



BAITEREK



**DAMU**

ENTREPRENEURSHIP DEVELOPMENT FUND

**2015**

**ANNUAL REPORT  
OF “DAMU”  
ENTREPRENEURSHIP  
DEVELOPMENT FUND”  
JOINT-STOCK COMPANY**





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FOR  
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MINISTRY  
OF NATIONAL ECONOMY

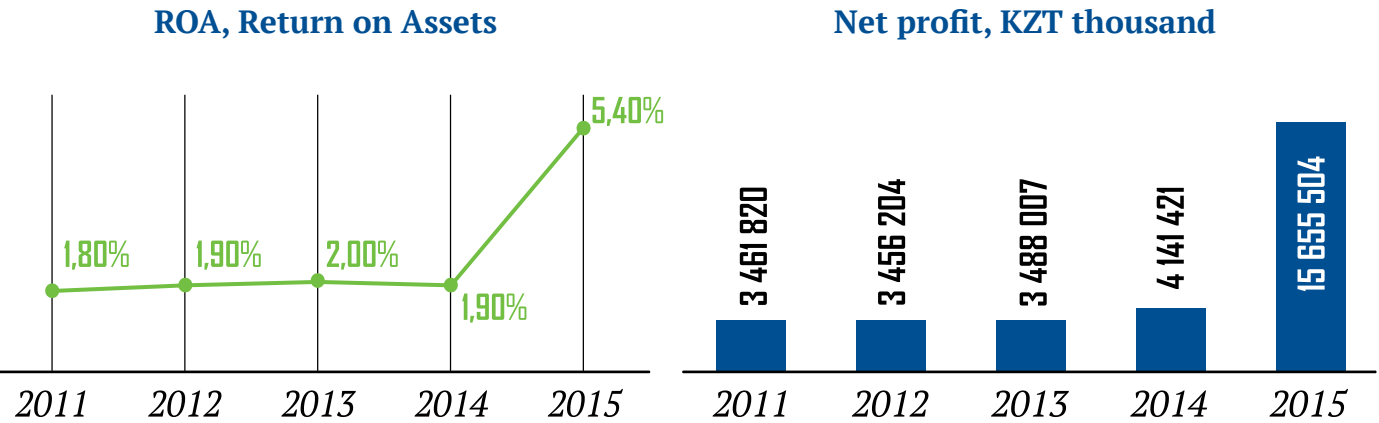
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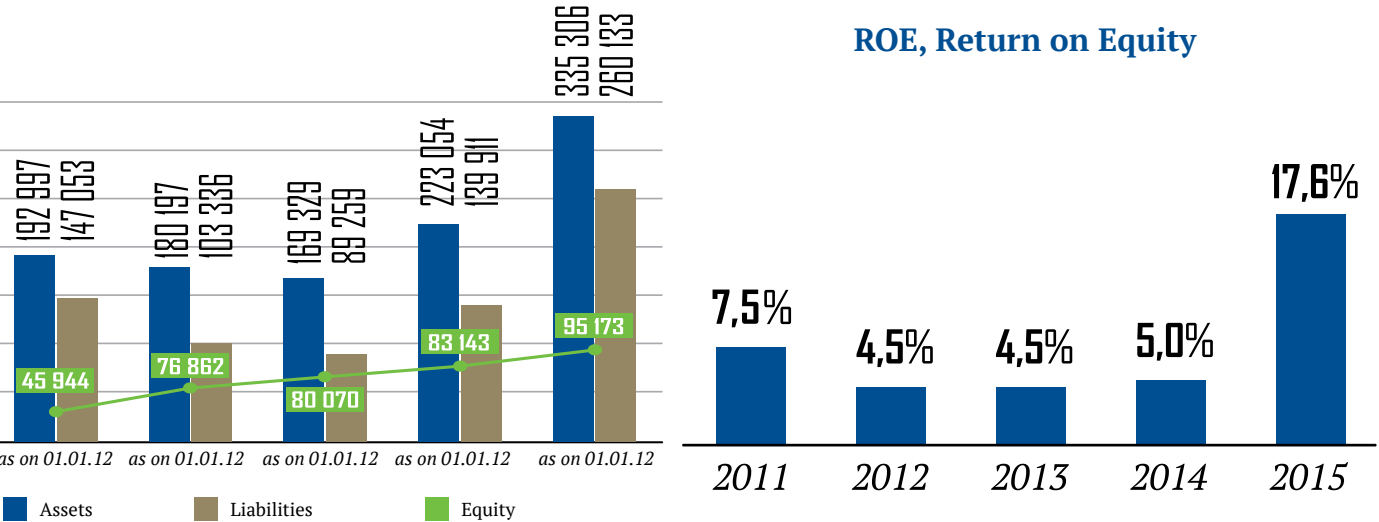
Corporate Performance Indicators

