	943,396,630
TOTAL LIABILITIES AND EQUITY	4,432,555,345	4,103,197,072

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

In thousands of Kazakhstani Tenge	2017	2016
Interest income	287,373,119	264,013,146
Interest expense	(139,932,395)	(127,506,549)
Net interest income	147,440,724	136,506,597
Provision for loan portfolio impairment	(38,075,894)	(13,893,595)
Net interest income less provision for loan portfolio impairment	109,364,830	122,613,002
Fee and commission income	5,946,272	4,301,532
Fee and commission expense	(2,621,876)	(2,256,662)
Net fee and commission income	3,324,396	2,044,870
Net loss on financial assets at fair value through profit or loss	(14,698,407)	(6,274,831)
Net foreign exchange gain	1,780,198	5,329,462
Net gain on investment securities available for sale	2,185,969	2,957,576
Net insurance premiums earned	709,034	601,785
Net expense on insurance benefits and changes in insurance contract provisions	(278,980)	(1,215,405)
Other operating income, net	10,879,336	4,073,021
Operating income	113,266,376	130,129,480
Provision for impairment of other assets and credit related commitments	(21,098,172)	(36,730,272)
Administrative expenses	(39,859,472)	(35,653,102)
Share of financial result of associates and joint ventures	(558,499)	901,125
Profit before income tax	51,750,233	58,647,231
Income tax expense	(8,162,693)	(10,093,874)
PROFIT FOR THE YEAR	43,587,540	48,553,357
Profit attributable to:		
owners of the Holding	43,667,837	48,575,302
non-controlling interest	(80,297)	(21,945)
Profit for the year	43,587,540	48,553,357

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Kazakhstani Tenge	2017	2016
PROFIT FOR THE YEAR	43,587,540	48,553,357
Comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
Revaluation reserve for investment securities available for sale:		
Gains less losses/(losses less gains) from revaluation	21,388,523	(13,850,374)
Losses less gains reclassified to profit or loss	(2,185,969)	(3,151,128)
Foreign currency exchange differences on translation to presentation currency	(883,304)	(595,735)
Unrealised gain less losses/(losses less gains) on hedging	6,673	(3,410,219)
Amortisation of revaluation reserve for investment securities available for sale reclassified to loans to customers	(2,016,907)	(1,591,261)
Comprehensive income/(loss) for the year	16,309,016	(22,598,717)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	59,896,556	25,954,640
Total comprehensive income attributable to:		
owners of the Holding	59,976,853	25,976,585
non-controlling interests	(80,297)	(21,945)
Total comprehensive income for the year	59,896,556	25,954,640

