



**SUSTAINABLE  
BUSINESS –  
SUSTAINABLE  
REGIONS**



**ANNUAL  
REPORT**

**2019**



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## MAIN EVENTS OF THE YEAR

1 The 5<sup>th</sup> 'ULTTYQ ÓNIM' Annual Exhibition of the manufacturers of Kazakhstan that received state support, was held in Nur-Sultan city at the Independence Palace. 475 companies that received state support, participated in the Exhibition and the number of visitors for 3 days reached over 13,000.

475  
COMPANIES

2 Automation of the rating model for SMEs evaluation was conducted, in order to reduce the time for providing guarantees under government programs without increase in the default projects number.

3 The State Program for Support and Development of Business 'Business Roadmap 2025' was developed and approved by the Resolution of the Government of the Republic of Kazakhstan.

6 In 2019, the Lending Facility for Priority Sectors was implemented. While implementing the Lending Facility, the Fund acted as a financial agency.

At the end of 2019, the automation level reached 94%. Full automation planned for 2020.

94%  
AUTOMATION LEVEL

4 Internet portal Online Damu was launched on the principle of a financial supermarket.

7 'Damu' Entrepreneurship Development Fund' JSC fulfilled its obligations under the 2<sup>nd</sup> tranche of a loan borrowed from the Asian Development Bank.

8 In order to increase the effectiveness of the Fund's activities in the field of sustainable development, the internal documents were updated.

The Fund has allocated funds in the amount of 5.979 billion tenge to 12 MFCs under the programs/products of conditional placement of funds for subsequent provision by MFCs of microloans to the micro and small business entities.

5.979  
BILLION TENGE

11 In 2019, a new program was developed for conditional allocation of funds to finance deals of micro, small and medium enterprises, made with creation/acquisition of intellectual property and use of franchising schemes.

500  
MILLION TENGE

10 During 2019, active programs of conditional allocation of funds were re-oriented:

- Within the framework of programs financed from the resources of the National Fund of the Republic of Kazakhstan (NF 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> tranches) it is possible to finance food industry projects without restrictions on the amount, and projects focused on export development;
- Within the framework of the Fund's product 'Damu Leasing', the advance payment was reduced to up to 20% of the leased asset value by SMEs in the form of down payment, the amount of SME loan was increased to 500 million tenge.



First Deputy Prime Minister  
of the Republic of Kazakhstan,  
Chairman of  
the Board of Directors of  
'Damu' Entrepreneurship  
Development Fund' JSC

A.A. Smailov

# ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

In 2019, the nation's leadership and the Government took the complex measures to support business.

The President of the Republic of Kazakhstan K.K. Tokayev pays great attention to business development; all necessary conditions are created in our country to open and conduct business. The position of the Head of the State presented in the State of Nation Address is worthy of special attention as it states that the "small business, specifically microbusiness, plays important role in social-and-economic and political life of the country. First of all, it guarantees permanent employment of the residents of villages and cities with reducing unemployment thereby. Therefore, the State will continue to support business".

One of the effective and in-demand tools of complex business support in Kazakhstan is the Government Program 'Business Road Map 2025', which has been extended until 2025. The aim is to keep maintaining permanent working positions and to create new ones, to guarantee sustainable and well-balanced growth of the regional entrepreneurship in non-raw-materials sectors of the country's economy. Last year, in order to support the business the Government implemented the "Economy of Simple Things" Loans Program for priority projects, as well as improved a number of other governmental programs. In the context of implementation of the programs, Damu Entrepreneurship Development Fund JSC acts as one of the principal financial operators for the state support measures.

Damu Fund ended 2019 with good performance, having financed more than 24 thousand projects for the total credit amount exceeded 600 billion tenge.

Fund's own programs aimed for support of small and medium-scale businesses in the regions are successfully implemented. Reception of applications for subsidies and guarantees through the web-portal E-gov is fully integrated. In 2019, the initiative to launch own Internet portal Online Damu based on the principle of a financial supermarket was realized.

In 2020, the Fund continues to cooperate with the United Nations Development Program and the Global Environment Facility within the framework of the new project "Reducing the Risks of Investing in Renewable Energy Sources".

As per data of the World Bank, in 2019, Kazakhstan showed an increase of 3 points in the Ease of Doing Business rating — from point 28 to 25 among 190 countries. This can be regarded as the Fund's merits.

Damu Fund continues to pay special attention to study of the international experience in support and development of small and medium-scale business. The knowledge acquired by the Fund's employees at the time of the foreign internships is successfully used in practice.

In order to implement a complex of measures to support export-oriented micro, small and medium-scale enterprises, and training

IN 2019, FUND FINANCED  
MORE THAN

24

THOUSAND PROJECTS

programs in 2019, 8 cooperation agreements were concluded with such organizations as Korea SMEs and Startups Agency (KOSME), SME Bank JSC (Russia), State Fund for Support of Business Development under the Cabinet of Ministers, Entrepreneurship Development Fund of the Republic of Azerbaijan, and many more.

The Damu Fund has all the necessary resources and tools for the effective implementation of its tasks.

The work performed by Damu Fund, which is aimed at enhancement of effectiveness of the measures of the state support of development of small and medium-scale business and improvement of the quality of provided services will certainly produce positive results.

A.A. Smailov  
First Deputy Prime Minister of the Republic of Kazakhstan,  
Chairman of the Board of Directors of 'Damu'  
Entrepreneurship Development Fund' JSC



Chairwoman  
of the Management Board  
of 'Damu' Entrepreneurship  
Development Fund' JSC

G.A. Buribayeva

# ADDRESS OF THE CHAIRWOMAN OF THE MANAGEMENT BOARD

In 2019, great attention was paid to improving the conditions for creating and running a business and developing the entrepreneurial potentials of Kazakhstanis. At the present stage of development of the world economy the small and medium-scale enterprises are the basis for effective growth and the creation of permanent jobs, which would result in a multiplicative improvement of well being of the population.

The Fund is the main national development institution that provides state support to micro, small and medium enterprises. The Fund operates using 4 basic instruments:

- 1) Preferential loans;
- 2) Interest rate subsidy;
- 3) Loan guarantee;
- 4) Online training and customer support to clients up until further work with financial institutions.

Using the above financial instruments, the Fund supported 85 thousand projects in the amount of loans of 5.3 trillion tenge.

The Fund implements support programs for the manufacturing industry at the expense of the National Fund of the Republic of Kazakhstan, State Program for Support and Development of Business 'Business Roadmap 2025', State Program for Development of Productive Employment and Mass Entrepreneurship 'Enbek' and programs to support micro, small and medium-scale businesses, including women's entrepreneurship, within the framework of attracted funds from the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD); regional financing

programs, together with Akimats, and other programs to support micro, small and medium-scale enterprises, at the expense of own and borrowed funds. In general, under preferential lending programs through second-tier banks, microfinance organizations and leasing companies, 61 thousand borrowers were funded to a total loan amount of 2.2 trillion tenge.

The number of projects that received subsidized interest rates in 2019 for all programs increased by 87% compared to 2018 and reached the level of 2 647 projects to the total amount of 269.8 billion tenge. The amount of loans also increased by 36%. Overall, 15.5 thousand projects worth 2.8 trillion tenge were supported by subsidizing the interest rate.

In 2019, under all guarantee programs, the number of projects also increased by 38% compared to 2018 and amounted to 2,674 projects. The amount of loans added up to 102.7 billion tenge, and the amount of guarantees totaled 40.4 billion tenge. Overall, the guarantee tool for the program implementation period supported 8.6 thousand projects to the amount of 302 billion tenge.

In order to implement the strategic task for sustainable institutional development, the Fund is working on automation of the basic business processes. Last year, online.damu.kz was launched to provide online services and expedite the processing of applications and introduce additional amenities for customers. Entrepreneurs can use the following services online:

- *Monitoring project for compliance/ possibility of obtaining state support (industry/regions);*
- *Online applications for state support for subsidizing, guaranteeing and preferential loans obtaining.*

For the past year, 67.5 billion tenge was raised to support local entrepreneurs, including 35.3 billion tenge from ADB.

Entrepreneurs who have received state support contribute to the social and economic development of Kazakhstan. In particular, the entrepreneurs supported by the Fund in 2018 produced goods (total annual income) to the amount of 5.5 trillion tenge, paid taxes in the amount of 443 billion tenge and created 8.7 thousand jobs.

In 2020, the Fund will continue to work on development of the alternative kinds of financing, such as microcredits through microfinance organizations, financing through leasing companies, and the Islamic financing.

Likewise, the Fund is going to implement the kinds of alternative funding of the Fund such as the transactions settled using the securitization mechanism and the issue of the 'green' bonds on the stock of the International Financial Centre Astana.

**G.A. Buribayeva**  
*Chairwoman of the Management Board  
of 'Damu' Entrepreneurship Development Fund' JSC*

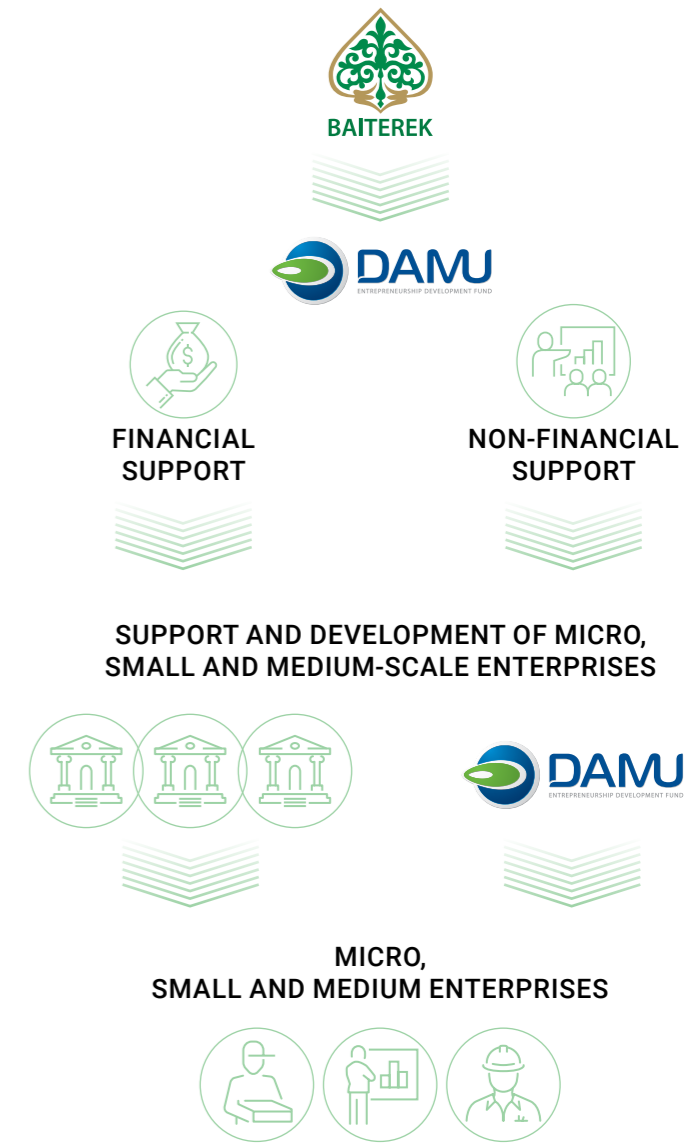
# 01

## INFORMATION ABOUT THE FUND

‘DAMU’ ENTREPRENEURSHIP DEVELOPMENT FUND’ JSC (HEREINAFTER REFERRED TO AS THE FUND) IS A NATIONAL DEVELOPMENT INSTITUTION WITH AN AIM TO PROMOTE THE QUALITY DEVELOPMENT OF PRIVATE ENTREPRENEURSHIP IN THE REPUBLIC OF KAZAKHSTAN

The Fund offers a wide range of products and services for entrepreneurs: financing under lending programs through second-tier banks (hereinafter referred to as the – STBs), microfinance companies (hereinafter referred to as MFCs), leasing companies (hereinafter – LC) and other legal entities, subsidizing interest rates on loans, loan guarantees, consultative support, distribution of information and analytical materials.

### OUR BUSINESS MODEL



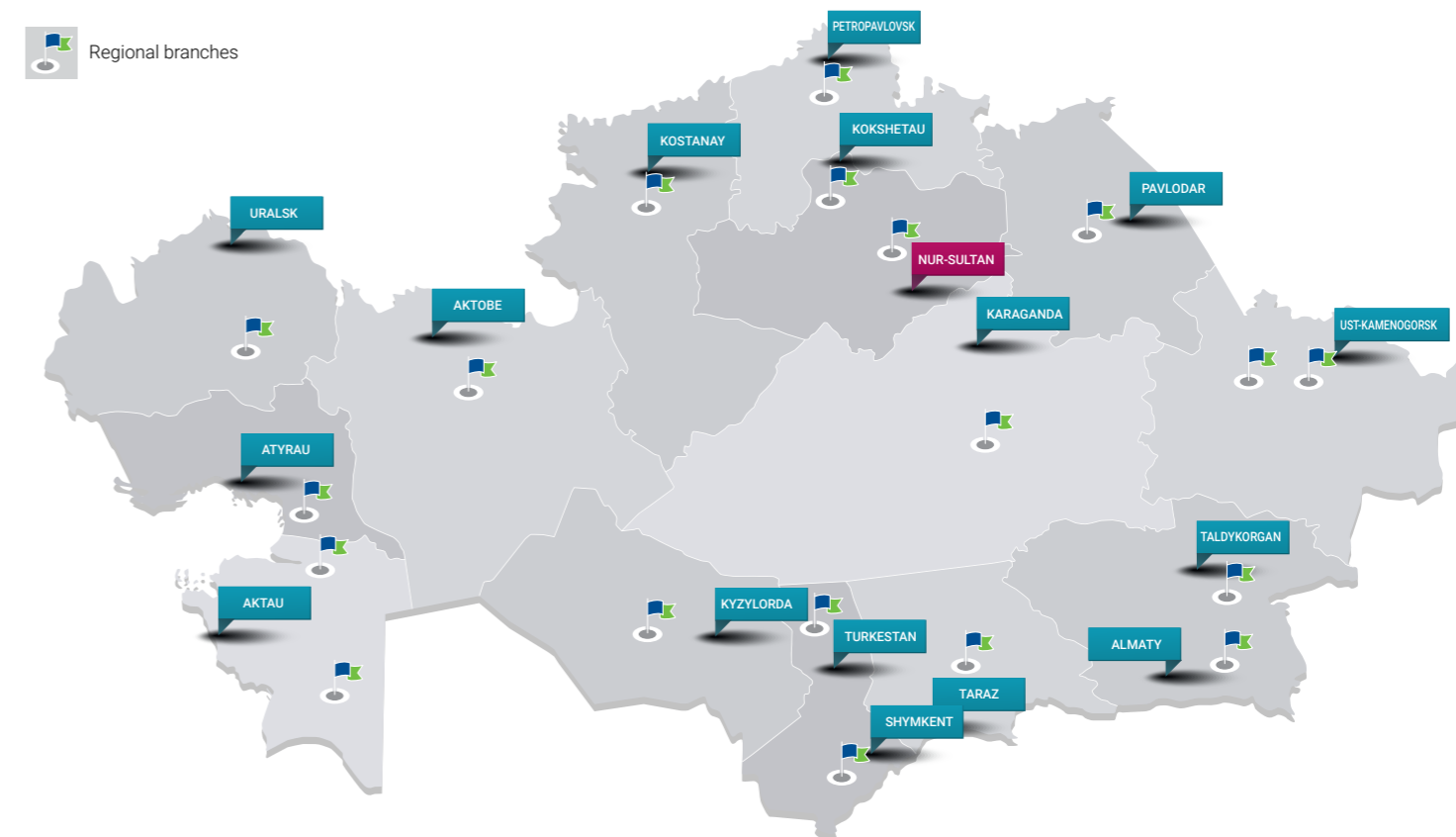
## 1.1. HISTORY OF THE FUND

- *Establishment of the Fund (Decree of the Government of the Republic of Kazakhstan as of April 26, 1997 № 665 "On Establishment of the Fund for Small Business Entrepreneurship" <sup>1)</sup>*
- *Since 2002, direct lending to small businesses from own funds: the "Program for Lending to Small-Scale Businesses from the Republican Budget Funds" and the "Program for Small Towns Development for 2004–2006"*
- *Since 2005, provision of support for small entrepreneurship through implementation of project financing and leasing programs, the development of microlending system in Kazakhstan, the program for loan guarantees to small-scale enterprises received in the second-tier banks*
- *Since 2007, acting as the agent for accounting and controlling use of state budget funds under the Program of measures to support domestic manufacturers, as well as through credit lines from the Asian Bank of Development and the European Bank for Reconstruction and Development*
- *Since 2007, implementation of the functions of the operator in the conditional allocation of funds at the expense of the attracted and own funds*
- *Since 2010 the Fund acts as a financial agency for subsidizing interest rates on loans/leasing transactions of entrepreneurs and guaranteeing SME loans to banks/leasing companies*
- *In 2013, 'Baiterek' National Management Holding' has become the Sole shareholder of the Fund*
- *In 2016, the Fund was selected as the Financial Agent under the Program for Productive Employment and Mass Entrepreneurship Development for 2017–2021*
- *In 2017, the Fund's Development Strategy for 2014–2023 was updated*
- *In 2018, the Fund carried out the first issue of bonds on the Kazakhstan Stock Exchange JSC*

<sup>1</sup> The former name of the Fund was: "Small Entrepreneurship Development Fund" JSC.

## 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.



IN 2019:

6,479

PROJECTS  
OF ENTREPRENEURS HAVE BEEN  
ACCOMPANIED UP TO APPROVAL  
BY STBs/MFCs/LC UNDER  
THE FUND'S PROGRAMS

36,137

OF CONSULTING SERVICES  
HAVE BEEN PROVIDED  
TO THE BEGINNING AND  
OPERATING ENTREPRENEURS

1.3. THE FUND’S DEVELOPMENT STRATEGY

MISSION OF THE FUND

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

VISION OF THE FUND

The Vision of the Fund by 2023 is to convert to a National Development Institute – the initiator and facilitator of the programs to support and develop micro, small and medium-scale enterprises.

DEVELOPMENT STRATEGY

The Fund’s development strategy aims to develop micro-, small and medium-scale entrepreneurship in Kazakhstan and takes into account the experience of successful and effective implementation of both state and own programs for development of micro-, small and medium-scale enterprises (hereinafter referred to as MSMEs). The Fund has over 20 years of experience in supporting MSMEs and a number of other strengths that are used to improve the effective implementation of Development Strategy and achieve the set objectives and tasks.

The Development Strategy of ‘Damu’ Entrepreneurship Development Fund’ JSC (hereinafter referred to as the Fund Development Strategy) was approved by the decision of the Board of Directors of the Fund as of July 3, 2017.

In April 2019, by a decision of the Board of Directors of ‘Damu’ Entrepreneurship Development Fund’ JSC, the Sustainable Development Policy (hereinafter referred to as the Policy) was approved. The Policy was developed, including taking into account the requirements of the UN Global Compact, the United Nations Principles for Responsible Investment, the AA 1000 Series of the International Standards, ISO 26000:2010 International Standard for Social Responsibility Guidelines, the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards). Solving issues in the field of sustainable development, the Fund relies on its mission, the provisions of the Fund’s Development Strategy, and also uses international norms of behavior and principles established by international standards in the field of sustainable development.

As part of integration of the principles of sustainable development into the activities of the Fund, in 2020 it is planned to update the Development Strategy of the Fund taking into account the goals and objectives of the Fund in the field of sustainable development.

MAIN STRATEGIC DIRECTIONS OF THE FUND’S DEVELOPMENT	
STRATEGIC DIRECTIONS	STRATEGIC TASKS
Support and development of emerging and operating entrepreneurs	■ Expansion of lending to microbusiness, development and implementation of support tools for MFCs and credit partnerships
	■ Increase in the share of coverage of the existing MSMEs with the financial programs of the Fund
	■ Improving the economic efficiency of the supported MSMEs
Sustainable institutional development of the Fund	■ Raising funds from additional sources of financing
	■ Achievement of the planned level of financial performance
	■ Automation of business processes
	■ Improving corporate governance



Akmola region, Samhat Shoe Factory LLP  
Shoe manufacturing Project  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020



# 02

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

THE NUMBER OF ACTIVE ENTREPRENEURS INCREASED BY 7.1%

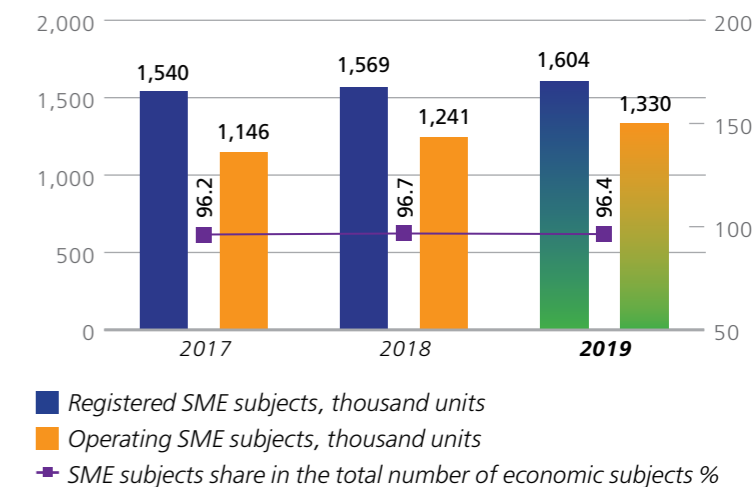
1,330 thous.

THE NUMBER OF SMES EMPLOYEES INCREASED BY 4.0%

3,399 thous.

In 2019, Kazakhstan the number of registered small and medium-scale enterprises (hereinafter referred to as SMEs) increased by 2.2%, to 1,604 thousand. Moreover, their share in the total number of economic entities in the country reached 96.4%. The number of active entrepreneurs increased by 7.1%.

