



BAITEREK



DAMU

**WORLD STANDARDS
OF SUPPORT
BUSINESS**

**ANNUAL
REPORT
2016**



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OF SUPPORT BUSINESS

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LETTER FROM THE

DEPUTY PRIME-MINISTER
OF THE REPUBLIC OF KAZAKHSTAN,
CHAIRMAN OF THE BOARD
OF DIRECTORS

Dear Ladies and Gentlemen,

Year 2016 was marked by the 25th anniversary of independence of the Republic of Kazakhstan. During such a short period of time when taken on a global scale, our country managed to implement comprehensive political reforms, formed an effective market economy and introduced new standards of social welfare. Today Kazakhstan is the leader of regional integration and an active participant in the global economic cooperation.

Thanks to the proven public policy and teamwork of our countrymen, Kazakhstan's economy has grown 20 fold during the years of its independence. The country became one of the most attractive in Central Asia in terms of investing: foreign direct investments reached USD265 billion. The geography of exports covered 119 countries.

The popularity of Kazakhstan as a tourist destination has been growing. The country's active role in international sport, cultural, economic and political events provides attraction of tourists to Kazakhstan.

Kazakhstan is one of the most favorable countries for doing business among CIS members. For 25 years a

new niche of business class has been formed. During this period, business became a most creative segment due to its dynamic development, and involves almost all spheres of the economy.

The Government of Kazakhstan will further make every effort to create a favorable business climate. Our country has a focus on improving our position in the global ranking of ease of doing business – according to 'Doing Business' by the World Bank. Occupying 35th place, we are making efforts to be one of the top 30 countries.

For the present, the small and medium enterprises sector accounts for more than 1.5 mln enterprises and individual entrepreneurs, 35% of all jobs, more than 23% of the GDP and 26% of tax revenues.

A strategic task for our diversified economy is to increase the share of small and medium enterprises in the economy to 50% by year 2050.

Based on these tasks, the Government is launching new initiatives. One among them highlights the Program for the development of productive employment and mass entrepreneurship during the 2017-2021 period, automation of government services in the area of SMEs support, such as loan guarantees and subsidized rates, financing of regional businesses by "Damu" Fund and Akimats, taking into account the specific features of each region and the application of a discount rate. Particular attention is paid to supporting start-ups and young

entrepreneurs. Presently, start-up support programs are functioning through the regional branches of the Fund and start-up academies are opening with the assistance of public and private universities.

I am confident that all of the above measures will stimulate further business development and open new opportunities for entrepreneurial initiatives in Kazakhstan.

I wish all the readers a prosperous life.

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

A.U. Mamin

**THANKS TO THE PROVEN
PUBLIC POLICY AND TEAM-
WORK OF OUR COUNTRY-
MEN, KAZAKHSTAN'S ECON-
OMY HAS GROWN 20 FOLD
DURING THE YEARS OF ITS
INDEPENDENCE.**



LETTER FROM THE

CHAIRMAN OF THE MANAGEMENT BOARD
OF THE NATIONAL MANAGEMENT HOLDING
"BAITEREK" JSC

Dear Ladies and Gentlemen,

National Management Holding "Baiterek" JSC and its institutions for development are working towards achieving a sustainable economic development in Kazakhstan through financially supporting all the priority sectors of the economy and socially oriented projects. To this end, each year the Holding has increased the coverage of its customers by providing services throughout all the segments of its target market. This is backed up by the performance indicators of the companies within the Group:

- In 2016, Kazakhstan Development Bank JSC, being the primary institute for supporting major infrastructure and industrial projects, provided a record funding for selected projects and programs - KZT426 bln, which was 30% higher than in 2015;
- According to 2016 results, Zhilstroysberbank attained a record share in the mortgage lending market - 67%; with more than 24 thousand loans provided during this period. The total number of deposits exceeded 800 thousand;
- With regard to housing construction - 456.5 thousand square meters of housing, or about 8 thousand flats were placed on the market in 2016;

DURING 2016, DAMU ENTREPRENEURSHIP DEVELOPMENT FUND, BEING THE PRIMARY INSTITUTION FOR SMALL AND MEDIUM BUSINESS SUPPORT, ACHIEVED MORE THAN 50% GROWTH IN ITS PERFORMANCE INDICATORS.

- KazakhExport backed up 1,193 export contracts, amounting to USD280 mln;
- Since 2013, the Holding's loan portfolio has grown 2.8 times, reaching KZT2.3 trillion.

During 2016, Damu Entrepreneurship Development Fund, being the primary institution for small and medium business support, achieved more than 50% growth in its performance indicators. For the period in question, the number of projects financed exceeded 13 thousand units and the amount of loans rose to more than KZT740 bln. When compared to the market, 1 out of 6 Tenge loans in the priority sectors of the economy and 1 out of 4 Tenge loans in the manufacturing industry were given to the participants of the Damu Fund's programs.

It is important to note that to date Kazakhstan's SME sector has represented a significant share of the economy, providing a quarter of the GDP and one-third of all jobs. Moreover, Kazakhstan's SME's consist of over 1.5 million enterprises and individual entrepreneurs. Our goal is to create such good conditions for SME's that, under which, they will be able to maximize their potential and increase their contribution to the well-being of the country as a whole.

Therefore, the revised Development Strategy of the Holding provides even more ambitious goals for the Damu Fund, such as increasing the coverage of entrepreneur financing, improving accessibility to

funds, automation and increased standards in providing services to SME's at partner-bank level. As of 2017, Damu Fund will become the operator of Development of Productive Employment and Entrepreneurship for Micro-lending and Guaranteeing Program. New funds for SME programs are expected from international financial institutions and local executive bodies. The technology for accelerated processing of loan applications, tested in 2016 in Almaty city and Almaty region, will be applied in other regions. Automation of "Digital Damu", the "electronic supermarket" for business support will make it possible to select an optimal package of services for Damu customers and getting them through just "one window".

I am confident that we will successfully implement these planned initiatives. I wish all our colleagues, partners and clients success and a fruitful business!

Chairman of the Management Board of the
National Management Holding "Baiterek" JSC

E.A. Dossayev

LETTER FROM THE

CHAIRMAN OF THE MANAGEMENT BOARD



Dear Ladies and Gentlemen,

You are holding the Annual Meeting of "DAMU" ENTREPRENEURSHIP DEVELOPMENT FUND" JSC (hereinafter referred to as the Fund) for the year 2016. This past year has been a productive and busy time for the whole of the Fund team. We, together with our shareholder - National Managing Holding "Baiterek" JSC, managed to expand the product line, lower loan rates, focus on financing regional projects and attract funds from international financial organizations. In 2016, the Fund managed to introduce further new programs to cover more entrepreneurs.

The new technology of "Damu-Blitz" helped shorten the decision-making for micro and small businesses loans from 45 to 7 days, due to the introduction of uniform standards for reviewing applications by second-tier banks. In 2016, around 78 projects were approved, amounting to KZT1,064 bln.

In 2016, the first public service for the financial support of small and medium enterprises was launched through the egov.kz portal to facilitate the process of obtaining loan guarantees with insufficient collateral. The application from the entrepreneur is reviewed online and takes only 5 days. This service increases the transparency of the process. To date, 46 applications have been approved.

IN 2016, THE FUND MANAGED TO INTRODUCE FURTHER NEW PROGRAMS TO COVER MORE ENTREPRENEURS.

In 2016, the Fund together with the regional Akimats, allocated KZT20.7 bln for funding regional entrepreneurs, of which KZT9.3 bln alone were funds allocated by the regional Akimats. Priority is given to entrepreneurs in rural and remote areas. Average interest rate for entrepreneurs was less than 8.5 %. Comparatively, in 2014-2015 the interest rate for the end-user amounted to 14%.

New Damu-Optima Guarantee Program provides an opportunity for the entrepreneurs that are not in the Unified Program for Business Support and Development "Business Road Map-2020", the target group, to get a bank loan, using a guarantee from the Fund if they lack a property to pledge. It became available for such business areas as trade, services, public catering. In 2016 around 28 such projects were financed for a total loan amount of KZT567 mln and the total guarantees amounted to KZT172 mln.

In 2016, the Fund developed a new program for franchise financing, which allows entrepreneurs to obtain a turnkey business solution. Franchises were launched in such industries as professional, scientific and technical activities, wholesale and retail trade, repair of motor vehicles and motorcycles, education, etc., representing 12 projects in total.

This new program using factoring allows entrepreneurs to have circulating assets and not depend on payments from previous orders. The Fund placed this financing for an amount of KZT250 mln with Alfa-Bank JSC.

In 2016, the Fund continued to attract concessional loans from international financial institutions (IFIs). Also in 2016, our longtime partner, the European Bank for Reconstruction and Development (EBRD) allocated KZT22.3 bln for financing women's businesses, as well as the micro-, small- and medium-sized businesses in Kazakhstan.

In November 2016, in Paris, the European Investment Bank and the Fund have signed loan agreements amounting to EUR200 mln, in KZT equivalent. This credit line from the European Investment Bank (EIB) is provided for the Fund under the guarantee of its sole shareholder - National Management Holding "Baiterek" JSC. EIB funds will be used for the so-called "green" projects, which help mitigate climate change risks and are aimed at the sustainable consumption of electric power, energy efficiency, environment protection and etc.

I would like to thank the team of "DAMU" ENTREPRENEURSHIP DEVELOPMENT FUND" JSC for their good work and I wish further success to all of you.

Chairman of the Management Board

K.A. Tuleushin

MAIN CORPORATE EVENTS IN 2016

1 Launch of 3 pilot products by the Fund as a means of conditional allocations of funds: Damu-Franchising, Damu-Factoring and Damu-Micro (microlending through the microfinance organizations).

2 Budget funds are obtained from 16 Akimats (including the Akimat of Ridder) for the implementation of a regional program for funding small and medium enterprises (SMEs) in the amount of KZT9.3 bln.

3 Agency agreements were signed with the National Bank of the Republic of Kazakhstan and Kazakhstan Development Bank JSC, to exercise agency functions for project monitoring, funded by 19 STBs using the Unified Pension Fund.

Budget funds are obtained from
16 Akimats
(including the Akimat of Ridder) for the implementation of a regional program for funding small and medium enterprises (SMEs) in the amount of

KZT9.3

bln.

4 On July 11, 2016, the "Damu-Optima" Guarantee Program was launched. It was designed to provide access to bank loans to entrepreneurs from various branches of economy, who are considered as not having priority under the Unified Program for Support and Business Development "Business Road Map 2020" or who do not meet its criteria for access to bank financing. Currently, cooperation agreements are signed under DAMU-OPTIMA's Guarantee Program with 13 second-tier banks (Bank RBK JSC, Bank of Astana JSC, Kazkommertsbank JSC, Bank CenterCredit JSC, Bank Kassa Nova JSC, AsiaCreditBank JSC, Tengri Bank JSC, Eurasian Bank JSC, Eximbank Kazakhstan JSC, Sberbank of Russia JSC, ForteBank JSC, SB Alfa-Bank JSC and Delta Bank JSC). As of 01.01.2017, the authorized body of the Fund approved 63 projects under this Program.

5 In August 2016, the Fund repaid the amount of the 1st tranche of ADB loan of KZT22.2 bln, obtained in 2011.

6 The European Bank for Reconstruction and Development allocated funds, amounting to KZT22.3 bln to support SMEs under the Fund's Guarantee and through a network of Kazakhstani financial institutions.

7 In November 2016, Loan Agreements were signed with the European Investment Bank on raising funds for an amount not exceeding EUR200 mln, in KZT equivalent, with the purpose of financing green projects.

Damu Blitz lending technology was launched in 2016.

8 In June 2016, the International Rating Agency Standard & Poor has confirmed the credit rating of the Fund on the same level as a sovereign one - BBB-/A-3; negative forecast.

9 Damu Blitz lending technology was launched in 2016. During this period, second-tier banks (Bank Astana JSC, Alfa-Bank JSC, Bank Kassa Nova JSC) reviewed 82 projects, for a total amount of KZT1,179 mln.

10 Automation of business process for reviewing entrepreneurs' applications for credit guarantees of small enterprises was the significant event of 2016 for the Fund.

11 Since 2016, private entrepreneurs (PEs) can apply to the Fund via an "electronic government" Web-portal on www.egov.kz to use credit guarantees for PEs up to KZT180 mln.

12 In December 2016, the Program for the development of productive employment and mass entrepreneurship for 2017-2021 was approved by a resolution of the Government of the Republic of Kazakhstan. The Fund was selected as the financial agent for this Program.

13 In December 2016, the Government of the Republic of Kazakhstan approved the Housing Construction Program "Nurly Zher". Within the framework of the Program, the Fund will exercise the functions of a financial agent for subsidizing loans for private developers.

14 In December 2016, the Management Board of the Fund had provisionally approved a draft of the Environmental policy.

15 The Unified Program of the Fund for the support of private entrepreneurs through conditional fund placement in second-tier banks and other legal entities was approved.

16 The Methodology for ranking second-tier banks (STBs) and local executive bodies (LEBs) under the Fund's support programs was approved.

17 The Unified Program for Improving the Competence of Entrepreneurs for 2015-2018, which provides non-financial support for start-ups and existing businesses, was launched in 2016. The program includes new projects: "Startup Academy" and "Support for the operating business "Asyldar". 4 Startup Academies were organized in the cities of Pavlodar, Atyrau, Astana and Almaty, aimed at providing acceleration support to start-ups.

18 The work of consultants within the Centers of Entrepreneurial Services was revised. "Financial agents" were introduced to ensure project support from the level of private enterprises (PEs) to the STBs or other financial organizations. During the year 2016, 346 projects were given such support.

19 The Fifth Business forum on the Conference on Interaction and Confidence-building Measures in Asia (CICA) was attended by 314 people, including representatives from 24 member countries and observer countries for the CICA. The Forum on women's entrepreneurship, Investors' Forum, the Conference on Microfinancing, Franchising and the Green Economy and the second meeting of the CICA Business Council, as well as the exhibition "KazFranch 2016" were held within the framework of this Forum.

20 Exhibition & Forum "Made in Kazakhstan" took place with the participation of 307 companies; 5,400 people visited the exhibition. Within the framework of the Exhibition & Forum, 4 free master-classes were held in the field of business development and enhanced sales.

21 Three Memoranda were signed with Young entrepreneurs club (MOST) LLP, Autonomous Cluster Fund "Park of Innovative Technologies" (Techgarden) and Institute of electric power and energy conservation development "Kazakhenergoexpertise" JSC.

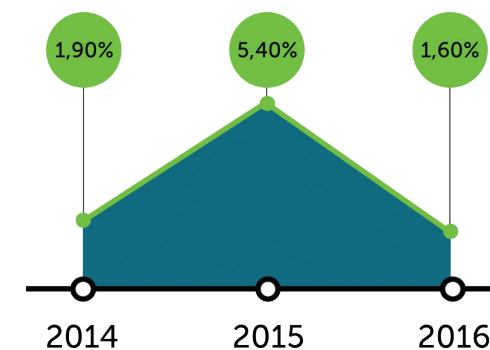
Automation of business process for reviewing entrepreneurs' applications for credit guarantees of small enterprises was the significant event of 2016 for the Fund.

OPERATING HIGHLIGHTS

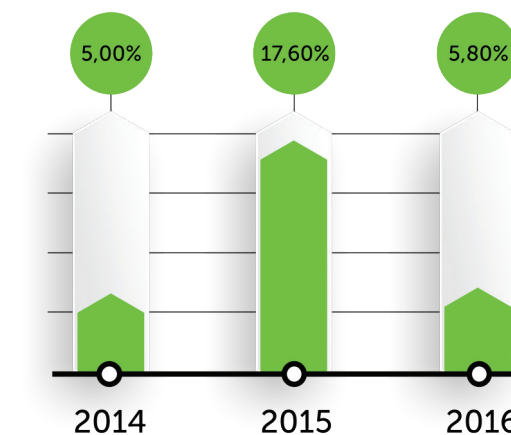
№	KPI	Unit of measurement	2014	2015	2016		
			Actual		Target	Actual	% of target
1	Spending on entrepreneurship development through financial programs, KZT bln	KZT bln	439,4	523,7	451	606,0	134%
2	Number of jobs created	persons	24 836	25 900	25 780	26 061	101%
3	Percentage of SMEs supported out of total numbers of SMEs in the market	%	7,5%	6,4%	4,1%	5,3%	130%
4	Number of participants in training programs	persons	24 557	27 916	4 780	5 988	125%
6	Number of clients of remote services	persons	38 251	59 705	54 750	54 765	100%

PROFITABILITY INDICATOR

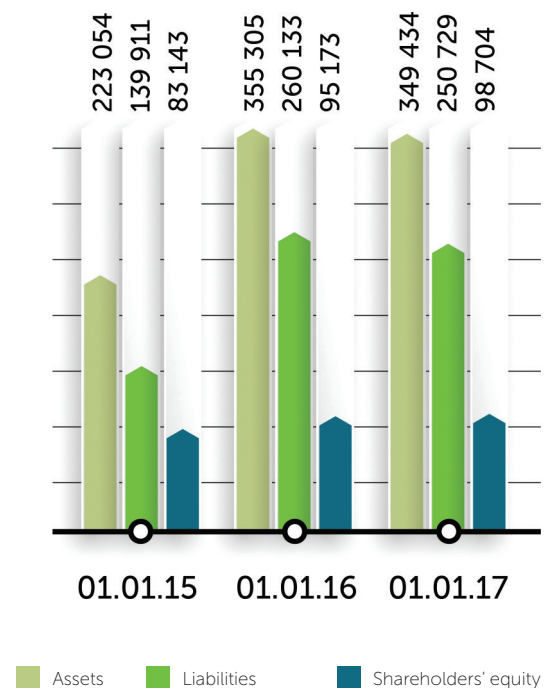
ROA, return on assets



ROE, return on equity



Balance sheet indicators (in KZT mln)





ABOUT THE FUND

BUSINESS MODEL OF THE FUND

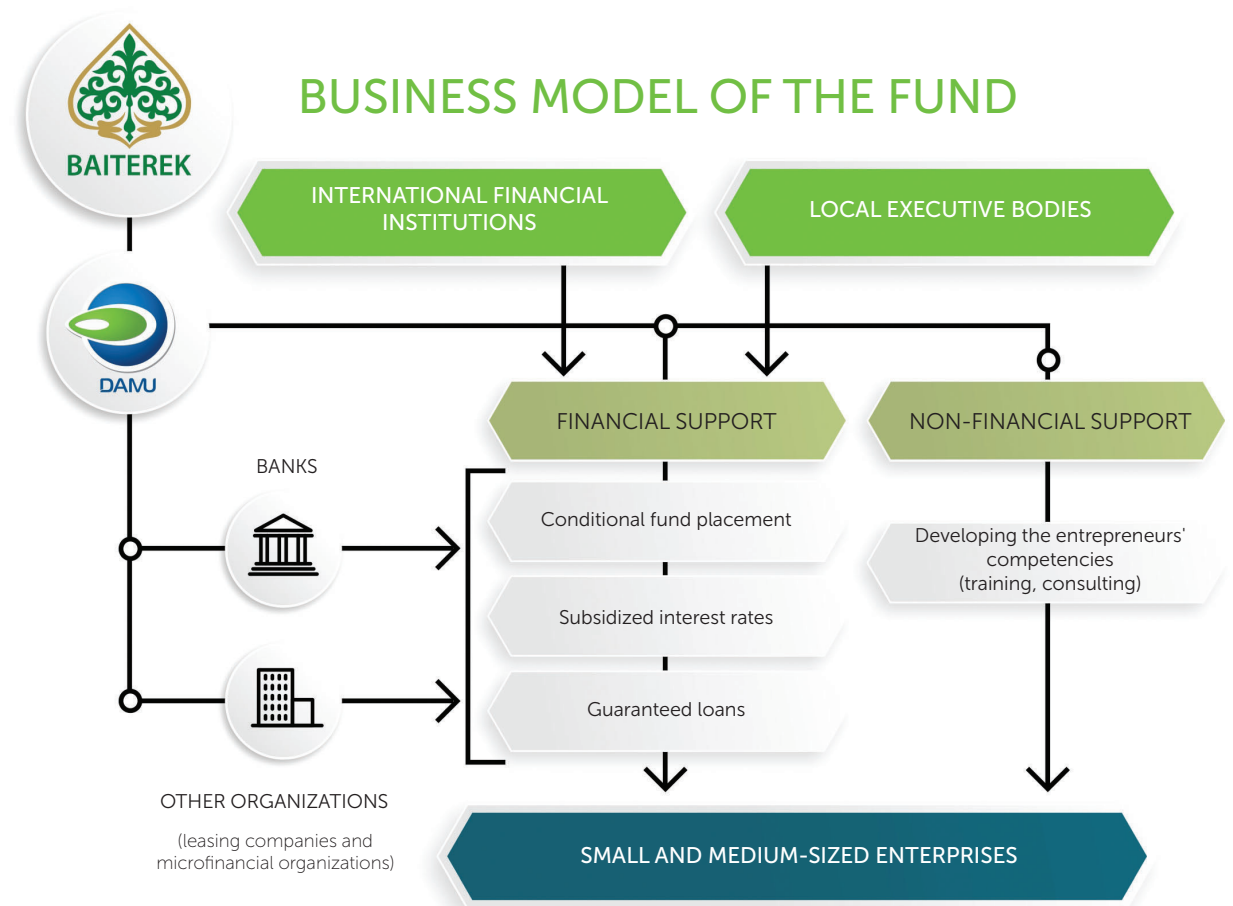
GEOGRAPHY OF THE FUND'S OPERATIONS

HISTORY OF THE FUND

1 ABOUT THE FUND

DAMU ENTREPRENEURSHIP DEVELOPMENT FUND* JSC (the Fund) is a national development organization and the operator for the state asset management. Its main goal is to stimulate the formation and growth of small and medium enterprises in the Republic of Kazakhstan and to increase the efficiency of use of funds provided to support the SMEs.

The Fund provides a wide range of products and services for entrepreneurs: lending program through second-tier banks, financing of leasing transactions, interest rate subsidies, loan guarantees, business training, consulting support, distribution of information and analytical materials.