№	KPI Description	Actual			2015		
		2012	2013	2014	Plan	Actual	% of plan execution
1	The amount of funds allocated for entrepreneurship development under financial programs, KZT bln.	331,1	295,4	439,4	469,6	523,7	112%
2	Number of jobs created, jobs	3 443	14 901	24 836	25 697	25 900	101%
3	Share of SMEs, which were provided support, to the total number of active SMEs in the market, %	1,7%	4,5%	7,5%	5,0%	6,4%	128%
4	Number of participants in training programs, persons	18 148	22 198	24 557	22 875	27 916	122%
6	Number of clients who received remote services persons.	-	-	38 251	45 625	59 705	131%

Profitability Performance Profile



Balance Sheet Figures (in KZT mln.)



Corporate Highlights of 2015:

- 1

Unified business competences improving program for the years 2015-2018 approved.
- 2

A new Entrepreneurs Service Center was opened in Uralsk, the center provides free legal assistance, as well as assistance in accounting, taxation and marketing issues and consults on the employment of personnel.
- 3

The European Bank for Reconstruction and Development, against the “Damu” Entrepreneurship Development Fund” JSC (hereinafter - Fund) guarantee, “Bank CenterCredit” JSC has allocated funds in the amount of KZT8,61 billion (including KZT1,86 billion for “Women in Business” Program and KZT6,75 billion to support SMEs).
- 4

A Memorandum of Understanding was signed in the field of small and medium enterprises of the Member States of the Turkic Council between representatives of the Ministries of Economy of the Republics of Azerbaijan, Kyrgyzstan, Kazakhstan, as well as organization for the development of small and medium businesses in Turkey and the Fund.
- 5

Loan agreements signed with the STB to place 3rd tranche of the National Fund of the Republic of Kazakhstan in the amount of KZT50 bln. for on-lending to SMEs engaged in the manufacturing sector.
- 6

The Agreement on cooperation in the framework of implementation of the Regional SMEs Financing Program with the Akimat of Almaty. Budget funds of KZT2 billion were attracted.
- 7

Funds were raised from the Asian Development Bank - a 3rd loan tranche of USD 228 million or KZT62,8 billion (as at the date of attraction); the funds were placed in 4 STBs.
- 8

A panel session was held as part of the VIII Astana Economic Forum on the topic. “P4D: New opportunities for entrepreneurs». The session was attended by 235 people.
- 9

In cooperation with the Akimat of Almaty, «Made in Kazakhstan» Forum was held of Kazakhstani producers, which was attended by 300 people from all regions of Kazakhstan. 80 exhibitors of products was held as part of the Forum.
- 10

Third Forum “KazFranch-2015” was held, attended by 300 people. An exhibition was held as part of the forum, which was attended by 20 franchisors from the regions of Kazakhstan.
- 11

A loan agreement signed with the Akimat of Astana on the allocation of funds for the Program of financing of small and medium business projects in Astana. Budget funds of KZT800 million attracted (including KZT500 million channeled to SME financing and KZT300 million for the financing of young start-up entrepreneurs).
- 12

The National Youth Entrepreneurship Forum held, attended by 307 people.



