



ENTREPRENEURSHIP IN KAZAKHSTAN:
30 YEARS OF SUCCESSFUL DEVELOPMENT
ANNUAL REPORT 2020



CONTENTS

Main Events of the Year

Address of the Chairman of the Board of Directors

Address of the Chairperson of the Managing Board

1. About the Fund

- 1.1. The Fund's History
- 1.2. Geography of the Fund's Activities
- 1.3. The Fund's Development Strategy

2. Analysis of SME in Kazakhstan. The Prospects of Development

3. Key Activity Directions

- 3.1. Financial Support for Entrepreneurs
- 3.2. Monitoring of Financial Programs
- 3.3. Management of Distressed Assets
- 3.4. Customer Service

3.5. Development of Information Technology

3.6. International Cooperation

3.7. Advertising Activities and Mass Media Relations

4. Performance Results

- 4.1. Implementation of Development Plan Indicators
- 4.2. Efficient Asset Management
- 4.3. Financial Results

5. Plans for the year 2021

6. Risk Management and Internal Control

7. Corporate and Social Responsibility Policy

8. Environmental Policy

9. Corporate Governance

- 9.1. Corporate Management System
- 9.2. Organizational Structure
- 9.3. Sole Shareholder
- 9.4. Board of Directors
- 9.5. Managing Board
- 9.6. Remuneration Policy
- 9.7. Subsidiaries
- 9.8. Information on Major Transactions
- 9.9. Internal Audit

9.10. External Audit

9.11. Interaction with Stakeholder

10. Extracts from the Annual Financial Statements

Appendix 1

Appendix 2

Appendix 3

Addresses and Contact Details

MAIN EVENTS OF THE YEAR

1 THE FUND FULLY REPAID THE
Asian Development Bank loan
in the amount of

47 BILLION TENGE,
attracted for implementation
of the ADB project to promote
sustainable financing for micro,
small and medium-sized businesses
through second-tier banks
and microfinance organizations with
a credit facility to the total amount
of 200 million US dollars under
the state guarantee of the Republic
of Kazakhstan.

**2 ADDITIONAL CAPITALIZATION
OF THE FUND IN THE AMOUNT
OF 30 BILLION TENGE** from
the Republican budget was made
in order to finance small and medium-
scale enterprises. **The allocated
funds were used by the Fund in full
amount** by placement thereof
in second-tier banks ("STBs"), leasing
companies ("LC") and microfinancing
organizations ("MFOs").

3 ON AUGUST 11 2020, the Fund
with support of the United Nations
Development Program in Kazakhstan,
within the framework of the Project
"Derisking Renewable Energy
Investment", successfully issued
debut green bonds on the Astana
International Exchange. By issuing
green bonds, **the Fund raised funds
in the amount of**

200 MILLION TENGE.

**4 THE FUND LAUNCHED A LENDING
PROGRAM** based on the Islamic
finance principles under which
the long-term financial support
is provided to entrepreneurs
through Islamic financial
instruments. During the year
the Fund allocated the amount of

12.3 BILLION TENGE
in STB /LC under the program.

**5 "BUSINESS ROAD MAP-
2025", THE STATE
PROGRAM FOR SUPPORT
AND DEVELOPMENT
OF BUSINESS WAS AMENDED**
within the frameworks
of the government's anti-crisis
measures:

- Industry restrictions were eliminated;
- **Loan rate for the borrower was unified UP TO 6%;**
- Timing of consideration was reduced to 5 business days for loan subsidies and 10 business days for loan guarantees;
- Maximum loan amount was increased up to 7 billion tenge for loan subsidies and up to 1 billion tenge for loan guarantees;
- Direction for Program "Support for small enterprises, including micro-entrepreneurship" was changed. The new direction provides for financial support provision to entrepreneurs in the form of portfolio subsidies for the part of the interest rate and partial guarantees of loans/microloans.

6 IN 2020, the work on automation
continued. At the end of the year,
the level of automation reached

94%.

**7 ALL INFORMATION SYSTEMS
OF THE FUND WERE
TRANSFERRED TO CLOUD
INFRASTRUCTURE.** Commercial
data centers with transfer
of infrastructure administration
functions to the side of the contractor
was completed. These changes were
conditioned by the global trends
in part of cloud technology use, as
well as the need to ensure
HIGH AVAILABILITY
and performance of information
services in the context
of the COVID-19 pandemic.

**8 THE FUND PROVIDED SUPPORT
TO ENTREPRENEURS** operating
in the sectors of the economy most
affected by the COVID-19 pandemic –

9,332 PROJECTS
WERE APPROVED for the loan
amount of 543 billion tenge, 8,454
projects of which were subsidized
in the amount of 16.8 billion tenge.

9 ON SEPTEMBER 23, 2020,
the international Online
SME Development Forum
**"JOINT REFLECTIONS
ON THE CONSEQUENCES
OF COVID-19:** experience
exchange, SME support and New
Opportunities" was organized.
The event was attended
by representatives of the Fund's
international partners – USAID,
Asian Bank of Development,
Small and Medium Enterprises
Development KOSGEB (Turkey),
Small and Medium Business
Development Agency of the Republic
of Azerbaijan KOBIA, the Polish
Agency for Entrepreneurship
Development PARP, SME Bank JSC
(Russia), Guarantee Fund
of the Kyrgyz Republic OJSC, as
well as KazakhExport JSC, Astana
International Financial Centre, Kazakh
Invest JSC, and Baiterek National
Managing Holding JSC.

10 In February 2020, by the decision
of the Managing Board of "Damu"
Entrepreneurship Development
Fund" JSC,
**A NEW ORGANIZATIONAL
STRUCTURE OF THE FUND
WAS APPROVED.**

**11 IN CONNECTION WITH
THE COVID-19 PANDEMIC**,
the Fund's employees were
transferred **TO DISTANT WORK**
without damage to HR business
processes. All jobs were sustained.

**12 AS PART OF FULFILLMENT
OF CLAUSE 5** of the National
Action Plan for implementation
of the Address of the Head of State
to the people of Kazakhstan as
of September 2, 2019 "Constructive
public dialogue – the basis of stability
and prosperity in Kazakhstan",
by the decision of the Board
of Directors of the Fund dated
December 24, 2020 (Minutes
№ 12/2020) **THE TOTAL
NUMBER OF THE FUND'S
EMPLOYEES WAS APPROVED
IN THE NUMBER OF**

374 EMPLOYEES.

ADDRESS OF THE CHAIRMAN
OF THE BOARD OF DIRECTORS



Dear Ladies and Gentlemen,

During the period of the global pandemic, the Government of Kazakhstan pays great attention to maintaining stability of the economy, including of micro, small and medium-scale businesses, which make up 31.7% of the country's GDP.

According to the results of 2020, the demand for one of the most popular programs among micro, small and medium-scale businesses – the “BRM-2025” (Business Road Map) program was increased. The main operator under this program is “Damu” Fund. Within this program, 18,916 projects were supported in 2020, while in 2019 the number of supported projects reached only 4,128.

The success of the program is connected with the improved conditions. First of all, the interest rate paid by the entrepreneur was unified to 6% per annum. Secondly, restriction on certain industries were eased and the time for consideration is shortened to 5 days for subsidies and 10 days for guarantees. Moreover, the maximum loan amount was increased up to 7 billion tenge for subsidies and up to 1 billion tenge for guarantees. Thirdly, through change in the first direction of the BRM-2025 program “Support of Small-Scale Enterprises, Including Microentrepreneurship”, the financial support measures in form of portfolio subsidies for part of the interest rate and partial guarantees for loans/microcredits commenced to be provided to microbusiness. In total, more than 6 thousand projects were supported through microfinancing.

The President of Kazakhstan, Kassym-Jomart K. Tokayev, in his speech on March 23, 2020 at the meeting of the Commission on the State of Emergency, said that it is necessary to provide SMEs with an extension on paying any taxes and other mandatory payments for a period of 3 months, without penalties and fines. Within the frameworks of this instruction fulfillment, more than 1.6 million citizens and 11.5 thousand SMEs obtained loan deferment for over 360 billion tenge. In addition, in the speech as of September 1 of the current year, the President instructed to reduce the rate to 6% on loans to SMEs in the most affected sectors of economy. All of the instructions were fulfilled.

The result that effectively supported the country's economy, was achieved due to the Comprehensive Plan to Restore Economic Growth in 10 Directions, and 172 systemic and branch measures to stimulate business activity, support employment and increase incomes of the population adopted on May 19, 2020, by the country's leadership and the Government. The proposed measures provided for a significant expansion of financing mechanisms and concessional lending, including microbusiness, and active use of guarantee and export costs reimbursement instrument. The practice of concluding forward and long-term offtake contracts was introduced. The tax burden was reduced and tax administration was simplified, preferences and deferrals for taxes and loans were applied, individual fines and fees were canceled, and administrative barriers were minimized.

All these measures together contributed to support the active work of micro, small and medium-scale businesses that play an important role in the social-economic and political life of the country, provide permanent employment for residents of villages and cities, and reduce unemployment.

The growth result in 2020 of the registered small and medium-scale businesses constituted to 0.4%, of the existing ones – 2.0%. The growth from 2010 to 2020 of the registered small and medium-scale businesses amounted to 35%, and of the existing ones – 105%.

All initiatives planned last year were implemented, including the launch of a new program of “Damu” Fund for lending

to small and medium-scale businesses on the principles of Islamic finance, through which the long-term financial support is provided to entrepreneurs through Islamic financial instruments.

Within the scope of “Damu” Fund cooperation with the United Nations Development Program and the Global Environment Fund on the project “Reducing the Risks of Investing in Renewable Energy Sources” the green bonds of Damu Fund with participation of UNDP were issued and placed on the stock exchange of Astana International Financial Centre. This allows directing funds from bonds placement to the second-tier banks, microfinance organizations for further lending to small and medium-scale businesses in Kazakhstan implementing the “green” projects.

According to the results of 2020 in the condition of the global economy recession, decrease in trade and economic activity in the world and serious restrictive measures, the work conducted by “Damu” Fund allowed to maintain the growth of the new and existing entrepreneurs.

*First Deputy Prime-Minister
of the Republic of Kazakhstan,
“Damu” Entrepreneurship Development Fund” JSC
Chairman of the Board of Directors
Alikhan Smailov*

ADDRESS OF THE CHAIRPERSON OF THE MANAGING BOARD



Dear Ladies and Gentlemen,

The past 2020 turned out to be difficult in many aspects. The economic situation in Kazakhstan, as well as throughout the world, was negatively impacted by the Covid-19 pandemic. Therefore, there was a slowdown in growth in certain sectors of economy, and at the same time, recovery and growth were noted in some sectors.

During the period of overcoming the consequences of pandemic, the work of “Damu” Fund was conducted in two main directions. First of all, it was the implementation of measures for financial support for MSMEs, as part of 164 measures set that should ensure restoration of GDP dynamics and create conditions for a qualitative transformation of economy within the framework of Comprehensive Plan for Recovery of Economic Growth adopted by the Government of Kazakhstan. The second and not less important direction – within the framework of “Damu” Fund’s plans to increase support for domestic manufacturers in the processing industries, which strengthening competitiveness of the country’s economy in the world arena and import substitution within Kazakhstan.

According to the results of 2020, the demand for state support had been increased on refinancing and working capital replenishment. “Damu” Fund successfully coped with the challenges of new programs launching and support measures expanding to timely bring subsidies to entrepreneurs in all sectors of economy, including those most affected by the pandemic.

“Damu” Fund implements state programs to support the processing industry at the expense of the National Fund of the Republic of Kazakhstan (1, 2 and 3 tranches), “BRM-2025”, “Enbek” Program; programs to support micro, small and medium-scale businesses, including women’s entrepreneurship, within the limits of the funds raised from international financial institutions – Asian Development Bank and European Bank for Reconstruction and Development; regional financing programs, jointly with Akimats, and their own support programs for micro, small and medium-scaled businesses – “Damu-Micro”, “Damu Regions III”, “Damu Optima” and others.

As a result, in 2020, “Damu” Fund provided support to 32.0 thousand MSME projects in Kazakhstan using financial instruments for total loan amount of 1.7 trillion tenge.

Similar data for 2019: “Damu” Fund supported 24.3 thousand projects for total loan amount of 612.0 billion tenge. Thus, “Damu” Fund increased the number of financed projects by 1.3 times and the loan portfolio volume within the support provided to entrepreneurs – by 2.7 times.

It is necessary to mention that in 2020, the Fund fully repaid the Asian Development Bank loan in the amount of 47 billion tenge, attracted for implementation of the ADB project to promote sustainable financing to micro, small and medium-scale businesses through second-tier banks and microfinance organizations with a credit line to the total the amount of USD 200 million under the state guarantee of the Republic of Kazakhstan. At the expense of the attracted funds, around 33.5 thousand entrepreneurs were supported for the amount of 107.7 billion tenge.

“Damu” Fund did not suspend its activities in any of the region of the republic even for a single day, due to optimized and automated processes. This work began in 2016 already in order to implement the strategic objective of sustainable institutional development. Based on its results, the Online.Damu.kz portal was launched in 2019 to provide online services, accelerate processing time for application and introduce additional conveniences for customers. Thus, thanks to the work carried out in the past four years, during the lockdown restrictions the entrepreneurs were able to apply for support online without leaving their homes.

The entrepreneurs who received government support contribute to the social and economic development of Kazakhstan. In particular, according to the preliminary data, the entrepreneurs supported by “Damu” Fund in 2020, manufactured goods (aggregate annual income) for the amount of 7.9 trillion tenge, paid taxes in the amount of 474 billion tenge and created nearly 10 thousand jobs.

Launched in 2019 by “Damu” Fund, the Online Damu Internet portal based on the principle of a financial supermarket, as well as Egov.kz portal facilitated the establishment of all creation

and processing of applications in a remote format, in the conditions of quarantine restrictions and emergency regime. Nearly 97% of all grant applications and 90% of guarantee services last year were implemented online.

In 2021, “Damu” Fund will traditionally continue to work to increase the number of supported projects by 15% compared to year 2020.

To ensure compliance with agreement for EUR 200 million concluded with European Investment Bank, at the first stage, it is planned to attract EUR 5 million in the national currency equivalent.

Special attention will be paid to development of the “Women in Business” Program. In order to do so, within the scope of concessional lending programs, allocation of additional funds for a program similar to the EBRD program “Women in Business” will be provided.

Loan Guarantee, as a service highly valued by MSMEs, will be used for leasing transactions of the State Program “Economy of Simple Things” and in “Damu” Fund’s programs, and electronic guarantee contracts will be introduced.

The important aspect of “Damu” Fund’s work in 2021 will be strengthening analytical activities in the field of MSME. For this, the expert support of analytical research of international development organizations in the field of micro, small and medium-scale enterprises will be arranged using the Power BI tools, and a “Competence Center” will be established. In addition, the Fund, in order to improve the efficiency of the sustainable development system, plans to assess and improve the environmental, social and corporate governance practices in 2021.

Chairperson of the Managing Board
“Damu” Entrepreneurship Development Fund” JSC
Gaukhar Buribayeva

Business Road Map-2025

LOAN GUARANTEE*

MAXIMUM AMOUNT **UP TO KZT 1 BILLION**

GUARANTEE SIZE **UP TO 85% OF THE LOAN AMOUNT**

PERIOD **NO MORE THAN THE LOAN PERIOD**

**Support within the frame of the current government programs*

RESULTS OF 2020

6,797

NUMBER OF THE PROJECTS

214.8

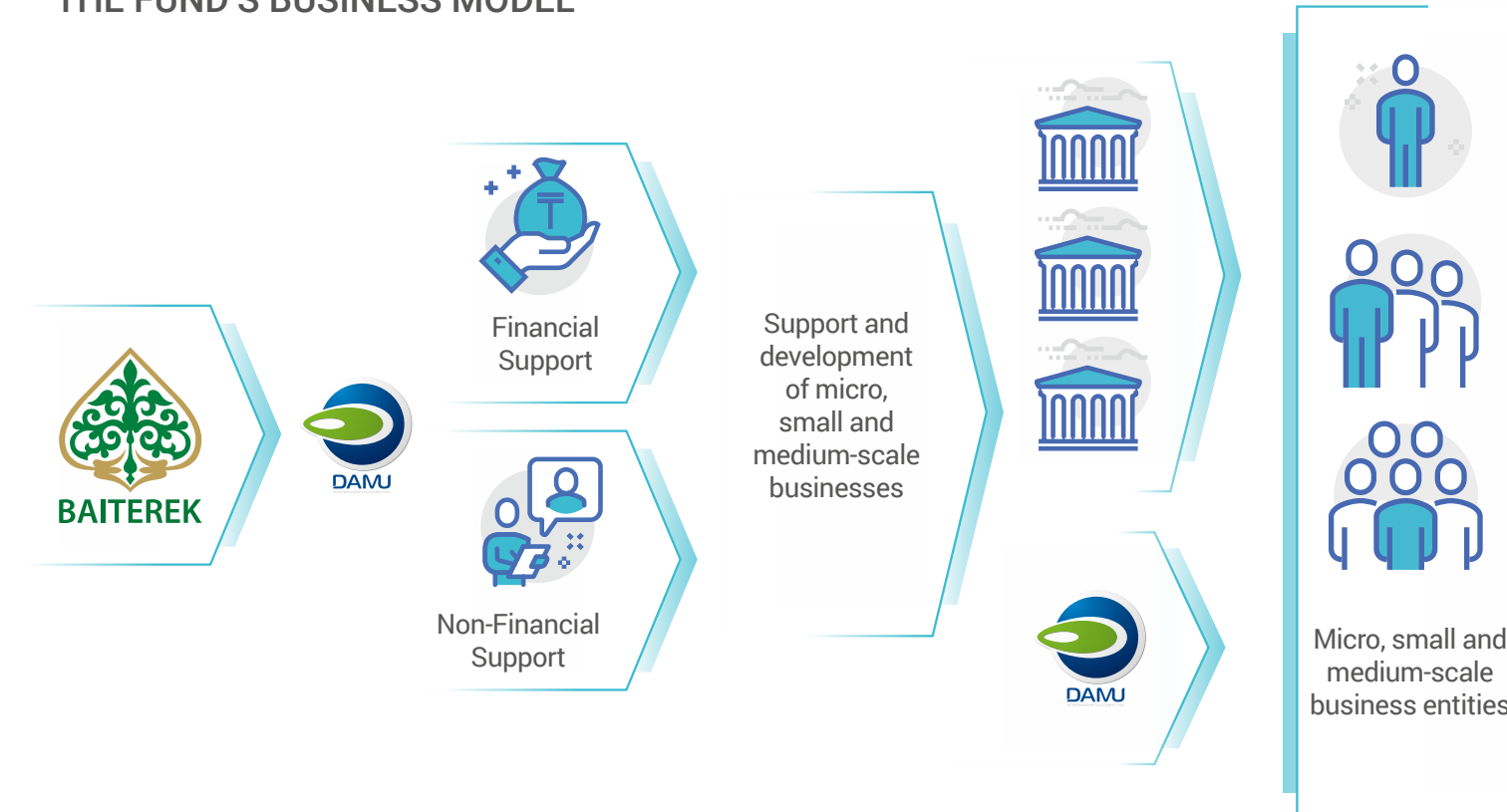
KZT BILLION
AMOUNT OF THE LOANS

1. ABOUT THE FUND

The Fund is a national development institution with an objective to promote quality development of private entrepreneurship in the Republic of Kazakhstan by providing financial support.

The Fund offers a wide range of products and services for entrepreneurs: financing within the framework of lending programs through STBs, MFOs, LCs and other legal entities, subsidizing interest rates on loans, loan guarantees, consultation support, distribution of information and analytical materials.

THE FUND'S BUSINESS MODEL



1.1. The Fund's History

Establishment of the Fund (Resolution of the Government of the Republic of Kazakhstan as of April 26, 1997 № 665 "On the establishment of the Fund for Small-Scale Business Development").*

2002

Since 2002, direct lending to small businesses from own funds was implemented using "Program for Lending to Small-Scale Businesses from the Funds of the Republican Budget" and "Program for Development of Small Towns for 2004–2006" have been implemented.

2005

Since 2005, support was provided to small-scale businesses through implementation of project financing and leasing programs, a program for development of microcredit system in Kazakhstan, a program for guaranteeing loans to small-scale businesses received from second-tier banks.

2007

Since 2007, acting as an agent for accounting and control of the state budget funds use under the Program of Measures for Support Domestic Manufacturers Support, as well as through credit lines from Asian Development Bank and European Bank for Reconstruction and Development.

Since 2007, acting as an operator for e conditional placement of funds at the expense of borrowed and own funds.

2010

Since 2010, the Fund has been a financial agency for subsidizing interest rates on loans /leasing transactions of entrepreneurs and guaranteeing entrepreneurs' loans to banks /leasing companies.

2013

In 2013, change of the Sole Shareholder – "National Managing Holding "Baiterek" JSC.

2016

In 2016, the Fund was selected as a Financial Agent for Program of Effective Employment and Mass Entrepreneurship Development for 2017–2021.

2017

In 2017, the Fund's Development Strategy for 2014–2023 was updated.

2018

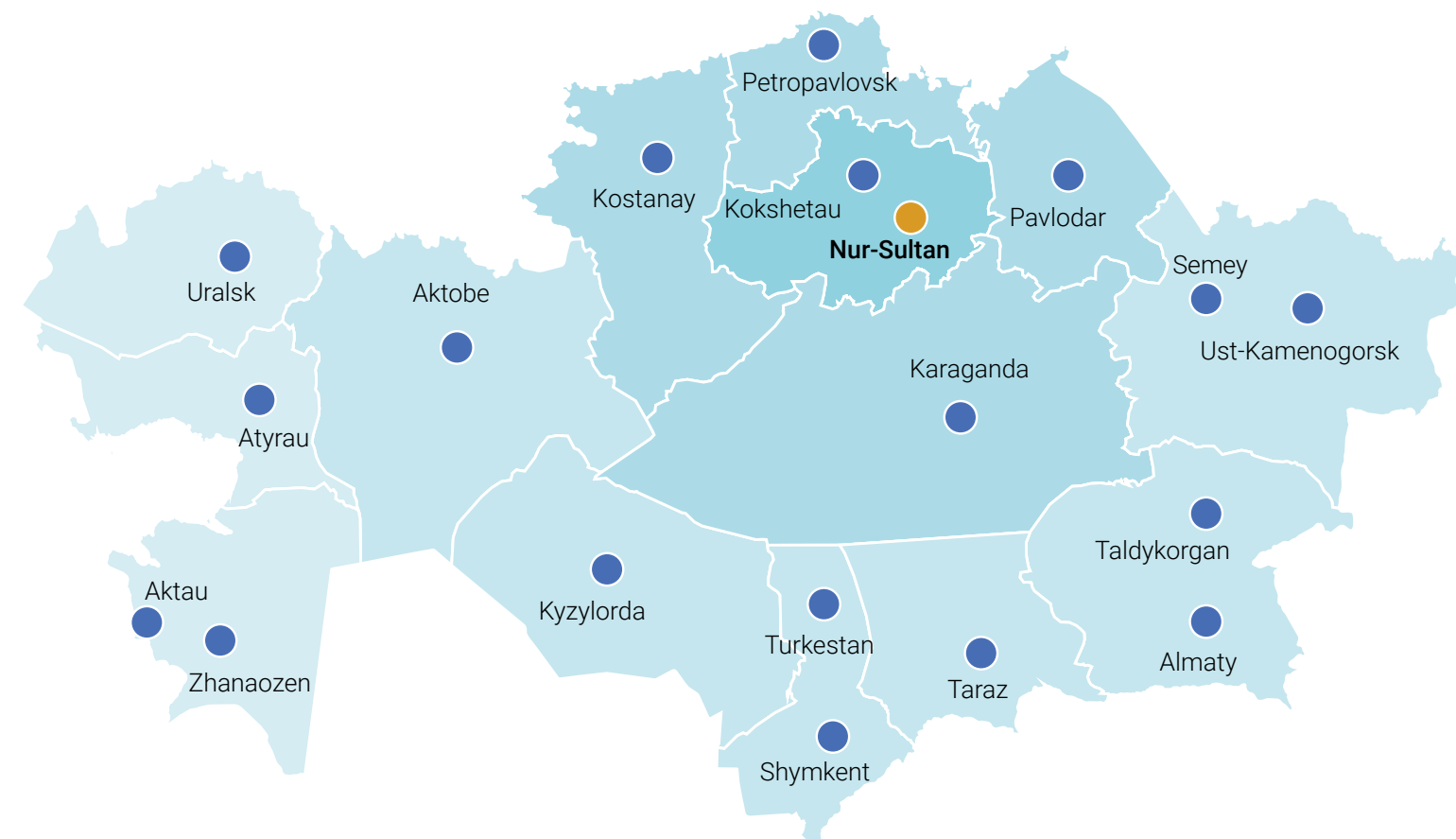
In 2018, the Fund made the first issue of bonds on the site of Kazakhstan Stock Exchange JSC.