10,145 borrowers funded to the total loan amount of **KZT247.3** bln

2,121 subsidized projects signed to the total loan amount of **KZT331.8** bln

951 guaranteed projects signed to the total loan amount of **KZT26.9** bln

90,923 clients consulted in ESCs and MBSCs

LIST OF SUBSIDIARIES OF THE FUND

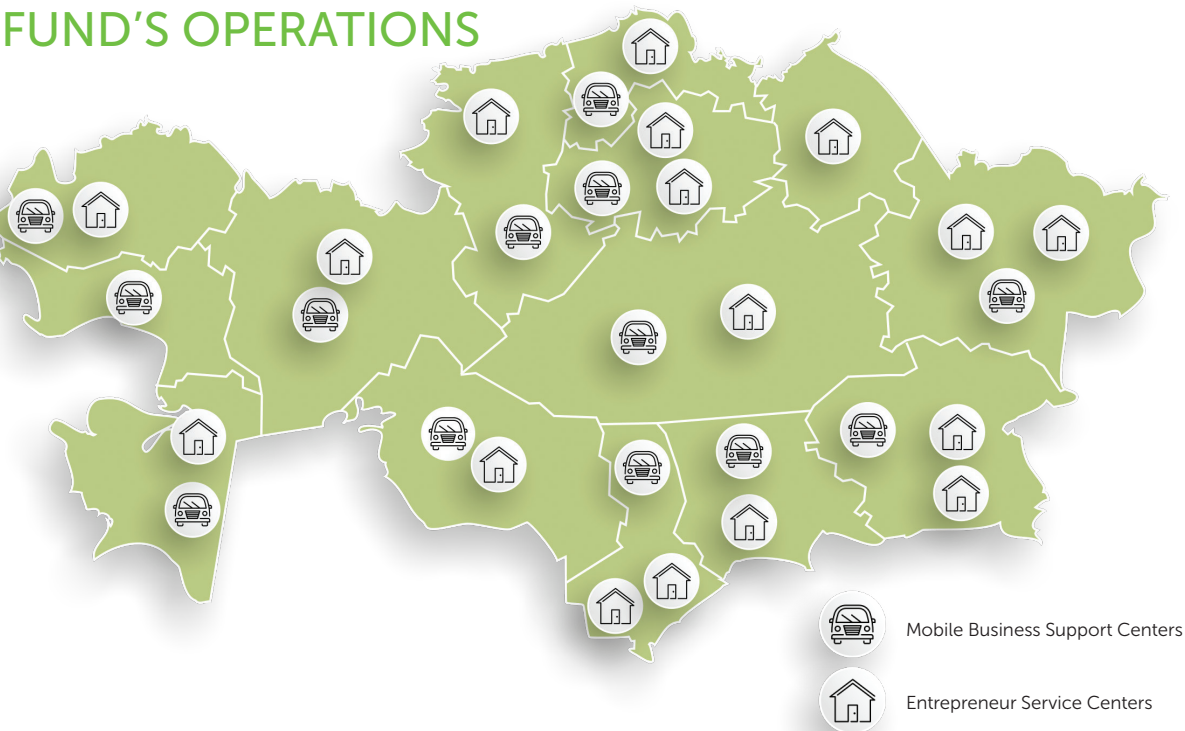
List of companies in which the Fund has shares in the authorized capital, but does not have significant influence on the activities of these companies:

No.	Description	Authorized capital,KZT mln	Equity share	Main area of business
1	MCO ADAL-INVEST LLP	7	28,5%	microlending
2	MCO Econom LLP	12	16,6%	microlending
3	MCO West Finance LLP	5,06	39,5%	microlending
4	MCO Zhaynar LLP	5,5	36,4%	microlending

The Fund is currently liquidating its existing micro credit organizations, since the Information & Accounting Center recognized that attempts at selling the Fund's

shares in these MCOs were not completed due to the absence of acquirers. The liquidations of these MCOs is planned to be completed in 2017.

GEOGRAPHY OF THE FUND'S OPERATIONS



The Fund is represented in all the regions of Kazakhstan. The regional network consists of 16 branches situated in all regional centers as well as in the cities of Astana and Almaty. In addition, support infrastructure for the entrepreneurs is represented by 18 Entrepreneur Service

Centers (ESCs) and 14 Mobile Business Support Centers (MBSCs). Within the framework of its consultancy programs, the Fund provides coverage in all 204 cities and regions of Kazakhstan.

HISTORY OF THE FUND

1997

Establishment of the Fund (by resolution № 665 of the Government of the Republic of Kazakhstan on April 26, 1997, "On establishment of the Small Entrepreneurship Development Fund"¹)

1997–2001

The Fund was responsible for the accounting and the control of the use of budget funds under the Support Program for Domestic Producers, as well as funds received through credit lines from the European Bank for Reconstruction and Development and the Asian Development Bank.

2002–2007

Provision of loans to small businesses directly from its own funds. The Fund has fulfilled the Small Business Lending Program with Funding from the Federal Budget, as well as the Small Town Development Program for 2004-2006.

2005–2007

Support to small enterprises through project financing and leasing programs, developing micro-credits in Kazakhstan, providing guarantees to small businesses under loans received from second-tier banks.

2007

– till present

Functions as operator of conditional fund allocation.

2010

– till present

The Fund is a financial agency for arranging subsidized interest rates and credit guarantees, related to the loan/leasing transactions for entrepreneurs taking loans from banks/leasing companies, and also implements training and consulting programs within the Government's Unified Program for Business Support and Development "Business Road Map 2020".

2011-2015

The Government of the Republic of Kazakhstan, together with Asian Development Bank (ADB) and the Fund has agreed on a financing framework for the Fund to seek a US\$ 500 mln credit facility in three tranches, backed by a sovereign guarantee given by the Government of the Republic of Kazakhstan.

2013

– till present

Sole shareholder - National Managing Holding "Baiterek" JSC

2014

EBRD has provided US\$ 200 mln for the implementation of EBRD's program for the development of micro-, small- and medium-sized businesses in Kazakhstan, along with US\$ 30 mln dedicated to the program entitled "Women in Business". The Fund provided EBRD its full performance guarantee pursuant to the commitment of Second Tier Banks (STB's) assigned to this loan.

2016

– till present

Unified Program for Improving the Competence of Entrepreneurs by the Fund for 2015-2018, which provides non-financial support for start-ups and existing businesses.

2016

– till present

The Fund supports the National Bank of the Republic of Kazakhstan and Kazakhstan Development Bank JSC via agency services on monitoring compliance by STBs with SMEs' financing from the Unified Pension Fund.

2016

– till present

The Fund was chosen as financial agent by the Program for Development of Productive Employment and Entrepreneurship for 2017-2021, as approved by the resolution № 919 of the Government of the Republic of Kazakhstan on December 29, 2016.

¹ The Fund's former name: Small Business Development Fund JSC



MISSION AND VISION OF THE FUND

THE FUND'S STRATEGIC DIRECTIONS,
GOALS AND OBJECTIVES up to the year 2023

2 MISSION AND VISION OF THE FUND

MISSION OF THE FUND

The Mission of the Fund is to promote quality SMEs growth in Kazakhstan through comprehensive support with a wide range of financial instruments and programs to develop competencies.

VISION OF THE FUND

The Vision of the Fund is to become an effective national institution implementing Government's policy in supporting SME growth by the year 2023.

THE FUND'S STRATEGIC DIRECTIONS, GOALS AND OBJECTIVES UP TO THE YEAR 2023

To implement its mission and vision, the Fund will focus on the following strategic growth areas:

№	Strategic directions	Strategic goals	Strategic objectives	KPI of activity					
				KPI	2016		% completed	2018	2023
					target	actual		target	target
1.	Provide financial support to SMEs	Make credit resources more accessible to SMEs	1.1. Providing more financial support to SMEs	Loan portfolio	KZT258 bln	KZT205 bln	79%	KZT391 bln	From KZT206 bln in 2014 to KZT869 bln in 2023
				Percentage of supported SMEs vs. total number of SMEs on the market	4.1%	5.3%	130%	8.6%	Up to 11.2% in 2023
				Spending on entrepreneurship development through financial programs	KZT451 bln	KZT606.0 bln	134%	KZT507 bln	From KZT328 bln in 2014 to KZT583 bln in 2023
			1.2. Expanding areas of cooperation and financing mechanisms/co-financing SMEs in cooperation with the financial institutions	Multiplier of SMEs' co-financing from the STBs for credits issued under the conditional financing program	-	-		1:1	1:2 in 2023
			1.3. Attracting additional funding from domestic and foreign markets to increase SME financing	Percentage funds raised for SMEs' financing from extra-budgetary sources	49%	71%	145%	36%	From 20% to 40% in 2023
2.	Developing the competencies of SME entities	Improving qualifications of SME entities and public involvement in the entrepreneurship	2.1. Developing consultancy services for entrepreneur	Number of clients of Entrepreneurs Competence Centers	70,070 persons	90,923 persons	130%	106,860 persons	From 33.2 thou. SMEs in 2014 up to 188 thou. in 2023
			2.2. Entrepreneur training and improving competencies	Number of participants in training programs	4,780 persons	5,988 persons	125%	24,000	From 22.5 thou. people in 2014 up to 25.5 thou. people in 2023
				Share of training program participants, who opened a business	12.0%	12.0%	100%	15.0%	From 10% in 2014 to 25% in 2023
				Entrepreneur satisfaction with training services provided	80%	94.6%	118%	not less than 80%	From minimum 80% in 2014 up to 85% in 2023
			2.3. Introduction of a unified information platform for the SMEs and developing other forms of remote consulting	Number of clients of remote services	54,750 persons	54,765 persons	100%	73,000 persons	From 36.5 thou. persons up to 146 thou. persons in 2023

Canada



Main operator of SME development



Federal Business Development Bank

year of establishment
1944



Position in Doing Business
22



Share of SMEs in GDP
30%



Number of SMEs
1 241 728



Share of SMEs' loans in
13,43%



Interest rate
5,1%



3 ANALYSIS OF SMES IN KAZAKHSTAN. DEVELOPMENT PROSPECTS



ANALYSIS OF SMES IN KAZAKHSTAN. DEVELOPMENT PROSPECTS

PROSPECTS OF DEVELOPMENT OF THE ECONOMY AND SMES IN KAZAKHSTAN FOR 2017

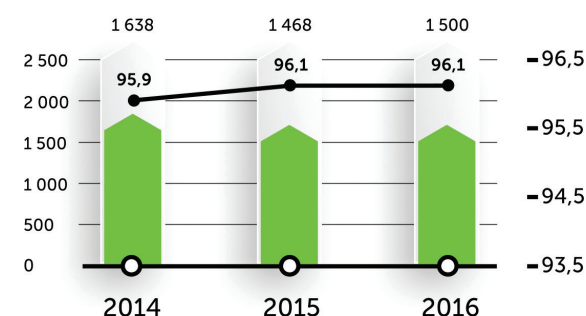
SME DEVELOPMENT IN KAZAKHSTAN

In 2016, the number of registered SMEs in Kazakhstan continued to grow by 2.2% - up to 1,500 thousand entities. Their percentage of the total number of business entities in the country remained at the level of 2015, i.e. 96.1%. The largest increases in 2016 were observed in such industries as service delivery, construction, education and manufacturing. Reduction in the number of registered SMEs was observed, however, in the areas of trade, transportation and the warehousing services.

The number of active entrepreneurs fell by 4.6%.

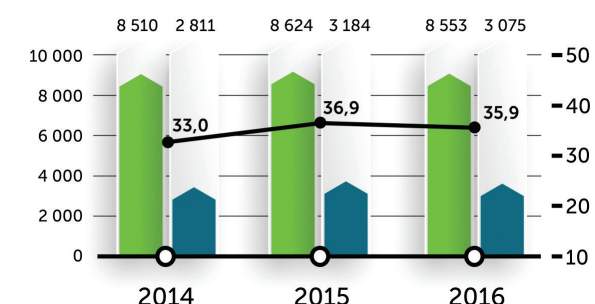
According to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, at the end of 2016, the employed population was 8,510 thousand people. At the same time, the number of people employed by the SMEs was 3,075 thousand people (35.9% of all the employed population) as of January 01, 2017. Compared to last year, the number of people employed with SMEs decreased by 3.4%.

Number of SMEs registered in Kazakhstan



Registered SMEs, thou. units.
Share of SMEs in the total number of economic entities, %

Dynamics of the number of employed population in the Republic of Kazakhstan



Economically active population, thou. persons
Population employed with SMEs, thou. persons
Share of population employed with SMEs, % (right axis)

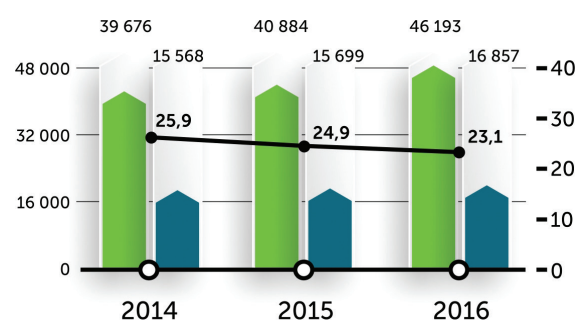
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan (www.stat.gov.kz);
* operational data

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

During the past five years, Kazakhstan's GDP has been growing steadily. In 2016, Kazakhstan's GDP grew by 1.0% and was equal to KZT46,193 bln. Production of goods made up 36.0% of GDP (of which 25.5% was industrial production), services accounted for 57.9% and taxes on products – for 6.1%.

According to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, the SME production amounted to KZT16,857 bln in 2016. In comparison with the corresponding period from previous year, this indicator (in comparable prices) decreased by 5.8%. In 2016 SMEs provided 64.1% of the small business output, medium-sized enterprises ensured 20.7% and the individual entrepreneurs and farms accounted for another 15.2%. The gross value added share of SMEs in GDP in 2016 was equal to 23.1%.

Dynamics of GDP and SME output in Kazakhstan



■ GDP, KZT bln
■ Production output by SMEs, KZT bln
■ Share of GVA of SMEs in GDP, % (right axis)

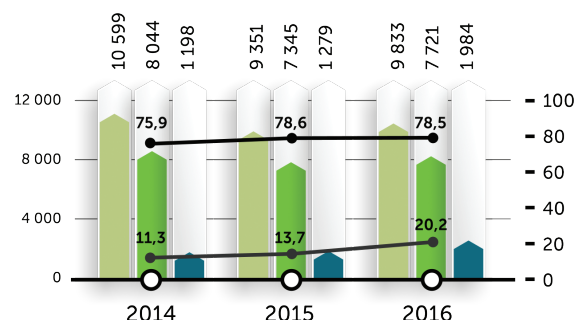
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan (www.stat.gov.kz)

LOANS TO ENTREPRENEURS AND FUND'S SHARE IN THESE LOANS

Bank lending increased by 5.2% reaching KZT9.9 trln in 2016. The business loans grew by 5.2%. Small business lending increased by 55.1% for the year and exceeded KZT1.9 trln.

One of the reasons for the overall growth of bank lending was an increase in tenge liquidity at second-tier banks (STBs), namely, in deposits, due to rising interest rates.

Economy and small business lending by year



■ Loans to the economy, KZT bln
■ Loans for business purposes, KZT bln
■ Loans to small enterprises, KZT bln
■ Share of loans for business purposes, % (right axis)
■ Share of loans to small enterprises, % (right axis)

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

In 2016, the Fund continued the conditional fund placement in STBs, providing subsidized interest rates on entrepreneur's loans and loan guarantees.

In 2014-2015 the Fund received three installments, amounting to KZT200 bln from the National Fund of the Republic of Kazakhstan, aimed at increasing preferential lending to SMEs operating in the manufacturing industry. In 2016, the third tranche of funds, amounting to KZT50 bln, received from the National Fund of the Republic of Kazakhstan, was used. As a result, 1,610 projects were funded as of January 1, 2017, amounting to KZT327.7 bln from the allocated funds, of which 622 projects in the amount of KZT98.9 bln were financed in 2016 alone.

The Fund also continues to raise financing from international financial organizations and local executive bodies (Akimats) in a proactive manner:

- 1) KZT22.3 bln was provided by the European Bank for Reconstruction and Development:
 - Bank CenterCredit JSC: 2nd installment of the loan to support women in the amount of KZT1.86 bln (issued to SME entities with use of KZT2.2 bln loan), 2nd installment of the loan to support SMEs in the amount of KZT6.75 bln (issued to the SME entities with use of KZT11.4 bln loan);
 - MFO KMF LLP: a loan to support women, amounting to KZT3.8 bln (for SMEs issued as a KZT3.5 bln loan);
 - Forte Bank JSC: 1st installment to support SMEs in the amount of KZT8.3 bln, 1st installment of the loan to support women in the amount of KZT1.6 bln (issued for SME entities with the use of KZT0.01 bln loan);

Consequently, 9,711 projects were funded by international financial organizations as of January 1, 2017 and funds received amounting to KZT210.6 bln, of which 8,068 projects in the amount of KZT96.1 bln were financed in 2016 alone.

2) as a result of the joint work between the Fund and the Akimats, KZT9.3 bln in budget funds were raised to finance entrepreneurs within targeted regional programs with annual interest rates up to 8.5%. Co-financing provided by the Fund amounted to KZT11.4 bln and the joint pool of funds amounted to KZT20.7 bln. Within the framework of this financial instrument, 482 projects were funded as of January 1, 2017, amounting to KZT22.8 bln, of which 375 projects in the amount of KZT15.7 bln were financed in 2016.

In addition, a few other pilot programs were launched in 2016, such as loans with factoring tools, credit for franchising projects and micro credits by the microfinance organizations for a greater coverage of entrepreneurs using the state support instruments. In 2016 the Fund provided STBs and MFOs with adequate funds totaling KZT1.5 bln to finance 348 projects, total payables amounting to KZT1.8 bln (including repayable funds).

The Fund focused on a number of target groups, including women entrepreneurs and young entrepreneurs. Micro-credits were provided for women entrepreneurs through STBs: under this concessional instrument both acting entrepreneurs and start-up projects obtained loans and in 2016 roughly 112 projects were financed in the amount of KZT1.2 bln.

Moreover, in 2016 the Fund attracted budget funds amounting to KZT100 mln from the Akimat of Aktobe region, for subsequent project funding for young start-up entrepreneurs up to 29 years old from Aktobe region - Aktobe-ZhasStart (whose total pool of funds amounted to KZT200 mln) was obtained through second-tier banks. Within this credit's framework, 17 projects worth KZT197 mln were approved, out of which 15 projects totaling KZT182 mln were given loans.

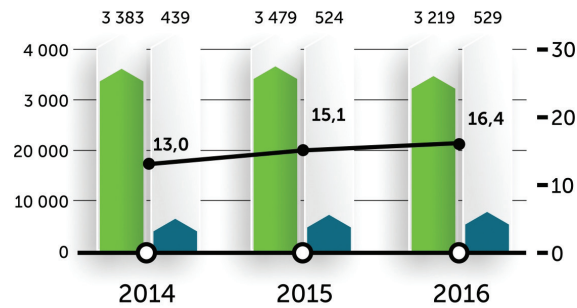
In 2016, the Fund was designated as a resource monitoring agency for funds in the amount of KZT165.9 bln issued to STBs from the Unified Pension Fund and the National Fund of the Republic of Kazakhstan in support of SMEs.

In general, during the past year, small enterprises obtained KZT606 bln in loans through the Fund's various programs. The share of loans granted to the participants of the Fund's programs in the total amount of banking loans was 8%. This low percentage can be explained by the fact that the Fund's programs are limited to lending only to priority sectors of the economy that do not include trade and construction, otherwise receiving about 50% of the credits from second-tier banks.

When taking into account the Fund's contribution, with an emphasis on priority sectors of the economy, an increase of 16.4% can be observed, which is 1.3 points higher than the year before.

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Loans for projects within priority sectors of the economy

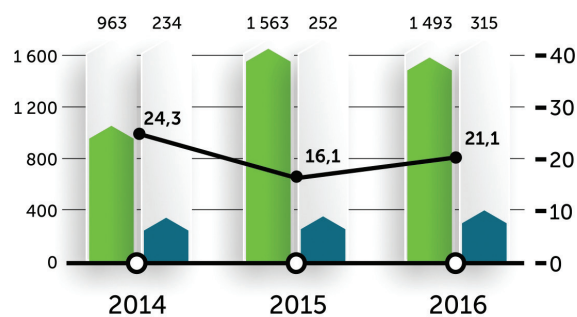


- Loans provided by STBs in priority sectors of the economy, KZT bln
- Loans provided under "Damu" Fund's programs in priority sectors of the economy, KZT bln
- Share of loans provided under "Damu" Fund's programs in priority sectors of the economy, % (right axis)

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

The Fund's share of loans in the manufacturing industry rose up from 16% in 2015 to 21% in 2016.

Dynamics of loans to projects in the manufacturing industry



- Loans provided by STBs in manufacturing industry, KZT bln
- Loans provided under "Damu" Fund's programs in manufacturing industry, KZT bln
- Share of loans provided under "Damu" Fund's programs in manufacturing industry, % (right axis)

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

The make-up of STB borrowers includes a 13% share by clients, who received loans under the Fund's programs.

INFORMATION AND CONSULTANCY OUTREACH TO SMES AND PEOPLE WITH ENTREPRENEURIAL POTENTIAL

Along with providing financial support programs in 2016, the Fund continued a large-scale campaign offering training and advice to entrepreneurs.

Within the framework of the project "Support for opening a new business", 1,562 people were trained, 270 PEs established and 39 applications approved for financial support.

Within the framework of the project "Support for entrepreneurial initiatives of student's youth" in 18 regions, 1,687 people were trained, 371 projects were supported, 77 PEs were established for 2016.

In 2016 as part of the plan to support youth start-up projects "Start-up Bolashak" Contest, implemented jointly with Bolashak Association of Scholarship Fellows of the President of the Republic of Kazakhstan, 2,752 applications were filed, out of which 26 applicants were selected and trained. Top 12 finalists of the contest received counselling and practical support at the base of the ESC of the Fund and prepared business plans for the contest "Marathon of business ideas."

After the "Marathon of business ideas", 6 grants were awarded for a total amount of KZT33 mln.

Also in 2016, distance learning was launched, providing training for 817 people

At the end of the reporting period, the number of trainees in the training component of "Training SME

Top Management", which is implemented as part of the Unified Program for Business Support and Development "Business Road Map 2020", amounted to 2,104 entrepreneurs, including 421, who were trained in 2016.

In 2016 18 entrepreneurs' service centers (ESCs) received 78.6 thousand clients, who in turn received 115.9 thousand consultations. Mobile Business Support Centers operate at the district level in 14 regions. About 12.3 thousand clients addressed these centers, and received approximately 15.3 thousand consultations.

There are also special projects providing support to entrepreneurs with disabilities. For example, within the framework of the Unified Program of Developing the Entrepreneurs' Competencies by "DAMU" ENTREPRENEURSHIP DEVELOPMENT FUND" JSC for 2015-2018, approved by the resolution of the Fund's Board of Directors as of October 30, 2015, Minutes No.65 2015, the project "Development of the Entrepreneurial Skills of Disabled Women" is still ongoing". Within the framework of this project, women with disabilities undergo vocational and psychological training to be prepared for work and also have the opportunity for internship, accompaniment and support during their employment. In addition, the project allows employers to reduce risks when hiring a worker with disabilities, providing them with relevant advice and practical information.

In 2016, 231 disabled women received training under this project and 90 of them studied further professional courses (internship). In October 2016 three day training for trainers was organized within the framework of the Project. In December 2016 a talk-show "It's Easy to Tell" was recorded with the participation of women with disabilities and a round table discussion was held in Astana on the topic: "Assistance in promoting the capabilities of socially vulnerable women for employment, entrepreneurship and other forms of commercial activities."

PROSPECTS OF DEVELOPMENT OF THE ECONOMY AND SMES IN KAZAKHSTAN FOR 2017

The rate of growth of Kazakhstan's economy between the year 2017 and 2021 is projected to remain within the range of 2.1 - 3.1 %, according to the forecasts of the Ministry of National Economy of the Republic of Kazakhstan. The Ministry forecasts that in 2017 the economic growth should amount to 2.5%, surpassing the levels of 2015 and 2016.

Kazakhstan's economy will grow against a backdrop of moderate growth in global economy and a gradual recovery in demand, as well as unchanged low commodity prices. At the same time, steady and progressive economic dynamics are expected due to an increase in public investment in infrastructure and public consumption: average annual growth rate for investments are expected to remain within 3.5% and domestic demand within 2.7% annually.