## *Address of the Chairman of the Board of Directors*

*In Kazakhstan, it is support of SMEs that is one of the priorities of the state economic development policy pursued by Elbasy, Nursultan Abishevich Nazarbayev. In the implementation of this task an important role is assigned to “Damu” Entrepreneurship Development Fund” JSC.*

### **Ladies and Gentlemen!**

Development of small and medium entrepreneurship is the basis of any economy. The experience of developed countries shows that the formation and development of small and medium business creates favorable conditions for economic recovery as there is a competitive environment formed and developed, overcome sectoral and regional monopoly abuse; there is market saturation taking place, an increased export potential, jobs are created and middle class is formed. In Kazakhstan, it is support of SMEs that is one of the priorities of the state economic development policy pursued by Elbasy, Nursultan Abishevich Nazarbayev. In the implementation of this task an important role is assigned to “Damu” Entrepreneurship Development Fund” JSC.

In accordance with its development strategy for 2014-2023, the Fund has been assigned the following objectives: increase in financial support to small and medium-sized businesses, expanding areas of coop-

eration and SME funding mechanisms, together with financial institutions; attracting additional funding, training and capacity building of entrepreneurs, consulting services infrastructure development, implementation of a unified information platform for small and medium-sized businesses.

An effective tool for integrated support of entrepreneurship in Kazakhstan is “Business Road Map 2020” Unified Program.

Under this program, entrepreneurs can receive support in the form of subsidization of interest rates on loans/leasing transactions, partial credit guarantees, training, business management service support, international entrepreneurships, etc.

To increase availability of financial resources, an alternative guarantee program is going to be implemented; a unified technology for considering loan projects will be developed in all partner banks, eliminating further project re-examination in the Fund, etc.

In order to extend the coverage with the Fund’s support to emerging and existing entrepreneurs, the issues will be worked out related to the use of tools of conditional placement of funds through banks or other financial institutions for further funding of franchise and factoring transactions.

In 2016, it is also planned to launch own program to support microfinance institutions. Its main purpose will be to cover entrepreneurs in areas where there is a lack of available funding.

The Fund will also seek to stimulate private financial institutions to expand SMEs’ funding in the regions of Kazakhstan and the priority sectors of economy through the launch of targeted regional and sectoral programs.

I am sure that the tasks set will facilitate further establishment of a strong business sector in Kazakhstan.

*First Deputy Prime Minister  
of the Republic of Kazakhstan,  
Chairman of the Board of Directors,*

**Sagintayev B.A.**



## Address of the Chairman of the Managing Board



### Ladies and Gentlemen!

The past 2015 was productive for our Fund; we have had some success in our work; big job was performed to support and to develop small and medium enterprises.

I would like to briefly share about the results achieved in 2015 and plans for the coming years.

#### **“Business Road Map 2020” Unified Business Support and Development Program**

On March 31, 2015 the Unified “Business Road Map 2020” Program was approved for the support and development of small business (hereinafter - the Unified Program), the financial agent of which is the Fund. The Unified Program includes 4 new areas: 1) support for new business initiatives of entrepreneurs from single-industry towns, small towns and rural areas; 2) sectoral support for entrepreneurs operating in priority sectors of economy and manufacturing industries; 3) reducing currency risks of entrepreneurs; 4) provision of non-financial business support measures.

As part of the Unified Program in 2015 support in the form of interest rate subsidization was received by 1 595 projects (106% of the plan). Also, an Internet portal for entrepreneurs was launched in 2015, using which participants can receive the necessary information on subsidies online.

941 projects were guaranteed in 2015, which is 2 times more than in 2014. The amount of loans that the

STBs granted against the Fund’s guarantee in 2015 amounted to KZT27 billion.

In 2015, entrepreneurs who have received support of the Fund under the Unified Program have sold products worth KZT1 680 bln., which in comparison with the year 2014 is by 20% more; paid taxes for the amount of KZT115,1 bln. (a 5% increase compared to 2014), created 8,700 jobs (an 8% increase compared to 2014).