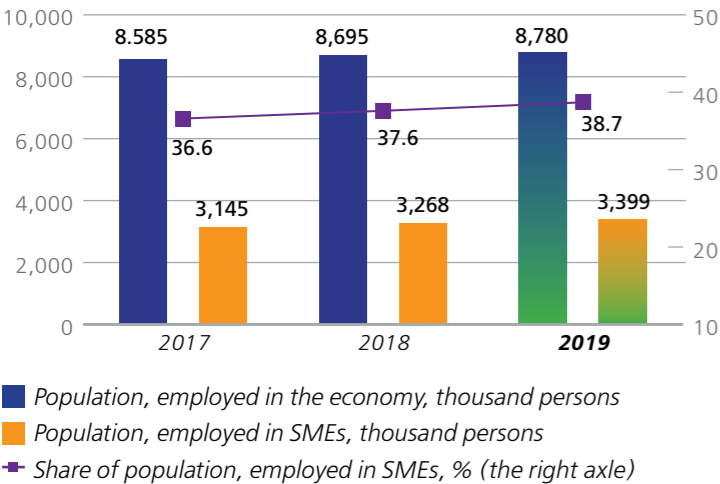
### DYNAMICS OF THE NUMBER OF REGISTERED SMES IN THE REPUBLIC OF KAZAKHSTAN



Source: Statistics Committee of the Ministry of the National Economy the RoK ([www.stat.gov.kz](http://www.stat.gov.kz)).

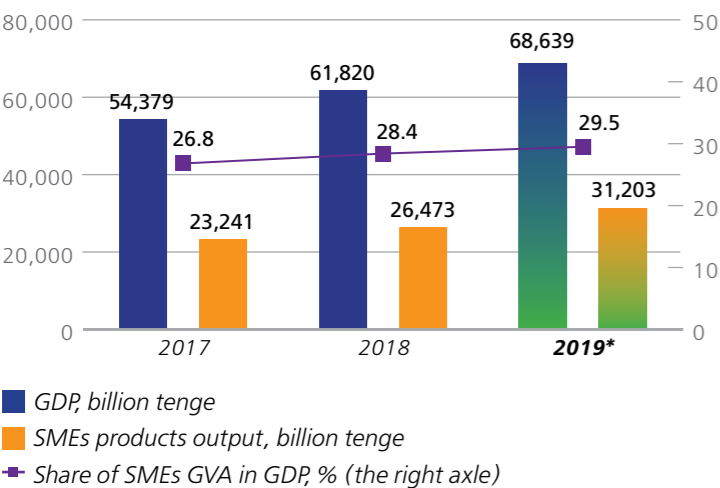
According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, by the end of 2019, the employed population accounted to 8,780 thousand people. At the same time, the number of SMEs employees reached 3,399 thousand people (38.7% of all employees) as of January 1, 2020. Compared to last year, the number of SMEs employees increased by 4.0% (see "Dynamics of the employed population in the Republic of Kazakhstan" graph.)

DYNAMICS OF THE EMPLOYED POPULATION IN THE REPUBLIC OF KAZAKHSTAN



Source: Statistics Committee of the Ministry of the National Economy of RK (www.stat.gov.kz).

DYNAMICS OF GDP AND SMES PRODUCTS OUTPUT IN THE RoK



\*SMEs share in GDP RK according to the data for 9 months 2019  
Source: Statistics Committee of the Ministry of the National Economy of RK (www.stat.gov.kz).

During the last 8 years, Kazakhstan’s GDP in real terms has shown growth. In 2019, Kazakhstan’s GDP grew by 4.5% and amounted to 68,639 billion tenge. Manufacturing of goods forms 37.2% of GDP (27.2% of which is industrial production), the provision of services – 55.4%, product taxes – 7.4%.

According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, the output of SMEs in 2019 amounted to 31,203 billion tenge. Compared with the corresponding period of the last year, this indicator (in comparable prices) increased by 11.9%. In 2019, 69.2% of SMEs output was produced by small enterprises, 19.2% – by medium-scale enterprises, and another 11.6% – by individual entrepreneurs and peasant farms. According to preliminary data for 9 months of 2019, the share of gross value added of SMEs in GDP is valued at 29.5% (See “Dynamics of GDP and SMES production output in the RoK” graph).

Entrepreneurship lending indicators and the Fund's share in lending

In general, the volume of bank lending in 2019 increased by 12.9%, up to 15.2 trillion tenge. Despite a slight increase in the amount of loans issued for entrepreneurial purposes, there is a decrease of 5.3 percentage points by the share of loans for business purposes. The amount of loans issued to small businesses also shows decrease by 3.9% compared to the last year.

In 2019, the Fund continued implementation of programs for conditional placement of funds in the STBs, LCs, and MFCs, subsidizing interest rates on SME loans and guaranteeing loans.

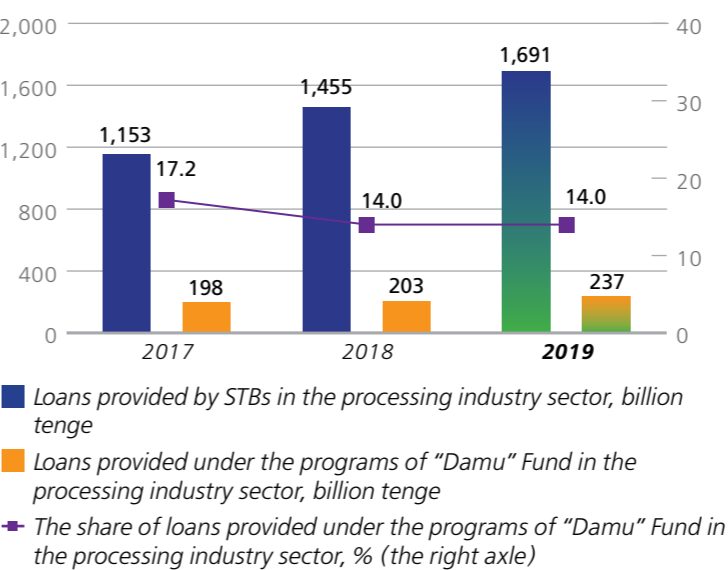
In general, participating in the Fund’s programs, for the past year, the private business entities received loans to the amount of 612 billion tenge. In the total amount of bank lending for business purposes, the share of loans disbursed to the participants of the Fund’s programs amounted to 6%. The low share was due to the fact that lending under the Fund’s programs is limited to the top-priority sectors of the economy, which do not include trade and construction, which receive about 50% of SLB loans.

When considering the Fund’s contribution with the emphasis on financing of the top-priority sectors of the economy, the increase of up to 10.9% is observed, which is 0.6 percentage points higher than last year.

The share of the Fund’s loans in the processing industry decreased and remained at the last year level and amounted to 14.0%. At the same time, there is an increase by 34 billion tenge, in the amount of loans issued by the Fund in the manufacturing sector, if compared with that in 2018.

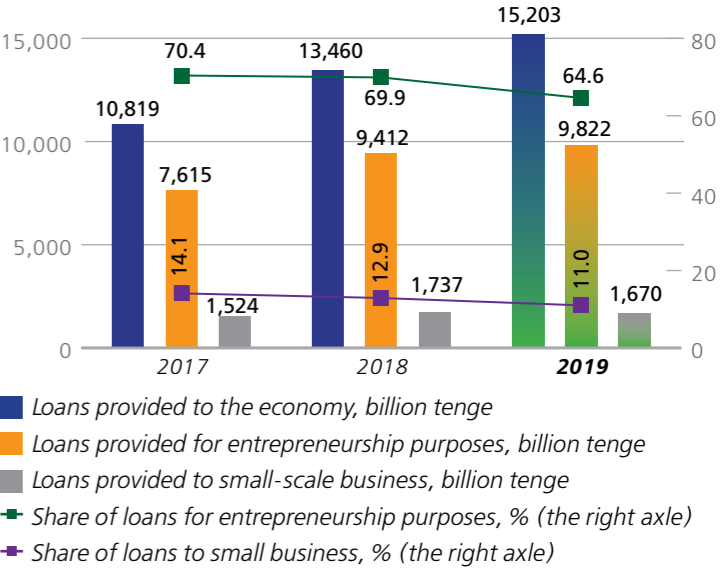
The increase in the amount of loans issued in the top-priority sectors of economy, including processing industry, is conditioned by the beginning of implementing the preferential lending mechanism to the top-priority projects (‘Economy of Simple Things’).

DYNAMICS OF LOANS FOR THE PROJECTS IN THE PROCESSING INDUSTRY



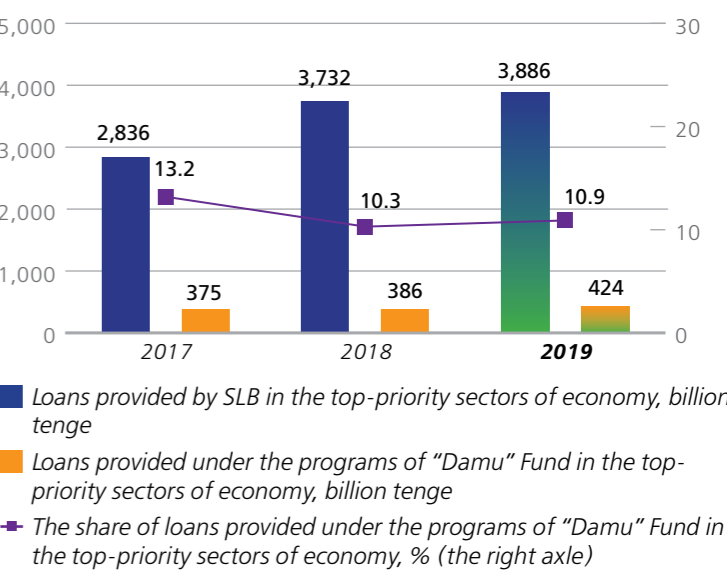
Source: The National Bank of the Republic of Kazakhstan (www.nationalbank.kz), the Fund (www.damu.kz).

ANNUAL VOLUMES OF LENDING TO THE ECONOMY AND SMALL BUSINESS



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

DYNAMICS OF LOANS FOR THE PROJECTS IN THE TOP-PRIORITY SECTORS OF ECONOMY



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

# PROSPECTS FOR ECONOMIC AND SMES DEVELOPMENT IN KAZAKHSTAN FOR 2020

The COVID-19 coronavirus pandemic led to a breakdown of the manufacturing-sale chains and decrease in the business activity as a result of preventive and quarantine measures taken both in Kazakhstan and in other countries of the world. The sectors that have suffered the most severe damage include aviation industry, tourism, service sector, and trade. Only the sphere of tourism, trade and services makes up more than 50% of the total number of MSMEs that provide jobs for more than 1.3 million people.

The fall of oil prices, due to termination of the agreement of the OPEC+ member countries for voluntary decrease in oil production, led to lower stock indices and weakening currencies of oil exporting countries. The significant growth in oil production and weakening demand at the background of coronavirus pandemic will lead to a further drop in oil prices, which will affect the slowdown in the countries dependent on energy prices. Despite the new agreement on the decrease in oil production of OPEC + member countries, according to the International Energy Agency, the excessive oil supply in the world at the beginning of the 2<sup>nd</sup> quarter of 2020 exceeded 20 million barrels per day. The available oil storage capacities are running out.

In connection with the global challenges that arose in 2020, the scenario with the average oil price for April–December 2020 at 20 US dollars per barrel was taken by the Ministry of the National Economy of RoK as the basic scenario for development of the economy. With this scenario, the economic decline will be 0.9%.

The Government of the Republic of Kazakhstan adopted a number of anti-crisis measures that stimulate economic activity. These measures cover the undertakings to ensure macroeconomic stability, including monetary control policy instruments, targeted measures to support the real economy and SMEs, as well as social security.

- Macroeconomic stability will be achieved through:
- *pursuing the predictable monetary control policy with a gradual decrease in the inflation rate and ensuring price stability, preventing unjustified growth thereof, improving approaches to regulating tariff policies, as well as eliminating the possibility of creating an artificial deficit, price conspiracy and unfair competition;*
  - *large-scale technological modernization of the basic industries with increase in export potential and labor productivity, introduction of integrated information technology platforms, increased requirements for energy efficiency, energy saving, environmental friendliness of enterprises, incentives to invest in green technologies;*
  - *stimulation of investments with the development of instruments of state support, improvement of investment legislation and institutional environment, as well as focus on the cost-effective projects and competitive enterprises.*





# 03

## KEY BUSINESS REVIEW

 SUPPORT OF  
EMERGING  
AND ACTIVE  
ENTREPRENEURS

 SUSTAINABLE  
INSTITUTIONAL  
GROWTH

In order to implement its mission and vision, the Fund focuses on two key strategic areas of development, namely, it provides and realization of sustainable institutional growth.

Within the framework of these strategic directions, micro, small and medium-scale enterprises are financed through STBs, MFCs, and LCs, interest rates are subsidized and loans are guaranteed. The Fund provides additional sources of financing, works on automation of business processes; supports MSME projects, international cooperation and the information activity development are being worked out.

### 3.1. FINANCIAL SUPPORT TO THE ENTREPRENEURS

In 2019, under the programs of conditional allocation of funds in second-tier banks, MFCs and LCs, 18,933 end-borrowers were financed to a total amount of loans of around **239.5 billion tenge**.

During 2019, the Fund placed funds in second-tier banks /financial organizations under the programs /products of conditional allocation of funds to the amount of 84.0 billion tenge, **6.0 billion tenge** of this amount were placed in MFCs.

In this area of activity, the important task is to raise funds, including from non-governmental sources, for the subsequent conditional allocation of funds in the financial institutions for the purpose of lending to MSMEs.

### Attraction and allocation of budget funds

In 2019, the Fund continued to implement the State Program for Development of Effective Employment and Mass Entrepreneurship for 2017–2021 ‘Enbek’ (hereinafter referred to as the ‘Enbek’ Program), under which the funds from regional budgets to the total amount of **12.86 billion tenge** were raised, 15 billion tenge of which were placed in 14 second-tier banks /MFCs (including the funds not distributed in 2018). For 2019, 1,851 MSMEs were funded under the program for a total of **22.7 billion tenge**, taking into account the revolving funds previously allocated under this program.

In 2019, the Fund continued implementation of the Regional Financing Program for SMEs on the terms of co-financing with the funds of the regional budgets. That way, in 2019, the funds from 6 Akimats were attracted to the total amount of **2.575 billion tenge**, which were placed in the second-tier banks on the terms of co-financing with funds of ‘Samruk-Kazyna’ National Welfare Fund JSC and of the Fund’s equity to a total of 6.2 billion tenge. For 2019, 489 SME entities were funded under the program to the amount of **20.4 billion tenge**, taking into account revolving disbursement of the previously allocated funds under this program.

Under the programs financed from the funds of the National Fund of the Republic of Kazakhstan (200 billion tenge allocated in 2014–2015), the Fund, on the basis of decisions of the State Commission for Modernization of the Economy of the Republic of Kazakhstan, reallocated among 3 second-tier banks, within the framework of secondary use, the funds in the amount of **14.7 billion tenge**, which are supposed to be used to finance SME projects in the processing sector, including export-oriented projects. In 2019, under these programs, 508 SMEs were funded in the amount of **102.0 billion tenge**, taking into account revolving disbursements of funds previously allocated under these programs.



*Karaganda region, Inkar-I LLP*  
*Project for the provision of services for the repair and maintenance of large equipment used in the metallurgical and mining industries*  
*The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020 (Business Road Map)*

### Attraction and placement of funds of international financial organizations

Within the framework of cooperation with the Asian Development Bank, the Fund attracted funds to a total amount of **35.3 billion tenge**. The funds were placed in the second-tier banks / MFCs for further lending to MSME projects. For 2019, the program financed 15,361 MSME entities to a total amount of **43.7 billion tenge**, taking into account revolving disbursement of funds previously allocated under this program.

Also in 2019, the funds of the European Bank for Reconstruction and Development in the amount of **8.6 billion tenge** were attracted under the guarantee of the Fund for ‘Bank CenterCredit’ JSC (the tranches under the agreements of 2018). For 2019, 310 SMEs were funded under the program to a total amount of **16.5 billion tenge**, taking into account the revolving disbursements of the previously allocated funds under this program.

As part of implementation of the Fund’s Development Strategy, in 2019 the following activities were carried out:

- 1) *A new program has been developed for conditional allocation of funds to finance transactions of micro, small and medium enterprises related to creation / acquisition of intellectual property and the use of franchising concept. The tool aims at promoting the quality development of the starting and new directions of the existing business using franchising, as well as creation / acquisition of intellectual property objects (creation/acquisition and registration of a trademark, intangible asset, obtaining a patent / license, registration of copyright for an invention, production secrets and breeding achievements, etc.). In order to promote this product, the Fund held a discussion with the second-tier banks on their participation in the product sale, but in response the STBs reported no interest at present time due to lack of SMEs projects for financing.*
- 2) *During the year, the work for studying and preparing for introduction of an alternative mechanism for transferring funds to final borrowers through a securitization scheme: internships of the Fund’s representatives in SME Bank (Russia) was conducted; study of the standard and regulatory documents and correspondence with state bodies to clarify certain rules, discussion of a new mechanism with STBs, identification of participants in a securitization transaction, determination of preliminary terms of the transaction, analysis and bringing of the Fund internal documents and the Fund’s Sole Shareholder – ‘Baiterek’ National Managing Holding’ JSC in compliance were made. A discussion was also held with the state and other interested organizations and the appropriate clarifications were received on the issues of providing STBs with a SME loan portfolio in the form of collateral, issue of bonds and redemption thereof by the Fund and other issues. As a result, an agreement was signed with the preliminary terms of the transaction (Term-sheet) with one of the STBs, confidential information non-disclosure agreements were concluded with some participants of the proposed transaction, the resources of the first transaction were determined in the amount of 5.0 billion tenge of the Fund’s equity.*
- 3) *During 2019, active programs of conditional allocation of funds were reoriented:*
  - Programs funded from the National Fund of the Republic of Kazakhstan (tranches 1, 2, 3) with the purpose of implementing the state policy and ensuring the economic security of the country provide for the financing of food industry projects without restrictions on the amount, and the projects focused on export development;*

- In order to increase coverage of entrepreneurs and ensure availability of loans for leasing transactions, the Fund’s product ‘Damu Leasing’ reduced the down payment to 20% of the leased asset cost paid by SMEs in the form of initial contribution, and increased to loan amount of KZT 500 million for SME.*
- Within the scope implementation of the sustainable development principles for the instrument of conditional allocation of funds, the forms of loan agreements concluded with the Fund’s Partners have been updated.*
- In addition, during 2019, the Fund worked to attract funds from the Islamic Corporation for the Development of the Private Sector in order to implement SMEs financing tool on the principles of Islamic finance, but the transaction failed, due to unacceptable conditions for raising funds. The Fund continues to work with investors, it is expected that the instrument for financing SMEs on the principles of Islamic finance will be implemented in 2020.*



*Mangystau region, Planeta ekzotitcheskikh ptits LLP*  
*Farm Tourism Development Project*  
*The company was funded under the “Nur-Capital” Regional SME Financing Program in Mangystau region*

### Subsidy

Interest rate subsidy is implemented in the framework of Business Road Map 2020 (BRM-2020). While implementation of BRM-2020, the subsidy tool has gained popularity among the entrepreneurs, and has shown the effectiveness in terms of attracting loans to the top-priority sectors of the economy.

In order to diversify the economy, increase the growth rate of production volumes, decrease the cost of products manufacturing, that is, develop and operate the processing industry, a mechanism has been implemented for lending to the top-priority projects to ensure long-term tenge liquidity: the total amount of financing of STBs in 2018–2020 to support private business entities, operating in the manufacturing and agricultural industries, is up to 600 billion tenge. At the same time, 30 billion tenge was allocated from the republican budget for subsidies under this Mechanism.

- In 2019, the Fund provided support for the subsidy tool:
- 1) *within the framework of BRM-2020, 2,402 projects were supported in the amount of the loan portfolio of 154.768 billion tenge, the amount of subsidies reached 32.9 billion tenge;*
  - 2) *within the framework of Priority Project Lending Facility, 171 projects were supported in the amount of the loan portfolio of 64.580 billion tenge, the amount of subsidies paid amounted to 1.119 billion tenge;*
  - 3) *within the framework of Nurlı Zher State Program, 47 projects were supported in the amount of the loan portfolio of 49.697 billion tenge, the amount of subsidies paid was 2.3 billion tenge;*
  - 4) *within the framework of the Program for Support of Energy Services Initiatives in Kazakhstan Cities "Sustainable Cities for Low-Carbon Development" 27 projects were supported in the amount of the loan portfolio of 742 million tenge, the amount of subsidies paid was 123.4 million tenge.*

### Guarantee

- In 2019, the Fund provided support with the guarantee instrument:
- 1) *within the framework of BRM-2020, 1,726 projects were supported in the amount of the loan portfolio of 74.565 billion tenge, the guaranteed amount constituted 27.424 billion tenge;*
  - 2) *within the framework of 'Enbek' Program, 657 projects were supported in the amount of the loan portfolio of 7.758 billion tenge, the amount of the guarantee was 3.642 billion tenge;*
  - 3) *within the framework of 'Damu Optima' Program, 203 projects were supported in the amount of the loan portfolio of 13.666 billion tenge, the amount of the guarantee is 5.704 billion tenge;*
  - 4) *within the framework of the Program for Support of Energy Service Initiatives in Kazakhstan Cities 'Sustainable Cities for Low-Carbon Development' 1 project was supported in the amount of the loan portfolio of 21 million tenge, the guarantee amount was 8 million tenge.*
  - 5) *within the framework of the Mechanism of Credit Facility for Priority Projects, 87 projects were supported in the amount of the loan portfolio of 6.73 billion tenge, the amount of the guarantee was 2.72 billion tenge.*

The portfolio guarantee, implemented in 2018 already as a part of BRM-2020, the 'Enbek' Program, was also implemented in 2019 as part of 'Damu Optima' guarantee program.

The essence of portfolio guaranteeing consists in provision of financial partners (STBs, MFCs) with a certain limit on use of the Fund's guarantees, without coordinating each individual project with the Fund. In terms of portfolio guaranteeing, the Fund has developed a methodology, within the framework of which it has defined clear criteria to financial partners (STBs, MFCs), criteria for SMEs, under which a loan can be disbursed using the portfolio guarantee method.

Application of this guarantee method is possible in case of conclusion of the Portfolio Guarantee Agreement between the Fund and STBs/ MFCs (hereinafter referred to as the Agreement).

As part of portfolio guarantee, the Agreements were concluded with the following STBs:

- 1) SB 'Sberbank of Russia' JSC
- 2) 'ATF Bank' JSC
- 3) 'Eurasian Bank' JSC
- 4) 'Nurbank' JSC
- 5) 'First Heartland Jýsan Bank' JSC
- 6) SB 'VTB Bank' JSC
- 7) 'Halyk Bank of Kazakhstan' JSC
- 8) 'Bank CenterCredit' JSC

For 2019, 259 guarantee agreements were concluded as part of portfolio guarantees.