The monetary policy during 2017-2021 will contribute to the creation of conditions necessary for the development of an investment market, stimulating credit activity within the banking sector. The growth of annual rate of lending of STBs is expected to be at 4.7% during next five years and the growth rate of domestic deposits at 7.4%. The scope of economic monetization will average 42.5%.

The development of SMEs, is a key indicator and a contributor of growth of GDP. It will be enhanced by State initiatives to create a favorable climate for entrepreneurship and the provision of targeted state support. Support for entrepreneurship and business activities is identified as one of the main priorities of the National budget for 2017-2019. In general, the work on reducing administrative barriers and the burden on business will continue, as well as the implementation of initiatives of the Unified Program for Business Support and Development "Business Roadmap-2020" and Program for Development of Productive Employment and Entrepreneurship for 2017-2021.

TURKEY



Main operator of SME development

KOSGEB

Year of establishment
1990

Position in Doing Business

69



Share of SMEs in GDP

28%



Number of SMEs
2 690 546



Share of SMEs' loans in
35,9%



Interest rate

7,2%



MAIN AREAS OF BUSINESS ACTIVITIES

FINANCIAL PROGRAM MONITORING

PROGRAM EFFECTIVENESS MONITORING

INFORMATION TECHNOLOGIES
WITHIN THE FUND

FUND'S PROJECT OFFICE

4 MAIN AREAS OF BUSINESS ACTIVITIES

In order to support and develop the SME business, the Fund and its partners provide both financial and non-financial support, namely, they assist entrepreneurs in securing financing, raise their competence and managerial skills, provide free consultations and reduce costs by subsidizing interest rates and providing loan guarantees.

Main activities of the Fund include:

- 1) providing financial support to SMEs;
- 2) developing SME competencies.

IN AN EFFORT TO IMPLEMENT ITS MAIN STRATEGIC DIRECTIONS, THE FUND LAUNCHED THE FOLLOWING NEW PROJECTS, AS GATHERED FROM THE RESULTS OF 2016:

Supporting financial instruments:

- I. On conditional fund placement
 - Launch of 3 pilot products by the Fund as a means of conditional allocations of money: Damu-Franchising, Damu-Factoring, Damu-Micro;
 - Technology in Crediting Speed, Damu Blitz is now running in test mode;
 - Funds for financing SMEs and entrepreneurship were provided by EBRD in the amount of KZT22.3 bln;

- Fundraising agreements were signed to draw EIB funds in the amount of EUR200 mln in KZT equivalent
- Targeted regional programs were implemented and budget funds from 16 Akimats were drawn within this framework (including Ridder town) in the total amount of KZT9.3 bln;
- The Fund was chosen as financial agent by the Program for Development of Productive Employment and Entrepreneurship for 2017-2021, approved by resolution № 919 of the Government of the Republic of Kazakhstan on December 29, 2016.
- The Fund was chosen as financial agent for the Housing Construction Program "Nurly Zher", approved by resolution No.922 of the Government of the Republic of Kazakhstan as of December 31, 2016.

II. Regarding guarantees - an alternative program Damu Optima was implemented without sectoral restrictions

Regarding the supporting of non-financial instruments:

- Project "Startup Academy"
- Project on existing business support "Asyldar".

Within the framework of its project monitoring functions, the Fund signed an agreement with the National Bank of the Republic of Kazakhstan and Development Bank of Kazakhstan to provide monitoring services for targeted use of resources obtained from the Pension Fund and the National Fund, as well as secondary fund development by STBs.

FINANCIAL SUPPORT FOR SMES:

The first strategic activity includes SME funding through STBs and leasing companies (hereinafter – LCs), microfinance organizations (MFOs), offering subsidized interest rates and loan guarantees under the Unified Program for Business Support and Development "Business Road Map 2020".

In 2016, the programs of conditional fund placement in STBs, MFOs and LCs provided financing to 10,145 borrowers with loans totaling KZT247.3 bln.

In 2016, KZT22.3 bln were provided from the European Bank for Reconstruction and Development under the Fund's guarantees.

In 2016, the Fund concluded loan agreements with the European Investment Bank for financing in an amount of not less than EUR200 mln, in KZT equivalent.

In 2016, 2,121 projects (133 % of planned target) were covered by subsidized loan agreements for a total amount of KZT331.8 bln (128% of planned target).

In 2016, 951 guarantee contracts were signed (136 % of planned target) for a total loan amount of KZT26.9 bln (84% of planned target).

	Actual 2014	Actual 2015	Target 2016	Actual 2016	% of target
Loans granted to entrepreneurs through conditional fund placement					
Number of participants,	3 271	3 650	6 000	10 145*	169%
Amount of financing, KZT mln	188 426	236 629	159 000	247 275**	156%
Subsidized loan interest					
Number of participants,	1 814	1 595	1 600	2 121	133%
Amount of credit, KZT mln	241 016	260 131	260 000	331 879	128%
Loan guarantees					
Number of participants,	446	941	700	951	136%
Amount of credit, KZT mln	16 097	27 029	32 000	26 903	84%

* There has been a considerable increase in this indicator due to a wider coverage of entrepreneurs, funded by the MFO KazMicroFinance LLP within the framework of the implementation of the Fund's joint program with the EBRD on provision of microfinancing for women entrepreneurs (with the Fund's guarantee)

** Increase of the amount of financing under the programs of conditional fund placement is due to:

1) increased SME funding through the revolving transfer programs, implemented with use of the National Fund of the Republic of Kazakhstan.

FINANCIAL PROGRAM MONITORING

MONITORING RESULTS AS OF 2016

Monitoring description	Actually monitored (Number of projects)	Number of remarks/ incompliances	Share of incompliances, %
Project monitoring under the Conditional Fund Placement Program of the Fund (17 programs)	226	5	2,2%
Project monitoring under the Programs for supporting the SME and the employees of manufacturing industry (finances of the National Fund of the Republic of Kazakhstan)	725	69	9,5%
Monitoring of subsidized projects	3 068	79	2,6%
Monitoring of guaranteed projects	1 170	23	2,0%
Grant monitoring	406	41	10,1%
TOTAL:	5 595	217	3,9%

MONITORING RESULTS FOR 2016:

1. Banks paid fines for misuse of funds on 23 projects in the amount of KZT49.5 mln.
2. Banks replaced funds on 71 projects, amounting to KZT9.6 bln with own means with further use of funds to finance other end-borrowers.

The fine was not paid for 6 projects:

- litigation is going on for 5 projects, amounting to KZT572.4 mln;
- claim term is not expired for 1 project worth KZT7 mln;

Litigation is going on for 3 projects, amounting to KZT339.7 mln, which were not replaced;

3. Subsidies are suspended for 79 projects.
4. Guarantees are cancelled for 23 projects.
5. The proposals are sent to the Regional Coordination Council to get back the grants from 41 projects.

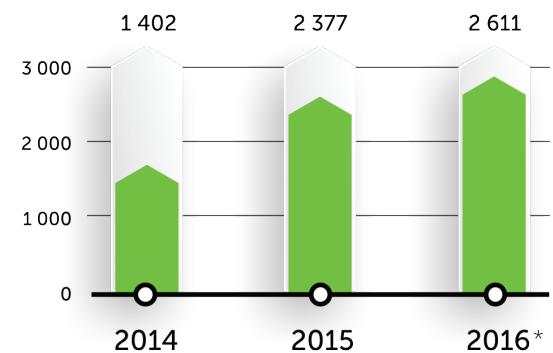
PROGRAM EFFECTIVENESS MONITORING

UNIFIED PROGRAM FOR BUSINESS SUPPORT AND DEVELOPMENT "BUSINESS ROAD MAP-2020"

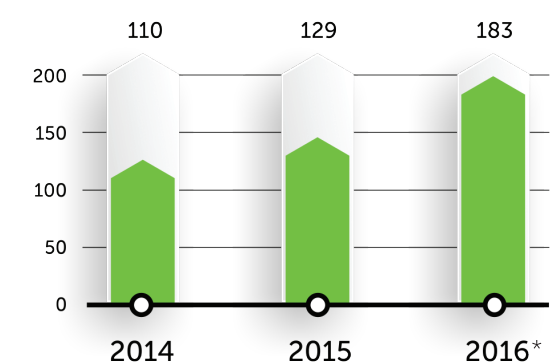
According to the State Revenue Committee, from the Ministry of Finances of the Republic of Kazakhstan (hereinafter the Committee), for enterprises and entrepreneurs involved in the Unified Program for Business Support and Development "Business Road Map-2020", the volume of output as of January 1, 2017 was estimated at KZT8.5 trln, including KZT2.61 trln for 2016 according to preliminary estimates.

Interest rate subsidies and loan guarantees within the framework of the Unified Program for Business Support and Development "Business Road Map-2020" contributed to improving financial performance of enterprises, especially in the current economic situation. In turn, due to improvements in the activities of enterprises, payments to budget are ensured and budgetary effect of the program and its economic viability is strengthened. According to Committee's operational data as of January 1, 2017, the total amount of taxes paid by participants of the Unified Program for Business Support and Development "Business Roadmap-2020" amounted to KZT609 bln, including KZT183 bln in 2016.

Production output by participants of the Unified Program for Business Support and Development "Business Road Map-2020", KZT bln

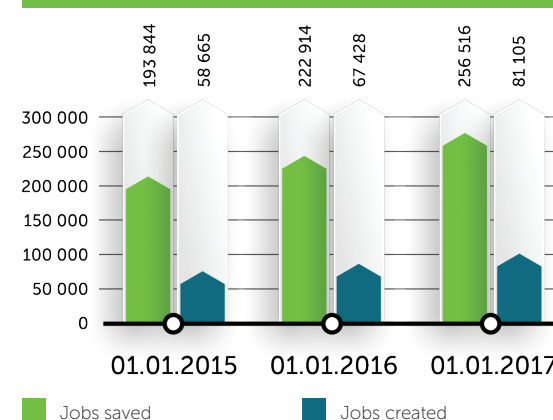


Taxes paid by participants of the Unified Program for Business Support and Development "Business Road Map-2020", KZT bln



The broad scope of the Unified Program for Business Support and Development "Business Roadmap-2020" and the growing interest in small enterprises allow an evaluation of the social impact of its implementation, which is expressed in the number of jobs created for the population. For example, it is known that the participants of the Unified Program for Business Support and Development "Business Road Map-2020" saved around 256.5 thou. jobs and created more than 81.1 thou. new jobs as of January 1, 2017.

Number of jobs created and supported, units



* as per preliminary data

SUPPORT PROGRAM FOR SMES IN MANUFACTURING INDUSTRY FUNDED BY THE NATIONAL FUND OF THE REPUBLIC OF KAZAKHSTAN (hereinafter the Program)

The revenues of the Program participants for 2014 totaled KZT213,546 mln, for 2015 – KZT417,703 mln and for 2016 – KZT550,000 mln.

Entrepreneurs who obtained financing within the framework of the Program in 2016 paid taxes in the amount of KZT37,162 mln according to a preliminary assessment (in 2015 the amount of taxes paid was KZT30,969 mln).

According to the data provided by the STBs, the entrepreneurs who received funding through the National Fund, created and/or planned to create 15.0 thou. new jobs, i.e. on average 9 jobs per company.

REDUCING BAD DEBT WITHIN DIRECT FINANCING PORTFOLIO

The Foundation annually takes measures on reducing bad debt in the existing direct financing portfolio. The ongoing work includes judicial sale of pledged property, control over execution process, recognition of the debtors' insolvency (bankruptcy), writing-off uncollectible debts, selling collateral kept on the balance sheet of the Fund. For the report period from January 1, 2016 to January 1, 2017, the debt portfolio declined by KZT3,680 mln.

Indicator	as of January 1, 2014	as of January 1, 2015	as of January 1, 2016	as of January 1, 2017
Direct financing loan portfolio (PB amount, %, penalty), KZT mln	18 514	18 183	15 164	11 484
Share of bad debt, %	100%	100%	100%	100%
Provisions (IFRS), KZT mln	3 335	3 015	2 597	2 188
Number of debtors	1 059	959	896	752
Total repayment in cash per period (PB, %, penalty), KZT mln	510	672	840	717
Debt written off (PB amount), KZT mln	-	82	-	677
Reduction of PB for the period, KZT mln	- 571	- 641	- 512	- 1 487

SELLING THE PROPERTY REGISTERED ON THE BALANCE SHEET OF THE FUND:

Total number of property shown on the Fund's balance sheet for debt repayment under direct funding and appearing as of January 1, 2017, amounts to 74 units with a book value of KZT596 mln. In 2016, 36 items were disposed for a total sales price of KZT124 mln.

RECOVERY OF OTHER BAD DEBT:

In accordance with the restructuring plan within the schedule of repayment of liabilities, Astana-Finance JSC ensured the repayment of KZT318 mln in 2016. ROSA JSC repaid its debt, amounting to KZT104 mln, through the amicable settlement agreement concluded in 2016.

As of January 1, 2017, the Fund's portfolio has provided 33 guarantees under the Unified Program for Business Support and Development "Business Road Map-2020", amounting to KZT311 mln. During 2016 total debt in the amount of KZT16 mln was recovered. The debtors are encouraged to ensure voluntary payments of arrears; in the event of a failure to reach an agreement, a legal claim on debt recovery is filed and further penalties applied in the process of collection.

During these collection processes additional receivables were booked in the amount to KZT8.6 mln.

DEVELOPING THE COMPETENCIES OF SME ENTITIES

The second strategic direction includes various programs, aimed at developing the competencies of small and medium enterprises, which include development of entrepreneurs' competencies, improving entrepreneurs performance and informational & analytical support of entrepreneurship (4th direction - "non-financial support measures for entrepreneurship under the Unified Program for Business Support and Development "Business Roadmap-2020"; development of entrepreneurs' competence centers, business portals, Call-Centers and publication of various informational and analytical materials).

In implementing the second direction, the Unified Program for Entrepreneurs' Competence Improvement for 2015-2018, covers five key areas:

1. Support for start-ups
2. Support for operating businesses
3. Support and development of entrepreneurship of people with disabilities
4. Monitoring services of business service support and training SME top management within the framework of the Unified Program for Business Support and Development "Business Road Map-2020"
5. Creating favorable conditions for qualitative development of domestic entrepreneurship.

In 2016 several new projects were developed and approved:

- Start-up Academy Project, aimed at providing an integrated support for start-ups by acceleration and creation of favorable conditions for their development;
- project of Support for Operating Businesses "Asylidar", aimed at promoting small enterprises through ensuring the growth potential of the companies, providing a set of interrelated financial and non-financial business support measures, implemented by the Fund.

During 2016, the number of participants in training programs amounted to 5,988 people.

It should be noted that the indicator - "number of participants in training programs" was conceived in 2013, taking into account some of the Fund's projects, implemented during recent years such as: "Business Advisor", "Business Growth", "School of Young Entrepreneurs", "SME Top Management Training" and the component called "Qualified Seniors". In accordance with the Unified Program for Business Support and Development "Business Road Map-2020", the projects "Business Advisor", "Business Growth", "School of Young Entrepreneurs" were transferred to the National Chamber of Entrepreneurs (hereinafter referred to as the NCE) as of 2015, and "Business Connections" and the component of "Qualified Seniors" were transferred to the NCE as of 2016. The component "SME Top-Management Training" ensures provision of training services and accepts applications from Fund's entrepreneurs whereby training courses for such entrepreneurs are provided by Nazarbayev University, consequently, the Fund has no control over the number of participants in this project. The main stream of trainees is located within the project of "Business Advisor", since this project provides education both for people with entrepreneurial initiatives and existing entrepreneurs, without any restrictions. Consequently, during 2013 - 2014 over 19 thousand people received training within the framework of "Business Advisor" project.

During 2016 roughly 90,923 clients received services through Business Support Centers and Mobile Support Centers for Entrepreneurs.

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During 2016, around 13,896 offline and online consultations were provided by the use of Internet-resources of "Damu" Fund (business.gov.kz, damu.kz, damu-komek.kz).

For continuous implementation of non-financial support functions of youth entrepreneurship, the Fund implemented the project "Support for Entrepreneurial Initiatives for Students", as well as the project for supporting youth start-up projects - "Start-up Bolashak" Contest.

During 2016 roughly
90,923
clients received services
through Business Support
Centers and Mobile Support
Centers for Entrepreneurs.

Within the framework of the project "Support for entrepreneurial initiatives for students" and in 18 regions, 1,687 people received training courses and 371 projects were assisted, creating 77 PEs during 2016.

In 2016, as part of a joint project to support youth start-up projects "Start-up Bolashak" Contest, implemented jointly with the Bolashak Association of Scholarship Fellows of the President of the Republic of Kazakhstan, 2,752 applications were filed, out of which 26 applicants

were selected and trained. Top 12 finalists of the contest received counselling and practical support at the base of the ESC of the Fund and prepared business plans for the contest "Marathon of business ideas." After the "Marathon of business ideas", 6 grants were awarded for a total amount of KZT33 mln.

Performance target indicators for the Unified Entrepreneurs' Competency Improvement Program by the Fund for 2015-2018 are shown in the Annex 2.

Projects/Components/Tools of the Unified Program for Business Support and Development "Business Road Map-2020"	2014	2015	2016
Business Adviser project, number of participants	19 274	19 236	-
Business Adviser II project, number of participants	-	3 236	-
Young Entrepreneur School project, number of participants	632	1 077	-
Component of "SME top management training", number of participants	423	420	421
Program of Support for Start-up Projects, number of participants	-	381	-
Project of "Support For Opening a New Business, number of participants	-	-	1562
Project "Support for entrepreneurial initiatives of student's youth", number of participants	-	-	1687
Start-Up Bolashak contest, number of participants	-	20	26
Entrepreneur Service Centers (18 locations), number of customers	60 535	58 996	78 617
Business Support Centers in one-factory towns (27 locations), number of customers	14 844	-	-
Mobile Business Support Centers (in 14 regions), number of customers	9 759	12 790	12 306
Business Support Centers in district centers and small towns (161 centers), number of customers	-	42 835	-
Distance learning, number of participants who had distance learning	-	-	817
Call Centre, consultations by phone	14 304	38 370	36 757
Internet-resources "Damu" Fund (offline and online consultations at: business.gov.kz, damu.kz, damu-komek.kz)	23 947	14 730	13 896

INFORMATION TECHNOLOGIES WITHIN THE FUND

The main focus for information technology development in 2016 was automated business processes for customer services.

The Fund's Credit Committee meetings are held in an electronic format, due in large to the on-line application process, thus, reducing the time for decision-making on project guarantees in accordance with the standards of provision of public services. Applications for guarantees for the Fund's new program Damu-Optima are also automated.

Considering the successful experience of providing electronic services via the e-Government Portal of the Republic of Kazakhstan, a new concept was developed and implemented, regarding the extension of the list of services and development of automation for these services, to be provided by the Fund via the same e-Government Portal. Implementation of this concept was included in the list of initiatives in the information technology development strategy of "DAMU" ENTREPRENEURSHIP DEVELOPMENT FUND" JSC for 2015-2018.

The main focus for information technology development in 2016 was automated business processes for customer services.

Given the current trend of the customer-orientated services in the form of providing services from a "single window", the e-supermarket concept was developed and approved for support and development of entrepreneurship, ensured via direct participation by the Fund. The concept will accurately identify the client's needs in specific products and pinpoint services in State support and development of entrepreneurship and the Fund's own programs, as well as the need for these services to plan for the future and to build plans for communication between the client and the Fund.

Besides, within the framework of the implementation of the concept, it is planned to ensure integration with information systems of second tier banks, which allow the use of electronic platform by the Fund to apply for loans within several banks, working under the Fund's programs, a task which will increase competition for clients between banks. The personalized services are available to clients with the possibility of tracking the status and progress of the application process at any stage, for selection of a partner bank, remote assistance and complete transparency of the service process.

During 2016, 9 large banks joined the Project of Automation of Targeted Subsidies in MT102 format, including Kazkommertsbank JSC, Bank Center Credit JSC, ATF Bank JSC, Eurasian Bank JSC, Tsesna Bank JSC, Delta Bank JSC, Eximbank JSC, Bank RBK JSC and Bank Kassa Nova JSC. The project aims to optimize relationships with the bank-partners in the implementation of the Unified Program for Business Support and Development "Business Road Map-2020" regarding subsidies.

The projects of automation of procurement and payment calendar were completed and thus the functions of the Fund's system of electronic documentation are extended.

FUND'S PROJECT OFFICE

For the effective implementation of automating government services and information system by the Fund, a Project Office was established within the Fund's Guarantee Department by a decision of the Board of Directors.

Creation of the Project Office inside the Guarantee Department within the framework of guarantee process automation engendered the building a unified architecture for business process system automation, as well as creating a link between suppliers of information systems, Department of information technology and the structural units of the Fund.

Presently, the Fund's information system has automated business processes in reviewing applications for credit guarantees for small enterprises.

As of 2016 private entrepreneurs (PEs) can apply to the Fund via an "electronic government" Web-portal on www.egov.kz to use credit guarantees for PEs up to KZT180 mln.

The Fund's information system project upgrade was implemented to ensure the development of business process automation in the following areas: guarantee accounting, guarantee decision-making automation for the Damu-Optima program.

Currently, the Project Office at the Guarantee Department is implementing the following projects:

- 1) automation of the public service "Provision of loan guarantees for small enterprises under the Unified Program for Business Support and Development "Business Road Map-2020" for loans exceeding KZT180 mln and the public service "Provision of subsidies for part of the interest rates on the loans under the Unified Program for Business Support and Development "Business Road Map-2020" via the e-government web portal;
- 2) creating an electronic supermarket for supporting small and medium enterprises – Damu Digital;
- 3) automating reports received from the Fund's partners;
- 4) automating the rating model.