2020

In 2020, the Fund issued debut green bonds on Astana International Exchange.

1.2. Geography of the Fund's Activities

The fund is represented in all regions of Kazakhstan. The regional network consists of 17 branches in all regional centers, as well as in the cities of Nur-Sultan, Almaty and Shymkent and 2 regional centers in the cities of Semey and Zhanaozen.



10,019
projects

of entrepreneurs are accompanied up to approval by STB/ MFO/LC under the programs of the Fund.

18,502
consulting service

are provided to the beginning and operating entrepreneurs.

*Former name of the Fund: JSC "Small-Scale Business Development Fund"

1.3. The Fund's Development Strategy

The Fund’s Mission

The mission of the Fund is to take an active role in sustainable development of micro, small and medium-scale businesses in Kazakhstan through implementation of comprehensive and effective support tools.

The Fund’s Vision

Vision of the Fund is to become the National Development Institution by 2030, the initiator and implementer of the programs for support and development micro, small and medium-scale businesses.

The Fund’s Development Strategy aims to develop micro, small and medium-scale business sector in Kazakhstan and takes into account the experience of successful and effective implementation of both state and own programs for the development of micro, small and medium-scale businesses (hereinafter – MSMEs). The Fund has over 20 years of experience in supporting micro, small and medium-scale businesses and a number of other strengths, which are used in increasing the effective implementation of the Development Strategy and achieving the set goals and objectives.

The main strategic directions of the Fund's development

STRATEGIC DIRECTIONS	STRATEGIC TASKS
Support and development of the aspiring and existing entrepreneurs	Expansion of lending to microbusiness, development and implementation of support tools for MFOs and credit partnerships Increasing the extent of the existing MSMEs coverage with the Fund’s financial programs Improving the economic efficiency of supported MSME enterprises
Sustainable institutional development of the Fund	Attraction of the funds from additional sources of financing Achievement of the planned level of financial performance Automation of business processes Raising the level of corporate governance

The development strategy of “Damu” Entrepreneurship Development Fund” JSC (‘Fund’s Development Strategy’) was approved by the resolution of the Fund’s Board of Directors as of July 3, 2017.



UK Triplex

“DAMU-ONDIRIS”

The core activity of the Company is manufacturing a wide range of glass products, which have found application in all spheres of economic activity, from land transport and special equipment to industrial and civil construction.



Economics of simple things

LOAN GUARANTEE*

MAXIMUM AMOUNT **UP TO KZT 5 BILLION**

GUARANTEE SIZE **NO MORE THAN 50% OF THE LOAN AMOUNT**

PERIOD **NO MORE THAN THE LOAN PERIOD**

*Support within the frame of the current government programs

RESULTS OF 2020

123

NUMBER OF THE PROJECTS

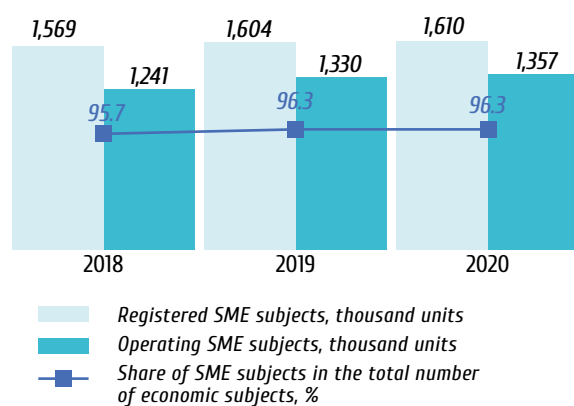
46.8

KZT BILLION
AMOUNT OF THE LOANS

2. ANALYSIS OF SME IN KAZAKHSTAN. THE PROSPECTS OF DEVELOPMENT

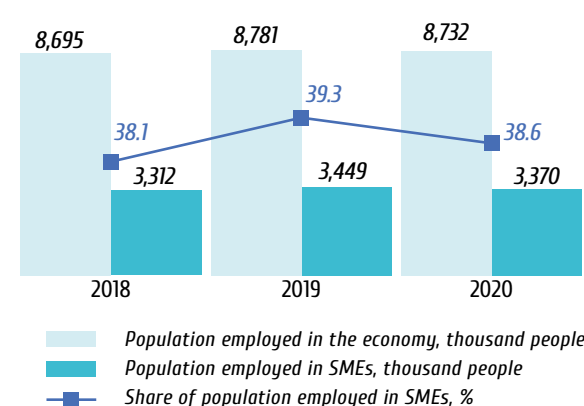
In 2020, there was a slight increase in the number of registered SME subjects in Kazakhstan by 0.4%, to 1,610 thousand units. Moreover, the share thereof in the total number of economic entities in the country amounted to 96.3%. The number of active entrepreneurs increased by 2.1%. (see Graph. 1)

1. Dynamics of the Registered SMEs Number in the Republic of Kazakhstan



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (www.stat.gov.kz).

2. Dynamics of the Employed Population in the Republic of Kazakhstan

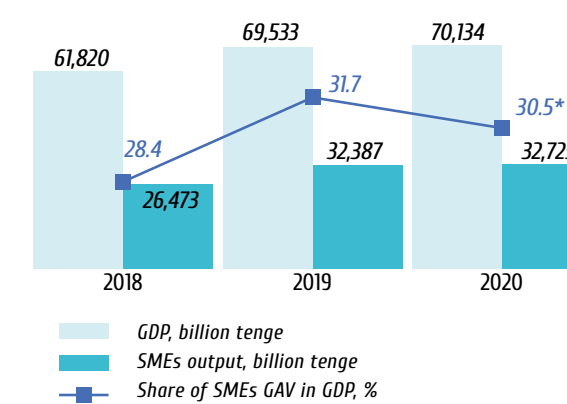


Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (www.stat.gov.kz).

According to the data of Agency for Strategic Planning and Reforms of the Republic of Kazakhstan Bureau of National Statistics ('Bureau of Statistics of the RK ASPIR'), at the end of 2020 the employed population was 8,732 thousand people. At the same time, the number of people employed in SMEs equaled to 3,370 thousand

people (38.6% of all employed) as of January 1, 2021. Compared to the last year, the number of people employed in SMEs decreased by 2.3%. At the same time, there is also general decrease in the number of employed population in the Republic of Kazakhstan by 0.6%. These results are related to the crisis caused by the COVID-19 pandemic. (see Graph. 2)

3. Dynamics of GDP and Output of SMEs in the Republic of Kazakhstan

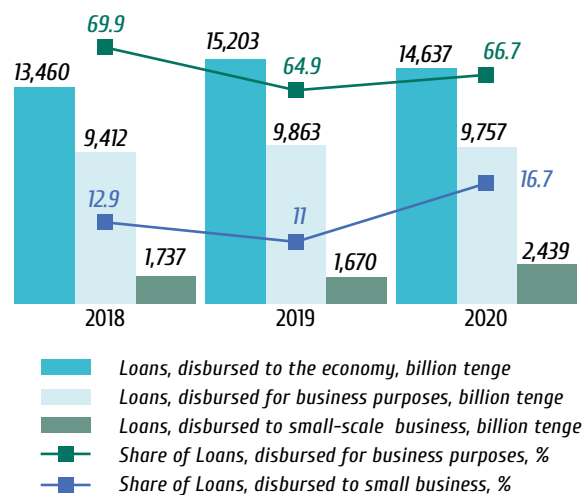


* The share of SMEs in the GDP of the Republic of Kazakhstan according to data for 9 months of 2020 year
Source: Agency for Strategic Planning and Reforms of the Republic of Kazakhstan Bureau of National Statistics (www.stat.gov.kz).

Over the past 8 years, Kazakhstan's GDP in real terms has been showing growth. At the same time, in 2020, in Kazakhstan and around the world, a number of restrictions related to the COVID-19 pandemic were introduced, which negatively affected the economy. According to the results of 2020, Kazakhstan's GDP decreased by 2.6% and amounted to 70,134 billion tenge. Goods manufacturing constitutes 38.4% of GDP (including 27.0% due to industrial production), production of services – 55.8%, taxes on products – 5.8%.

According to the Bureau of Statistics of the RK ASPIR, the output of SMEs in 2020 amounted to 32,725 billion tenge. In comparison with the corresponding period of the last year, this indicator (in comparable prices) decreased by 5.4%. In 2020, 68.9% of the SMEs output was produced by small enterprises, 19.7% – by medium-scale

4. Annual Volumes of Lending to the Economy and Small Business



Source: National Bank of the Republic of Kazakhstan (www.nationalbank.kz).

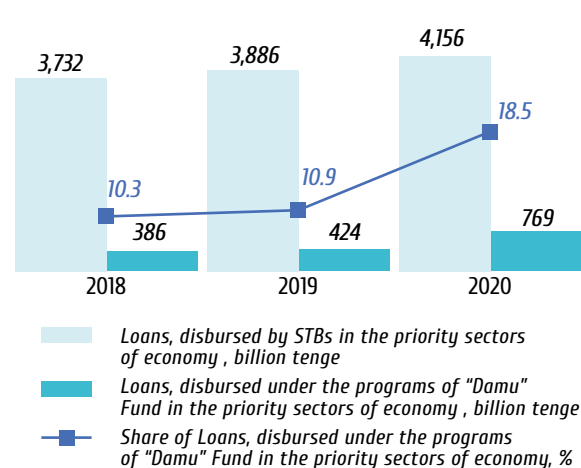
enterprises and other 11.4% – by individual entrepreneurs and peasant farms. According to preliminary data for 9 months of 2020, the share of gross added value of SMEs in GDP is estimated at 30.5%. (see Graph. 3)

Indices of Lending to Entrepreneurs and the Fund's Share in Lending

In general, the volume of bank lending in 2020 decreased by 3.7% to 14.6 trillion tenge. The reduction was due to decrease in the amount of loans for consumer purposes by 15% compared to 2019, and loans for working capital replenishment by 20%.

Despite a slight decrease in the amount of loans for business purposes in 2020, there is an increase in the share to 66.7%. Also, by the end of 2020, the amount of loans issued to small businesses increased by 46% compared to 2019. The sharp increase in loans to small businesses was due to increase in loans issued in the field

5. Dynamics of Loans for Projects in the Priority Sectors of Economy



Source: National Bank of the Republic of Kazakhstan (www.nationalbank.kz), the Fund (www.damu.kz).

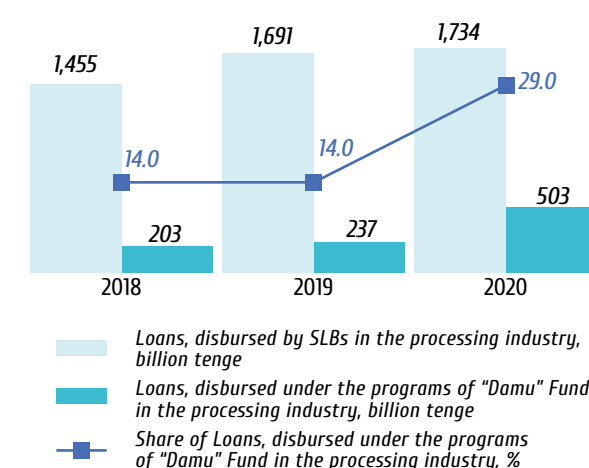
of trade by 75.6% or 643.7 billion tenge in comparison to the level of 2019. (see Graph. 4)

In 2020, the Fund continued to implement programs for conditional placement of funds in STBs, LCs, MFOs, subsidizing interest rates on loans to entrepreneurs and guaranteeing loans.

In general, within the framework of the Fund's support programs, for the past year, support was provided in the loan amount of 1,305 billion tenge (taking into account support to the most affected sector of the economy) to private entrepreneurship through STBs. In the total amount of bank loans for business purposes, the share of loans issued to participants of the Fund's programs amounted to 13%. This index testifies to the high role of the Fund in supporting entrepreneurship in the country.

When considering the Fund's contribution with the emphasis on financing of the priority sectors of economy, there is a sharp increase up to 18.5%, which is 7.6 percentage points higher than last year. (see Graph. 5)

6. Dynamics of Loans for Projects in the Processing Industry



Source: the National Bank of the Republic of Kazakhstan (www.nationalbank.kz), the Fund (www.damu.kz).

The share of the Fund's loans in the processing industry also increased and amounted to 29.0%. At the same time, the amount of loans disbursed by the Fund in the processing industry increased more than twice in comparison with the year of 2019. (see Graph. 6)

The increase of the loan amounts disbursed in priority sectors of the economy, including in the processing industry, is conditioned by implementation of the mechanism of concessional lending for the priority projects ("Economy of Simple Things" Program), as well as a number of anti-crisis measures, within which the budget of state programs for lending to entrepreneurship was increased.

The prospects for economic and SME development in Kazakhstan for 2021

In 2020, the COVID-19 pandemic disrupted supply chains and reduced business activity as a result of preventive and quarantine measures taken both in Kazakhstan and everywhere else in the world. As a result of the pandemic, global GDP fell to a peacetime record of 3.5%. The industries, which incurred the most profound damage in Kazakhstan are: aviation industry, tourism, services, trade. The tourism, trade and services sector alone make up more than 50% of the total number of MSMEs, which provide jobs for more than 1.3 million people.

At the end of 2020, due to development of vaccines and initiation of vaccination, recovery in the world economy is noted, which significantly increased the demand for energy resources and established a positive trend in oil prices.

Implementation of large-scale measures to revive business activity and support the most affected sectors of economy by the Government and development institutions will help neutralize the negative consequences of the coronavirus spread. In this regard, as a baseline scenario for economic development, the Ministry of National Economy of the Republic of Kazakhstan adopted a scenario with the average oil price in 2021 of 50 US dollar per barrel. In this scenario, the planned economic growth will be 3.1%.

In 2020, the Government of the Republic of Kazakhstan adopted a number of anti-crisis measures to stimulate economic activity. As part of the macroeconomic policy for 2021, the Government presents a large number of measures aimed at stimulating business activity, which together will ensure the projected growth of the economy.

ENBEK

LOAN GUARANTEE*

MAXIMUM AMOUNT

8,000 MCI NUR-SULTAN, ALMATY, AKTAU, ATYRAU, SHYMKENT
6,500 MCI IN THE CITIES, MONOCITIES

GUARANTEE AMOUNT **NO MORE THAN 50% OF THE LOAN AMOUNT**

PERIOD **NO MORE THAN THE LOAN PERIOD**

**Support within the frame of the current government programs*

RESULTS OF 2020

326

NUMBER OF THE PROJECTS

4.0

KZT BILLION
AMOUNT OF THE LOANS

3. KEY ACTIVITY DIRECTIONS

The Fund, in order to realize its mission and vision, carries out its work in two key strategic directions of development, provides support and development of start-up and operating entrepreneurs, and also ensures implementation of issues for sustainable institutional development.

Within the framework of these strategic directions, financing of micro, small and medium-scale businesses is provided through STBs, MFOs and LCs, subsidizing interest rates and guaranteeing loans, attracting additional funding sources, automating business processes, supporting entrepreneurs' projects, working out issues of international cooperation, development of information activity.

3.1. Financial Support for Entrepreneurs

Conditional Placement of Funds

For the year 2020, under the programs of conditional funds placement in STBs, MFOs and LCs, 11,136 borrowers were financed to total loan amount of around 207.6 billion tenge.

During 2020, the Fund placed funds in STBs /financial organizations for programs /products of conditional

placement of funds in the amount of 56.5 billion tenge, the amount of 9.9 billion tenge from this was placed in MFOs.

Within the framework of this area of activity, the important task is to raise funds, including from non-state sources, for subsequent conditional placement of funds in financial institutions for the purpose of lending to MSMEs.

Attraction and Placement of Budget Funds

In 2020, the Fund did not raise funds within the framework of "Enbek" Program, since the funds of 2020, provided for financing of projects in cities and monotowns, were sent by the Ministry of National Economy of the Republic of Kazakhstan through the local executive bodies to the "Fund for Financial Support of Agriculture" JSC. The program was implemented at the expense of funds attracted by the Fund from the regional budgets in 2017–2019. In 2020, the program financed 1,118 MSME entities to the total amount of 13.5 billion tenge, taking into account revolving disbursements under the previously allocated funds within the frameworks of the program.

In 2020, the Fund continued to implement the Program for Regional Financing of SMEs on the terms of co-financing with funds from regional budgets. Thus, in 2020, the funds were attracted from 5 akimats to the total amount of 4.825 billion tenge. The funds were placed in STBs on the terms of co-financing with the funds of NWF "Samruk-Kazyna" JSC and Damu's own funds to the total amount of 12.35 billion tenge. In 2020, 314 SMEs were

financed in the amount of 13.3 billion tenge under the program, taking into account revolving disbursements for the funds previously allocated under this program.

Implementation of programs from the National Fund of the Republic of Kazakhstan (200 billion tenge allocated in 2014–2015) was also continued. In 2020, 441 SMEs were financed under these programs in the amount of 102.5 billion tenge, taking into account revolving disbursements for the funds previously allocated under these programs.

Attraction and Placement of Funds from International Financial Organizations

On August 11, 2020, with the support of the United Nations Development Program in Kazakhstan, under Project "Derisking Renewable Energy Investment", successfully issued debut green bonds on Astana International Exchange. By issuing green bonds, the Fund raised funds in the amount of 200 million tenge. These funds are intended to support the green projects of private

entrepreneurship entities through conditional placement of funds in STBs /MFOs.

In November 2020, MSME lending program through STBs /MFOs within the framework of cooperation with Asian Development Bank was completed. In 2020, 7,855 MSME entities were financed under the program to the total amount of 18.8 billion tenge, taking into account revolving disbursements under the previously allocated funds according to this program.

Also in 2020, implementation of programs with the European Bank for Reconstruction and Development funds under the guarantee of the Fund continued, including for development of women’s entrepreneurship. In 2020, 179 SMEs to the total amount of 9.3 billion tenge were financed under the program, taking into account revolving disbursements within the funds previously allocated under this program. Providing that 106 MSMEs of women-owned enterprises were financed to a total amount of 5.2 billion tenge.

Under Fund’s Development Strategy implementation the following activities were carried out in 2020:

1. A new program for lending to MSMEs on the principles of Islamic finance was launched, through which the long-term financial support is provided to entrepreneurs using Islamic financial instruments. The program is a pilot in Kazakhstan and will give an impetus to development of Islamic finance in Kazakhstan, thus entrepreneurs will have the opportunity to obtain alternative financing for business development. The program is implemented through purchase of goods on the commodity exchange for the purpose of financing STB /LC using Islamic finance instruments. The funds to the total amount of 12.25 billion tenge were placed in “Islamic Bank “Al Hilal” JSC and “Kazakhstan Ijara Company” JSC during 2020. According to the results of the year, 31 SMEs were financed under the program to the total amount of 11.4 billion tenge.
2. Active conditional allocation programs were reoriented during 2020:
 - *restrictions on the sectoral affiliation of projects were removed with respect to the Fund’s product “Damu Regions 3”. Now the product provides for financing of projects in all sectors of economy, except for financial and insurance activities;*

- *with respect to the Fund’s product “Damu-Leasing”, the list of loan purposes and leasing items was expanded – the list includes buildings, structures, machines, land plots and the types of vehicles have been added: railway and air transport;*
- *with respect to the Fund’s product “Islamic Financing”, the amendments were also made in terms of expanding the list of loan purposes and leasing items by analogy with “Damu-Leasing” product.*

Loan Subsidies

Subsidy of interest rates is provided within the framework of “Business Road Map-2025”. Under implementation of “Business Road Map-2025”, the subsidy tool became popular among the entrepreneurs, and shown efficiency in terms of attracting loans to the priority sectors of economy.

In order to diversify the economy, increase the growth rate of production volumes, reduce the cost of production, that is, development and functioning of the processing industry, a mechanism for crediting priority projects to ensure long-term tenge liquidity was implemented: the total volume of financing of STBs in 2018–2020 to support private entrepreneurship, carrying out the activities in the processing and agro-industrial sectors is up to 1 trillion tenge. At the same time, 30 billion tenge were allocated from the republican budget for subsidizing within the framework of this Mechanism.

In 2020, the Fund provided support for the subsidy instrument:

1. under “Business Road Map-2025”, 3,665 projects were supported to the loan portfolio amount of 400 billion tenge, subsidies paid for total amount of 35.1 billion tenge;
2. under Priority Projects Lending Facility, 386 projects were supported to the loan portfolio of 335 billion tenge, subsidies paid for total amount of 12.4 billion tenge;
3. within the framework of the State Program “Nurly Zher”, 25 projects were supported to the loan portfolio amounting 23 billion tenge, subsidies for total amount of 2.2 billion tenge;
4. within the framework of the Program for Support of Energy Service Initiatives in the Cities of Kazakhstan “Sustainable Cities for Low-Carbon Development”, 6

projects were supported to the loan portfolio amount of 1 billion tenge, subsidies paid for total amount of 140 million tenge;

5. within the framework of portfolio subsidies, 2,143 projects were supported to loan amount of 11 billion tenge, within the affected sectors of the economy, 8,454 projects were supported to the amount of 426 billion tenge, the subsidies to the amount of 16.8 billion tenge were paid.

Loan Guarantees

In 2020, the Fund provided support for the guarantee instrument:

1. within the framework of the “Business Road Map-2025” 6,797 projects were supported to the loan portfolio amount of 215 billion tenge, guarantees provided for total amount of 81.1 billion tenge;
2. within the framework of “Yenbek” Program, 326 projects were supported to the loan portfolio amount of 3.9 billion tenge, guarantees provided for total amount of 1.6 billion tenge;
3. within the framework of “Damu Optima” Guarantee Program, 100 projects were supported to the loan portfolio amount of 9.7 billion tenge, guarantees provided for total amount of 4.1 billion tenge;
4. within the framework of the Priority Projects Lending Facility, 123 projects were supported to the loan portfolio amount of 46.8 billion tenge, guarantees provided for total amount of 20.3 billion tenge.

The portfolio guarantee, implemented in 2018 within the framework of the “Business Road Map-2020” and “Enbek” Program, was also executed in 2020 under the “Damu Optima” Guarantee Program.

The essence of portfolio guarantees is to provide financial partners (STBs, MFOs) with a certain limit on the use

of the Fund’s guarantees, without coordinating each individual project with the Fund. In terms of portfolio guarantee, the Fund developed a methodology with clear criterias for financial partners (STBs, MFOs), criterias for MSMEs, subject to which a loan can be disbursed using the portfolio guarantee method.

Application of this method of guaranteeing is applicable in the event when the Fund and STB /MFO conclude a Portfolio Guarantee Agreement (‘Agreement’). Within the scope of the portfolio guarantee, Agreements were concluded with the following STBs:

1. SB “Sberbank of Russia” JSC
2. JSC “ATF Bank”
3. JSC “Eurasian Bank”
4. JSC “Nurbank”
5. JSC “First Heartland Jýsan Bank”
6. SB JSC “VTB Bank”
7. JSC “Kazakhstan Halyk Bank”
8. JSC “CenterCredit Bank”
9. JSC SB “Alfa Bank”
10. JSC “ForteBank”

For 2020, 5,276 guarantee agreements were concluded within the framework of the portfolio guarantees.

Implementation of this method demonstrates a number of opportunities for both MSMEs and the Fund’s financial partners (STBs, MFOs):

- availability of loans even in absence of sufficient collateral;
- speeding-up of loan obtaining with a bank guarantee;
- decrease of time spent on assessment and registration of pledge;
- competitive advantage with respect to other banks.

Results of Financial Programs Implementation

	2017	2018	2019	2020
Financing of entrepreneurs through conditional placement of funds in STB /MFO /LC				
Number of participants	8,305	18,656	18,933	11,136
Loan amount, million tenge	230,469	272,912	239,508	207,588

3. Key Activity Directions

- 3.1. Financial Support for Entrepreneurs
- 3.2. Monitoring of Financial Programs
- 3.3. Management of Distressed Assets

- 3.4. Customer Service
- 3.5. Development of Information Technology
- 3.6. International Cooperation

- 3.7. Advertising Activities and Mass Media Relations

Results of Financial Programs Implementation

Subsidized interest rates					
Number of participants	2,310	1,470	2,647	14,679	
Loan amount, million tenge	275,660	198,380	269,786	1,197,058	
Loan guarantee					
Number of participants	1,317	1,950	2,674	7,346	
Loan amount, million tenge	42,845	65,455	102,740	275,546	

3.2. Financial Programs Monitoring

Information on projects monitoring within the framework of the Fund’s financial programs, as well as within the framework of agency agreements and other agreements under which the Fund performs monitoring functions.