- Implementation of this method demonstrates a number of opportunities for both the MSME and the financial partners of the Fund (STBs, MFCs):
- *availability of loans even in absence of sufficient collateral;*
  - *increase in speed of loan obtaining with a bank guarantee;*

- *decrease of the time spent on assessment and execution of the collateral;*
- *the competitive advantage with respect to other banks.*

Also in 2019, the guarantee instrument was included in the Credit Facility for Priority Projects, approved by the Decree of the Government of the Republic of Kazakhstan "On some issues of ensuring of long-term tenge liquidity for solving of the affordable lending problem" as of December 11, 2018 № 820. Under this program the guarantees are provided to private enterprises for up to 50% for maximum amount of 3 billion tenge and 20% for the projects exceeding 3 billion tenge up to 5 billion tenge.

The loans disbursed by STBs (except for the Bank of Development of Kazakhstan) for investments and working capital replenishment (including on a renewable basis) are subject to guaranteeing in accordance with the lists of goods for guaranteeing loans under the projects: processing in the agricultural and industrial complex and processing industry.

#### THE RESULTS OF THE FINANCIAL PROGRAMS IMPLEMENTATION

	Actual 2016	Actual 2017	Actual 2018	Target 2019	Actual 2019	% of Target fulfilled
Financing of Entrepreneurs through Conditional Allocation of Funds in SLBs /MFCs /LC						
Number of Participants	10,145	8,305	18,656	9,356	18,933	202%
Amount of Financing, million tenge	247,275	230,469	272,912	187,550	239,508	128%
Interest Rate Subsidy						
Number of Participants	2,121	2,310	1,470	1,276	2,647	207%
Amount of loans, million tenge	331,879	275,660	198,380	—	269,786	—
Guarantee of Loans						
Number of Participants	979	1,317	1,950	2,100	2,674	127%
Amount of loans, million tenge	27,474	42,845	65,455	—	102,740	—

3.2. FINANCIAL PROGRAMS MONITORING

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

Monitoring Description	Actually checked (number of projects)				
	2015	2016	2017	2018	2019
Monitoring of projects within the framework of the Programs for Conditional Placement of the Fund’s money (17 programs)	947	226	2,334	1,238	1,548
Monitoring of projects within the framework of support programs for SMEs involved in the manufacturing (funds of the NF RK)	606	725	576	896	1,610
Unified Accumulative Pension Fund (UAPF) Project Monitoring Agency Agreements (NB, BRK)	0	0	777	737	321
Monitoring of subsidized projects	1,792	3,068	2,595	2,339	2,793
Monitoring of guaranteed projects	440	1,170	989	1,131	2,257
Monitoring of Grants	193	406	183	522	523
TOTAL	3,978	5,595	7,454	6,863	9,052

The Measures Taken on the Observations/Violations

Description of Monitoring	Number of remarks/ violations	Penalties accrued, million tenge		Penalties collected, million tenge		Comments on the intended use of funds, million tenge		Replacement made, million tenge	
		Q-ty	Amount	Q-ty	Amount	Q-ty	Amount	Q-ty	Amount
Monitoring of projects within the framework of the Programs for Conditional Placement of the Fund's money (17 programs)	29	10	4.6	8	3.4	29	1,253.9	27	1,236.3
Monitoring of projects within the framework of SMEs support Programs engaged in the processing industry (NF RK)	24	5	2.5	4	1.04	24	1,972.2	22	972.3
Monitoring of UAPF Projects (NB, BRK)	6	Monitoring results are submitted to the National Bank of the Republic of Kazakhstan							
Monitoring of subsidized projects	34	The following violations revealed in subsidized projects							
Monitoring of guaranteed projects	18	Including 11 guarantees cancelled and the guarantee amount is decreased under 7 projects							
Monitoring of Grants	215	Notification of violations identified is submitted to Regional Program Coordinator, Contest Committee							
TOTAL:	326	15	7.1	12	4.4	53	3,226.1	49	2,208.6

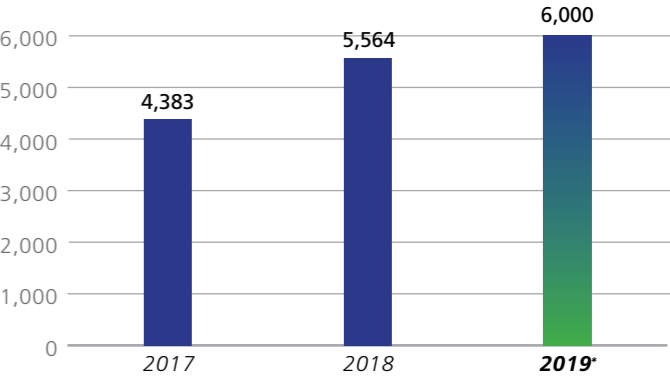
Monitoring of the Program Efficiency

State Business Support and Development Program Business Roadmap 2020 (BRM-2020)

According to the forecast data of the Fund, for enterprises and entrepreneurs participating in BRM-2020, the volume of products output as of January 1, 2020 amounted to 25.0 trillion tenge, including 6.0 trillion tenge for 2019.

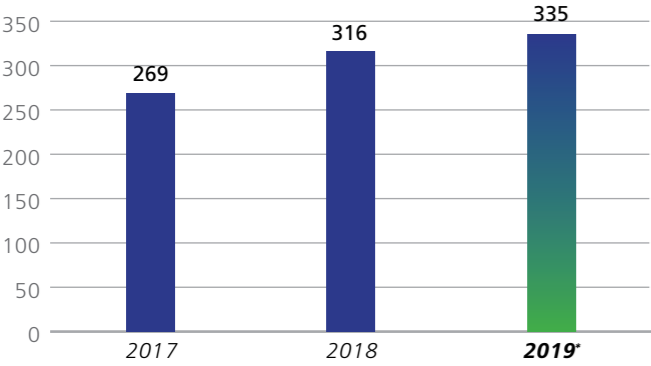
Subsidizing interest rates and guaranteeing loans in the framework of the “BRM-2020” contribute to improving the financial performance of enterprises, which is especially important in the current economic situation. In its turn, due to improvements in the activities of enterprises, revenue growth is ensured, the budgetary effect of the program and its economic feasibility are improved. According to estimates as of January 1, 2019, the total amount of taxes paid by the participants of BRM-2020 amounted to 1.6 trillion tenge, including, according to the forecast data, 335 billion tenge for 2019.

PRODUCT OUTPUT BY BRM-2020 PARTICIPANTS, BILLION TENGE



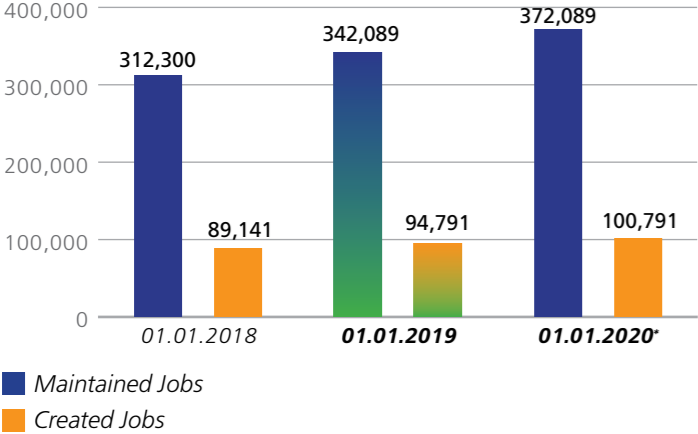
\* According to preliminary data

TAXES PAID BY BRM-2020 PARTICIPANTS ,  
BILLION TENGE



\* According to preliminary data

THE NUMBER OF CREATED AND SUPPORTED JOBS,  
ITEMS



\* According to preliminary data.

The wide cover of BRM-2020 business sector and the growing interest in the program from SMEs make it possible to assess the social effect of its implementation, which is expressed in providing population with jobs. So, as of January 1, 2020, BRM-2020 participants in preliminarily saved about 372 thousand of existing jobs and created more than 100 thousand new ones.

SMEs Support Program in the processing industry at the expense of the National Fund of the Republic of Kazakhstan

The proceeds of enterprises from participants of SME Support Program in the Processing Industry at the expense of the National Fund of the Republic of Kazakhstan for 2014–2019 amounted to about 4.4 trillion tenge, including 1.0 trillion tenge for 2019, according to preliminary data.

The entrepreneurs who received financing under this program paid taxes in the amount of 285 billion tenge for 2014–2019. Including, 60 billion tenge for the year 2019, according to preliminary data.

The supported enterprises created about 18.4 thousand jobs for 2014–2019, including not less than 500 units for 2019.



Zhambyl region, Aca Damu LLP  
Mixed production, meat and egg  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020

3.3. DECREASE OF PROBLEM ASSETS

The volume of distressed (problem) assets as of 01.01.2019 is 30.3 billion tenge.

- 1) a portfolio of direct financing (projects financed by the Fund directly during the period from 2004 to 2008 through disbursement of loans and leasing) amounting to 8.94 billion tenge;
- 2) approved guarantees to the amount of 0.906 billion tenge.
- 3) portfolio received from 'Delta Bank' JSC to the amount of 0.588 billion;
- 4) other accounts receivable (accounts receivable from financial and economic activities) to the amount of 3.91 billion tenge;
- 5) Indebtedness of the STBs to the amount of 16.0 billion tenge:
  - 'Delta Bank' JSC – 6.2 billion tenge;
  - 'KazInvestbank' JSC– 9.8 billion tenge;
  - 'Eximbank' JSC – 0.041 billion tenge.

Decrease of the problem assets by 2.386 billion tenge was provided from the total volume of problem assets for 2019 in the amount of 30.3 billion tenge, (over-fulfillment of the challenge by 140%), including:

- 1) 0.983 billion tenge was repaid in funds, including:
  - 0.356 billion tenge – the projects transferred from Delta Bank JSC (loans without collateral);
  - 0.387 billion tenge – direct financing projects (0.259 billion tenge in the direct portfolio – 460 borrowers and 0.128 billion tenge under fulfilled guarantees with respect to 100 borrowers);
  - 0.189 billion tenge repayment under 'KazInvestbank' JSC;
  - 0.051 billion tenge subsidies repayment is provided;
- 2) 1.403 billion tenge of problem indebtedness was written-off (under the direct financing portfolio and accounts receivable).

Total problem debt decreased by 2.386 billion tenge (0.983 billion tenge in cash + 1.403 billion tenge written off) was provided for 2019, with the target of 1.696 billion tenge, over-fulfillment of 140%.

TOTAL INDICES (BILLION KZT)				
Nº	Problem Asset	Target	Actual	Percentage
1	Direct finance portfolio and receivables	1.696	2.030	140 %
2	Portfolio accepted from 'DeltaBank' JSC		0.356	
Total		1.696	2.386	



### 3.4. CUSTOMER SERVICE

In parallel with financial support programs, in 2019, the Fund continued implementing the training programs and consulting support for entrepreneurs.

In 2019 within the framework of the project the “Remote Support for Development of Entrepreneurship”, 7,972 people were trained on the basis of the web platform edu.damu.kz.

At the end of the reporting period, the number of students within the component “Training for SMEs Top Management”, which is implemented within the scope of BRM-2020, constituted 3,381 entrepreneurs, including 432 people trained in 2019.

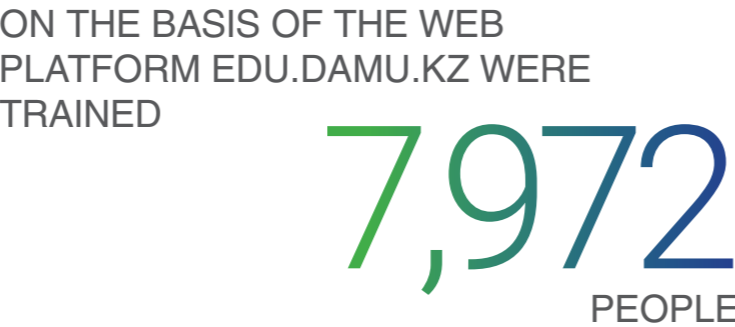
In 2019, the regional branches served 28,227 customers, and provided 36,137 consultations.

In 2019, in part of the projects supported by the Regional Branches, 6,479 projects were supported before approval of the private entrepreneurs’ applications for financial support for the Fund’s instruments by the STBs/LCs/MFCs.

In 2019, the Fund carried out the work on reformatting operation of the Entrepreneurship Service Centers to strengthen the work for customers attracting in participation in the entrepreneurship support programs implemented by the Fund and to avoid duplication in the name of the infrastructure complex for public services provision to businesses created/ being created by ‘Atameken’ National Chamber of Entrepreneurs of the Republic of Kazakhstan. Since November 2019, the Fund no longer uses the name ‘Entrepreneurs Service Center’.

At the same time, the work for attracting and supporting private entities projects up until receiving approval for funding applications by STBs/MFCs and/or LCs under the programs implemented by the Fund, has been intensified. In 2019 6,479 projects were supported before approval by STBs, MFCs and/or LCs.

In 2019 the new quality assessments of the provided service were



introduced, which allow not only conduct monitoring of the service quality, but also provide feedback for further improvement.

So, on the corporate website of the Fund damu.kz, a new section under the name ‘Managers’ was developed and installed. The section contains information about existing managers and their photos. Every manager has an identification number. In addition, there is an opportunity to rate, leave a review about the attraction manager. Based on the ratings and reviews, a rating of managers across Kazakhstan is formed. This measure will allow receiving feedback from customers, identifying the cases of malpractice and fraud.

An SMS assessment has been introduced, which allows to personally assess the level of customer satisfaction with the services provided.

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

#### Distance Learning

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

The purpose of distance learning for start-up entrepreneurs is to provide necessary knowledge on the basics of entrepreneurship and instill business skills so that the potential entrepreneurs are interested in starting a business.

The purpose of distance learning for active entrepreneurs is to deepen the knowledge and expand practical skills in doing business, including use of marketing tools to increase sales, to track the results of financial and economic activities and project management, as well as to improve skills in structuring and managing the work of sales department.

Distance learning provides the opportunity to continuously improve professional level, regardless of location, with the only condition – availability of the Internet connection. In the process of training, the entrepreneurs independently master educational and methodological materials in an interactive mode, perform practical tasks, and undergo testing. Upon successful passing the test, the student is issued a certificate of completion of training.

Total 7 thematic courses in the state and Russian languages have been posted.

7,972 people underwent training under this project in 2019, which is 11% more than last year.

#### Monitoring of the service support and SMEs top management training implementation

The Fund continues to work on monitoring the ‘Training of top management of small and medium-scale enterprises’ component and the tool ‘Providing service support for conducting the existing business activities’ within the framework of BRM-2020.

In 2019, the number of participants trained under the SME Top Management Training constituted 432 people, 40 551 small and medium-scale enterprises applied for service support and received 51,303 services overall.

#### Contact Center

The Fund’s Contact Center, the center for processing of applications from entrepreneurs and individuals, and informing them in the interests of the Fund through various communication channels, continues its work.

In 2019, the Contact Center employees consulted 73,843 customers, 52,842 (71.5%) of which are business entities. 46,637 people were registered in the BPM system. The proportion of the missed calls constituted 1.3%.



*Kyzylorda region, Akorda capital LLP  
Shala rice processing project and implementation of polished rice  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020*

3.5. DEVELOPMENT OF INFORMATION TECHNOLOGIES IN THE FUND

In 2019, the work on automation of the key business processes continued. At the end of 2019, the automation level reached 94%, including the following key results:

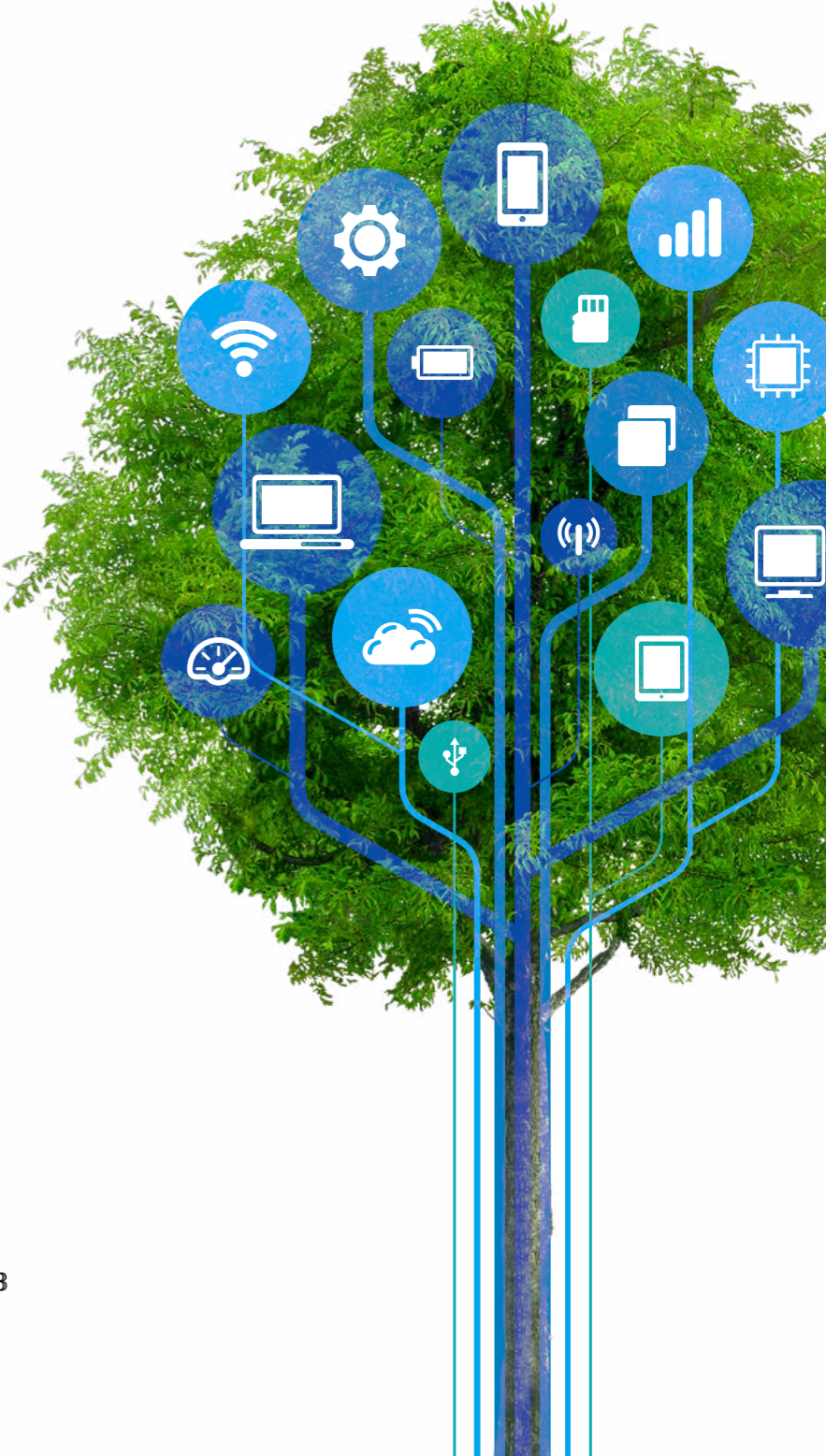
- 1) Online Damu portal was developed and put into commercial operation, so the Fund implemented a strategic initiative for launching its own Internet portal Online Damu on the principle of a financial supermarket in order to transfer all realizable support tools, including those provided outside of public services (UNDP, Damu Optima, loan guarantees in the framework of 'Enbek' Program, etc.) into digital format. Internet portal Online Damu is available to customers at the Internet address <https://online.damu.kz>.
- 2) The work for automation of the rating model of the Fund was conducted, while the work was carried out on the principles of using software as a service, which in turn did not entail capital costs for implementation of the task and subsequent maintenance and development of the automated rating model service. The Fund's rating model is a set of points based on qualitative (indicators of assessing business risk, in particular such indicators as business reputation, quality of management, etc.) and quantitative analysis (indicators of financial risk assessment, including financial ratios), assessment of the main aspects of the financial and economic activities of the borrower, as well as analysis of pre-default features. The results of introduction and validation of the rating model will allow the Fund to subsequently use machine learning tools at the decision-making stages and further reduce the time for providing guarantees under government programs without increase in the default projects number.  
*The final result of the rating model is a calculation of the final, forecast rating, which determines the likelihood of default and rating category, equivalent to the international scale. At the current stage of the rating model maturity in the Fund, the obtained assessment is advisory, but it is already taken into account by the credit committee at the stage of decision-making on issue of guarantees.*
- 3) The electronic document management system of the Fund was modernized in the part of recruitment and hiring process. As a result of that, the recruitment process was fully digitized, transparency and information content increased, and the need to use hardcopies was eliminated. The introduced modifications combined the approved application form for staff recruitment, with the responses of applicants at the official Internet resource of the Fund and the issue

- being considered by the collegial body of the Fund on personnel policy. Each member of the Fund's Personnel Policy Committee can study the CVs of all applicants while considering the issue, and each applicant receives a job offer, or a reasoned refusal based on the results of examination and evaluation of the candidate, which also takes place on the Fund's information system.*
- 4) Due to the demand for the Fund's guarantees, within the framework of the state programs being implemented, the automated process for reviewing applications for guarantees was finalized and the portfolio guarantee process in the bpm'online sales information system was automated.
  - 5) Automation of the applications for guarantee distribution in the bpm'online sales information system for drawing up a conclusion by risk managers allowed to decrease the transaction time by an average of 10% and completely eliminate participation of one staff unit in distribution.
  - 6) In order to improve the existing credit risk management system, a scoring assessment of risk management for the guarantee tool for the projects of less than 20 million tenge for private businesses, not including start-up, was implemented within the scope of partial guarantee of the second-tier banks' loans. Introduction of the scoring model allowed to reduce the time required to drawing up of a risk management report on the project by 3 times.
  - 7) The work for further optimization and automation of the accounting processes for property accounting, funding agreements, conditional placement agreements, daily closing of a period, which made it possible to ensure updating of data in the accounting systems of the Fund.
  - 8) In order to exclude the cases of untimely notification by the second-tier banks of the Fund about changes in the financing conditions of borrowers for subsidized loans under state programs, the task of translating notifications into electronic format has been completed. Within the framework of this task, a web-service was developed for receiving data from the second-tier banks, including format and logistic control of data transmission for five types of operations changing the financing conditions.
  - 9) For the first time, the Damu Mobile Application was developed and launched for the main mobile platforms – Android and iOS. The application contains information about the Fund's programs, news, calendar of events, as well as a personal account, which

*allows users to receive detailed information on current subsidy agreements, repayment schedules and information on subsidy funds transfer in the form of SMS messages.*

In the direction of IT infrastructure development within the framework of implementation of the backup storage facilities organization taking into account the requirements of business continuity, as well as periodic testing of the information systems continuity provided for in the Action Plan for the Development Strategy implementation, the Fund follows the trends in the service approaches application. So, in the portfolio of the backup storage services consumed by the Fund, an agreement for business-critical information systems Disaster Recovery was added as a Service (recovery after failure as a service), which allows providing full backup of such information systems of the Fund in case of ceasing of the main computing capacities, which significantly increases availability of the Fund's IT infrastructure.