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Kazakhstani Tenge	Share capital	Revaluation reserve for investment securities available for sale	Revaluation reserve for financial assets reclassified from “investment securities available for sale” to “loans to customers”	Foreign currency translation reserve	Hedging reserve	Business combination reserve and additional paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	802,318,712	(31,765,335)	2,931,319	4,663,739	(6,673)	102,742,890	24,869,011	36,820,284	942,573,947	822,683	943,396,630
Profit for the year	-	-	-	-	-	-	-	43,667,837	43,667,837	(80,297)	43,587,540
Other comprehensive income	-	19,202,554	(2,016,907)	(883,304)	6,673	-	-	-	16,309,016	-	16,309,016
Total comprehensive income for the year	-	19,202,554	(2,016,907)	(883,304)	6,673	-	-	43,667,837	59,976,853	(80,297)	59,896,556
Share issue — cash contribution	43,900,000	-	-	-	-	-	-	-	43,900,000	-	43,900,000
Change of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(50,573)	(50,573)
Recognition of discount on loans from the Government, less taxes of Tenge 1,416,161 thousand	-	-	-	-	-	5,664,643	-	-	5,664,643	-	5,664,643
Return of unused compensation	-	-	-	-	-	-	-	3,003,291	3,003,291	-	3,003,291
Discount on financial instruments	-	-	-	-	-	-	-	(3,960,043)	(3,960,043)	-	(3,960,043)
Use of reserve capital	-	-	-	-	-	-	(17,712,311)	17,712,311	-	-	-
Transfers and other movements	-	-	-	-	-	-	12,551	(12,551)	-	-	-
Balance at 31 December 2017	846,218,712	(12,562,781)	914,412	3,780,435	-	108,407,533	7,169,251	97,231,129	1,051,158,691	691,813	1,051,850,504
Balance at 1 January 2016	758,318,712	(14,763,833)	4,522,580	5,259,474	3,403,546	89,201,158	25,140,351	(12,472,799)	858,609,189	4,389,084	862,998,273
Profit for the year	-	-	-	-	-	-	-	48,575,302	48,575,302	(21,945)	48,553,357
Other comprehensive loss	-	(17,001,502)	(1,591,261)	(595,735)	(3,410,219)	-	-	-	(22,598,717)	-	(22,598,717)
Total comprehensive income for the year	-	(17,001,502)	(1,591,261)	(595,735)	(3,410,219)	-	-	48,575,302	25,976,585	(21,945)	25,954,640
Share issue — cash contribution	44,000,000	-	-	-	-	-	-	-	44,000,000	-	44,000,000
Change of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(3,544,456)	(3,544,456)
Recognition of discount on debt securities issued, less taxes of Tenge 3,385,433 thousand	-	-	-	-	-	13,541,732	-	-	13,541,732	-	13,541,732
Return of unused compensation	-	-	-	-	-	-	-	1,556,078	1,556,078	-	1,556,078
Transfers and other movements	-	-	-	-	-	-	(271,340)	(838,297)	(1,109,637)	-	(1,109,637)
Balance at 31 December 2016	802,318,712	(31,765,335)	2,931,319	4,663,739	(6,673)	102,742,890	24,869,011	36,820,284	942,573,947	822,683	943,396,630

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Kazakhstani Tenge	2017	2016
Cash flows from operating activities		
Interest receipts	232,704,048	219,683,148
Interest payments	(104,108,482)	(85,060,011)
Fee and commission receipts	5,782,626	6,641,651
Fee and commission payments	(6,608,598)	(4,742,742)
Net gain/(loss) from derivative financial instruments	1,109,547	(193,209)
Net foreign exchange gain/(loss)	432,839	(468,970)
Revenue from disposal of assets leased out to customers	-	373,333
Net insurance premiums written	835,730	601,785
Net insurance claims payments	(98,450)	(324,364)
Other operating income receipts	6,136,945	10,580,226
Administrative and other operating expenses paid	(36,842,489)	(33,565,609)
Income tax paid	(7,917,165)	(8,464,397)
Cash flows from operating activities before changes in operating assets and liabilities	91,426,551	105,060,841
Net (increase)/decrease in:		
Financial instruments at fair value through profit or loss	2,424,497	1,160,716
due from banks	225,049,006	(231,265,098)
loans to customers	(282,971,890)	(57,897,819)
finance lease receivables	11,052,401	6,664,378
other financial assets	(2,859,181)	(3,175,107)
other assets	(80,584,129)	(206,505,313)
Net (decrease)/increase in:		
customer accounts	85,788,164	116,664,801
other financial liabilities	(7,585,067)	28,319
other liabilities	14,330,604	(5,304,402)
Net cash received from/(used in) operating activities	56,070,956	(274,568,684)

CONSOLIDATED STATEMENT OF CASH FLOWS

(continuation)