MONITORING TITLE	NUMBER OF PROJECTS EXAMINED				
	2016	2017	2018	2019	2020
Project monitoring within the framework of the Fund's Conditional Allocation Programs (17 programs)	226	2,334	1,238	1,548	1,712
Project Monitoring within the framework of the Support Programs for MSMEs engaged in the processing industry (funds of the NF RK)	725	576	896	1,610	1,029
Agency agreements for UAPF projects monitoring (NBRK)	0	777	737	321	5
Monitoring of subsidized projects	3,068	2,595	2,339	2,793	2,912
Monitoring of guaranteed projects	1,170	989	1,131	2,257	1,919
Monitoring of grants	406	183	522	523	834
TOTAL	5,595	7,454	6,863	9,052	8,411

Measures Taken with respect to notes /violations

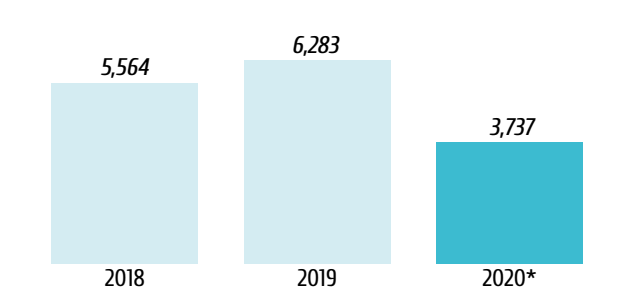
MONITORING TITLE	NUMBER OF NOTES / VIOLATIONS	PENALTIES ACCRUED, MILLION TENGE		PENALTIES RECOVERED, MILLION TENGE		NOTES ON THE INTENDED USE OF FUNDS, MILLION TENGE		SUBSTITUTION MADE, MILLION TENGE	
		QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT
Project monitoring within the framework of the Fund's Conditional Allocation Programs (17 programs)	53	16	12.5	15	11.9	53	857.4	53	857.4
Project Monitoring within the framework of the Support Programs for MSMEs engaged in the processing industry (funds of the NF RK)	9	4	9.4	3	1.3	9	265.7	9	265.7
Monitoring of subsidized projects	22	Violations under the subsidized projects are detected							
Monitoring of guaranteed projects	20	Including, 9 guarantees were canceled and the guarantee amount under 11 projects was decreased							
Monitoring of grants	136	The notification on the revealed violations was sent to the Regional Program Coordinator, the Tender Commission.							
TOTAL:	240	20	21.9	18	13.2	62	1,123.1	62	1,123.1

Program Efficiency Monitoring

“Business Road Map-2025” State Program for Business Support and Development. According to the forecast data of the Fund the volume of production as of January 1, 2021 amounted to 29.1 trillion tenge, including 3.7 trillion tenge for 2020 with respect to the enterprises and entrepreneurs participating in the “Business Road Map 2025” (“BRM-2025”).

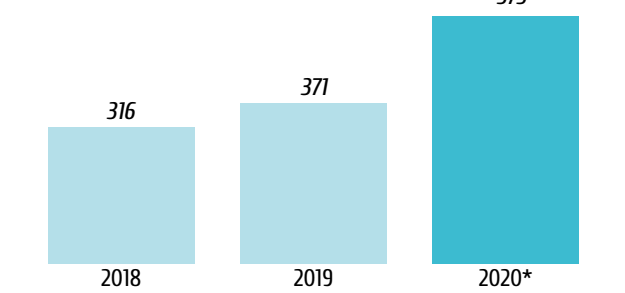
Subsidy of interest rates and guarantee of loans under the “BRM-2025” help to improve the financial performance of the enterprises, which is especially important in the current economic situation. In its turn, due to improvements in the activities of enterprises, an increase in budget revenues is provided, the budget effect of the program and its economic feasibility also improves. According to the estimates as of January 1, 2021, the total amount of taxes paid by the participants of the “Business Road Map-2025” amounted to 2.2 trillion tenge, including

7. Goods manufactured by the participants of “BRM-2025”, billion tenge



* according to the preliminary data of the State Revenues Committee (SRC)

8. Taxes paid by the participants of “BRM-2025”, billion tenge



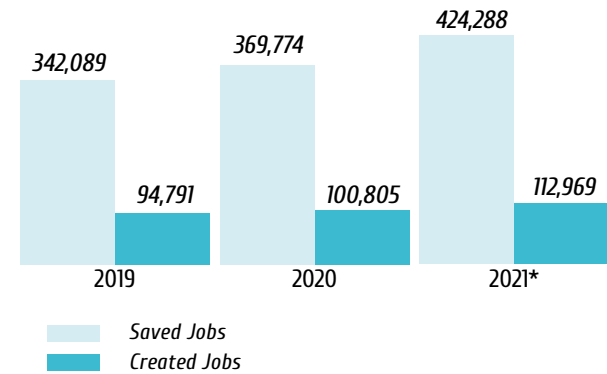
* according to the preliminary data of the State Revenues Committee (SRC)

according to the preliminary data of the State Revenue Committee (SRC) of the Ministry of Finance of the Republic of Kazakhstan – 573 billion tenge for the year 2020. (see Graph. 7-8)

The wide coverage of the business sector “BRM-2025” and the growing interest to the program on the part of SMEs make it possible to assess the social effect of its implementation, which is expressed in providing the population with jobs. Thus, as of January 1, 2021, the participants of the “Business Road Map-2025” preliminarily saved about 424 thousand existing jobs and created over 112 thousand new ones. (see Graph. 9)

Program for SME Support in the Processing Industry at the Expense of the National Fund of the Republic of Kazakhstan. The revenue of enterprises from participants of the SME Support Program in the processing industry at the expense of the National Fund of the Republic of Kazakhstan for 2014–2020 amounted to about 6.9 trillion tenge, including according to the preliminary data for 2020 – 1.6 trillion tenge.

9. Number of Created and Supported Jobs, units



* according to the preliminary data of the State Revenues Committee (SRC)

The entrepreneurs who received funding under this program paid taxes in the amount of 440 billion tenge for 2014–2020. Including according to the preliminary data 96 billion tenge for the year 2020.

The supported enterprises created about 18.2 thousand jobs in 2014–2020, including not less than 180 jobs for 2020.

3.3. Management of Distressed Assets

For 2020, the debt of “AsiaCredit Bank” JSC and “Capital Bank Kazakhstan” JSC in the amount of 6.6 billion tenge was fully repaid, including:

- by real estate – 4.9 billion tenge;
- by securities – 0.790 billion tenge;
- by transfer of loan portfolio – 0.898 billion tenge;
- by monetary funds – 0.013 billion tenge.

3.4. Customer Service

In parallel with the financial support programs in 2020 the Fund continued to work on implementation of the training programs and consulting support for entrepreneurs.

In 2020, within the framework of the project “Remote support for entrepreneurship development” on the basis

of edu.damu.kz web platform, 9,490 people completed training.

At the end of the reporting period, the number of trainees within the framework of the component “Training for Top Management of SMEs”, which is implemented within

the framework of “Business Road Map-2025” was 3,821 entrepreneurs, including 440 people trained in 2020.

For the year 2020, the regional branches provided services to 12,000 clients, they were provided with 18,502 consultations.

With respect to the supported projects according to the results of 2020, the Regional Branches supported 10,019 projects up to private business entities’ applications approval by STB /LC /MFO for financial support under the Fund’s instruments.

Thus, the Fund continues work for quality improvement of services provided and for this it uses the offline and online channels.

Distance Learning

Distance learning within the framework of the Project “Distant Support for Entrepreneurship Development” aims at stimulating entrepreneurial activity and increasing the entrepreneurial competencies of the population in the regions of Kazakhstan.

The purpose of distance learning for the beginning entrepreneurs is to provide the necessary knowledge on basic entrepreneurship and instill business skills so that potential entrepreneurs are interested in the opportunities to start their own business.

The purpose of distance learning for the operating entrepreneurs is to deepen knowledge and expand practical skills in running business, including use of marketing tools to increase sales, tracking the results of financial and economic activities and project management, as well as improving skills in building and managing the work of the sales department.

Distance learning provides everyone wishing with the opportunity to continuously improve their professional

level, regardless location of the student, the only necessary condition is the availability of the Internet. In the process of such training, entrepreneurs independently master educational and methodological materials in the interactive mode, perform practical tasks, and undergo testing. Upon successful passing of the test, a certificate of training completion is issued to the student.

In total, there are 8 thematic courses in state and Russian languages.

In 2020, 9,490 people underwent training under this project, which is 12 % more than for last year.

Monitoring of SMEs Top Management Service Support and Training Implementation

The Fund continues to monitor the component “Training of Top Management of Small and Medium-scale Businesses” and the tool “Providing Service Support for Running an Operating Business” within the framework of the “Business Road Map-2025”.

In 2020, the number of participants who underwent training within the framework of the SMEs Top Management Training was 440 people, 34,065 MSMEs applied for service support services, and received 39,653 services.

Contact Center

Also, the Fund’s Contact Center continues its work, it is a center for processing requests from entrepreneurs and individuals, and informing them in the interests of the Fund through various communication channels.

In 2020, the employees of the Contact Center consulted 49,959 clients, of which 42,501 (85.1 %) are private business entities. 25,827 people were registered in the BPM system. The share of missed calls was 2.3%.

3.5. Development of Information Technology

The global COVID-19 pandemic presented new challenges to the Fund’s staff, and at the same time has stimulated development of IT products. For instance, a special need in the products that provide the ability to work remotely, while maintaining the performance of the Fund’s business processes arose. In order to ensure uninterrupted operation of the Fund during the lockdown in the conditions of distant work, to hold video conferences, the Fund promptly mastered and provided for use such tools, which previously were used by the Fund – Cisco Jabber, Bitrix24, and the new ones such as Cisco Meeting App and Zoom. Operation of the EDMS Documentolog, BPM Online services, the Microsoft Exchange e-mail service outside the perimeter of the Fund’s network was ensured. In order to work with critical IT services (such as 1C: Accounting, 1C: Subsidies), which should not be available outside the Fund’s perimeter for security reasons, a special solution was provided to connect to the Fund’s network remotely via VPN.

Support for remotely working users arranged in almost 24/7 without days-off.

In addition, in August 2020, a project was implemented to replace the outdated Fund’s network switches with the new network equipment with up-to-date technical support. And in October 2020, a project on migration of the Fund’s information systems to the cloud infrastructure based on the IaaS principle, including outsourcing the system administration of the server and virtual infrastructure, operating systems and system software to the certified specialists was implemented. Thus, the issue on the need to constantly update the server infrastructure, allocation of high-performance resources for critical services was resolved.

In December 2020, by the decision of the Board of the Fund, the Strategy for Information Technology Development of JSC “Entrepreneurship Development Fund” Damu for 2020–2023 and the Action Plan for 2020–2023 were approved. For implementation of the Information Technology Development Strategy of “Damu” Entrepreneurship Development Fund” JSC for 2020–2023

(Minutes № 114/2020 as of December 25, 2020) as the part of implementation of the Corrective Action Plan following the results of the Fund’s IT audit, approved by the resolution of the Fund’s Board of Directors as of February 24, 2020 (Minutes № 02/20).

At the same time, in 2020, the work on automation and digitalization of the Fund’s business processes continued. At the end of 2020, the following key projects were implemented:

1. “π(Pie)” Project aimed at automation and digitalization of all steps of the process of submitting and considering applications from STBs, MFOs and LCs for financing and allocation of funds from the National Fund of the Republic of Kazakhstan;
2. development of the Online Damu Internet portal – expanding the functionality and increasing usability of the Portal (signing contracts in electronic format using EDS on the Portal, transferring the functionality of the Internet terminal for interaction with entrepreneurs for subsidizing under the government programs, API interfaces for a mobile application, updated interaction interfaces and design of the Internet portal, introduction of a mechanism for signing several documents with one click, expanded integration with the information systems of the Fund for transferring information about the pledge, flexible configuration of SMS notifications, updated mechanism for simplified selection of programs, expanded functionality of using electronic images and electronic documents when submitting applications through Internet portal);
3. rating model for STB /MFO /LC – the purpose of implementation is to reduce labor costs for calculating the rating for STB/MFO/LC due to automation.

3.6. International Cooperation

In 2020, the Fund continued to work on expanding cooperation with the international financial institutions and foreign organizations. As a result of this work, the following agreements were concluded:

1. Agreement with UNDP-Kazakhstan within the framework of the UNDP-GEF Project “Derisking Renewable Energy Investment”;
2. Cooperation Agreement with the representative office of the limited liability company “Palladium International” within the framework of the United States Development Agency (USAID) Future Growth Development Project,
3. Agreement on amendments to credit line with European Investment Bank to the amount of 200 million Euros in equivalent in tenge.

The outcome of the concluded agreement is the successful debut issue of green bonds on the AIX on the amount of 200 million tenge, with support of UNDP Kazakhstan, as well as a number of online events conducted for entrepreneurs with support of the USAID FGI.

Within the scope of international cooperation, organization of events for experience exchange was conducted:

1. In February 2020, internships for the Fund’s employees were organized at the Polish Agency for Enterprise Development and Credit Suisse (Switzerland). During the internship in Poland, the Fund’s employees got acquainted with the tools for supporting entrepreneurs, support measures for green projects and entrepreneurship internationalization. The internship at Credit Suisse allowed the Fund’s employees to study the experience of the largest Swiss financial conglomerate in applying ESG principles,

2. In June and December 2020, in order to provide entrepreneurs of Kazakhstan with additional non-financial support, jointly with the Korea SME and Startups Agency, online B2B meetings were organized between Korean and Kazakh entrepreneurs. 18 Korean companies took part in the event, offering their technologies for the transfer. Each Korean company made a presentation and spoke in detail about their activities and possible areas of cooperation. Upon completion of the presentation, according to the previously agreed schedule, each Kazakhstani entrepreneur was provided with the time to conduct negotiations with the representatives of the Korean part.
3. In September 2020, the Fund organized international online forum for local, foreign and international partners of the Fund “Joint Reflections on the Consequences of COVID-19: Exchange of Experience, Support to SMEs and New Opportunities”. USAID, Asian Development Bank, Small and Medium Enterprises Development of the Republic of Turkey (KOSGEB), The Small and Medium Business Development Agency of the Republic of Azerbaijan (KOBIA), Polish Agency for Enterprise Development PARP, JSC SME Bank (Russia), Guarantee Fund of the Kyrgyz Republic, JSC “National Managing Holding” Baiterek”, JSC “KazakhExport”, Astana International Financial Centre, JSC “Kazakh Invest” took part in the event.
4. In November 2020, jointly with the Coordinator of the Special American Business Internship Program SABIT of the US Department of Commerce, the Fund held webinar for entrepreneurs on the terms of participation in the program.
5. In December 2020, UNDP conducted a webinar for the Fund’s staff on supporting green SME projects.

3.7. Advertising Activities and Mass Media Relations

During the difficult period of the COVID-19 pandemic, which had a strong negative impact on the economy of the whole world and Kazakhstan, as well as on the country’s micro, small and medium-scale businesses, the Fund established systematic, consistent and effective external

communications. The purpose thereof is to widely inform entrepreneurs and the public about all measures of state support implemented through the Fund.

Since the Fund has an extensive network of regional branches, the communications are built taking into account the interests and needs of the audience in the regions. The information was distributed through television, radio, print media and electronic media. When no quarantine restrictions were in force, the Fund held press conferences both in the regions and through the Central Communications Service under the President of the Republic of Kazakhstan.

As a result, in 2020, the mass media published more than 430 materials on implementation of state programs and the Fund's programs. 3 press conferences and 17 press tours were held. There were 43 stories on television, 11 radio broadcasts, 133 articles in news agencies and print media.

The Fund strives to continue developing digital channels for convenience of micro, small and medium-scale businesses. One of the most important digital communication channels is the Fund's corporate website [www.damu.kz](https://online.damu.kz/), which allows to promptly notify entrepreneurs and the public about the results of activities, adopted changes or new support programs implemented by the Fund, as well as to receive feedback on the most urgent issues. The site also concentrates all analytical information on the markets and sectors of the Kazakhstani economy, which entrepreneurs can study and rely on when making decisions.

Promotion of the Fund's products is focused on the portal <https://online.damu.kz/>. Most applications – 98%, received by the state institute for development of micro, small and medium-scale businesses support, are processed through it. The portal gained particular relevance during the quarantine measures.

Almost all areas and aspects of a PR campaign are implemented through social networks: this is a content strategy that consistently and purposefully informs the audience about products and programs of the Fund, and communication with entrepreneurs, and conducting advertising campaigns, promotions, contests, identifying the mood of the audience, increasing loyalty.

Thanks to development of this Digital marketing area, for the year 2020, 1,273 posts were posted on Instagram and Facebook. The total audience of the Fund's subscribers in social networks exceeds 70 thousand people.

Understanding the particular importance of informing micro, small and medium-scale businesses during the COVID-19 pandemic and economic recovery, the Fund has developed a "Communication strategy of "Damu" Entrepreneurship Development Fund" JSC for 2021–2023." based on the provisions of the Development Strategy of "Damu" Entrepreneurship Development Fund" JSC for 2014–2023 and "PR-strategy of JSC" National Managing Holding "Baiterek" for 2019–2023". The document is intended to change the quality of communication between the development institution and the audience: to make it better and more accessible. The communication strategy defines two main goals, the achievement of which the communication work will be aimed at the following:

1. practical purpose is to assist in increasing the number of applications for the Fund's support under various programs;
2. image goal is to raise the awareness of the wide audience about the Fund's activities and building the reputation of the Fund as a modern, open and accessible financial institution.



ZENCHENKO AND CO. (NKO)

"DAMU-ONDIRIS"

CT "Zenchenko and Co." is one of the largest and socially significant enterprises in the North Kazakhstan region. The activity of CT "Zenchenko and Co." is represented by:

- Production and sale of crop products (cereals, potatoes, vegetables);
- Production and processing of high quality milk;
- Production and sale of meat;
- Sales of breeding cows and bulls.



Business Road Map-2025

SUBSIDIZING*

MAXIMUM AMOUNT **UP TO KZT 7 BILLION**
SUBSIDY SIZE **FINAL RATE FOR THE BORROWER 6%**
PERIOD **UP TO 5 YEARS**

RESULTS OF 2020
14,262
NUMBER OF THE PROJECTS
838.4
KZT BILLION
AMOUNT OF THE LOANS

*Support within the frame of the current government programs

4. PERFORMANCE RESULTS

4.1. Implementation of Development Plan Indicators

	INDICES DESCRIPTION	2019		2020		EXPLANATION OF REASONS FOR NON-FULFILLMENT / OVER-FULFILLMENT OF INDICES
		ACTUAL	PLAN	ACTUAL	% OF PLAN FULFILLMENT	
1	Share of MFO portfolio in the loan portfolio of the Fund, %	16.2	13.07	22.3	170.6%	The index has been exceeded due to increase in the volume of placement of funds in MFOs.
2	Share of micro and small entrepreneurs from the total number of supported entrepreneurs, %	87.5	85.4	88.7	103.9%	Over fulfillment on the guarantee instrument due to introduction of portfolio subsidies and guarantees within the first direction of the "BRM-2025", on the subsidy instrument through expansion of conditions for participation in subsidies, as well as due to the number of projects in the most affected sectors of economy, over fulfillment for allocation of funds is associated with over fulfillment of the volume of funds placement in STB / LC / MFO.
3	Share of MSME entities that received financial support in relation to the total number of active MSME entities in the market, %	6.2	6.9	8.5	123.2%	Over fulfillment on the guarantee instrument due to introduction of portfolio subsidies and guarantees under the first direction of the "BRM- 2025", on subsidies due to expansion of conditions for participation in subsidies, as well as due to the number of projects in the most affected sectors of economy, over fulfillment for allocation of funds is associated with over fulfillment of the volume of funds placement in STB / LC / MFO.

INDICES DESCRIPTION		2019	2020		% OF PLAN FULFILLMENT	EXPLANATION OF REASONS FOR NON-FULFILLMENT / OVER-FULFILLMENT OF INDICES
		ACTUAL	PLAN	ACTUAL		
4	The number of new projects and projects for modernization and expansion of existing production facilities, taking into account increase in labor productivity and expansion of sales markets, cumulative since 2014 (State Programs / Fund's Programs)	82,603	95,157	115,764	121.6%	Over fulfillment under the guarantee instrument due to introduction of portfolio subsidies and guarantees under the first direction of the "BRM- 2025", on subsidies due to expansion of conditions for participation in subsidies, as well as due to the number of projects in the most affected sectors of economy, over fulfillment for allocation of funds is associated with over fulfillment of the volume placing funds in STB /LC /MFO.
5	The volume of subsidized loans to private developers, billion tenge	50	20	23	115%	For 2020, 25 projects were signed. 74 thousand sq. m commissioned.
6	The share of private sector in the Fund's loan portfolio, %	100	100	100	100%	-
7	The volume of goods manufactured by business entities that received support, billion tenge	25,099	27,466	30,530	111.2%	Over fulfillment of index due to increased support for entrepreneurs within the framework of anti-crisis support measures in the most affected sectors of economy.
8	Increase in taxes paid by business entities that received support from the Fund, KZT billion tenge	44	15	71	473%	Over fulfillment of the index due to increased support volume for entrepreneurs in the framework of anti-crisis support measures in the most affected sectors of economy.
9	Share of non-government sources of borrowing in the total structure of borrowing for the reporting year, %	52.1	3.9	3.9	100%	-

INDICES DESCRIPTION		2019	PLAN	2020	% OF PLAN FULFILLMENT	EXPLANATION OF REASONS FOR NON-FULFILLMENT / OVER-FULFILLMENT OF INDICES
		ACTUAL		ACTUAL		
10	Automation of the main business processes of the Fund, %	94.4	100	94.4	94.4%	The index is measured on the annual basis. 68 out of 72 main business processes are automated. The remaining 4 processes were planned to be automated as part of the project for building of the automated management reporting system based on the SaaS model. By the decision of the Holding's Digitalization Office as of 09/04/2020 № 2/5, the project costs were rejected.
11	Assessment of trust and satisfaction of MSME subjects with the activities of "Damu" Entrepreneurship Development Fund" JSC, %	86.15	Not less than 80 %	94.5	118%	Assessment of trust and satisfaction of micro, small and medium-scale businesses with the activities of the Fund for the year 2020 was 94.5%. Assessment was made by an independent company LLP "Home Angel".

4.2. Efficient Asset Management

The Fund's assets and liabilities management is the process of forming and maintaining such structure of the balance sheet assets and liabilities, which ensures achievement of strategic indices, maintaining profitability, provision that the amounts and terms of funds raising and placing are consistent and minimizing the unjustified risks. The main task of the Fund's assets and liabilities management is to regulate the assets and liabilities in such a way as to achieve the high financial performance of the Fund while minimizing the risks.

The need for effective management of the Fund's assets and liabilities in the current conditions is determined by:

- emergence of the new complex products;
- changes in the structure of attracted resources;
- instability of economy;
- necessity to coordinate the Fund's activities in all its areas;
- necessity to coordinate the approaches to providing funds to counterparties within the general framework of risk management.

The main tasks of the Fund with respect to assets and liabilities management are to maintain the liquidity at the level sufficient to cover all cash flows needs, if possible, to profitably allocate excess liquidity, to maintain sufficient amount of capital to pay off any business risks,

to ensure safety of temporarily free funds, and solvency for current liabilities, the ability to finance the emerging investment opportunities.

As of January 1, 2021, the Fund's assets amounted to 358.1 billion tenge and increased by 20.6 billion tenge in comparison with the year 2019.

The loan portfolio represents the main share (61 %) in the assets structure. The share of cash is 11 % of the total assets, the reverse REPO transactions – 14%. The Fund's securities account for 6 % of the assets.

The Fund's liabilities according to the results of 2020 amounted to 238.4 billion tenge, which is 12.9 billion tenge less than in the previous period.

Equity capital as of January 1, 2021 amounted to 119.7 billion tenge.

4.3. Financial Results

The total income of the Fund in 2020 amounted to 35.0 billion tenge, including the operating income – 28.4 billion tenge, and the non-operating income – 6.6 billion tenge.

The total expenses of the Fund for the year 2020 amounted to 28.8 billion tenge. The main share in the Fund's expenses is represented by the costs of creating reserves and writing-

off bad debts (44%), the share of costs financing is 38%, and the administrative costs are 16%.

According to the results of 2020, the financial result of the Fund amounted to 4.8 billion tenge, which is 38 % more than the planned index.

Profitability Indices

DESCRIPTION	2018 (ACTUAL)	2019 (ACTUAL)	2020 (PLAN)	2020 (ACTUAL)
ROA, return on assets	-3.8%	1.10%	1.09%	1.37%
ROE, return on equity	-13.7%	4.8%	3.37%	4.63%
Weighted average profitability IRR	8.6%	8%	8.50%	10.15%
Operating profitability	-28.6%	20.6%	12.44%	16.51%
NI margin	-28.6%	19.2%	17.05%	23.08%
Debt/ equity capital	3.0	2.9	1.51	1.99
Share of the loan portfolio in assets	71.8%	77.9%	59.97%	61.27%

The return on assets index exceeds the forecasted value of this index by 0.28%. This is conditioned by the fact that in the reporting period, a profit was received that exceeded the planned value by 0.3 billion tenge, due to overfulfillment of the plan by non-operating income (income from interest on current accounts, under Reverse REPO transactions, deposits).