In the direction of IT infrastructure development within the framework of implementation of the backup storage facilities organization taking into account the requirements of business continuity, as well as periodic testing of the information systems continuity provided for in the Action Plan for the Development Strategy implementation, the Fund follows the trends in the service approaches application.



### 3.6. INTERNATIONAL COOPERATION

In 2019, the Fund actively continued to expand cooperation with international financial institutions and foreign organizations.

A number of bilateral documents have been signed to establish partnerships for the development of MSMEs in the Republic of Kazakhstan with the following partners: Small and Medium Business Development Agency of the Republic of Azerbaijan (KOBIA), Korea SMEs and Startups Agency KOSME, State Fund for Support Development under the Cabinet of Ministers of the Republic of Uzbekistan, ‘Guarantee Fund’ OJSC (Kyrgyz Republic), Entrepreneurship Development Fund of the Republic of Azerbaijan,

Credit and Guarantee Fund of Mongolia, SME Bank JSC (Russian Federation), Analytical Credit Rating Agency (Russian Federation).

The Fund carried out work on organization and participation in various events. At the annual exhibition of the Fund ULTTYQ ÓNIM (May 4–6, 2019) in Nur-Sultan, the Fund organized a seminar on the subject of the ecosystem of startups – a new driver of the Kazakhstan economy, with the participation of EY Poland, Qaztech Ventures, Astana HUB, Nazarbayev University. A seminar was organized on the subject of ‘Islamic Finance: an Alternative Vector for SMEs Development in Kazakhstan’ with the participation of Malaysian organizations MATRADE, Amanie Advisors, CSQ Law, as well as Islamic Corporation for Development of the Private Sector (ICD), AIFC, KASE, Al Hilal, Al Saqr Finance. In addition, in a special area on the sidelines of the exhibition, B2B meetings were held between Kazakhstani and foreign entrepreneurs. In total, 7 foreign delegations (Azerbaijan Republic, Dominican Republic, Malaysia, Republic of Korea, Republic of Poland, Republic of Turkey, Republic of Uzbekistan), 5 international organizations (EBRD, ADB, UNDP Kazakhstan, ICD, Ernst & Young), as well as representatives of business circles of 6 states (Republic of Azerbaijan, Islamic Republic of Pakistan, Republic of Poland, Republic of Tatarstan, Republic of Turkey, Republic of Uzbekistan).

For women entrepreneurship development in Kazakhstan ‘Damu’ Fund has joined the UN Women global initiative and supported the Women’s Empowerment Principles. The initiative is the largest global initiative in the field of social responsibility of business and calls for increasing openness and inclusion in the corporate policy, applying effective methods, tools and practices for promoting gender equality, eliminating discrimination and marginalizing participation of women in business companies. 2639 companies signed Women’s Empowerment Principles, including Google, Citigroup Inc, Nasdaq, PwC, Ernst & Young and Coca-Cola.

On November 6, 2019, at the Forum of Interregional Cooperation of the Republic of Kazakhstan and Russian Federation held in Omsk (Russia) with participation of the Heads of States, ‘Damu’ Fund, together with ‘Business Russia’ Public Organization, held a ‘Women’s Entrepreneurship as a Driver of Creative Economy Growth panel session. The Fund was supported by ‘Atameken’ National Chamber of Entrepreneurs, Association of Business Women of Kazakhstan, Kazakhstani entrepreneurs, ‘Business Russia’ PO and SME Bank JSC, as well as Russian government agencies and entrepreneurs.

Throughout the year, ‘Damu’ Fund also received delegations from the Republic of Tajikistan, Mongolia, Republic of Turkey, and Republic of Uzbekistan to exchange experiences in providing state and other services for population and entrepreneurs.

In order to increase production and export potential of Kazakhstani entrepreneurs, in accordance with the ‘SAMAL ZHEL’ Program of new economic cooperation between Kazakhstan and Korea, on December 4, 2019, the Fund organized the grand opening of the Kazakh-Korean Technology Exchange Center (KKTEC) together with the Korea SMEs and Startups Agency KOSME at the head office of the ‘Damu’ Fund.

Kazakhstani entrepreneurs are regularly informed about international events and continuing education programs. Thus, in 2019, Kazakhstani entrepreneurs took part in a B2B mission organized by the Polish Agency for Enterprise Development (PARP) in Krakow (Republic of Poland). Moreover, thanks to the Fund’s cooperation with the US Department of Commerce’s SABIT (Special American Business Internship Training), in 2019, the Fund’s clients were selected to participate in the Dairy Processing and Packaging internship and, together with Central Asian entrepreneurs, visited Washington, D.C., Madison, Wisconsin and Chicago, Illinois to learn the experience from farm associations and farmers, and visit cheese and yogurt manufacturing factories. As part of internship, the entrepreneurs met the representatives of the US Department of Agriculture, consulting company on feed ration, Cheese Makers Association, and a cold supply chain management company.

Further training of employees of the Fund is also one of the areas of international cooperation. In 2019, an internship was organized on the subject of ‘securitization’ at SME Bank JSC (Moscow, Russian Federation), and an internship was organized in the Korea SMEs and Startups Agency KOSME (Seoul and Ansan, Republic of Korea).

‘Damu’ Fund continues to engage in green financing and works with the international organizations in this direction. In 2019, a series of meetings took place with the representatives of the Green Climate Fund to discuss the issues on obtaining the GCF accreditation and subsequent access to financing.



*Pavlodar region, GREENHOUSE-QAZTOMAT LLP  
Project for growing vegetables, their seeds and seedlings  
The company has received support through the subsidy instrument in the framework of the BRM-2020*



*Turkestan region, Balmuzdak LLP  
Ice Cream and Frozen Food Project  
The company has received support through the subsidy instrument in the framework of the BRM-2020*

3.7. MARKETING ACTIVITIES

In order to ensure a high level of transparency, the Fund regularly holds press conferences, briefings, press tours, interviews of the Fund's top managers in the media. In 2019, 371 materials were published on implementation of state programs and programs of the Fund. 3 press conferences, 18 press tours were held and 37 interviews and articles were shown/published on TV, radio, by news agencies and in printed media.

One of the most important promotional resource is the Fund's corporate website (www.damu.kz) and business portal (www.business.gov.kz) that allow to promptly inform entrepreneurs and the public about the results of activities, adopted changes or new support programs implemented by the Fund, and also receive feedback on the most urgent issues.



West Kazakhstan region, New West LLP  
Household Goods Project  
The company was trained in the framework of the "Top Management Training for SMEs", took part in the exhibition "ULTTYQ ÓNIM"

In order to get an objective picture of the attendance rating, the visit counters are placed on the Internet resources of the Fund. At the end

In the ranking of sites by the number of Kazakhstan users conducted by CountZero, the Fund takes 9<sup>th</sup> place in the finance section at the end of 2019. In 2019, the Fund's corporate website was visited by 547,325 users and more than 2.8 million pages (2,854,921 pages) were viewed.

of 2019, the Fund's corporate website ranked 13<sup>th</sup> in the Kazakhstan attendance according to the zero.kz rating, and the business portal ranked 8<sup>th</sup> out of 98 resources registered in the finance category.

Almost all directions and aspects of a PR campaign can be implemented through social media: this is a content strategy that will consistently and purposefully inform the audience about a product, and communication with consumers, and conducting advertising campaigns, promotions, contests, identifying the mood of the audience, increasing loyalty.

At present time, when all communication channels are being integrated together, it is important for companies to have not only their own sites, but also actively update information on social networks. In 2019, about 1,200 posts were posted on Instagram, Facebook and YouTube. The number of subscribers to the Fund's accounts on Instagram is 26.9 thousand, on Facebook — 41.1 thousand.



# 04

## THE RESULTS OF ACTIVITIES

ASSETS OF THE FUND AS OF  
JANUARY 1, 2020

337.5  
billion tenge

ACCORDING TO THE RESULTS  
OF 2019, THE FINANCIAL  
RESULT OF THE FUND  
AMOUNTED TO

3.8  
billion tenge

## 4.1. PERFORMANCE INDICATORS OF THE DEVELOPMENT PLAN

	Efficiency index description	2018 г.	2019 г.			Explanation of reasons for failure / overfulfilment of indices
		Actual	Target	Actual	% of target fulfillment	
1	Share of MFC portfolio in the loan portfolio of the Fund, %	11.9%	11.27%	16.2	144%	The index is exceeded due to issuance by the Fund of loans of STBs / LCs / MFCs below the planned volume of funds placement. This year 15 billion tenge was not placed on the product of Islamic finance due to the inability to raise funds from the ICD
2	The share of micro and small entrepreneurs from the total number of second-hand entrepreneurs, %	89.5%	82.6%	87.5%	106%	Overfulfillment due to Programs of conditional allocation of funds and subsidization of interest rates
3	The share of MSMEs who received financial support to the total number of operating MSMEs in the market, %	4.7%	5.2%	6.2%	119%	Overfulfillment of all support tools
4	The number of new projects and projects for modernization and expanding existing industries, taking into account increased labor productivity and expanding sales markets, with accumulation since 2014 (State Programs / Programs of the Fund), units.	58,609	68,621	82,603	120%	Overfulfillment under all support tools
5	The volume of housing, within the framework of which the Fund's support tools were provided, thousand sq. m	163.5	300	255.5*	85%	In 2019, 47 projects were signed. 255.5 thousand sq. m commissioned.

	Efficiency index description	2018 г.	2019 г.			Explanation of reasons for failure / overfulfilment of indices
		Actual	Target	Actual	% of target fulfillment	
6	The share of the private sector in the Fund's loan portfolio, %	100%	100%	100%	—	
7	The volume of products produced by business entities that received support, billion tenge	17,366	22,266	—	—	Actual data will be obtained in the 2 <sup>nd</sup> half of 2020 from the SRC MF RK
8	Increase in taxes paid by business entities that received the support of the Fund, billion tenge	76	14	—	—	Actual data will be obtained in the 2 <sup>nd</sup> half of 2020 from the SRC MF RK
9	The share of non-state sources of borrowing in the general structure of borrowing for the reporting year, %	72.9%	76.57%	52.1%	68%	Non-performance of the indices is connected with the fact that the attraction of funds from ADB was taken into account for 2017 on the basis of the concluded Loan Agreement as of 13.10.2017 № 3447-KAZ for the loan amount of 72 billion tenge (decision of the Fund's Board of Directors as of 24.09.2018 № 10/2018), accordingly, accounting of borrowed funds under the specified agreement in 2019 is not made.

	Efficiency index description	2018 г.	2019 г.			Explanation of reasons for failure / overfulfilment of indices
		Actual	Target	Actual	% of target fulfillment	
10	Automation of the Fund's main business processes, %	92%	100%	94.4%	94.4%	<p>The index is measured on the annual basis.</p> <p>68 out of 72 business processes were automated. In 2019, the credit risk management business process was automated as part of the Rating Model Automation project. 4 business processes (listed below) were planned to be automated as part of the iDamu project. Due to the fact that the Holding's Digitalization Office considered it inappropriate to allocate funds for the iDamu project, it is not possible to automate the following business processes in 2019:</p> <ol style="list-style-type: none"><li>1. Data consolidation;</li><li>2. Analysis of actual data deviation from the forecast data;</li><li>3. Forecast analytics structuring;</li><li>4. Report generation .</li></ol>
11	Assessment of trust and satisfaction of MSME entities with the activities of 'Damu' Entrepreneurship Development Fund JSC, %	91.3%	Assessment of the degree of trust and satisfaction of the subjects of micro-, small and medium-scale enterprises with the activities of the Fund, carried out through an independent company	Not less than 80%	—	<p>The index is measured on the annual basis. Receipt of data for 2019 is expected in June 2020.</p>

\* the data on the housing commissioning may change due to late submission of commissioning acts from the developers.

4.2. EFFICIENT ASSET MANAGEMENT

The Fund's asset and liability management is the process of formation and maintenance of such structure of assets and liabilities of the balance sheet that ensures achievement of strategic indices, maintaining profitability, ensuring compliance with the amounts and terms of attracting and placing funds and minimizing unjustified risks. The main task of management of the Fund's assets and liabilities is to regulate assets and liabilities with the aim to achieve high financial indices of the Fund while minimizing risks.

- The need in effective management of the Fund's assets and liabilities in the current conditions is determined by the following:
- emergence of the new complex products;
  - changes in the attracted resources structure;
  - instability of economy;
  - the need to coordinate the Fund's activities in all its areas;
  - the need to coordinate approaches to provision of funds to counter-parties within the general frameworks of risk management.



Aktobe region, Ice-Plus Dairy Company  
Dairy Production Project  
The company has received support through the subsidy instrument in the framework of the BRM-2020

EQUITY CAPITAL AS OF JANUARY 1, 2020 AMOUNTED TO

86.1  
BILLION TENGE

The main objectives of the Fund of assets and liabilities management are to maintain liquidity at the level sufficient to cover all cash flow needs, if possible, to profitably place excessive liquidity, maintain sufficient amount of capital to pay off any business risks, ensure safety of temporarily free funds, and solvency under current obligations ability to finance the emerging investment opportunities.

As of January 1, 2020, the assets of the Fund amounted to 337.5 billion tenge and in comparison with the year 2018 increased by 33.4 billion tenge.

The loan portfolio constitutes the main share in the structure of assets (78%). The specific weight of cash is 4% of total assets, 'Reverse REPO' transactions – 8%. Securities of the Fund amount 2% of assets.

The liabilities of the Fund according to the results of 2019 amounted to 251.3 billion tenge, which is 20 billion tenge more than in comparison with the previous period.

Equity capital as of January 1, 2020 amounted to 86.1 billion tenge.

4.3. FINANCIAL RESULTS

The total income of the Fund in 2019 amounted to 22.6 billion tenge, including the income from the core activities in the amount of 18.6 billion tenge, the income from non-core activities reached 3.9 billion tenge.

The total expenses of the Fund for 2019 amounted to 18.5 billion tenge. The main share in the Fund’s expenses is represented by

the depreciation costs for the difference arising while determining the fair value of loans (44%), share of the expenses on loans received and other financial expenses is 36%, administrative expenses are 26%, and 6% are expenses for provisions.

According to the results of 2019, the financial result of the Fund amounted to 3.8 billion tenge, which is 8% more than the target index.

ACTIVITY PROFITABILITY RATIOS

Description	2017 (actual)	2018 (actual)	2019 (target)	2019 (actual)
ROA, return on assets	1.2 %	−3.8 %	1.07%	1.10%
ROE, return on equity	4.1 %	−13.7 %	4.0%	4.8%
Weighted average return TFM (temporarily free money)	9.66 %	8.6 %	6%	8%
Activity profitability	14.1 %	−28.6 %	19.3%	20.6%
NI margin	20.7 %	−28.6 %	17.3%	19.2%
Debt/ equity	2.1	3.0	3.1	2.9
Credit portfolio share in the assets	68.6%	71.8%	85.4%	77.9%

ACCORDING TO THE RESULTS OF 2019, THE FINANCIAL RESULT OF THE FUND AMOUNTED TO

3.8  
BILLION TENGE

Return on assets – 0.03% overfulfillment is conditioned by the fact that in the reporting period the received profit exceeded the planned value by 0.3 billion tenge, due to overfulfillment of the plan for income from non-core activities (income on remuneration to current accounts, reverse REPO transactions, deposits). Non-fulfillment of the debt/ equity ratio is due to the Fund not achieving the planned values under total liabilities (the plan is 94%) and equity (the plan is 99%). Failure to achieve the index, the share of the loan portfolio in assets is connected with the fact that in the reporting period the Fund did not achieve the planned loan portfolio values (the target is 87%) and the total assets (the target is 95%).

Failure to comply with the target on the loan portfolio by 40.7 billion tenge is conditioned by the following factors:



Almaty region, Almaty Fan Plant LLP  
Project for the production of air conditioners, fans  
The company has received support under the "Damu Regions-3" Program, as well as through the subsidy and guarantee instruments in the framework of the BRM-2020

- the plan for allocation of funds by 18.8 billion tenge was not fulfilled (actual – 84 billion tenge against the target of 102.8 billion tenge);
- early repayment of disbursed loans in the amount of 11 billion tenge (actual – 36.8 billion tenge against the target of 25.8 billion tenge);
- restoration of the provisions made by 1,1 billion tenge, with the plan of 2,1 billion tenge (the difference is 3,2 billion tenge);
- the plan does not take into account depreciation of the difference arising from determination of the fair value of loans disbursed from the funds of the National Fund (7.7 billion tenge).

Rating

According to the results of 2019 the international rating agencies affirmed the ratings of 'Damu' Entrepreneurship Development Fund JSC:

- Moody's Investors Service: Baa3/stable (national currency), Aa1.kz, Standard & Poor's: BB + / stable.

Development Plans

In order to achieve the planned level of financial performance the Fund will work to implement the uniform approaches to planning and budgeting, creating the management reporting system, and establishing the key performance indices.



# 05

## GENERAL INFORMATION ON THE PLANS FOR FUTURE PERIODS



In 2020 the Fund plans to implement the following activities and projects:

1. In order to implement the Fund's Development Strategy, it is planned to implement the instrument for financing of SMEs on the basis of Islamic finance principles.
2. It is planned to continue partnership with Asian Development Bank on the concept of a new green financing program and determine a list of potential participants in financial institutions, which will serve as the basis for the development of the feasibility study for obtaining a state loan guarantee in the period of 2020–2021.
3. It is planned to conduct the undertakings to obtain accreditation in the Green Climate Fund.
4. Implementation of an alternative mechanism for raising funds for the final SME borrowers through the mechanism of redemption of securitized securities secured by the SME loan portfolio in STBs within the scope of the instrument conditioned by allocation of funds.
5. Development of lending conditions for SMEs engaged in trade, selling products of Kazakhstan manufacturers and introduction of this product.
6. Work on the issue with UNDP on inclusion of microfinance organizations as the participants of the Renewable Energy Sources and 'Sustainable Cities for Low Carbon Development in Kazakhstan' programs (to stimulate investment in the energy efficiency of urban infrastructure of the Republic of Kazakhstan within the scope of the Joint Project of the Ministry of Investment and Development of the Republic of Kazakhstan and the United Nations Development Program).
7. It is planned to start implementation of a joint project with the UNDP on the program "Reducing the risks of investing in renewable energy sources", as well as the implementation of new subsidy mechanisms provided for in the project.
8. It is proposed that the Fund will provide technical assistance to MFCs, particularly, within the framework of institutional development of MFCs, it is planned to conduct seminars and trainings on credit risk management for managers and employees of MFCs in order to increase the level of competences of MFC lending specialists, improve the quality of loan applications consideration, to form and strengthen risk management systems and improving the risk culture and generally aimed at improving the financial stability of MFCs.
9. In 2020 the work for attracting customers to financial programs will continue, including providing information and consulting services to users of the online platform Online Damu.

10. It is planned to introduce video courses on the edu.damu.kz platform to explain the government support measures implemented by the Fund.
11. Within the scope of customer service development, it is planned to cooperate with an electronic trading platform (marketplace) for promoting and online sales of goods of entrepreneurs supported by the Fund.
12. It is planned to continue the work for automation and digitalization of the Fund's processes. With a positive review by the Digitalization Office of 'Baiterek' Holding of the issue on allocating funds for implementation of automation initiatives, it is planned to fulfill the following projects:
  - 1) Introduction of management reporting – the purpose of implementation is prompt and regular formation of a package of management reporting in all areas of the Fund's activities with the possibility to analyze macro, micro and industrial economic indices of the MSME;
  - 2) Automation of the process of submitting and reviewing applications from STBs /MFCs /LCs for financing – the purpose of implementation is to reduce labor costs for considering the applications for financing from Partners by automating and digitalizing all steps of the process;
  - 3) Development of the Internet portal Online Damu – the purpose of improvements is to expand the functionality of the Portal in terms of introducing a single digital platform for signing electronic contracts, as well as integration with the Fund's mobile application;
  - 4) Rating model of STBs/MFCs /LCs – the purpose of implementation is to reduce the labor costs for calculating the rating of STBs /MFCs /LCs due to automation.

It should be noted about the work plans for the existing programs of the Fund:

- 1) within the framework of implementation of the conditional allocation of funds product in STBs and LCs to finance leasing transactions of SMEs, it is planned to make placement of the Fund's money in the amount of about 8 billion tenge. The product aims at preferential financing of leasing transactions of micro and small businesses. In addition, it is planned to attract new Partners represented by the leasing companies to participate in the product;
- 2) Work for raising funds from local executive bodies (LEBs) will continue for implementation of targeted regional programs that provide entrepreneurs in the regions with the affordable and long-term funding and 'Enbek' Program;

- 3) Using the Fund's equity it is planned to further implement the 'Damu Regions III' Program, it is planned to allocate funds of about 10 billion tenge;
- 4) The Fund has developed and submitted for consideration to the Ministry of National Economy of the Republic of Kazakhstan the draft DRM-2025 and draft rules. These projects provide for extension of DRM-2020 until 2025;
- 5) Within the framework of the United Nations Development Program 'Sustainable Cities for Low-Carbon Development in Kazakhstan', it is planned to supplement the Subsidizing Rules with a new tool – subsidizing part of the principal loan;
- 6) It is additionally planned to consider and develop Subsidy Rules within the scope of support under the mechanism of stimulating the investment in renewable energy sources (subsidizing a part of loan interest rate and subsidizing a part of principal loan).