In thousands of Kazakhstani Tenge	2017	2016
Cash flows from investing activities		
Acquisition of investment securities available for sale	(304,992,496)	(474,496,163)
Proceeds from disposal and redemption of investment securities available for sale	286,005,123	293,211,997
Acquisition of property, plant and equipment and intangible assets	(2,920,804)	(2,806,463)
Proceeds from disposal of property, plant and equipment	174,778	557,370
Proceeds from disposal of associates and joint ventures	72,161	6,499,863
Dividends received	1,339,688	914,057
Net cash used in investing activities	(20,321,550)	(176,119,339)
Cash flows from financing activities		
Loans from banks and other financial institutions	97,928,869	68,376,427
Repayment of loans from banks and other financial institutions	(208,052,749)	(104,734,325)
Loans from the Government of the Republic of Kazakhstan	164,069,693	126,104,097
Repayment of loans from the Government of the Republic of Kazakhstan	(1,540,384)	(639,390)
Proceeds from issuance of ordinary shares	43,900,000	44,000,000
Proceeds from debt securities issued	204,982,280	467,000,000
Repayment/repurchase of debt securities issued	(112,200,154)	(65,998,239)
Repayment subordinated debt	(10,000,000)	-
Net cash received from financing activities	179,087,555	534,108,570
Effect of changes in exchange rates on cash and cash equivalents	5,749,206	(8,133,266)
Net increase in cash and cash equivalents	220,586,167	75,287,281
Cash and cash equivalents at the beginning of the year	451,512,099	376,224,818
Cash and cash equivalents at end of the year	672,098,266	451,512,099

6.3 GRI INDEX TABLE

Number	Reporting element	UN Global Compact principle	Section of the Report	Comment
GRI 102: General reporting elements				
Organization profile				
102-1	Name of the organization		1.1 History of development, p. 12-13	
102-2	Activities, brands, products and services		1.3 Holding's support tools, p. 15	
102-3	Location of headquarters		Annex 6.6 Contact details, p. 122	
102-4	Location of operations		1.1 History of development, p. 12-13 1.4 Development strategy, p. 22	
102-5	Ownership and legal form		1.1 History of development, p. 12-13	
102-6	Markets served		1.1 History of development, p. 12-13 1.4 Development strategy, p. 22	
102-7	Scale of the organization		1.1 History of development, p. 12-13 Key performance indicators, p. 6-7 5.1 Operating and financial activities, p. 64-67 5.3.6 Human resource management, p. 79	
102-8	Information on employees and other workers	6	5.3.6 Human resource management, p. 79	
102-9	Supply chain	10	5.3.2 Stakeholder engagement, p. 73-75 5.3.3 International cooperation, p. 75-77	
102-10	Significant changes to the organization and its supply chain			In the reporting year, there were no significant changes in the scope, structure and property
102-11	Precautionary Principle or approach	7		The Holding does not directly apply the precautionary principle, however, the Holding ensures the dissemination of the principles of responsible investment for the Holding's subsidiaries in the framework of making investment decisions. The Holding strictly adheres to the laws of foreign countries and requirements on international capital markets, in the case of transactions outside the Republic of Kazakhstan.

Number	Reporting element	UN Global Compact principle	Section of the Report	Comment
GRI 102: General reporting elements				
Organization profile				
102-12	External initiatives		5.3.1 Sustainable development management system, p. 71-73	
102-13	Membership of associations		5.3.3 International cooperation, p.75-77	
Strategy				
102-14	Statement from senior decision-making		Statement by the Chairman of the Board of Directors, p. 2-3 Statement by the Chairman of the Management Board, p. 4-5	
102-15	Key impacts, risks, and opportunities	1-10	5.3.2 Stakeholder engagement, p. 73-75 4. Risk management and internal control, p. 60-61 1.4 Development strategy, p. 22-25 5.2 Investment activity, p. 67-71	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	1,2,6,10	3.7 Corporate ethics and settlement of conflict of interests, p. 54 3.8 Anti-corruption, p. 55	
102-17	Mechanisms for advice and concerns about ethics	1,2	3.7 Corporate ethics and settlement of conflict of interests, p. 54	
Governance				
102-18	Governance Structure		3.1 Corporate Governance System, p. 32-34	
Stakeholder engagement				
102-40	List of stakeholder groups		5.3.2 Stakeholder engagement, p. 74-75	
102-42	Identifying and selecting stakeholders		5.3.2 Stakeholder engagement, p. 73	
102-43	Approach to stakeholder engagement		5.3.2 Stakeholder engagement, p. 73-75	
102-44	Key topics and concerns raised		5.3.2 Stakeholder engagement, p. 74-75	
Reporting practice				
102-45	Entities included in the consolidated financial statements		About the Report 1.2 Organizational structure, p. 14-15 Annex 6.2 Annual Financial Statements, p. 106-113	
102-46	Defining report content and topic Boundaries		About the Report	
102-47	List of material topics		About the Report	
102-48	Restatements of information		About the Report	
102-49	Changes in reporting		About the Report	
102-50	Reporting period		About the Report	
102-51	Date of most recent report		About the Report	
102-52	Reporting cycle		About the Report	