The share of the loan portfolio in assets as of the reporting date is 61.27 %, which is more than the planned value of this index. This is due to the fact, the Fund's actual value of the loan portfolio (219.4 billion tenge) exceeds the planned value (178.1 billion tenge) by 23 %.

Rating

In 2020, S&P Global Ratings affirmed the long-term and short-term credit ratings for liabilities in foreign and national currency of "Damu" Entrepreneurship Development Fund" JSC at "BB +/-B" level.

At the same time, the rating on the national scale was confirmed at the level of "kzAA-".

According to the expert opinion of Moody's Investors Service in 2020, the long-term and short-term credit ratings of the Fund were confirmed at the "Baa3" level.

The outlook is "Stable".

Plans for Development

To achieve the planned level of financial performance, the Fund will work to introduce the uniform approaches to planning and budgeting, create a management reporting system, and establish the key performance indicators.

Economics of simple things

SUBSIDIZING*

MAXIMUM AMOUNT **WITHOUT LIMITATION**

SUBSIDY SIZE **FINAL RATE FOR THE BORROWER 6%**

PERIOD **UP TO 10 YEARS**

RESULTS OF 2020

386

NUMBER OF THE PROJECTS

334.9

KZT BILLION

AMOUNT OF THE LOANS

*Support within the frame of the current government programs

5. PLANS FOR THE YEAR 2021

In 2021, the Fund plans to implement a number of the following activities and projects:

1. The Fund plans to conduct an independent assessment and improve its environmental, social responsibility and corporate governance (ESG) practices. Based on the assessment results the Action Plan for ESG system improvement will be developed.
2. It is planned to continue work to obtain accreditation of Green Climate Fund.
3. It is planned to maintain the distant mode of work for the most of workers due to the epidemiological situation in the country and in the world.
4. Within the framework of the Fund's cooperation with European Investment Bank, it is planned to develop and introduce a new SME lending product using

the funds of the international institution.

5. Within the framework of cooperation with UNDP, it is planned to implement a new product of conditional placement of funds in STBs / MFOs for subsequent financing of MSMEs within the framework of the UNDP-GEF Project "Derisking Renewable Energy Investment". The product is aimed at expanding the investor base and promoting the quality development of entrepreneurship in the field of renewable energy sources.
6. It is planned to update the program of factoring transactions financing aimed at expanding the capabilities of MSMEs while ensuring continuous capital turnover.
7. It is planned to work out the issue of guaranteeing leasing transactions in the Lending Mechanism for Priority Projects and "BRM-2025".

8. It is planned to work out the issue of providing guarantees in the form of an electronic document, while the electronic form is signed by EDS in accordance with the current legislation of the Republic of Kazakhstan.
9. It is planned to work on the concept of a new program for SMEs financing through microfinance organizations with Asian Development Bank.
10. Jointly with French Development Agency, it is planned to develop a program for financing sustainable development of SMEs in Kazakhstan.
11. As part of the chairmanship of the Republic of Kazakhstan in the Conference on Interaction and Confidence-Building Measures in Asia (hereinafter – CICA), it is planned to hold a seminar on the subject "Cooperation Opportunities of CICA Countries in the Field of Economy Digitalization".

12. After completion of the reorganization process of "Baiterek" NMH JSC and "KazAgro" NMH JSC, it is planned to amend current organizational structure.
13. It is planned to launch Management Reporting Portal within the framework of the project for implementation of management reporting, automation of the process on portfolio subsidizing of the interest rate part and partial guarantees under loans/microcredits within the framework of the First Direction of the "Business Road Map-2025".
14. The Fund plans to participate in the United Nations Development Program Solidarity Fund, which was established to combat the negative impact of the COVID-19 pandemic on the labor market, reduce the impact on the most vulnerable segments of the population and prepare the country for the post-crisis period with new industries, professions and jobs.

Work Plans under the Fund’s Current Programs:



1. The work for attraction of funds from the local executive bodies for implementation of the targeted regional programs, providing the entrepreneurs in the regions with the affordable and long-term funding will continue.



2. The work within the framework of cooperation with the international financial organizations, including raising funds under the first tranche from European Investment Bank under the Credit Line A, to provide financial support to entrepreneurs affected by the consequences of COVID-19, will continue.



3. The work for provision of non-financial assistance together with foreign partners through arrangement of B2B meetings, forums, seminars and consultations, will continue.



4. The work for implementation of additional improvements under the projects of entrepreneurs operating in the most affected industries within the framework of the “BRM-2025” will continue as follows:

- *Supplementing CCEA list;*
- *Review of the nominal interest rate on loans;*
- *Extension of the subsidy period by analogy with the term when granting a deferral for payment of the nominal interest rate on loans on the basis of an order and/or other document and /or AFR order, including AFR order as of April 9, 2021 № 127.*



5. The work for optimization of the modified payment schedule execution process in case of partial early repayment of the loan within the framework of the “BRM-2025” projects will continue, this will facilitate the internal procedures of STBs and the Fund, and decrease the time required to resume payment of subsidies under the updated payment schedules.



GREENHOUSE TECHNOLOGIES

“BUSINESS ROAD MAP-2025”

The total area of “Greenhouse Technologies of Kazakhstan” is 3.5 hectares, and the production volume has reached 2.5 thousand tons of the products per year. The Company uses the “technology of moving trays in a thin layer”, lettuce is grown in trays. The greenhouse technologies in Kazakhstan use a low-volume drip irrigation technology. The products are sold on the markets in the cities of Stepnogorsk, Kokshetau, Karaganda, Pavlodar and Nur-Sultan.



NURLY ZHER Housing program

SUBSIDIZING*

MAXIMUM AMOUNT **WITHOUT LIMITATION**
 SUBSIDY SIZE **7% OF THE REMUNRATION RATE**
 PERIOD **UP TO 3 YEARS**

**Support within the frame of the current government programs*

RESULTS OF 2020

25

NUMBER OF THE PROJECTS

23.1

KZT BILLION
 AMOUNT OF THE LOANS

6. RISK MANAGEMENT AND INTERNAL CONTROL

The Fund's Risk Management System includes a system of processes and procedures that provide the executive body and the Fund's management body with timely information on the risks and decisions to minimize them.

The main element of the Fund's risk management process is its integration with the specifics of the organization, basic principles of activity, business processes and involvement of each employee in the risk management process.

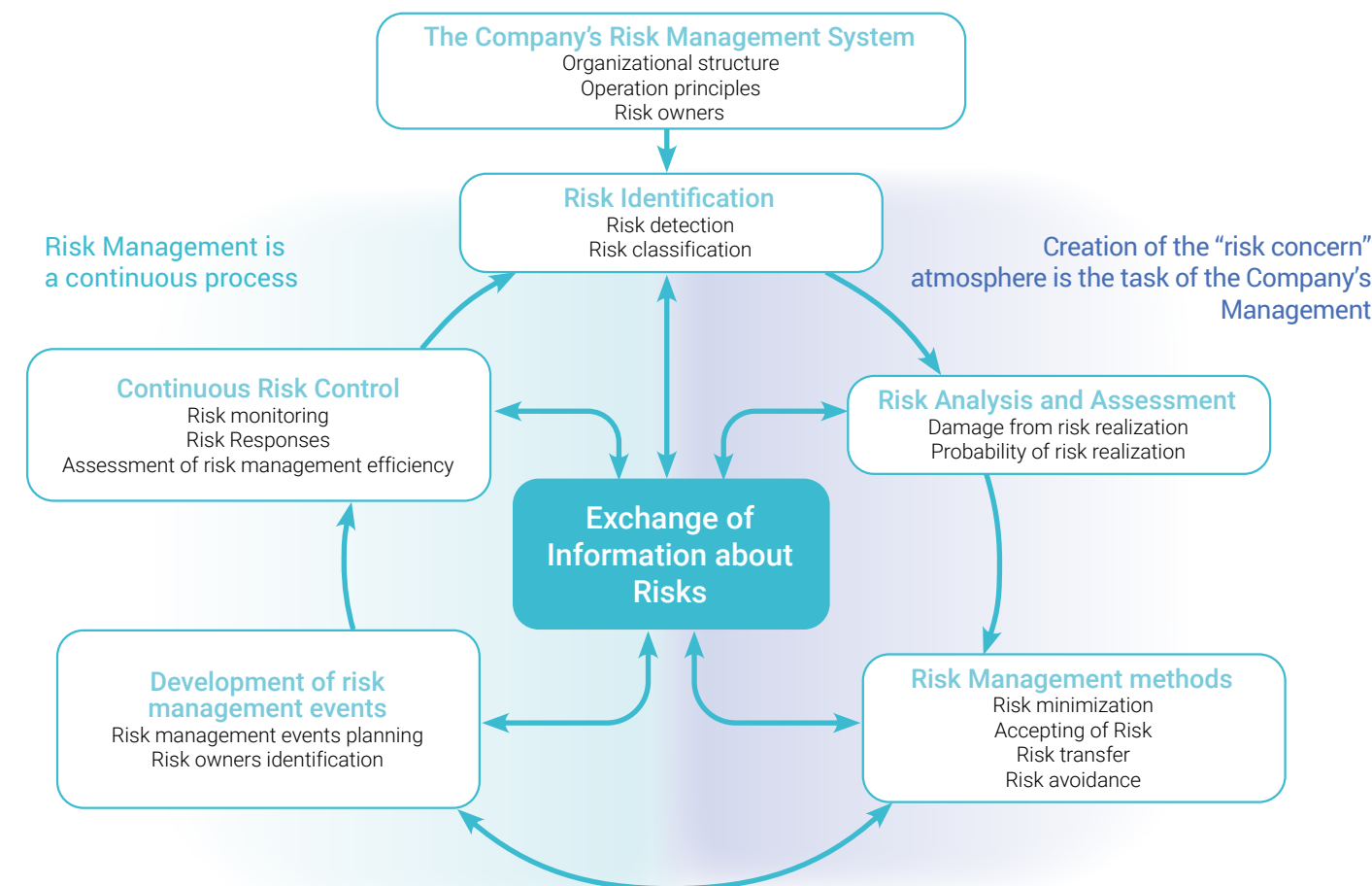
The sequence and continuity of the Fund's corporate risk management system operation (hereinafter referred to as CRMS) is shown in the diagram below.

At the current moment, the CRMS structure is represented by four levels of risk management: Board of Directors, Management Board, Risk Management Department, structural divisions (risk owners).

At provision of the general vision on the existing risks and magnitude thereof through basic ranking to identify the "weakest" points. This process allows to assess the methods and procedures used for main risks management.

Risk management is the process of developing and implementing measures to reduce the negative effect and the likelihood of losses or to receive financial compensation in the event of losses associated with the risks of the Fund's activities.

The risk management system is aimed at implementing the principles of credit risks comprehensive analysis within the scope of programs on SME projects guarantee. Taking into account the importance of the program implementation, the Fund annually improves the methodology of project risks assessment, which allows it to minimize credit risks at the early stage.



When making decisions on the provision of guarantees or refusal to provide them, the Fund uses the results of its own comprehensive methodology of credit risks assessment. This methodology is based on a comprehensive analysis of interrelated risk factors that can negatively affect the financial performance of the project and, accordingly, increase the Fund's credit risk level in the issued guarantees portfolio.

When managing financial risks in 2020, three risk zones were traditionally distinguished: conditional loans in STBs, securities portfolio and temporarily free funds in STBs. In order to minimize them, the methods of limiting active operations with counterparty banks, remote analysis of STB, LC and corporate issuers credit risks were used.

Application of the limiting methods became possible as a result of the Risk Management Department efforts on improvement of the methodological and technical bases for financial risk management.

Since commencement of the risk management system implementation in the Fund, significant work was conducted to implement the basic methodological risk management documentation. In particular, as part of centralized activities of "Baiterek" NMH" JSC, jointly with the external consultant represented by PWC, a risk management system, developed in accordance with international best practices, taking into account the requirements of the Basel Committee on Banking Supervision was introduced, including management and assessment of all individual types of risk (credit, market, operational risks, business risks, real estate risk), determination of the aggregate risks volume taking into account normal and stressful situations, calculation of the internal capital adequacy and forming of risk appetite (with respect to capital adequacy, yield and liquidity).

In accordance with the Risk Management Policy, the Fund's Management Board quarterly submits Risk Report on a consolidated basis to the Board of Directors, providing description and analysis of key risks, information on compliance with risk limits, as well as information on plans and programs implementation to minimize the key risks.

In 2020, the work for operational risks management continued. The measures on automation of the risk base, risk register were taken. All Fund's structural subdivisions were involved in the work in this direction, a comprehensive package of documents was approved, including: updated register and risk map, and risk management action plans.

All identified and assessed risks are reflected on the risk map. The risk map allows you to assess the relative importance of each risk (in comparison with other risks), as well as identify the risks that are critical and require development of risk management measures.

The corporate level risk register and the Fund's risk map contain the risks related to the following risk groups: strategic, financial (credit, market, liquidity risk), legal and operational. The risks falling into the "red" zone represent the maximum exposure of the Fund's activities to the risk. The risks falling into the "yellow" zone represent an acceptable level of risk exposure. The risks falling into the "green" zone represent the minimum level of risk exposure.

The action plan /control procedures were drawn up with respect to all risks in order to minimize them:

1. key risk indicators (KRI) were approved;
2. practice of continuous maintenance of the realized and potential risks base was introduced;
3. plans for restoration of the Fund's activities, crisis management of the Fund within the framework of the Fund's continuity management system were drawn up.

The Key Risks. The Fund divides the key risks into the following categories.

- a. The credit risk of the Fund's counterparties is the risk of loss of funds placed with STBs, MFOs and LCs due to failure thereof to comply with their obligations towards the Fund.
- b. Financial risk is the likelihood of losses due to fluctuations in exchange rates and unbalanced interest rates structure.
- c. Operational risk is the risk resulting in losses due to inadequate or erroneous internal processes, personnel actions, system functioning, as well as losses

arising from realization of any external events, including legal risk (excluding strategic and reputation risk).

- d. Legal risk is a potential risk that arises from violation or non-compliance with the requirements of legislation, regulations, agreements, accepted practices or ethical standards.

The Internal Control System is an integral part of the corporate governance system and an important element that ensures business processes efficiency.

In order to improve the existing internal control system, the Fund takes the following measures:

1. Policy on the Internal Control System (approved by the decision of the Fund's Board of Directors as of December 19, 2019 № 14/2018) in accordance with the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) were amended/supplemented in order to include the procedures aimed at improving the efficiency of the internal control system.
2. The concept of the "internal control system arrangement" is provided in more detail with full description of three protection lines of the internal control, which establish the participants of the internal control system, their competences, as well as powers and responsibilities.
3. Five interrelated components of the internal control system (in accordance with the COSO model) are described in detail, including the control environment, risk assessment, control procedures, information support and information exchange system, monitoring and evaluation of the internal control system effectiveness.

In order to identify risks and defects in the internal control system, the comprehensive measures are taken to eliminate the identified violations / comments and to improve the internal control in the Fund. Risk Management Department regularly conducts the following measures:

1. monitoring of compliance with the recommendations of the Internal Audit Service with respect to the activities of all structural divisions of the Fund;
2. monitoring of compliance with the recommendations provided on the results of the external audit;
3. monitoring of compliance with the recommendations of the Sole Shareholder of the Fund – "NMH "Baiterek" JSC and independent directors of the Fund.

Independent assessment of the ICS is conducted every three years in accordance with the regulations of the Fund. Based on the results of the Fund's internal control system effectiveness assessment by "Deloitte" LLP, the final score of independent assessment of the internal control system was 88%.

SME SUPPORT PROGRAM IN THE MANUFACTURING INDUSTRY

LENDING*

MAXIMUM LOAN AMOUNT **UP TO KZT 1 BILLION 850 MILLION**
INTEREST RATE **NO MORE THAN 6%**
PERIOD **UP TO 10 YEARS**

RESULTS OF 2020
441
NUMBER OF THE PROJECTS
102.5
KZT BILLION
AMOUNT OF THE LOANS

*Support within the frame of the current government programs

7. CORPORATE AND SOCIAL RESPONSIBILITY POLICY

Human capital is the main value and the main resource; the results of the Fund's activities directly depend on the level of professionalism and safety of the Fund's employees.

The staff of the Fund at the end of 2020 is 374 people. The share of men is 48%, women – 52%. (see Graph. 10)

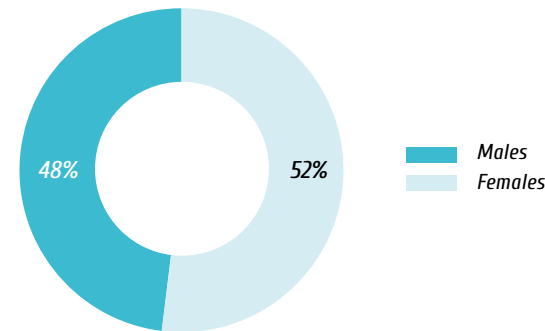
Personnel Structure as of the End of 2020

INDEX	TOTAL (PERSONS)	STRUCTURE AS PER GENDER GROUPS, %		STRUCTURE AS PER AGE GROUPS, %		
		MALES	FEMALES	UP TO 30 YEARS OLD	30-50 YEARS OLD	OLDER THAN 50 YEARS OLD
Average headcount total	359	48	52	10	84	5
Top Management	5	80	20	0	100	0
Middle Managers	47	66	34	4	87	9
Employees	307	45	55	11	83	6

According to the data of 2020, the average age of the Fund's employees is 38 years. (see Graph. 11)

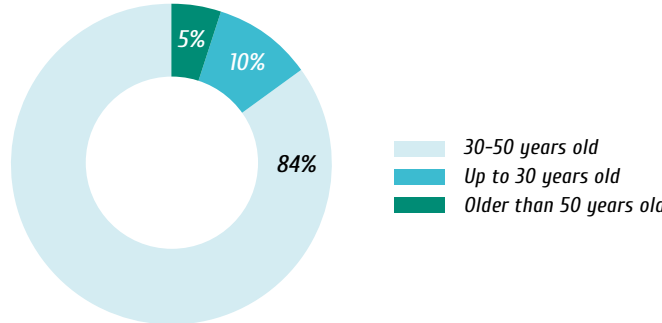
Staff Turnover

10. Structure of Personal as per Gender Groups, %



In 2020, the voluntary staff turnover was 5.8%, while the planned one was not more than 14%. In 2020, the number of open vacancies in the Fund was 38, 35 vacancies of which were for administrative positions and 3 vacancies for managerial and executive positions. 62.9% of vacancies for administrative positions were filled by internal candidates, 37.1 % of vacancies were filled by external candidates. 75% of vacancies for managerial and executive positions were filled by internal candidates

11. Structure of Personal as per Age Groups, %

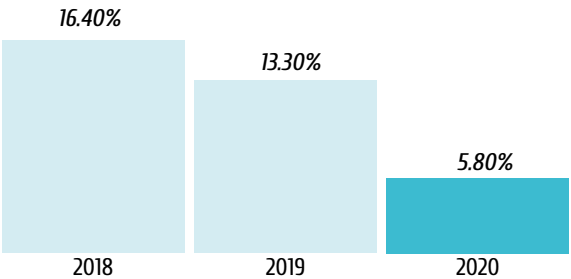


included in the Fund's personnel reserve, 25% of vacancies were filled by external candidates.

Staff Turnover and Number of Employees Hired in 2020

INDEX	TOTAL	INCLUDING AS PER GENDER GROUPS		INCLUDING AS PER AGE GROUPS		
		MALES	FEMALES	UP TO 30 YEARS OLD	30-50 YEARS OLD	MORE THAN 50 YEARS OLD
Staff turnover, %	5.8	2.2	3.6	0.8	5	-
Number of employees hired in 2020, people	50	21	29	19	31	0

12. Personnel Turnover Rate in “Damu” Entrepreneurship Development Fund” JSC for the period of 2018-2020



Employee Pool

The work for forming and developing the human resources of the Fund is conducted. In 2020, the Fund’s Employee Pool included 26 full-time administrative employees and 9 employees of the management team, 4 employees of which were transferred to higher positions.

The Fund actively works towards development of competencies (training, career growth) of the reservists.

In particular, Individual Employee Pool, the reservists are sent to training events that contribute to development of their professional and personal competencies. Also, the work on holding business meetings of reservists with the independent directors of the Fund’s Board of Directors, with the Chairperson and members of the Fund’s Managing Board continues.

Corporate Culture Development

The corporate culture development is an essential element of building a highly effective organization and a necessary component to achieve the company’s strategic goals. In this connection a staff survey is conducted annually to analyze the extent of the personnel involvement, business meetings, meetings of the work groups and the HR Policy Committee under the Fund’s Managing Board are regularly held.

According to the results of 2020, the aggregate value of extent of the Fund’s employees involvement and satisfaction was 78%.

In 2020, due to the difficult epidemiological situation in the Republic of Kazakhstan associated with the COVID-19 pandemic, the Fund actively used online and distance learning formats. During the year, the Fund actively held online congratulatory meetings with the Fund’s employees in all regions of the Republic of Kazakhstan in order to enhance the corporate culture and corporate spirit.

Motivation and Reward

The policy of increasing labor efficiency in the Fund is created in order to link the strategic goals of the Fund, strategy and business plans of the Fund with the policy of labor evaluation, motivation and encouragement of employees.

All employees should be focused on achieving goals and objectives that are based on the strategic objectives of the Fund. Evaluation of the employees performance

depends on fulfillment of specific tasks, which must be confirmed by the key performance indicators of the employee, in which connection the Fund conducts quarterly assessment of the administrative employees activities, on the basis of which the employees compliance with their positions and the extent of the set objectives achievement are determined.

The Fund’s employees are provided with annual medical insurance at the expense of the funds provided for in

the Fund’s budget. In addition, the employees of the Fund are provided with the material assistance in the amount of two official salaries when they get their annual leave, material assistance for marriage, birth of a child, and material assistance is also paid in connection with death of a family member.

Maternity leave is also paid subject to preserving the average salary minus the amount of social payments for income loss due to pregnancy and childbirth.

Information on Maternity Leave, Childcare and Parental Leave

INDEX	VALUE (PERSONS)	MALES	INCLUDING FEMALES
Number of employees who took maternity leave, childcare and parental leave in 2020	12	0	12
Number of employees, who returned from maternity leave, childcare and parental leave in 2020	5	0	5
Number of employees, who returned from maternity leave, childcare and parental leave in 2019	21	0	21

Occupational Health and Safety

The Fund aims at systematic work, consistent steps to improve employees protection (occupational health and safety) and to introduce the culture of safe work.

The Fund complies with the legislation of the Republic of Kazakhstan in the field of occupational health and safety, industrial and fire safety, and also introduces additional measures to improve the accident-free operation.

The Fund’s employees are governed by the Fund’s Occupational Health and Safety Instruction for office employees. The requirements of the Instruction apply to all main activities performed by the Fund’s employees while working in the Fund’s offices, during business trips, as well as in cases of emergencies and accidents.

Personnel Training and Development System Generation

Training and professional development of employees is provided for them to update and acquire additional theoretical and practical knowledge, skills, and competencies in the field of professional and managerial activities of employees for effective fulfillment of their job responsibilities and solving the tasks determined in accordance with the Fund’s Development Strategy.

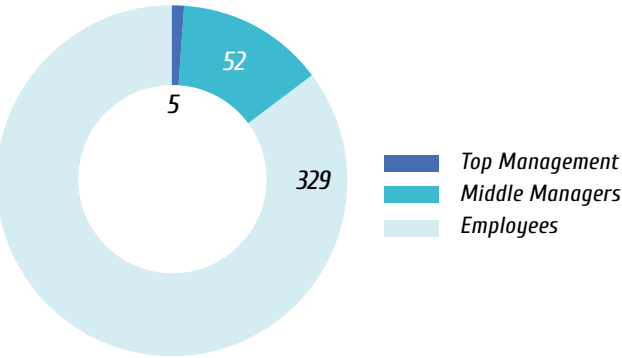
In order to accomplish this task, the Fund’s employees Training Plan was approved by the decision of the Fund’s HR Policy Committee, (Minutes № KKP 05/2020 as of January 28,

2020). For the reporting year, 386 Fund’s employees were trained 1,337 times at 43 training events, some employees of this number were trained several times during the year, including in a corporate format. Training within the framework of the annual Plan was aimed at development of business, personal and professional competencies of employees. The employees were also trained in development of mobile applications on iOS, development in Creatio, training courses in IFRS and changes in the Tax Code, as well as in financial analysis, Power BI, risk modeling in MS Excel, were provided in Kazakh and in English, as well as project management and operational efficiency improvement, etc.

Indices on Employees Training in 2020

INDEX	FOR ALL EMPLOYEES	FOR GENDER GROUPS		FOR CATEGORIES OF EMPLOYEES		
		FEMALE	MALE	TOP MANAGEMENT	MIDDLE MANAGERS	EMPLOYEES
Average number of hours of training that employees of the organization completed for the reporting period	206.00	210.91	200.59	25.00	176.98	213.30
Number of employees trained	386.00	201.00	185.00	5.00	52.00	329.00
Number of training hours	79,503.00	42,393.00	37,110.00	125.00	9,203.00	70,175.00

13. Number of the Employees Trained According to the Categories



Sponsorship and Charity

The Fund has the Rules for provision of sponsorship and charitable assistance approved by the decision of the Fund’s Management Board as of December 26, 2017 (Minutes № 104/2017), the purpose of which is to ensure transparency in planning and effective management of funds intended for provision of sponsorship and charitable assistance within the framework of the approved Fund’s development plan.