North Kazakhstan region, RiM-KazAgro LLP  
Fast Food Project  
The company has received support through the subsidy instrument in the framework of the BRM-2020



# 06

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk management system

The Fund's risk management system includes a system of processes and procedures that provide the executive body and the management body of the Fund with timely information on 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, the 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 (hereinafter — CRMS) is shown in the diagram.

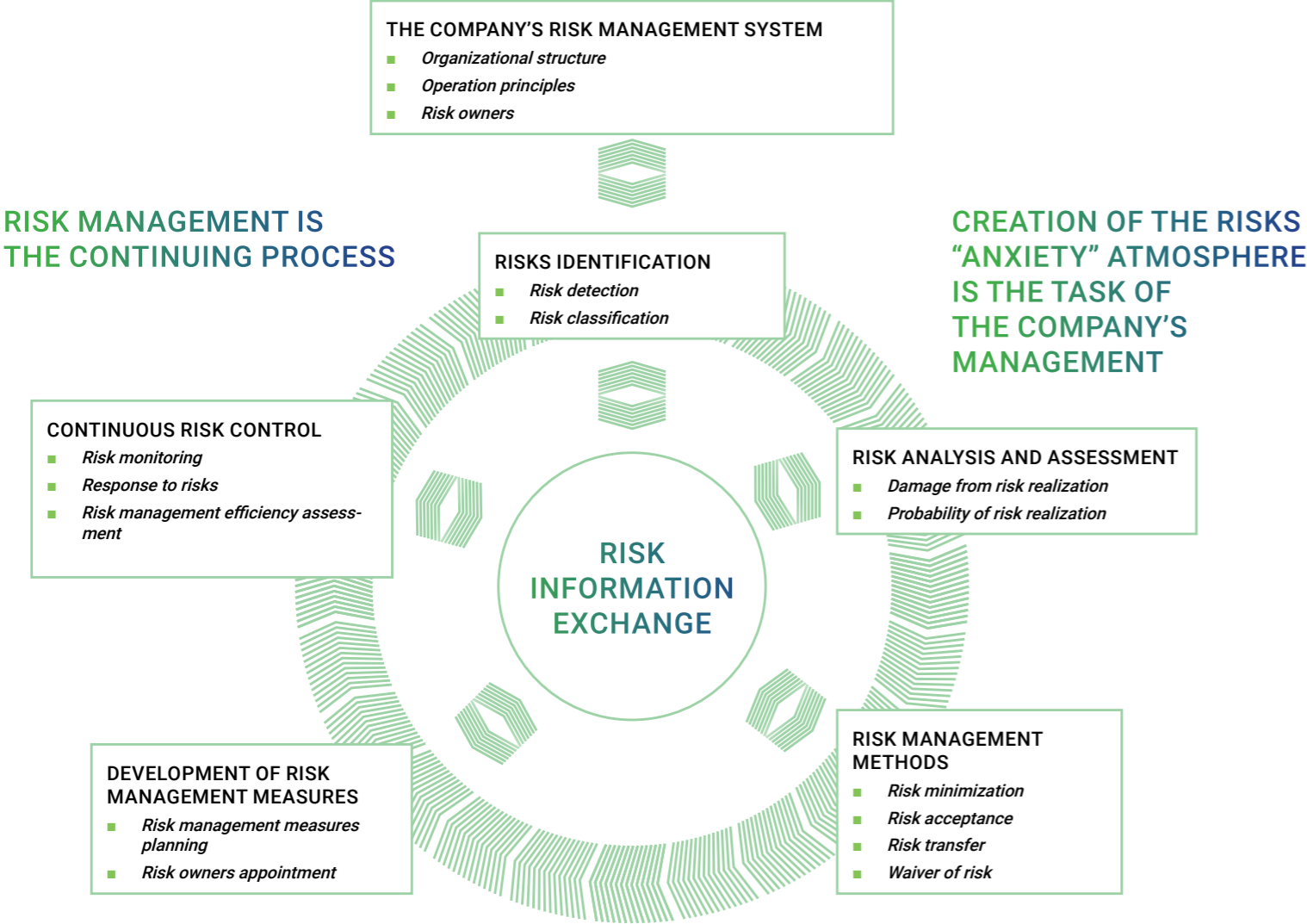
At present, the CRMS structure consists of four levels of risk management: the Board of Directors, the Management Board, the Risk Management Department (RMD), and structural units (risk owners).

Risk identification and assessment is aimed at providing general vision of existing risks and their sizes by performing basic ranking to identify the most “weak” places. This process allows us to evaluate the methods and procedures used to manage the main risks.

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

The risk management system aims at implementing the principles of comprehensive analysis of credit risks in the framework of programs to guarantee SME projects. Taking into consideration the importance of the program implementation, the Fund annually improves the methodology of project risks assessment, which allows minimizing credit risks at the early stage.

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



Almaty city, Ski Park Pioneer LLP  
Recreation and Entertainment Project, Family Mountain Resort  
The company received support under the program of regional financing of small and medium-sized enterprises in Almaty ("Almaty Tourism")

While financial risks management in 2019 three risk zones were traditionally distinguished: conditional loans in STBs, a portfolio of securities and temporarily available funds in SLBs. In order to minimize them, we used limiting techniques for active operations with counterparty banks, remote analysis of credit risks of STBs, LC and corporate issuers.

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

Since the moment of the risk management system introduction in the Fund, the substantial work has been done to implement the basic methodological documentation for risk management. In particular, within the scope of the centralized activities of 'Baiterek' NMH' JSC, jointly with the external consultant represented by PWC, a risk management system was developed in accordance with international best practices taking into account the requirements of the Basel Banking Supervision Committee, including management and

assessment of all individual types of risk (credit, market, operational risks, business risks, real estate risk), determination of the total volume of risks taking into account normal and stressful situations, calculation of the internal capital adequacy and generation of risk appetite (in terms of capital adequacy, profitability and liquidity).

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

In 2019 the work on operational risk management continued. The measures were taken to automate the risk base, and risk register. All structural units of the Fund are involved in this work, a comprehensive package of documents has been approved, including: the register and risk map, and risk management action plans have been updated.

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

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 within the "red" zone represent the maximum exposure of the Fund to the risk. The risks falling within the "yellow" zone represent an acceptable level of risk exposure. The risks falling within the "green" zone represent a minimum level of risk exposure.

An action plan/control procedures has been drawn up for all risks in order to minimize them:

- key risk indicators (KRI) were approved;
- practice of constant maintenance of the base of realized and potential risks has been introduced;
- plans for restoration of the Fund, crisis management of the Fund within the framework of the continuity management system of the Fund.



Main Events of the Year

Address of the Chairman of the Board of Directors

Address of the Chairwoman of the Management Board

01 | Information about the Fund

02 | Analysis of SME in Kazakhstan. The Prospects of Development

03 | Key Business Review

04 | The Results of Activities

05 | General Information on the Plans for Future Periods

06 | Risk Management and Internal Control

07 | Social Responsibility

08 | Environmental Awareness

09 | Corporate Management

10 | Extracts From the Annual Financial Statements and Audit Conclusion

Appendix

Addresses and Contact Details

**The Key Risks.** The key risks of the Fund are divided into the following categories.

- a. *The credit risk of the Fund's counterparties represents the risk of loss of funds placed in the SLBs, MFCs and LC due to their failure to fulfill their obligations towards the Fund.*
- b. *The financial risk is the probability of losses due to fluctuations in the currency exchange rates and an unbalanced interest rates structure.*
- c. *The operational risk is a 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 the strategic and reputation risks).*
- d. *Legal risk is a potential risk that arises from violation or non-compliance with legal requirements, regulatory legal acts, agreements, adopted practices or ethical standards.*

**The internal control system** is an integral part of the corporate governance system and an important element that ensures the efficiency of business processes.

In order to improve the existing system of internal control, the Fund carries out the following activities:

- 1. *The Policy on the Internal Control System (approved by the Board of Directors of the Fund dated December 19, 2019 № 14/2018) in accordance with the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) is amended/ supplemented to include the procedures aimed at improvement the efficiency of the internal control system;*
- 2. *The concept "organization of the internal control system" is provided in more detail, with a detailed description of the three lines of the internal control security, in which the participants in the internal control system are established, 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 the risks and deficiencies in the internal control system, the comprehensive measures are being taken to eliminate the identified violations/comments and to improve internal control in the Fund. The risk management department regularly conducts:

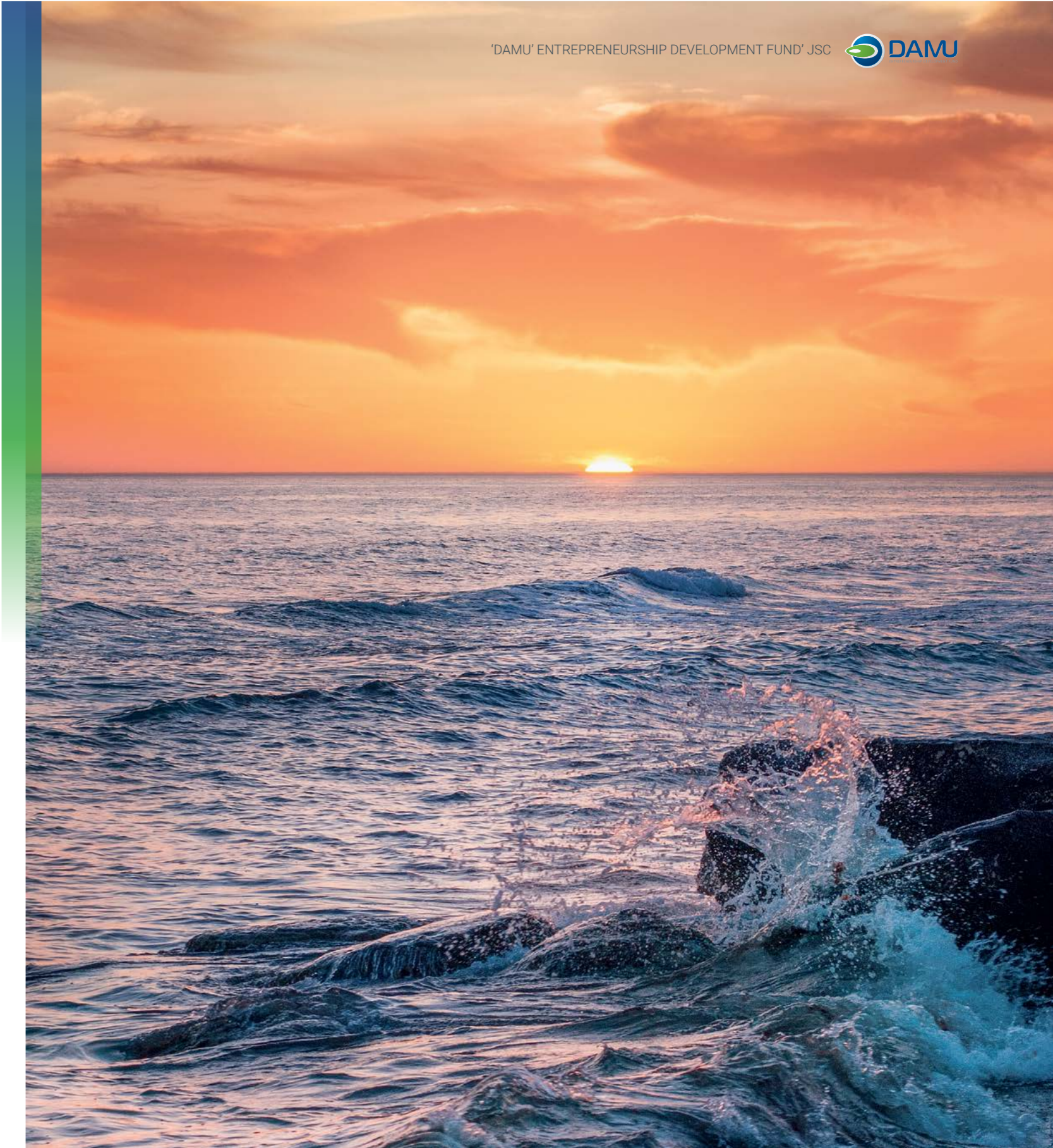
- *monitoring of implementation of the recommendations provided by the Internal Audit Service with respect to activities of all structural units of the Fund;*

- *monitoring of implementation of recommendations provided as a result of external audit;*
- *monitoring of implementation of the recommendations of the Sole Shareholder of the Fund – 'Baiterek' NMH' JSC and the independent directors of the Fund.*

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



*Shymkent city, MegaSmart LLP  
Project for the production of glossy MDF boards and furniture  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020*



# 07

## SOCIAL RESPONSIBILITY

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

THE NUMBER OF STAFF  
OF THE FUND AT THE END OF 2019 IS

49.5%  
50.5%

380  
PEOPLE

ACCORDING TO THE DATA OF 2019,  
THE AVERAGE AGE OF THE FUND'S  
EMPLOYEES IS

37  
YEARS

INCLUDING WOMEN

39  
YEARS OLD

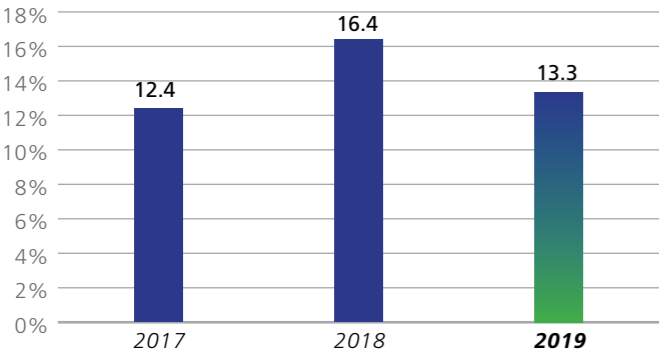
PERSONNEL COMPOSITION, PERS.

Index description	2017	2018	2019
Top management	7	6	6
- including women	1	1	1
Heads of structural divisions and regional branches	41	40	47
- including women	13	15	17
Administrative employees	323	325	327
- including women	155	178	174
Total	371	371	380
- including women	169	194	192

Staff Turnover

In 2019, the total staff turnover was 13.3% with the planned – not more than 20%. In 2019, the number of open vacancies in the Fund amounted to 142, 122 of which were vacancies for administrative positions and 20 vacancies for managerial and executive positions. 33% of vacancies for administrative positions were filled by internal candidates, 67% of vacancies were filled by external candidates. 75% of vacancies for managerial and top-managerial positions were filled by the internal candidates included in the Fund’s personnel reserve, 25% of vacancies were filled by external candidates.

STAFF TURNOVER IN ‘DAMU” FUND JSC FOR THE PERIOD OF 2017–2019



Personnel Reserve (pool)

The work on forming and development of the Fund’s personnel potential continued in 2019. In 2019, 15 people were included in the Fund’s Personnel Reserve. 6 people of these were transferred to the higher positions during this period.

The Fund actively works on development (training, career growth) of the reservists. In particular, the Individual Development Plans have been developed for them.

While being included in the Personnel Reserve, the reservists are sent for training events that contribute to development of their professional and personal competencies. The work on holding business meetings of reservists with the independent directors of the Board of Directors of the Fund, with the Chairman of the Fund’s Management Board and the members of the Fund’s Management Board also continues.

Corporate Culture Development

Development of the corporate culture is the most important element in building of a highly effective organization and a necessary component for achieving the strategic goals of the company, in connection with which a staff survey is conducted annually to analyze the extent of staff involvement, business meetings, meetings of the work groups and the HR Policy Committee are regularly held under the Fund’s Management Board.

According to the results of 2019, the level of involvement and satisfaction of the Fund’s employees has not changed in comparison with 2018 and amounted to 75%.

In 2019, the Fund held a number of events that contribute to consolidation of the corporate culture (team building, training), an intranet – a corporate site for close internal interaction of the Fund’s employees on many issues, both working and informal, is functioning.

Motivation and Remuneration

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

All employees shall aim to achieve the targets and tasks that are based on the strategic objectives of the Fund. Evaluation of the employee performance depends on fulfillment of the specific tasks, which shall be confirmed by the key performance indicators of the employee, in connection with which the Fund evaluates the performance of administrative employees on a quarterly basis, on the basis of which compliance of employees with their positions and the degree to which the achievement of the set targets and tasks are determined.

The Fund’s Employees are provided with annual medical insurance at the expense of the Fund’s. In addition, the Fund’s employees are provided with financial assistance in the amount of two official salaries upon provision of the annual labor leave, financial assistance for marriage and birth of a child, and the financial assistance is paid in connection with death of a family member.

Maternity leave is also paid, with maintenance of the average salary minus the amount of social payment in case of income loss due to pregnancy and childbirth.

Labor Protection

The Fund aims at systematic work, consistent steps to increase the employee protection and introduce the safe labor culture.

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

The employees of the Fund are guided by the Instruction on Safety of the Fund’s Office Workers. The requirements of the Instructions apply to all the main activities carried out by the Fund’s employees during the working process, at the Fund’s offices, during business trips, as well as while emergency situations and accidents.



East Kazakhstan region, Shygys Universal LLP  
Freshwater Fish Breeding Project  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020

Generation of the Personnel Training and Development System

Training and professional development of employees is carried out in order to update and acquire additional theoretical and practical knowledge, skills, competencies and abilities in the field of professional and managerial activities of employees for effective fulfillment of their duties and tasks, determined in accordance with the Fund’s development strategy.

In order to accomplish this task, the Fund’s HR Policy Committee approved the Training Plan for Employees of ‘Damu’ Entrepreneurship Development Fund’ JSC (protocol № KKP 10/2019 as of January 29, 2019). During the reporting year, 368 employees of the Fund were trained 1,275 times at 63 training events, some employees of which were trained several times during the year, including in the corporate format. Training within the framework of the annual Plan was aimed at development of business, personal and professional competencies of employees.

Determination of the Uniform Policy in the Field of Sponsor/ Charitable Assistance

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 (protocol № 104/2017). The purpose of the Rules for provision of sponsor and charitable assistance by the Fund is to ensure transparency in planning and effective management of funds intended for provision of sponsor and charitable assistance within the framework of the approved Fund’s development plan.

Due to the negative financial results for 2018, in 2019, from the funds planned in the Fund’s budget, no sponsor and charitable assistance was provided.

In accordance with the decision of the Fund’s Management Board № 195/2018 as of December 28, 2018, the Agreement on Sponsor Assistance Provision № 236 as of December 29, 2018 (hereinafter referred to as the Agreement) was signed. In accordance with the Agreement, the Fund sponsored the ALE Federation of Mountaineering and Climbing of the Republic of Kazakhstan in



Nur-Sultan city, LED Solution LLP  
Project for the organization of production and assembly of LED products  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020 and funding under the SME Manufacturing Support Program from the National Fund of the Republic of Kazakhstan

the amount of 5,000,000 (five million) tenge. The sponsorship was provided at the expense of the funds for 2018, but in fact the project was implemented in 2019. In this connection, the Report on Sponsorship of ALE Federation of Mountaineering and Climbing of the Republic of Kazakhstan is included in the Annual Report of 2019 in Appendix № 1.

A voluntary fundraising was organized for the provision of charity assistance to veterans of the Great Patriotic War and Homefront Workers, which were handed over personally to the veterans of Almaty.

The Fund’s employees raised the funds for the children’s hospice “I am with you” <http://detskyhospis.kz>. With the money raised, the toys and basic necessities for children were purchased.

The fund took part in the annual charity fair initiated by ‘Baiterek’ NMH” JSC among the subsidiaries. The total amount of the collection amounted to 451,945 thousand tenge. The funds raised were used to treat children.

Policy on Settlement of the Corporate Conflicts and the Conflicts of Interests

In April 2019, the amendments and supplements were made to the Policy on Settlement of the Corporate Conflicts and the Conflicts of Interest in connection with:

- expanding the circle of persons covered by the requirements of the Policy;
- redistribution of functional responsibilities between the Legal Department and the Compliance Controller;
- applying the new measures to minimize the risk of a conflict of interest.

During the year, the compliance controller provided consultations for the employees of the Fund and issued two opinions on the issues of a conflict of interest.

Anti-Corruption

The Fund pays special attention to work for decreasing the risks of corruption. Every year, in accordance with the Anti-Corruption Strategy of the Republic of Kazakhstan for 2015–2025, together with the representatives of the Civil Service Agency and the National Anti-Corruption Bureau, the Fund and its regional branches provide lectures with video clips and clarify the provisions of the Law on Anti-Corruption. At the same time, the work continues with the newly hired employees who are primarily familiarized with the Anti-Corruption Policy.

The purpose of the Policy is to strengthen control for prevention and detection of corruption, as well as to create an atmosphere of strict rejection of it in the Fund. It fosters the legal culture of the Fund’s employees, ensuring compliance with the principles of integrity and transparency in fulfilling of labor obligations. To achieve the atmosphere of intolerance to any manifestations of corruption in the Fund, this document contains anti-corruption standards aimed at forming value and moral anti-corruption guidelines for the employees behavior while exercise of their official powers.

According to the results of 2019 the following undertakings have been implemented:

1. on December 9 a set of activities dedicated to the International Anti-Corruption Day:
  - a banner on the anti-corruption theme was made;
  - anti-corruption video was launched on all monitors of the operating rooms of the Fund’s regional branches;
  - screensavers at the working computers of the Fund employees were installed.
2. A special section to combat fraud and corruption has been created on the corporate website of the Fund
3. In order to minimize any possible corruption and reputation risks of the Fund, the mystery shopper and mystery office seeker methods were organized and conducted.
4. The employees of the Fund’s head office exposed to the risks of fraud and corruption have been checked for presence of credit burdens, enforcement proceedings, entrepreneurial activity and offenses.
5. The lectures were delivered by the representatives of the Agency for Civil Service Affairs and the National Anti-Corruption Bureau to all employees of the head office and regional branches of the Fund.

According to the results of 2019, no facts of corruption by the Fund’s employees were detected.



Atyrau region, Baby Club educational center  
Preschool Education Project  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020

# 08

## ENVIRONMENTAL AWARENESS

DECREASE CONSUMPTION  
ELECTRICITY IN COMPARISON  
WITH 2018

# 27.14%

Due to the nature of its activities, the Fund does not have a direct significant impact on the environment. The main resources consumed by the Fund are electricity, heat and water.

In its turn, the Fund takes the measures to decrease the environmental impact of operating activities, develops green products, raises awareness among entrepreneurs, trains its own specialists in accordance with the Fund's Environmental Policy, and conducts training seminars on the subject of environment and the impact thereon.