6. ANNEXES

Number	Reporting element	UN Global Compact principle	Section of the Report	Comment
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GRI 102: General reporting elements

Reporting practice

102-53	Contact point for questions regarding the report		Annex 6.6 Contact details, p. 122	
102-54	Claims of reporting in accordance with the GRI Standards		About the Report	
102-55	GRI content index		Annex 6.3 GRI Index Table, p. 114-117	

MATERIAL TOPICS

GRI 200 Economic topics

Economic performance

GRI 103	Management Approach	10	5.1 Operating and financial activities, p. 64-67	
GRI 201-1	Direct economic value generated and distributed	10	Key performance indicators, p.6 5.1 Operating and financial activities, p. 64-67	

Indirect economic impacts

GRI 103	Management Approach	10	5.2 Investment activity, p. 67-71	
GRI 203-1	Infrastructure investments and services supported	10	5.2 Investment activity, p. 67-71	
GRI 203-2	Significant indirect economic impacts	10	Key performance indicators, p. 7 5.2 Investment activity, p. 67-71	

Anti-corruption

GRI 103	Management Approach	10	3.8 Anti-corruption, p. 55	
GRI 205-2	Communication and training about anti-corruption policies and procedures	10	3.8 Anti-corruption, p. 55	
GRI 205-3	Confirmed incidents of corruption and actions take	10	3.8 Anti-corruption, p. 55	

GRI 300 Environmental topics

Compliance with environmental requirements

GRI 103	Management Approach	7,8,9	5.3.4 Environmental protection, p. 77	
GRI 307-1	Non-compliance with environmental laws and regulations	7,8,9		Penalties for non-compliance with environmental laws and regulations were not revealed in the reporting year

GRI 400 Social topics

Employment

GRI 103	Management Approach	1-6, 10	5.3.6 Human resource management, p. 78-81	
GRI 401-1	New employee hires and employee turnover	6	5.3.6 Human resource management, p. 79	

Number	Reporting element	UN Global Compact principle	Section of the Report	Comment
MATERIAL TOPICS				
GRI 400 Social topics				
Occupational health and safety				
GRI 103	Management Approach	1	5.3.5 Occupational health and safety, p. 78	
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	1	5.3.5 Occupational health and safety, p. 78	
Training and education				
GRI 103	Management Approach	6	5.3.6 Human resource management, p. 80-81	
GRI 404-1	Average hours of training per year per employee	6	5.3.6 Human resource management, p. 80-81	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	2,6	5.3.6 Human resource management, p. 80	
Diversity and equal opportunities				
GRI 103	Management Approach		5.3.6 Human resource management, p. 79	
GRI 405-1	Diversity of governance bodies and employees		5.3.6 Human resource management, p. 79	
Local communities				
GRI 103	Management Approach	1,2	5.3.6 Human resource management, p. 81	
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	1,2	5.3.6 Human resource management, p. 81	

6.4 THE UN GLOBAL COMPACT PRINCIPLES

Human rights

Principle 1.	Businesses should support and respect the protection of internationally proclaimed human rights
Principle 2.	Businesses should make sure that they are not complicit in human rights abuses

Labour

Principle 3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4.	Businesses should uphold the elimination of all forms of forced and compulsory labour
Principle 5.	Businesses should uphold the effective abolition of child labour
Principle 6.	Businesses should uphold the elimination of discrimination in respect of employment and occupation

Environment

Principle 7.	Businesses should support a precautionary approach to environmental challenges
Principle 8.	Businesses should undertake initiatives to promote greater environmental responsibility
Principle 9.	Businesses should encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

Principle 10.	Businesses should work against corruption in all its forms, including extortion and bribery
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6.5 GLOSSARY