SINGAPORE

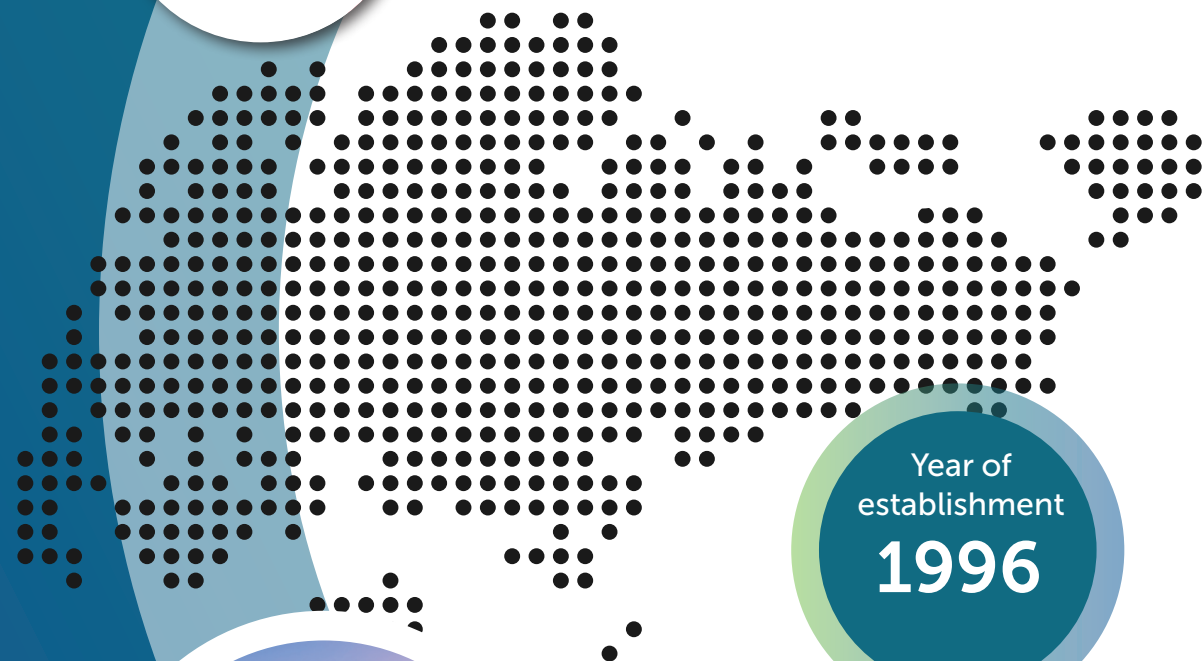


Main operator of SME development

SPRING
singapore

Enabling Enterprise

SPRING Singapore



Year of establishment
1996

Position in Doing Business

2



Share of SMEs in GDP
47%



Number of SMEs
216 900



Share of SMEs' loans in
77%



Interest rate
2-5%





PERFORMANCE REVIEW

EFFECTIVE ASSET MANAGEMENT

FINANCIAL HIGHLIGHTS

INFORMATION ABOUT
MAJOR TRANSACTIONS

5 PERFORMANCE REVIEW

In accordance with the objectives, targets and key performance indicators (hereinafter referred to as KPI) of the Fund's Development Plan for 2014-2018, the Fund has achieved the following results in 2016:

№	KPI	Unit of measurement	2014	2015	2016		% of target
			Actual	Target	Actual	Target	
1	Percentage of SMEs supported out of total numbers of SMEs in the market	%	7,5%	6,4%	4,1%	5,3%	130%
2	Percentage of SMEs in industries covered by BRM 2020 support	%	2%	1,7%	1,6%	4%	249%
3	Percentage of supported SMEs in manufacturing industry	%	13,1%	8,4%	7,1%	14,1%	198%
4	Number of jobs created	persons	24 836	25 900	25 780	26 061	101%
5	Spending on entrepreneurship development through financial programs	KZT bln	439,4	523,7	451	606	134%
6	Number of clients of Entrepreneurs Competence Centers	persons	57 883	71 786	70 070	90 923	130%
7	Number of clients of remote services	persons	38 251	59 705	54 750	54 765	100%
8	Degree of the Fund awareness among the population	%	95%	93%	80%	100%	125%
9	Percentage funds raised for SMES' financing from extra-budgetary sources	%	57,1%	61%	49%	71%	145%
10	Number of participants in training programs	persons	24 557	27 916	4 780	5 988	125%
11	Share of training program participants, who opened a business	%	12%	12%	12%	12%	100%
12	Entrepreneur satisfaction with training services provided	%	92,7%	93%	80%	94,6%	118%

The results exceed the plan in all of the following KPI's such as "Percentage of Supported SMEs out of the Total Percentage of Active SMEs", "Share of SME Coverage in the BRM 2020 Industries", and "Percentage of Supported SMEs in Manufacturing Industry", because more SMEs received the Fund's support through financial programs and competency improvement programs.

As for the number of jobs created, the result exceeds the planned indicator by 1% due to entrepreneurs, participating in the programs of conditional fund placement and "BRM 2020" program.

The funds, aimed at developing entrepreneurship through financial programs, amounts to KZT606.0 bln, which is 15.7% higher in comparison with 2015. KZT523.7 bln. Increase of this indicator in 2015 was due to the application of funds provided by the National Fund of the Republic of Kazakhstan for the support of SMEs in the manufacturing industry and funds of the Unified Accumulated Pension Fund.

As for the number of clients, the Entrepreneur Service Centers exceeded the target indicator by 30% and such increase is due to the higher number of consultants in Entrepreneur Service Centers, the pro-active work of the Business Support Centers in one-factory towns, as well as the automation of customer accounting using the CRM system, which improved the accounting accuracy.

The indicator of the Fund's awareness among the population exceeds 25% of the planned target. The high level of awareness is due to the survey conducted only among the economically-active population, employees and entrepreneurs. The survey was not conducted among common households, where respondents are not aware of the SME related issues and they don't plan to open a business in the near future, i.e. they are not actually the Fund's target audience.

Percentage of funds attracted for SMEs financing from extra-budgetary sources exceeds 45% of target, due to EBRD's funds, amounting to KZT22.3 bln.

The number of participants in training programs exceed 25% of planned target due to increasing interest by the population in entrepreneurial activities and consequently, in the Fund's training projects.

EFFECTIVE ASSET MANAGEMENT

In asset management, the Fund focuses on servicing loan portfolios generated through direct lending programs, manage assets put in STBs under conditional fund placement programs, as well as oversee effective placement of temporarily available funds (hereinafter – TAFs). The primary tasks of the Fund when managing assets are ensuring safety of TAFs, their capacity to pay under current liabilities, the ability to fund emerging investment opportunities and ensuring a sufficient level of return on TAFs with an accepted risk.

In its process of managing assets the Fund is governed by many requirements: preservation of invested capital, guarantee and maintenance of liquidity, profitability, term of investment and finally diversification. Diversification of the financial asset portfolios is carried out in order to eliminate any risk of loss arising from a concentration of financial assets with a specified maturity date, a specified issuer or a specified class of investment within the Fund's investment portfolio.

The Committee on Asset and Liability Management supervised by the Fund's Management Board is responsible for the formulation of medium-and long-term policies for asset and liability management, determining an optimal balance sheet structure, monitoring the Fund's financial situation and profitability indicators and taking necessary corrective measures to maximize revenue and minimize risks affecting TAF placement transactions.

As of January 1, 2017, the Fund's balance amounts to KZT349.4 bln. During the reporting period, the Fund's assets decreased by KZT5.8 bln or 1.7%, compared with the beginning of the year. Loan portfolio makes up 59% of the Fund's assets. Cash made up 12.6% of total assets. The Fund's securities are recorded on the balance sheet at their market value and make up only 1.9% of the assets.

As of January 1, 2017, the Fund's balance amounts to **KZT349.4 bln.**

FINANCIAL HIGHLIGHTS

According to the results of 2016, the Fund received a net income amounting to KZT5.6 bln, while the planned target was KZT6.6 bln. Non-compliance with planned target indicator of earned income from loans is due to the early repayment of a loan within the framework of ADB (3rd installment) by partner bank Kazkommertsbank JSC in the amount of KZT16.3 bln and due to creation of provisions for Kazinvestbank JSC to cover losses from the impairment of financial assets.

Total income amounted to KZT39.8 bln.

Total expenditures of the Fund for 2016 amounted to KZT32.4 bln.

As of January 1, 2017, the Fund's equity capital amounted to KZT98.7 bln.

OPERATING PROFITABILITY

Description	2014 (actual)	2015 (actual)	2016 (target)	2016 (actual)
ROA, return on assets	1,9%	5,4%	1,8%	1,6%
ROE, return on equity	5,0%	17,6%	6,7%	5,8%
Average TAF yield	6,36%	10,59%	6,00%	14,23%
Profitability of activities	37,8%	35,1%	24,1%	17,3%
NI margin	27,7%	25,5%	29,2%	19,6%

The reason of decline in profitability indicators (ROA, ROE, ROI) in 2016 compared to 2015 is due to non-fulfillment of the planned level of net profit.

For 2016 weighted average TAF yield amounted to 14.23%, which is 34% higher than in 2015 (10.6%). This was mainly due to an increase in the weighted average yield on securities from 1.7% to 12.89% and on current accounts from 10.7% to 14.92%. At the same time, the weighted average yield on deposits decreased from 36.69% to 12.72%, due to a significant decrease in income from the exchange rate differences from deposits in foreign currencies, in turn arising from the stabilization of the KZT exchange rate in 2016.

NI margin for 2016 was 19.6%. The decline of this indicator in 2016 compared to 2015 can be explained by the fact that the target was not reached on income from

main activities (except for income from exchange rate differences, SWAP revaluation and amortization of loan discount) i.e. through the implementation of the Fund's programs. In addition to the early repayment of the loan of Kazkommertsbank JSC, finances in the amount of KZT7.2 bln was not received and spent as per the 4th installment from ADB.

INFORMATION ABOUT MAJOR TRANSACTIONS

Information about the Fund's transactions with interest, large transactions and related party transactions concluded in 2016 are presented in Appendix 1.

SOUTH KOREA

Main operator of SME
development



Small & Medium Business Corporation



Year of
establishment
1979

Position in Doing Business

5



Share of
SMEs in GDP
47%



Number of
SMEs
2 795 865



Share of SMEs'
loans in
74,2%



Interest
rate
3,91%



6 FUND'S INFORMATION POLICY

The Fund pays great attention to the transparency of decisions taken while implementing any government program, as well as for certain internal procedures that draw attention to the stakeholders.

The Fund's information policy is administered in accordance with current trends and based on analyses of the market situation, on the needs of target audiences, which enhances public confidence in the Fund, on identification of negative phenomena, resulting in the adoption of preventive measures for correcting any crises in communications.

In an attempt to improve the level of client-oriented approach, the Fund holds annual training for their front-office, Entrepreneurs' Service Center and Call Center employees, thus ensuring the regular collection of information, including the use and application of sociological research.

The Fund's designated unit studies the media market to determine optimal parameters of timing and placement of information about the Fund's activities and scope and timing of advertising campaigns for target groups by age, gender, entrepreneurship activities, etc.

To increase the level of awareness and confidence in its activities, the Fund supports internal communications between structural subdivisions, as well as the Fund's relationship with its sole shareholder in a process of promoting development and implementation of activities. Moreover, opinion leaders and successful entrepreneurs, involved in the Fund's programs are invited to take part in advertising campaigns and external consultants and experts in the field of communications are involved in addressing strategic objectives of the Fund. One of the most important factors for increasing public awareness is visual integrity as a tool in promoting programs and front-offices of the Fund. In 2016 works are completed on implementing the sole concept of branding the Fund's front offices, including its regional branches, entrepreneurs' service centers and mobile centers for entrepreneurs' support.

In order to ensure a high level of transparency for the Fund, press-conferences, briefings, press-tours and interviews with the Fund managers are arranged on a regular basis by the media (hereinafter referred to as the Mass Media). For example, in 2016 there were 6,774 items published in mass media about state support mechanisms, support for entrepreneurship, the Fund's activities or with a reference to the Fund. There were 41 press tours to successfully implemented SME projects, financed by the Program for Business Support in different regions of Kazakhstan, while the deputies of Mazhilis of the Parliament of the Republic of Kazakhstan took part in 11 such tours. In order to highlight the implementation of the Unified Program for Business Support and Development "Business Road Map-2020", 91 speaking engagements were presented on national and regional television channels.

One of the most important mass media outlets is the corporate website, (www.damu.kz) which informs entrepreneurs and the public on the results of activities, adopted changes or new support programs implemented by the Fund in an expeditious manner, as well as receive feedback on critical issues. In 2016 the number of hits on the Fund's web site was more than 2.7 million. This, first of all, proves the demand by the Internet audience in both the web-site and the information published therein.

In 2016, the web site www.business.gov.kz consulted 2,899,879 times; and number of visitors equals 949,017.

Specialized Call Centers were made available by the Fund starting in March 2011. The Fund's Call Center is the informational and refers to services to get more detailed information about business support programs of the group of companies National Managing Holding "Baiterek" JSC, was created to centralize and process calls received. Call Centers allow targeting work by selectively directing the caller(s) to a specific target audience. Currently, Call Centers are able to solve a wide variety of tasks: from automated processing of citizens' applications to the promotion of products, advertising and doing market research.

**For example,
in 2016 there were
6,774
items published in mass media
about state support mecha-
nisms, support for entrepre-
neurship, the Fund's
activities or with a refer-
ence to the Fund.**



FUND'S INFORMATION POLICY



GENERAL INFORMATION ABOUT THE GOALS FOR FUTURE PERIODS

In 2016, nearly 36.7 thousand requests were processed via remote consulting by the Call Centers, including 13.9 thousand requests coming from the Fund's Internet-resources (business.gov.kz, damu.kz, damu-komerk.kz). Almost all of the issues raised, were interesting for entrepreneurs and the population in general and relate to the Fund's programs supporting private entrepreneur development.

To obtain an objective popularity rating through the attendance of its Internet-resources, the Fund uses special counters. Presently, the Fund's web-sites occupy 5th through to 8th places out of 135 resources, registered in the "Finance" category according to the rating agency "zero.kz" of Kazakhstan.

The Fund's information policy is focused on building a positive reputation and public image for the Fund through a process of building effective communications and getting feedback from stakeholders. In order to monitor the effectiveness of implementing the information policy of the Fund, following measures were implemented:

- the Fund's communication strategy was developed in accordance with the overall strategic directions of its activities;
- series of special communication activities were undertaken with the following image characteristics of the Fund: professional, open, ready to help, key expert on SME issues;
- recommendations are being analyzed and developed for improving the effectiveness of information supply to target audiences about the Fund's activities and active programs to support entrepreneurship;
- analysis and development of recommendations is ongoing to improve target audience awareness about the Fund's brand;
- activity plans, which include actions along the Calendar of perspective events and a PR activities plan, is developed annually.

In 2016,
the web site www.business.gov.kz
consulted

2 899 879
times

7 GENERAL INFORMATION ABOUT THE GOALS FOR FUTURE PERIODS

The Fund's Development Strategy for 2014-2023 stipulates the implementation of strategic directions for financial and non-financial support of small and medium enterprises.

In the area of finances, the Fund has the following fundamental objectives: to increase the amount of financial support to small and medium enterprises, expand areas of cooperation and mechanisms of financing/co-financing for small and medium enterprises (hereinafter referred to as SMEs) together with financial institutions and attract additional funding. Where it concerns non-financial support, the Fund provides training and advice to entrepreneurs with the aim of improving financial literacy and promoting entrepreneurial initiatives among the population of Kazakhstan.

THE FUND PLANS TO IMPLEMENT
THE FOLLOWING ACTIONS TO
ACHIEVE OBJECTIVES SET WITHIN
THE FRAMEWORK OF ANY FINANCIAL
SUPPORT PROVIDED:

- Raising funds from international financial organizations for the diversification of the loan portfolio, increasing the scope of financial support, provision of affordable financing to the SMEs, which in turn is important for increasing their business efficiency, productivity and competitiveness.

In accordance with the set tasks, the following loans are scheduled in 2017: solicitation for funds, amounting to USD200 mln, in KZT equivalent from the Asian Development Bank; EUR200 mln, in KZT equivalent from the European Investment Bank, as well as possible solicitation of resources in the amount of a minimum USD30 mln, in KZT equivalent from the European Bank for Reconstruction and Development. These

financial tools can be realized in the event of approving acceptable repurchase agreement terms by these international financial organizations and acceptable funding cost for the STBs, as well as, depending on the availability of applications for funding from the STBs/MFOs.

- As of 2010 the Fund has been performing as a financial agency to subsidize the interest rates on loans/leasing transactions and loan guarantees within the framework of the Unified Program for Business Support and Development "Business Road Map 2020". With use of this supporting tool, it is planned to spend the allocated funds, amounting to KZT29.91 bln in 2017, including KZT27.49 bln of general transfers from the local budget, with KZT2,418 bln balance of funds, allocated from the National Fund of the Republic of Kazakhstan to subsidize loans for circulating funds for payments on commitments before the end of subsidy term. Additionally, starting in 2017, the Government of the Republic of Kazakhstan launches a new program: Housing Construction Program "Nurly Zher" (hereinafter referred to as the Program). One of the objectives of the Program is "to stimulate housing construction by the private developers". Within this framework the Fund will exercise the functions of a financial agent for subsidizing loans for private developers.
- Within the framework of the Unified Program for Business Support and Development "Business Road Map 2020" and starting in 2017, the Fund plans to improve conditions for guaranteeing entrepreneurs' loans and aim to provide irrevocable guarantees. The automation of guarantee reviewing and provision will be continued on egov.kz portal for the convenience of entrepreneurs. A further promotion of an alternate possibility for SMEs in obtaining guarantees will be continued within the framework of Damu-Optima Program, this not being one of the priority sectors according to Unified Program for Business Support and Development "Business Road Map-2020" or not having met its criteria.
- Moreover, in 2017 the Fund will continue to fulfill its agency functions in monitoring the development and targeted use of resources allocated by STBs in 2016 from the Unified Pension Fund supporting the SMEs.
- In 2017 the process of attracting funds from Local Executive Authorities will continue to be implemented in regional programs, providing regional entrepreneurs with affordable, long-term financing. According to plans for 2017, the total fund for targeted regional programs is equal to KZT20 bln. (KZT10 bln from the Fund and KZT10 bln from the Local Executive Authorities).
- Implementation of the Program for the Development of Productive Employment and Entrepreneurship for 2017-2021.

Implementation
of the Program
for the Development
of Productive Employment
and Entrepreneurship
for 2017-2021.

TO REACH THE KEY INDICATORS OF
NON-FINANCIAL SUPPORT INSTRU-
MENTS, THE FUND WILL FURTHER
ENSURE THE FOLLOWING ACTIVITIES:

In 2017 emphasis will be put on acceleration of start-ups and integrated support for operating businesses. Active work on acceleration of start-ups will be carried out within the framework of the project "Start-up Academy" in 4 cities: Almaty, Astana, Pavlodar and Atyrau. Where it concerns the Assylidar project, the plans are to ensure a comprehensive check-up of a minimum of 15 companies and to provide road maps for their development and consultations to eliminate their weaknesses. In 2017 the Fund is planning to update distance learning within the framework of the project "Remote Support for Entrepreneurship Development" under the Unified Program for Entrepreneurship Competencies Development for 2015-2018. The project is aimed at stimulating entrepreneurial activities and enhancing entrepreneurial competencies of the population having entrepreneurial initiatives, as well as beginners and existing entrepreneurs in all the regions of Kazakhstan. The project includes distance learning in entrepreneurship courses and various thematic courses on business management.

GENERAL INFORMATION ABOUT THE RISK MANAGEMENT SYSTEM

8 GENERAL INFORMATION ABOUT THE RISK MANAGEMENT SYSTEM

The Fund's risk management system consists of a series of processes and procedures ensuring that the Executive and the Management Bodies of the Fund receive timely information about risks and risk mitigation measures.

The main element of the Fund's risk management process is its integration with the organizational specifics, such as primary activities and business-processes and the involvement of every employee in the risk management process.

Consistency and continuity of the corporate risk management system (hereinafter- the CRMS) of "Damu" Fund is shown in the below diagram.

Currently, **CRMS's structure** has a four-level risk management: Board of Directors, Management Board, Department of Risk Management (DRM) and subdivisions (risk owners).

Identification and assessment of risks are aimed at providing a common vision on existing risks and their scale by implementing basic ranking to determine weaknesses. This process allows an evaluation of methods and procedures for the management of major risks.

Risk management is the process of formulating and implementing measures to reduce negative effects and probability of losses and damages or the possibility of a financial compensation upon the occurrence of any losses, associated with risks found within the Fund activities.

The Fund ensures monitoring of the effectiveness of risk management system (including existing management and risk control tools) and if necessary, its modification and improvement.

In 2016, the risk management system was aimed at implementing the principles of integrated credit risk analysis within the framework of "Business Road Map-2020" program, which guarantees SME projects. Taking into account the importance of implementing the "Business Roadmap-2020" program, the Fund annually improves its methodology of project risk assessment, allowing credit risks to be minimized at an early stage.

The Fund used the findings of its own comprehensive methodology of credit risk assessment in the process of taking decisions about the provision of guarantees or the refusal to provide them. This methodology is based on the comprehensive analysis of interrelated risk factors that may adversely affect the financial performance of a project and consequently increase the Fund's credit risk on its portfolio of guarantees already issued.

In 2016 while considering the management of financial risks, three traditional areas were specified: risk arising from loans to second-tier banks, securities portfolio



and funds temporarily available to STBs. The method of limiting active operations with counterparty banks, as well as remotely analyzing credit risks of STBs, leasing companies and corporate issuers were used to minimize these risks.

Application of risk limiting methods has become possible due to the efforts of Risk Management Department in improving methodical and technical bases of financial risk management.

Since the beginning of the implementation of risk management system, the Fund has done a lot to introduce basic methodological documentation on risk management. In particular and within the framework of centralized activities of the National Managing Holding "Baiterek" JSC, in cooperation with an external consultant - PWC, has implemented a risk management system, which was developed in accordance with the best international practices, taking into account the requirements of the Basel Committee on Banking Supervision. This system includes administering and evaluating all types of risks individually (credit, market, operational, business risks, real estate risks), determining aggregate risks, taking into account normal or stressful situations, internal capital adequacy calculations and formation of risk-appetite (in terms of capital adequacy, profitability and liquidity).

In accordance with the Risk Management Policy, the Board of the Fund provides the Board of Directors with a consolidated quarterly report, describing and analyzing key risks, as well as giving information on compliance with the risk limits and data on the implementation of plans and programs to minimize these key risks.

The work on operational risk management continued in 2016. The entire Fund structure was involved in this work and a full package of documents was approved, including the following:

- Risks register and map, risk management plans were updated.

All the risks identified and assessed are described in the risk map. The risk map allows estimating the relative importance of each risk (compared with other risks), as well as to highlight risks that are critical and require further development of risk management activities.

The Fund's corporate risks register and the risk map contains risks that relate to the following groups: strategy, finances (credit, market, liquidity), legal and operational areas. Risks that fall into the "red" zone show the Fund's activities that are exposed to maximum risks. Risks that fall into the "yellow" zone represent acceptable risk level. Risks that fall into the "green" zone represent the lowest risk level.

An action plan / control procedures were prepared for all the risks in order to minimize them.

- Approved key risk indicators (KRI's);
- Permanent maintenance of a data base, containing information about implemented and potential risks;
- Plans for re-starting activities: the Fund's crisis management plans were made within the framework of continuity management system of the Fund's activities.

The Fund's corporate-level risk map:

- **Strategy-related risks:**
 - 1) Risk in failure to reach the Fund's key indicators
 - 2) Insufficient communications with external organizations regarding the state programs, risk from external environment
 - 3) Reputational risk

Effectiveness of corporate risk management system was determined to be at

81,31%

by Internal Audit Services based on the results of

2016

- 4) Risk of non-efficient use of finances, provided by the National budget and the National Fund of Kazakhstan

• **Financial risks:**

- 1) The risk of default on counterparty liabilities, as well as the risk of impairment of securities that serve as the pledge facility
- 2) Currency risk
- 3) Liquidity risk
- 4) Risk of budget deficits
- 5) Credit risk as a part of deteriorated financial condition of counterparty bank issuers
- 6) Risk in exceeding consolidated limits on counterparty banks
- 7) Market risk, related to the pledge value, risk of overestimating the pledge
- 8) Credit risk, related to direct borrower/guarantee receiver
- 9) Risk of concentrated demand by single borrower

• **Operational risks:**

- 1) Personnel-related risks
- 2) Risks associated with inadequate, irrelevant and/or incorrect information or its inappropriate use
- 3) Risk of inadequate procurement
- 4) Risk of the Fund's not providing timely information and reports
- 5) Risk of internal, external fraud and theft

which increased by
2,45
percentage points

compared to the previous year's assessment

(78,86%)

- 6) Risks, associated with incorrect business processes or inadequate control of compliance with internal rules

- 7) Information Security Risk of information leakage

- 8) Dependence on IT providers (risk of selecting an improper provider)

- 9) Risk of systems and software failures

- 10) Risk of delayed/defective monitoring of implementation of the Fund's program

- 11) Risk of failure of repayment plans from troubled assets

- 12) Risk of IT equipment failure

- 13) Risks caused by unforeseeable/uncontrollable factors due to influences external to the Fund's activities.

