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2010



DAMU ENTREPRENEURSHIP DEVELOPMENT FUND
JOINT STOCK COMPANY

2010
ANNUAL REPORT

Almaty 2011



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**Managing Director – Member of the Board of
National Welfare Fund Samruk-Kazyna JSC and
Chairman of the Board of Directors of Damu
Entrepreneurship Development Fund JSC**

KAIRAT AITEKENOV



Dear Ladies and Gentlemen,

The last year 2010 was marked by a series of events evidencing a shift in the economic development policy focus from anti-recession measures to a long-term quality growth. In his Message to the People of Kazakhstan “New Decade as a New Economic Upturn and New Opportunities for Kazakhstan”, President of the Republic of Kazakhstan Nursultan Nazarbayev set goals for the country’s development until 2020. Among them are the preparation of the economy for post-recession development and achieving sustainable economic growth through accelerated industrialization and infrastructure development.

In pursuance of the goals set by the Head of the state, National Welfare Fund Samruk-Kazyna JSC and its subsidiaries are actively involved in implementation of the 2010–2014 State Program of Accelerated Industrial and Innovative Development of the Republic of Kazakhstan.

In April 2010 Damu Entrepreneurship Development Fund JSC started work as a financial agent for the 2020 Business Road Map State Program. In the framework of this program the scope of duties of the Damu Fund involves the subsidizing of interest rates on the loans of entrepreneurs. Also, the Fund issues guarantees to banks so that they can get loans. Meanwhile, the Government of Kazakhstan supported the Damu Fund’s initiatives in development of training and consulting support to entrepreneurs by supplementing the 2020 Business Road Map Program in December 2010 with a forth pillar “Strengthening the Entrepreneurship Potential”, which provides for a wide range of instruments aimed to raise the entrepreneurs’ competence.

Besides this, in 2010 the Damu Fund continued implementing programs of conditional placement of funds in second-tier banks and leasing companies for subsequent lending to entrepreneurial entities. Today, we can state that the goals of those programs are met: Support was provided to more than 10 thousand entrepreneurs to the amount of more than 500 billion tenge. The fact that in 2008–2010 about 19 % of all lending to small and medium businesses was provided due to public funds evidences that these programs are large-scale.

Owing to successful implementation of the entrepreneurs support programs with the help of financial instruments, the Damu Fund achieved a positive result in the amount of more than 14 billion tenge, based on the 2010 year results, demonstrating the effective administration of public funds.

The year 2011 is seen to be as brisk in events as the previous year. We expect the extension of a loan from the Asian Development Bank for crediting of SMB in Kazakhstan. Also, we are planning to launch into operation a program of financing of SMB in towns, and we are currently carrying on negotiations with the United Nations Industrial Development Organization (UNIDO) as to the setting up in Kazakhstan of an industrial entrepreneurship development center. I am sure the implementation of these goals and introduction of new programs will contribute to further development and advancement of a strong entrepreneurship sector in Kazakhstan.

**Managing Director – Member of the Board of
National Welfare Fund Samruk-Kazyna JSC and Chairman
of the Board of Directors of Damu Entrepreneurship
Development Fund JSC**

K. AITEKENOV

**Chairman of the Board
of Damu Entrepreneurship
Development Fund JSC**

LYAZZAT IBRAGIMOVA



Dear Ladies and Gentlemen,

The last year 2010 can be called, by rights, a year of dynamic development of Damu Entrepreneurship Development Fund JSC. The consistent implementation of the selected strategy and comprehensive development of the key areas of activity demonstrated the efficiency of the state-run entrepreneurship support programs, implemented by the Fund, and a high level of trust by the state, partners and society, in general.

As of December 31, 2010, as a result of implementation of the state-run entrepreneurship support program by the Damu Fund, 9,923 entrepreneurship projects to the total amount of 518.5 billion tenge were financed, and about 21 thousand jobs were created. In 2010, 2,888 entrepreneurship projects to the total amount of 130.4 billion tenge were financed, and more than 5 thousand new jobs created.

Along with that, the success to us is also the ground for analysis of weaknesses and strengths and searching of the most optimum ways of solving the problems which are analogous by their complexity. Thus, in 2010 the Damu Fund's entrepreneurship development policy was aimed at post-recession development and support of sustainable growth of the entrepreneurial sector. With this, we started seeking the most efficient methods for achieving of the set goals.

The results achieved by the Fund indicate the wide prospects the year 2011 opens to us – we will continue developing as the main operator of the state entrepreneurship support programs in Kazakhstan, paying attention both to financial support of entrepreneurial entities and programs focusing on training and consulting support of entrepreneurs.

With this goal, in the framework of the 2010–2014 State Program of Accelerated Industrial and Innovative Development of the

Republic of Kazakhstan the Damu Fund has been implementing since 2010 the 2020 Business Road Map Program. For the first time the given program provides for a comprehensive approach to the measures of state support of small and medium businesses, such as the subsidizing of interest rates on the loans and the issue of guarantees to them before the banks in applying for a loan. The result of the Program was that by the end of 2010 the Fund had entered into 135 subsidy contracts and 3 guarantee contracts, and 73 projects have been subsidized to the total amount of 91.9 billion tenge.

That fact that in 2010 a number of new entrepreneurship support programs were initiated deserves special attention. Those include the Female Entrepreneurship Support Program, Program of Regional Projects Financing Damu-Regions 2, a few spot programs of financing, and Leasing Transactions Financing Program. As of December 31, 2010, under those programs 486 borrowers were backed to the total amount of 6,251 million tenge, and 1,639 new jobs were created.

In general, the result of successful implementation by the Damu Fund of the state-run entrepreneurship support programs became the achieving of a positive figure of net income at 14 billion tenge. By efficiently managing the public funds, the Fund makes a considerable contribution in development of the regions, diversification of Kazakhstan's economy and creation of a middle class in Kazakhstan. We will continue successively and persistently pursuing the selected development strategy and complying with that mission as to implementation of the policy of the state in the area of support of small and medium business that was set on us.

**Chairman of the Board
of Damu Entrepreneurship
Development Fund JSC**

L. IBRAGIMOVA



ASTANA – BAITEREK
monument – the symbol of
independent Kazakhstan



About the Fund

1.1. The Fund's share in the market by the core types of activity

Damu Entrepreneurship Development Fund JSC (further the Fund, the Damu Fund) is a national development institution, set up with the purpose to stimulate the emergence and economic growth of entrepreneurial entities in the Republic of Kazakhstan (further Kazakhstan), also to increase efficiency of using the funds of the state directed to support entrepreneurship.

The Damu Fund offers a wide range of products and services to entrepreneurs and the population with entrepreneurial initiatives. These are the programs of crediting via second-tier banks (further STB), financing of leasing transactions, subsidizing of interest rates, provision of guarantees, training in the fundamentals of business, consulting support, and distribution of information and analytical material.

The Damu Fund is represented in all regions of Kazakhstan. The Fund's regional network is presented by 16 branches, located in all the oblast centers of the republic, also in the cities of Astana and Almaty. In the framework of the training and consulting programs, the Fund covers the audience in all 209 cities and rayons of Kazakhstan.

The only shareholder of the Damu Fund is the national managing holding company National Welfare Fund Samruk-Kazyna JSC. As of December 31, 2010, the Fund's assets and own capital were 218.5 billion tenge and 44.5 billion tenge, respectively.

The Damu Fund has more than ten years experience in support of small and medium business (further SMB) in Kazakhstan. From the time of starting of its operation, the Fund has directly financed 2,878 projects of small entrepreneurship to the total amount of 33.3 billion tenge. In the course of implementation of the conditional funds placement programs, more than 10,000 projects of SMB were financed to the total amount of over 500 billion tenge.

Based on the 2010 year results, the aggregate amount of the loans extended by STB to small businesses in the market was 690 billion tenge, an 8.4 % decline, compared to the previous year. Along with that, the year 2010 was marked by an upward trend in the volume of financing by the banks from their own funds, while in 2009 crediting of small business by the banks was carried out mainly from the funds of the Damu Fund, in the first instance, in April – May 2009, when the disbursement of 120 billion tenge allocated by the National Fund to support the SMB sector started.

At the background of the increased crediting of small business by the banks from their own resources in 2010, the share of the funds allocated under the Damu Fund's programs reduced to 22 %. This evidences the achieving of the STB's liquidity sustaining effect which the Government was planning while launching into operation the Stabilization Programs (1st to 3rd tranches) and Damu-Regions.

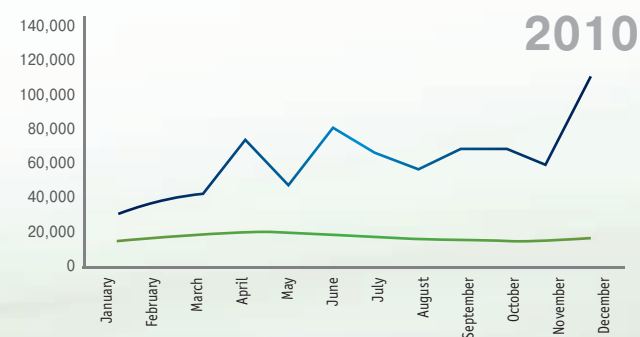
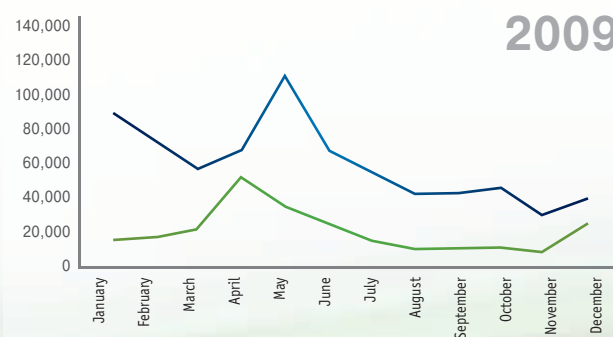
Following that, in 2010 the entrepreneurship support policy changed its vector for post-recession development and promotion of sustainable growth of the

entrepreneurial sector. With this purpose in April 2010 the 2020 Business Road Map was approved, in the framework of which the Damu Fund subsidizes interest rates on the loans to entrepreneurs and issues guarantees to entrepreneurs before the banks in the extension of loans to them. Following the 2010 year results, the Damu Fund entered into 135 subsidy contracts and 3 guarantee contracts. The concluded contracts cover the portfolio in the amount of 91.9 billion tenge.

In 2010 the Damu Fund proceeded with its extensive work on implementation of the training programs and consulting support to entrepreneurs. As a result, the number of trainees under the Business Adviser Short-Term Training Program rose from 11,603 people in 2009 to 16,504 people in 2010. Two rayon centers for provision of accounting services to entrepreneurs in Aktobe Oblast

and five regional entrepreneurship support centers in Pavlodar Oblast, Karaganda Oblast, Kyzylorda Oblast, South Kazakhstan Oblast and East Kazakhstan Oblast were set up. Assessing the Damu Fund's successful experience in implementation of the training programs and consulting support, the government of Kazakhstan included these instruments into the 2020 Business Road Map.

Volume of crediting of SMB (in million tenge)



The loans extended to small business by the banks

Loan funds under the Damu Fund's programs.

1.2. History of setting up the Fund

Damu Entrepreneurship Development Fund JSC was set under Resolution #665 of the Government of the Republic of Kazakhstan on April 26, 1997 on Setting Up a Small Entrepreneurship Development Fund.

Until 2001 the Fund was acting as an agent for accounting and control of the use of state budget funds under the Domestic Commodity Producers Support Program and under the European Bank of Reconstruction and Development's and Asian Development Bank's credit lines.

Since 2002 the Fund has been crediting small business directly from the Fund's own funds. The Damu Fund implemented the Loan Program for Small Businesses from the republican budget and 2004–2006 Small Cities Development Program.

In May 2005 the Government of Kazakhstan adopted the 2005–2007 Program of Accelerated Measures to Develop Small and Medium Entrepreneurship in Kazakhstan. In accordance with the said program, in 2005–2007 the Fund was providing support to small entrepreneurship through the implementation of programs of project financing and leasing, the program of development of a microfinance system in Kazakhstan, the program of guarantee of loans to SME, extended by the second-tier banks.

Since September of 2006 the Damu Fund has been operating as part of the joint stock holding company Kazyna Sustainable Development Fund, and since October 2008 as part of the national managing holding company National Welfare Fund Samruk-Kazyna JSC (further NWF Samruk-Kazyna JSC).

Since late 2007 the Fund has been performing the duties of an operator on conditional placement of funds under the Government of Kazakhstan's Stabilization Program.

Since 2010 the Fund has been operating as a financial agent under the 2020 Business Road Map Program.

The Damu Fund's branches operate throughout all regions in Kazakhstan. They have extensive experience of work with local entrepreneurs, public organizations and local executive bodies.

Information on the major licenses

No licenses available to the Damu Fund.

1.3. The Fund's Mission

The Damu Fund's mission is the promotion of qualitative development of small and medium business in Kazakhstan.

1.4. Goal and Objectives of the Fund

The goal of the Damu Fund is:

1. The increase in the volume of financing and ensuring the accessibility of financing of SMB entities due to raising of funds from the republican and local budgets, foreign donors, and own funds of the Damu Fund.

The objectives of the Fund to attain the set goal are:

- The increase in accessibility of credit resources for SMB entities;
- The efficient distribution of credit resources via covering to the maximum the SMB entities by regions and sectors of the economy.

2. Stimulation to increase financing of entrepreneurship in non-raw-material sectors of the economy.

To achieve the set goal the following objectives will be met:

- Qualitative fulfilment of the duties as a financial agent in the framework of implementation of the 1st to 3rd directions of the 2020 Business Road Map Program.
- Promotion of increased innovation and technical re-equipment of SMB.

3. The increased covering of the potential and operating entrepreneurs with non-financial support, aimed to strengthen the entrepreneurial potential of the population.

The major objectives to attain the given goal are:

- Qualitative fulfilment of the duties as the operator of the 4th direction of the 2020 Business Road Map Program;

- Introduction of remote instruments of provision of information and analytical and consulting services for SMB entities and the population with entrepreneurial initiatives;
- Development in all regions of Kazakhstan of non-financial entrepreneurship support infrastructure through the merger of efforts of the non-financial supporting entities, standardization of services provided by them, and adopting and retranslation of successful foreign experience in this area;
- Carrying out the monitoring and regular analytical studies of the SMB sector development.