#### **Resources Funds of the National Fund of the Republic of Kazakhstan**

In March, 2015 the National Fund of the Republic of Kazakhstan has granted the Fund the third tranche in the amount of KZT50 bln., which is planned to be disbursed in March, 2016. In December, 2015 the second tranche in the amount of KZT50 bln. has been disbursed completely.

As a result, as on 01.01.2016, under the second tranche 298 projects were financed worth KZT64 billion, including working capital replenishment (hereinafter - WCR) - 152 projects worth KZT34,5 for the WCR in the food industry - 88 projects worth KZT24,5 billion. For the third tranche as on 01.01.2016 333 projects worth KZT43 billion were financed, including for refinancing of 84 projects worth KZT12 billion; for WCR - 109 projects (KZT12,5 billion), WCR in food sector - 123 projects (KZT15,5 billion).

In 2015, entrepreneurs who have received support from the Fund through the National Fund of the Republic of Kazakhstan, have sold goods worth KZT480 bln., which is by 118% more compared to the year 2014; paid KZT26,6 bln. more taxes (a 4% increase compared to 2014), created 9, 200 jobs (106% increase compared to 2014).

#### **Attracting Resources Funds from international financial institutions**

The Fund attracts Resources from international financial institutions for the financing of support small and medium enterprises (hereinafter - SMEs) through STBs. In 2015 the Fund completed attraction of the third tranche of the loan from the Asian Development Bank against government guarantees. In October 2015, the Resources were placed in second-tier banks in the amount of USD228 million or KZT62,8 billion (as at the date of attraction). The peculiarity of this program is that it has no sectoral restrictions, an interest rate of the program within 14-16%.

In 2015, for the first time against the guarantee of the Fund, the European Bank for Reconstruction and Development granted credit facilities to “Bank CenterCredit” JSC in the amount of KZT8,61 billion (including KZT1,86 billion for “Women in Business” Program and KZT6, 75 billion to support SMEs).

For 2015, through the funds from the International Financial Institutions, 953 borrowers were financed for the amount of KZT59 billion. 2081 jobs were created.

#### **Attracting funds from the Akimats**

In 2015, as part of the regional small and medium-sized enterprises (hereinafter – the SMEs) financing program, funding was attracted from local executive bodies - akimats of Astana and Almaty in the amount of KZT2,8 billion.

The total funding pool together with the Fund amounted to KZT6,1 bln. The funds were allocated under the SMEs financing program and “Astana – ZhasStarT” program in the city of Astana, and “Zhibek Zholy” in Almaty.

#### **Non-financial support**

The Fund provides non-financial support in the form of training and consulting.

In 2015, the Board of Directors of the Fund approved the “Unified program to improve the competence of business of “Damu” Entrepreneurship Development Fund” JSC for 2015-2018”, under which non-financial support is provided both to emerging and to existing businesses.

In 2015 the Entrepreneurs Service Centers (ECCs) of the Fund helped 58 900 clients, who were provided 117,1 thousand consultations. This is about 26% more than in 2014. Mobile ECCs in the regions during their trips have served 12 790 customers and provided about 18 481 consultations.

#### **Financial Results**

As a result of its activities in 2015 the Fund delivered positive financial results. Net profit amounted to KZT15,6 billion.