In 2020, the Fund provided charitable assistance to the Public Utility Institution the Specialized Complex

“Zhanuya” under the Almaty Department of Education, representing a combined orphanage: a kindergarten, a correctional boarding school for orphans, children left without parental care, as well as children with attendance regime of education and upbringing with disabilities in development.

PUISC “Zhanuya” submitted a list of children consisting of 71 people. The Fund purchased tracksuits, shoes and backpacks. The goods were transferred to PUISC “Zhanuya”, all purchased items were distributed among the pupils of the orphanage.

In March 2020, a voluntary fundraising was organized to provide targeted assistance to people who were in a difficult situation due to the introduction of quarantine in Almaty. The collected funds were used to purchase food baskets and deliver them to the socially vulnerable groups of the population.

In May 2020, the Fund’s employees organized fundraising and provided targeted assistance to 11 veterans of the Great Patriotic War, labor veterans and war children in the form of food baskets.



AGRIMER-ASTYK (KOKSHETAU)

“BUSINESS ROAD MAP-2025”

The enterprise carries out receiving and post-harvest processing of grain – drying, cleaning, storage, preparation of grinding and commercial lots of grain, processing of soft wheat, processing of durum wheat, shipment by road and railway transport. The quality of the grain, arriving at the enterprise is determined in the grain laboratory, equipped with all necessary equipment.



Results in the Field of Social Responsibility Achieved in 2020

DIRECTIONS IN THE FIELD OF CSR	INDICES	TARGET VALUES FOR 2020	FULFILLMENT
Economic Indices	The amount of funds in the budget of the Fund, provided for sponsorship / charitable assistance	Within the framework of the Budget 2020. 10 million tenge was allocated for the item "Providing sponsorship"	Within the framework of the Budget 2020. 10 million tenge was allocated for the item "Providing sponsorship". The actual value of the index was 3.1 million tenge. According to the decision of the Committee for Planning and Evaluation of the Activities of "Baiterek" NMH" JSC as of December 15, 2020 (Minutes № 22/20), a moratorium was imposed on the expenses related to provision of charitable and sponsorship assistance in the amount of 1.9 million tenge
	Gross amount spent by the Fund on sponsorship and charitable assistance to the external stakeholders	The target amount planned for 2020 for provision of sponsorship and charitable assistance to external stakeholders is 10 million tenge	
Indices of work with personnel	Personnel involvement extent	Above the average	Assessment was made by an independent company Ernst & Young Kazakhstan under the order of the Sole Shareholder. The aggregated value of involvement and satisfaction for 2020 was 0.78%, which refers to the positive zone, the level of involvement is "Above the Average"
	The number of young professionals who completed internship within the Fund	15 persons	In 2020, the number of young specialists who underwent practice / internship at the Fund was 10 people. The target value was not achieved due to unstable epidemiological situation in the country
	The number of employees of the Fund who underwent training	185 persons	The number of trained employees in 2020 was 386 people, trained 1,337 times (a number of employees were trained several times)
	Number of the employee appeals to the Fund's ombudsman on non-compliance with the Business Ethics Code	Not more than 7	In 2020, there were no employee appeals to the Ombudsman.

Code of Business Ethics

Business ethics is one of the essential prerequisites for the company's success, the key to its healthy and sustainable development.

The Fund's Code of Business Conduct establishes the corporate values and standards for every employee. The Fund's employees adhere to such values as honesty, reliability, professionalism and strive to contribute to the sustainable development of the economy of Kazakhstan.

On the annual basis, the Fund's employees are trained and tested for knowledge and understanding of the basic principles of the Fund's Code of Business Ethics.

Policy for Settlement of Corporate Conflicts and Conflicts of Interest

In order to determine the procedures for prevention and regulation of the corporate conflicts, timely identification and prevention of conflicts of interest ("Conflicts"), as well as coordination of actions of all bodies in case of a corporate conflict or conflict of interest or in case of possibility of a corporate conflict or conflict of interest, the Fund approved Policy for Settlement of Corporate Conflicts and Conflicts of Interest. (Resolution of the Board of Directors as of April 15, 2015, Minutes № 60, 'Policy').

One of the effective mechanisms for observing and protecting the rights of the Sole Shareholder, as well as protecting the property interests and business reputation of the Fund, is prevention and settlement of Conflicts.

During the reporting period, the Fund's Compliance Officer received 2 complaints from employees regarding possible conflict of interest:

1. A close relative of an employee applied for financial support to the regional branch in Akmola region;
2. Verbal appeal of the Fund's employee regarding possible situation of conflict of interest when creating a family with another employee.

Compliance Officer issued the conclusions on all appeals, explaining the arisen conflicts of interest with the recommendations for further actions to settle the arisen conflict of interest.

The Fund also conducts activities to form the anti-corruption culture with methods of introducing the principles of integrity, honesty and zero tolerance for corruption.

In connection with the amendments and supplements in the Law of the Republic of Kazakhstan as of November 18, 2015 № 410-V LRK "On Combating Corruption", the new requirements of anti-corruption legislation were explained to employees, the Fund's internal documents were amended as appropriate, and corresponding training on "Anti-Corruption Policy of the Fund" was conducted.

Anti-Corruption Management

The Fund pays special attention to reducing risks of corruption. Annually, in accordance with the Anti-Corruption Strategy of the Republic of Kazakhstan for 2015–2025, jointly with the representatives of the Agency for Civil Service Affairs and the National Bureau for Combating Corruption, the Fund and its regional branches provide lectures and show videos, explaining the norms of the Law “On Combating Corruption”. Simultaneously, the continuous work with the newly hired employees of the Fund is conducted, first of all, they are explained with the Anti-Corruption Policy.

The purpose of the Policy is to enhance control for prevention and detection of corruption, as well as to create an atmosphere of tough rejection in the Fund. It fosters the legal culture of the Fund’s employees, ensuring compliance with the principles of honesty and transparency while fulfillment their official responsibilities. In order to achieve the atmosphere of intolerance towards any manifestation of corruption in the Fund, this document contains anti-corruption standards aimed at the forming of value and moral anti-corruption guidelines for the behavior of employees while exercising their official powers.

According to the results of 2020 the following events were implemented.

1. All employees of the Fund are familiarized with the Fund’s Anti-Corruption and Fraud Policy.
2. In order to prevent fraudulent acts on the part of persons representing themselves as employees or representatives of the Fund, a special section on the corporate website has been created about the activities of the Fund to combat fraud

and corruption. The site also contains links to all communication channels (hot lines, special e-mail, etc.) to receive information from the Fund’s employees and counterparties’ representatives about any features of fraudulent activities and corruption manifestations.

3. A video clip on “Combating Corruption and Fraud” was made and demonstrated on the Fund’s website and on television panels installed in the operating rooms of the Regional Branches.
4. The Compliance Controller periodically carried out the activities aimed at improving the anti-corruption culture of the Fund’s employees.
5. In order to minimize possible corruption and reputational risks of the Fund, situational check-ups “Mystery Shopper” were organized and carried out.
6. In order to minimize any possible corruption and reputational risks the following events were arranged and conducted for the Fund’s employees:
 - online course on “Combating Corruption and Fraud” with subsequent testing;
 - online game simulating situational actions to combat corruption and fraud.

According to the results of 2020, no facts of corruption manifestations by the Fund’s employees were committed.



REISSWOLF KAZAKHSTAN

“DAMU-ONDIRIS”

REISSWOLF Kazakhstan LLP provides a wide range of services for off-office storage and management of the documents and data, archiving and confidential destruction of the documents. REISSWOLF Kazakhstan is a member of the REISSWOLF Group of companies and is an official partner of REISSWOLF International AG, which occupies a leading position in the European market for the off-site storage and management of the documents and data with the headquarters in Hamburg (Germany).



ENBEK

LENDING*

MAXIMUM AMOUNT
8,000 MCI NUR-SULTAN, ALMATY, AKTAU, ATYRAU, SHYMKENT
6,500 MCI IN THE CITIES, MONOCITIES
 INTERST RATE **NO MORE THAN 6%**
 PERIOD **UP TO 5 YEARS**

RESULTS OF 2020

1,118
 NUMBER OF THE PROJECTS

13.5
 KZT BILLION
 AMOUNT OF THE LOANS

**Support within the frame of the current government programs*

8. ENVIRONMENTAL POLICY

The Fund strives to improve the indices of ongoing and planned activities impact on the environment. It takes measures to reduce the environmental impact from operating activities, develops green products, raises awareness among entrepreneurs, trains its own specialists in accordance with the Fund's Sustainable Development Policy, and conducts training seminars devoted to the environment.

In 2020, the Fund took the first steps towards implementation of the "green office" concept. The Fund installed boxes for sorting waste. Separate storage and removal of non-hazardous waste and materials to be recycled to raw material processing centers is provided within the scope of the "green office" concept implementation.

In December 2020, an online webinar was held for the Fund's employees on assessment of environmental and social risks.

Also at the end of 2020, the Fund began development of the Environmental and Social Policy, approval of which

is scheduled for early 2021. The objectives of the Fund's Environmental and Social Policy are:

1. decrease potential negative environmental and social impacts and increasing potential positive environmental and social effects from the Fund's activities;
2. encourage direct financing clients to develop and maintain environmental and social risk management systems at an appropriate level;
3. take into account public interests in the field of the project impact on the environment, as well as in the field of social impact, when making decisions on projects financing and implementation thereof.

With regard to use of environmentally friendly, energy- and material-saving technologies, guided by the principles of responsible consumption, the Fund set a goal to reduce electricity consumption for internal needs. Use of energy-saving technologies resulted in decrease of electricity consumption in 2020 by 15.4% as compared with 2019.

Due to the automation of business processes and transfer to electronic forms, the paperwork significantly decreased.

Removal of non-hazardous waste is made by the Fund on the basis of Service Purchase Agreement, which is concluded on the annual basis with service suppliers.

Also, it is necessary to mention that in order to improve the environmental orientation of the Fund's partners,

the amendments to the standard agreements with the Fund's partners were approved, taking into account the principles of sustainable development, which were communicated to all partners of the Fund.

Results Achieved in 2020 in the Field of Ecology

INDICES	2018	2019	2020
Reduced level of energy resources consumption by the Fund in comparison with the previous years, %	Actual decrease in the level of electricity consumption was 10 % in comparison with year 2017	Actual decrease in the level of electricity consumption was 27.14% in comparison with the year 2018*	Electricity consumption by the Fund in 2020 compared to 2019 decreased by 15.4%
Volume of water consumption, cubic meters.	4,308 cubic meters	5,181 cubic meters.	4,179 cubic meters

**In 2019, a sharp decrease in the level of electricity consumption is associated with transition of the Fund to the energy-saving lighting systems. In subsequent years, due to the lack of additional energy saving technologies introduction, electricity consumption is projected at the level of 2020.*

SUSTAINABLE CITIES FOR THE LOW-CARBON DEVELOPMENT

Subsidies under the UNDP program in Kazakhstan

MAXIMUM AMOUNT **NO MORE THAN KZT 350 MILLION**
SUBSIDY SIZE **UP TO 10% OF THE REMUNERATION RATE**
MAIN PERIOD **UP TO 3 YEARS**

9. CORPORATE GOVERNANCE

The Fund considers corporate governance as a means to improve operational efficiency, ensure transparency and accountability, strengthen its reputation and decrease the costs of raising capital. The Fund considers the appropriate corporate governance system as its contribution to ensure the rule of law in the Republic of Kazakhstan and a factor determining the Fund's place in the modern economy and the society, in general. The corporate governance system provides for clear delineation of powers and responsibilities between the bodies, officials and employees of the Fund.

The fundamental principles of corporate governance are:

1. principle of delineation of authority;
2. principle of protecting rights and interests of the Sole Shareholder;
3. principle of effective management of the Fund by the Board of Directors and the Managing Board;
4. principle of sustainable development;
5. principle of risk management, internal control and internal audit;
6. principle of the corporate conflicts and conflicts of interest regulation;
7. principles of transparency and objectivity of information disclosure on the Fund's activities.

9.1. Corporate Management System

In accordance with the Charter of the Fund, its governing bodies include:

1. superior body is the Sole Shareholder;
2. management body is the Board of Directors;
3. executive body is the Managing Board;
4. body exercising control of the financial and economic activities of the Fund is the Internal Audit Service;
5. body implementing the internal credit policy is the Credit Committee;
6. body engaged in improving the efficiency of the Fund's asset and liability management in order to achieve the principles of assets and liabilities diversification, optimization of financial risks and ensuring the financial stability is the Asset and Liability Management Committee;
7. body carrying out the work for return of problem receivables arising from implementation of credit, leasing, investment, documentary, economic activities of the Fund is the Bad Assets Committee;
8. other bodies created in accordance with the legislation of the Republic of Kazakhstan.

In 2020, the Fund complied with the principles and provisions of the Corporate Governance Code that

meet the requirements of the legislation of the Republic of Kazakhstan and the relevant international standards. The Report on compliance/non-compliance with the principles and provisions of the Corporate Governance Code of the Foundation for 2020 has been considered by the Board of Directors and approved by its decision, dated June 28, 2021 (Minutes No. 05/2021). A brief Report on compliance / non-compliance with the principles and provisions of the Corporate Governance Code of the Fund for 2020 is displayed in Appendix № 1 to the annual report (the full version of the Report is posted on the corporate website of the Fund).

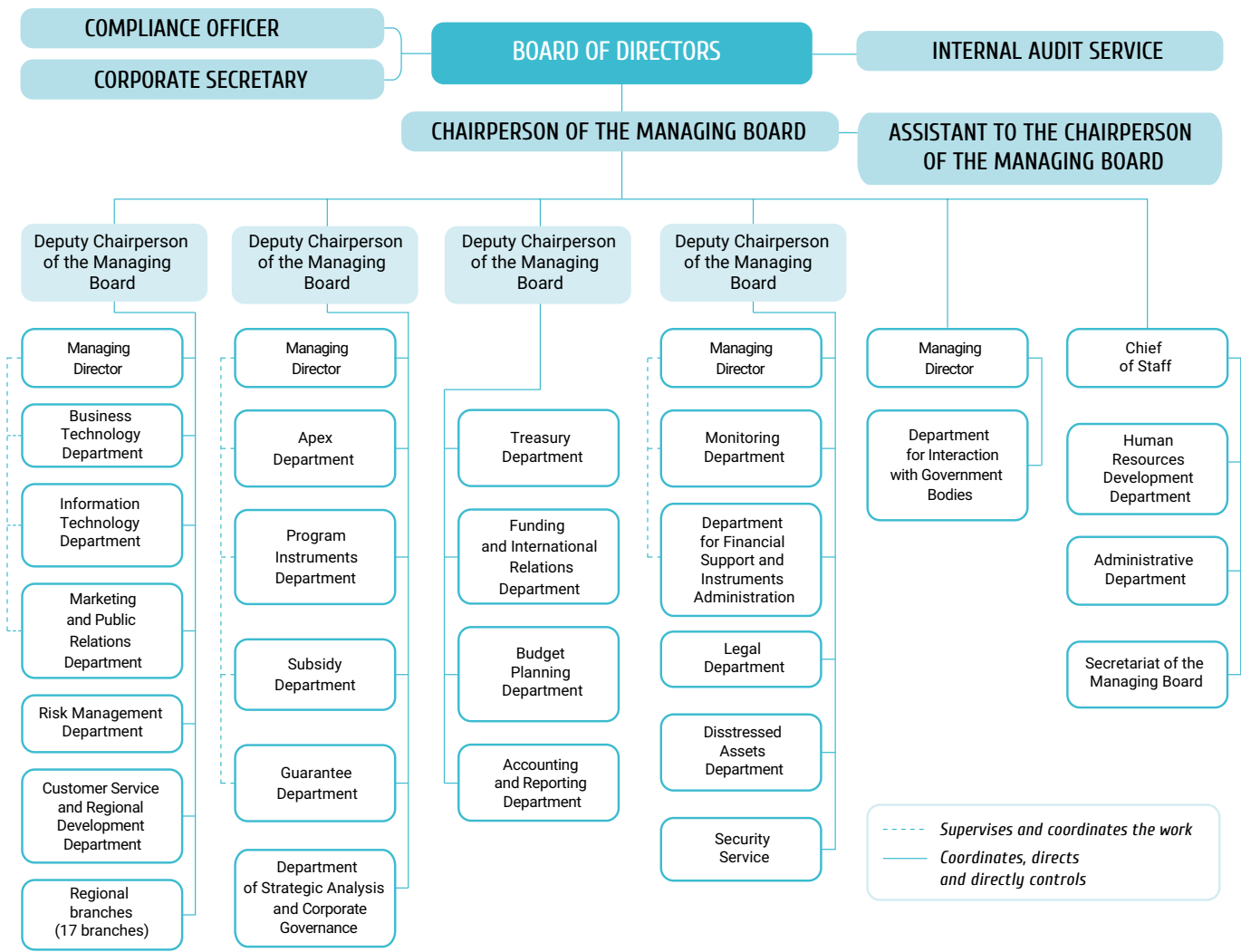
According to the results of the corporate governance diagnostics made by the Fund's Internal Audit Service, compliance of the corporate governance level with the best practice requirements is 91.2%.

According to the decision of the Fund's Sole Shareholder as of December 23, 2020 (Minutes № 61/20), the Fund's Corporate Governance Code was amended. The Fund's Corporate Governance Code, as amended, is posted on the Fund's corporate website.

9.2. Organizational Structure

The organizational structure of the Fund makes it possible to effectively solve strategic goals and objectives. The Fund has 21 departments, 2 services, 17 regional branches, 2 regional centers, 9 independent structural units (Managing

Directors, Chief of Staff, Corporate Secretary, Compliance Officer, Chairperson of the Managing Board Assistant, Secretariat of the Managing Board).



9.3. Sole Shareholder

The Sole shareholder of the Fund is “Baiterek” NMH” JSC (‘Holding’).

The mission of the Holding is to support sustainable economic development of the Republic of Kazakhstan in order to achieve the objectives set in the 2050 Strategy. The Holding is a key operator for implementation of state and government programs.

One of the key tasks of the Holding is to ensure the effective and complementary functioning of the group of companies included in the Holding.

The Fund issues only common shares. A common share provides the Sole Shareholder with the right to make decisions on all issues submitted for its consideration. A common share also provides the Sole Shareholder with the right to receive dividends if the Fund has a net

income and to receive part of the Fund’s property upon liquidation thereof according to the procedure prescribed by the legislation of the Republic of Kazakhstan.

SECURITY TYPE	COMMON STOCK
NIN	KZ1C49420017
Issue registration date	09.04.2012
Par value*	100,000 tenge
Number of authorized shares	27,962,244
Number of placed shares	27,762,244
Number of shares owned by a shareholder	27,762,244
Shareholder information	JSC “NMH “BAITEREK”
Shareholder’s share of placed shares	100%
Shareholder’s share of voting shares	100%
* The cost of the last share placement	

9.4. Board of Directors

The Fund’s Board of Directors is a management body that provides strategic management of the Fund and control of the Fund’s Managing Board activities.

The Fund’s Board of Directors ensures full transparency of its activities before the Sole Shareholder.

The Fund’s Board of Directors performs its functions in accordance with the legislation of the Republic of Kazakhstan, Charter of the Fund, Code of Corporate Governance of the Fund and other documents.

Composition of the Fund’s Board of Directors is formed from persons proposed (recommended) for election to the Board of Directors as the representatives of the Sole Shareholder, individuals who have not been proposed (not recommended) for election to the Board of Directors as a representative of the Sole Shareholder.

Composition of the board of directors and its committees should provide for a balance of skills, experience and knowledge of its members, depending on the industry specifics of the Fund’s activities, the scale of the Fund’s activities, the issues considered by the committees of the board of directors, allowing to ensure adoption of independent, objective and effective decisions in the interests of the Fund and the Sole Shareholder. Only a legal person can become a member of the Fund’s Board of Directors.

The Sole Shareholder elects the members of the Fund’s Board of Directors according to the procedure determined by the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Fund, taking into account the competencies, skills, achievements, business reputation and professional experience of the candidates.

As of January 1, 2021, the Fund’s Board of Directors has 6 members, 3 of whom are independent directors, which is in line with the best corporate governance practice.

Composition of Board of Directors



Alikhan Smailov
Chairman of the Board of Directors



Rustam Karagoishin
Member of the Board of Directors



Raimbek Batalov
Independent Director



Yelena Bakhmutova
Independent Director



Askar Yelemesov
Independent Director



Gaukhar Buribayeva
Member of the Board of Directors

Alikhan Smailov

Chairman of the Board of Directors

Born in 1972, the date of election as a member of the Fund’s Board of Directors is March 13, 2019, the date of election as the Chairman of the Board of Directors is April 17, 2019

- Employee of the Investment and Privatization Fund ‘A-Invest’ (1993–1995);
- Chief Specialist of the Department of Trade and Industry of the Almaty City Administration (1995–1996);
- Intern at the Supreme Economic Council under the President of the Republic of Kazakhstan (1996);
- Deputy Head of the Department, Head of the Department of the National Statistical Agency of the Republic of Kazakhstan (08.1996–03.1998);
- Deputy Chairman of the Committee for Statistics and Analysis of the Agency for Statistical Planning and Reforms of the Republic of Kazakhstan (03.1998–04.1998);
- Chief expert, Head of the Department Section, State Inspector of the organizational and control department in the Administration of the President of the Republic of Kazakhstan (1998–1999);
- Chairman of the Statistics Agency of the Republic of Kazakhstan (11.1999–02.2003);
- Vice Minister of Foreign Affairs of the Republic of Kazakhstan (02.2003–2003);

Rustam Karagoishin

Member of the Board of Directors

Born in 1983, the date of election as a member of the Fund’s Board of Directors is June 26, 2019 the Representative of “Damu” Entrepreneurship Development Fund” JSC Sole Shareholder

- Manager, Principal Manager, Head of the Project Analysis Department of Development Bank of Kazakhstan (“DBK” JSC is included in the structure of “Baiterek” NMH” JSC) (2004–2007);

- Chairman of the Managing Board of Joint Stock Company “State Insurance Company for Export Credit and Investment Insurance” (2003–2006);
- Vice Minister of Finance of the Republic of Kazakhstan (02.2006–01.2007);
- From January 16, 2013, by the Decree of the President of the Republic of Kazakhstan (№ 468), appointed to the post of the Minister of Economy and Budget Planning of the Republic of Kazakhstan;
- President of “KazAgro” National Holding” JSC (01.2007–11.2008);
- Vice Minister of Finance of the Republic of Kazakhstan (21.11.2008–10.2009);
- Chairman of the Statistics Agency of the Republic of Kazakhstan (27.10.2009–13.08.2014);
- Chairman of Statistics Committee under the Ministry of National Economy of the RK (08.2014–12.2015);
- Assistant to the President of the Republic of Kazakhstan (11.12.2015–18.09.2018);
- Minister of Finance of the Republic of Kazakhstan (18.09.2018–25.02.2019);
- First Deputy Prime Minister of the Republic of Kazakhstan –Minister of Finance of the RK (25.02.2019–05.2020);
- First Deputy Prime Minister of the Republic of Kazakhstan (from 18.05.2020).

- Managing Director – a Member of the Managing Board of “DBK Leasing” JSC (2007–2011);
- Head of the Foreign Economic Affairs Unit of the Oil and Petroleum Products Marketing Department of “Petroleum Operating” LLP (2011–2012);
- Chairman of the Managing Board of “Credit Systems” LLP (2012–2013);
- Deputy General Director, General Director of “Sberbank Leasing” LLP (2013–2015);
- Deputy Chairman of the Managing Board of “KazAgro Finance” JSC (2015–2019);

• General Director of the “Grain Consortium of Kazakhstan” LLP (02.2019 – 05.2019);

Raimbek Batalov

Independent Director

Born in 1970, the date of election as a member of the Fund’s Board of Directors is June 10, 2020

- In the 90s, he was among the managing directors of the metallurgical complex “Ridder Invest”, managed work of the chemical complex “Novodzhambul Phosphoric Plant”, managed the Tobolsk elevator, the sugar plant in Merke, Shymkent HPS-3.
- Since 1992 he is the founder of the trading company “Raimbek”, Chairman of the Board of Directors of “Raimbek” Holding.
- Since 2002, Chairman of the Kazakhstan Forum of Entrepreneurs Council.
- Since 2005, Head of the Kazakh National part of the Business Council of Shanghai Cooperation Organization (SCO).
- Since 2007 – Member of the Public Chamber under the Mazhilis of the Republic of Kazakhstan.