4. The increasing of efficiency of the Damu Fund's operation.

To implement the given goal, the following objectives are set:

- Efficient assets management;
- Introduction of risk management principles in all processes of governance of the Fund;
- Ensuring the information security of the Fund;
- The improving of corporate governance and introduction of the best international practice norms;
- Introduction of the human resources policy, taking into account the human resources principles of the Group of Companies of NWF Samruk-Kazyna JSC;
- The increasing of local content;
- Regional development and acting as a "single window" and connecting link between the entrepreneurs and development institutions;
- International cooperation development.

1.5. The Fund's strategic development

The Anti-Recession Stabilization Program of the Government of the Republic of Kazakhstan met the set goal. Apart from elimination of the shortage of credit resources for SMB, the government also created conditions for restoring the bank liquidity and resuming the crediting by the banks due to market resources. In connection with that, the SMB support and development policy should be revised and targeted at provision of the post-recession development of the given sector of the economy.

In the first place, this concerns the sources and purpose of the funds directed for entrepreneurship development. In the condition of resuming of crediting by STB, the implementation of the large-scale programs of "extensive coverage" will hardly produce any such considerable effect. In the framework of the new Damu Fund's programs, the topical issue is the efficient regional and sectoral distribution of the credit resources raised from local budgets, foreign funding organizations and donors, and own resources of the Fund. With this purpose in 2010 the Fund started implementing programs such as the Damu-Regions 2, Program of Regional Financing of the SME Entities, and the Female Entrepreneurship Development Program. In 2011 plans are to launch the Program of Financing of the SME Entities in Towns, Programs for Financing of Entrepreneurial Entities engaged in the provision of services in Almaty and Astana, Programs of financing of SMB through the line of the Asian Development Bank. In parallel, the Damu Fund continues performing its duties as the operator of the Stabilization Program (1st to 3rd tranches), Damu-

Regions Program, Damu-Ondiris Program, Program of development of MCO in Kazakhstan till the full repayment by partner banks of the funds allocated to them under the repayment schedules.

Secondly, in the framework of diversification of the entrepreneurial sector a separate block of the Damu Fund's programs should be aimed at increased financing of entrepreneurship in non-raw-material sectors of the economy. With that goal the Fund has been performing duties as a financial agent for subsidizing of interest rates and guaranteeing of loans to entrepreneurs in the priority sectors of the economy in the framework of the 1st to 3rd directions of the 2020 Business Road Map Program. Apart from this, the Fund is implementing the Program of Financing of Leasing Transactions of the SMB Entities in the processing industry. For export support of the entrepreneurs in non-raw-material sectors of the economy the Fund is planning for 2011 to start implementing the Senior Experts Project and Franchise Development Program.

Thirdly, to ensure a greater involvement of the population in entrepreneurship and to raise the level of the entrepreneurs' competence the Damu Fund set a task to introduce instruments of non-financial support aimed at strengthening the entrepreneurial potential of the population. The Damu Fund will be carrying out this work, firstly, as the operator of the 4th direction of the 2020 Business Road Map Program, which involves the support of the entrepreneurs-beginners, training of top managers for small and medium business, reneclering service support in the running of business, and a Business Relationship Program. Also, in the framework

of this work the Fund is planning to launch into operation from the year 2011 a Call-Center for entrepreneurs and a business portal. To provide feedback with the entrepreneurs plans are to continue carrying out regular analytical studies and forums.

The implementation of all the events in the framework of the Damu Fund's core activities is closely connected with work on increasing the Fund's operation efficiency, including effective management of assets, risk management, corporate government enhancement, introduction of best international practices, pursuance of the human resources policy with taking into account the NWF Samruk-Kazyna JSC Group of Companies' human resources policy principles, and international cooperation development.

1.6. Significant corporate events

January

The conducting in Karaganda jointly with the Akimat of Karaganda Oblast of a first republican seminar-meeting Business Adviser Program: Experience, Results and Prospects.

February

A memorandum of mutual cooperation to support SMB was executed between the Akimat of Karaganda Oblast and the Damu Fund.

March

A loan contract under the Program of Regional Financing of SMB Entities (Spot Financing Program) was signed between the Akimat of Akmola Oblast and the Damu Fund.

April

- The start of implementation of the Business Adviser Training Program 2nd phase.
- Implementation of the Program of Financing of Leasing Transactions of SME Entities engaged in the processing industries via the STB and leasing companies started.
- A memorandum of understanding between the Korean Federation of Small and Medium Business and the Damu Fund was signed.
- Implementation of the 2020 Business Road Map Program started. Under this program, the Damu Fund will be operating as a financial agent to subsidize interest rates on loans and to guarantee the entrepreneurs' loans.

May

- A delegation from the Entrepreneurship Development Institute of India (Ahmedabad) came with a visit to the

Damu Fund as to the issue of setting up a Kazakhstan-Indian entrepreneurship support center.

- Participation of the Damu Fund Chairman of the Board, B.T. Mukushev, at the 2nd annual business forum Small and Medium Business Development (Moscow).

June

- The broadcasting on the Khabar TV channel of the TV program Bir Bolaiyk / Together to support the entrepreneurs with disabilities.
- The opening by the Damu Fund of an access to the Geoinformation analytical system (www.gis.damu.kz) and its presentation for mass media.

July

- A memorandum of cooperation between the German Society for Technical Cooperation (GTZ) and the Damu Fund was signed.
- A press conference following the results of the Damu Fund's operation in the first half of 2010 was held.

August

- A memorandum of cooperation for implementation of the Program of Provision of Accounting Services and Consulting to Entrepreneurs in the Aktobe Oblast was signed between the Akimat of Aktobe Oblast, Tax Authorities and The Damu Fund.
- The corporate governance of the Damu Fund was diagnosed by KPMG Tax and Advisory LLC.

September

- The Damu Fund representatives visited Austria for negotiations with the United Nations Industrial Development Organization (UNIDO) over the issue of

setting up in Kazakhstan of the Entrepreneurship Industrial Development Center (Vienna).

- The Damu Fund's Pavlodar-based regional entrepreneurship support center was opened with the participation of the Pavlodar State University named after S. Toraigyrov (Pavlodar).
- The Asian Development Bank's Board of the Directors approved a many-tranche mechanism of the Damu Fund's Entrepreneurship Support Program financing.

October

- A regional entrepreneurship support center was opened in Eastern Kazakhstan Oblast with the participation of the East Kazakhstan State University named after S. Amanzholov (Ust-Kamenogorsk).
- A press conference devoted to the start of implementation of the Damu-Regions 2 Program was held.
- A regional entrepreneurship support center was opened in Karaganda Oblast with the participation of the Institute of Partnership and Business (Karaganda).
- The start of the Business Adviser Training Program 3rd Phase.

November

- A regional entrepreneurship support center was opened in Southern Kazakhstan Oblast with the participation of the South Kazakhstan State University named after M. Auezov and Regional Technopark LLC (Shymkent).
- A regional entrepreneurship support center was opened in Kyzylorda Oblast with the participation of PREKO-Kyzylorda Consulting Company LLC (Kyzylorda).
- The Damu Fund was awarded with the GOLDFOND order and diploma of the laureate of public recognition Eurasia's

Golden Fund under decision of the Guardian Board of the Perspektiva Regional Development Fund.

- A press tour on the second direction of the 2020 Business Road Map Program, called The Entrepreneurial Sector Recovery, took place jointly with the Working Group members under the State Committee for Kazakhstan's Economy Modernization.
- A memorandum of cooperation between the Damu Fund and micro-lending deposit organization Bovari va Khamkori CJSC was signed during the official visit of Kazakhstan's Prime Minister Karim Masimov to Dushanbe, Tajikistan.

December

- An on-line conference The 2020 Business Road Map Program as an Instrument of State Support of Entrepreneurship was held at the studio of the BNews.kz portal.
- The state awards of the Republic of Kazakhstan and awards of Soyuz Atameken were given to three directors of the Damu Fund regional branches for their contribution to development of regional SMB.
- The international conference Small and Medium Business in Kazakhstan: Condition and Prospects was held in Astana.
- The 2020 Business Road Map Program is supplemented with a forth direction, called The Strengthening of the Entrepreneurial Potential. The Damu Fund was appointed the operator of the given direction together with the akimats and Nazarbayev University JSC.

1.7. Social responsibility

The Damu Fund as a national development institution considers social responsibility as one of the key principles of its activities.

To support the entrepreneurs with disabilities the Damu Fund developed a Damu-Komek Program. In 2010, 249 applications were placed on the website. Of them, 89 applicants were provided sponsorship and charity.

One more project aimed to support entrepreneurs with disabilities is a series of TV programs Together / Bir Bolaiyk. 24 entrepreneurs with disabilities became the participants of the said program in 2010.

In 2009–2010 under the Business Adviser program, 28,107 people were trained throughout all 209 rayons and cities of Kazakhstan. 219 people with disabilities took part in the express course.

To strengthen the business support infrastructure, the Damu Fund opened 5 regional entrepreneurship support centers in Pavlodar, Ust-Kamenogorsk, Karaganda, Shymkent and Kyzylorda, also two rayon centers in the Aktobe Oblast.

The program of female entrepreneurs support was developed by the Damu Fund in September 2009. Under this program both projects in operation and start-up are credited on preferential terms. In 2010, 336 projects were financed to the total amount of 1.4 billion tenge, and 108 jobs were created.

The Damu Fund pays special attention to the human resources development policy. With this purpose in 2010 the Fund approved the provisions on passing by students and young

specialists of practice and probation with the prospect of further employment. The partners on the given program are seven higher educational institutions in Kazakhstan, in which the Fund conducts the Doors Open Days. More than 30 graduate students a year pass through practice and probation at the Damu Fund.

In April 2010 a collective agreement was signed with the Damu Fund employees. The application of the collective agreement shows sustainable development of the Damu Fund, care about their employees, activity, solidarity and the high educational level of the staff that allows hiring the most professional staffers.

By initiative of the Damu Fund employees, financial aid is provided on a private basis to disabled and those children and grown-ups in need.

1.8 List of the Fund's subsidiaries and information on them

The list of the Fund's subsidiaries in which the Fund has a participating share in the capital, but not having any material effect on their operation, is as follows:

Company name	Share capital, in tenge	Participating interest, %	Core types of activity
MCO Yesilskiy Trade House LLC	12,200,000	16.39	Microfinance
MCO ADAL-INVEST LLC	7,000,000	28.5	Microfinance
MCO Econom LLC	12,000,000	16.6	Microfinance
MCO West Finance LLC	5,060,000	39.5	Microfinance
MCO Zhainar LLC	5,500,000	36.4	Microfinance
MCO TOTA LLC	4, 500,000	44.4	Microfinance



Ak Orda — the Residence of the
President of the Republic of
Kazakhstan



Corporate Governance

2.1. The Fund's bodies

Under the Damu Fund's Articles of Association, the Damu Fund's bodies are as follows:

- The superior body is the Sole Shareholder;
- The managerial body is the Board of Directors;
- The executive body is the management Board;
- The controlling body is the Internal Audit Service.

2.2. The Fund's shareholder

The sole shareholder of the Damu Fund is National Welfare Fund Samruk-Kazyna JSC.

Among the most important duties of the sole shareholder are the approval of the corporate governance code, memorandum of activities, determination of the composition and term of office of the Board of the Directors, appointment of the Damu Fund Chairman of the Board, and approval of the independent auditor and yearly financial statements.

2.3. The Fund's Board of the Directors

The Fund's Board of the Directors implements general management of the Damu Fund's activities. The scope of duties of the Board of the Directors are the approval of the Damu Fund's development strategy, approval of the programs of conditional placement of funds, ensuring of efficient operation of the risk management system, and

exercising control of the financial and economic activities of the Damu Fund.

The Board of the Directors is composed of 6 members; two of them – the independent directors – are representatives of public associations.

Operation of the Fund's Board of the Directors

In 2010 the Damu Fund's Board of the Directors continued its brisk activities. In aggregate, 10 meetings were held, including 3 meetings by correspondence, at which 95 issues were covered by the agenda.

The Board of the Directors' meetings were held timely as per the Board of the Directors' Program of Action. In accordance with the best international corporate governance practice the Provisions on the Damu Fund's Board of Directors were amended in 2010. Also, the Rules of Settlement of Corporate Conflicts and Conflict of Interests were amended.

Regularly meetings are held with the Sole Shareholder regarding the enhancement of corporate governance at the Damu Fund; the orders given by the Sole Shareholder are implemented in good time.

A program of events to brisk the Damu Fund's Board of the Directors activities for 2011 is developed, and the Board of Directors' 2011 Program of Action approved.





2.4. The Board of the Directors' composition

Chairman of the Board of the Directors

Kairat Aitekenov (born in 1963 and elected to the Board of the Directors on June 1, 2009)

Managing Director – Member of the Board at NWF Samruk-Kazyna JSC.

He is a graduate from the Almaty Institute of the National Economy with specialization in the Economy of Labor and from the National Higher School of Public Administration under President of the Republic of Kazakhstan with specialization in Public Administration.

In 1993–1996 he held managerial posts in the oblast authorities of Kostanai Oblast. In 1997–1998 he worked for the Agency for Strategic Planning of the Republic of Kazakhstan. In 1998–2002 he worked within the structure of the Ministry of Natural Resources and Environmental Protection of the Republic of Kazakhstan, where he ran the Environmental Committee. In 2003–2006 he worked in the capacity of Vice Minister of Economy and Budget Planning of the Republic of Kazakhstan. In 2006–2007 he held the post of Vice Minister of Tourism and Sports of Kazakhstan. Since 2007 he has been working as Deputy Chairman of the Board for work with public agencies and operating activities of Sustainable Development Fund Kazyna JSC. In 2008 he has elected as Managing Director – Member of the Board at NWF Samruk-Kazyna JSC.

Members of the Board of the Directors



Marat Aitenov (born in 1978 and elected to the Board of the Directors on July 18, 2008)¹

Legal Department Director at NWF Samruk-Kazyna JSC.

In 2000 he graduated from the Miras University with specialization in Law.