#### **Plans for 2016**

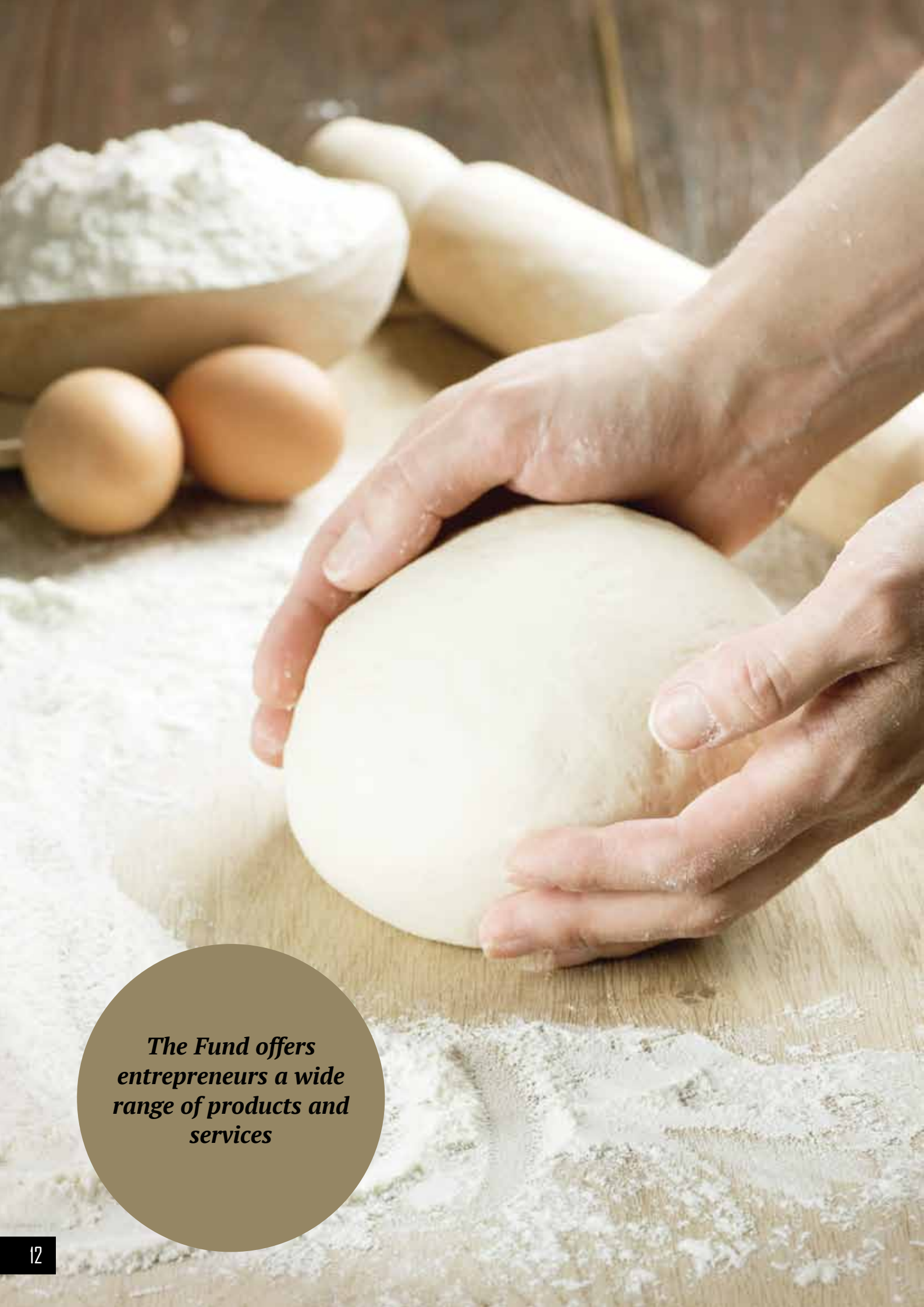
In 2016, the Fund is planning to launch a number of its own programs. These include micro-financing, franchising, factoring, training programs to support entrepreneurs, training of employees of financial institutions participating in the Fund’s programs, etc. In 2015, works were started to automate “Provision of loan guarantees to private enterprises under “Business Road Map 2020” Unified business support and development program for loans up to KZT180 million; in 2016 the plan is to place it on www.egov.kz “electronic government” web portal.

In 2016 the Fund will continue to actively attract funds from the Akimats and international financial organizations, such as Asian Development Bank and European Bank for Reconstruction and Development. Implementation of the tasks set will help make a significant contribution to the development of SMEs, which plays a key role in the dynamic growth of the economy of the Republic of Kazakhstan.