Yelena Bakhmutova

Independent Director

Born in 1962, the date of election as a member of the Fund’s Board of Directors is September 19, 2018

- Senior Engineer of KSMK-1 of Alma-Ataselstroy Trust № 7 (1983–1984);
- Economist at the Research Economic Institute of Planning and Norms under the State Planning Commission of Kazakh SSR (09.1984–09.1989);
- Senior Economist of Ministry of Social Security of the Kazakh SSR (09.1989–02.1991);
- Economist of Film-Economic Association “Yelim-Ai” (02.1991–05.1992);
- Lead, Chief Economist, Head of Department, Deputy Head of Department for Social Services, Deputy Director of Budget Department, Ministry of Finance of the RK (05.1992–12.1998);

• Since May 2019, the Deputy Chairman of the Managing Board of “Baiterek” NMH” JSC.

- Since 2009 – President of Kazakhstan Underwater Sports Federation.
- Since 2010 – member of the unified coordination Council chaired by the Prime Minister of the Republic of Kazakhstan. He is also a member of the Council on Entrepreneurship under the President of the Republic of Kazakhstan and in the Presidium of the Kazakhstan National Chamber of Entrepreneurs.

- Since 2012, an independent expert of the Advisory Committee on Entrepreneurship of the Eurasian Economic Commission (Moscow).
- Since September 2015, Chairman of the Board of Directors of ENACTUS Kazakhstan – the largest international non-profit organization focused on cooperation between business and universities.

- In 2015, elected as the First Vice President of Kazakhstan Cycling Federation.
- In March 2017, he was elected as Vice President of Asian Cycling Confederation.

- Director of Budget Department of Ministry of Finance of the RK (12.1998–04.2001);
- Vice Minister of Labor and Social Protection of the Population of the RK (04.2001–09.2002);
- Director of Department of Financial Supervision of the National Bank of the RK (09.2002–01.2004);
- Deputy Chairperson of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (01.2004–23.01.2008);
- Chairperson of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (from 23.01.2008–04.2011 due to abolition of the agency);
- Deputy Chairperson of Managing Board of “Samruk-Kazyna” JSC (01.2012–01.2016);
- Managing Director for Finance and Operations of “Samruk-Kazyna” JSC (01.2016-22.11.2016)

• Chairperson of Managing Board of the non-profit JSC ‘Social Health Insurance Fund’ (11.2016–08.2018);

Askar Yelemesov

Independent Director

Born in 1968, date of election as a member of the Fund’s Board of Directors is May 28, 2018

- Employee of RO “Kazakhintorg” (1990–1991);
- Leading positions in representative office of “Corus International CO LTD” (08.1991–08.1992);
- Executive positions in banks: JSB “Kazkommertsbank” JSC; “Caspian Bank” CJSC; “Bank TuranAlem”; “Halyk Savings Bank of Kazakhstan” JSC (09.1994–1998);
- Vice President – Head of Brokerage Department of “DB Securities Kazakhstan” OJSC (08.1998–12.1999);
- President of “DB Securities Kazakhstan” OJSC, a subsidiary of the German Deutsche Bank (12.1999–02.2004);

Gaukhar Buribayeva

Member of the Board of Directors

Born in 1983, the date of election as a member of the Fund’s Board of Directors is April 24, 2019

- Manager at South Korean Transport Company “Green Integrated Logistics Co. LTD” (12.2003–12.2004);
- Chief Specialist of the Department for Financial Monitoring of the “Food Contract Corporation” JSC of the Ministry of Agriculture of the Republic of Kazakhstan (01.2005–09.2006);
- Chief Manager of the Project Loan Department, chief front manager of the Project Directorate of JSC “Development Bank of Kazakhstan” (09.2006–05.2009);
- Chief Manager of the Investment Projects Administration Department of “Samruk-Kazyna Invest” LLP (05.2009–10.2009);
- Chief Manager of the Corporate Business Department of “Alliance Bank” JSC (12.2009–03.2010);
- Deputy Head of the Project Directorate of JSC “Development Bank of Kazakhstan” (03.2010–08.2011);

• Chairperson of Council of Kazakhstan Financiers Association (from 24.08.2018).

- Deputy Chairman of the National Bank of the Republic of Kazakhstan (02.2004–02.2006);
- Vice Minister of Finance of the Republic of Kazakhstan (02.2006–11.2006);
- Deputy Chairman of the Managing Board of “Halyk Bank of Kazakhstan” JSC (12.2006–02.2007);
- Advisor to the Chairman of the Managing Board of “Halyk Bank of Kazakhstan” JSC (02.2007-04.2008);
- Chairman of the Board of Directors of “Troika Dialog Kazakhstan” JSC (since 08.2008);
- Independent Director – a member of the Board of Directors of “KazAgro” National Managing Holding” JSC (from 02.06.2016);
- Chairman of the Board of Directors – Independent Director of “SkyBridge Invest” JSC (09.2016–07.2017);
- Independent Director – a Member of the Board of Directors of “Kazkommertsbank” JSC (from 07.2017).

- Executive Director for Development of JSC “National Center for Transport Logistics Development” (current name JSC ‘KTZh Express’) (08.2011–02.2013);
- Head of Department of Strategy and Analytical Research of JSC “NC KTZh” branch of the “Center for Transport Logistics Development” (02.2013–08.2013);
- Vice-President for financial and economic issues of the subordinate organization of the Office of the President of the Republic of Kazakhstan (08.2013–03.2017);
- Director of Administrative Department of “Damu” Entrepreneurship Development Fund” JSC (03.2017–07.2017);
- Managing Director of “Damu” Entrepreneurship Development Fund” JSC (07.2017–06.2018);
- Deputy Chairperson of the Managing Board of “Damu” Entrepreneurship Development Fund” JSC (06.2018–04.2019);
- Since April 2019 – Chairperson of the Managing Board of “Damu” Entrepreneurship Development Fund” JSC.

The Members of the Fund's Board of Directors are the citizens of the Republic of Kazakhstan, do not own shares of the Fund, shares of suppliers and competitors of the Fund.

In accordance with the requirements of the Regulations on the Fund's Board of Directors, the candidates to independent directors shall not have any material interests or relations with the Fund, its management or its property, which could jeopardize exercise of objective judgment, have sufficient professionalism and independence, to make independent and objective decisions, free from influence of the Sole Shareholder, executive body and other interested parties.

All independent directors, the members of the Fund's Board of Directors meet the criteria of independence.

The procedure for nominating and selecting candidates to the members of the Board of Directors, its committees, as well as the criteria used when nominating candidates to the members of the Board of Directors, its committees are regulated by the Corporate Governance Code and the Regulations on the Fund's Board of Directors.

During 2020, the following changes took place in the composition of the Board of Directors.

1. According to the resolution of the Management Board of JSC "National Managing Holding "Baiterek" as of June 10, 2020 (Minutes № 27/20), the powers of a member of the Fund's Board of Directors – B.G. Mukhamedzhanov were terminated ahead of schedule, R.A. Batalov was elected as a member of the Board of Directors, an independent director of the Fund with the term of office till the date of expiration of the term of office of the entire Board of Directors.

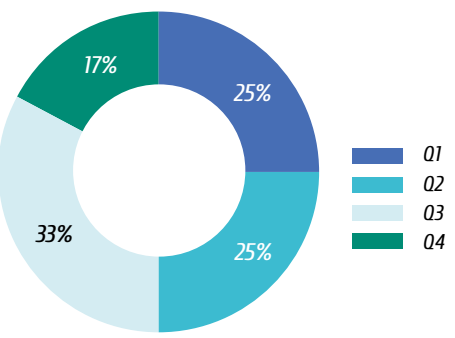
Report on Activities of the Board of Directors and its Committees

In 2020, 9 in-person and 3 absentee meetings of the Board of Directors were held, more than 110 issues were considered. In the reporting year, more than 30 meetings of the committees of the Board of Directors were held, all meetings of the committees were held in person.

Number of Board of Directors Meetings Held

2020	IN-PERSON	ABSENTEE	TOTAL
Q1	2	1	3
Q2	2	1	3
Q3	3	1	4
Q4	2	0	2
TOTAL	9	3	12

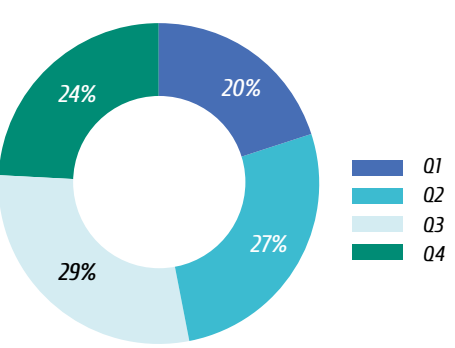
14. Structure of the Meetings of the Board of Directors in 2020



Number of Issues Considered by Board of Directors

2020	IN-PERSON	ABSENTEE	TOTAL
Q1	21	1	22
Q2	26	4	30
Q3	30	2	32
Q4	26	0	26
TOTAL	103	7	110

15. Structure of the Issues, Considered in 2020



Key Issues Reviewed by the Board of Directors in 2020

In the reporting period, the Board of Directors considered the following issues: concluding transactions of interest with STBs, consideration of the Report on Assessment of Activities of the Board of Directors according to the results of 2019 with subsequent submission for approval by the Sole Shareholder, approval of regulations and reports in the field of risk management, approval of quarterly reports on risks, preliminary approval of annual financial statements, development of offers on the procedure of the Fund's net income distribution, approval of the report on the Development Strategy implementation, preliminary approval of the Fund's Annual Report, approval of a report on the executives key performance indicators, approval of a Map of key performance indicators of executives and the target values thereof, approval of changes (adjustments) of the Fund's Development Plan indices, issues connected with the activities of the Internal Audit Service, Compliance Controller, Corporate Secretary, and etc.

In addition, at the initiative of independent directors, in December 2020, a strategic session was held with participation of representatives of the Sole Shareholder, members of the Board of Directors and the Fund's Managing Board, to consider the issues recommended

by the International Finance Corporation (IFC) in the course of an external assessment of the Board of Directors activities, including consideration of the Fund's business model strategic risks analysis, on the activities of the Fund as a uniform operator of tools for entrepreneurship support.

Participation of Members of the Fund's Board of Directors in Meetings, 2020

№	MEMBERS OF THE BOARD OF DIRECTORS	PARTICIPATION	%
1.	Alikhan Smailov	12/12	100
2.	Rustam Karagoishin	11/12	92
3.	Raimbek Batalov (from June 10, 2020)	6/12	50
4.	Yelena Bakhmutova	12/12	100
5.	Askar Yelemesov	12/12	100
6.	Gaukhar Buribayeva	12/12	100

Committees under Board of Directors

There are 3 committees under the Board of Directors of the Fund: auditing and risk management, on appointments, remuneration and social issues, on strategic planning and corporate development. In accordance with the best corporate governance practice, the profile committees under the Board of Directors are chaired by independent directors.

Composition of the Committees was approved from the following members of the Board of Directors:

COMMITTEE ON AUDIT AND RISK MANAGEMENT	
Chairman of the Committee	Askar Yelemesov, Independent Director
Member of the Committee	Yelena Bakhmutova, Independent Director
Member of the Committee	Raimbek Batalov, Independent Director
Member of the Committee	Rustam Karagoishin, Member of the Board of Directors, representative of the Sole Shareholder
COMMITTEE OF APPOINTMENTS, REMUNERATION AND SOCIAL ISSUES	
Chairman of the Committee	Yelena Bakhmutova, Independent Director
Member of the Committee	Askar Yelemesov, Independent Director
Member of the Committee	Raimbek Batalov, Independent Director

Member of the Committee	Rustam Karagoishin, a Member of the Board of Directors, representative of the Sole Shareholder
COMMITTEE OF STRATEGIC PLANNING AND CORPORATE DEVELOPMENT	
Chairman of the Committee	Yelena Bakhmutova, Independent Director
Member of the Committee	Askar Yelemesov, Independent Director
Member of the Committee	Raimbek Batalov, Independent Director
Member of the Committee	Rustam Karagoishin, Member of the Board of Directors, representative of the Sole Shareholder

In pursuance of the recommendations of the International Finance Corporation (IFC), in 2020 the Fund’s Board of Directors approved a (unified) general regulation on the committees of the Board of Directors with new wording and cancelling of the previously existing separate provisions on committees. Thus, the activities of the committees are regulated by a single regulation approved by the resolution of the Fund’s Board of Directors as of May 26, 2020 (Minutes № 06/20).

Committee on Strategic Planning and Corporate Development prepares recommendations on the issues of the priority activity directions determination (development), strategic goals (development strategy), corporate development issues, including the issues on development of measures improving the efficiency of the Fund in the medium- and long-term prospects, profitable activities and sustainable development thereof.

In 2020, 10 in-person meetings of the Committee were held, 38 issues were considered, including preliminary approval of the Fund’s Annual Report for 2019, the Reports on the Fund’s Strategy implementation, the Fund’s Development plans (adjustment) and so on.

Committee on Audit and Risk Management develops recommendations for establishment of the effective system of financial and economic activities control (including the completeness and reliability of financial statements), for monitoring of the internal control and risk management system reliability and efficiency, as well as the execution of documents in the field of corporate governance, control of the external and internal audit and compliance controller independence, compliance with the legislation of the Republic of Kazakhstan, internal documents, for preparing recommendations to the Board of Directors on the issues of the priority activity directions determination (development), and functioning of the adequate risk management system

in the Fund, improvement and enhancement of the risk management system.

In 2020, 10 in-person meetings of the Committee were held, where 67 issues were considered, including the quarterly reports of the Internal Audit Service, the Fund’s quarterly reports on risks, the Fund’s annual financial statements for 2019 were preliminary approved, and other issues.

Committee on Appointments, Remuneration and Social Issues prepares recommendations to the Board of Directors through in-depth study and monitoring of issues relevant to the competence of the Board of Directors in the field of personnel policy, the system of appointments and remuneration, as well as assessing the activity of members of the Fund’s Board of Directors, the Fund’s Managing Board in general and individually, planning succession of the Chairman and members of the Management Board and assessing the activities of the Corporate Secretary.

In 2020, 11 in-person meetings of the Committee were held, where 26 issues were considered, including maps of key performance indicators of the Fund’s executives for 2020 (functional KPIs), performance of functional KPIs for 2019, and so on.

In general, more than 130 issues were considered at the level of three committees of the Board of Directors, while slightly more than half of all issues (51 %) were considered by the Audit and Risk Management Committee.

Assessment of activities of the Board of Directors and its committees (hereinafter referred to as the Assessment) is made in order to obtain a comprehensive analysis of the main areas of activity of the Board of Directors and allows:

- analyze and identify the strengths and weaknesses (advantages and disadvantages) of the Fund’s Board of Directors activities;

- adjust the work and target areas of the Fund’s Board of Directors activity;
- determine the extent of structure and composition of the Fund’s Board of Directors promotes solution of the Fund’s strategic objectives to;
- determine the performance of the Chairman of the Board of Directors and each member of the Board of Directors;
- determine effectiveness of the system of the Board of Directors members remuneration.

The Board of Directors may conduct Assessment:

- on their own in accordance with the requirements of the legislation of the Republic of Kazakhstan or internal documents of the Fund;
- with involvement of independent consultants, professional associations and organizations that assign ratings to corporate management;
- using other methods.

The Fund, in accordance with the Regulations on the Board of Directors, annually conducts a comprehensive assessment of the Board of Directors and committees’ effectiveness, an individual assessment of the activities of directors in accordance with the best international practices.

In accordance with the best international corporate governance practices, the Board of Directors decided to assess the performance of the Board of Directors, members of the Board of Directors and Committees of the Board of Directors of the Fund for 2020 on its own and provide the information on the results of assessment for 2020 to the Sole Shareholder of the Fund. In May 2021, a comprehensive survey was conducted with the participants of the assessment, in accordance with annexes approved in the Regulations on the Fund’s Board of Directors.

According to the self-assessment results, approved by the decision of the Board of Directors, dated June 28, 2021, Minutes No. 05/2021, the activities of the Board of Directors, members of the Board of Directors and Committees of the Board of Directors of the Foundation for 2020 have been recognized as efficient.

The self-assessment results have shown that the Board of Directors regularly monitors the implementation of the strategic objectives, budget execution and performance of

the Foundation, effectively interacts with its Sole Shareholder and the Management Board. The current composition of the Board of Directors, taking into account experience, diversity of the composition, independence, etc. is optimal in the context of the tasks, which the Foundation faces, the activities of the members of the Board of Directors, Committees of the Board of Directors are efficient, an efficient interaction with the Board of Directors, members of the Management Board, etc. is ensured.

The average self-assessment of the Board of Directors has made up 3.98 points out of 4 maximum points. The self-assessment results of the specialized Committees of the Board of Directors have ranged from 3.90 to 3.96 points, which is comparable to the similar assessment results of 2019.

Based on the assessment results, a Plan for improving the activities of the Board of Directors and the Committees of the Foundation for 2021 – 2022 has been developed and approved. Prior to approval by the Board of Directors, this Plan has been agreed and approved at the level of the relevant Committee. The Plan for improving the activities of the Board of Directors and the Committees of the Foundation envisages the measures to improve the system of informing the Committees and to increase the efficiency of the activities of the Committees and the Foundation.

The self-assessment results have also highlighted the strengths, such as a clear definition of the powers of the Board of Directors and Committees, the activities of the Chairman of the Board of Directors, organization and active participation of the members of the Board of Directors at the Meetings of the Board of Directors and Committees, effective performance and active position of the Non-Executive Directors, including the initiatives of the Non-Executive Directors in part of holding regular strategic sessions with the participation of the representatives of the Sole Shareholder, the executive body of the Foundation and other interested parties.

The self-assessment results have shown that the members of the Board of Directors responsibly fulfill the tasks assigned to them, carefully study the current activities of the Foundation and are interested in the long-term and sustainable growth of the Foundation.

In general, the work of the members of the Board of Directors of the Foundation has been assessed positively and recognized as efficient.

9.5. Managing Board

Managing Board is a collective executive body of the Fund, subordinate to the Board of Directors and the Sole Shareholder, formed in accordance with the Fund’s Charter and managing the current activities of the Fund in the interests of the Fund and its Sole Shareholder.

Managing Board has the right to make decisions on any issues related to the activities of the Fund that are not attributed by the legislative acts of the Republic of Kazakhstan and the Charter of the Fund to the competence of other bodies and officials of the Fund, including on the issues attributed by the legislation and the Charter of the Fund to its competence.

Composition of Managing Board



Gaukhar Buribayeva
Chairperson of the Managing Board

She heads the Fund’s Managing Board. Carries out general control, coordination and management of all Fund’s structural divisions and employees activities, directly controls, coordinates and manages the activities of the members of the Managing Board, Assistant to the Chairperson of the Managing Board, Chief of Staff, Internal Audit Service, Compliance Officer, and Corporate Secretary.

Gaukhar Buribayeva

Chairperson of the Managing Board

Born in 1983, the date of election as the Chairperson of the Managing Board is April 29, 2019

- Manager at South Korean Transport Company “Green Integrated Logistics Co. LTD” (12.2003–12.2004);
- Chief Specialist of Department for Financial Monitoring of “Food Contract Corporation” JSC of Ministry of Agriculture of the Republic of Kazakhstan (01.2005–09.2006);
- Chief Manager of Project Loan Department, Chief Front Manager of Project Directorate of JSC “Development Bank of Kazakhstan” (09.2006–05.2009);
- Chief Manager of Investment Projects Administration Department of “Samruk-Kazyna Invest” LLP (05.2009–10.2009);
- Chief Manager of Corporate Business Department of “Alliance Bank” JSC (12.2009–03.2010);
- Deputy Head of Project Directorate of JSC “Development Bank of Kazakhstan” (03.2010–08.2011);

- Executive Director for Development of JSC “National Center for Transport Logistics Development” (current name JSC ‘KTZh Express’) (08.2011–02.2013);
- Head of Department of Strategy and Analytical Research of JSC “NC KTZh” branch of “Center for Transport Logistics Development” (02.2013–08.2013);
- Vice-President for financial and economic issues of subordinate organization of the Office of the President of the Republic of Kazakhstan (08.2013–03.2017);
- Director of Administrative Department of “Damu” Entrepreneurship Development Fund” JSC (03.2017–07.2017);
- Managing Director of “Damu” Entrepreneurship Development Fund” JSC (07.2017–06.2018);
- Deputy Chairperson of Managing Board of “Damu” Entrepreneurship Development Fund” JSC (06.2018–04.2019);
- Since April 2019 – the Chairperson of the Managing Board of “Damu” Entrepreneurship Development Fund” JSC.



Galym Nurgaziyev
Deputy Chairperson of the Managing Board

He supervises and coordinates the work of the Managing Director, Risk Management Department, Business Technologies Department, Information Technology Department, Marketing and Public Relations Department, Customer Services and Regional Development Department and the Regional Branches.



Farkhat Sarsekeyev
Deputy Chairperson of the Managing Board

He supervises and coordinates the work of the Managing Director, Subsidy Department, Guarantee Department, Program Instruments Department and Apex Department, Department of Strategic Analysis and Corporate Governance.



Bakhytzhan Makazhanov
Deputy Chairperson of the Managing Board

He supervises and coordinates the work of Treasury Department, Funding and International Relations Department, Budget Planning Department, and Department of Accounting and Reporting.



Yerbol Yeskakov
Deputy Chairperson of the Managing Board

He supervises and coordinates the Managing Director, Monitoring Department, Department for Financial Support Tools Administration, Distressed Assets Department, Legal Department and Security Service.

Galym Nurgaziyev

Deputy Chairperson of the Managing Board

Born in 1972, the date of election as the Deputy Chairperson of the Fund’s Managing Board is December 15, 2017.

- Executive Director of “Asia Business” LLP (02.1997–06.1997);
- Deputy Director, General Director of JPC “Zhetyssu” (06.1997–07.2000);
- President of “Daur Limited” LLP (12.2000–01.2001);
- In gas industry since 2001: Principal Manager, Commercial Director of “KazTransGas” CJSC, Deputy General Director, Managing Director, Director of Department of “KazTransGas” JSC.
- Deputy Director of Department for Oil Industry Development under Ministry of Oil and Gas of the Republic of Kazakhstan (01.2014–10.2014);

- Director of Department for Gas Industry Development under Ministry of Energy of the Republic of Kazakhstan (10.2014–04.2016);
- Deputy Chairman of Managing Board of NJSC “State Corporation “Government for Citizens” (04.2016–09.2017);
- Chairman of the Supervisory Board of “Asia Logistics” LLP (09.2017–12.2017);
- Since December 2017, he is the Deputy Chairperson of the Managing Board of “Damu” Entrepreneurship Development Fund’ JSC.

Farkhat Sarsekeyev

Deputy Chairperson of the Managing Board

Born in 1984, the date of election as the Deputy Chairperson of the Fund's Managing Board is May 4, 2019

- Credit Manager of Small and Medium-Scale Business Lending Department in "Kazkommertsbank" JSC (2005–2006);
- Credit Manager of Corporate Business Department of JSC "Demir Bank Kazakhstan" JSC (2008–2009);
- Chief Specialist of Restructuring and Workout at "ATF Bank" JSC (UniCredit Group) (2009–2010);

Bakhytzhan Makazhanov

Deputy Chairperson of the Managing Board

Born in 1990, the date of election as the Deputy Chairperson of the Fund's Managing Board is October 7, 2019

- Manager of Department of Strategy and Corporate Development of JSC "Kazgeology" (2012–2013);
- Deputy Chairman of the Managing Board – a member of the Managing Board of JSC "Rehabilitation and Asset Management Company" (2014–2015);

Yerbol Yeskakov

Deputy Chairperson of the Managing Board

Born in 1982, date of election as Deputy Chairperson of the Fund's Managing Board is March 6, 2020

- 2003–2006 – investigator at Department of Internal Affairs in Akmolinskiy Region;
- 2006–2011 – Chief Specialist of Legal Department of "ATF Bank" JSC, Almaty;
- 2011–2014 – Head of Legal Expertise Department of JSC "Development Bank of Kazakhstan", Astana;

- Chief Front Manager of Asset Restructuring Department of "Development Bank of Kazakhstan" JSC (2010–2012);
- Deputy Director of Department for Work with National Companies and Development Institutions in SB JSC "Sberbank" (2012–2015);
- Deputy Director of Branch for Corporate Business in Karaganda of SB JSC "Sberbank" (2015–2018);
- Managing Director of "Damu" Entrepreneurship Development Fund" JSC (2018–05.2019);
- Since May 2019, he is the Deputy Chairperson of the Managing Board of "Damu" Entrepreneurship Development Fund" JSC.

- Director of Department of Forecasting, Public Procurement, Accounting and Reporting of JSC "Rehabilitation and Asset Management Company" (2015–2016);
- Deputy Chairman of Managing Board – a member of the Managing Board of "Kazakhstan Investment Fund" JSC (2016–2019);
- Since October 2019, he is the Deputy Chairperson of the Managing Board of "Damu" Entrepreneurship Development Fund" JSC.