In 2000 he worked as leading specialist and International Department Head at the Kazakhstan's Ministry of Justice. In 2003 he held the post of Legal Division Head at the Ministry of Economy and Budget Planning of the Republic of Kazakhstan. In 2005 he worked in the capacity of Administration & Finance Director at Center for Marketing and Analytical Studies JSC. In 2006 he held the post of Deputy General Director for Finance at the Republican State Enterprise Institute of Economic Studies. From the mid 2006 he was Managing Director at National Innovation Fund JSC. In 2007 he was Legal Department Director at Sustainable Development Fund Kazyna JSC. In 2008 he was in the capacity of Managing Director at Sustainable Development Fund Kazyna JSC, and since 2009 Legal Department Director at NWF Samruk-Kazyna JSC.

¹ Removed from the Board of the Directors on August 19, 2010.



Bakhytzhan Sarkeyev (born in 1973, and elected to the Board of the Directors on June 1, 2009)¹

Director for Management of Financial and Development Institutions at NWF Samruk-Kazyna JSC.

He graduated from the Karatau-based Kazakh Scientific and Technical University branch with specialization in Economics and Production Management and later with a Master's degree from the Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP) under the President of Kazakhstan. He has the degree of a Master of Public Administration (MPA).

For four years from 1995 he gave lectures on management at the Taraz State University. In 2003–2007 he worked at the Center for Marketing and Analytical Studies under the Ministry of Economy and Budget Planning of Kazakhstan as a Consultant, Managing Director and Deputy Chairman of the Board. From 2007 he was in the capacity of the Corporate Finance Department Director at Sustainable Development Fund Kazyna JSC. In 2008 he held the post of State Inspector at the Administration of the President of the Republic of Kazakhstan. From November 2008 he has been Executive Director and Director for Management of Financial and Development Institutions at NWF Samruk-Kazyna JSC.

¹ Removed from the Board of the Directors on October 11, 2010.



Ardak Amangeldiyev (born in 1975, and elected to the Board of the Directors on October 11, 2010)

Adviser to Deputy Chairman of the Board at NWF Samruk-Kazyna JSC.

In 1996 he graduated with a diploma with honors from the Karaganda State University named after Ye. Buketov with specialization in Economics.

In 2001–2002 he worked as Deputy Chairman of the Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan. In 2002–2003 he was Director of the Department for Regional Policy and Inter-Budget Relations under the Ministry of Economy and Budget Planning of the Republic of Kazakhstan, and in 2003–2004 he worked as First Deputy Chairman of the Treasury Committee of the Kazakhstan’s Ministry of Finance. In 2006 he held the post of Vice Minister of Healthcare of Kazakhstan. In 2006–2008 he worked as Advisor to the Chairman of the Board at Sustainable Development Fund Kazyna JSC. In 2008 he worked in the capacity of Deputy Chief of Socio-Economic Monitoring Department of the Kazakhstan’s President Administration, and in 2008–2009 he was Deputy General Director for Economy and Finance at KazTransGas JSC.



Saya Mynsharipova (born in 1970, and elected to the Board of Directors on August 19, 2010)

Audit & Control Department Director at NWF Samruk-Kazyna JSC.

In 1992 she graduated from the Kazakh State Economic University with specialization in Accounting and Economic Activities Analysis, then in 2008 she studied in the Higher School of Business under the Moscow State University named after M.V. Lomonosov with specialization in EMBA.

Saya started her career in 1991 as Chief Accountant at the small private company Asiya, then from 1994 worked as Accountant/Economist at Dala Telecompany JSC, while from 1995 as Chief Accountant at the customs house Astana. Until 2001 she had been working in the capacity of Assistant to Auditor at Audit Firm Marsat LLC, and since 2001 as Auditor at Consulting Company Turanga LLC. In 2003–2007 she was Chief Accountant at National Innovation Fund JSC. In 2007–2008 she was Chief Accountant and then Accounting and Reporting Department Director at Damu Entrepreneurship Development Fund JSC.



Azat Peruashev (born in 1967, and elected to the Board of the Directors on February 24, 2010)

Chairman of the Board of the National Economic Chamber of Kazakhstan Soyuz Atameken, Independent Director.

In 1991 he graduated from the Ural State University named after Gorky (Sverdlovsk) with specialization in Socio-Political Relations, and later in 1996 from the Higher School of Public Administration under the President of the Republic of Kazakhstan. He has a PhD in Political Science.

From 1996 to 1998 he worked as Consultant, Head of the Administration Sector under the President of the Republic of Kazakhstan, from 1998 to 2005 he held managerial posts at Aluminum of Kazakhstan JSC, and from 1999 to 2006 was the First Secretary of the Civil Party of Kazakhstan's Central Committee.



Shalkar Zhusupov (born in 1970 and elected to the Board of the Directors on May 3, 2007)

The Association of Microfinance Organizations of Kazakhstan (AMFOK) Board of Directors Chairman, and Independent Director.

He is a graduate from the Kazakh State Architecture & Building Academy with specialization in Civil Engineering and from the Kazakh State Academy of Management as an Economist. He has experience of work in the banking sector of Kazakhstan since 1994. From 1997 he worked at the Kazakhstan Loan Fund.

Currently, he is the AMFOK Board of Directors Chairman, Chairman of the Board at MFO KazMicroFinance LLC. Also, he is a member of the Entrepreneurs Board under the President of Kazakhstan and member of the Board of the National Economic Chamber of Kazakhstan Soyuz Atameken.



Lyazzat Ibragimova (was born in 1972, and elected to the Board of Directors on January 14, 2011)

The Damu Fund Chairman of the Board.

In 1994 she graduated with honors from the Akmola Agricultural Institute with specialization in Economics and Administration in the Agro-Industrial Sector and in 2003 with honors from the Eurasian Humanitarian Institute as a Lawyer. She has a PhD in Economics.

She started her career in 1995 as a teacher of the Faculty of Economy at the Eurasian State University named after L. Gumilyov. In 2004 she worked as a National Expert in Economic Development for the United Nations Development Program project implemented in the Republic of Kazakhstan. From August 2004 to January 2009 she ran the departments of Analysis & Development Strategy, Training & Consulting, and Corporate Development at the Damu Fund. From January 2009 she worked as Senior Manager of the Department of Special Programs and in Administration for Management of Financial and Development Institutions at NWF Samruk-Kazyna JSC. She was appointed a Damu Fund Member of the Board on August 17, 2009.

2.5. Committees within the Board of the Directors' structure

As per the international corporate governance standards, the following committees were set up within the Board of the Directors' structure:

Audit Committee engages in development of recommendations to the Board of the Directors on setting up of an efficient system of control of financial and economic activities within the Fund, control of independency and efficiency of the systems of internal and external control and risk management, also execution of documents in the area of corporate governance.

Committee for appointments and awards was set up with the purpose to develop and submit for consideration to the Board of the Directors recommendations on the issue of attraction of highly-skilled specialists to work within the structure of the Board of the Directors and management Board; development of proposals for the Sole Shareholder as to the determination of the size of an award to the Board of the Directors, and for the Board of the Directors as to the determination of awards to the management Board and Corporate Secretary.

Committee for Strategic and Budget Planning prepares recommendations and proposals on issues concerning development and implementation of the Fund's development strategy, also introduces proposals to the Board of the Directors on how to improve the budget system and dividend policy of the Damu Fund.

2.6. Control of the Fund's activities

The Fund has an Internal Audit Service, which is the independent structural division of the Fund. The given service ensures organization and implementation of internal audits and is directly subordinated and accountable to the Board of the Directors. The service was set up to implement control of the financial and economic activities of the Fund and provide independent and unbiased information to the Board of Directors, intended to ensure the efficient management of the Fund through a systematic approach aimed at enhancing the systems of risk management, internal control and corporate governance.

In 2010 the Internal Audit Service of the Fund managed to carry out within the set timeframes and in full volume the annual audit plan, approved by the Resolution of the Damu Fund's Board of the Directors (Minutes of the Meeting #15 of February 18, 2010). Under the said plan, the Internal Audit Service carried out an audit of:

- 7 structural divisions of the Headquarters; these are the Project Financing Department, Budget Planning Department, Accounting and Reporting Department, Monitoring Department, Administrative Department, Corporate Development Department, and Risk Management Department;
- 10 regional branches of the Fund located in the cities of Almaty and Astana, in Zhambyl Oblast, Eastern Kazakhstan Oblast, Pavlodar Oblast, Western Kazakhstan Oblast, Aktobe Oblast, Northern Kazakhstan Oblast, Karaganda Oblast and Almaty Oblast.

Also under Order #13-n of March 1, 2010 of NWF Samruk-Kazyna JSC, the Internal Audit Service employees participated in an audit of Astana-Finance JSC as to the use in accordance with the primarily stated goals of the funds allocated under the Program of Conditional Placement of Funds via STB (Stabilization Program 2nd tranche).

A report on the results of the Internal Audit Service operation in 2010 was considered and taken into consideration by the Fund's Board of the Directors (Minutes of the Meeting #25 of March 14, 2011).

Information on the Internal Auditor

Audit of the 2010 financial statements was carried out by KPMG Audit LLC. The amount of consideration paid to KPMG Audit LLC for the financial statements audit services in 2010 was 14 million tenge.

The following audit firms carried out the audit of the financial statements of the Fund before:

- Ernst & Young LLC in 2009;
- KPMG Audit LLC in 2008;
- KPMG Audit LLC in 2007;
- Deloitte LLC in 2006;
- BDO Kazakstanaudit LLC in 2005.

In 2010 the former employees of the audit firms which carried out the audit of the financial statements were not hired by the Fund.

2.7. The Fund's Board

The executive body of the Damu Fund is the management Board, comprising 7 members. The Damu Fund's Board has weekly meetings and makes decisions on operative management of the Fund. In 2010 50 meetings of the Board were held, where they considered 508 issues.

Committees and commissions, operating on a permanent basis, were set up within the structure of the Board. They are engaged in consideration of issues on various aspects of operating activity and in giving recommendations to the Board on their efficient solving:

Assets and Liabilities Management Committee.

The committee was set up to develop medium-term and long-term policies on assets and liabilities management, to determine the optimum structure of the balance, to monitor the financial condition of the Fund and revenue performance indicators, and to take necessary corrective measures on maximization of income and limiting the risks on the transactions resulting in conditional placement of the spare cash of the Fund. In 2010 the Assets and Liabilities Management Committee held 40 meetings.

Committee for Human Resources Policy. The committee was set up to increase efficiency in implementation of the human resources policy and motivation policy that are within the competence of the Board. In 2010 the Committee for Human Resources Policy held 26 meetings.

Credit Committee. The committee was set up with the purpose of efficient implementation of the credit policy. In 2010 the Credit Committee held 21 meetings.

Committee for Risks. The committee was set up in 2010 for development of efficient solutions on risk management and strengthening of the risk management system. In 2010 the Committee for Risks held one meeting.

Budget Commission. The Budget Commission was set up to provide timely and qualitative development of the budget draft and to introduce corrections in the operating budget. In 2010 the Budget Committee held 12 meetings.

Committee for Controlling. It exercises monthly control of performance by structural divisions and regional branches of the Fund of scheduled events as per the Fund's Development Strategy, based on the reports produced by them. In 2010 the Committee for Controlling held 12 meetings.

2.8 The Board's composition



Bulat Telmanovich Mukushev – The Damu Fund Chairman of the Board from March 18, 2009 to January 14, 2011.

He was born on January 1, 1970. In 1993 he graduated from the Moscow State University named after M.V. Lomonosov, and in 2003 from the Yale University (USA) with specialization in MBA.

PhD in Physics and Mathematics. Master of Business Administration (MBA).

He started his professional career in 1996 as Economist at Loan Company Atis (Moscow). Since 1998 he worked at managerial posts in the banking sector and large companies: The Investment Company Atis Capital LLC, Commercial Bank Moskommertsbank LLC, NSK Finance LLC, NBK-Bank OJSC, Moscow.



Lyazzat Ibragimova – Deputy Chairman at the Damu Fund from August 17, 2009, Acting Chairman of the Board at the Damu Fund from January 15, 2011, and Chairman of the Board at the Damu Fund from April 13, 2011.

She was born on November 7, 1972. In 1994 she graduated with honors from the Akmola Agricultural Institute with specialization in Economics and Administration in the Agro-Industrial Sector, and in 2003 with honors from the Eurasian Humanitarian Institute as Lawyer. She has a PhD in Economic Sciences.

She started her career in 1995 as a teacher at the Economy Faculty of the Eurasian State University named after L. Gumilyov. In 2004 she worked as a national expert in economic development for the UNDP project implemented in Kazakhstan. From August 2004 to January 2009 she ran the departments of analysis and development strategy, training and consulting and corporate development at the Damu Fund. Since 2009 she worked as Chief Manager of the Department of Special Programs, Administration for Management of Financial and Development Institutions at NWF Samruk-Kazyna JSC. Since 2003 she engaged in studying the problems of efficiency of the state support to SMB. She has more than 30 scientific publications and 3 training and methodical aids.

She was appointed a Member of the Damu Fund Board on August 17, 2009. At present, she is holding the post of the Chairman of the Board at the Damu Fund. She controls the work of the Deputies Chairman of the Board, Advisers, Assistants, and Managing Director – Member of the Board in charge of the financial matters, Security Department, and regional branches of the Damu Fund.



Salavat Cheriyaev – Deputy Chairman of the Board from March 17, 2009 to March 20, 2010.

He was born on January 10, 1972. In 1993 he graduated from the Kazakh Polytechnic Institute named after V.I. Lenin, with specialization in Automation of Technological Processes. In 2003 he graduated with honors from the Kazakh Economic University named after T. Ryskulov with specialization in Finance and Credit. He has a PhD in Economic Sciences. In 2008 he got his Doctor of Business Administration's degree completed at the National Economy Academy under the Government of the Russian Federation.

From 1993 he worked as Deputy General Director at the Meirim Insurance Company. From 1996 he held the post of Executive Director at Profservice JSC. In 1999 he was Assistant to Chairman of the National Committee of the Republic of Kazakhstan for Securities. From 2000 he held the post of Managing Director at Halyk Bank of Kazakhstan JSC, and then from 2002 he worked in the capacity of Vice President of the Chief Administrative Officer at Kazakhtelecom JSC. In 2006 he was Adviser to the President at Kazakhstan Stock Exchange JSC. Then since 2008 he has been Adviser to the Chairman of the Board at Sustainable Development Fund Kazyna JSC.