• **Legal risks:**

- 1) Risk in legal changes impacting the activities of the Fund
- 2) Risk of litigation

Effectiveness of corporate risk management system in the following activities: "Organization of risk management processes", "Risk Identification", "Risk assessment", "Risk management" and "Monitoring", was determined to be at 81.31% by Internal Audit Services based on the results of 2016, which increased by 2.45 percentage points, compared to the previous year's assessment (78.86%). Corporate risk management system operates in an acceptable way and any issues identified require corrective and preventive measures, scheduled for 2017.

POLAND



Main operator of SME development



The Polish Agency for Enterprise Development (PARP)

Year of establishment
2000

Position in Doing Business

24



Share of SMEs in GDP
73%



Number of SMEs
2 000 000



Share of SMEs' loans in
37%



Interest rate
3,16-6,16%





GENERAL INFORMATION ABOUT THE INTERNAL CONTROL SYSTEM

9 GENERAL INFORMATION ABOUT THE INTERNAL CONTROL SYSTEM

In March 2016, the Fund's organizational structure was approved along with a new structural unit, responsible for the Fund's internal control - the Internal Control Services (ICS).

The Internal Control Services (ICS) is an independent structural unit of the Fund, which reports directly to the Fund's Chairman of the Board.

In order to improve the functioning of the Fund's internal control system, ICS ensures the following activities:

1. Developed and approved the Policy on Internal Control System (by resolution No.73 of the Fund's Board of Directors as of September 20, 2016) in accordance with the COSO model (Committee of Sponsoring Organizations for the Treadway Commission);

made the concept of "internal control system" more transparent, detailing the three directions of internal control protection, which include a description of the participants of internal control system, their competence, powers and responsibilities;

described five interrelated components of the internal control system in detail (according to the COSO model), including:

- 1) control environment;
- 2) risk assessment;
- 3) control procedures;
- 4) information support and information exchange system;
- 5) monitoring and assessment of the internal control system effectiveness.

2. In order to regulate the modalities of auditing of the Fund's structural units by ICS, the rules for auditing (inspecting) the Fund are developed (approved by the resolution No.73 of the Fund's Board of Directors as of 20.09.201).

The Rules of holding audits (inspections) of the Fund include mainly the objectives and principles of conducting audits, inspections, as well as the design and implementation of the audit's results.

In order to identify the risks and deficiencies in the Fund's internal control system, the ICS ensures audits of the Fund's structural units. In 2016 (from April to December 2016), such routine audits of its structural units were completed for: Administrative Department, Department of Treasury, Department of Marketing and International Cooperation and the Regional Branch in Almaty.

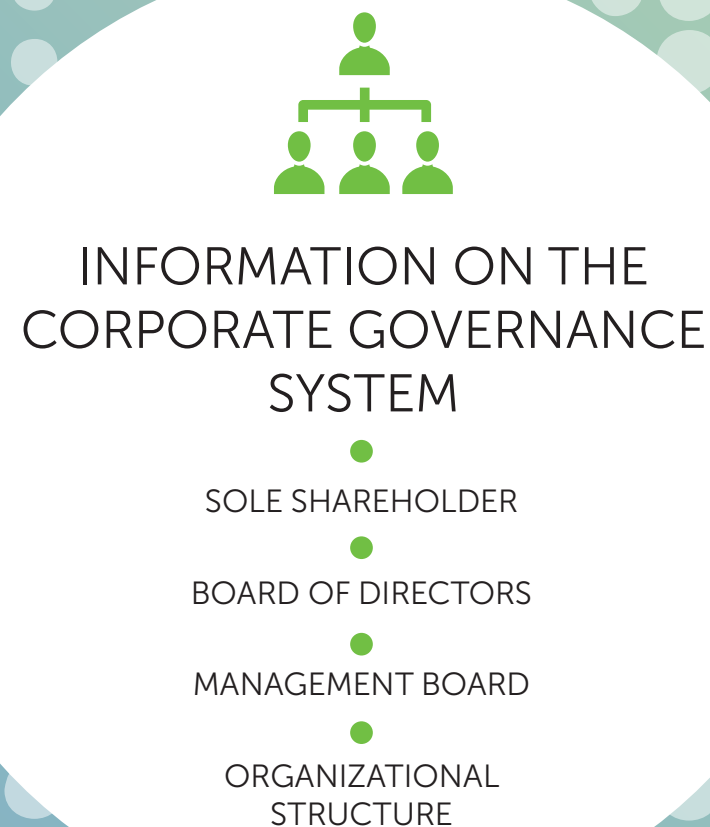
Moreover, in accordance with the resolutions of the Fund's Board, two unscheduled audits were done: in checking the activities of the Department of Policy Loans and verifying the liabilities of Farit Travel Astana LLP in regards the Fund.

Based on the results of these ICS audits, plans for corrective actions were drafted and approved, containing recommendations to rectify any breaches identified.

The structural units inspected, together with the Internal Control Services, have taken comprehensive measures to rectify any breaches identified or other observations made, in order to improve the internal control of the Fund.

Internal Control Services shall regularly ensure the following:

- monitoring the implementation of the recommendations of the Internal Audit Services of the Fund's structural units;
- monitoring the implementation of recommendations, provided as a result of the external audit;
- monitoring the implementation of recommendations of the Fund's sole shareholder - the National Managing Holding "Baiterek" JSC and of the Fund's independent directors.



10 INFORMATION ON THE CORPORATE GOVERNANCE SYSTEM

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

- 1) Sole shareholder as the supreme body;
- 2) Board of Directors as the management body;
- 3) executive body - the Management Board;
- 4) the authority that exercises control over financial and economic activity of the Fund is the Internal Audit Services;

5) the authority, responsible for the implementation of projects related to the provision of guarantees for small enterprises in obtaining credits from second-tier banks and other legal entities is the Credit Committee;

6) other governing bodies are set up as necessary in accordance with laws and regulations of the Republic of Kazakhstan.

SOLE SHAREHOLDER

Number of securities authorized and issued (common shares) amounted to 27,462,244 shares. Currently, the sole shareholder is the National Managing Holding "Baiterek" JSC

Type of securities	Ordinary shares
NIN	KZ1C49420017
Date of issue registration	09.04.2012
Nominal value*	KZT100,000
Number of authorized shares	27,462,244
Number of outstanding shares	27,462,244
Number of shares owned by the shareholder	27,462,244
Shareholder information	National Managing Holding "Baiterek" JSC
Shareholder's share of shares issued	100%
Shareholder's share of voting shares	100%

* cost of the last placement of shares

The most critical functions of the Sole shareholder include: adoption of the Charter, Code of Corporate Governance, determining the structure and duration of the Board of Directors, approval of external auditor, annual financial statements, and so on.

In 2016 the most important decisions of the Sole shareholder concerned the termination of the functions of certain Board of Directors and electing new members, approval of financial statements and the annual report, approval of an order for net income distribution and payment of dividends and bonuses, and finally approval of internal documents.

BOARD OF DIRECTORS

The Board of Directors is responsible for the overall management of the Fund's operations. Primary functions of the Board of Directors are the approval the Fund's Development strategy, adoption of programs on support of entrepreneurship, ensuring efficient working of the risk management system and control of financial and economic activities of the Fund, etc.

The Fund's Board of Directors consists of 8 members, including 3 independent directors.

MEMBERS OF THE BOARD OF DIRECTORS



BAKYTZHAN ABDIROVICH SAGINTAYEV

Chairman of the Board of Directors

(date of early termination of the powers as a member of the Board of Directors - September 13, 2016)

(born in 1963; date of the election to the Board of Directors - April 15, 2013).

Graduate of the Kazakh State University named after S. M.Kirov, with a PhD in Economics.

In 2013-2016 he served as the First Vice-Prime Minister of the Republic of Kazakhstan. From September 2016 he was named Prime Minister of the Republic of Kazakhstan.

He served as Chairman of the Board of Directors of Samruk-Kazyna JSC and now, of the National Managing Holding "Baiterek" JSC.

Nationality: Republic of Kazakhstan.



ASKAR UZAKPAEVICH MAMIN

Chairman of the Board of Directors

(born in 1965, elected to the Board of Directors on September 13, 2016).

Graduated from Tselinograd Engineering and Construction Institute and Russia's Economic Academy named after Plekhanov G.V.

In 2005-2006 he served as the Head of the Ministry of Transport and Communications of the Republic of Kazakhstan; in 2006-2008 he was the Head of the Akimat of Astana. From 2008 to 2016 he was the CEO of the National Company Kazakhstan Temir Zholy JSC.

He is currently a member of the Board of Directors of the National Managing Holding "Baiterek" JSC, Chairman of the Board of Directors of the National Company Kazakhstan Temir Zholy JSC and the Chairman of the Board of Directors of Kazatomprom JSC.

Nationality: Republic of Kazakhstan.



YERBOLAT ASKARBEKOVICH DOSSAYEV

Member of the Board of Directors

(born in 1970, elected to the Board of Directors on September 13, 2016).

He is a representative of the Sole Shareholder of the National Managing Holding "Baiterek" JSC.

Graduated from Almaty Institute of Energy as well as Moscow State Technical University named after Bauman.

In 2003-2004, he served as Minister of Finances of the Republic of Kazakhstan and then in 2004-2006 he served as Minister of Healthcare of the Republic of Kazakhstan. In 2006-2012 he was Chairman of the Board of Directors of KazInvestBank JCS.

From 2012 to 2016 he served as Minister of the National Economy of the Republic of Kazakhstan. Since May 16, 2016 he was nominated as Chairman of the Board of .

Chairman of the Board of Directors of Kazakhstan Development Bank JSC, Zhilstroisberbank of Kazakhstan JSC, Insurance Company Kazexportgarant JSC, Investment Fund of Kazakhstan JSC.

Nationality: Republic of Kazakhstan.



GALIYA TAGIBERDIEVNA DZHOLDYBAEVA

Member of the Board of Directors

(born in 1973, date of first election to the Board of Directors - September 24, 2012, date the current election to the Board of Directors - April 15, 2013)

She graduated in 1996 from Karaganda State University named after E. A. Buketov, majoring in Law.

On September 2012, she was appointed as the Chairman of the Entrepreneurship Development Committee of the Ministry of Regional Development of the Republic of Kazakhstan. She is currently the Director of Entrepreneurship Development Department of the Ministry of National Economy of the Republic of Kazakhstan.

Nationality: Republic of Kazakhstan.



LYAZZAT YERKENOVNA IBRAGIMOVA

Member of the Board of Directors

(born in 1972, elected to the Board of Directors on January 14, 2011).

She is a representative of the Sole Shareholder, the National Managing Holding "Baiterek" JSC.

In 1994 she graduated from Akmola Agricultural Institute, majoring in Economics and Management in Agriculture; then in 2003 she graduated from the Eurasian Humanitarian Institute, majoring in Law. She is a candidate of Economic Sciences.

From January 2011 to January 2016 she served as Chairman of the Fund's Board. From 2016 she was named Deputy Chairman of the National Managing Holding "Baiterek" JSC.

She is an Independent Director and Member of the Board of Directors of the non-profit Holding Kasipkor JSC, a member of the National Commission for Women and Socio-Demographic Policy for the President of the Republic of Kazakhstan.

Nationality: Republic of Kazakhstan.



ZHANNAT DZHURGALIYEVNA YERTLESSOVA

Member of the Board of Directors, Independent Director

(born in 1956, first elected to the Board of Directors on March 26, 2012, then elected to the current Board of Directors on April 15, 2013).

She graduated in 1978 from the Kazakh State University named after S. M.Kirov, with a degree in "Mathematics". She is also a Doctor of Economic Sciences, a Professor and author of more than 50 scientific works.

She held senior positions at the Ministry of Finance of the Republic of Kazakhstan (as Vice-Minister and First Vice-Minister) and was the Deputy Head of the Administration of the President of the Republic of Kazakhstan. She worked as Vice President of Kazakhtelecom JSC, First Deputy Chairman of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition and Managing Director of the Corporate Development of NC KazMunayGas JSC. From June 2007 to September 2007, she served as Deputy Chairman of the Board of Kazyna Sustainable Development Fund JSC; on February 2007 she became a member of the Board of Directors of Kazyna Sustainable Development Fund JSC. From February 2007, she works as a non-permanent Adviser to the Prime Minister of the Republic of Kazakhstan. She is Chairman of the Management Board of Association of Taxpayers of Kazakhstan.

Nationality: Republic of Kazakhstan.



ORAZ ALIEVICH ZHANDOSSOV

Member of the Board of Directors, Independent Director

(born in 1961, first elected to the Board of Directors on September 24, 2012, then elected to the current Board of Directors on April 15, 2013).

He graduated in 1983 with honors from Moscow State University, majoring in Economics & Cybernetics.

He worked for the Institute of Economics at the Academy of Sciences of Kazakhstan. Throughout the years, he was Chairman of the Board of the National Bank of the Republic of Kazakhstan, Deputy Prime Minister/Chairman of the State Committee of the Republic of Kazakhstan on Investments, Deputy Prime Minister/Minister of Finance of the Republic of Kazakhstan, President of KEGOC OJSC, Assistant to the President of the Republic of Kazakhstan and Chairman of Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies and Competition.

On 2008, he became a Director of RAKURS Economic Analysis Center and Member of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan.

He is also an independent director and member of the Board of Directors of Kazpost, Batys Tranzit and Golden Compass Capital.

Nationality: Republic of Kazakhstan.



SERIKBAI BISSEKEYEV

Member of the Board of Directors, Independent Director

(born in 1971, elected to the Board of Directors on July 31, 2014)

He graduated from the Leningrad Polytechnic Institute.

He is the Founder and President of Arman Holding, manufacturer and supplier of integration solutions for the energy sector and telecommunications.

He became President of Arman Holding in 2000. In 2013, he was assigned the status of Vice-President for Cooperation with the association of South-East Asian Countries of the Eurasian Economic Club of Scientists.

Nationality: Russian Federation.



MEMBERS OF THE MANAGEMENT BOARD

KANYSH AMANBAEVICH TULEUSHIN

Member of the Board of Directors

Chairman of the Management Board

Directors (born in 1983, elected to the Board of Directors on June 26, 2013)

He graduated from Oxford Brooks University and from Gumilev Eurasian National University.

During 2011–2013, he was Vice-Minister of Industry and New Technologies of the Republic of Kazakhstan. On July 2013, he was appointed as Managing Director and member of the Management Board of the National Managing Holding "Baiterek" JSC.

Since February 2016 is Chairman of the Board of Directors of the Fund.

Nationality: Republic of Kazakhstan.

He is head of the Fund's Board as overseen by the Managing Director and Assistant to the Chairman of the Board of advisors, Internal Control Service, Guarantee Department, Human Resources Department and the Department of Information Technology.

He is also a Member of the Board of Directors of the Fund, Chairman of the Board of Directors of "National Agency for Technological Development" JSC and member of the Board of Directors of «Kazexportgarant» JSC.

MIRAS BERIKOVICH BEYSEMBAYEV

Deputy Chairman of the Management Board

Supervises subsidizing activities as per the Unified Program for Business Support and Development "Business Road Map-2020", as well as governmental affairs. Coordinates the Department of Subsidies and the Department of Government Affairs.

DAULET MAKSUTOVICH ABILKAIROV

Deputy Chairman of the Management Board

Oversees and coordinates work on corporate development and loan attraction from local executive bodies, strategic development, risk management, security, coordination of regional branches, and information and analytical work.

He also supervises the Department of Corporate Development and New Projects, Risk Management Department, Security Department, Department of Regional Branch Coordination, Regional Branches and Information & Analytical Department.



**ANUAR KABDYKENOVICH
ZHASHIBAEV**

Deputy Chairman of the Management Board

He supervises Fund's financial matters, including provision of loans, effective placement of temporarily available funds, their methodology and the program's loan issues.

Also supervises the Treasury Department and the Department for the Program's Loans.



**ASKAR KANATOVICH
KOZHABEKOV**

Managing Director - Member of the Management Board

He oversees the issues of financial programs' monitoring, work with troubled assets, legal matters, administrative activities, procurement of goods, works, and services.

Also supervises the Monitoring Department, Legal Department, Administration Department and the Department of Distressed Assets Management.



**GABIT
LESBEKOV**

Managing Director - Member of the Management Board

Oversees the work in marketing and international cooperation, training and service support, media relations.

Also oversees the Department of marketing and international cooperation, training and service support Department and the Fund's media outlet.



**ALYONA VALERYEVNA
FINOGENOVA**

Managing Director - Member of the Management Board

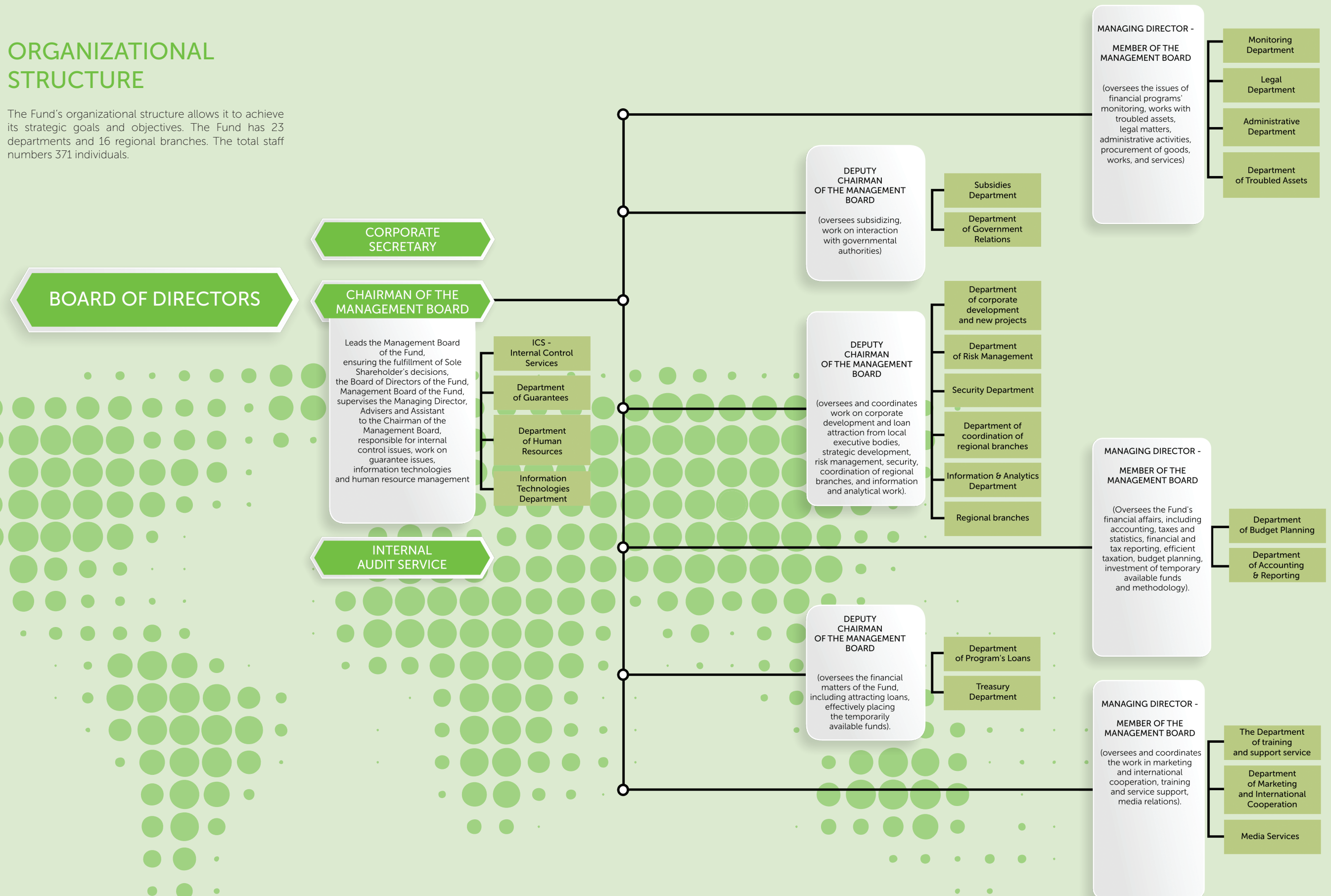
She supervises the Fund's financial affairs, including accounting, taxes and statistics, financial and tax reporting, efficient taxation, budget planning, investment of temporarily available funds and methodology.

She also manages Budget Planning and Accounting & Reporting Departments.

Members of the Management Board of the Fund are citizens of the Republic of Kazakhstan; they do not own shares in the Fund, its suppliers or competitors.

ORGANIZATIONAL STRUCTURE

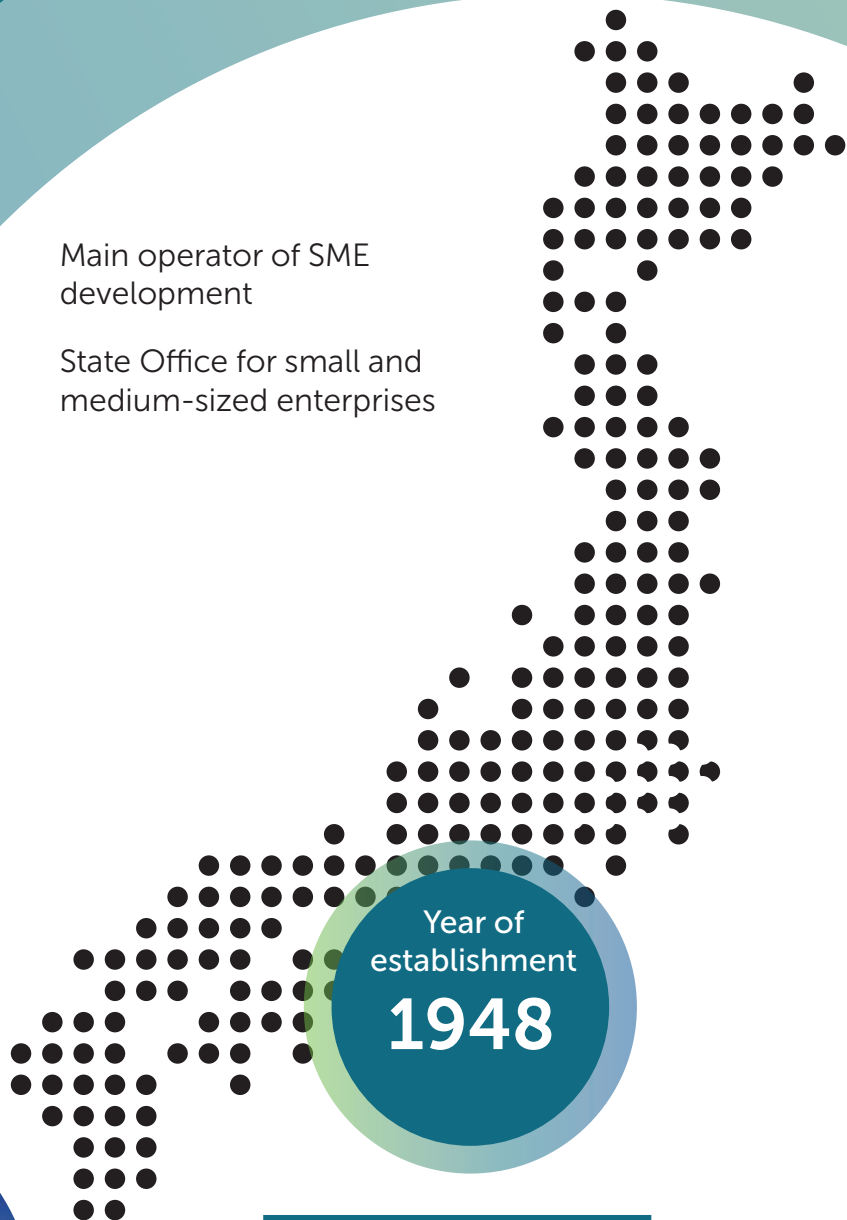
The Fund's organizational structure allows it to achieve its strategic goals and objectives. The Fund has 23 departments and 16 regional branches. The total staff numbers 371 individuals.