- 2014–2016 – Head of Department of Legal Support of the National Bank of the Republic of Kazakhstan, Almaty;
- 2016–2017 – Deputy General Director – Director of Legal Department of "AF Ipoteka" JSC – mortgage organization, Almaty;
- 2017–2020 worked as Director of the Distressed Assets Department of "Damu" Entrepreneurship Development Fund" JSC;
- Since March 2020, he is the Deputy Chairperson of the Fund's Managing Board.



DOLCE PHARM

"BUSINESS ROAD MAP-2025"

The Dolce-Pharm Company is engaged in the production and wholesale of medical products – disposable medical masks, made of nonwoven materials; sterile and non-sterile medical nitrile, latex, vinyl gloves, shoe covers, surgical kits, bed linen, overalls and much more. The Company's medical products are of high quality, affordable prices and have a number of other advantages over the similar products from the other companies.

The members of the Fund's Managing Board are citizens of the Republic of Kazakhstan, do not own shares of the Fund, shares of suppliers and competitors of the Fund.

During 2020, the following changes took place in the composition of the Fund's Managing Board.

1. According to the resolution of the Fund's Board of Directors as of February 24, 2020 (Minutes № 02/2020), the powers of the Deputy Chairperson of the Managing Board – Dastan Dzhanaliyev were terminated.
2. According to the resolution of the Fund's Board of Directors as of March 6, 2020 (Minutes № 03/2020) the powers of the Deputy Chairperson of the Managing Board – Aset Sharipov were terminated.
3. According to the resolution of the Fund's Board of Directors as of March 6, 2020 (Minutes № 03/2020) the new Deputy Chairperson of the Managing Board – Yerbol Yeskakov was elected.

Report on the Activities of the Managing Board

The rights and obligations of the members of the Fund's Managing Board are determined by the Charter, the Regulations on the Managing Board and other internal regulatory documents of the Fund.

The Regulation on the Managing Board of the Fund determines the procedure of forming and functioning of the Fund's Managing Board, the rights and obligations of the Managing Board members, taking and fulfillment of its decisions, as well as control of implementation thereof.

At the beginning of 2020, composition of the Fund's Management Board consisted of 6 members, including:

1. Chairperson of the Managing Board – Gaukhar Buribayeva;
2. Deputy Chairperson of the Managing Board – Galym Nurgaziyev;
3. Deputy Chairperson of the Managing Board – Farhat Sarsekeyev;

4. Deputy Chairperson of the Managing Board – Aset Sharipov;
5. Deputy Chairperson of the Managing Board – Dastan Dzhanaliyev;
6. Deputy Chairperson of the Managing Board – Bakhytzhann Makazhanov.

During 2020, Aset Sharipov and Dastan Dzhanaliyev were dismissed from the Fund's Managing Board, Deputy Chairperson of the Board Yerbol Yeskakov was introduced to the Fund's Managing Board.

At the end of 2020, the Fund's Managing Board consisted of 5 members:

1. Chairperson of the Managing Board – Gaukhar Buribayeva;
2. Deputy Chairperson of the Managing Board – Galym Nurgaziyev;
3. Deputy Chairperson of the Managing Board – Yerbol Yeskakov;
4. Deputy Chairperson of the Managing Board – Farhat Sarsekeyev;
5. Deputy Chairperson of the Managing Board – Bakhytzhann Makazhanov.

During 2020, 116 meetings of the Fund's Managing Board were held, where the decisions were made on the operational management of the Fund. The number of the issues considered was 968.

Key Issues Considered by the Managing Board in 2020

During the reporting period, the Fund's Managing Board considered the issues on various aspects of operating activities, issues of guarantees and subsidies, financing provision to partners, as well as approval of internal documents, issues on financial programs, issues in the field of sustainable development and corporate governance.

Work of Committees under the Managing Board

Credit Committee, Assets and Liabilities Management Committee and Distressed Assets Committee are the Fund's bodies conducting their activities within the powers granted to them by the Managing Board in accordance with the Charter and the legislation of the Republic of Kazakhstan.

1. **Credit Committee** is a collective body that implements the internal credit policy of the Fund and makes decisions on guarantees and subsidies. For 2020, BPM online reviewed 3,042 applications for guarantees, 8,479 applications for subsidies.
2. **Fund's Assets and Liabilities Management Committee** is a collective body that serves for improvement of efficiency of the Fund's asset and liability management to achieve the principles of assets and liabilities diversification, optimization of financial risks and ensuring financial stability. In 2020, 26 meetings were held, 48 issues were considered.
3. **Distressed Assets Committee** is a collective body conducting the work for return of problem receivables arising from implementation of credit, leasing, documentary (issuance of guarantees), investment, economic activities of the Fund. In 2020, 27 meetings were held, 186 issues were considered.

The HR Policy Committee, the Change Management Committee and the Budget Committee are the permanent collective and advisory bodies under the Fund's Management Board, operating within the powers granted to them by the Fund's Management Board.

1. **HR Policy Committee** – is a body that ensures

the personnel policy implementation, development and implementation of professional standards that establish requirements for the content and working conditions, qualifications and competencies of employees, development of an integrated system for planning human resources. In 2020, 67 meetings were held, 635 issues were considered.

2. **Change Management Committee** – is a body that works to improve, automate and optimize the existing/new business processes of the Fund, as well as review, preliminary approval of new products. In 2020, 32 meetings were held, 118 issues were considered.
3. **Budget Committee** – is a body that ensures and develops proposals for determination of the Fund's draft budget indices for the corresponding financial year, developing proposals for making adjustments to the current budget of the Fund, for considering the assessment results of compliance with the Fund's budget. In 2020, 53 meetings were held, 157 issues were considered.

The personal composition and the number of members of the Committees are determined by the decision of the Fund's Managing Board. The activities of the Committees are managed by the Chairpersons of the Committees. The Committees are formed from the number of members of the Managing Board (no more than 2 (two), including other employees of the Fund. The Committees consist of the Chairman of the Committee, who is a member of the Fund's Managing Board, Deputy Chairman of the Committee and other members of the Committee who have voting rights, including the deliberate vote.

The activities of the Committees under the Fund's Managing Board are regulated by the Regulations on the Fund's Committees.

9.6. Remuneration Policy

In accordance with the procedure established by the legislation of the Republic of Kazakhstan, the Charter, internal documents of the Fund, the members of the Fund's Board of Directors while performance

of their duties may be paid with remuneration and (or) compensated for the costs associated with fulfillment of their functions as members of the Fund's Board of Directors.

The members of the Board of Directors who are the representatives of the Sole Shareholder, the Chairperson of the Managing Board (if he is a member of the Fund's Board of Directors) do not receive remuneration for participation in the work of the Fund's Board of Directors.

The following types of remuneration may be established for a member of the Fund's Board of Directors:

1. fixed annual remuneration for membership in the Board of Directors;
2. fixed annual remuneration for participation in the committee of the Board of Directors as the Chairman of a committee of the Board of Directors;
3. fixed annual remuneration for participation in the committee of the Board of Directors as a member of the Board of Directors committee.

When determining the amount of remuneration for a member of the Fund's Board of Directors, the responsibilities of the Fund's Board of Directors members, the scale of the Fund's activities, the long-term goals and objectives determined by the development strategy, the complexity of issues considered by the Fund's Board of Directors, the level of remuneration in similar private sector companies (benchmarking, review of remuneration) shall be considered.

9.7. Subsidiaries

As of January 1, 2021, there are no companies, in the authorized capital of which the Fund has a share.

In 2020, "MCO Econom" LLP (authorized capital – 12 million tenge, shareholding – 16.6%), "MCO West Finance" LLP

9.8. Information on Major Transactions

The Fund concluded no major transactions in 2020.

For 2020, the amount of remuneration paid to members of the Fund's Board of Directors (including to the independent directors) amounted to 14,325,000 tenge.

The rules of labor remuneration, performance evaluation and compensation of the Fund's executives provide for the following principles of the remuneration system:

- correlation between remuneration and implementation of tasks and objectives corresponding to the Fund's interests and the Sole Shareholder thereof;
- simplicity and fairness of the principles for determination of the remuneration amount;
- dependence of the remuneration amount on the results of the Fund's activities and the executives' personal performance.

To assess the executives' activity, a system of key performance indicators is used, which maximally ensures application of the above principles in work and contributes to increase of the Fund's financial and production activities efficiency through effective planning and targets setting process, a reliable and fair assessment of performance of every member of the Fund's Managing Board personally. These factors significantly increase the extent of the corporate and individual KPIs achievement by the executives.

(authorized capital – 5.06 million tenge, shareholding – 39.5%), Zhainar" LLP (authorized capital – 5.5 million tenge, shareholding – 36.0%) were liquidated.



Ailand Astana is an entertainment complex, which includes the exceptional facilities both on the scale of Kazakhstan and on a global scale: an oceanarium, the largest Ferris wheel in Kazakhstan, an indoor water park, an animatronics theater and an exoterium.

9.9. Internal Audit

Internal Audit Service (IAS) ensures organization and conducting of internal audit and control of the Fund’s activities.

IAS is accountable to the Fund’s Board of Directors, its mission is to provide the necessary assistance to the Fund’s Board of Directors and the Managing Board in fulfilling their responsibilities to achieve the strategic goals of the Fund.

Supervision of IAS activities is carried out by the Audit and Risk Management Committee under the Fund’s Board of Directors.

In accordance with the Annual Audit Plan for 2020 (hereinafter referred to as the AAP), approved by the resolution of the Fund’s Board of Directors as of December 10, 2019, № 12/2019, 15 audit assignments and consultations were planned for 2020, which were timely and fully completed by the IAS within the timeframe established by the AAP, including assessment of the internal control system, assessment of risk management, monitoring of limits for certain types of administrative costs, verification of the strategic key performance indicators achievement, functional key performance indicators achievement by the Fund’s Managing Board, audit of the programs for conditional allocation of funds implementation, audit of the budget planning /fulfillment business process, audit of PR-activity processes, audit of the treasury operations and liquidity management business process, audit of “BRM-2025” implementation in terms of guarantees, audit of regional branches in Akmolinskiy, West Kazakhstan, Jambyl regions, and in Shymkent.

Based on the results of the IAS activities in 2020, 76 recommendations were issued aimed at reducing risks, for further improvement of the internal control and the corporate risk management systems. As of January 1, 2021, there are 23 internal audit recommendations and 5 external audit recommendations pending. With respect to all issued recommendations, the audited objects developed the plans for making

corrective and /or preventive actions, which plans were approved by the Fund’s Management Board and the Board of Directors.

Evaluation of the corporate risk management system (RMS) effectiveness and the internal control system (ICS) was made by IAS on the basis of the relevant Methods approved by resolution of the Fund’s Board of Directors. According to the results of the assessments, corresponding points were assigned: RMS (90%), ICS (92%).

On a quarterly basis, the IAS monitors fulfillment of IAS and external auditors recommendations. The information on the monitoring results is provided to the Audit and Risk Management Committee and the Fund’s Board of Directors.

IAS employees, in accordance with requirements of the Internal Audit Standards, underwent trainings and seminars to improve their qualifications.

IAS provides regular internal assessment of its activities effectiveness based on the approved key performance indicators approved by the resolution of the Fund’s Board of Directors.

In accordance with the Program for internal audit quality ensuring and improving, approved by the resolution of the Board of Directors as of October 3, 2019, Minutes № 09/2019, the internal assessment of the internal audit activities quality for 2020 was made.

Based on the assessment results, compliance of the Fund’s internal audit activities with the International Professional Standards on Internal Auditing, the Regulations on the Internal Audit Service of the Fund, approved by the resolution of the Board of Directors as of October 3, 2019, Minutes № 09/2019, Regulations on the Fund’s Internal Audit Organization as of October 3, 2019, minutes № 09/2019, compliance with the Code of Ethics approved by the resolution of the Board of Directors as of July 25, 2011, minutes № 28 was confirmed.

9.10. External Audit

In order to verify and confirm reliability of the annual financial statements and evaluate the risk management and internal control system, the Fund engages a professional audit organization (the external auditor) based on competitive selection. Selection of the audit organization for auditing the financial statements falls within the exclusive competence of the Sole Shareholder of the Fund and is made in accordance with the established procedure.

The financial statements for 2020 were audited by “PricewaterhouseCoopers” LLP. The amount

of remuneration paid to “PricewaterhouseCoopers” LLP for audit of the financial statements for 2020 amounted to 24,771 thousand tenge, VAT included.

“PricewaterhouseCoopers” LLP did not provide any individual services in 2020.

The former employees of audit organizations auditing the financial statements have not been employed by the Fund.

9.11. Interaction with Stakeholders

In order to implement a successful and effective sustainable development policy, the Fund pays due attention to interaction with the stakeholders.

In order to determine the list of the interested parties, the extent of their influence and areas of influence on the Fund’s interests, the Map of the Fund’s Stakeholders was developed.

The main forms of interaction with the stakeholders are: joint programs and projects, memoranda on cooperation, joint work groups, reporting on activities, meetings, publications, interviews and other.

The main areas of interaction with the stakeholders are: strategic planning, financial activities, project management, supply of goods, works and services, lawmaking, operational activities, interaction with the media.

The degree of the influence importance is assessed by two scales x/y, where:

x = –5 : +5, with a step of 1 (or smaller) characterizes the extent of support /opposition by the Fund’s stakeholder (-5 – the extreme extent of opposition, +5 – the highest extent of support),

y = 0 : 5 with a step of 1 (or smaller) characterizes the extent of the stakeholder influence on the Fund (The stakeholders map is an open document of the Fund and is freely distributed by the Fund among any interested parties).

STRATEGIC DEVELOPMENT

determination of long-term priorities, strategic directions for the Fund development through the adoption of state and industrial development programs, development and approval of strategic documents of the Fund

OPERATING ACTIVITIES

continuous day-to-day activities to manage regular, standard processes in the Fund

STATUTORY REGULATION

adoption of standard regulations that directly or indirectly regulate certain aspects of the Fund's activities

QUALITY OF PROJECT AND / OR BUSINESS PROCESS MANAGEMENT

the extent of competence and efficiency of the Fund's personnel and management in provision of project and /or business process management services

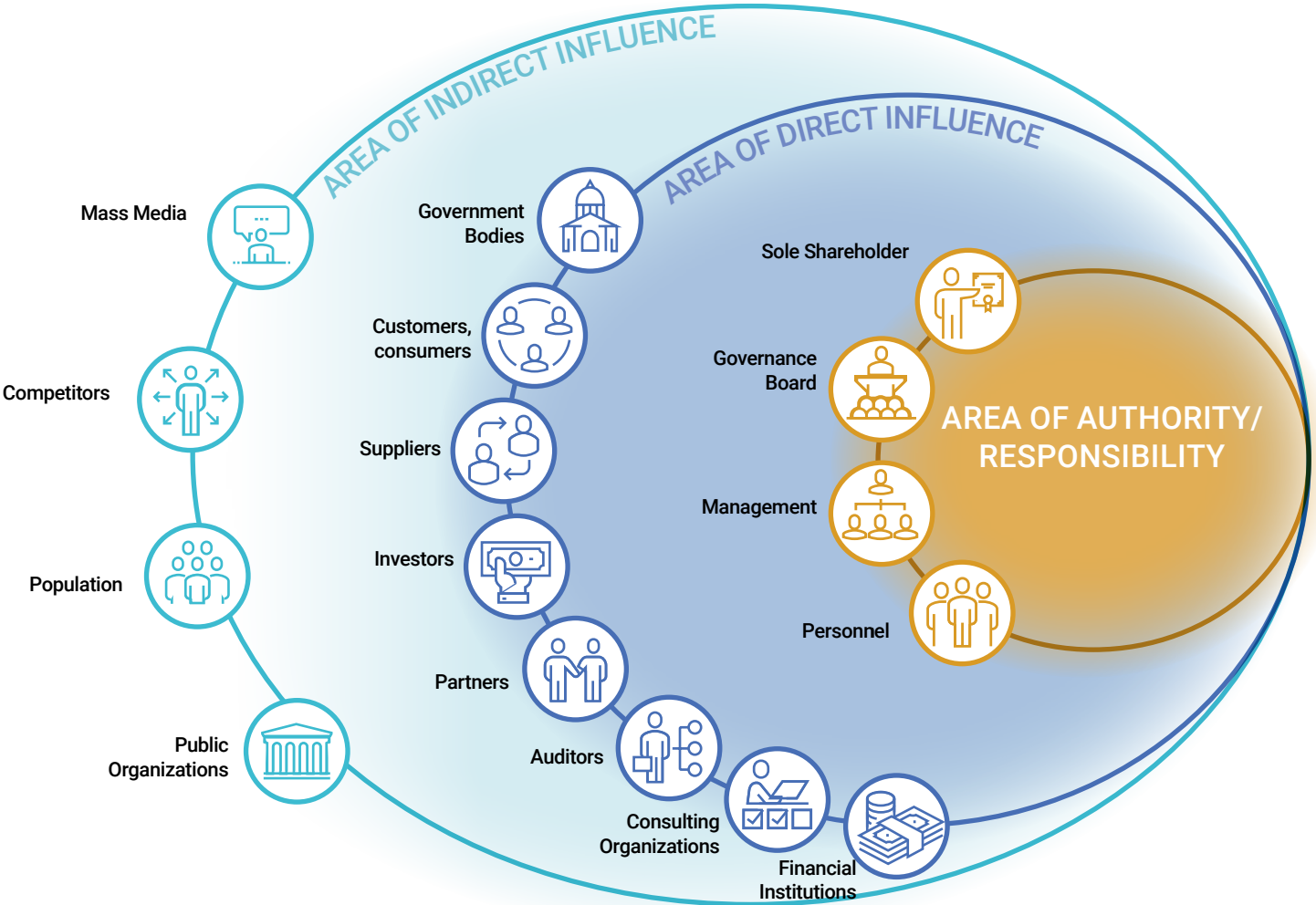
OPERATING RESULTS

quantitative indicators of the Fund's operating activities effectiveness

REPUTATION

the prevailing public opinion about the qualities, advantages and disadvantages

Map of Stakeholders and Extent of their Influence on the Fund's Interests



Sphere of Influence on the Fund's Interests

STAKEHOLDERS	SPHERE OF INFLUENCE ON THE FUND'S INTERESTS					
	STRATEGIC DEVELOPMENT	OPERATING ACTIVITY	STATUTORY REGULATION	QUALITY OF PROJECTS AND/ OR BUSINESS- PROCESSES MANAGEMENT	OPERATING RESULTS	REPUTATION
SCOPE OF AUTHORITY/ RESPONSIBILITY						
Sole Shareholder	*		*			*
Governance Board	*		*		*	*
Management	*	*	*	*	*	*
Personnel		*				
AREA OF DIRECT INFLUENCE						
Government Bodies	*		*		*	*
Customers, consumers		*			*	
Suppliers		*			*	
Investors	*			*	*	*
Partners		*		*	*	*
Auditors	*			*		*
Consulting organizations	*		*	*		*
Financial Institutions		*		*	*	
AREA OF INDIRECT INFLUENCE						
Mass Media						*
Competitors	*	*	*	*	*	*
Population					*	
Public Organizations	*		*	*		*

high extent of influence

low extent of influence

* high extent of interest

10. EXTRACTS FROM THE ANNUAL FINANCIAL STATEMENTS AND AUDIT CONCLUSION

These financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”) based on historical cost accounting rules, adjusted for initial recognition of financial instruments at fair value and revaluation of financial instruments assessed by the fair value through profit or loss and at the fair value through other aggregate income.

The accounting policies used for preparing the financial statements are presented in the Audited Financial Statements for 2020 posted on the Fund’s Internet resource.

Statement of Financial Position

(IN THOUSANDS OF KAZAKHSTANI TENGE)	NOTE	31 DECEMBER 2020	31 DECEMBER 2019
ASSETS			
Cash and cash equivalents	7	87,151,266	40,771,790
Funds in financial Institutions	8	229,441,142	274,617,302
Due from subsidy programs		162,139	16,779
Loans and advances to customers		556,967	97,495
Investments in debt securities	9	21,829,298	7,930,294

(IN THOUSANDS OF KAZAKHSTANI TENGE)

	NOTE	31 DECEMBER 2020	31 DECEMBER 2019
Premises and equipment	10	2,361,265	2,448,957
Intangible assets		234,391	218,076
Current income tax prepayment		7,430,331	9,231,239
Deferred tax asset	24	2,978,187	199,965
Non-current assets held-for sale		250,217	330,533
Other assets	11	5,700,313	1,641,158
TOTAL ASSETS		358,095,516	337,503,588
LIABILITIES			
Borrowed funds	12	175,824,905	234,302,199
Debt securities in issue	13	209,139	-
Liabilities on subsidy programs	14	24,201,336	5,865,771
Deferred income and provisions for credit related commitments	15	37,209,704	9,837,192
Other liabilities	16	977,970	1,362,458
TOTAL LIABILITIES		238,423,054	251,367,620
EQUITY			
Share capital	17	102,920,273	72,920,273
Additional paid-in-capital		10,735,627	10,735,627
Revaluation reserve for investment securities at fair value through other comprehensive income		47,581	132,723
Other reserves		316,430	316,430
Retained earnings		5,652,551	2,030,915
TOTAL EQUITY		119,672,462	86,135,968
TOTAL LIABILITIES AND EQUITY		358,095,516	337,503,588

Statement of Profit or Loss and other Comprehensive Income

(IN THOUSANDS OF KAZAKHSTANI TENGE)	2020	2019
Interest income calculated using the effective interest method	25,811,844	22,597,000
Other similar incomes	171,625	130,927
Interest expense	(10,814,186)	(10,247,867)
Interest income, net	15,169,283	12,480,060
Credit loss allowance for loans and advances to customers and amounts due from financial institutions	(1,190,264)	1,135,899
Net interest income after credit loss allowance for loans and advances to customers and amounts due from financial institutions	13,979,019	13,615,959
Net fee and commission income	5,704,966	3,812,698
Gains less losses from transactions with financial derivatives	-	(13,355)
Gains less losses on derecognition of financial assets measured at amortised cost	2,955,450	-
Gains less losses from securities at fair value through profit or loss	149,723	54,425
Gains less losses from trading in foreign countries	1,822	(186)
Foreign exchange translation gains less losses	325,787	(272,597)
Net loss on initial recognition of financial instruments at the rates below market (Impairment) / recovery of impairment of debt securities	(82,300)	(8,118,537)
Impairment of other assets	(39,975)	(6,618)
(Provision) / Recovery for credit related commitments	(11,344,898)	607,810
Net other operating expense	(150,210)	63,199
Expenses for realization of Fund's programs	(714,960)	(806,576)
General and administrative expenses	(4,585,800)	(4,842,342)
Income before tax	6,188,080	4,181,424
Income tax expense	(1,425,201)	(377,281)
Profit for the year	4,762,879	3,804,143
Other comprehensive loss:		
Items that may be subsequently reclassified as profit or loss:		
Investment securities at fair value through other comprehensive income: Losses less gains arising during the year	(85,142)	(89,753)
Other comprehensive loss for the year	(85,142)	(89,753)
Total aggregate income for the year	4,677,737	3,714,390

Statement of Changes in Equity

(IN THOUSANDS OF KAZAKHSTANI TENGE)	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	REVALUATION RESERVE FOR SECURITIES ASSESSED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OTHER RESERVES	RETAINED EARNINGS/ (ACCUMULATED DEFICIT)	TOTAL
Balance at 1 January 2019	72,920,273	834,527	222,476	316,430	(1,773,228)	72,520,478
Profit for year	-	-	-	-	3,804,143	3,804,143
Other comprehensive loss	-	-	(89,753)	-	-	(89,753)
Total comprehensive income for the year	-	-	(89,753)	-	3,804,143	3,714,390
Recognition of discount for borrowed funds from parent company including deferred tax (Notes 4 and 12)	-	9,901,100	-	-	-	9,901,100
Balance at 31 December 2019	72,920,273	10,735,627	132,723	316,430	2,030,915	86,135,968
Profit for the year	-	-	-	-	4,762,879	4,762,879
Other comprehensive loss	-	-	(85,142)	-	-	(85,142)
Total comprehensive loss for the year	-	-	(85,142)	-	4,762,879	4,677,737
Share issue	30,000,000	-	-	-	-	30,000,000
Dividends declared	-	-	-	-	(1,141,243)	(1,141,243)
Balance at 31 December 2020	102,920,273	10,735,627	47,581	316,430	5,652,551	119,672,462

Statement of Cash Flows

(IN THOUSANDS OF KAZAKHSTANI TENGE)	2020	2019
Cash flows from operating activities:		
Interest Received	18,861,348	15,310,499
Interest Paid	(5,617,241)	(4,310,788)
Fees and commissions received	22,053,571	6,284,803
Fees and commissions paid	(77,731)	(403,694)
Other operating income received	53,910	75,088
Staff costs paid	(2,470,280)	(2,288,064)
Administrative and other operating expenses paid	(2,586,275)	(3,336,537)
Cash flows from operating activities before changes in operating assets and liabilities	30,217,302	11,331,307
Net increase/(decrease) in:		
- due from financial institutions	44,654,286	(47,481,920)
- loans and advances to customers	(36,015)	296,260
- other financial assets	(837,982)	(521,146)