Yerken Shardarbekov – Deputy Chairman of the Board.

He was born on April 22, 1970. In 1993 he graduated from the Kazakh State Polytechnic Institute with specialization in Mechanical Engineering. He has a PhD in Economic Sciences.

From 1994–2002 he worked at managerial posts in various public agencies of the Republic of Kazakhstan. In 2002–2004 he ran Tyurk Kompaniyasy LLC and Alatau Mramor JSC. From 2004–2007 he was Managing Director and Head of the Astana-based representative office, and Managing Director – Director of the Moscow-based representative office of Kazakhstan Development Bank JSC. In 2007–2008 he was Vice President at Social Innovation Technologies JSC. Then in 2008 he worked in the capacity of department director at Sustainable Development Fund Kazyna JSC. In 2008–2009 he held the post of department director at NWF Samruk-Kazyna JSC. In 2009 he was Deputy Chairman of the Board at the Damu Fund. In 2009–2010 he worked in the capacity of Managing Director at BTA Bank JSC. Since May 2010 he has been holding the post of Deputy Chairman of the Board at the Damu Fund. He controls the implementation of the Fund's financial programs, including those on subsidies and guarantee in the framework of the 2020 Business Road Map Program, on issues of monitoring and information technologies.



Askar Yesimov – Deputy Chairman of the Board.

He was born on May 25, 1981. He graduated from the Kazakh Academy of Transport and Communications with specialization in Customs Clearance, also from the Almaty Economic University. In addition, he was on probation at the Ministry of Commerce of the People's Republic of China and finished a third actuarial school in Kazakhstan under the international association of actuaries.

During his career at various managerial posts he worked at the Ministry of Economy and Budget Planning of the Republic of Kazakhstan, NWF Samruk-Kazyna JSC, and National Innovation Fund JSC. He worked as Deputy Chairman at Kazakhstan Fund of Mortgage Loan Guarantee JSC where he runs the operation of the front office of the Fund.

In April 2011 he was appointed Deputy Chairman of the Board at the Damu Fund. He controls the issues of corporate governance, international cooperation and remote consulting, also coordinates work on legal matters, risk management and general economic activities of the Fund.



Bekzhan Kalibekov – Deputy Chairman of the Board.

He was born on September 22, 1978. He graduated from the Tashkent State University of Oriental Studies with specialization in Area Studies (Economist), also from the Kazakh State University of Humanitarian Law as a Lawyer. Under the Bolashak student exchange program he was trained under the Master's program of Economic Policy and Administration at the Columbia University in the city of New York, completing it with a MPA's degree.

During his career he worked at various managerial posts. In the Ministry of Economy and Budget Planning of Kazakhstan his scope of duties involved the issues of investment policy and financial sector, also planning of the republican budget investments and intergovernmental relations, including ones referring to various integration associations.

In April 2011 he was appointed Deputy Chairman of the Board at the Damu Fund. He is in charge of work coordination and interaction with public agencies, also training and service support.



Gabit Lesbekov – Managing Director – Member of the Board.

He was born on February 4, 1975. In 1996 he graduated with honors from the Kazakh National University named after Al-Farabi with specialization in Economics and Management, and in 1998 from the Institute of Economy and Law with the Master's degree in Macroeconomics and Mathematical Methods. In 2002 he attained a PhD's degree in Economic Sciences. He was awarded a state scholarship for talented young people of Kazakhstan in 2002–2004.

In 1998–2006 he worked as a senior teacher, then deputy dean at the Faculty of Economy and Business of the Kazakh National University named after Al-Farabi, also as a leading specialist and chief specialist at the Kazakhstan Deposit Guarantee Fund. He has more than fifty published research papers, articles, methodical textbooks and he completed more than 10 training courses on raising the professional level of skills. From November 2007 he worked at the Damu Fund in the capacity of Chief Specialist, Chief of Department Division, Deputy Director of the Corporate Governance Department, Director of the Corporate Governance Department, Managing Director – Corporate Governance Department. From April 2011, he is holding the post of Managing Director – Member of the Board. He coordinates work in the area of corporate development, international cooperation, and extension of information and analytical support of the entrepreneurs.



Kanat Sultangaziyev – Managing Director and Member of the Board.

He was born on February 8, 1978. He completed the International Accounting Standards & Management Accounts course at the Institute of Professional Accountants and Auditors of the Republic of Kazakhstan. From 2002 he worked at the National Bank of the Republic of Kazakhstan as chief specialist, then deputy head of the Department for Control of Second-Tier Banks Liquidation Process. From January 2004 through August 2004 he worked at the Republic of Kazakhstan Agency for Supervision and Control of the Financial Market and Financial Organizations as chief economist at the liquidation procedures division. He has been working for the Damu Fund since September 2004. From 2007 he held the post of the Program Loans Department Director, while from 2009 the post of Managing Director – Program Loans Department Director. Since April 2011 he has been occupying the position of Managing Director – Member of the Board. He coordinates work in the area of conditional placement of funds in STB and leasing companies, and monitoring of the efficient use of the allocated funds in line with the primarily stated goals.



Gulshat Imasheva – Managing Director – Member of the Board.

She was born on June 1, 1971. She graduated from the Accounting and Economic faculty of the Kazakh State Academy of Management. She has a diploma in IAS DiplFR (ACCA) and a certificate of a professional accountant at the Ministry of Finance of the Republic of Kazakhstan.

She started her career in December 1993 in the area of banking. From April 1998 through August 2005 she occupied the managerial positions at Alautransgas OJSC, International Airport of Almaty OJSC, Air Kazakhstan CJSC, Eximbank CJSC, and Kazakhstan Mortgage Company JSC. She has been working for the Damu Fund since 2005 and until 2008 she was the head of the internal audit service of the Fund. From August 2008 she worked as Managing Director for Finance. Since April 2011 Gulshat Imasheva has been holding the post of Managing Director – Member of the Board. She controls and coordinates financial matters of the Fund, including ones related to accounting, tax and statistical accounting, financial and tax reporting, issues of efficient taxation, budget planning, and events on efficient placement of the temporarily free funds of the Fund, and relevant methodology.

2.9. The Fund's team

The total number of employees at the Damu Fund is 270 people: 116 people in the headquarters and 154 people in the 16 regional branches. 15 departments comprise the structure of the headquarters of the Fund.



2.10. Corporate governance system

With the purpose of working out and introducing into the routine practice of the Fund the proper norms and traditions of corporate behavior that meet the internationally recognized standards based not only on the absolute meeting of the law requirements, but application of the ethical norms of business behavior common for all participants of business community as well, the Fund approved and effectively pursues a Code of Corporate Governance.

The Fund introduced as practice the conducting of weekly meetings of the managers of the Fund and chiefs of independent structural divisions of the Fund. The result of introducing the given practice in the operation of the Fund was:

- The increased promptness of managerial decision-making;
- The enhanced control of implementation of the decisions made;

- The increased involvement in the work of the heads of structural divisions, and creation of conditions for real team-work.

The control of the Fund's regional branches operation is exercised through conducting of extended meetings of the Board every quarter of the year with participation of the directors of the regional branches through on-line communication.

As a result, the expenses and time spent travelling by the directors of the regional branches to the headquarters have reduced, and the efficiency of work of the regional directors has been raised.

To improve its corporate governance, the Fund builds up a system of information communication between the structural subdivisions, regional branches, Board, Board of the Directors and Sole Shareholder of the Fund, based on the principles of transparency.

The Fund maintains routine work on technological development. From 2009 the communication with the regional branches is carried out through videoconference. Apart from this, from 2010 the Fund's branches are connected to a single system of electronic document circulation within the Fund that adds to promptness in decision-making and fulfillment of instructions.

To raise awareness about the Fund's operation, the Fund places on its corporate website information about the ongoing results of implementation of the Fund's programs. This information is updated automatically,

supported by the data of the Geoinformation System of the Fund. In addition, to access to the Geoinformation System database for the outside users via the Fund's website is open.

The Fund conducts events aimed to strengthen the corporate spirit. The Fund practices systematically the creation of working groups to work out the key issues of the Fund operation, including the development of the Strategy and programs of financial and non-financial support of the SMB entities, also work with the Asian Development Bank.

To strengthen support of the SMB entities in the Republic of Kazakhstan, in July 2009 the Damu Fund set up within its structure the Public Board, a consulting and advisory body under the Board of the Fund. The Public Board is represented by employees of sectoral associations and entrepreneurship associations in Kazakhstan.

The given decision is an important instrument of increasing transparency of the Fund's operation, and development and implementation of both the financial and non-financial programs of the SMB support.

In December 2010 the Public Board had a regular meeting, at which it summarized the results of the International Conference called Small and Medium Business in Kazakhstan: Condition and Prospects.

In August 2010 the Sole Shareholder jointly with the international consulting company KPMG carried out a diagnostics of corporate governance of the Damu

Fund for its compliance with the best international practice requirements. The result of such diagnostics of the Fund's corporate governance was 52.6 %.

The Damu Fund jointly with the structural subdivisions of the Sole Shareholder intends to work further on the improving of the corporate governance system. In this connection, the Fund is developing a program of action on further improving the corporate governance, based on the report following the diagnostics results.

In the future, work is scheduled to select an international ratings agency to be awarded the corporate governance rating.

2.11. Human resources management policy

The human resources management policy of the Damu Fund is based on the 2010–2020 Human Resources Strategy of NWF Samruk-Kazyna JSC, considering the strategic goals and mission of the Fund.

The key directions of the Human Resources Management Policy involve:

- The setting of a common model of human resources management for the NWF Samruk-Kazyna JSC Group of Companies;
- The system of increasing the efficiency of labor;
- The system of increasing the human capital assets quality;
- Corporate code of ethics development.

In the matter of setting up a single model of human resources development for the NWF Samruk-Kazyna JSC Group of Companies, in 2010 the Fund made an accent on setting up a three-level system of appointments. This means that the junior staff employees are hired by the Damu Fund through open vacancy announcements. The managerial staff employees, such as directors of structural divisions and regional branches, are appointed either through promotion of the junior staff employees from the candidate pool or, if necessary, through the search of highly-skilled specialists from outside. The managerial staff employees have to be hired in accordance with the operating laws, internal regulations of NWF Samruk-Kazyna JSC, and candidate pool program. The given system of specialist's attraction allows ensuring the succession of the most effective principles of governance, maintaining the unity of strategic vision and integrity of corporate code of ethics.

To increase labor efficiency in 2010, a great deal of work was done to introduce a system of assessing the Damu Fund's managerial staffers by the key criteria of their activities. This mechanism allows regularly tracking the progress of achieving of the Fund's strategic goals and to fix the scope of duties and liability of the managers for the result.

To raise the quality of the human capital assets, in 2010 the Fund faced a challenge to strengthen in qualitative and quantitative terms the composition of employees of the relevant structural subdivisions. The seminars devoted to financial analysis and management were organized and conducted. The front office employees

took part in international meetings and conferences that allows studying international experience in part of support of the entrepreneurship entities and introducing them at the Damu Fund.

Corporate code of ethics plays an important role in increasing of the efficiency of the Fund's operation. Two team building events were conducted in 2010, coupled with conducting of training seminars for employees of the regional branches and headquarters of the Damu Fund. Professional attitude to the challenges and a general friendly climate are the things that motivate the employees, raise their self-motivation to bring it in line with the company's goals, and creates favorable organizational climate for attaining the strategic goals of the Fund.

2.12. Corporate code of ethics

The Damu Fund considers the corporate code of ethics as an important factor of the Fund's sustainable development and success. Among the major goals of the Damu Fund's corporate code of ethics there are the consistent achieving of high standards of behavior and responsibility of the employees, involving the pursuance of the ethical norms and setting up a favorable environment for demonstrating by every employee of his/her abilities. In its activity the Damu Fund employees adhere to such values as honesty, reliability and professionalism and aspire to make their contribution in the sustainable development of the economy of Kazakhstan. The basis for operation of the

Fund becomes firmer with strengthening of the best corporate traditions, created through many-years of experience and penetrating into all directions of work.

The important element of corporate ethics is a system of raising the professional skills of the Fund's employees. In August of 2010 in the Zerenda settlement of Akmola Oblast an offsite meeting was held with participation of the employees from the headquarters and regional branches of the Damu Fund. The given event was targeted to discuss strategic directions of the Fund's activities, also conducting of corporate training seminars for the Damu Fund employees. In the framework of the offsite event the employees had the possibility to give assessment to strategic goals and objectives of the Fund, to propose new instruments of the SMB support, to build up constructive professional relations, and to work through the interpersonal skills. More than 160 employees of the Fund attended the corporate seminars with the agenda focused on functional and managerial issues. Various training seminars were conducted to unite the staff, strengthen the corporate spirit, and to build an efficient team.

2.13. The Fund's operation transparency

A great deal of attention is paid to the Fund's operation transparency. In 2010 mass media published 3,300 items about the Fund. The accent shifted considerably towards regional mass media – they published more than a half of all the material. The tone of the published material was as follows:

- 37 % were positive,
- 62 % were neutral, and
- Less than 1 % with critical remarks.

By initiative of the Damu Fund's press service, 617 publications came out. 14 press conferences were organized, 12 presentations, 10 press tours, 3 online conferences, 10 analytical articles were published, and more than 120 speeches were aired on TV.

2.14. Efficient assets management

The Damu Fund's assets are managed as per the Provisions on Spare Cash Placement, approved by the Fund's Board of the Directors on July 31, 2009 under the Minutes of Meeting #8. The given Provisions were developed and approved under the Common Policy for the Spare Cash Management, approved by the Shareholder on April 21, 2009, Minutes of Meeting #17, and under the basic parameters of the investment treasury portfolio, also an Investment Policy approved under Resolution #033/210a of the Board of the Directors on October 7, 2010.

The goal of management of the spare cash (further the SC) is their placement into financial instruments in the external and domestic financial markets to ensure the preservation of the SC at the targeted yield/risk level and maintaining the required level of liquidity.