Baiterek Holding NMH JSC	Baiterek National Managing Holding Joint Stock Company
BARR	Big Almaty Ring Road
BD	Board of Directors
BD JSC	Baiterek Development Joint Stock Company
BRM-2020	Unified business support and development program “Business Roadmap 2020”
CDB	China Development Bank
CGS	Corporate Governance System
CITIC	China International Trust and Investment Corporation
COFACE	Compagnie française d'assurance pour le commerce extérieur
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
Damu Fund JSC	Entrepreneurship Development Fund Damu Joint Stock Company
DBK JSC	Development Bank of Kazakhstan Joint Stock Company
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DIF	Direct investment fund
EBRD	European Bank for Reconstruction and Development
EEU	Eurasian Economic Union
EU	European Union
GDP	Gross domestic product
GRI	Global Reporting Initiative
GS	Government securities
GVA	Gross value added
HCS	Housing construction savings
HCSBK JSC	Housing Construction Savings Bank of Kazakhstan Joint Stock Company

HGF JSC	Housing Guarantee Fund Joint Stock Company
Holding Group	Baiterek National Managing Holding JSC and organizations, more than fifty percent of voting shares (participation interests in the authorized capital) of which directly or indirectly belong to the Holding on the right of ownership
HPP	Hydropower plant
IAS	Internal audit service
ICS	Internal control service
IFK JSC	Investment Fund of Kazakhstan Joint Stock Company
IFPIAP	International fundamentals of professional internal audit practice
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
ISPIIA	International Standards for the Professional Practice of Internal Auditing
JV	Joint Venture
KazakhExport EIC JSC	Export Insurance Company KazakhExport Joint Stock Company
KCAP	Karaganda complex alloys plant
KCM JSC	Kazyna Capital Management Joint Stock Company
KEG	IC KazExportGarant Joint Stock Company
KFGML	Kazakhstan Fund for Guaranteeing Mortgage Loans
KPI	Key performance indicator
KPPF LLP	Kazakhstan Project Preparation Fund Limited Liability Partnership
KUKE	Korporacja Ubezpieczeń Kredytów Eksportowych
LBEs	Large business entities
LEBs	Local executive bodies
LSI	Law and Statutory Instrument
MID RK	Ministry of Investment and Development of the Republic of Kazakhstan
MINT	Ministry of Industry and New Technologies
MO KMC JSC	Mortgage Organization Kazakhstan Mortgage Company Joint Stock Company
MSME	Micro, small and medium-sized enterprises
NATD JSC	National Agency for Technological Development Joint Stock Company
NB RK	National Bank of the Republic of Kazakhstan
NF	National Fund of the Republic of Kazakhstan

Nurly zher	“Nurly zher” housing construction program
Nurly zhol	“Nurly zhol” state program of infrastructural development for 2015-2019
OECD	Organization for Economic Co-operation and Development
OR	Oil refinery
POCR	Pavlodar Oil Chemistry Refinery
PPP	Public-private partnership
RB	Republican budget
RK	Republic of Kazakhstan
RMS	Risk management system
ROA	Return on Assets
ROE	Return on Equity
SC MNE RK	Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan
SCO IBA	Shanghai Cooperation Organization Interbank Association
SCPP	State Center for Pension Payment Republican state budget-supported enterprise of the Ministry of Labour and Social Protection of the Republic of Kazakhstan
SDG	Sustainable Development Goals
SME	Small and medium-sized enterprises
SOR	Shymkent oil refinery
SPAIID	State Program of Accelerated Industrial and Innovative Development of the Republic of Kazakhstan for 2010-2014
SPID	State Program for Infrastructure Development
SPIID	State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019
STB	Second-tier banks
Subsidiaries	Organizations, more than fifty percent of voting shares (participation shares in the authorized capital) of which directly or indirectly belong to the Holding on the right of ownership
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
USA	United States of America
VI	Volume index
WEF	World Economic Forum
Zhaimem MPP	Zhaimem Mining and Processing Plant

6.6 CONTACT DETAILS



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