JAPAN



Main operator of SME development
State Office for small and medium-sized enterprises



Year of establishment
1948

Position in Doing Business

34



Share of SMEs in GDP
53%



Number of SMEs
3 852 934



Share of SMEs' loans in
65,38%



Interest rate
0,8-1,5%





REPORTS ON ACTIVITIES OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

INFORMATION ABOUT THE EXTERNAL AUDITOR

11 REPORTS ON ACTIVITIES OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

In 2016, the Board of Directors held 10 meetings, including 9 face-to-face meetings and 1 meeting by correspondence. 122 issues were reviewed. During the reporting year 23 committee meetings were held by the Board of Directors. Range of issues discussed include the adoption of fund placement programs, discussion

of the report on commitment to the principles of the Code of corporate governance and the report on implementation of the measures to improve corporate governance system, adoption of financial statements, discussion of the report on the implementation of strategic measures, approval of internal documents, conclusion of significant transactions and approval of the plans for 2017, etc.

PARTICIPATION IN THE MEETINGS BY THE FUND'S BOARD OF DIRECTORS IN 2016

Nº	Full name	Participation in the Board of Directors:	%
1.	Bakytzhan Abdirovich Sagintayev Askar Uzakpaevich Mamin (since 13.09.2016)	6/6 4/4	100% 100%
2.	Galiya Tagiberdievna Dzholdybayeva	8/10	80%
3.	Yerbolat Askarbekovich Dossayev (since 13.09.2016)	4/4	100%
4.	Lyazzat Erkenovna Ibragimova	10/10	100%
5.	Oraz Alievich Zhandossov	9/10	90%
6.	Zhannat Dzhurgalievna Yertlessova	7/10	70%
7.	Serikbay Zholdybayevich Bissekeyev	7/10	70%
8.	Kanysh Amanbaevich Tuleushin	10/10	100%

ACTIVITIES OF THE COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Fund has three functioning committees, which are Strategic & Budget Planning, Audit and Nomination, Remuneration and Social Affairs. In accordance with the best practices of corporate governance, the committees of the Board of Directors are headed by independent directors.

These Committees operate in accordance with the statutes adopted by the resolutions of the Fund's Board of Directors.

Strategic and Budget Planning Committee prepares recommendations and proposals on matters, relating to preparation and implementation of the Development Strategy of the Fund, as well as submitting proposals to improve the budgeting system, etc.

In 2016 there were 10 face-to-face Committee meetings.

The Audit Committee formulates recommendations to the Board of Directors on establishing an effective system of financial control and economic activity for the Fund, control of the independence and effectiveness of the systems of internal and external audit and risk management, as well as execution of the documents in the area of corporate governance.

In 2016 there were 6 face-to-face Committee meetings.

Appointment and Remuneration Committee was established to formulate and submit to the Board

of Directors recommendations on attracting highly qualified specialists to the Board of Directors and the Management Board, prepare proposals on determining remuneration for the Board of Directors to the Sole shareholder and on determining remuneration for the Management Board and the Corporate Secretary to the Board of Directors.

In 2016 there were 7 face-to-face Committee meetings.

As of January 1, 2017, the make-up of the profile of these committees is presented in the following manner:

Audit Committee		
1	Chairman of the Committee	Zh.D Yertlessova – an Independent Director
2	Member of the Committee	S.Zh. Bissekeyev – an Independent Director
3	Member of the Committee	L.E. Ibragimova - Representative of the Shareholder
Strategic & Budget Planning Committee		
1	Chairman of the Committee	O.A. Zhandosov – an Independent Director
2	Member of the Committee	S.Zh. Bissekeyev – an Independent Director
3	Member of the Committee	L.E. Ibragimova - Representative of the Shareholder
4	Member of the Committee	G.T. Dzholdybaeva - Member of the Board of Directors
Nomination, Remuneration and Social Affairs Committee		
1	Chairman of the Committee	S.Zh. Bissekeyev – an Independent Director
2	Member of the Committee	O.A. Zhandosov – an Independent Director
3	Member of the Committee	E.A. Dossayev - Representative of the Shareholder

PARTICIPATION IN THE MEETINGS OF THE FUND’S BOARD OF DIRECTORS IN 2016

Nº	Strategic & Budget Planning Committee		Participation	%
1	Chairman of the Committee	O.A. Zhandosov	9/9	100%
2	Member of the Committee	L.E. Ibragimova	7/9	77%
3	Member of the Committee	G.T. Dzholdybayeva	4/9	44%
4	Member of the Committee	S.Zh. Bissekeyev	7/9	77%
Audit Committee			Participation	%
1	Chairman of the Committee	Zh.D. Yertlessova	5/5	100%
2	Member of the Committee	L.E. Ibragimova	4/5	80%
3	Member of the Committee	S.Zh. Bissekeyev	2/5	40%
Nomination, Remuneration and Social Affairs Committee			Participation	%
1	Chairman of the Committee	S.Zh. Bissekeyev	6/6	100%
2	Member of the Committee	O.A. Zhandosov	6/6	100%
3	Member of the Committee	E.A. Dossayev	0/2	0

CONTROL OF THE FUND’S ACTIVITIES

The Fund has Internal Audit Services (IAS), an independent structural unit, responsible for internal audits, reporting directly to the Board of Directors. The activities of the IAS are supervised by the Audit Committee of the Fund’s Board of Directors.

In 2016, IAS carried out the following audits:

- evaluation of the effectiveness of the corporate risk management system;
- evaluation of the effectiveness of internal control systems;
- activities: Department of Human Resource Management; Administrative Department; Department of Monitoring; Department of Corporate Development and New Projects; Department of Coordination of Regional Branches; Department of Subsidies; Department of Budget Planning and Treasury Department in the temporarily available fund placement part; Department of Risk Management for the business-process of "Evaluation of Credit Risk Management"; business-process of "Raising funds in foreign currency"; regional offices located in South Kazakhstan, Atyrau, Mangistau, West Kazakhstan and Akmola regions;

These audits were carried out on time and in full in accordance with the audit assignments, contained in the approved Annual Audit Plan for 2016. Based on these audit results, the Internal Audit Services made further recommendations to develop a corporate risk management framework and to improve internal control procedures, as well as suggesting ways to eliminate any breaches and non-compliances identified.

INFORMATION ABOUT THE EXTERNAL AUDITOR

For validation and verification of annual financial statements and the evaluation of risk management and internal control systems, the Fund hires a professional audit organization (an external auditor) following a competitive selection process. Determination of an audit organization that carries out an audit of financial statements in accordance with the established procedures is the exclusive competence of the Fund’s Sole Shareholder.

PricewaterhouseCoopers LLP (PWC) audited the financial statements for 2016. PWC was paid KZT10,640,000, including VAT, for auditing these financial statements. In 2016, PWC provided training seminars as a separate service. The fee paid for this service was KZT5,086,000, including VAT.

In 2016, no former employees of audit organizations that provided the audit of the financial statements were employed by the Fund.

These audits were carried out on time and in full in accordance with the audit assignments, contained in the approved Annual Audit Plan for 2016.

PWC was paid

KZT 10 640

including VAT, for auditing these financial statements. In 2016, PWC provided training seminars as a separate service.



REPORT ON ACTIVITIES OF THE MANAGEMENT BOARD

12 REPORT ON ACTIVITIES OF THE MANAGEMENT BOARD

The Management Board is the executive body of the Fund, consisting of seven members. The Fund's Management Board meets every week and takes decisions concerning the Fund's operational management. In 2016 the Management Board held 97 meetings, reviewing a total of 1,432 issues. The range of issues discussed included the adoption of a number of regulations concerning central programs, adoption of amendments and additions to internal documents, rules of remuneration, approval of stakeholders' map, approval of the concept of updating development strategies, etc.

Strategic Development Committee. Created to render the Fund's operations more effective by suggesting solutions to the Management Board, who determines the Fund's long-term Development Strategy, goals, objectives and priorities. In 2016, the Committee held 11 meetings.

Controlling Committee. Based on reports submitted by them, supervises the implementation of measures scheduled by the Fund's structural units and regional branches in accordance with the Fund's Development Strategy. In 2016, the Committee held 11 meetings.

Credit Committee. Takes decisions related to the provision of guarantees to small enterprises, when they apply for loans from counterparty banks. In 2016 an automated decision-making process was introduced, eliminating the need for holding face-to-face meetings.

Budget Commission. Created to ensure timely and good quality budget development and making adjustments to current budget. In 2016, the Commission held 21 meetings.

ACTIVITIES OF THE COMMITTEES OF THE MANAGEMENT BOARD

The Management Board has a number of permanently functioning committees, dealing with issues on various aspects of operational activities and providing recommendations to the Management Board on their effective resolution.

Asset and Liability Management Committee. Created to develop medium- and long-term policies in the area of asset and liability management policy, determine the optimal balance structure, monitor the Fund's financial situation and profitability indicators, take necessary corrective measures to maximize revenue and control risks during the Fund's placement of temporarily available funds. In 2016, the Committee held 31 meetings.

Human Resources Policy Committee. Created to improve implementation of human resources and motivational policies that is within the Management Board's competency. In 2016, the Committee held 28 meetings.

Debt Recovery Committee. Created to coordinate the recovery of distressed receivables. In 2016, the Committee held 30 meetings.

Risk Committee. Created to develop effective risk management solutions and to improve and strengthen the risk management system. In 2016, the Committee held 23 meetings.

CORPORATE CONFLICT AND THE CONFLICT OF INTEREST RESOLUTION POLICY

The purpose of the Fund's Corporate Conflict and the Conflict of Interest Resolution Policy (hereinafter – the Policy) is to render any resolutions of the Fund's bodies more effective by ensuring fair, objective and independent decision making in the interests of the Fund and its Sole Shareholder.

In order to avoid conflict, the Fund's officers and employees carry out their duties in good faith and within reason in the interests of the Fund and its Sole Shareholder, avoiding conflicts and ensuring full compliance with all laws and regulations, the Fund's internal policies and procedures, the Sole Shareholder's instructions, ethical standards and generally accepted norms of business ethics.

To prevent a conflict of interest and in accordance with the Policy, the officers and employees of the Fund should avoid any action or relationship that could potentially cause a conflict of interest.

USA



Main operator of SME development



US Small Business Administration

Year of establishment
1953

Position in Doing Business

8



Share of SMEs in GDP
62%



Number of SMEs
28 175 504



Share of SMEs' loans in
22,13%



Interest rate
1,93-3,32%





BASIC PRINCIPLES OF REMUNERATION FOR MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

13 BASIC PRINCIPLES OF REMUNERATION FOR MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

Members of the Board of Directors of the Fund, except for independent directors, work without compensation. Procedures for payment of remuneration to independent directors are to be determined in accordance with the Rules for selection, remuneration and reimbursement of expenses for independent directors of subsidiaries of the Holding Company.

Independent directors are to have the following types of remuneration:

- 1) a fixed annual fee for membership in the Board of Directors;
- 2) fixed annual fee for membership in a Committee of the Board of Directors as a chairman of the Committee.
- 3) fixed annual fee for membership in a Committee of the Board of Directors.

During 2016, the independent directors / members of the Board of Directors of the Fund were paid a total of KZT13,225,000 (before tax).

Name of the Independent Director	Participation in a Committee of the Board of Directors	Remune-ration	including (remuneration structure)		
		Total actual	for participation in the Board of Directors	For working in the Committee as Chairman of the Committee	as Member of the Committee
Oraz Aliyevich Zhandosov	Chairman of the Strategic & Budget Planning Committee, member of the Nomination, Remuneration and Social Affairs Committee	4 575 000	4 000 000	375 000	200 000
Zhannat Dzhurgaliyeva Yertlessova	Chairman of the Audit Committee, member of the Strategic & Budget Planning Committee	3 875 000	3 500 000	375 000	-
Serikbay Zholdybayevich Bissekeyev	Chairman of the Nomination and Remuneration Committee, member of the Audit Committee and Strategic & Budget Planning Committee	4 775 000	4 000 000	375 000	400 000

Rules for remuneration, evaluation of their performance and compensation for the Fund's executives, stipulates the following principles by the remuneration system:

- remuneration shall depend on achieving goals that serve the interests of the Fund and its Sole Shareholder;
- simplicity and fairness of the principles for determining remuneration amount;
- remuneration amount shall depend on the Fund's performance results and personal performance of the executives.

To assess the performance of executives, the key performance indicators are used that provide the application of above principles in their work and enhance the effectiveness of financial and productive activities of the Fund, through an effective process of planning and goal setting, reasonable and fair evaluation of the personal performance of each Member of the Management Board. These factors greatly improve the achievement of corporate goals and personal KPIs by the executives.

SUSTAINABLE DEVELOPMENT OF THE FUND



14 SUSTAINABLE DEVELOPMENT OF THE FUND

HUMAN RESOURCES POLICY

The Human Resources Policy of the Fund focuses on the following strategic areas:

- creating a unified model of human resource management;

- procedures for improving labor productivity;
- procedures for improving the quality of human capital;
- corporate culture development.

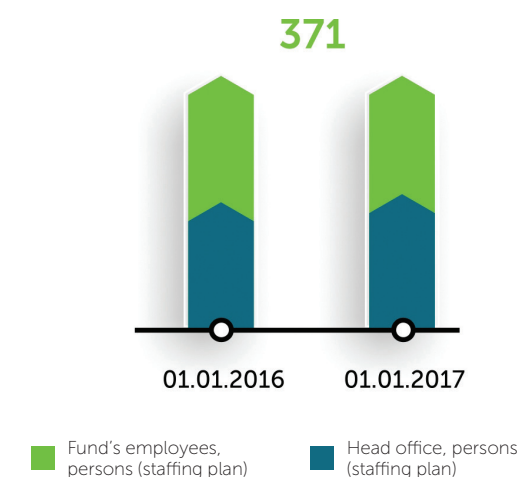
The Fund adheres to the policy of continuity and the fullest use of the internal potential of employees. Rotation promotes a more effective succession planning, which is in a continuous process of identifying future leaders and focused work on the development of the professional, managerial and leadership competencies. The tasks to be achieved through rotation of the employees by the Fund:

- improvement of human capital due to new knowledge, skills and abilities acquired by the employees from the process of rotation;
- optimization of business processes and existing internal documents of the Fund through the influence of "effect of a fresh mind";
- non-material motivation of the employees;
- improving the effectiveness of the Program for the Development of a Personnel Reserve.

This tool is widely used in practice. The Department of Human Resources Management thus identifies employees with significant potential, who are then able to take on an executive position.

EMPLOYEE HEADCOUNT AND QUALITY

As of December 31, 2016, the Company employed a total of 371 people. The total number of employees did not change compared to 2015.



SUCCESSION POOL

In 2016 the Fund introduced a new principle of selecting a talent pool, involving employees, capable to manage a structural unit / regional branch. The Department of Human Resources Management developed and introduced the "Hall of Fame", where employees having attained a high standard of work performance are displayed monthly. When an employee enters the "Hall of Fame" 3 times or more, such an employee automatically joins the Talent Pool.

TRAINING - CONTINUING PROFESSIONAL DEVELOPMENT OF PERSONNEL

In order to successfully implement the continuity of the Program and improvement of the quality of its human resources, training sessions are organized for employees from the Fund's talent pool. The Training Plan for the Employees of "DAMU" ENTREPRENEURSHIP DEVELOPMENT FUND" JSC was approved in 2016 by the resolution of the Fund's Management Board (Minutes No.26/2016 as of January 27, 2016). 253 employees (representing 68% of the total number of employees) have been trained in the frameworks of the professional development system. 23 employees were sent for training under MBA Programs.



The purpose of training is to help with the acquisition of professional knowledge and skills by employees that are complying with the interests and needs of the Fund and work in this direction is constantly maintained to attract and retain high-performing employees, as well as increase their knowledge and skill levels.

ROTATION

In 2016, a total of 85 employees were rotated within the Fund, including 13 employees, who were promoted to the executive positions and 8 senior executives transferred between the Head Office and regional branches.

As the practice shows, controlled and planned rotation leads to the improvement of personnel stability.

EMPLOYEE TURNOVER

In 2016, total employee turnover was 13.73%, while the target indicator was 20%. Compared to 2015, the coefficient of personnel turnover had decreased by 1.93%. The level of satisfaction and engagement of employees was up at 75%.



MOTIVATION AND REMUNERATION OF THE PERSONNEL

The Fund's employees have their annual health insurance plans paid from the Fund's budget. There are paid maternity leaves, while an average salary minus social fees is paid in the case of loss of income due to pregnancy and childbirth. Financial assistance is also provided in case of marriage (4 cases in 2016), or when a child is born (53 cases in 2016), as well as material assistance relating to the death of a family member (5 cases in 2016).

In 2016 the "Hall of Fame" was introduced and implemented: for reaching a high standard of performance, the chosen employees are posted monthly. Among the candidates for various nominations, a free parking place is given to the winner.

CORPORATE SOCIAL RESPONSIBILITY

As the principal operator and integrator of the state support measures for entrepreneurship in Kazakhstan, the Fund places a high priority on the factors of the society's sustainable development and considers it as one of the key principles it adheres to.

Together with unconditional priority in observing the rights and interests of the Sole Shareholder, the Fund accepts voluntary obligations in socially responsible behavior towards a wide range of stakeholders affected by its activities - investors, partners, borrowers, employees, suppliers, business communities, and the general public.

When implementing corporate social responsibility initiatives, the Fund is guided by its Corporate Social Responsibility Policy (hereinafter - the Policy), approved by the Board of Directors.

The purpose of the Policy is to ensure that the Fund complies with Corporate Social Responsibility (CSR) principles and to build a trustful relationship with all stakeholders.

The Policy is aimed at improving the effectiveness of the Fund's operations in the field of CSR, using international norms of conduct, stipulated equally by CSR and sustainable development standards.

In cooperation with its stakeholders, the Fund is guided by the following basic principles of corporate social responsibility:

1. The principle of openness. The Fund seeks maximum openness and reliability of information about the company, its programs to support entrepreneurship and achievements and results of its activities.

At the same time, the Fund oversees disclosure of information, constituting of commercial and other secrets, protected by law.

2. The principle of partnership. Fund managers and employees learn and evaluate the interests, expectations and concerns of stakeholders with whom they interact, as well as seeking to establish new partnerships and strengthen existing ones.

3. The principle of flexibility. The Fund reacts promptly to the expectations and requests of interested parties, as well as to changing market situation and making necessary adjustments to its activities and tools that support entrepreneurship.

4. The principle of an integrated approach. The Fund focuses on entrepreneurship and projects that bring in the greatest benefit to the stakeholders, i.e. by taking into account the impact of their activities on the economy and the development of society.

5. The principle of accountability to the personnel. The Fund seeks to provide jobs with competitive remuneration and social security, as well as creating safe and comfortable working conditions. Through its activities, the Fund ensures the observance of the norms concerning social and labor relations, as well as promoting a comprehensive professional development and training courses for its personnel.

When evaluating its CSR performance, the Fund is guided by economic and human resources indicators.

Below are the Fund's CSR achievements in 2016:

The purpose of the Policy is to ensure that the Fund complies with Corporate Social Responsibility (CSR) principles and to build a trustful relationship with all stakeholders.

Nº	Indicators	Results
Economic indicators		
1	Amount of budget funds provided for sponsorship / charitable assistance by the Fund	KZT1.0 mln
2	Number of participants in training programs	5,988 persons
3	Share of training program participants, who opened a business	12%
4	Entrepreneur satisfaction with training services provided	94.6%
5	Number of clients of remote services	54,765 persons
6	Number of entrepreneurs with disabilities, who received assistance through Damu-Komek program	301 persons
7	Share of local content in the Fund's procurement	83%
Human resources indicators		
1	Personnel's engagement (emotional)	90%
2	Personnel's engagement (by activity)	73%
3	Personnel's satisfaction level	63%
4	Number of the Fund's employees who received training	253 employees

The Fund is actively working to increase the share of local content in its procurement. In 2016 local content reached 83% of the Fund's procurement, including 92 % for projects, 96 % for services and 20 % for goods.

Upon an initiative by the Fund's employees, sick and poor people (adults and children) receive financial help by private means.

In order to create conditions for stimulating people with disabilities in doing business and to increase their legal and economic literacy, which fosters further employment, the Fund developed Damu-Komek Project aimed at providing necessary assistance to people with disabilities.

The Damu-Komek project aims to support entrepreneurs and people with disabilities by raising awareness of their problems and the resources they need (financial assistance, property consulting, other services) through the special website www.damu-komek.kz. The Fund does not provide any financing, but helps link disabled entrepreneurs with potential sponsors and lenders. In 2016, 301 applications were submitted through the Program's website and as a result, 301 entrepreneurs with disabilities received sponsorship and charitable

support. In addition, the Fund held another contest in 2016 jointly with Kazkommertsbank JSC within the framework of the project "Zhyldyzdarga Kara" - "Look at the Stars". The total budget for the project was KZT13 mln, where an individual grant varied from KZT100 thou. to KZT300 thou., depending on the project. At the end of the contest, 49 people with disabilities received grants.

Within the framework of the Unified Program of Entrepreneurship Competencies' Development of "DAMU" ENTREPRENEURSHIP DEVELOPMENT FUND" JSC for 2015-2018, approved by the resolution No.65 of the Board of Directors of the Fund as of October 30, 2015, the project "Development of the Entrepreneurial Skills of Disabled Women" is being actively implemented. Within the framework of this project, women with disabilities receive vocational training courses and psychological assistance to be prepared for the duties of the job and also have an opportunity to obtain internship, accompaniment and support during their employment. In addition, the project allows employers to reduce risks when hiring a worker with disabilities, providing them with relevant advice and practical information.

In 2016, 231 disabled women received training under this project and 90 of them took professional courses (internship).

In October 2016 a three-day training course for trainers were arranged under this Project. On December 2016 the talk-show "It's Easy to Tell" was recorded with the participation of women with disabilities, plus a round table discussion was held in Astana on the topic: "Assistance in promoting the capabilities of socially vulnerable women for employment, entrepreneurship and other forms of commercial activities."

OCCUPATIONAL SAFETY

The Fund focuses on systematically working, by incremental steps to enhance workplace safety and promoting a safe work culture.