The major goals of the Fund in the assets management are the ensuring of preservation of the SC, solvency on the current liabilities, ability to finance emerging investment possibilities, and ensuring a sufficient level of the SC yield against the level of the risk taken.

The basic principles of setting up of the portfolio:

- Diversification: Determining the shares of various financial instruments in the portfolio and correlation between the portfolio financial instruments.
- Risk assessment: Volatility of the portfolio and other risks.

The SC management is carried out in accordance with the limits set with regard to the balance and off-balance liabilities on the counteragent banks. The SC shall not be placed in stocks. The derivative instruments can be used only with the purpose of potential loss risk hedging.

The basic principle is the ensuring of the pursuance of a balanced / conservative policy of investment. In the process of management of its funds, the Fund is governed by the requirements of preservation of their invested capital, ensuring and maintaining of liquidity, yield, term of investment, and diversification. Diversification of the financial assets portfolio is needed to exclude the risk of loss, emerging as a

result of concentration of the financial assets with a certain maturity date, certain issuer or certain class of investments in the Fund's investment portfolio.

To develop a medium-term and long-term policy of the assets and liabilities management, to determine the optimum structure of the balance, to monitor the financial condition of the Fund and yield performance indicators, and to take necessary corrective measures in order to maximize income and limit the risks of the transactions with spare cash, the Fund set up a permanently operating Committee for Assets and Liabilities Management. The meetings of the said committee are held at least once a month.

2.15. Monitoring of the loan portfolio

Within the period of from 2001 through 2008 the Fund was actively pursuing a credit policy under the programs of direct lending by extending loans at interest rates lower than those in the market in the absence of proper monitoring of the projects implementation and efficient work with the bad debts portfolio.

The quality of the loan portfolio deteriorates steadily due to a reducing standard portfolio's share.

As of January 1, 2011, the total amount of claims on the outstanding principal debt was 13,281 million tenge, while the total amount of the provisions created on the portfolio 10,904 million tenge. In this situation, the expedient thing that is seen is the transfer of the loan

portfolio for outsourcing to debt collecting companies or its selling.

The selling of the loan portfolio was approved by Resolution #14/10 of the Board of NWF Samruk-Kazyna JSC of February 24, 2010 and by Resolution #43 of the Damu Fund's Board of the Directors of April 30, 2010. In the framework of execution of the above-said resolutions, in June 2010 the Fund announced an open bid for the Damu Fund's loan portfolio evaluation, and on July 7, 2010 the Fund entered into Contract 159-DGZ of purchase of services in the loan portfolio evaluation. The report on the evaluation was accepted in January 2011.

On March 14, 2011, at the Damu Fund's Board of the Directors meeting, a question was raised as to the selling of the Damu Fund's loan portfolio through direct financing, at which a decision was made to announce bids for selling of the loan portfolio in one lot to increase the start price to that equal to the market one, evaluated as a result of independent evaluation carried out, i.e. 4,816 million tenge.

The bids for selling of the loan portfolio are fixed for June 14, 2011.

In the event of announcement of the bids as invalid, the issue will be raised at the Board of the Directors meeting to transfer the loan portfolio for outsourcing.



KAZAKHSTAN
Central Concert Hall



The Fund's Risk Management System

The Fund's risk management system is an element of a general risk management system of National Welfare Fund Samruk-Kazyna JSC group of companies. It involves the system of processes and procedures that provide the Executive Body and Management Board of the Fund with timely information on risks and solutions to minimize risks.

To coordinate the introduction and development of the risk management system at the Fund, the Fund's representative became a Member of the Risk Management Board at NWF Samruk-Kazyna JSC and also a Member of the Compliance Board, comprising in its composition the heads of the services of the financial organizations of NWF Samruk-Kazyna JSC.

In the reporting period, the target of the risk management system was to implement the principles of an integral analysis of credit risks in the framework of the first direction of the 2020 Business Road Map Program, aimed to guarantee the projects of small and medium entrepreneurship.

Taking into account the importance of the 2020 Business Road Map Program implementation, the Fund has considerably changed its approaches to consideration of the entrepreneurs' projects and has greatly increased its requirements to preliminary risk evaluation of the projects.

As a result, the Fund managed to optimize procedures and facilitate the decision-making process, taking into account measures on risk minimization on each of the projects, on which the guarantee was issued. In the

course of decision-making on provision of guarantee or on refusal to provide such, the Fund used the results of its own comprehensive credit risk assessment methodology. The given methodology is based on the complete analysis of interrelated risk factors, which can negatively affect the financial indicators of the project and accordingly increase the level of the Fund's credit risk of the issued guarantees portfolio.

In the financial risks management in 2010 three typical risk generation areas were distinguished: These are conditional placement, investment in securities and management of spare cash. To minimize them, the methods of limiting active transactions with the counteragent banks and of remote analysis of credit risks of the second-tier banks, leasing companies and corporate issues were applied.

The application of the limiting methods became possible as a result of the Risk Management Department's efforts on improving the methodological and technical base of the financial risks management. For example, in 2010 the Fund approved the Rules of Setting and Monitoring of the Limits on the Balance and Off-Balance Liabilities for Counteragent-Banks of Damu Entrepreneurship Development Fund JSC. Also, the calculation tables and formats of opinions on the counteragent-banks' risks were updated.

In 2010 work on operational risks management was given a focus. All structural subdivisions of the Fund were involved in the given work. This resulted in the working out of a detailed Program of Action on Management of Risks of Every Structural Subdivision.

From the time of introduction of the risk management system in the Fund, a great deal of work was done in the Fund to introduce basic methodological documentation on risk management. In particular, the Board of Directors approved the normative documents related to risk management developed in the Fund. Every year the Fund carries out identification of risks, creates the Fund's risk map with identification of critical risks, and develops Programs of Actions for Risk Management.

Development of the Risk Management System (RMS) at the Fund

2007	2008	2009	2010
<p>1 Introduction of RMS</p> <p>Methodological documents on risk analysis management are developed</p> <p>The primary risk analysis instruments are introduced</p> <p>Loan portfolio risk analysis is made</p> <p>Operational risk analysis is made</p> <p>Analytical reports on the financial sector of the Republic of Kazakhstan are made</p> <p>The expert's opinions formats are worked out and the project examination is carried out</p>	<p>2 Identifying and assessment of risks in the framework of the Shareholders' policy</p> <p>Normative documents in the area of risk management are developed</p> <p>Risk Management Department is set</p> <p>The procedure for setting the limits is introduced</p> <p>A seminar devoted to the RMS is conducted for the Fund employees</p> <p>The Risk Map format is developed jointly with the Committee for Risks of the Sole Shareholder</p> <p>Risk Management Department Director became a Member of the collegial bodies of the Fund</p>	<p>3 Developing a new integrated RMS in the framework of Samruk-Kazyna</p> <p>The Board of Directors approved normative documents related to risk management</p> <p>The first identification of the Fund's risks is made</p> <p>The Fund's Risks Map distinguishing critical risks is developed (The Risk Map was a part of the Annual Report for the Sole Shareholder)</p> <p>The Program of Action on Risk Management is approved</p> <p>By relevant order employees in every structural subdivision were appointed in charge of risk identification</p>	<p>4 International risk management standards introduction</p> <p>The Board of Directors approved the Risk Map, the Retaining Ability of the Fund, The Program of Action on Management of Critical Risks, and the Report on Operational Risks for the reporting period from June 2009 – June 2010</p> <p>A report on implementation of the 2009 Program of Action on Risk Management is made and approved</p> <p>The Committee for Risks is set up within the Fund's Board structure</p> <p>The Committee for Risks held its first meeting</p>

The structure of the Fund's risk management system conforms to the structure and general approaches of the RMS in NWF Samruk-Kazyna JSC Group of Companies, and is presented by risk management at various levels:

Board of Directors

The first level is presented by the Fund's Board of Directors. The Board of Directors is in charge of the general risk management control system and plays a key role in supervising over key risks and systems of corporate risk management. The Board of Directors sets the goals of the Fund's operation and approves documents on risk management, retaining ability and risk appetites.

Board

The second level is the Board of the Fund. The Board is in charge of organization of an effective system of risk management and setting a risk control structure to ensure the implementation and meeting the requirements of the corporate policy. The Board is entitled to implement part of the functions in the area of risk management through setting up of relevant committees.

Committee for Risks

The committee is a collegial and consulting body of the Fund operating on a permanent basis. It coordinates the process of functioning of the Fund's risk management system. The major goal of the committee is the constant enhancement of the Fund's operation on the basis of a common standardized approach to the methods of, and procedures for risk management.

Structural subdivision in charge of risk management

A third level in the risk management process is a Department of Risk Management. The goals of the Risk Management Department are general management of risks and exercising of control over the use of general principles and methods of identification, assessment and management of both financial and non-financial risks and making relevant reports on those.

Collegial bodies (The Fund's Committees)

The committees are the collegial bodies of the Fund, operating on a permanent basis. They pursue the internal credit policy, HR policy, and assets and liabilities management policy of the Fund.

Internal audit

The internal audit service in the risk management process carries out the audit of risk management procedures and methodology in risk assessment, also works out proposals on how to increase the efficiency of the risk management procedures.

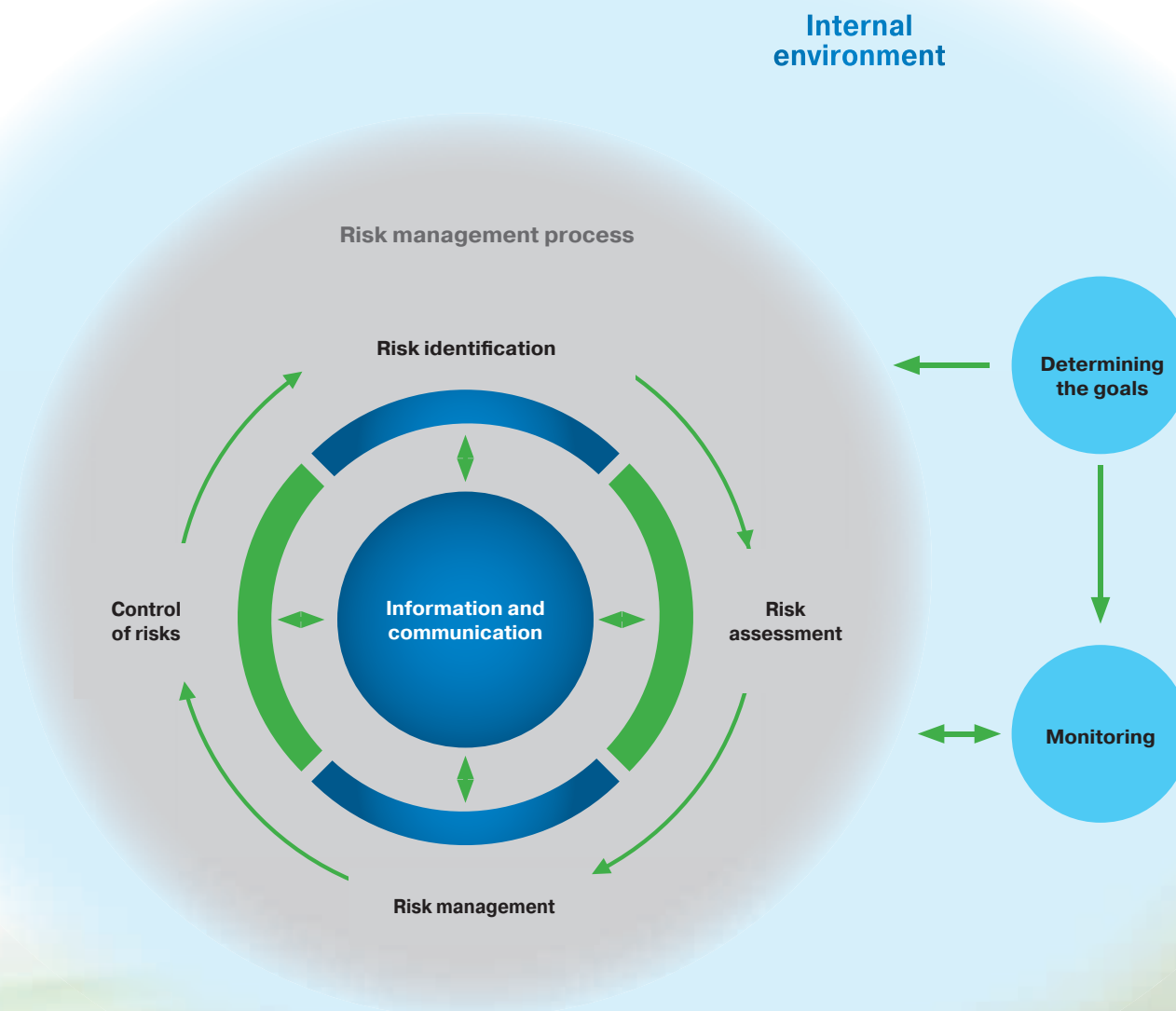
Structural subdivisions

One of the key elements in the risk management structure is every employee at every structural subdivision of the Fund. The structural subdivisions (the holders of the risks) play a key role in the risk management process. The structural subdivisions are in charge of implementation of the Program of Action on Risk Management, for timely identification of risks and informing about considerable risks they face in their activities, also for working out of proposals on risk management to include them into the Program of Action.

Following the result of the corporate management diagnosis, carried out by the Sole Shareholders jointly with the international consulting company KPMG in August 2010, the Fund's risk management system reached 52% in part of meeting the requirements of the best international practice. The given indicator is comparable to the general corporate governance result, which was 52.6 %.

Taking into account the KPMG's recommendations on how to improve the risk management processes in the Fund, the Damu Fund intends to work further to enhance the risk management system.

The Fund's Risk Management Scheme





GRAND ALATAU
residential complex



The Fund's Operations Major Results

The basic parameters of the financial and economic activities and forecast of receipts and expenditures are laid in the Fund's 2010 Development Program approved by the Fund's Board of Directors, Resolution #14 on December 10, 2009. The Fund's Development Program is developed and approved under the Rules of Working Out, Agreeing, Correction, Fulfillment, and Monitoring of Fulfillment of the NWF Samruk-Kazyna's JSC Subsidiaries Development Programs, approved by Resolution of the NWF Samruk-Kazyna JSC Board on November 3, 2009, Minutes of the meeting # 99/09.