Asian Development Bank intends to implement the Green Investment Financing Program in Kazakhstan together with the Fund. The initiative aims to support the Government of the Republic of Kazakhstan in implementing its strategy for transition to the green economy. The program is designed to finance micro-, small and medium-scale enterprises through financial intermediaries (banks, microfinance organizations, leasing companies) for investments in green technologies in all sectors of economy. The results of the study will become the basis for development of the Program concept to be implemented through the Fund. In order to conduct the study, ADB attracted consultants from the Frankfurt School of Finance & Management, which held meetings with STBs, business and industry associations, SMEs, government bodies and organizations for 6 months. In July 2019, training of the Fund's employees on green financing was held. The lecturers of Frankfurt School of Finance & Management provided training on the modules 'Essentials of Investments in Green Economy', 'Regulatory Legal Base', 'SME/MSME Sectors and Green Investments' and 'Green Technologies'.

In addition, in December 2019, training of the Fund's employees was conducted on the subject of Standards and Development of Practices according to the criteria of environmental friendliness, social responsibility and corporate governance (ESG) by IFC (International Finance Corporation).

Regarding the use of eco-friendly sustainable technologies, guided by principles of responsible consumption, the Fund set a target to reduce electricity consumption for domestic needs in 2019. Thus, use of energy-saving technologies has led to decrease in electricity consumption by 27.14% in comparison in the year 2018.

Due to automation of business processes and transition to electronic form, the document circulation on paper medium has been significantly decreased.

Also it must be mentioned that in order to increase the environmental orientation of the Fund's partners, the changes to standard agreements with the Fund's partners were approved, taking into account the principles of sustainable development.

RESULTS ACHIEVED IN 2019 IN THE FIELD OF SUSTAINABLE DEVELOPMENT

Directions in the field of CSR (Corporate Social Responsibility)	Indices	Target values for 2019	Fulfillment
Economic indices	The amount of funds in the budget of the Fund, provided for sponsor/charitable assistance	10 million tenge was allocated to the Budget in 2019 under the article 'Sponsorship Assistance'	Due to the negative financial results of 2018, in 2019, no sponsorship and charity assistance was provided.
	Gross amount spent by the Fund for provision of sponsor and charitable assistance to the external stakeholders	The target amount planned for 2019 for sponsor and charitable assistance to the external stakeholders is 10 million tenge	Due to the negative financial result of 2018, in 2019, no sponsor and charitable assistance was provided.
	The number of entrepreneurs and population with entrepreneurial initiative who have completed distance training	Not less than 600 persons	In 2019, 4,379 people were trained in the distance learning system.
	The number of entrepreneurs with disabilities who received support under 'Damu Komek' project within the scope of the Unified Program for Enhancing Entrepreneurship Competencies of 'Damu' Fund JSC for 2015–2018	<i>In case of extension of the project:</i> 1) <i>Annual placement of at least 300 sponsorship applications</i> 2) <i>The annual provision of non-financial support (provide space, tools) to at least 150 entrepreneurs with disabilities for entrepreneurial activities.</i> <i>In case of the project suspension: the indices will be – 0</i>	The project “Organization of Sponsorship for Entrepreneurs with Disabilities ('Damu-Komek')” was implemented within the scope of the second direction of “Support and Development of Entrepreneurship for People with Disabilities” of the Unified Program for Enhancing Entrepreneurship Competencies of 'Damu' Fund JSC for 2015–2018, approved by the resolution of the Management Board № 11/2018 as of 02.02.2018. According to the decision of the Management Board (the minutes of the meeting № 118/2018 as of 17.08.18), the 'Damu Komek' project was excluded from the Unified Program for Entrepreneurship Competences Development”. Work on the Project has been suspended accordingly.

Directions in the field of CSR (Corporate Social Responsibility)	Indices	Target values for 2019	Fulfillment
Indices on HR work	The extent of personnel involvement	75%	The extent of personnel involvement and satisfaction constituted 75%.
	The number of young professionals who have completed internships or training within the Fund	15 persons	15 young specialists have completed internships within the Fund.
	The number of the Fund's employees, who passed training	185 persons	Employees of the Fund have been trained 1,275 times.
	The number of employees appealing to the Fund's Ombudsman on the issues of non-compliance with the Code of Business Ethics	Not more than 7	The number of the employees applications to the Ombudsman for 2019 was – 0
Indices in the field of Environmental protection	The decreased energy resources consumption by the Fund in comparison with the previous years	Due to the lack of additional energy saving technologies, in 2019 electricity consumption is forecasted to be at the level of 2018.	Application of the energy-saving technologies resulted to decrease in electricity consumption by 27.14%.



# 09

## CORPORATE MANAGEMENT

CORPORATE GOVERNANCE  
LEVEL COMPLIANCE WITH THE  
BEST PRACTICE REQUIREMENTS

# 91.2%

## 9.1. THE CORPORATE MANAGEMENT STRUCTURE

In accordance with the Fund's Charter, its management bodies include:

1. *The supreme body is the Sole Shareholder;*
2. *Management body – the Board of Directors;*
3. *Executive body – the Management Board;*
4. *The body exercising control of financial and economic activities of the Fund is the Internal Audit Service;*
5. *The body implementing the internal credit policy is the Credit Committee;*
6. *The body improving the efficiency of the Fund's assets and liabilities management in order to achieve the principles of assets and liabilities diversification, optimize financial risks and ensure financial stability – the Assets and Liabilities Management Committee;*
7. *The body performing the work on the return of problem receivables arising from carrying out credit, leasing, investment, documentary, business activities of the Fund is the Bad Assets Committee;*
8. *Other bodies established in accordance with the legislation of the Republic of Kazakhstan.*

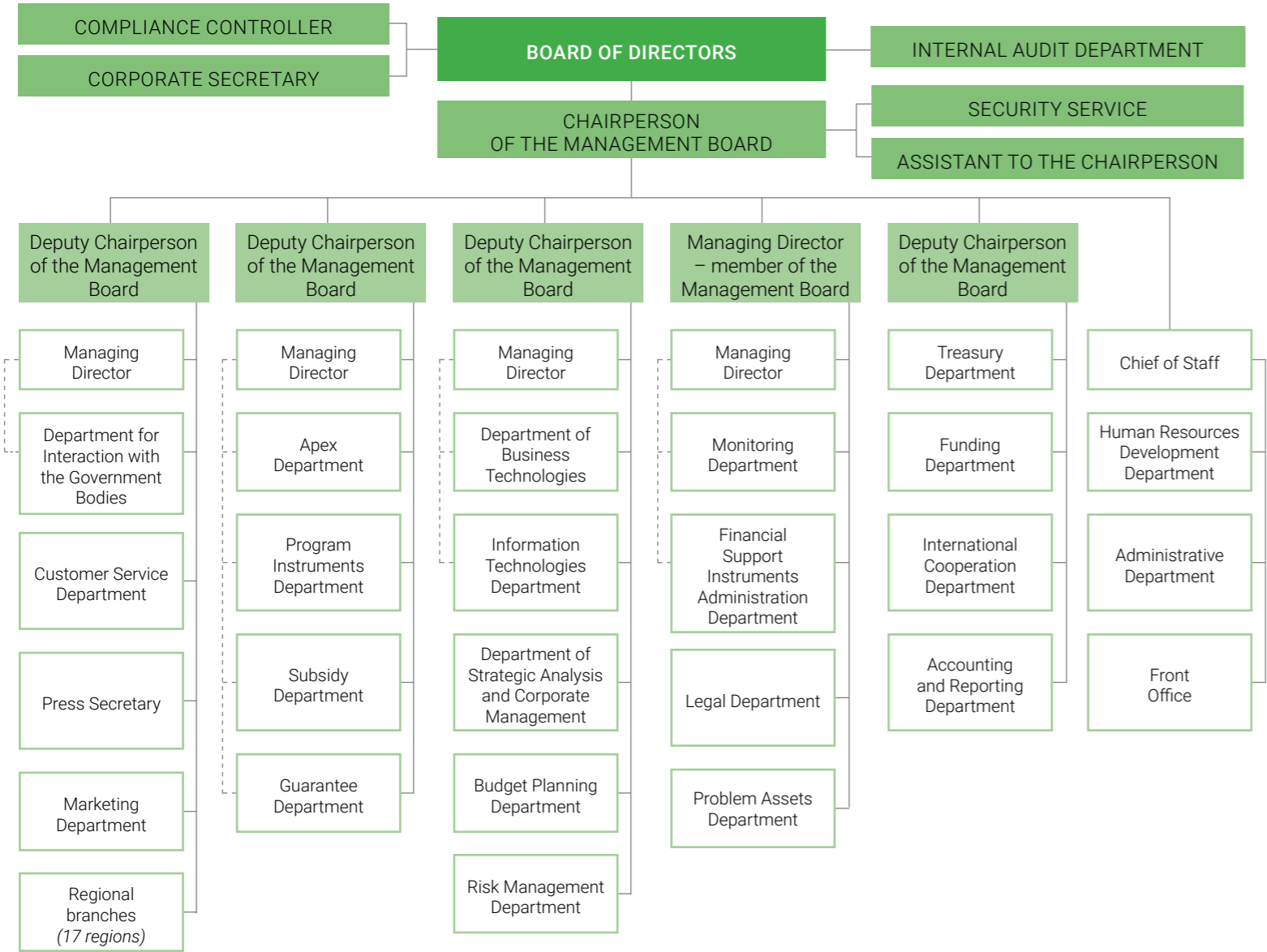
A report on compliance with the seven fundamental principles provided for in the Corporate Governance Code for 2019 is available on the corporate website of the Fund.



According to the results of the diagnostics of the Fund's corporate governance by the Internal Audit Service of 'Damu' Entrepreneurship Development Fund' JSC for the period of 2017–2019, the corporate governance level compliance with the best practice requirements is 91.2%.

9.2. ORGANIZATIONAL STRUCTURE

The organizational structure of the Fund allows to effectively solve the strategic tasks and objectives. The Fund has 22 departments, 2 services, 17 regional branches, 2 regional centers, 5 independent structural units (Corporate Secretary, Compliance Controller, Press Secretary, Assistant Chairman of the Management Board, Head of the Secretariat – Secretary of the Management Board).



9.3. SOLE SHAREHOLDER

The sole shareholder of the Fund is ‘Baiterek’ NMH’ JSC (hereinafter referred to as the Holding).

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

One of the key tasks of the Holding is to ensure the effective and complementary functioning of the Holding Group of companies.

Security type	Common shares
NIN	KZ1C49420017
Registration Date of Issue	09.04.2012
Par value*	100,000 tenge
Number of authorized shares	27,462,244
Number of placed shares	27,462,244
The number of shares owned by the shareholder	27,462,244
Shareholder Information	‘Baiterek’ NMH’ JSC
Shareholder's outstanding shares	100%
Shareholder's share of voting shares	100%

\* The value of the last public offering

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 net income and to receive a part of the Fund's property when it is liquidated in the manner established by the legislation of the Republic of Kazakhstan.

9.4. THE BOARD OF DIRECTORS

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

The Board of Directors ensures full transparency of its activities to the Sole Shareholder.

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

As of January 1, 2020, the Board of Directors of the Fund consists of 6 members, 2 of whom are independent directors.



COMPOSITION OF THE BOARD OF DIRECTORS



Chairman of the Board of Directors  
Alikhan Askhanovich Smailov

- 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).
  - Chairman of the Management 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 the 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 – the Minister of Finance of the RK (from 25.02.2019).



Member of the Board of Directors  
Rustam Timurovich Karagoishin

- Born in 1983, the date of election as a member of the Fund's Board of Directors is June 26, 2019. Representative of the Sole Shareholder of 'Damu' Entrepreneurship Development Fund' JSC.
- 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).
  - Managing Director – a Member of the Management 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 Management Board of 'Credit Systems' LLP (2012–2013).
  - Deputy General Director, General Director of 'Sberbank Leasing' LLP (2013–2015).
  - Deputy Chairman of the Management Board of 'KazAgro Finance' JSC (2015–2019).
  - General Director of the 'Grain Consortium of Kazakhstan' LLP (02.2019 – 05.2019).
  - Since May 2019, the Deputy Chairman of the Management Board of 'Baiterek' Holding.



Member of the Board of Directors  
Bektas Gafurovich Mukhamedzhanov

Born in 1957, the date of election as a member of the Fund's Board of Directors is August 1, 2018. He worked at the Institute of Botany, the Institute of Molecular Biology and Biochemistry of the Academy of Sciences of Kazakhstan. In different years, he has been holding the positions of the Chairman of the Republican Council of Young Scientists and Specialists, the Vice President, First Vice President of the Congress of Entrepreneurs of Kazakhstan, Deputy Chairman of the State Commission of the Republic of Kazakhstan for Support and Development of Entrepreneurship, Advisor to the Prime Minister of the Republic of Kazakhstan, Chairman of the Committee on Public Procurement of the Ministry of Finance of the Republic of Kazakhstan, Chairman of the Agency of the Republic of Kazakhstan on Public Procurement, State Inspector of the Administration of the President of the Republic of Kazakhstan, Director General of the International Institute of Contemporary Politics, Executive Director of the Fund of the First President of the Republic of Kazakhstan, Director of the Institute of the World Economy and Politics under the Foundation of First President of the Republic of Kazakhstan, Vice Minister of Environmental Protection of the RK. He was the President of the Congress of Entrepreneurs of Kazakhstan, a member of the Boards of Directors of Eximbank Kazakhstan CJSC, 'Small Business Development Fund' CJSC, 'Nurbank' JSC, 'Commercial Television Channel' JSC, 'Centerbank' JSC (current name 'Bank CenterCredit' JSC). He is an independent director – a member of the Board of Directors of NJSC 'State Corporation 'Government for Citizens'.



Independent Director  
Yelena Leonidovna Bakhmutova

- 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 the Kazakh SSR (09.1984–09.1989).
  - Senior Economist of the Ministry of Social Security of the Kazakh SSR (09.1989–02.1991).
  - Economist of the film-economic association 'Elim-Ai' (02.1991–05.1992).
  - Lead, Chief Economist, Head of the Department, Deputy Head of the Department for Social Services, Deputy Director of the Budget Department of the Ministry of Finance of the RK (05.1992–12.1998).
  - Director of the Budget Department of the 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 the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations (01.2004–23.01.2008).
  - Chairperson of the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations (from 23.01.2008–04.2011 due to abolition of the agency).
  - Deputy Chairperson of the Management Board, Managing Director for Finance and Operations of 'Samruk-Kazyna' JSC (01.2012–22.11.2016).
  - Chairperson of the Management Board of the non-profit JSC 'Social Health Insurance Fund' (11.2016–08.2018).
  - Chairperson of the Council of Kazakhstan Financiers Association (from 24.08.2018).

OTHER POSITIONS:

- Member of the Board of Directors of CJSC SAPF (2001–2002).
- Included in the KASE Exchange Council as a representative of the state body for regulation of the securities market (order of the Chairman of the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations as of November 9, 2004 №. 337).
- Chairperson of the Board of Directors of BTA Bank JSC (14.02.2013–14.02.2014).
- Chairperson of the Board of Directors of Kazpost JSC (08.2013–08.2018).



Independent Director  
Askar Raushanuly Yelemesov

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

- *Employee of the 'Kazakhintorg' Republican Association (1990–1991).*
- *Leading positions in the 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 the 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).*
- *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, Advisor to the Chairman of the Management Board of 'Halyk Bank of Kazakhstan' JSC (12.2006–04.2008).*
- *Chairman of the Board of Directors of 'Troika Dialog Kazakhstan' JSC (since 08.2008).*
- *Independent Director – 'KazAgro' National Managing Holding Company (from 02.06.2016).*
- *Chairman of the Board of Directors – Independent Director of 'SkyBridge Invest' JSC (09.2016–07.2017).*
- *Independent Director – Member of the Board of Directors of 'Kazkommertsbank' JSC (from 07.2017-06-2018).*
- *Independent Director - Member of the Board of Directors of JSC 'MO 'Kazakhstan Mortgage Company' (from 03.2019)*



Member of the Board of Directors  
Gaukhar Asylbekovna Buribayeva

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 Loan Department, chief front manager of the Project Directorate of the Development Bank of Kazakhstan JSC (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 Development Bank of Kazakhstan' JSC (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 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, Managing Director, Deputy Chairperson of the Management Board of 'Damu' Entrepreneurship Development Fund' JSC (03.2017–04.2019).*
- *Since April 2019 – Chairwoman of the Management Board of 'Damu' Entrepreneurship Development Fund' JSC.*

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.

During 2019, the following changes occurred in the composition of the Board of Directors.

1. *In the first quarter of 2019, according to the resolution of the Sole Shareholder as of March 13, 2019 (minutes № 15/19), the powers of a member of the Fund's Board of Directors Ye.A. Dosayev have been terminated ahead of schedule; A. A. Smailov was elected a member of the Fund's Board of Directors with a term of office till expiration of the term of office of the entire Board of Directors.*
2. *In the second quarter of 2019, according to the resolution of the Sole Shareholder as of April 24, 2019 (minutes № 22/19), the powers of a member of the Board of Directors and the Chairman of the Management Board A. S. Sarkulov have been terminated ahead of schedule, and G.A. Buribayeva was elected as the Chairwoman of the Management Board, a member of the Board of Directors with a term of office till expiration of the term of office of the entire Board of Directors.*
3. *In the second quarter of 2019, according to the resolution of the Sole Shareholder as of June 26, 2019 (minutes № 33/19), the powers of a member of the Board of Directors A.A. Arifkhanov have been terminated before the term, and R.T. Karagoishin was elected a member of the Board of Directors as a representative of the Sole Shareholder. with a term of office till expiration of the term of office of the entire Board of Directors.*
4. *During the 3, 4 quarters of 2019, there were no changes in composition of the Board of Directors.*

The procedure of nominating and selecting candidates to the members of the Board of Directors, its committees, as well as the criteria used to nominate candidates to the members of the Board of Directors and its committees, are regulated by the Corporate Governance Code and the Regulation on the Board of Directors of 'Damu' Entrepreneurship Development Fund' JSC.

Report on the Activities of the Board of Directors and its Committees

In 2019, 10 in-person and 2 absentee meetings of the Board of Directors were held. More than 120 issues were considered. In the reporting year, more than 30 meetings of committees of the Board of Directors were held. All meetings of the committee were held in person.

The Key Issues Considered by the Board of Directors in 2019

During the reporting period, the Board of Directors considered the following issues: concluding interested-party transactions with 'Baiterek' National Managing Holding' JSC, reviewing the Report on Assessment of the Board of Directors Performance based on the results of 2018 with subsequent submission to the Sole Shareholder for approval, approval of the regulations and reports in the field of risk management, approval of the Fund's Sustainable Development Policy, appointment of the Ombudsman, preliminary approval of the annual financial statements, preparing a proposal for distribution of the Fund's net income, approval of the report on implementation of the Development Strategy, preliminary approval of the Fund's Annual Report, approval of the report on compliance with the key indicators of the senior employees activities, approval of the Map of key performance indicators of senior employees and their target values, approval of changes (adjustments) to the indices of the Fund's Development Plan, issues of the Internal Audit Service, compliance controller, corporate secretary and so on.

In addition, by the initiative of independent directors, a strategic session was held in September 2019 with the representatives of the Sole Shareholder, members of the Board of Directors, and the Fund's Management Board to review the draft concept for the updated Development Strategy of 'Damu' Entrepreneurship Development Fund' JSC for 2014–2023.

PARTICIPATION IN THE MEETINGS OF THE FUND’S BOARD OF DIRECTORS IN 2019

Nº	Members of the Board of Directors	Participation	%
1.	Smailov Alikhan Askhanovich <b>(from March 13 2019)</b>	10/12	83%
2.	Karagoishin Rustam Timurovich <b>(from June 26 2019)</b>	5/12	41%
3.	Mukhamedzhanov Bektas Gafurovich	12/12	100%
4.	Yelemesov Askar Raushanuly	12/12	100%
5.	Bakhmutova Yelena Leonidovna	12/12	100%
6.	Buribayeva Gaukhar Asylbekovna <b>(from April 24 2019 )</b>	9/12	75%

Work of the Committees under the Board of Directors

There are 3 committees under the Board of Directors of the Fund: on strategic and budget planning, audit, appointments, remuneration,

and social issues. In accordance with the best corporate governance practice, the profile committees under the Board of Directors are headed by independent directors.

By the decision of the Board of Directors as of September 19, 2018, the following members were approved in the composition of the Committees:

Audit Committee	
Chairman of the Committee	A.R. Yelemesov, Independent Director
Member of the Committee	Ye.L Bakhmutova, Independent Director
Member of the Committee	B.G. Mukhamedzhanov, Member of the Board of Directors
Committee for Appointments, Remuneration and Social Issues	
Chairwoman of the Committee	Ye.L Bakhmutova, Independent Director
Member of the Committee	A.R. Yelemesov, Independent Director
Member of the Committee	B.G. Mukhamedzhanov, Member of the Board of Directors
Committee for Strategic and Budget Planning	
Chairwoman of the Committee	Ye.L Bakhmutova, Independent Director
Member of the Committee	A.R. Yelemesov, Independent Director
Member of the Committee	B.G. Mukhamedzhanov, Member of the Board of Directors

The activity of the committees is regulated by the relevant provisions approved by the decisions of the Fund’s Board of Directors.

**The Strategic and Budget Planning Committee** prepares recommendations and proposals on the issues related to development, implementation and adjustment of the Fund's Development Strategy, approves the Fund's development plans, monitors implementation thereof, makes proposals for improvement the budgeting system and solves other issues.

In 2019, 10 in-person meetings of the Committee were held, 39 issues were considered, including preliminary approval of the Fund’s Annual Report for 2018, the Reports on implementation of the Fund's Strategy, Fund Development Plans (adjustment) for 2017–2021, and so on.

**The Audit Committee** develops recommendations to the Board of Directors on establishing an effective control system of the financial and economic activities of the Fund, monitoring of reliability and effectiveness of internal, external control and risk management systems, as well as the fulfillment of documents in the field of corporate governance.

In 2019, 12 in-person meetings of the Committee were held, where more than 80 issues were considered, including preliminary approval of the quarterly reports of the Internal Audit Service, quarterly reports on the Fund's risks, reports on the Fund’s compliance with the principles set in the Corporate Governance Code, annual financial statements of the Fund for 2018 and other issues.

**Appointment, Remuneration and Social Issues Committee** was established to develop and submit recommendations to the Board of Directors on personnel and motivation policies, performance evaluation of the members of the Board of Directors, members of the Management Board, corporate secretary.