The Fund complies with the laws and regulations of the Republic of Kazakhstan in the area of occupational health, industrial and fire safety and it takes additional measures to minimize workplace accidents.

The Fund's employees are guided by Occupational Safety Policy for the Fund's office workers. This Policy applies to all major activities of the Fund's employees during their work processes, in the Fund's offices, during business trips, as well as in emergency situations.

ENVIRONMENT CONTROL

Recognizing the principles of the United Nations Global Compact, complying with the law, the Fund in its activities is guided by the following CSR principles in the field of the environment control:

- support to the environmental matters approach, based on precautionary principles and prevention of negative impact on the environment;
- adoption of initiatives aimed at increasing of environmental responsibility;
- environmentally-friendly technologies promotion and expansion;
- support for initiatives on alternative energy sources use, energy consumption reduction and energy efficiency improvement

CHARITY

In 2016 Corporate Fund «Bolashak» (further - the Fund «Bolashak») appealed to the Fund requesting to render the sponsor support in the amount of 1 000 000,0 (one million) tenge for payment of a part of expenditures on the organization of the IX Winter charitable ball which purpose is drawing of public's attention to problems of receiving quality education by children with special educational needs and support of talented youth of the country.

According to the Policy and according to the decision of the Board of Fund - rendering the sponsor support to the Fund is approved «Bolashak» in the amount of 1 000 000,0 (one million) tenge for the organization of the IX Winter charitable ball (an extract №073/2016 dated 30.09.2016 is applied), the Contract №01-SP/DMMS dated 05.12.2016 about rendering the sponsor support was signed between the Fund «Damu» and the Fund «Bolashak».

Following the results of the organization and holding the IX Winter charitable ball from the Fund «Bolashak» financial and creative reports have been received.

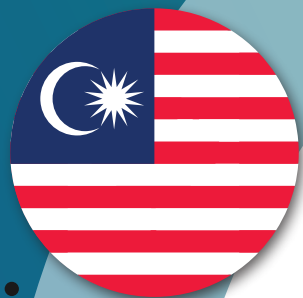
The Fund «Bolashak» is planning to hold the following events using the collected contributions:

- a supervision of project experts «each child deserves school» by international experts (experts of the application-oriented analysis of behavior - M. Azimova, O. Meleshkevich);
- organization of work of advisory project council;
- functioning of offices of support of an inclusion on the basis of secondary school№71, secondary school№83, comprehensive secondary school№40 Astana city, secondary school№75 Almaty city until the end of 2017;
- extension of a network of correctional institutions and increase in percent of spanning by inclusive education of the educational organizations (an access to the regions).

There weren't any other cases of rendering the sponsor and/or charitable support in 2016 within the approved budget of the Fund «Damu» in 2016.

In 2016, an organization (the Public Fund "Council of veterans, workers in staging areas and children of war") and an individual (Kaltai Bakhyt) addressed the Fund for assistance. Assistance to this organization and the individual has been provided on a voluntary basis by the employees of the Fund at their own expense and by their own funds.

MALAYSIA



Main operator of SME development



SME Corporation Malaysia

Year of establishment

1996

Position in Doing Business

23



Share of SMEs in GDP
36,7%



Number of SMEs
729 983



Share of SMEs' loans in
73%



Interest rate
4,54%





ANNUAL FINANCIAL STATEMENTS

15 ANNUAL FINANCIAL STATEMENTS

Statement of financial situation

(thousands of Kazakhstani Tenge)	Note:	December 31, 2016	December 31, 2015
ASSETS			
Cash and cash equivalent	7	44,027,014	33,252,986
Securities at fair value through profit or loss	8	6,069,581	6,322,142
Funds in financial institutions	9	242,464,446	254,953,501
Accounts receivable on subsidy programs		43,508	42,508
Loans and advances to clients	10	76,141	101,602
Investment securities available for sale	11	556,791	2,661,023
Fixed assets	12	2,739,107	3,206,146
Intangible assets		308,797	276,324
Prepayments under the current liabilities for income tax		11,054,657	7,402,353
Other assets	13	42,094,226	47,087,170
TOTAL ASSETS		349,434,268	355,305,755
LIABILITIES			
Borrowings	14	223,869,751	235,268,857
Liabilities on subsidy programs	15	14,341,822	15,675,071
Deferred tax liability	26	5,412,132	3,561,258
Deferred income and provision on credit related liabilities	16	5,263,218	4,515,041
Other liabilities	17	1,842,566	1,112,339
TOTAL LIABILITIES		250,729,489	260,132,566
CAPITAL			
Shareholders' equity	18	72,920,273	72,920,273
Additional paid-in capital		834,527	834,527
Revaluation reserve of investment securities available for sale		61,588	123,219
Other reserves		316,430	316,430
Undistributed earnings		24,571,961	20,978,740
TOTAL CAPITAL		98,704,779	95,173,189
TOTAL LIABILITIES AND CAPITAL		349,434,268	355,305,755

Statement of profit or loss and other comprehensive income

(thousands of Kazakhstani Tenge)	Note:	2016	2015
Interest income	19	35,545,591	19,430,982
Interest expenses	19	(8,772,625)	(7,102,103)
Net interest income		26,772,966	12,328,879
(Withdrawals to the reserve)/Recovery of provision for devaluation of loans to the clients and funds in other financial institutions	9,10	(11,991,580)	833,934
Net interest income after creation of provision for loan portfolio devaluation		14,781,386	13,162,813
Fee incomes	20	2,784,928	2,153,545
Expenditures after deduction of revenues from transactions with financial derivatives	21	(7,776,854)	44,055,883
Revenue after deduction of expenditures from revaluation of securities at fair value through profit or loss		343,775	(1,012,726)
Expenditures after deduction of revenues from foreign currency revaluation		(57,851)	(211,921)
Revenue after deduction of expenditures from foreign currency revaluation	22	2,092,262	(32,119,787)
Net loss arising on initial recognition of financial instruments at below-market rates	23	-	(404,812)
Provision for devaluation of other assets	13	(5,103)	(114,428)
Provision for credit related liabilities	28	283,234	(1,056,091)
Recovery of provision for devaluation of available for sale investment securities		103,797	39,005
Other operating income	24	51,657	106,686
General and administrative expenses	25	(5,157,061)	(4,940,830)
Income before taxes		7,444,170	19,657,337
Income tax expenses	26	(1,850,874)	(4,001,832)
ANNUAL INCOME		5,593,296	15,655,505
Other aggregated (loss) /income:			
Articles that may be reclassified in the composition of profits or losses:			
Investments available for sale:			
- Income after deduction of annual expenses		42,166	156,777
- Income after deduction of expenses, transferred to profit or loss due to retirement or devaluation		(103,797)	(39,005)
Other total annual (loss)/income		(61,631)	117,772
TOTAL ANNUAL INCOME		5,531,665	15,773,277

Statement of changes in equity

(thousands of Kazakhstani Tenge)	Shareholders' equity	Additional paid-in capital	Revaluation reserve of investment securities, available for sale	Other reserves	Non-distributed profit	Total
Balance as of January 1, 2015	72,920,273	834,527	5,447	316,430	9,066,064	83,142,741
Annual income	-	-	-	-	15,655,505	15,655,505
Other aggregated income	-	-	117,772	-	-	117,772
Total annual income	-	-	117,772	-	15,655,505	15,773,277
Dividends paid	-	-	-	-	(3,742,829)	(3,742,829)
Balance as of December 31, 2015	72,920,273	834,527	123,219	316,430	20,978,740	95,173,189
Annual income	-	-	-	-	5,593,296	5,593,296
Other aggregated income	-	-	(61,631)	-	-	(61,631)
Total annual income	-	-	(61,631)	-	5,593,296	5,531,665
Dividends paid	-	-	-	-	(2,000,075)	(2,000,075)
Balance as of December 31, 2016	72,920,273	834,527	61,588	316,430	24,571,961	98,704,779

Cash flow statement

(thousands of Kazakhstani Tenge)	2016	2015
Statement of cash flow from operating activities:		
Interest received	21,318,878	12,393,691
Interest paid	(4,268,908)	(2,906,961)
Fees received	4,199,835	3,873,034
Income earned on transactions with financial derivative instruments	-	727,266
Revenues from other operating activities	91,867	105,713
Labor costs, paid	(1,774,666)	(2,206,191)
General and administrative costs, paid	(4,865,365)	(1,460,109)
Income tax paid	-	-
Cash received from operating activities prior to changes in operating assets and liabilities	14,701,641	10,526,443
Net (increase)/decrease on:		
-securities, appraised at fair value through profit or loss	779,741	2,346,043
-funds in financial institutions	10,405,411	(114,045,580)
-loans and advances to clients	493,822	520,408
- other assets	(1,464,409)	(1,094,703)
Net (increase)/decrease on:		
Net increase in other financial liabilities	(918,826)	9,922,216
- other liabilities	138,404	262,448
Net cash used in operating activities	24,135,784	(91,562,725)
Cash flow from investment activities		
Income from sale and payment for the investment securities available for sale	2,000,000	-
Income from sale and investment securities available for sale	-	300
Acquisition of fixed assets	(156,102)	(852,302)
Losses on disposal of fixed assets	425,233	-
Acquisition of intangible assets	(130,432)	(146,372)
Net cash flow used for investment activities	2,138,699	(998,374)
Cash flow from financial activities		
Receipt of borrowed funds	9,300,000	115,365,480
Repayment of borrowed funds	(22,777,233)	(7,113,597)
Dividends paid	(2,000,075)	(3,742,829)
Net cash flow from financial activities	(15,477,308)	104,509,054
Impact of exchange rate changes on cash and cash equivalents	(23,147)	473,660
Net increase in cash and cash equivalents	10,774,028	12,421,615
Cash and cash equivalents at beginning of period	33,252,986	20,831,371
Cash and cash equivalents at end of period	44,027,014	33,252,986

* Disclosure of these comments were reflected in the full version of audited financial statements as of 31.12.2016, found on the Fund`s website

16 ADDRESSES AND CONTACTS

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17. Entrepreneur Service Center
Representation of the Regional Branch for the East Kazakhstan region, Semey
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18. Entrepreneur Service Center
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Appendix 1

Transactions with Interested Parties Concluded by the Fund in 2016

Name of counterparty on the contract	Contract number and date	Subject of the contract	Essence of the contract
Sary Arka Technopark LLP	No.01 as of 08.01.2016	Office space rental services	Amount - KZT9,504,000, excluding VAT, monthly payment - KZT792,000, excluding VAT. Term of Agreement - until December 31, 2016
Kazakhstan Development Bank JSC	No.053/2016 as of 14.04.2016	Deposit	Amount of deposit is KZT10 bln; The term of placement of the Deposit is 12 months, with the possibility of extending the period until November 15, 2023; Interest rate - 7% per annum
Kazakhstan Development Bank JSC	No.62-SP-A/27 as of 24.10.2016	In accordance with the Agreement, the Agent undertakes to render services to the Development Bank on monitoring and Development Bank shall pay for these services on time and in accordance with the procedure provided for in the Agreement. The Agent shall provide services for monitoring compliance with the terms of the Loan Agreement by the Bank through the following activities: 1. Collection and consolidation of the Bank's reports on the loans issued to End-User Borrowers; 2. Collection of the Bank's reports on social and economic impact of the Program for the purposes of quarterly analyses conducted by the Development Bank and transferring them to Development Bank; 3. Verification of the Target Loan's Use by the Bank.	The funds were given to second-tier banks to finance the working capital of SMEs. - The Fund's fee as monitoring agent is 0.5% per annum of the amount, allocated for financing small and medium enterprises, in accordance with the terms of the Agreements: – No.62-SP-A/27 as of 24.10.2016 – KZT4 bln – No.63-SP-A/27 as of 24.10.2016 – KZT10 bln – No.64-SP-A/27 as of 24.10.2016 r. – KZT3.8 bln – No.65-SP-A/27 as of 24.10.2016 r. – KZT1 bln – No.66-SP-A/27 as of 25.10.2016 r. – KZT1.5 bln – No.67-SP-A/27 as of 26.10.2016 – KZT5.5 bln – No.68-SP-A/27 as of 26.10.2016 – KZT4.5 bln – No.70-SP-Z/27 as of 31.10.2016 – KZT2.65 bln – No.71-SP-A/27 as of 31.10.2016 – KZT6.6 bln – No.72-SP-A/27 as of 31.10.2016 – KZT2 bln – No.74-SP-Z/27 as of 08.11.2016 – KZT4 bln – No.75-SP-A/27 as of 08.11.2016 – KZT8.7 bln
Kazakhstan Development Bank JSC	No.63-SP-A/27 as of 24.10.2016		
Kazakhstan Development Bank JSC	No.64-SP-A/27 as of 24.10.2016		
Kazakhstan Development Bank JSC	No.65-SP-A/27 as of 24.10.2016		
Kazakhstan Development Bank JSC	No.66-SP-A/27 as of 25.10.2016		
Kazakhstan Development Bank JSC	No.67-SP-A/27 as of 26.10.2016		
Kazakhstan Development Bank JSC	No.68-SP-A/27 as of 26.10.2016		
Kazakhstan Development Bank JSC	No.70-SP-Z/27 as of 31.10.2016		
Kazakhstan Development Bank JSC	No.71-SP-A/27 as of 31.10.2016		
Kazakhstan Development Bank JSC	No.72-SP-A/27 as of 31.10.2016		
Kazakhstan Development Bank JSC	No.74-SP-Z/27 as of 08.11.2016		
Kazakhstan Development Bank JSC	No.75-SP-A/27 as of 08.11.2016		

Information about the Fund's major transactions as of 2016

Name of counterparty on the contract	Contract number and date	Subject of the contract	Essence of the contract	Date and number of the resolution by the Fund's authorized body which approved the transaction
European Investment Bank	No.2014-0755, 2015-0603 as of 24.11.2016	Provision of finances to SME green projects through STBs	The amount shall not exceed EUR200,000,000 in KZT equivalent; Term - 3 years with possibility to extend up to 10 years; Rate is set as of the date of provision of tranche	Resolution of the Fund's Board of Directors as of 20.09.2016 (Minutes No.74)

RELATED PARTY TRANSACTIONS

Parties are considered to be related if they are under joint control, or if one of them has the ability to control the other party or may exercise significant influence on the other party in making financial and operating decisions. When considering the relationship with all related parties the economic content of such

relationship should be taken into account rather than their legal form alone.

Shown below are the balances of transactions with the related parties on December 31, 2016:

(thousands of Kazakhstani Tenge)	Sole shareholder	Jointly controlled companies	Associated Companies	Other related parties
Cash and cash equivalent	-	3,089	-	3,235,283
Securities at fair value through profit or loss	-	-	-	2,352,107
Funds in financial institutions	-	10,178,889	-	-
Prepayments under the current liabilities for income tax	-	-	-	11,054,657
Other assets	-	92,264	8,000	131,544
Borrowings	67,780,290	182,273	-	38,735,026
Liabilities on subsidy programs	-	-	-	11,218,234
Deferred tax liability	-	-	-	5,412,132
Deferred income and provision on credit related liabilities	-	-	-	475,225
Other liabilities	-	-	-	20

Income and expenditure items for operations with related parties as of 2016:

(thousands of Kazakhstani Tenge)	Sole shareholder	Jointly controlled companies	Other related parties
Interest income	-	507,500	759,701
Interest expenses	(4,221,243)	(3,172)	(1,181,859)
Revenue after deduction of expenditures from revaluation of securities at fair value through profit or loss	-	-	230,264
Administrative and other operating expenses	-	(9,594)	-
Income tax expenses	-	-	(1,850,874)

Aggregate amounts of funds granted and repaid under operations with related parties during 2016:

(thousands of Kazakhstani Tenge)	Other related parties
Total amount of loans granted to related parties during the year	-
Total amount of loans repaid by related parties during the year	-

ACCOUNTS AND OPERATIONS WITH RELATED PARTIES

Presented below is information on remunerations paid to senior executives:

(thousands of Kazakhstani Tenge)	2016	2015
Short-term payments:		
- Wages and salaries	172,955	117,541
- Short-term bonus payments	57,125	48,014
- Other payments in monetary form	-	-
- Non-cash payments	13,533	8,902
Total	243,613	174,457

Future cash flows for a group of financial assets that are collectively assessed for devaluation are determined on the basis of contractual cash flows associated with these assets and based on management's statistics on the amounts of arrears that will arise as a result of eventual loss events, and on the success of reimbursement

of arrears. Statistics of past years are adjusted based on currently observable data to reflect the impact of current conditions that did not affect previous periods and to eliminate the effect of past events that do not exist in the current period.

Provisions for doubtful debt are not available.

Appendix 2

Compliance with KPI's of the Unified Program of Developing Entrepreneurs' Competencies of "DAMU" ENTREPRENEURSHIP DEVELOPMENT FUND" JSC for 2015-2018.

Average % of performance, actual

153%

Nº	Description	Unit of measurement	Target for 2016	Actual for 2016	% performance, actual as of 2016
1.	Support for start-ups				
1.1.	Support for opening of start-up businesses				
	Training	number of trained	1 360	1 562	115%
	Consulting /consulting & practical assistance	number of projects	150	528	352%
	Number of SMEs, created annually	number of PEs created	100	270	270%
	Approval of Startup applications per year for the Fund's financial instruments	Number of applications, approved for the financial programs	16	39	244%
1.2.	Support for entrepreneurial initiatives for students				
	The range of students, aged between 18 and 29 years, inclusive	number of trained	1 440	1 687	117%
	The annual creation of SMEs	number of PEs created	50	77	154%
1.3.	Startup Academy	-			to be launched in 2017
2.	Support for the operating businesses				
	Industry training, consulting and practical accompaniment	-			excluded by the resolution of the Fund's Board of Directors No.75 as of November 24, 2016
	Support for entrepreneurs to establish cooperation with foreign partners	-			excluded by the resolution of the Fund's Board of Directors No.75 as of November 24, 2016
	Attracting highly qualified foreign specialists to assist in the introduction of new management techniques, manufacturing technology, equipment and employee training.	-			excluded by the resolution of the Fund's Board of Directors No.75 as of November 24, 2016

Average % of
performance,
actual

153%

Nº	Description	Unit of measurement	Target for 2016	Actual for 2016	% performance, actual as of 2016
	Support to participants of the Program "Leaders of Competitiveness - National Champions"	-			excluded by the resolution of the Fund's Board of Directors No.75 as of November 24, 2016
2.1.	Support for operating businesses "Assyldar".	-			to be launched in 2017
3.	Support and development of entrepreneurship of people with disabilities				
3.1.	Arrangement of sponsorship assistance for the Entrepreneurs with Disabilities ("Damu-Komek")				
	Annual placement of not less than 300 applications for sponsorship	Number of applications	300	301	100%
	Annual provision of non-financial in-kind support for minimum 150 entrepreneurs with disabilities for their entrepreneurial activities	number of entrepreneurs	150	301	201%
3.2.	Development of entrepreneurial skills in women with disabilities				
	Training for women with disabilities	number of women	180	231	128%
	Creation of own business or employment of women with disabilities	number of women	50	51	102%
4.	Monitoring the support services for the business operations and SME top management training				
4.1.	Monitoring the support services for the business operations				
	Provision of timely and qualitative service reports on monitoring the support services, to be submitted to the Competent authority	number of reports	4	4	100%
4.2.	Component "Training of top management of SMEs"				
	Reporting to the competent authority	number of reports	3	3	100%

Average % of
performance,
actual

153%

Nº	Description	Unit of measurement	Target for 2016	Actual for 2016	% performance, actual as of 2016
5.	Creating conditions for qualitative development of domestic entrepreneurship				
5.1.	Ensuring the activities of the Fund's infrastructure for the entrepreneurship support (ESCs, MBSCs)				
	Increasing the number of ESC, MBSC clients	number of customers	70 070	90 923	130%
	Achieving a degree of satisfaction with the quality of service provision	%	80%	97%	122%
5.2.	Developing the competencies of ESC and MBSC consultants				
	Developing the competencies of ESC and MBSC consultants per year	number of consultants	100	100	100%
	Achieving a degree of satisfaction with the quality of service provision	%	80%	91%	114%
5.3.	Developing the competencies of the employees of partner organizations to get involved in SME projects for participation in the Fund's financial programs				
	Developing the competencies of minimum 340 employees of the partner organizations to get involved in SME projects for participation in the Fund's financial programs, per year	-	340	-	the Project was suspended by the resolution of the Management Board No.090/2016 as of 02.12.2016
	To attract a minimum of 680 projects to participate in the financial programs for the entrepreneurship support	-	680	-	the Project was suspended by the resolution of the Management Board No.090/2016 as of 02.12.2016
5.4.	Promotion of ideas and programs for entrepreneurship support				
	Annual placement of material about the Fund activities and programs in mass media	Q-ty of materials	3 500	6 774	194%
	Achievement of the Fund's awareness	%	80%	100%	125%
5.5.	Remote support for the entrepreneurship development				
	Remote consulting services (number of clients)	number of clients for consultations, provided via Call Center and Internet resources	40 000	54 765	137%
	Training within the framework of distance learning	number of trained	500	817	163%

PAVLODAR REGION'S

GLASSWARE PRODUCTION WORKSHOP

Bakhytgul Kasymova, one of the finalists of the StartUp Bolashak Project, takes up the difficult craft of glassware production. ALAU Pavlodar, her workshop in the city of Pavlodar has exceeded 100% rate of return even in its first year of operation, because Bakhytgul uses recycled raw materials like bottles, broken glass and automobile glass in her production. The cost of such raw materials is very low and this has a positive effect on the cost of production. Bakhytgul is positive that there is enough waste glass to go around for everyone and possibly after 10 years, the newly manufactured products could make their way back to the company for recycling. Kazakhstan has not yet developed its own glassware production and there is nobody to teach this craftsmanship. But Bakhytgul was lucky, as she met with Sholpan Gasayevna at Pavlodar State University, a professor in the Faculty of Architecture and Construction, who shared her rich experience and knowledge.



The company is already one year old. During that year the company was modernized. At the start all works in the workshop was done manually and the produced quantities were small.



The university has helped Bakhytgul by providing her with a workshop and equipment. And the grant, which her company has won within the framework of the "Business Roadmap 2020" program also helped greatly.

Last year in August, after finding out about the StartUp Bolashak program from the Damu Fund's Center for Entrepreneurship Support, Bakhytgul applied to take part in this project. Her project was selected out of more than 2,000 applications as a participant in further training. Bakhytgul's ambition and the idea itself of manufacturing new products from recycled glass have contributed to her reaching the final stage of the competition and winning 5 million KZT.

Now she has four employees, and they do their best to automate the production process as much as possible. Bakhytgul was also chosen as the winner of the Republican contest "The Best Young Entrepreneur" and was nominated for the award "Breakthrough of the Year".

"We pay nothing for the raw materials we receive. We agreed with food service outlets and service stations to recover their waste glass supply from them. This also profits them because otherwise they have to pay to dispose the waste, as they normally would had to pay special garbage companies to do this job, but in the very essence they would have polluted the environment – as the disposed glass has a break down period of almost a thousand years. That is why it is more feasible for them

to send the material to us for waste-free production. In the future we are planning to open a glassware collection point in the city. The glass has one very good property – it can be recycled ten times without losing its nature. My own finished product may return back to me for recycling after 10 years".