As a result of the financial activities in 2010, the Fund earned net profit in the amount of 14,049 million tenge, including one received due to restoring of provisions in the amount of 11,643 million tenge, created in 2009 on the loans issued to the STB under the state-run stabilization program. The net income less the amount of the restored provisions was 2,406 million tenge.

In 2010 the income from the principal and non-principal activities was gained in the amount of 32,644,454 thousand tenge, while the plans were 29,325,342 thousand tenge. The plan execution with regard to the income was 111.3 %. The saving on expenses was 1.1 billion tenge, or 7 %.

The Fund's own capital, as of January 1, 2011, was 44.5 billion tenge. In the reporting period, the own capital increased by 48.8 % due to receipt of net profit in the amount of 14,049 million tenge and reduction in the reserve for re-evaluation of the financial instruments available for selling (the securities portfolio) in the amount of 531 million tenge.

The capital sufficiency indicator was 27.5% at the own capital of 44.5 billion tenge and borrowing capital of 173.4 billion tenge.

The current liquidity indicator was 5.1.

The average weighted interest rate on the financial assets was 8.7 %.

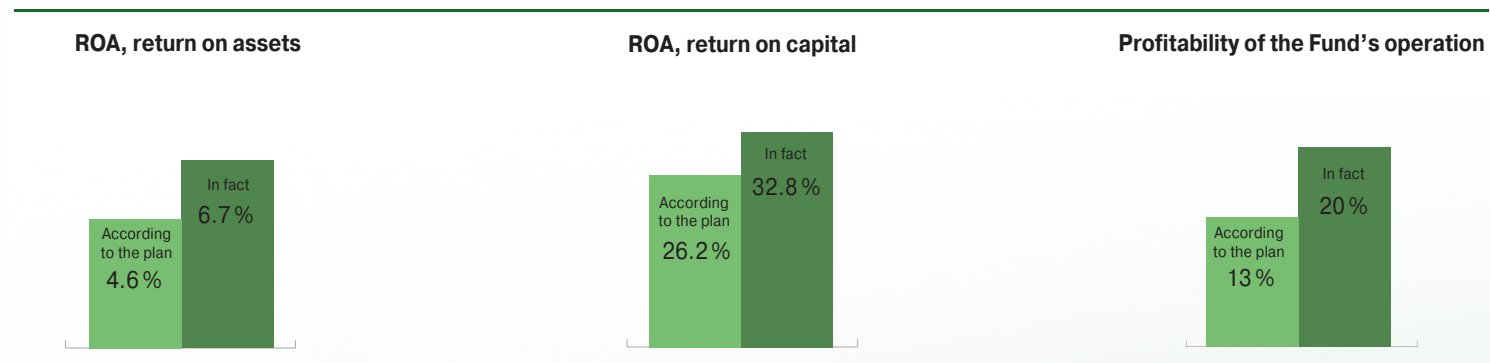
The average weighted interest on the liabilities was 6.19%.

Economic efficiency of the Fund's operation in 2010 (Financial key indicators of the Fund's operation)

Item	2010 According to plan	2010 In fact
ROA, Return on assets	4.6 %	6.7 %
ROE, Return on equity	26.2 %	32.8 %
Profitability of the Fund's operation without taking into account the restored provisions (Income/general expenditure ratio)	13 %	20 %

Key indicators of the Fund's operation in 2010

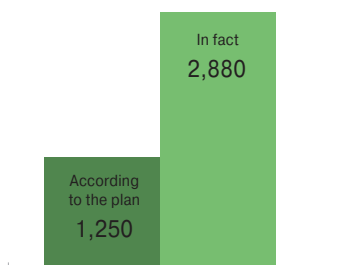
Financial indicators



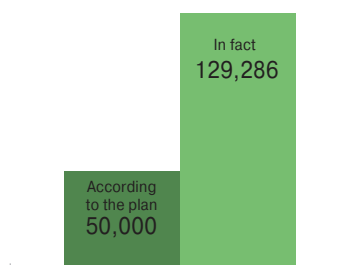
In connection with receiving of positive net profit in 2010, the plan of the financial key indicators of the activity was over fulfilled.

Operational indicators

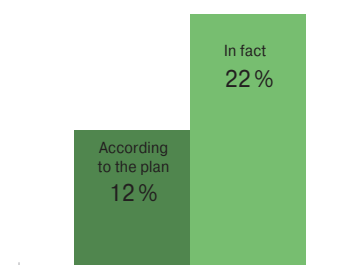
Number of the SMB related projects, financed under the conditional placement programs (units)



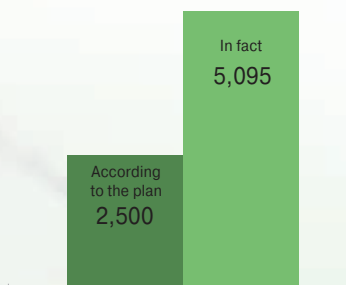
Total amount of funds disbursed to the SMB entities under the conditional placement programs (in million tenge)



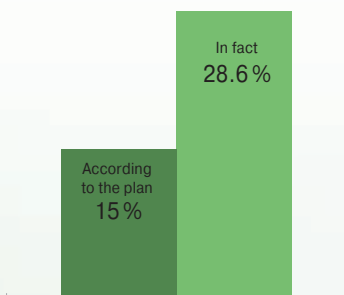
Share of funds disbursed to the SMB entities under the Fund's programs in proportion to the total amount of funds disbursed by the STB to the SMB entities



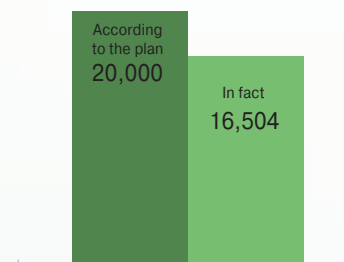
Number of created and retained jobs in the SMB sector due to implementation of the Fund's programs



Share of industrial projects financed under the financial programs of the Fund



Number of entrepreneurs and population with entrepreneurial initiatives covered by the Fund's programs of non-financial support (people)



In fact in 2010, 2,880 borrowers representing the SMB sector were financed (230 % of the plan) in the amount of 129,286 million tenge (259 % of the plan) under the programs of conditional placement of funds via the STB. The overfulfilment of the plan was caused by quick capital turnover in the framework of the Stabilization Program (1–3 tranches) and Damu-Regions Program that allows the banks re-extending loans on a revolving basis.

In general, at the background of the decreased volumes of bank lending, the spare cash of the Damu Fund is in high demand. Due to this, the share of the funds disbursed to the SMB entities under the Fund's programs in proportion to the total amount of spare cash, disbursed by the STB to the SMB entities was 22 % in 2010 (183 % of the plan).

The social focus of the Damu Fund's programs is of great importance. Based on the 2010 year results, 5,095 jobs were created in the entrepreneurship sector due to the financial support by the Fund. This more than twice exceeds the 2010 targeted indicators.

From 2010 the focus of the Damu Fund's programs was shifted towards the solving of tasks on diversification of the SMB sector in the post-recession period and contribution to entrepreneurship development in the non-raw-material sectors. In the framework of this work, the Damu Fund is implementing the Damu-Ondiris Program and Program of Financing of Lease Transactions of SMB in the Processing Industry, while since April 2010 the Fund started fulfilling duties of a financial agent under the 2020 Business Road Map Program. The shift of accents is clearly seen in the sectoral structure of the loans

extended under the Fund's programs: In 2010 the share of funds directed for financing of the processing industry reached 28.6 % (191 % of the targeted indicator).

The number of entrepreneurs and population with entrepreneurial initiatives covered by the Fund's programs of non-financial support to SMB and training reached 16,504 people in 2010. This was 82 % of the targeted number. The underfulfilment of the plan was a result of taking into account by the Fund of wishes and recommendations of the trainees and lecturers-trainers with regard to the Business Adviser program to conduct training sessions for groups with a lesser number of people, 30–35 people in average per training course, to increase the training course efficiency.



KAZYNA TOWER building



Major Directions of Business Activity of the Fund

5.1. Promotion of the increase in number of actively operating entrepreneurial entities and jobs through ensuring the accessibility of financing for all SMB entities which have development potential

Stabilization Program 1st tranche

Under Resolution #1039 of the Republic of Kazakhstan's Government on November 6, 2007 on Approval of the Program of Priority Action to Ensure Stability of the Socio-Economic Development of Kazakhstan, the Fund acted as an operator on placement of a first tranche in the amount of 48.8 billion tenge under the Stabilization Program. The allocated funds were distributed in December 2007 among 7 partner banks: BTA Bank JSC, Bank CenterCredit JSC, Kazkommertsbank JSC, Kaspi Bank JSC, Tsesnabank JSC, Eurasian Bank JSC, and Alliance Bank JSC.

As of January 1, 2011, the aggregate amount of the funds disbursed to the STB, taking into account the re-distribution and disbursement on a revolving basis, was 85.8 billion tenge. Lending was provided to 2,782 borrowers in the said amount. The average loan was 30.8 million tenge with the average credit period of 26.8 months and average weighted interest rate of 16.366% p.a., while the efficient interest rate was 18.1% p.a. 3,049 jobs were created and retained.

Stabilization Program 2nd tranche

Under the Minutes of the Meeting #25 on June 28, 2008 of the governmental session concerning the Measures on Further Development of Small and Medium Business in the Regions, a decision was made to allocate an extra 50.0 billion tenge of funds to support the SMB entities. The given money was disbursed under the Program of Co-Financing of Small and Medium Business Jointly with the STB and Financial Organizations (50 x

50 Program). The so allocated funds were distributed in August 2008 between the 10 partner banks: ATF Bank JSC, Eurasian Bank JSC, BTA Bank JSC, Bank CenterCredit JSC, Nurbank JSC, Kaspi Bank JSC, Kazkommertsbank JSC, Alliance Bank JSC, Astana-Finance JSC, and Tsesnabank JSC.

As of January 1, 2011 the partner banks financed 2,915 borrowers to the total amount of 158.1 billion tenge. The average loan amount was 54.2 million tenge with the average credit period of 42.3 months and average weighted interest rate of 12.5% p.a., while the efficient interest rate was 14.2% p.a. 4,220 jobs were created and retained.

Damu-Regions Program

The Damu-Regions Program implemented jointly with the oblast akimats under Resolution #1039 of the Kazakhstan's Government on November 6, 2007 on Approval of the Primary Action Program to Ensure Stability of the Socio-Economic Development in the Republic of Kazakhstan provided for allocation to the Damu Fund by local executive bodies of credit resources for the purpose of further financing of the SMB entities through the STB branch network. The given program involves 9 partner banks: Bank CenterCredit JSC, Eurasian Bank JSC, BTA Bank JSC, ATF Bank JSC, Kaspi Bank JSC, Nurbank JSC, Temirbank JSC, Tsesnabank JSC, and Astana-Finance JSC.

Under the Minutes of the Meeting #25 on June 28, 2008 of the governmental session, the Damu Fund was allocated 28 billion tenge from the republican budget reserve for crediting of SMB projects under the said program. The allocated amount was placed by the Damu Fund at the STB in full, 2 billion tenge for every oblast. The aggregate amount of funds allocated by the akimats was just 6.7 billion tenge which were placed through the

STB branches. The Fund allocated 150 million tenge from their funds for financing of projects in Astana.

As of January 1, 2011 the partner banks financed 1,358 borrowers in the amount of 46.2 billion tenge. The average loan amount was 34 million tenge with the average credit period of 41.1 months and average weighted interest rate of 12.6% p.a., while the efficient interest rate was 13.7% p.a. 2,228 jobs were created and retained.

Stabilization Program 3rd tranche

Under Resolution # 1085 of the Government of the Republic of Kazakhstan on November 25, 2008 on the 2009–2010 Program of Joint Actions of the Government of the Republic of Kazakhstan, National Bank of the Republic of Kazakhstan and the Republic of Kazakhstan Agency for Regulation and Supervision of the Financial Market and Financial Organizations to Stabilize the Economy and Financial System, 120 billion tenge was allocated from the National Fund of the Republic of Kazakhstan for the events in 2009–2010 aimed to stabilize the economy. Of them, 117 billion tenge was allocated for implementation of a third tranche of the Stabilization Program. In February 2009 the allocated funds were re-distributed between 12 partner banks: BTA Bank JSC, Alliance Bank JSC, ATF Bank JSC, Kazkommertsbank JSC, Halyk Bank of Kazakhstan JSC, Subsidiary Bank of Sberbank JSC, Bank CenterCredit JSC, Nurbank JSC, Kaspi Bank JSC, Tsesnabank JSC, Eurasian Bank JSC, and Bank Astana-Finance JSC.

The terms of the program provide for the possibility of participating in the Program of the partner banks with their own funds. However, only ATF Bank JSC originally allocated funds in the amount of 10 billion tenge. So, the financing pool under the Program totaled 127.0 billion tenge.

As of January 1, 2011 the partner banks financed 2,911 borrowers to the amount of 188.4 billion tenge. The average loan amount was 64.7 million tenge with the average credit period of 37.4 months and average weighted interest rate of 11.3% p.a., while the efficient interest rate was 12.2% p.a. 3,847 jobs were created and retained.

Damu-Ondiris Program

To support the entrepreneurial entities (further the EE) in the processing sector, in October 2009 NWF Samruk-Kazyna JSC jointly with Distressed Assets Fund JSC (further the DAF) and Fund launched into operation the Damu-Ondiris Program. Under the terms of the program, support was provided via refinancing of the loans earlier extended to the EE of the processing industry by the banks at the interest rate of 8% per annum. The partner banks are BTA Bank JSC, Kazkommertsbank JSC, Halyk Bank of Kazakhstan JSC, Alliance Bank JSC, and Temirbank JSC, in which the DAF placed deposits in the total amount of 17.64 billion tenge and which agreed to participate in the program with their own funds to the total amount of more than 7.2 billion tenge. The amount of the deposit for a certain bank was determined, taking into account the bank's portfolio of the loans extended to the EE of the processing industry.

As of January 1, 2011 the partner banks in fact refinanced 210 projects to the total amount of 36.2 billion tenge. Due to that 4,834 jobs were created. The average loan amount was 172.6 million tenge with the average credit period of 28.2 months and average weighted interest rate of 8% p.a., while the efficient interest rate was 8.5% p.a.