In 2019, 10 in-person meetings of the Committee were held, where 33 issues were considered, including a new edition of the key performance indicators of the Fund’s senior management for 2019 (functional efficiency factor, FEF), changes in composition of the Management Board, a Map of key performance indices of the Fund’s executive employees and the target values thereof for 2020 (functional efficiency factor, FEF) and etc.

In general, more than 160 issues were considered at the level of the three committees of the Board of Directors, while more than half of all issues (55%) were considered by the Audit Committee.

The Fund, in accordance with the Regulation on the Board of Directors, annually conducts comprehensive performance assessment of the Board of Directors and committees, an individual assessment of the directors’ activities in accordance with best international practice. The performance assessment of the Board of Directors and Committees was conducted by the independent external experts from the **International Finance Corporation (IFC)**.

The purpose of assessment is to obtain the objective information on the activities of the Board of Directors and committees, as well as to analyze the individual contribution of directors to the work of the Board. As a result of assessment, the strengths of the Board of Directors and committees activities have been identified, and appropriate recommendations have been developed to improve the efficiency of their activities.



The generalized results of the performance assessment of the Board of Directors conducted by IFC in 2019 (self-assessment and external evaluation) include:

№	Assessment Criteria	Self-assessment of the Board	External Assessment
1.	Role and authorities of the Board of Directors	3.71	3.5
2.	Strategy	3.57	3.0
3.	Performance (activity efficiency) management	3.93	3.6
4.	Composition of the Board of Directors, the role of independent directors	3.87	3.6
5.	Policy on remuneration of the Board of Directors	3.00	3.0
6.	Meetings of the Board of Directors	3.93	3.5
7.	Chairman of the Board of Directors	3.95	3.8
8.	Corporate Secretary	3.89	3.7
9.	Audit Committee	3.93	3.5
10.	Committee for Strategic and Budget Planning	3.88	3.3
11.	Committee for Appointments, Remuneration and Social Issues	3.81	3.0
12.	Self-Assessment of the Board of Directors	3.90	

**Designations: more than 3.5 – good practice, from 2 to 3.5 – field of development, 2 and less – special attention.**

Based on the results of this assessment, appropriate action plan for improving the activities of the Board of Directors will be submitted for consideration to the Board of Directors in the first quarter of 2020, and

further development directions for 2020 will be determined within the framework of the annual reports of the committees of the Board of Directors for 2019.

## 9.5. MANAGEMENT BOARD

Management Board is the collective executive body of the Fund, reporting to the Board of Directors and the Sole Shareholder, established in accordance with the Charter of the Fund and conducting management of the Fund's current activities in the interests of the Fund and its Sole Shareholder.

Management Board is authorized to make decisions on any issues of the Fund's activities that are not referred by the legislative acts of the Republic of Kazakhstan and the Fund's Charter to the competence of other bodies and officials of the Fund, including the issues attributed by the legislation and the Fund's Charter to its competence.

## COMPOSITION OF THE MANAGEMENT BOARD



### Chairwoman of the Management Board Gaukhar Asylbekovna Buribayeva

Born in 1983, the date of election as the Chairwoman of the Management Board is April 29, 2019

She heads the Management Board of the Fund. Exercises general control, coordination and management of the activities of all structural divisions and employees of the Fund, directly controls, coordinates and supervises the activities of the members of the Management Board, Assistant to the Chairwoman of the Management Board, Head of Staff, Managing Directors, Security Services.

- *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 Loan Department, chief front manager of the Project Directorate of the Development Bank of Kazakhstan JSC (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 Development Bank of Kazakhstan' JSC (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 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, Managing Director, Deputy Chairperson of the Management Board of 'Damu' Entrepreneurship Development Fund' JSC (03.2017–04.2019).*
- *Since April 2019 – Chairwoman of the Management Board – Member of the Board of Directors of 'Damu' Entrepreneurship Development Fund' JSC.*



### Deputy Chairman of the Management Board Galym Nurgazyevich Nurgazyev

Born in 1972, the date of election as the Deputy Chairman of the Fund's Management Board is December 15, 2017

He supervises and coordinates the work of Subsidy Department, Guarantee Department, Program Instruments Department and Apex Department.

- *Executive Director of 'Asia Business' LLP (02.1997–06.1997).*
- *Deputy Director, General Director of the JPC 'Zhetysu' (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 the Department of 'KazTransGas' JSC.*
- *Deputy Director of the Department for Oil Industry Development under the Ministry of Oil and Gas of the Republic of Kazakhstan (01.2014–10.2014).*
- *Director of the Department for Gas Industry Development under the Ministry of Energy of the Republic of Kazakhstan (10.2014–04.2016).*
- *Deputy Chairman of the Management Board, 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 has been the Deputy Chairman of the Management Board of 'Damu' Entrepreneurship Development Fund' JSC.*



Deputy Chairman of the Management Board  
Farkhat Kainarovich Sarsekeyev

Born in 1984, the date of election as the Deputy Chairman of the Fund’s Management Board is May 4, 2019

He supervises and coordinates the work of the Risk Management Department, Department of Business Technology, Department of Information Technology, Department of Strategic Analysis and Corporate Governance, and Department of Budget Planning.

- Credit Manager of the Small and Medium-Scale Business Lending Department at ‘Kazkommertsbank’ JSC (2005–2006).
- Credit Manager of the 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).
- Chief Front Manager of the Asset Restructuring Department of the ‘Development Bank of Kazakhstan’ JSC (2010–2012);
- Deputy Director of the Department for Work with the National Companies and Development Institutions in SB JSC ‘Sberbank’ (2012–2015);
- Deputy Director of the 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 has been the Deputy Chairman of the Management Board of ‘Damu’ Entrepreneurship Development Fund’ JSC.



Deputy Chairman of the Management Board  
Dastan Temiraliyevich Dzhaniteliyev

Born in 1985, the date of election as the Deputy Chairman of the Fund’s Management Board is May 13, 2019

He supervises and coordinates the work of the Department for Interaction with the State Bodies, Department of Customer Service, Marketing Department, Press Secretary and the Regional Branches.

- Land surveyor at the RSE ‘GosNPTszem’ (2009).
- In different years, he worked in various senior positions in the city of Almaty and Almaty region in the structure of the RSE ‘NPTszem’ and the central office of the enterprise.
- Director of Department of Land Cadastre and Technical Inspection of Real Estate – a branch of NJSC ‘State Corporation ‘Government for Citizens’ in Almaty, after transition – the Director of the Branch of NJSC ‘State Corporation ‘Government for Citizens’ in Almaty (2016–2018).
- Deputy Chairman of the Management Board of NJSC ‘State Corporation ‘Government for Citizens’ (07.2018–04.2019).
- Since May 2019, Deputy Chairman of the Management Board of ‘Damu’ Entrepreneurship Development Fund’ JSC.



Deputy Chairman of the Management Board  
Bakhytzhan Nigmedzhanovich Makazhanov

Born in 1990, the date of election as the Deputy Chairman of the Fund’s Management Board is October 7, 2019

He supervises and coordinates the work of the International Cooperation Department, Funding Department, Department of Treasury and Department of Accounting and Reporting.

- Manager of the Department of Strategy and Corporate Development of JSC ‘Kazgeology’ (2012–2013).
- Deputy Chairman of the Management Board – a member of the Management Board of JSC ‘Rehabilitation and Asset Management Company’ (2014–2015).
- Director of Department of Forecasting, Public Procurement, Accounting and Reporting of JSC ‘Rehabilitation and Asset Management Company’ (2015–2016).
- Deputy Chairman of the Management Board – a member of the Management Board of ‘Kazakhstan Investment Fund’ JSC (2016–2019).
- Since October 2019, he is the Deputy Chairman of the Management Board of ‘Damu’ Entrepreneurship Development Fund’ JSC.



Managing Director – Member of the Management Board  
Aset Bulatovich Sharipov

Born in 1982, the date of election as the Managing Director – Member of the Fund’s Management Board is July 3, 2017

He supervises and coordinates the work of the Department of Monitoring, Department of Administration of Financial Support Instruments, Problem Assets Department and the Legal Department.

- Agent of GAPF ‘Otan’, JSC ‘ATFBank’ (05.2003–06.2004).
- Lawyer of JSC ‘International Bank ‘Alma-Ata’ (06.2004–03.2007).
- Head of the Finance Department of ‘ABK-V’ LLP (03.2007–03.2008).
- Chief Specialist of the Legal Department of ‘ATF Bank’ JSC (03.2008–10.2008).
- Senior Lecturer at the Department of Civil Law and the Process of RSEE Kostanai State University named after A. Baitursynov (01.2009–01.2010).
- Deputy Director of the Legal Support Department of Development Bank of Kazakhstan (02.2010–05.2014).
- Deputy Director of the Department of Legal Support of the National Bank of the Republic of Kazakhstan (07.2014–02.2016);
- Director of the Legal Support Department of Development Bank of Kazakhstan (05.2016–07.2017).
- Since July 2017, he is the Managing Director – a member of the Management Board of ‘Damu’ Entrepreneurship Development Fund’ JSC.

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

During 2019, the following changes in the composition of the Management Board took place.

1. According to the Resolution of the Board of Directors as of April 24, 2019, the powers of the Chairman of the Management Board, A.S. Sarkulov were terminated.
2. According to the Resolution of the Board of Directors as of October 4, 2019 the powers of the Deputy Chairman of the Management Board D.M. Abilkairov were terminated.
3. According to the Resolution of the Board of Directors as of February 18, 2019 (№ 08/2018) the powers of the Managing Director K.S. Ulasbekov were terminated.

### Report on Activities of the Management Board

The rights and obligations of the members of the Management Board are determined by the Charter, the Regulation on the Management Board and other internal regulatory documents of the Fund.

The Regulation on the Management Board determines procedure of establishment and functioning of the Fund’s Management Board, the rights and obligations of members of the Management Board, the making and execution of its decisions, as well as the monitoring of fulfillment thereof.

As of the beginning of 2019 the Fund’s Management Board consisted of 6 members, including:

1. Chairman of the Management Board – Abai Serikovich Sarkulov;
2. Deputy Chairman of the Management Board – Daulet Maksutovich Abilkairov;
3. Deputy Chairman of the Management Board – Galym Nurgaziyevich Nurgaziyev;;
4. Deputy Chairwoman of the Management Board – Gaukhar Asylbekovna Buribayeva;
5. Managing Director – a Member of the Management Board – Kuanysh Serikovich Ulasbekov;
6. Managing Director – a Member of the Management Board – Aset Bulatovich Sharipov.

During 2019, Ulasbekov Kuanysh Serikovich and Abilkairov Daulet Maksutovich were removed from the Management Board, and the Deputy Chairmen of the Management Board Sarsekeyev Farkhat

Kainarovich, Dzhanteliev Dastan Temiraliyevich and Makazhanov Bakhytzhан Nigmedzhanovich were introduced into the Management Board of the Fund.

As of the end of 2019 the Fund’s Management Board consisted of 6 members:

1. Chairwoman of the Management Board – Gaukhar Asylbekovna Buribayeva;
2. Deputy Chairman of the Management Board – Galym Nurgaziyevich Nurgaziyev;
3. Deputy Chairman of the Management Board –Dastan Temiraliyevich Dzhanteliev;
4. Deputy Chairman of the Management Board – Farkhat Kainarovich Sarsekeyev;
5. Deputy Chairman of the Management Board – Bakhytzhан Nigmedzhanovich Makazhanov;
6. Managing Director – a Member of the Management Board – Aset Bulatovich Sharipov.

During the year 2019, 108 meetings of the Management Board were held where the decisions on the operational management of the Fund were taken. The number of the considered issues is 1,015.

### The Key Issues Considered by the Management Board in 2019

During the reporting period, the Fund’s Management Board considered the issues on various aspects of operational activities, including approval of internal documents, approval of the concept for updating of the development strategy, questions on financial programs, issues in the field of sustainable development and corporate governance.

### Work of Committees under the Management Board

The Credit Committee, the Assets and Liabilities Management Committee and the Problem Assets Committee are the Fund’s bodies carrying out their activities within the powers granted to them by the Management Board in accordance with the Charter and the legislation of the Republic of Kazakhstan.

- 1) Credit Committee is a collective body implementing the Fund’s internal credit policy and making decisions on the issues of guaranteeing and subsidizing. In 2019, 3,008 applications were reviewed on guarantees and 4,813 applications were considered on subsidization issues.

- 2) The Fund’s Assets and Liabilities Management Committee is a collective body aiming to improve the efficiency of the Fund’s assets and liabilities management in order to achieve the principles of diversification of assets and liabilities, optimize financial risks and ensure financial stability. In 2019, 29 meetings were held, and 37 issues were reviewed.
- 3) The Committee for Work with Problem Assets is a collective body implementing the work for return of problem receivables arising from the credit, leasing, documentary (issue of guarantees), investment, and economic activities of the Fund. In 2019, 25 meetings were held, 179 issues were reviewed.

The Human Resources Policy Committee, the Change Management Committee and the Budget Committee are the permanent collegial and advisory bodies under the Fund’s Management Board, carrying out their activities within the powers granted to them by the Fund’s Management Board.

1. The Human Resources Policy Committee is a body that ensures implementation of the personnel policy, development and implementation of professional standards that establish requirements to the content and working conditions, qualifications and competencies of employees, development of the integrated system for human resources planning. In 2019, 113 meetings were held, 777 issues were considered.

2. The Change Management Committee is a body that carries out the work for improvement, automation and optimization of the existing /new business processes of the Fund, as well as review, preliminary approval of the new products. In 2019, 50 meetings were held, where 223 issues were considered.
3. The Budget Committee is a body that ensures and develops the proposals for determination of the indices of the Fund’s draft budget for the relevant financial year, development of proposals for making adjustments to the current budget of the Fund, for reviewing the assessment results of compliance with the Fund’s budget. For 2019, 42 meetings were held, where 157 issues were reviewed.

The staff and number of the Committees members are determined by the decision of the Fund’s Management Board. The management of the Committees is carried out by the Chairpersons of the Committees. The composition of the Committees is composed of the members of the Management Board (no more than two), including other employees of the Fund. The committees consist of the Chairman of the Committee, who is a member of the Fund’s Management Board, the Deputy Chairman of the Committee and other members of the Committee with the voting rights, including an advisory one.

The activities of the Committees under the Management Board are regulated by the Regulation 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 may be paid remuneration and (or) compensation for expenses related to performance of their functions as the members of the Fund’s Board of Directors.

The members of the Board of Directors being the representatives of the Sole Shareholder, the Chairperson of the Management Board (in case of his/her membership in the Fund’s Board of Directors) do not receive remuneration for participation in the work of the Fund’s Board of Directors.

A member of the Fund’s Board of Directors may be awarded with the following remuneration:

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

When determining the amount of remuneration for a member of the Fund’s Board of Directors, the responsibilities of the members of the Fund’s Board of Directors, scope of the Fund’s activities, long-term tasks and objectives determined by the development strategy, complexity of issues considered by the Fund’s Board of Directors, level

of remuneration in similar private sector companies (benchmarking, remuneration review) shall be taken into account.

In 2019, the amount of remuneration paid to the members of the Fund’s Board of Directors (including independent directors) was 14,325,000 tenge.

The rules of labor remuneration, performance assessment and remuneration of the Fund’s senior employees include the following principles of the remuneration system:

- *ratio of remuneration with achievement of the tasks and objectives that meet the interests of the Fund and its Sole Shareholder;*

- *simplicity and fairness of the principles for determining the amount of remuneration;*
- *dependence of the amount of remuneration on the results of the Fund and the personal performance of top managers.*

To evaluate the activities of top managers, a system of key performance indicators is used that maximizes application of the above principles in work and helps to increase effectiveness of the financial and production activities of the Fund through effective planning and tasks setting process, reliable and fair assessment of the performance of each member of the Fund’s Management Board personally. These factors significantly increase the extent of the executives achieving the corporate and individual efficiency.

9.7. SUBSIDIARIES

The companies with authorized capital shares belong to the Fund as of 01.01.2020, and where the Fund does not have a significant impact on the activities: “MCO “Econom” LLP (the authorized capital is 12 million tenge, the shareholding is 16.6%), “MCO “West Finance” LLP (the authorized capital is 5.06 million tenge, the shareholding is 39.5%), “MCO “Zhainar” LLP (the authorized capital is 5.5 million tenge, the shareholding is 36.0%).

Currently, the Fund continues to liquidate the existing microcredit organizations in accordance with the resolution of the Fund’s Board of Directors of the № 72 as of July 20, 2016 and № 77 as of February 24, 2017 on liquidation of specified microcredit organizations.

It shall be noted that since commencement of this Annual Report drawing-up, in January 2020, “MCO “Econom” LLP and “MCO “Zhainar” LLP have been liquidated, and a lawsuit was filed in court on the forced liquidation of “MCO “West-Finance” LLP. Currently, a civil case is under consideration, “MCO “West-Finance” LLP has not yet been liquidated.



*Kostanay region, Scientific-Production Association MediDez LLP  
Project for the production of pesticides and other agrochemical products  
The company has received support through the subsidy and guarantee instruments in the framework of the BRM-2020*

9.8. INFORMATION ON MATERIAL TRANSACTIONS

The information on the interested party transactions, major transactions and related-party transactions concluded by the Fund in 2019 is provided in the Extracts from the Annual Financial Statements and Appendix № 2 to the Annual Statements.

9.9. CONTROL OF THE FUND’S ACTIVITIES

Internal Audit Service (hereinafter – the IAS) provides organization and fulfillment of the 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 Board of Directors and the Management Board of the Fund in fulfilling their responsibilities for achievement of the Fund’s strategic goals.

The IAS activities are supervised by the Audit Committee under the Fund’s Board of Directors.

According to the Annual Audit Plan for 2019 (hereinafter referred to as the AAP), approved by the decision of the Board of Directors of the Fund as of December 20, 2018, № 15/2018, for 2019 it was planned to conduct 13 audit tasks that had been completed by the Internal Audit Service on time, in full and within the time frame established by the AAP, including diagnostics of corporate governance, monitoring of limits for certain types of administrative expenses, verification of achievement of strategic key performance indicators, functional key performance indicators of the Fund’s Management Board, audit of DRM-2020 implementation, audit of business process for reflecting on accounts the financial, business, cash and other operations carried out by the Fund in accordance with IFRS, audit of business process for attracting financing to support and develop private enterprise in the Republic of Kazakhstan, audit of the business process of treasury operations and liquidity management, audit of business process for IT activities, audit of the security business process, in the field of fraud and corruption

prevention, audit of stress testing and its compliance with the external operating environment and internal state according to the Methodology for conducting stress testing and determining the reserve in the Fund, audit of regional branches in North Kazakhstan, Karaganda, and Aktyubinsk regions.

Based on the results IAS activities for 2019, 208 recommendations were issued. As of January 1, 2020, 74 recommendations of the internal audit are listed on execution (recommendations of the external audit – 0). Based on the audit results, the audit objects presented Corrective Action Plans approved by the Fund’s Management Board aimed at reducing risks, improving the existing internal control system, and further improving the corporate governance system and corporate risk management system.

In order to assess compliance with the best corporate governance practices in 2019, the IAS conducted a Corporate Governance Diagnostics of ‘Damu’ Entrepreneurship Development Fund’ JSC. Corporate governance diagnostics is carried out every two years. Based on the results of the corporate governance diagnostics, the compliance of the Fund’s corporate governance level with the requirements of best practice constituted 91.2%. In 2017, the corporate governance level was 80.1%. In comparison with the previous diagnostics of the corporate governance system (2017), the diagnostics of corporate governance conducted in November 2019 showed significant increase in compliance of the Corporate Governance level with the international practice. Increase in compliance took place under all three elements

of assessment, which evidences the continuous, ongoing work of the Fund for improvement of the corporate governance. In particular the Code of Business Ethics was amended and supplemented, the Corporate Anti-Fraud and Anti-Corruption Policy was approved, the Environmental Policy was approved, regular meetings of the Board of Directors members with the personnel reserve were arranged, levels of tolerance to risks was approved, significant work for automation of the risk management processes, independent assessment of the risk management system effectiveness was made. The Board of Directors provided information on the effectiveness of the Fund's ICS to the Management Board of the Fund; an independent assessment of the effectiveness of ICS was conducted. The Fund's annual report includes the information on attendance of the Committee meetings by its members, on environmental protection, on the policy for settlement of the conflicts of interest, whether the deadlines for information disclosure in the financial statements are complied with, the notes to the financial statements disclose the following information on the related parties transactions: the balance of payments between the related parties, the estimated allowance for doubtful debts, the information on the par value of the shares issued is also disclosed. The information on the decisions of the Sole Shareholder and the Board of Directors (information on the decisions taken, on distribution of votes for a decision, on the members of the Board of Directors present at the meeting) is posted on the website as soon as possible.

On a quarterly basis, IAS monitors fulfillment of IAS and external

auditors' recommendations. Information on the monitoring results is provided to the Audit Committee and the Board of Directors of the Fund.

On October 3, 2019, according to the decision of the Fund's Board of Directors № 09/2019, the revised Regulation on the Fund's Internal Audit Service and the Rules on Internal Audit Organization were updated and approved.

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

IAS provides regular internal assessment of its performance on the basis of the approved key performance indices approved by the decision of the Fund's Board of Directors.

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

Based on the evaluation results, the compliance of the Fund's internal audit activity with the International Professional Standards of Internal Audit, the Regulation on the Fund's Internal Audit Service, approved by the Board of Directors as of October 3, 2019, minutes № 09/2019, the Rules for Organization of the Fund's Internal Audit as of October 3, 2019, minutes № 09/2019, compliance with the Code of Ethics approved by the decision of the Board of Directors as of July 25, 2011, minutes № 28, was confirmed.

9.10. THE EXTERNAL AUDITOR'S INFORMATION

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 2019 were audited by PriceWaterHouseCoopers LLP. The amount of remuneration paid to

PriceWaterHouseCoopers LLP for audit of the financial statements for 2019 amounted to 17,705 thousand tenge, VAT included.

PriceWaterHouseCoopers LLP did not provide any individual services in 2019.