ALAU Pavlodar Company recycles waste glassware and manufactures stained-glass windows, lighting fixtures, souvenirs, dishes, watches, table tops, etc. The glass souvenirs like small dombras on their stand, chess sets or small figurines are especially in demand, but most in demand are company logos.

The company is already one year old. During that year the company was modernized. At the start all works in the workshop was done manually and the produced quantities were small. The funds received were spent purchasing new equipment, thus today the company fulfills up to one hundred orders per day by processing about 100 kilograms of glass daily. In early May, the company presented its products at the exhibition "Made in Kazakhstan". In future, Bakhytgul plans to create a small factory, whose products will be marketed in order to become well-known in the Kazakhstan market and increase her staff up to one hundred people. Moreover, the 22-year-old entrepreneur intends to expand her product range from souvenirs to ceilings and stained-glass windows.



PAVLODAR REGION'S

INTEGRATED GREENHOUSE

The construction of the Pavlodar integrated greenhouse began in May 2014 and was completed by December 2015. The greenhouse produces several varieties of tomatoes, including the famous Dutch one called "Caprici".

"Pavlodar integrated greenhouse" LLP is a participant in the "Unified program for business support" and part of the business development for "Road map of business 2020". In 2015, the facility received a loan in the amount of 900+ million KZT. The interest rate of the loan was 14%, of which 7% was subsidized by the State. The funds were spent for the purchase of fixed assets (variety of technological equipment for growing vegetables consisting of an integrated greenhouse and parts and components for an estimated 3.4 hectares).

The integrated greenhouse has a capacity of 1.6 thousand tons of tomatoes per year. DALSEM Horticultural Projects B.V. (Netherlands) company is cooperating in the process. Tomatoes are grown by hydroponic method, that is, without the use of soil.

This is not the only greenhouse in the region. Nowadays, greenhouses operating in the region produce both tomatoes and cucumbers, but the quantity of the products they produce does not fully cover the needs of the region's population. Therefore, imported vegetables prevail in local markets. With the commissioning of the new greenhouse, the situation will radically change.

The new greenhouse will almost completely meet the need of the region's population in tomatoes, and local greenhouse tomatoes will taste no different than those grown in summer houses. The residents of Pavlodar were already able to experience this: the first parcels of tomatoes have arrived in the city markets. The enterprise plans to enter the trading markets of Omsk and Novosibirsk.



KOSTANAY

PRODUCTION OF CROP VEGETABLES AND FLOWERS

The head of the "Terra" household farm Mr. Vladimir Semeykin has been in agribusiness for many years and knows that the prices for vegetables and potatoes may grow up several times by spring time if they are imported from other regions of the country or from abroad. To avoid this, it was necessary to supply the population of the region with agricultural goods all year-round. However, this task is troublesome and extremely expensive and the farming household alone cannot cope, because hundreds of millions of KZT were needed for the construction of warehouses and the purchase of equipment. Just a basic loan was not the solution. Interest rates will plunge even the most notorious optimists into despondency. Therefore the "Road map of business 2020" program, with its subsidies and guarantees was exactly what's needed the most. That is why when Vladimir has applied for a 136 million KZT loan, given by the bank at an interest rate of 14% per annum, "Terra" paid only 4 percent (the remaining interest is paid by subsidies). The loan was spent for the construction of a vegetable storage building and equipment purchase. Later the farming household has added another loan to its current assets – this one for 180 million KZT at 16% per annum. Here, interest rate subsidizing



In August 2005, we were given the status of seed producer for 1st, 2nd and 3rd reproductions of potatoes and crop vegetable.



allowed the household to pay back the loan with only a 6% per annum interest rate.

"Under today's conditions" – says Vladimir Semeikin "when we, the vegetable producers, have to keep prices at a low level, a reduction in interest rate is a big help from the State. The construction of the storage building took 3 months and 10 days. It was very hard work. The storehouse is designed for 1,300 tons of potatoes, plus 800 tons each of carrots and cabbage, as well as 700 tons of onions. Moreover all these quantities are being ventilated and cooled properly. Our total product storing capacity is more than 10,000 tons."

The entrepreneur can hang onto all the unsold quantity without fear. He states that selling 1,000 tons of product every month is much more profitable than selling at high rates during only September and October, as it was happening earlier, when, without a sufficient number

of warehouses, the company had to collect, sort and sell the vegetables literally real time. Now there is no such problem and the spare quantity will allow the entrepreneur to respond in time to any unusual increase in the consumption cycles.

"In August 2005, we were given the status of seed producer for 1st, 2nd and 3rd reproductions of potatoes and crop vegetable. Wholesale supplies of vegetables in this region and other regions of Kazakhstan are carried out by our own transportation", says the agrarian "and the primary issue for us are the seeds. We buy Dutch and the German seeds. They give us quality end-products resistant to diseases. In total, we only have a 1-3% loss ratio in vegetables. And the yield itself is very high. The local seeds still cannot withstand competition. Maybe", laughs Vladimir "it's because the new equipment we just bought is also from Holland and Germany. And they are considered to be the best."



KOSTANAY

GRAIN ELEVATOR-MILLING COMPLEX

"Aruana-2010" is a young, modern and dynamically developing enterprise, being one of the largest flour producers in Kazakhstan. For the past five years the company has been producing wheat flour of all sorts, as well as bran and grain kernels. The company also provides services for receiving, cleaning, drying, storing and shipping grain to rail wagons. The high-tech automated elevator has a capacity of 30 thousand tons.

In 2010, "Aruana-2010" LLP started a project of construction of an elevator-mill complex within the framework of the State program "Business Road Map 2020". At the same time, the company got a loan for purchasing the equipment with a preferential rate of 6% within the framework of the "Support program for

About

50%

of the total output is being exported

small and medium-sized entrepreneurs working in the manufacturing industry".

Thirty million KZT was allocated for the purchase of a product line for the cleaning and processing of grain crops. The enterprise is very proud that the Italian equipment has a computer-operated control for the moisture content of the flour, which provides a significant improvement to the baking qualities of the product.

"Previously, we had other types of equipment," says Zhaksylyk Mukhambetov, the company's chief engineer, and we determined the humidity of materials by feel. Then we'd send the samples to the laboratory and wait for a results. That took over forty minutes. Now the process has significantly accelerated."

Currently, the enterprise produces wheat flour for bakeries branded as "Un Patsha" and "Tumar". Kostanay flour is not only supplied all over Kazakhstan, but also abroad: to Russia, Afghanistan, Uzbekistan, Kyrgyzstan and Turkmenistan. About 50% of the total output is being exported.



ASTANA

"ASTANA ZHASSTART" PROGRAM – SAYDIN DESIGN, A NEW BRAND FOR KAZAKHSTAN

The schoolmates - Lyaila and Zilyar - decided to combine their knowledge and skills after working for some time in different fields. The result of this joint venture by Zilyar, who's an economist and Lyaila, a professional seamstress, has created their own brand of women's clothing line called SAYDIN DESIGN.

The young people from our capital city have launched their project, after becoming participants in the Damu Fund's program "Astana-ZhasStart". The program "Astana-ZhasStart" aimed to support young start-ups in Astana. Under this program, young entrepreneurs were able to use guarantees of the "Damu" Fund and thus get a discounted loan at 7% rate at the branch bank of "Sberbank" JSC. Professional sewing equipment and necessary materials have been bought with the funds.

The entrepreneurs sew women's clothes using only individual vestment, their principle advantage being the high quality tailoring at affordable prices. All the clothing by SAYDIN

classes, to teach ladies who want to learn the basics of cutting and sewing.

"We have already received a large number of orders, and now we are faced with the question on attracting more specialists into our company," they said.

All the clothing by SAYDIN DESIGN brand is made of high quality fabrics and the brand has its own nametags and labels.

Recently Zilyara Shaikova spoke before a group of students - participants in the new project "Support of entrepreneurial initiatives of young students", where she shared the secret of her success. How not to get lost in a highly competitive environment, how to find your niche in such an actively developing clothing market, all of which helped her brand new business to get started - all these, Zilyara has shared with young people who are just taking their first steps in the business world.

So, thanks to the State support and the perseverance of these young women entrepreneurs,



DESIGN brand is made of high quality fabrics and the brand has its own nametags and labels.

SAYDIN DESIGN already has regular customers; the young entrepreneurs participate in various exhibitions and cooperate with multi-brand boutiques. These ambitious young ladies have plans to conduct master

SAYDIN DESIGN, a new brand for Kazakhstan appeared in Astana. For those who want to get acquainted with the creativity of Zilyar and Lyaila, they have pages on Facebook and Instagram: saydin_design.

ASTANA

"HEALTHY LIVING IN KAZAKHSTAN" A SOCIAL PROJECT

In 2014, "Vienna" LLP Company has presented for the first time a unique project called "Healthy Living in Kazakhstan" in Astana. Viktor Balbachan, director of "Vienna" LLP, is a young and creative entrepreneur and the head of a social project in much demand.

The essence of this project entitled "Medical alarm" is to install an emergency response desk in medical institutions. Usually to be located in the reception area, in the check-in room, in adults and children's dispatch, in the records department, in stairwells, in the corridors, etc.; also, in parallel, a software is installed on the personal computers of chief physicians, service quality control deputy heads, emergency physicians group, department heads, duty posts, etc. The specialists are all given special beepers that function as an emergency call for doctors. Then, all these facilities are integrated together into one system called 'Coordination of Medical Personnel'. Thus, when patients come in losing blood or with acute myocardial infarction, or in any other emergency case, first aid is provided in the shortest possible time, because each second is valuable! An alarm is sent to all specialists within eight seconds. The emergency notification when the "SOS" button is pressed goes to the management of the medical institution within 2 seconds. The software in its "online" mode provides for the monitoring and statistics for emergency cases and also sends these statistics to the Department of Healthcare of the Republic of Kazakhstan. It should be noted that the Department of Healthcare will thus have the opportunity to view the number of emergency calls per day in any medical institution and will compare it to the number of scheduled calls for nurses, etc.; all this will allow them to determine actual numbers and to get a full statistical analysis of what is happening.

"The first thing I did was to go to the Entrepreneurship Support Center ran by the Damu Fund, where I received some good quality consultation," says Viktor Balbachan, "and strangely enough, this gave me an even greater distrust for programs currently proposed, 'it's too easy', I thought at that moment. After that, my wife and I, we signed up for "Business Adviser" training course, where we were given all the information we were interested in concerning entrepreneurship. As part of the training, a representative of the Akimat of Astana, Mr. Erkin Eskendirov, told us about the grant and what documents should be submitted for participating in the contest."

Two months after its establishment, the company won the innovation grant within the framework of "Business Road Map 2020" program. A year later the company received further grants covered by the program of Damu Fund. By the end of 2014, the company had developed its unique software and tested its innovative equipment, selected according to the requirements of its fundamental ideas and finally launched the project. By February 2015 a pilot project for "Medical personnel coordination" had been started at the innovative clinic No. 10 in Astana. During implementation of the pilot project the company was presented to the representatives of the Government of the Republic of Kazakhstan. On April 26, 2015 the pilot project was successfully completed, showing excellent results, relevance and demand. Following this, the project was introduced in the capital city and also in several regions of the country simultaneously, its innovation provoking the interest of the head doctors of medical institutions everywhere.

"At the moment 18 medical institutions, 29 reception rooms, 51 nursing posts and 465 patients all over Kazakhstan are connected to the system. In the long term, we plan to export our system to nearby countries" says Viktor Balbachan.

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ALMATY REGION

PRODUCTION OF DIETARY FOOD PRODUCTS AND DELIVERY OF HEALTHY MEALS SERVICE

Proper nutrition for a person is the most important component of beauty and health, which allows to be in great shape. A healthy diet is not only about having good health, a strong nervous system and excellent fitness, but is also a philosophy of life. This is what the entrepreneur from Taldykorgan, Mr. Denis N. Kirichenko has taken as the foundation for his business.

Denis Nikolaevich's company produces dietary food products and provides services for the delivery of health food, "Diet at home" seven days a week. This specially developed program helps to reduce weight - for women, help get back to shape after childbirth and provide a steady metabolism, to improve overall health, to feel light and gradually getting up to the desired fitness level.

"The keywords here are: home delivery! In our dynamic world, when people suffer from a severe shortage of time, we, the entrepreneurs, come to the rescue, offering a wide range of quality services and reliable products" says Denis Kirichenko.

After becoming a participant in the "Ondiris" program, supporting SME's engaged in manufacturing and services providing, Denis Nikolaevich, purchased the facility and launched the city's first dietary food production. The news of this new kind of service quickly spread throughout the city and admirers of health food became Kirichenko's clients.

"Diet at home with health food, with a clear calorie count, delivered right to your door. Our goal is to supply athletes, bodybuilders and sports enthusiasts and provide a healthy lifestyle, to those who want to lose the weight without a negative impact to their health", said the entrepreneur.

All the programs offered by Kirichenko are developed with the help of a nutritionist and only fresh, high-quality food products are being used with a personalized approach to each customer without exceptions.



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ALMATY REGION

THE PRIZE-WINNER OF "STARTUP" BOLASHAK" COMPETITION HAS OPENED THE FIRST CARE HOME FOR PEOPLE WITH SPECIAL NEEDS

The official opening of "Asar", the first care home for people with special needs in Kazakhstan was held on the shores of Lake Alakol. Last year's prize-winner of the "Startup" Bolashak" competition, who took second place, Mr. Eldos Bayalyshbaev, has received financing in the amount of 8 million KZT to implement his business ideas.

The care home is situated on Lake Alakol, located on the border between Almaty and East-Kazakhstan regions, a lake known with the curative properties of its waters since olden times. The choice for locating the construction was based on the characteristics of the lake, which help in treatment of musculoskeletal diseases, revitalizing the nervous system and have a general positive effect on the healing process. The surface area of the care home is over 170 sq. m., with a capacity for more than 30 patients.

In addition to boarding and catering, a further range of services will be provided, including taxi for disabled people, swimming coaches, training on exercise equipment and barrier free access for wheelchairs both indoors and on the grounds of the care home.

"I spent a lot of time looking for investments to implement my idea and thanks to "Startup Bolashak" I have now succeeded. The main goal of the project was to satisfy the needs of people with disabilities and give them the opportunity to think of themselves as full members of our society," stated Eldos Bayalyshbaev.



"Startup "Bolashak" competition is implemented by "Bolashak" Association together the Damu Fund.



It should be noted that once Eldos himself, was injured in a serious accident but is now the director of "Asar", a fitness club for people with special needs. Within two years of the start of operations 220 people were rehabilitated and 35 of them were able to walk again. Thus, the care home "Asar" becomes the next development stage of the given initiative.

"One of the main activities of the "Bolashak" Association is the development of young entrepreneurship. The "Startup "Bolashak" competition is an effective tool for supporting business initiatives of young people, which allows its participants to not only share their business ideas, but to implement them as well", "Bolashak" Association's Executive Director Azamat Bozhakov said at the opening of the care home.

"Startup "Bolashak" competition is implemented by "Bolashak" Association together the Damu Fund. The project aims to support social and entrepreneurial initiatives. In 2015, the first year the contest was held, the process attracted more than 2,000 young people from all over Kazakhstan, between the ages of 18 to 29. The winners of the competition Adilet Yeleusov, Eldos Bayalyshbaev and Bakhtygul Kasymova have become active players in the country's business environment. People of Kazakhstan were given the opportunity to watch the unfolding of the contest on the "Khabar" TV channel as a reality show.

EAST KAZAKHSTAN REGION'S

PHARMACEUTICAL INDUSTRY

Pharmaceutical industry in Kazakhstan is rapidly evolving. Domestic producers of pharmaceutical goods have a huge potential for development. Pharmaceutical company "Romat" - is a vivid example of this.

The Pavlodar based enterprise "Romat" celebrated its 24th anniversary in February. During all that time the company grew from a drugstore in Semipalatinsk into a large pharmaceutical holding company. "Romat" is the only company in the CIS that unites all sectors of the pharmaceutical activity: from the development and production of medicines to marketing final products to the consumer in drugstores. The company was one of the first that set a quality management system in accordance with the ISO 9001-2001 international standards.

Production of the company is handled by three large factories, which are equipped with modern production equipment from world famous manufacturers. Preparations of various therapeutic groups: vitamins, antimicrobial and cardiovascular drugs, antipyretics, anti-tuberculosis and antidiabetics are provided within the range of production of



**Domestic producers
of pharmaceutical goods
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example of this.**



the Pavlodar pharmaceutical plant. The make-up of the medical products factory in the city of Semipalatinsk includes laboratories for the production of infusions, galeno-filling and enzymatic preparations and a laboratory for the production of hematogen. This factory produces unique biological products: peptone, pancreatin, as well as hematogen with numerous additives as well as pantogematogen. The medical product factory in Semey produces three-component syringes with trihedral laser grinding. The company recently launched the production of safe, self-locking disposable syringes as recommended by the World Health Organization.

The growth of the company and its development would have been impossible without State support: in 2010, three "Romat" production projects for the construction and reconstruction of pharmaceutical plants were included in the State Program of Boosting Industrial Innovative Development (BIID). Co-financing for the improvement of the business sector has been obtained within the framework of "Improvement of the business sector of the "Business Road Map 2020" program, as subsidized cost of remunerations.

The knowledge gleaned by "Romat"'s General Director Mr. Marat Orazgaliyev within the framework of the program "Training of top management of small and medium businesses", as well as during his internship in the USA, played a significant part in drafting the company's further development strategy.



ATYRAU

OPENING OF A CHILDREN'S CENTER FRANCHISE

Ms. Roza Kairanova, a resident of Atyrau region, has vast experience in the field of education. Six years ago she decided to apply her knowledge in opening her own business - the center for the development of children.

In 2010, Rosa acquired a franchise from the Russian company "Baby Club". Two years later she got a license to open another center.

"To expand my business, I applied to the Damu Fund. After becoming a member of the Unified Program "DKB-2020", I was able to get a 14 million KZT loan from Sberbank at an interest rate of 14% per annum. Of this 7% was subsidized by the State. The funds received were spent for repairing the premises selected for establishing the center and I was also able to buy the necessary equipment," says the entrepreneur.

I was able to get a
14 million KZT
loan from Sberbank at an interest rate of
14% per annum

Children from the age of 8 months to 6 years are welcomed in the "Baby Club". There are several educational programs and physical education methods provided for them. The usual holidays are observed and children's birthdays are celebrated together with their parents, as well as picnic trips organized to everyone's enjoyment. In the future, Rosa plans to introduce children's yoga and a pottery circle.

Last June, Rosa Kairanova opened the day care center "ORANGE SCHOOL", where children can be trained in twelve disciplines such as technology, astronomy, economics, etc.

Where it concerns her school, Rosa Kayranova holds a master class "Born with a character" for parents, giving them know-how about the development and upbringing of children, sharing secrets on revealing the child's talents and abilities at an early age. Parents receive free literature from the library of the school and the club.

The public appreciates Rosa Kayranova's merits. Further to the results of the "Entrepreneur of 2015" contest, Rosa became a winner in the category of "Preschool Education".



KOSTANAY

START-UP PROJECT - ENTERTAINMENT CENTER "TUTO CRUTO"

During a visit to a children's amusement center in Germany with his daughter, the future entrepreneur Yana Bogdanova really liked the idea of a joint holiday. On returning home, Yana began to study child development methods, and followed a course on "How to open a successful children's club."

After highlighting and weighing all the pros and cons, Yana came for advice to the Damu Fund. Consultants from Entrepreneurs Service Center advised and assisted the beginning entrepreneur by providing her with a collection of documents for the bank. The branch bank of Sberbank JSC in Kostanay supported and financed the start-up project, providing her with a loan of 20 million KZT at an interest rate of 18%, of which the entrepreneur paid only 11%, the rest being subsidized by the State. The Fund also provided a 17 million KZT guarantee, as the security provided was not enough for financing.

In February 2017, the entertainment center "Tuto Cruto" was opened with a solemn ceremony. Many attractions can be found on the grounds of more

food court and a separate room is used for celebrating birthdays.

Since its early opening days, the entertainment center has become very popular, because there were no such a large-scale projects in Kostanay beforehand.

After highlighting and weighing all the pros and cons, Yana came for advice to the Damu Fund.

"After casually visiting an amusement center with my daughter in Germany, I liked the idea of joint recreation with no time limits. After coming back from Germany, I formulated a business model, consulted my family and then went to the bank. The bank supported my idea and advised that I apply to "Damu" to get support for my startup project. At the Foundation I received excellent advice on numerous issues, starting from legal nuances of opening and registering a business up to and including types of financing programs. Throughout that time, "Damu" staff gave me their advice and moral support! Unlike the bank, the Fund assessed the project from a perspective of meeting city's needs, and not just for the risks it presented. What can I advise to young committed



than 1000 square meters. There are separate zones for the youngest to the oldest children. Most importantly, parents who come with their children won't be bored, - as there are attractions that are designed for adults in the center as well. There is a large area designated as the

entrepreneurs? Be passionate about the business that you chose, believe in your idea and do not stand still! Enthusiasm gives rise to persistence!" stated Yana Bogdanova, the owner of the entertainment center "Tuto Cruto".

KYZYLORDA

MANUFACTURE OF FIBERGLASS BOATS

The opening of the first business for the production of fiberglass row boats in Kyzylorda region was accomplished by a young entrepreneur from Aralsk, Mr. Zhanserik Nysanbaev. Just two years ago, Zhanserik Nysanbayev, after taking advantage of the State's "Road Map of Business 2020" program, opened a workshop for the production of cabinetry furniture and today he was able not only to expand his business, but to diversify it as well.

Having been issued a loan in the amount of 13.5 million KZT by Halyk Bank of Kazakhstan JSC with 44% guaranteed by the Damu Fund, the young entrepreneur opened 7 new businesses and started the production of customized furniture. Today, the furniture workshop produces almost everything that is needed in rural areas: cabinets, kitchen sets, hallway furniture, shop windows, shelving, etc.

According to the entrepreneur, the idea to produce fiberglass boats did not come to him at first. The most important thing to understand was the demand for boats, as the main occupation for the residents of the Aral district is fishing. Having carefully studied the market and finalizing a market research, Zhanserik Nysanbaev decided to start producing row boats made from fiberglass. So, the young businessman's team undertook the production of row boats. The workshop produces 3 boats every month.

"Having experience in furniture production, I quickly found out from the Internet the process of making fiberglass boats. It turned out that with the presence of a good skill set it is fairly easy to make reliable boats. Fiberglass boats are light, but very strong. Their service life is higher than that of wooden and metal boats" says the entrepreneur.

Thanks to expanding production, he opened 3 new businesses and increased his staff to 10 people. The company is now focused on creating only high-quality products, so during the manufacturing stage every detail receives special attention. As noted by Zhanserik Nysanbayev, high level of quality and reliability are now combined with affordable boat prices.

"Learning the business of boat manufacturing, I realized that the inflated



cost of imported products is associated, first of all, with the high price for their transportation. Considering that we do not have transportation costs, we can offer very attractive prices for our product, which fully meets the needs of our customers," said Zhanserik Nysanbaev.



The entrepreneur orders the raw material for the manufacture of his boats from Spain. According to him, the Spanish fiberglass reinforced plastic is very high-quality and durable. Today, Zhanserik Nysanbayev is preparing a package of documents to get an additional loan from the bank, using Damu Fund guarantee as a tool. With the help of these borrowed funds, he plans to start the production of motor boats as well as increase current production volumes.