Female Entrepreneurship Development Program

The program of conditional placement of funds in the STB for subsequent microcrediting of female entrepreneurship was

approved by the Damu Fund Board of Directors on September 30, 2009. The given program was developed as per the commission of the President of Kazakhstan Nursultan Nazarbayev given at the Fifth Women's Forum of Kazakhstan conducted on March 5, 2009 to boost the economic activity of women entrepreneurs through soft lending of female entrepreneurship projects those in operation and start-up. The partner banks are Eurasian Bank JSC, Tsesnabank JSC, Bank CenterCredit JSC, Delta Bank JSC, and Temirbank JSC.

As of January 1, 2011, the partner banks financed 376 borrowers to the amount of 1,431 million tenge. The average loan amount was 3.8 million tenge with the average credit period of 41.2 months and average weighted interest rate of 12.4% p.a., while the efficient interest rate was 13.7% p.a. 108 jobs were created and retained.

Damu-Regions 2 Program

Financing of the regional top priority projects under the Damu-Regions 2 Program was approved by the Damu Fund Board of Directors on July 13, 2010. The given program was developed with the purpose of financing of projects of the SMB entities in the priority sectors of the economy of Kazakhstan through efficient use by the Fund of its own funds, funds of local executive bodies (LEB) allocated from the local budget, also funds of the partner banks. The partner banks are the seven second-tier banks: Eurasian Bank JSC, Bank CenterCredit JSC, BTA Bank JSC, Nurbank JSC, Alliance Bank JSC, Delta Bank JSC, and Temirbank JSC.

As of January 1, 2011, 41 borrowers were financed to the amount of 1,754 million tenge, and 102 jobs were created.

Spot financing programs in the regions

Program of financing of small and medium business entities in Zhanaozen, Mangistau Oblast

The 2009–2012 Comprehensive Program of Solving Socio-Economic Development Problems in Zhanaozen, Mangistau Oblast, approved by Resolution # 865 of the Government of Kazakhstan on September 19, 2008, provides for the organization of crediting of SMBE in Zhanaozen from the local budget funds and money of the Fund. The funds to be allocated by LEB and Fund in 2009–2012 are 1,800 million tenge.

In view of the above, the Fund approved a separate Program of Financing of SMBE in Zhanaozen, Mangistau Oblast. For this, 900 million tenge will be allocated in 2009–2012 for subsequent financing of SMBE through the STB.

The program involves 5 partner banks: Temirbank JSC, Eurasian Bank JSC, Subsidiary Bank of Sberbank JSC, Bank CenterCredit JSC and Delta Bank JSC.

As of January 1, 2011, the partner banks financed 14 borrowers to the amount of 119.8 million tenge. The average loan amount was 8.6 million tenge with the average credit period of 43.7 months and average weighted interest rate of 10.5% p.a., while the efficient interest rate was 11.3% p.a. 14 jobs were created and retained.

Program of regional financing of the SMBE

The program of regional financing of small and medium business entities was approved by Resolution of the Damu Fund Board of Directors on December 10, 2009.

The goal of the Program is to increase efficiency of the regional programs implementation aimed to support and develop SMBE through financing of the SMBE projects in those sectors of the economy that are of priority for the regions and in certain territories.

Currently, the Program is being implemented in the Almaty Oblast and Akmola Oblast.

As of January 1, 2011, 13 borrowers were financed under this Program to the total amount of 773.7 million tenge. 80 jobs were created.

The microfinance sector development

The Damu Fund worked out a 2008–2012 Program of Action to Develop Microcredit Organizations. The goal of the program is to advance the high-quality development of the microfinance sector as a third level of the credit system of the country through provision of financial and non-financial support to microcredit organizations (further the MCO).

Under the given program the Fund conducted 3 bids to select MCO for their further financing from the own funds of the Fund. They were conducted in May 2008, October 2008 and February 2009.

As a result, the Fund entered into contract of financing of 21 MCO to the amount of 1,078.4 million tenge.

From December 2009 the Damu started financing the MCO via the conditional placement of funds of the Damu Fund in the STB.

The program of conditional placement of funds in the STB for crediting of MCO was approved by the Damu Fund Board of Directors on June 29, 2009.

The Fund placed cash in the amount of 1,704 million tenge in the four partner banks: Bank CenterCredit JSC, ATF Bank JSC, Eurasian Bank JSC, and Tsesnabank JSC.

As of January 1, 2011, the partner banks financed 9 MCO (57 loans) to the amount of 1,410.5 million tenge. The average loan amount was 156.7 million tenge with the average credit period of 56.7 months and average weighted interest rate of 12.9% p.a., while the efficient interest rate was 13.9% p.a.

Findings

Following the results of implementation of the Stabilization Program launched by the Government of the Republic of Kazakhstan, we can state that this program with an anti-recession focus has met its goals:

- The liquidity of the second-tier banks is restored.
- The inflow of cheap credit resources gave to enterprises a respite and helped to retain business, production, jobs and with this to ensure social stability.

The volume of financial aid to the SMB sector in Kazakhstan was unprecedented, while efficiency and promptness of actions was much higher than in the neighboring countries. Now the implementation of the Stabilization Program is being carried out with financing on a revolving basis due to repayment by the end borrowers of the outstanding loans.

5.2. Promotion of entrepreneurship development in non-raw-material sectors of the economy

Programs implemented in the framework of the 2020 Business Road Map Program

The 2020 Business Road Map Program (further the 2020 BRM Program) is a mechanism of implementation of the 2010–2014 State Program of Accelerated Industrial and Innovative Development of the Republic of Kazakhstan that was developed by the Ministry of Economic Development and Trade of the Republic of Kazakhstan in pursuance of fulfillment of the Kazakhstan President's Message to the People of Kazakhstan "New Decade as a New Economic Upturn and New Opportunities for Kazakhstan" and Strategic Program of Development of Kazakhstan until 2020.

The goal of the 2020 BRM Program is to ensure a sustainable and balanced growth of regional entrepreneurship in the non-raw-material sectors of the economy, also creating of new and retaining of existing jobs.

The 2020 BRM Program will be implemented in two stages:

The 1st stage starting from 2010 will be a pilot stage. In 2010 the objectives aimed to support entrepreneurship will be implemented in three directions: support of new business initiatives, entrepreneurial sector recovery and support of export-oriented productions.

Starting from 2011 the objectives of the Program will be implemented in four directions: support of new business initiatives, recovery of the entrepreneurial sector, decrease of the currency risks of entrepreneurs, and strengthening of the entrepreneurial potential.

The 2nd stage from 2015 to 2020. At the second stage in 2015–2020, the Program will be implemented in the same directions as in 2011–2014 (support of new business initiatives, decrease of the currency risks of entrepreneurs, and strengthening of the entrepreneurial potential) but with a few corrections which will be made following the results of implementation of the 2020 BRM Program First Stage and economic condition at that period of time.

In 2011, 17.7 billion tenge is provided from the republican budget for implementation of the 2020 BRM Program. Of them:

- 6.8 billion tenge for support of new business initiatives,
- 5.7 billion tenge for the entrepreneurial sector recovery,
- 5.2 billion tenge for decrease of entrepreneurs' currency risks.

Further financing of the 2020 BRM Program will be provided from the republican budget funds provided for the relevant financial years.

The main objective of the Fund is to ensure the prompt and transparent flow of funds under the 2020 BRM Program, also control of their use in an efficient way and in compliance with the originally stated purposes.

In general, in 2010, 135 projects with the total value of 91.9 billion tenge were covered with subsidies under the 2020 BRM Program. The total amount of the subsidies paid out was 414.8 million tenge.

On the first direction, The Support of New Business Initiatives, 90 contracts were signed. The value of the loan portfolio was 14.6 billion tenge.

On the first direction, The Guarantee of Loans to the Entrepreneurial Entities, 10 projects were approved to be covered by the guarantee program. 3 contracts of guarantee were executed. The loan portfolio value was 3.0 billion tenge.

On the second direction, The Recovery of the Entrepreneurial Sector, the Working Group under the State Committee approved 64 projects, and 30 subsidy contracts were executed. The loan portfolio value was 49.3 million tenge.

On the third direction, The Decrease of the Entrepreneurs' Currency Risks, 15 subsidy contracts were executed. The loan portfolio value was 24.1 billion tenge.

From 2011 the 2020 BRM Program was supplemented with a forth direction, The Strengthening of the Entrepreneurial Potential. The forth direction provides for rendering of state support to small and medium business, aiming to strengthen the entrepreneurial potential with the purpose of modernization of productions and introduction of up-to-date patterns of business management.

The state support of small and medium business will involve:

- Support of start-up entrepreneurs (start-up projects);
- Service support to running of operating businesses;
- Training of top managers of small and medium business;
- Modernization and expansion of productions through establishing of business relations with foreign partners (further the Business Relations project);
- Training and re-training of personnel in specialties the most in demand in the market.

Program of financing of leasing transactions of SMB entities

Under Resolution # 1553 of the Government of the Republic of Kazakhstan on October 9, 2009 on Certain Issues of Support to Entrepreneurial Entities in the Processing Industry and Solving Problems in the Real Estate Market, Distressed Assets Fund JSC allocated 2 billion tenge to the Fund for their further placement in the STB and leasing companies for financing of leasing transactions of SMB entities engaged in the processing industry.

The goal of the program is to ensure the possibility of expansion and modernization of the fixed assets of the SMB entities in the priority sectors of the economy through soft-term financing of the leasing transactions.

As of January 1, 2011 under the said program, 33 lessees (SMB entities) were financed to the amount of 762.3 million tenge. The average loan amount was 23.1 million tenge with the average credit period of 61.6 months and average weighted interest rate of 8 % p.a., while the efficient interest rate was 8 % p.a. 1,335 jobs were created and retained.

5.3 Increasing professionalism of the SMB entities and involvement of the population in entrepreneurship

Business Adviser Training Program

The Business Adviser Program was approved by the Damu Fund Board of Directors on 8 June 2009. When developing the Program, an emphasis was laid on:

- Full coverage of all Kazakhstan's regions,
- Practical aspect and availability of the training courses, and
- Minimum costs.

To provide implementation of the Program at a high-level, ensure a full coverage of the regions and raise the trust of the population to the training delivered, the Fund signed the relevant Memoranda of Cooperation with the Nur Otan People's Democratic Party (hereinafter the Nur Otan PDP), Ministry of Education and Science of the Republic of Kazakhstan (hereinafter RK MEC), and also with administrations of 14 Kazakhstan's oblasts and the cities of Almaty and Astana.

The Program employs 120 trainers and instructors of consulting companies from all of Kazakhstan's regions to whom prerequisite training have been delivered as part of the Training-of-Trainers Program and issued the certificates of lecturer-trainer. The training courses were being delivered by a team of 2 trainers: 1) a financier-economist and 2) a lawyer.

With the purpose of providing the trainees with the necessary training material, the manual 'Express Training Course in Entrepreneurship' and booklet 'How to Get a Loan' was developed. Apart from the manuals, some helpful hand-outs were distributed to the trainees during the training course. They included notepads and CDs comprising information useful to entrepreneurs, such as

laws applicable to entrepreneurship, forms for tax reporting and applications, pro forma business plans, standard charter, etc. While delivering the training courses, video records were being made to be analyzed later on.

On completion of the training course every participant was awarded a registered certificate with the number of the certificate being entered into the database along with the information on the participant. The certificate issued was on behalf of the organizers in the person of the RK MES, Nur Otan PDP, NWF Samruk-Kazyna JSC, and Damu Fund.

In 2009–2010, during three stages of implementation of the Business Adviser Program training was delivered to 28,107 people from all of the 209 regions and cities of Kazakhstan. 219 incapacitated persons participated in this express course.

Establishing Entrepreneurship Support Centers

The implementation of the Business Adviser Program has created opportunities for introduction of the efficient model of Entrepreneurship Support Centers in Kazakhstan's regions. The efficiency of such a network will be provided by consolidating efforts of organizations supporting entrepreneurship, standardizing services offered by the centers, and borrowing and adapting good foreign practices in this area.

The Damu Fund shall promote the development of three types of Entrepreneurship Support Centers (hereinafter ESC) depending on the level of regional representation and partners involved in the establishment of ESC:

- **International ESC** shall be established on the basis of the Damu Fund without forming a legal entity and with an international institution involved that has the relevant

expertise and methodological base and technologies to provide consulting services. With this purpose the Damu Fund has entered into cooperation with the UNIDO Center for International Industrial Cooperation under the UN to establish centers for developing industrial entrepreneurship (CDIE).

- **Regional ESC** shall be established on the basis of regional organizations with capabilities and potentials for rendering information, consulting and training services. Universities, public associations of entrepreneurs at the region and/or industry level, and consulting companies may act as the Fund partners in creating regional ESC.
- **District ESC.** In this case the Damu Fund will engage partners with capabilities to participate in establishing ESC.

In 2010, five regional ESC were established in East Kazakhstan, Karaganda, Kyzylorda, Pavlodar, and South Kazakhstan Oblasts and also 2 district ESC in the Aktyubinsk Oblast. Between September and December 2010, ESCs rendered about 1,100 consultations and conducted 28 topical workshops dedicated to business ideas, business plans, marketing, taxation, company registration, etc.

Release of Printed Matters for SMEs

Since November 2009, the magazine called “My Business. Kazakhstan” has been published under the auspices of the Damu Fund. It is designed to throw light upon economic realities in the country.

The magazine is referred to the independent mass media. However, the Damu Fund has the right of veto to reduce risks of publishing information that does not match the realities.

The target readership of the magazine includes SME representatives and those interested in entrepreneurship issues.

The magazine comes out in the Russian language with a circulation of 5,000 copies. It is distributed throughout Kazakhstan using all available outlets.

As of 01.01.2011, 13 issues of the edition were published.

Release of analytical book on SMB in Kazakhstan

January 2010 saw the second issue of the Analytical Book “Report on the State of Small and Medium Entrepreneurship in Kazakhstan and Regions” with a circulation of 1,500 copies. The book includes the all-country analysis of the current state and dynamics of socio-economic performance of SMEs, both at the regional and sector level, SME sector review for each region, and results of the market study with a coverage of ten thousand SME respondents throughout Kazakhstan. The book has been distributed to all of the government agencies, public organizations, leading higher educational establishments, and republican and regional libraries.