(IN THOUSANDS OF KAZAKHSTANI TENGE)

Net increase/(decrease) in:	2020	2019
- other financial liabilities	19,190,310	2,175,823
- other liabilities	(4,232)	377,564
Net cash from / (used in) operating activities	93,183,669	(33,822,112)
Cash flows from investing activities		
Acquisition of invaestment securities	(24,281,738)	(480,788)
Proceeds from disposal and redemption of investment securities	11,626,909	359,978
Acquisition premises and equipment	(202,596)	(100,048)
Acquisition of intangible assets	(95,910)	(93,650)
Proceeds from disposal of premise and equipment	509,744	236,038
Net cash used in investing activities	(12,443,591)	(78,470)
Cash flows used in financing activities		
Proceeds from borrowed funds	4,825,113	67,554,359
Repayment of borrowed funds	(68,501,059)	(27,296,933)
Proceeds from operation with financial derivatives	-	12,567,830
Proceeds from debt securities in issue	200,131	-
Repayment of debt securities in issue	-	(16,000,000)
Repayment of long-term lease	(171,448)	-
Share issue	30,000,000	-
Dividends paid	(1,141,243)	-
Net cash (used in) / from financial activity	(34,788,506)	36,825,256
Effect of exchange rate changes on cash and cash equivalents	427,904	(106,558)
Net increase in cash and cash equivalents	46,379,476	2,818,116
Cash and cash equivalents at the beginning of the year	40,771,790	37,953,674
Cash and cash equivalents at the end of the year	87,151,266	40,771,790

Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2020, the outstanding balances with related parties were as follows:

(IN THOUSANDS OF KAZAKHSTANI TENGE)	SOLE SHAREHOLDER	ENTITIES UNDER COMMON CONTROL	OTHER RELATED PARTIES
Cash and cash equivalents (contractual interest rate: 0%)	-	366,260	15,187,568
Investment securities at fair value through profit or loss (contractual interest rate: 4.93 %-7.68%)	-	-	1,405,461
Investment securities at fair value through profit or loss (contractual interest rate: 0%)	-	-	13,308,512
Due from financial institutions (contractual interest rate: 1 %-8.5%)	-	-	8,952,492
Current income tax prepayment (Interest rate: 15%)	-	-	7,430,331
Deferred tax asset (interest rate: 20%)	-	-	2,978,187
Other assets	-	-	459,691
Borrowed funds (contractual interest rate: 0.1 % – 5.5%)	90,549,594	-	85,275,311
Liabilities on subsidy programs (contractual interest rate: 0%)	-	-	5,670,743
Other financial liabilities	-	71,430	
Other liabilities	-	-	357,614

Related Party Transactions

The income and expense items with related parties for 2020 were as follows:

(IN THOUSANDS OF KAZAKHSTANI TENGE)	SOLE SHAREHOLDER	ENTITIES UNDER COMMON CONTROL	OTHER RELATED PARTIES
Interest income	-	-	1,188,359
Interest expense	(6,006,567)	(7,774)	(1,082,792)
Losses less gains from securities at fair value though profit or loss	-	-	32,388
Fee and commission income	-	-	828,560
Recovery of provisions for due from financial institutions	-	-	-
Net loss on initial recognition of financial instruments at rates below market	-	-	-
Provision for credit related commitments	-	-	(123,253)
General and administrative expenses	-	(50,495)	(152,021)
Other operating (expense) /income	-	-	-
Income tax expense	-	-	(1,425,201)

Appendix №1

Report on Compliance / Non-compliance with the Principles /Provisions of the Corporate Governance Code of “Damu” Entrepreneurship Development Fund” JSC for 2020

№	PRINCIPLES AND PROVISIONS OF THE CORPORATE GOVERNANCE CODE	COMPLIED/NOT COMPLIED WITH	ACTIVITIES CARRIED OUT TO COMPLY WITH THE PRINCIPLE
1	The principle of separation of powers	Complied with	<p>The corporate governance system provides for a clear delineation of powers and responsibilities between the relevant corporate bodies of the Fund, ensuring the systematic approach and consistency of the corporate governance processes.</p> <p>The activities of the Sole Shareholder, the Board of Directors, the Managing Board, as well as distribution of powers between the Sole Shareholder, the Board of Directors and the Managing Board are optimally and fully reflected in and regulated by:</p> <ol style="list-style-type: none">The Law of the Republic of Kazakhstan “On Joint Stock Companies”;The Charter of the Fund, approved by the decision of the Sole Shareholder of the Fund (minutes of the in-person meeting of the Managing Board of JSC “National Managing Holding” Baiterek “as of October 13, 2016 № 41/16);Regulations on the Board of Directors of the Fund, approved by the decision of the Sole Shareholder (minutes of the in-person meeting of the Managing Board of JSC “National Managing Holding “Baiterek” as of November 28, 2018, № 53/18);Regulations on the Managing Board of the Fund, approved by the decision of the Board of Directors as of 05.03.2014, № 49, as amended as of 09.07.2020, № 07/2020. <p>In 2020, the Sole Shareholder, the Board of Directors, the Managing Board considered and made decisions on the issues attributed by the Charter of the Fund to the exclusive competence thereof.</p> <p>However, at the same time, a “partial observance” of paragraph 22 of the Corporate Governance Code: “The Sole Shareholder takes part in the management of the Foundation exclusively by means of exercising the powers of the Sole Shareholder, envisaged in the legislative instruments of the Republic of Kazakhstan, the Charter of the Foundation and representation in the Board of Directors of the Foundation” in part of the approval of the general (unified) Provision on the Committees of the Board of Directors of the Foundation, is noted.</p> <p>The fundamental principle of the Fund’s corporate governance is the principle of protecting the rights and interests of the Sole Shareholder.</p> <p>In 2020, the Fund ensured observance of the following rights of the Sole Shareholder:</p> <ol style="list-style-type: none">participate in management of the Fund in the manner prescribed by the legislation of the Republic of Kazakhstan and the Charter of the Fund;receive information about the Fund’s activities, including getting acquainted with the financial statements of the Fund, in the manner prescribed by the Charter of the Fund;receive extracts from the Fund’s registrar or nominee holder, confirming its ownership of securities (the Sole Shareholder, being the owner of 100 % of the Fund’s shares (that is, their holder), has the opportunity to directly contact the Unified Registrar with a request to provide the abstract of its account);apply to the Fund with written inquiries about its activities and receive the reasoned answers within 30 (thirty) calendar days from the date of the request receipt by the Fund. <p>The most significant decisions of the Sole Shareholder include the following:</p> <ul style="list-style-type: none">decision on early termination of powers and election of members of the Board of Directors, including the chief executive officer of the executive body (the Managing Board);decision on approval of the annual financial statements, the procedure of net income distribution for the past 2020 fiscal year;decision on approval of the Annual Report on the Fund’s activities for 2019. <p>As of 01.01.2021, a member of the Board of Directors of the Fund, a representative of the Sole Shareholder is Mr. R. Karagoishin, the Deputy Chairperson of the Managing Board of “Baiterek” NMH” JSC.</p>
2	The principle of protecting the Sole Shareholder’s rights and interests	Complied with	

№	PRINCIPLES AND PROVISIONS OF THE CORPORATE GOVERNANCE CODE	COMPLIED/NOT COMPLIED WITH	ACTIVITIES CARRIED OUT TO COMPLY WITH THE PRINCIPLE
3	The principle of effective management of the Fund by the Board of Directors and the Managing Board	Complied with	<p>The activities of the Fund's Board of Directors are regulated by the legislation of the Republic of Kazakhstan, the Charter, the Regulations on the Board of Directors and other internal regulatory documents of the Fund. In 2020, the Board of Directors considered and made decisions on the issues attributed by the Charter to the exclusive competence of the Fund's Board of Directors.</p> <p>As of 01.01.2021, the Board of Directors of the Fund consisted of 6 directors, including 3 independent directors:</p> <ol style="list-style-type: none">1. Smailov Alikhan, Chairman of the Board of Directors;2. Batalov Raimbek, Independent Director;3. Bakhmutova Yelena, Independent Director;4. Yelemesov Askar, Independent Director;5. Karagoishin Rustam, member of the Board of Directors, representative of the Sole Shareholder;6. Buribayeva Gaukhar, member of the Board of Directors, Chairperson of the Managing Board. <p>In 2020, the number of independent directors increased up to 3 persons, thus representing 50 % of the Board of Directors, which corresponds to the best corporate governance principles.</p> <p>The activities of the Board of Directors were governed by the Regulation on the Board of Directors of the Fund, which determines the procedure of forming of the Board of Directors, the status, composition, rights, duties and responsibilities of the members of the Board of Directors, establishing the procedure of the Board of Directors activities, convening and holding meetings, making and executing its decisions.</p> <p>In accordance with the established procedure, the Work Plan of the Board of Directors is approved annually. According to the Corporate Governance Code, the in-person meetings of the Board of Directors and the committees thereof are held on a regular basis.</p> <p>During 2020, 12 meetings of the Board of Directors were held, including 9 in-person meetings, 3meetings in absentia, which considered 110 issues.</p> <p>The Board of Directors on a regular basis holds strategic sessions by the initiative of the independent directors with participation of the stakeholders in order to discuss the updates to the Development Strategy.</p> <p>At the strategic session as of 15.12.2020, № 01/20, the following issues were considered:</p> <ol style="list-style-type: none">1. On the strategic risks analysis consideration of the business model of JSC "Entrepreneurship Development Fund "Damu".2. Consideration of the issue on discussing the role and function of "Damu" Entrepreneurship Development Fund" JSC as a single operator of entrepreneurship support tools. <p>3 Committees are established under the Board of Directors:</p> <ol style="list-style-type: none">1) Audit and Risk Management Committee.2) Strategic Planning and Corporate Development Committee.3) Committee of Appointments, Remuneration and Social Issues. <p>The committees' activities are regulated by the relevant Regulations approved by the Board of Directors. According to the best corporate governance practice, the Committees are chaired by the independent directors. During 2020 the following meeting were held:</p> <ul style="list-style-type: none">• 10 in-person meetings of the Strategic Planning and Corporate Development Committee, which considered 38 issues;• 10 in-person meetings of the Audit and Risk Management Committee, which considered 67 issues;• 11 in-person meetings of the Committee of Appointments, Remuneration and Social Issues, which considered 26 issues.

№	PRINCIPLES AND PROVISIONS OF THE CORPORATE GOVERNANCE CODE	COMPLIED/NOT COMPLIED WITH	ACTIVITIES CARRIED OUT TO COMPLY WITH THE PRINCIPLE
			<p>The Members of the Board of Directors, except for independent directors, carry out their activities free of charge. The procedure of remuneration payment to the independent directors is determined in accordance with the Rules for election, payment of remuneration and compensation of expenses to independent directors. The information on remuneration paid to the independent directors is disclosed in the Fund annual report. However, at the same time, a "partial compliance" with provision No. 50 of the Corporate Governance Code (Paragraph No. 2 "Remuneration to the members of the Board of Directors") in part of determining the amount of remuneration, sufficient to attract and motivate each member of the Board of Directors of the level, required for the successful management of the Foundation, is noted.</p> <p>The Fund's Managing Board, being a collective executive body of the Fund, manages the current activities of the Fund, bindingly fulfills the decisions of the Sole Shareholder and the Board of Directors of the Fund. The Managing Board is subordinate to the Board of Directors and is responsible to it for fulfillment of the assigned responsibilities.</p> <p>The rights and obligations of the Managing Board members are determined by the Charter, the Regulations on the Managing Board and other internal regulatory documents of the Fund.</p> <p>The Regulations on the Managing Board determine the procedure of forming and functioning of the Fund's Managing Board, the rights and obligations of the members of the Managing Board, making and executing decisions thereof, as well as control of fulfillment thereof.</p> <p>According to the decision of the Fund's Board of Directors as of 24.02.2017 (Minutes №01/2017), the Managing Board consists of the Chairman of the Managing Board and members of the Managing Board, the term of office of the Managing Board of the Fund is established to be 5 (five) years from the date of this decision. As of 31.12.2020, the Managing Board of the Fund operates in the following composition:</p> <ol style="list-style-type: none">1. Gaukhar Buribayeva – Chairperson of the Managing Board;2. Yerbol Yeskakov – Deputy Chairperson of the Managing Board;3. Bakhytzhан Makazhanov – Deputy Chairperson of the Managing Board;4. Galym Nurgaziyev – Deputy Chairperson of the Managing Board;5. Farkhat Sarsekeyev – Deputy Chairperson of the Managing Board. <p>The processes of remuneration and evaluation of activities of the Fund's Managing Board members are provided for in the Rules for Labor Remuneration, Evaluation of Activities and Remuneration of Executives of "Damu" Entrepreneurship Development Fund" JSC, approved by the decision of the Fund's Board of Directors as of 30.10.2015 (Minutes № 65).</p>
4	The principle of sustainable development	Complied with	<p>By the decision of the Board of Directors, the Fund's Sustainable Development Policy was approved (Minutes № 03/2019 as of 17.04.2019). The purpose of the Policy is to determine the fundamental norms, principles, rules and approaches that the Fund should adhere to while building a management system in the field of sustainable development. In accordance with the requirements of the Policy:</p> <ol style="list-style-type: none">1. Management Board approves the Action Plan in the field of sustainable development and on an annual basis draws-up the Report on the actions plan implementation;2. Structural divisions of the Fund implement the activities in the field of sustainable development. <p>Sustainable development activities are included in the Action Plan for 2019–2021 on the implementation of the Fund's Development Strategy for 2014–2023.</p> <p>In addition, within the framework of strategic integration, it is planned to update the Fund's Development Strategy, taking into account the goals and objectives of the Fund in the field of sustainable development.</p>

№	PRINCIPLES AND PROVISIONS OF THE CORPORATE GOVERNANCE CODE	COMPLIED/NOT COMPLIED WITH	ACTIVITIES CARRIED OUT TO COMPLY WITH THE PRINCIPLE
5	The principle of risk management, internal control and internal audit	Complied with	<p>The Fund operates the risk management and internal control systems, which are a set of interrelated components (organizational policies, procedures, methods, mechanisms, norms of behavior and actions, etc.) aimed at providing reasonable confidence in achievement of strategic and operational goals. Annually, the register and risk map that have a critical impact on the Fund's ability to achieve strategic and operational goals and objectives are updated. The internal audit service assesses the effectiveness of risk management and internal control systems at the established regularity. The Fund constantly improves the corporate risk management system. In 2020, the following reports were provided to the Sole Shareholder, the Board of Directors and the Managing Board of the Fund:</p> <p>1) report on compliance with the limits for second-tier banks and microfinance organizations;</p> <p>2) monthly report on the structure of funds disbursement, balance sheet, gap analysis, currency position of the Fund;</p> <p>3) quarterly risk report, consisting of 16 appendices, including credit, financial, operational and strategic risks (provided to the sole shareholder and the Board of Directors on a quarterly basis).</p> <p>4) The Risk Map, Risk Register and Key Indicators Panel were approved by the Board of Directors for 2020, including the entire list of operational risks and the action plan for critical risks management.</p> <p>5) semi-annual monitoring of the financial condition of the Fund's counterparty banks.</p> <p>The Board of Directors approved the following internal documents:</p> <p>1. The Risk Management policy of “Damu” Entrepreneurship Development Fund” JSC, approved by the decision of the Board of Directors as of 04.09.2015. (Minutes № 64);</p> <p>2. Policy on the internal control system of “Damu” Entrepreneurship Development Fund” JSC;</p> <p>3. Financial risk management rules, etc.</p> <p>The main objectives of the Risk Management Policy are to build an effective comprehensive risk management system, as well as to continuously improve the activities based on the unified standardized approach to risk management methods and procedures.</p> <p>The main objectives of the internal control system are:</p> <p>1. within the framework of operating activities: ensuring operational efficiency, including the effectiveness of asset and liability management, ensuring safety of assets;</p> <p>2. as part of financial statements drawing-up: ensuring the completeness, reliability and timeliness of financial, regulatory and other reporting;</p> <p>3. within the framework of compliance with the regulatory and legal requirements: ensuring compliance with the legislation of the Republic of Kazakhstan, as well as internal acts.</p> <p>The Fund uses a three defense lines model, the main goal of which is effective functioning of risk management and internal control systems through clear separation of roles and functions. The responsibilities of each line are as follows: operational risk management is performed on the first line; monitoring of aggregated risk and control of the first defense line for the subject of risk management implementation on the second line, and independent ensuring of the risk management system operation behind the third defense line. If each line of defense effectively fulfills its role, the likelihood that it will successfully achieve its strategic goals increases. There is the Internal Audit Service. By the decision of the Board of Directors of the Fund as of 23.02.2018 (Minutes № 01/2018), the term of office of the Internal Audit Service was determined to constitute 3 (three) years until 22.02.2021. According to the decision of the Fund's Board of Directors as of 09.03.2021 (Minutes № 01/2021), a new term of office of the Internal Audit Service was determined – 3 (three) years from February 23, 2021 to February 22, 2024 and the quantitative composition of the Internal Audit Service in the amount of 4 units (Head of IAS – 1 unit; Chief auditor – 3 units).</p>

№	PRINCIPLES AND PROVISIONS OF THE CORPORATE GOVERNANCE CODE	COMPLIED/NOT COMPLIED WITH	ACTIVITIES CARRIED OUT TO COMPLY WITH THE PRINCIPLE
6	The principle of corporate conflicts and conflicts of interest regulation	Complied with	<p>The Internal Audit Service is directly subordinate to the Audit and Risk Management Committee and the Board of Directors and reports to them on its work. The tasks, functions, rights and responsibilities of the IAS, as well as the procedure for its activities are determined by the Regulation on the Internal Audit Service, approved by the Board of Directors.</p> <p>When conducting an audit and drawing up an audit report, the internal auditors apply the norms and provisions of the International Professional Standards for Internal Auditing, the Code of Business Ethics approved by the decision of the Board of Directors as of 25.07.2011 (as amended as of 19.04.2021), IAS Regulations, Rules on internal audit organization, approved by the decision of the Board of Directors № 09/2019 as of 03.10.2019, internal regulations of the Fund.</p> <p>The Internal Audit Service carries out its activities on the basis of annual risk-oriented audit work plan approved by the Board of Directors, risk-oriented programs for each individual assignment, taking into account the current risks.</p> <p>The results of audit reports, key findings and relevant recommendations are submitted to the Board of Directors for consideration on a quarterly basis.</p> <p>The issues of corporate conflicts and conflicts of interest in the Fund, are regulated within the framework of the Policy for settlement of corporate conflicts and conflicts of interest (hereinafter referred to as the Policy), approved by the decision of the Board of Directors of the Fund as of 15.04.2015.</p> <p>The policy regulates the order and procedures for pre-trial settlement of conflicts, as well as the actions of bodies, officials and employees of the Fund within the framework of these processes.</p> <p>In 2019, a number of amendments and supplements were made to the Policy at the initiative of the Compliance Controller in connection with:</p> <ul style="list-style-type: none">• expanding the circle of persons who are subject to the Policy requirements;• redistribution of functional responsibilities between the Legal Department and the Compliance Controller;• applying new measures to minimize the risk of a conflict of interest. <p>During 2019, the Compliance Controller provided consultations to the Fund's employees on settlement of the conflicts of interest. At the same time, the Fund did not record any cases of corporate conflicts and conflicts of interest.</p> <p>According to the decision of the Board of Directors as of 17.06.2019 № 06/2019, an independent Ombudsman of the Fund was appointed – the head of the Holding Compliance Service, whose role is to advise the Fund's employees who applied to him/her, and to assist in resolving labor disputes, conflicts, problem issues of a social and labor nature, as well as the observing the principles of business ethics by the Fund's employees.</p> <p>In 2020, there were no situations related to a conflict of interest.</p> <p>In order to identify the conflicts of interest of officials and employees, a list of affiliated persons is maintained on a monthly basis and a register of persons having special relations with the Fund is maintained on a quarterly basis.</p>

Nº	PRINCIPLES AND PROVISIONS OF THE CORPORATE GOVERNANCE CODE	COMPLIED/NOT COMPLIED WITH	ACTIVITIES CARRIED OUT TO COMPLY WITH THE PRINCIPLE
7	Principles of transparency and objectivity in disclosing information on the Fund's activities	Complied with	<p>The Fund discloses information on the corporate events, financial statements and audit reports, lists of affiliates, as well as other information to be disclosed on the Internet resource of the financial reporting depository in accordance with the requirements approved by the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan № 189 as of August 27, 2018.</p> <p>Timely disclosure of information on the Fund's activities, including its financial position, economic indicators, results of its activities and management structure, is provided to the circle of the interested parties.</p> <p>In accordance with the best practice of information disclosure, the annually Fund draws-up Annual Activity Report. In 2020, the Annual Report on the Fund's activities for 2019 was issued.</p> <p>In order to ensure the consistency of information disclosure in the Fund, the following internal documents shall apply:</p> <ol style="list-style-type: none">1. Regulations on information posting on the Internet resource of the financial statements depository, approved by the resolution of the Fund's Management Board as of 31.05.2019. (Minutes № 77/2019).2. Regulations on structural units interaction within the framework of preparing and information disclosure in the annual report of the Fund, approved by the resolution of the Fund's Management Board as of 06.04.2018. (Minutes № 35/2018).3. Rules for concluding major transactions and the transactions which the Fund has the interest in, approved by the resolution of the Fund's Management Board as of 15.12.2017 (Minutes № 099/2017).4. Regulations of Kase and AIX. <p>The Fund complies with and is subject to the Information Security Policy. The policy defines the basic principles, directions and requirements for information protection, it is the basis for ensuring the information security regime, and serves as a guidelines for development of the relevant regulations, rules, and instructions.</p>

Appendix № 2

Report on the Consolidated Volumes of Sponsor and Charitable Assistance Provision

Section 1. Financial																in tenge
Nº of item	The main priorities of sponsorship and /or charitable assistance, the name of the legal entity /individual	2020	TARGET			ACTUALLY PAID/ TRANSFERRED FUNDS			2020 ACTUAL ACCORDING TO THE FINANCIAL STATEMENTS			DEVIATION	NOTE			Summary and basis for making decision on provision of sponsorship and /or charitable assistance (decision of the Board of Directors / Managing Board of the Fund, resolution of the Government of the Republic of Kazakhstan, order of the Prime Minister, Administration of the President of the Republic of Kazakhstan, appeals of other state bodies, memorandum / agreement, appeal of legal entities (non-commercial) and individuals)
		Actual according to the Financial Statements	1 half of the year	2 half of the year	Total for the year	1 half of the year	2 half of the year	Total for the year	1 half of the year	2 half of the year	Total for the year					
1																
	Total sponsorship, charitable assistance and provisions, including:	3,109,232 (VAT included)						2,776,100 (VAT excluded)			3,109,232 (VAT included)			Extract from the minutes of the meeting of the Management Board № 79/2020 as of 08.09.2020 (issue 5)		On 23.10.2020 the Agreement on the purchase of goods from one source to the amount of 2,776,100 tenge VAT excluded, was concluded with IE "Yermekbayev". On 06.11.2020, the goods were transferred to the Fund. On 26.11.2020 the goods were transferred to the KSU Specialized Complex "Zhanuya", all purchased items (tracksuits, sneakers, backpacks) were distributed among the children of the orphanage.
1.	sponsorship, including:	0			0			0			0					
	total:	0			0			0			0					

2.	Charitable assistance, including:	3 109 232 (VAT included)					2 776 100 (VAT excluded)		3 109 232 (VAT included)				
2.1.	Public utility institution Specialized complex "Zhanuya"	3 109 232 (VAT included)					2 776 100 (VAT excluded)		3 109 232 (VAT included)				
	Total	3 109 232 (VAT included)					2 776 100 (VAT excluded)		3 109 232 (VAT included)				

Appendix №3

Abbreviations

ABBREVIATIONS	INTERPRETATION
FMA	Agency of the Republic of Kazakhstan for Financial Market Regulation and Development
STB	Second-Tier Banks
GDP	Gross Domestic Product
"BRM-2025"	State program for business support and development "Business Road Map-2025"
Sole Shareholder, Holding, JSC "NMH "Baiterek"	JSC "National Managing Holding "Baiterek"
LC	Leasing Companies
LEB	local executive bodies
MFO	microfinance organizations
MSMB	micro, small and medium-scale business
SME	small and medium-scale entrepreneurship
MNE RK	Ministry of National Economy of the Republic of Kazakhstan
"Yenbek" Program	State program for Effective Employment Development and Mass Entrepreneurship for 2017–2021 "Yenbek"
UNDP	United Nations Development Program
IAS	Internal Audit Service
MSME	micro, small and medium-scale business entities
SME	small and medium-scale business entities
PBE	private business entities
Fund, "Damu" Fund	"Damu" Entrepreneurship Development Fund" JSC

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