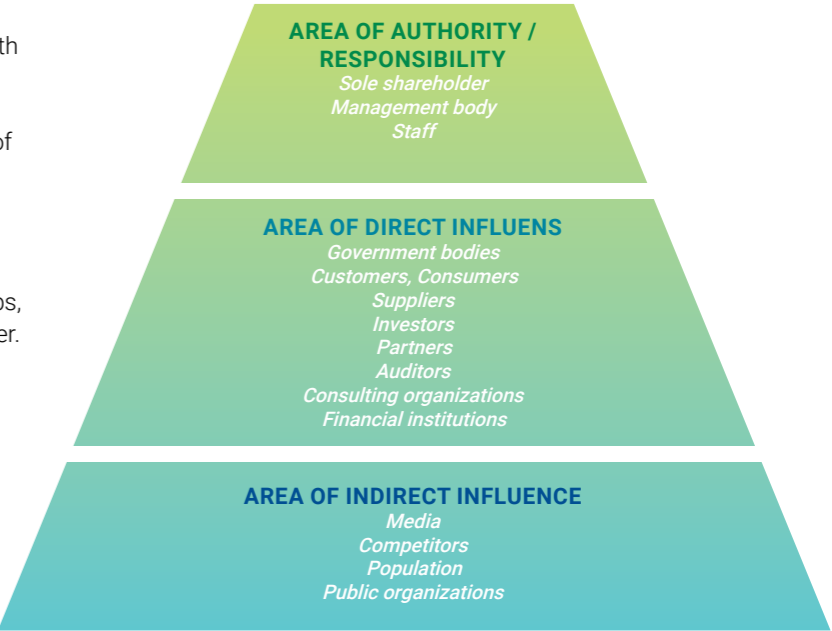
The former employees of audit organizations auditing the financial statements have not been employed by the Fund

9.11. INTERACTION WITH THE 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 the areas of influence on the Fund's interests, the Map of the Fund's Stakeholders has been developed.

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



# 10

## EXTRACTS FROM THE ANNUAL FINANCIAL STATEMENTS AND AUDIT CONCLUSION



10.1 THE INDEPENDENT AUDITOR’S REPORT



Independent Auditor’s Report

To the Shareholder and Board of Directors of Damu Entrepreneurship Development Fund JSC

**Our opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Damu Entrepreneurship Development Fund JSC (the “Fund”) as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

**What we have audited**

The Fund’s financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers LLP  
34 Al-Farabi Ave., Building A, 4<sup>th</sup> floor, Almaty, Kazakhstan, A25D5F6  
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Independent Auditor’s Report (Continued)

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Our audit approach

Overview

Materiality	Overall Fund materiality: Kazakhstani Tenge 1,680,000 thousands, which represents 0.5% of total assets as of 31 December 2019.
Key audit matters	Assessment of expected credit losses provision for due from financial institutions made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Fund materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.



Independent Auditor's Report (Continued)

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Overall materiality	Kazakhstani Tenge 1,680,000 thousands
How we determined it	0.5% of total assets as of 31 December 2019.
Rationale for the materiality benchmark applied	The Fund is a state-owned development institution. The strategic directions of the Fund are support and development of start-up and active entrepreneurs, and sustainable institutional development of the Fund. The profitability is not a primary objective of the Fund and its management. Thus, we concluded that, the most appropriate benchmark for determination of materiality is total assets. We chose 0.5% which is consistent with quantitative materiality thresholds used for the selected benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Assessment of expected credit losses (ECL) provision for due from financial institutions by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).</i></p> <p>We focused on this area due to the size of due from financial institutions balances and because IFRS 9 is a new and complex financial reporting standard, which requires significant judgment to determine the ECL provision.</p> <p>The Fund performed ECL assessment on an individual basis and on a portfolio basis. The credit risk parameters (e.g. probability of default, loss given default) applied during the process of ECL calculations were based on external ratings.</p> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"><li>Allocation of loans to stages in accordance with IFRS 9;</li><li>Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default;</li><li>Completeness and accuracy of data used to calculate the ECL;</li><li>Accuracy and adequacy of the financial statement disclosures.</li></ul> <p>Refer to the Notes 4, 8, and 25 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and risk assessment related to ECL provision and disclosures on due from financial institutions.</p>	<p>In assessing ECL provision we have performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"><li>We assessed the new methodologies and models for ECL provision assessment developed by the Fund in order to evaluate its compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a "significant increase in credit risk", allocation of due from financial institutions to stages, and estimation of key risk parameters.</li><li>On a sample basis we performed an individual assessment of the ECL provision levels to determine if they were reasonable considering the risk profile, credit risk and the macroeconomic environment.</li><li>On a sample basis we assessed reasonability of application of parent rating for those borrowers where no external ratings are present.</li><li>To verify data quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data.</li><li>We checked that estimation of ECL reserve for due from financial institutions is made in accordance with the methodologies and models and is in line with IFRS 9 requirements.</li></ul>



Independent Auditor's Report (Continued)

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Other Information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.





Independent Auditor's Report (Continued)

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Independent Auditor's Report (Continued)

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aigul Akhmetova

PricewaterhouseCoopers LLP.

28 February 2020  
Almaty, Kazakhstan

Approved by:



Dana Inkarebekova  
Managing Director of  
PricewaterhouseCoopers LLP  
(General State License of the Ministry of  
Finance of the Republic of Kazakhstan  
№00000005 dated 21 October 1999)

Signed by:



Aigul Akhmetova  
Engagement Partner  
Audit Assurance Partner  
Auditor in Charge  
(Qualified Auditor's Certificate №00000003  
dated 27 August 2012; Special Power of  
Attorney #28/1-19 dated 1 July 2019)



# 10.2 EXTRACTS FROM THE ANNUAL FINANCIAL STATEMENTS

These financial statements have been 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 of the financial statements are presented in the Audited Financial Statements for 2019 posted on the Fund’s Internet resource. In addition to changes in the accounting policies as a result of transition to IFRS 16 from January 1, 2019, these principles have been applied consistently to all periods presented in the statements, unless otherwise specified.

## STATEMENT OF FINANCIAL POSITION

In thousands of Kazakhstani Tenge	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	40,771,790	37,953,674
Due from financial institutions	8	274,617,302	229,558,581
Due from subsidy programs		16,779	29,337
Loans and advances to customers		97,495	606,308
Investments in debt securities	9	7,930,294	7,100,689
Premises and equipment	10	2,448,957	2,279,485
Intangible assets		218,076	228,155
Current income tax prepayment		9,231,239	11,290,109
Deferred tax asset	23	199,965	–
Non-current assets held for sale		330,533	396,747
Other assets	11	1,641,158	14,678,723
TOTAL ASSETS		337,503,588	304,121,808
LIABILITIES			
Borrowed funds	12	234,302,199	201,309,973
Debt securities in issue	13	–	16,057,484

In thousands of Kazakhstani Tenge	Note	31 December 2019	31 December 2018
Liabilities on subsidy programs	14	5,865,771	4,974,063
Deferred income tax liability	23	–	1,279,281
Deferred income and provision for credit related commitments	15	9,837,192	6,914,341
Other liabilities	16	1,362,458	1,066,188
TOTAL LIABILITIES		251,367,620	231,601,330
EQUITY			
Share capital	17	72,920,273	72,920,273
Additional paid-in-capital		10,735,627	834,527
Revaluation reserve for investment securities at fair value through other comprehensive income		132,723	222,476
Other reserves		316,430	316,430
Retained earnings		2,030,915	(1,773,228)
TOTAL EQUITY		86,135,968	72,520,478
TOTAL LIABILITIES AND EQUITY		337,503,588	304,121,808





# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of Kazakhstani Tenge	Note	2019	2018
Interest income calculated using the effective interest method	18	22,597,000	24,613,727
Other interest income	18	130,927	140,937
Interest expense	18	(10,247,867)	(8,363,634)
<b>Interest income, net</b>		<b>12,480,060</b>	<b>16,391,030</b>
Credit loss allowance for loans and advances to customers and amounts due from financial institutions	8	1,135,899	(18,936,130)
<b>Net interest income/(expense) after credit loss allowance for loans and advances to customers and amounts due from financial institutions</b>		<b>13,615,959</b>	<b>(2,545,100)</b>
Net fee and commission income	19	3,812,698	3,934,347
(Losses) less gains from financial derivatives	20	(13,355)	5,941,231
Gains less losses from securities at fair value through profit or loss		54,425	65,958
Gains less losses from trading in foreign currencies		(186)	–
Foreign exchange translation losses less gains		(272,597)	(7,671,877)
Net loss on initial recognition of financial instruments at rates below market	21	(8,118,537)	(4,443,157)
Recovery of/(provision for) Impairment of debt securities at fair value through other comprehensive income		87,544	(86,806)
Recovery of/(provision for) impairment of other assets	7, 11	(6,618)	6,042
Recovery of/(provision for) credit related commitments	26	607,810	(243,942)
Net other operating income/(expense)		63,199	(289,272)
Expenses for realisation of Fund's programs	22	(806,576)	(872,451)
General and administrative expenses	22	(4,842,342)	(4,339,827)
<b>Profit before tax</b>		<b>4,181,424</b>	<b>(10,544,854)</b>
Income tax expense	23	(377,281)	(1,385,618)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>3,804,143</b>	<b>(11,930,472)</b>
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Investment securities at fair value through other comprehensive income			
- Losses less gains arising during the year		(89,753)	152,139
<b>Other comprehensive loss for the year</b>		<b>(89,753)</b>	<b>152,139</b>
<b>Total comprehensive income/(LOSS) for the year</b>		<b>3,714,390</b>	<b>(11,778,333)</b>

# STATEMENT OF CHANGES IN EQUITY

In thousands of Kazakhstani Tenge	Share capital	Additional paid-in-capital	Revaluation reserve for investment securities available for sale	Revaluation reserve for investment securities at fair value through other comprehensive income	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2018</b>	<b>72,920,273</b>	<b>834,527</b>	<b>70,337</b>	<b>–</b>	<b>316,430</b>	<b>27,006,587</b>	<b>101,148,154</b>
Transition of opening balance	–	–	(70,337)	70,337	–	–	–
<b>Remeasurement for expected credit losses, net of tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(3,760,633)</b>	<b>(3,760,633)</b>
<b>Restated balance at 1 January 2018</b>	<b>72,920,273</b>	<b>834,527</b>	<b>–</b>	<b>70,337</b>	<b>316,430</b>	<b>23,245,954</b>	<b>97,387,521</b>
Loss for the year	–	–	–	–	–	(11,930,472)	(11,930,472)
Other comprehensive income	–	–	–	152,139	–	–	152,139
Total comprehensive income for the year	–	–	–	152,139	–	(11,930,472)	(11,778,333)
Dividends paid	–	–	–	–	–	(1,234,153)	(1,234,153)
Discount for investment securities (Note 8)	–	–	–	–	–	(5,904,111)	(5,904,111)
Credit loss allowance for loans (Note 8)	–	–	–	–	–	(5,950,446)	(5,950,446)
<b>Balance at 31 December 2018</b>	<b>72,920,273</b>	<b>834,527</b>	<b>–</b>	<b>222,476</b>	<b>316,430</b>	<b>(1,773,228)</b>	<b>72,520,478</b>
Profit for the year	–	–	–	–	–	3,804,143	3,804,143
Other comprehensive income	–	–	–	(89,753)	–	–	(89,753)
Recognition of discount for borrowed funds from parent company less deferred tax (Notes 4 and 12)	–	9,901,100	–	–	–	–	9,901,100
Total comprehensive income for the year	–	–	–	(89,753)	–	3,804,143	3,714,390
<b>Balance at 31 December 2019</b>	<b>72,920,273</b>	<b>10,735,627</b>	<b>–</b>	<b>132,723</b>	<b>316,430</b>	<b>2,030,915</b>	<b>86,135,968</b>

STATEMENT OF CASH FLOWS

In thousands of Kazakhstani Tenge	Note	2019	2018
<b>Cash flows from operating activities</b>			
Interest received		15,310,499	16,428,247
Interest paid		(4,310,788)	(4,481,586)
Fees and commissions received		6,284,803	5,203,483
Fees and commissions paid		(403,694)	(1,947,784)
Other operating income received		75,088	133,547
Staff costs paid		(2,288,064)	(2,008,740)
Administrative and other operating expenses paid		(3,336,537)	(3,313,497)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>11,331,307</b>	<b>10,013,670</b>
<i>Net decrease/(increase) in:</i>			
- due from financial institutions		(47,481,920)	(12,252,595)
- loans and advances to customers		296,260	6,345,360
- other assets		(521,146)	(367,602)
<i>Net increase/(decrease) in:</i>			
- other financial liabilities		2,175,823	2,257,434
- other liabilities		377,564	60,255
<b>Net cash (used in)/from operating activities</b>		<b>(33,822,112)</b>	<b>6,056,522</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(480,788)	(33,011,630)

In thousands of Kazakhstani Tenge	Note	2019	2018
Proceeds from disposal and redemption of investment securities		359,978	737,444
Acquisition premises and equipment		(100,048)	(46,091)
Proceeds from disposal of premises and equipment		(93,650)	(45,511)
Acquisition of intangible assets		236,038	229,539
<b>Net cash used in investing activities</b>		<b>(78,470)</b>	<b>(32,136,249)</b>
<b>Cash flows used in financing activities</b>			
Proceeds from borrowed funds		67,554,359	40,855,659
Repayment of borrowed funds		(27,296,933)	(55,374,984)
Proceeds from operation with financial derivatives		12,567,830	19,582,304
Proceeds from debt securities in issue		–	15,995,520
Repayment of debt securities in issue		(16,000,000)	–
Dividends paid		–	(1,234,153)
<b>Net cash from financing activities</b>		<b>36,825,256</b>	<b>19,824,346</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(106,558)</b>	<b>134,125</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,818,116</b>	<b>(6,121,256)</b>
Cash and cash equivalents at the beginning of the year	7	<b>37,953,674</b>	<b>44,074,930</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>40,771,790</b>	<b>37,953,674</b>

## 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 2019, 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%)	–	56,250	7,610,054
Investment securities at fair value through profit or loss (contractual interest rate: 4.87% – 9.1%)	–	–	1,435,984
Investment securities at fair value through profit or loss (contractual interest rate: 6.38%)	–	–	–
Due from financial institutions (contractual interest rate: 2% – 8.5%)	–	–	13,425,348
Current income tax prepayment (interest rate: 15%)	–	–	9,231,239
Deferred tax asset (interest rate: 20%)	–	–	199,965
Other financial assets (interest rate: 0%)	–	–	–
Other assets	–	–	106,741
Borrowed funds (contractual interest rate: 0.1% – 5.5%)	85,459,707	–	82,513,941
Liabilities on subsidy programs (contractual interest rate: 0%)	–	–	3,534,931
Other financial liabilities		97,502	5,590
Other liabilities	–	–	774,408
Guarantees issued by the Fund as of the end of the year (contractual interest rate: 0%)	–	–	371,834

## RELATED PARTY TRANSACTIONS

The income and expense items with related parties for 2019 were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Other related parties
Interest income	–	–	1,207,646
Interest expense	(5,253,202)	(10,762)	(1,068,943)
Gains less losses from securities at fair value through profit or loss	–	–	(3,756)
Interest expense on issued securities	–	(638,516)	–
Fee and commission income	–	–	884,097
Recovery of provision for due from financial institutions	–	–	23,026
Net loss on initial recognition of financial instruments at rates below market	301,811	–	–
Provision for credit related commitments	–	–	1,788
General and administrative expenses	–	(45,173)	(89,011)
Other operating (expense) / income	–	–	1,791
Income tax expense	–	–	(377,281)

## APPENDIX №1

Report on the Consolidated Volumes of Sponsor and Charitable Assistance Provision

№ item	The main priorities of sponsorship and /or charitable assistance, the name of the legal entity /individual	2018	2018											(Decision on provision of sponsorship / charitable assistance (name, №, decision date)	Summary and basis for making decision on provision of sponsorship and /or charitable assistance (decision of the Board of Directors / Management 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	Target			Actually paid/ transferred funds			Actual according to the Financial Statements			Deviation	Note		
			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	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Total sponsorship, charitable assistance and provisions, including:	5,000,000			5,000,000			5,000,000			5,000,000			Extract from the minutes of the meeting of the Management Board № 195/2018 as of 28.12.2018. (issue 5)	The ALE The Federation of Mountaineering and Sports Climbing of the Republic of Kazakhstan (hereinafter referred to as FAISS RK) applied to 'Damu' Fund with a request for sponsorship for arrangement and conducting mountain festivals and mass alpine competitions, the purpose of which is to increase the availability of mass sports and promote a healthy lifestyle. In its long-term activity aimed at development of mountain sports, the FAISS RK unites 12 regions of Kazakhstan, in which it holds more than 70 sporting events a year for schoolchildren, students of colleges and universities, mountain lovers of all ages and qualified athletes - climbers. Mountain festivals and mass alpine events held by the FAISS, the Republic of Kazakhstan, make up to 6,000 participants to easy mountain peaks at the same time, leaving them with an unforgettable experience of communication in the environment of beautiful mountain landscapes.
1.	Sponsor assistance, including:	5,000,000			5,000,000			5,000,000			5,000,000				
1.1.	<b>Federation of Mountaineering and Sports Climbing of the Republic of Kazakhstan</b>	<b>5,000,000</b>			<b>5,000,000</b>			<b>5,000,000</b>			<b>5,000,000</b>				
	total:	5,000,000			5,000,000			5,000,000			5,000,000				
2.	Charitable assistance, including:	0			0			0			0				
	total:	5,000,000			5,000,000			5,000,000			5,000,000				

## APPENDIX №2

### Information on the Related Party Transactions and Major Transactions concluded by the Fund in 2019

#### INFORMATION ON THE RELATED-PARTIES TRANSACTIONS:

№	Name of counteragent under the agreement	Date and number of the decision of the Fund's authorized body, making decision on the transaction	Brief description, substantiation and purpose of conclusion
1	JSC 'Development Bank of Kazakhstan'	Extract from the minutes of the Fund's Board of Directors № 14/2018 as of 19.12.2018	To place the Department for interaction with state organizations of Nur-Sultan. Address of the leased premises Nur-Sultan city Mangilik Yel, 55A. BC 'Baiterek'
2	JSC 'Baiterek' Development"		For placement of the Regional branch in the city of Nur-Sultan in Nur-Sultan. Address of the leased premises Nur-Sultan city Mangilik Yel, 55A. BC 'Baiterek'
3	JSC 'NMH 'Baiterek'	Resolution of the Fund's Board of Directors as of 31.05.2019. № 05/2019	To ensure fulfillment of obligations by the Fund before JSC 'Development Bank of Kazakhstan'
4	IE 'A.V. Tsoy'		Conclusion of the Guarantee Agreement (JSC 'ForteBank;)
5	IE "Tomiris"		Conclusion of the Guarantee Agreement (JSC 'ForteBank')
6	LLP 'Pavlodar Pipeline Fittings Plant'	Extract from the Minutes of the Fund's Board of Directors № 09/2019 as of 03.10.2019	Conclusion of the Guarantee Agreement (JSC 'ForteBank')
7	LLP 'Pavlodar Pipeline Fittings Plant'		Conclusion of the Guarantee Agreement (JSC 'ForteBank')
8	LLP 'Pavlodar Pipeline Fittings Plant'		Conclusion of the Guarantee Agreement (JSC 'ForteBank')
9	JSC 'ForteBank'	Extract from the Minutes of the Fund's Board of Directors № 08/2018 as of 03.09.2018 Extract from the Minutes of the Fund's Board of Directors № 07/2019 as of 30.07.2019.	In order to implement the Product "Financing of micro, small and medium-scale enterprises through a loan from the Asian Development Bank through second-tier banks and microfinance organizations"
10	JSC 'ForteBank'	Extract from the Minutes of the Fund's Board of Directors № 12/2019 as of 10.12.2019	In order to implement the program of regional financing of small and medium-scale enterprises
11	JSC 'Eurasian Bank'	Extract from the Minutes of the Fund's Board of Directors № 99/2019 as of 12.07.2019	In order to implement the program for financing of regional top-priority projects of small and medium-scale enterprises 'Damu Regions III'

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№	Name of counteragent under the agreement	Date and number of the decision of the Fund's authorized body, making decision on the transaction	Brief description, substantiation and purpose of conclusion
12	JSC ‘Kassa Nova Bank’ (Sb JSC ‘ForteBank’	Extract from the Minutes of the Fund's Board of Directors № 12/2019 as of 10.12.2019	In order to implement the program for financing of regional top-priority projects of small and medium-scale enterprises ‘Damu Regions III’
13	JSC ‘ForteBank’	Extract from the Minutes of the Fund's Board of Directors № 11/2019 as of 03.12.2019	For implementation of ‘Enbek’ Program.
14	JSC ‘DBK-Leasing’	Extract from the Minutes of the Fund's Board of Directors № 12/2019 as of 10.12.2019	For implementation of BRM-2020
15	JSC ‘Eurasian Bank’	Extract from the Minutes of the Fund's Board of Directors № 09/2019 as of 03.10.2019	In order to implement the Program on SME lending in the field of manufacturing industry
16	JSC ‘Eurasian Bank’		In order to implement the Program on SME lending in the field of manufacturing industry and services
17	JSC ‘Eurasian Bank’		In order to implement the Program on SME lending in the field of manufacturing
18	JSC ‘ForteBank’	Extract from the Minutes of the Fund's Board of Directors № 10/2019 as of 30.10.2019	In order to implement the program of lending to small businesses in cities
19			
20			
21	JSC ‘ForteBank’	Extract from the Minutes of the Fund's Board of Directors № 07/2019 as of 30.07.2019	In order to implement the program of lending to small businesses in cities
22			
23	JSC ‘ForteBank’	Extract from the Minutes of the Fund's Board of Directors №09/2019 as of 03.10.2019	In order to implement the program of regional financing of small and medium-scale enterprises
24	JSC ‘Kassa Nova Bank’ (SB JSC ‘ForteBank’)	Extract from the Minutes of the Fund's Board of Directors № 12/2019 as of 10.12.2019	In order to implement the program of regional financing of small and medium-scale enterprises
25	JSC ‘ForteBank’	Extract from the Minutes of the Fund's Board of Directors № 09/2019 as of 03.10.2019	In order to implement the program of SME lending in the field of manufacturing industry
26	JSC ‘ForteBank’		In order to implement the program of SME lending in the field of manufacturing industry and services
27	JSC ‘ForteBank’		In order to implement the program of SMME lending in the field of manufacturing industry
28	JSC ‘Eurasian Bank’		Expansion of conditions for portfolio guarantee applying for the Bank within the framework of the state guarantee programs

**Information on Major Transactions:** no transactions were concluded in the year 2019.