On June 22, 2010 the Damu Fund held a press-conference for mass media to present the analytical book. Also, the Damu Fund employees made presentations of the book on the republican TV channels.

An electronic version of the book has currently been developed to be placed on the Damu Fund website and updated on a quarterly basis.

Round Tables and Forums on Small Business in Kazakhstan

In the course of implementation of the Business Adviser Program it was understood how important the Damu Fund direct contacts were with representatives of businesses, communities, and authorities in Kazakhstan's regions.

In January 2010, the city of Karaganda hosted the first republican seminar, The Business Adviser Program: Best Practices, Outcomes, and Prospects, conducted in cooperation with the Karaganda Oblast administration (Akimat). Representatives of higher educational establishments from all parts of Kazakhstan, government agencies, national development institutions, banking and business structures, and the Public Board under the Damu Fund took part in this seminar. The participants of the seminar shared their experience in implementation of the Business Adviser Program both at country and region levels. They discussed a wide range of practical measures on how to improve the mechanism of implementation of the Business Adviser Program.

The Fund employees are actively involved in Open Days, round table activities, conferences, and other events to promote implementation of financial and non-financial programs in support of SMBE. In 2010 alone, the Fund representatives attended more than 30 such events.

In order to improve the promotion of the current Fund's programs, the Fund issues booklets outlining programs under implementation for free distribution to entrepreneurs.

In 2010 the Fund issued the booklet titled "Business Road Map 2020: Questions & Answers" with a circulation of two thousand copies. The booklet contains the 50 most frequently asked questions and detailed answers to them. Also issued was a booklet titled "State Support of Entrepreneurs in Kazakhstan: Business Road Map 2020" with a circulation of nine thousand copies. This booklet describes in detail the mechanism of participation of entrepreneurs in each of the three areas the Program is focused on: (1) Support of New Business Initiatives, (2) Improvement of the Entrepreneurial Sector, and (3) Support of Export-Oriented Works.

Damu Komek Program

The Damu Komek program aims at supporting entrepreneurs and the population with disabilities through enhancing the awareness of their problems and resources they need (financial aid, property, consulting, and other services).

The Damu Fund does not provide funding while acting as a liaison between entrepreneurs with disabilities and potential sponsors and creditors.

To this end, a specialized website, www.damu-komek.kz, was created in December 2009. This presents an electronic advertisement board for exchange of contacts and other information. While implementing similar projects, it has been proved that, as a rule, there have been more of those who want to help than those who want to get assistance.

While implementing the Program, the Damu Fund works extensively with public organizations of disable people and Akimat entrepreneurship departments familiar with local enterprises that employ people with disabilities. They assist in developing the enquiry section of the site. Akimats can also make use of this information resource.

As of January 1, 2011, there were 249 applications on the site and the applicants of 89 of them received sponsor and beneficent help.

Damu Fund's Geo Information System

Damu Fund's geo information system is an interactive system designed to provide relevant statistical and analytical information on Damu Fund's activities and developments of the small and medium businesses, microfinance sector, macro- and microeconomic processes at the republican and regional levels.

The design of the GIS was commissioned by the Damu Fund in order to provide efficient support to managerial decisions made on the base of data visualization. Development and improvement of this system involves several phases:

Phase 1 (completed): A sub-system for analyzing the external environment (based on the data provided by the National Bank of the Republic of Kazakhstan (NBRK), the Statistics Agency of the Republic of Kazakhstan (RKSA), and the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations (ARKRSFMFO)).

Phase 2 (completed): A sub-system for analyzing the internal environment – consolidated and individual information on the Fund financial programs under implementation, with a breakdown by bank, region, purposes of financing, etc.

Phase 3 (completed): In March 2010, a part of the GIS was made open for external users¹ (entrepreneurs, non-government and state-run organizations, mass media, consulting and analytical companies) with reference to the Damu Fund as the copyright holder when publishing. The key decision here is the concentration of all necessary information in one source, the GIS. The System has its own Web-interface to provide maximum suitable access for all interested parties. The data of the interactive information and analytical database are updated on a monthly basis by summarizing information from primary sources (NBRK, RKAS, ARKRSFMFD, STBs, and others).

Phase 4 (in progress): A sub-system for monitoring the SME performance at enterprise level (production output,

profit, outstanding loans, investment, etc.) with the capabilities of preparing reports by region and sector. The purpose of this sub-system is to support managerial decision-making oriented at spotting the sectoral effect (effect on the region/sector, etc.) on the SME sector.

On 22 June 2010, the Fund held a press-conference to present the Geo information System with mass media invited and the Fund employees speaking on TV channels.

Together Program

One more project in support of entrepreneurs with disabilities is a series of the TV programs called 'Together!' / «Бір болайық!». This is an information and analytical program to promote entrepreneurship among people with disabilities.

The purpose of this project is to provide, on a permanent basis, targeted and specific assistance to entrepreneurs with disabilities and bring such deeds into limelight through this program. The program was beamed on the Khabar TV-channel.

The first release of the program was on 24 June 2010. As of 1 January 2011, 24 entrepreneurs with disabilities took part in this TV-program.

Summary

The development of entrepreneur's competence programs implemented by the Fund in 2009–2010 proved to be successful and in demand showing thereby the importance of enhancing work in this area. The Fund considers that implementing full-range programs that combine financial support and non-financial instruments will have maximum multiplicative effect.

1

The Internet address: <http://gis.damu.kz/>



Palace of Peace and Accord



The Fund's International Activities

As part of its international cooperation, the Damu Fund sees its main task in establishing and developing cooperation with government, non-government and entrepreneurial structures in the world's advanced countries.

The Damu Fund gives much attention to expanding international cooperation, establishing and maintaining contacts with government, non-government and entrepreneurial structures in the world's advanced countries.

The Fund develops and aims at permanent contacts with the SME support institutions in the countries that have greatly succeeded in the small business area, such as Poland, Italy, South Korea, USA, and Germany, and also in the largest neighboring countries, such as Russia and China.

Today, the Fund cooperates with such countries as:

- USA – under the PPEP framework and, on a partnership basis, with the USAID project on development of small business in Kazakhstan – KSBD,
- Poland – the Memorandum of Cooperation is signed between the Damu Fund and Poland Agency for Development of Entrepreneurship (PADE),
- South Korea – the Memorandum of Cooperation is signed between the Damu Fund and Small and Medium Business Corporation of South Korea.
- Germany – the Memorandum of Cooperation in the field of establishing structures to promote SMEs in the Republic of Kazakhstan has been signed between the Damu Fund and GIZ, German Technical Cooperation.
- Italy – two Memoranda of Cooperation are signed:
 - Bilateral Memorandum of Cooperation between the Damu Fund and Italian-Kazakhstani Chamber of Commerce.

- 4-party Memorandum of Cooperation between the Damu Fund, Italian-Kazakhstani Chamber of Commerce, Parma's Union of Manufacturers, Italy, and Soyuz Atameken National Economic Chamber of Kazakhstan,
- Netherland – negotiations are being conducted on the Memorandum of Cooperation to be signed between the Damu Fund and Organization of the Netherland's Senior Experts.

In April of 2010 the Memorandum of Understanding between the Damu Fund and Small and Medium Business Corporation of the Republic of Korea was signed in the course of Kazakhstani-Korean Business Forum in Seoul.

The Fund intends to develop cooperation with international organizations. In particular, active cooperation is expected with the United Nation Industrial Development Organization (UNIDO).





The building of the Ministry of
Finance of the Republic
of Kazakhstan



Consolidated Financial Statements

Financial Statement of the Damu Entrepreneurship Development Fund JSC
For the year ending on December 31, 2010

Statement of the Financial Condition

	2010 In thousand tenge	2009 In thousand tenge
ASSETS		
Cash and their equivalents	23.649.327	15.843.071
Financial instruments evaluated at fair value with the changes in the latter reflected in the loss and income statement for the reporting period	14.319.128	-
Loans and advances to financial organizations	167.357.229	227.911.013
Loans to customers	3.386.969	7.614.639
Financial assets available for sale	5.181.261	4.543.203
Investments in associates	12.000	12.000
Fixed assets	579.117	484.796
Intangible assets	76.051	79.106
Current tax assets	2.828.758	2.386.441
Differed tax assets	967.373	1.860.185
Other assets	142.410	78.173
Total assets	218.499.623	260.812.627
LIABILITIES		
Amounts due to the Shareholder's Group	162.878.380	224.908.993
Amounts due to credit institutions and government agencies	10.606.573	5.741.820
Other liabilities	536.543	264.302
Total liabilities	174.021.496	230.915.115
EQUITY		
Equity capital	44.920.273	44.920.273
Revaluation reserve of financial instruments available for sale	(578.084)	(1.109.969)
Reserve aggregate	316.430	316.430
Accumulated loss	(180.492)	(14.229.222)
Total equity	44.478.127	29.897.512
Total equity and liabilities	218.499.623	260.812.627

Statement of Comprehensive Income

	2010 In thousand tenge	2009 In thousand tenge
Interest income	19.712.391	21.618.882
Interest expense	(12.379.350)	(12.900.116)
Net Interest income	7.333.041	8.718.766
Net gain/(loss) on transactions with foreign currencies	260	(7.543)
Net gain/(loss) on transactions with financial instruments evaluated at fair value with the changes in the latter reflected in the loss and income statement for the reporting period	388.302	78.472
Net gain/(loss) on transactions with financial instruments available for sale	66.745	(1.044.356)
Other operating income	301.493	12.096
Operating income	8.089.841	7.757.435
Net recovery of impairment/(loss on impairment)	11.643.378	(17.992.858)
Personnel expenses	(1.347.854)	(928.663)
Other general administrative expenses	(942.184)	(592.125)
Income/(loss) before tax	17.443.181	(11.756.211)
Income tax (expense)/savings	(3.394.451)	1.371.882
Income/(loss) for the reporting period	14.048.730	(10.384.329)
Other comprehensive income		
Net change in fair value of financial assets available for sale	598.630	(195.862)
Net change in fair value of financial assets available for sale carried to the income/loss statement	(66.745)	
Impairment of available-for-sale financial assets carried to the income/loss statement	-	1.044.356
Other comprehensive income for the reporting period	531.885	848.494
Total comprehensive income for the reporting period	14.580.615	(9.535.835)

Statement of Cash Flow

	2010 In thousand tenge	2009 In thousand tenge
CASH FLOW FROM OPERATING ACTIVITIES:		
Interest received	18.246.436	18.523.320
Interests paid	(13.301.239)	(12.882.833)
Net revenues from transactions with financial instruments evaluated at fair value with the changes in the latter reflected in the loss and income statement for the reporting period	-	78.473
Personnel expenses paid	(1.211.089)	(1.029.979)
Recovery of loans to customers previously written-off	289.971	153.634
Other general and administrative expenses	(456.936)	(523.659)
(Increase)/decrease in operating assets		
Receivables on reverse repurchase agreements	-	5.739.671
Loans and advances to financial organizations	71.068.308	(132.228.501)
Financial instruments evaluated at fair value with the changes in the latter reflected in the loss and income statement for the reporting period	(13.806.572)	-
Loans to customers	3.340.130	952.788
Other assets	103.872	(88.002)
Increase/(decrease) in operating liabilities		
Other liabilities	(39.894)	8.160
Cash inflows from/(use of cash in) operating activities	64.232.987	(121.296.928)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Purchase of financial assets available for sale	-	(88.289)
Sales and extinguishment of financial assets available for sale	-	62.225
Proceeds from investment in associates	-	5.099
Fixed assets acquisition	(187.302)	(28.311)
Purchase of intangible assets	(19.102)	(5.313)
Cash used in investment activities	(206.404)	(54.589)
CASH FLOWS FROM FINANCIAL ACTIVITIES:		
Cash inflows from the Shareholders' Group	-	142.428.000
Redemption of debt to the Shareholder's Group	(61.143.978)	(6.000.000)
Inflows from credit organizations and public agencies	12.085.496	68.900
Redemption of debt to credit institutions and public agencies	(7.161.845)	(2.032.083)
Dividends paid	-	(39.260)
Cash inflows from/(use of cash in) financial activities	(56.220.327)	134.425.557
Net increase in cash and its equivalents	7.806.256	13.074.040
Cash and cash equivalents as of the beginning of the year	15.843.071	2.769.031
Cash and cash equivalents as of the end of the year	23.649.327	15.843.071

Statement of Changes in Equity

In thousand tenge	Share capita	Revaluation reserve of available-for-sale securities	Other reserves	Accumulated deficit	Total
Balance as of January 1, 2009	44.920.273	(1.958.463)	316.430	(3.805.633)	39.472.607
Total comprehensive income					
Loss for the reporting period	-	-	-	(10.384.329)	(10.384.329)
Total comprehensive income					
Net change in fair value of available-for-sale securities	-	(195.862)	-	-	(195.862)
Impairment of available-for-sale financial assets carried to the income and loss statement	-	1.044.356	-	-	1.044.356
Total other comprehensive income	-	848.494	-	-	848.494
Total comprehensive income for the reporting period	-	848.494	-	(10.384.329)	(9.535.835)
Transactions with owners shown directly in the structure of capital					
Dividend paid	-	-	-	(39.260)	(39.260)
Total transactions with owners	-	-	-	(39.260)	(39.260)
Balance as of 31 December 2009	44.920.273	(1.109.969)	316.430	(14.229.222)	29.897.512
Balance as of 1 January 2010	44.920.273	(1.109.969)	316.430	(14.229.222)	29.897.512
Total comprehensive income					
Profit for the year	-	-	-	14.048.730	14.048.730
Total comprehensive income					
Net change in fair value of financial assets available for sale	-	598.630	-	-	598.630
Net change in fair value of financial assets available for sale carried to the loss and income statement	-	(66.745)	-	-	(66.745)
Total other comprehensive income	-	531.885	-	-	531.885
Total comprehensive income for the reporting period	-	531.885	-	14.048.730	14.580.615
Balance as of December 31, 2010	44.920.273	(578.084)	316.430	(180.492)	44.478.127

The financial statements are certified by the independent International Audit Company KPMG Audit LLP



M-3 road bridge over the
Ishim river



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