*Chairman of the Managing Board\**

**Ibragimova L.E.**

*\* January, 2011 to January, 2016*



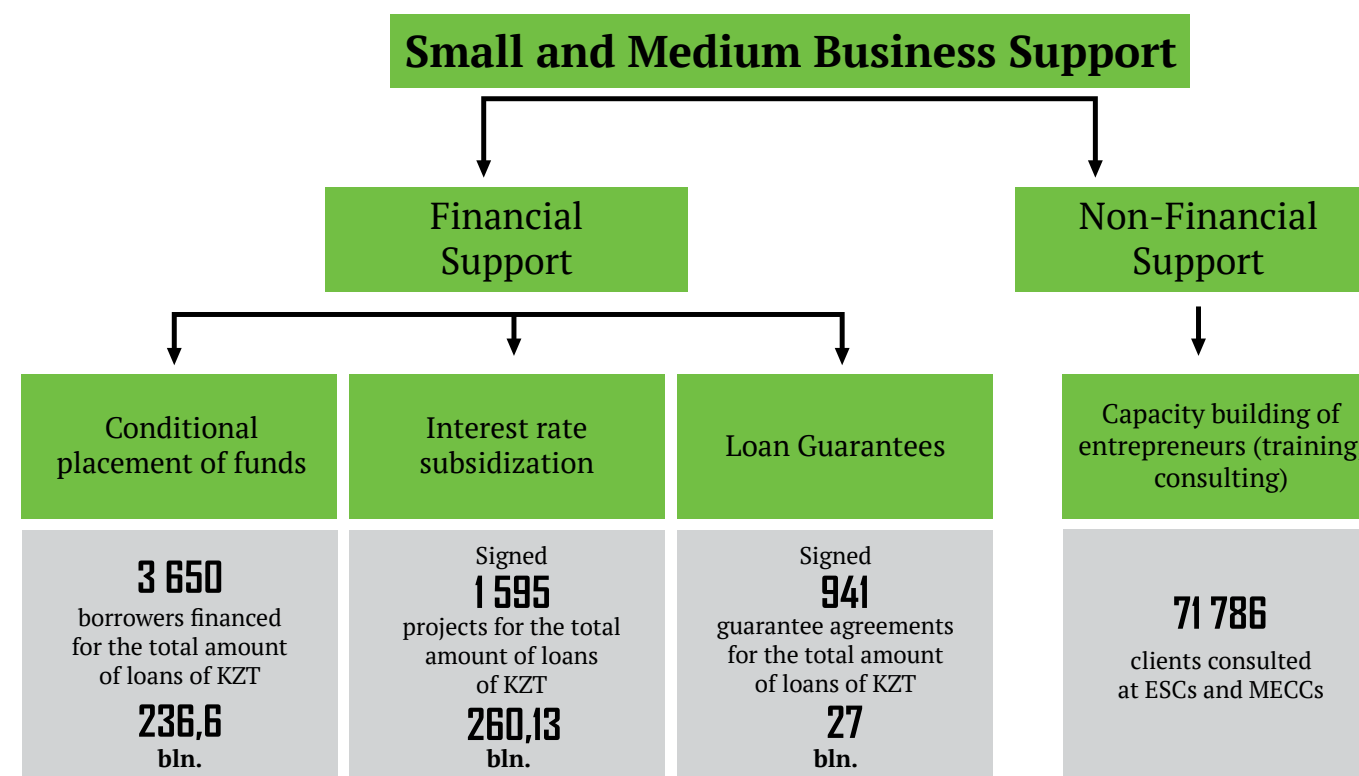
*The Fund offers entrepreneurs a wide range of products and services*

# 1

## INFORMATION ABOUT THE FUND

“Damu” Entrepreneurship Development Fund” JSC (hereinafter - the Fund) is the national development institution; the asset management operator. The main goal is to stimulate the formation and growth of SMEs in the Republic of Kazakhstan, to improve efficient use of financial resources of the government allocated to support SMEs. The Fund offers entrepreneurs a wide range of products and services, such as lending programs through second-tier banks, leasing transactions financing, interest rate subsidization, guaranteeing, training in the basics of business, consulting support, dissemination of information analysis products.

### Business model of the fund





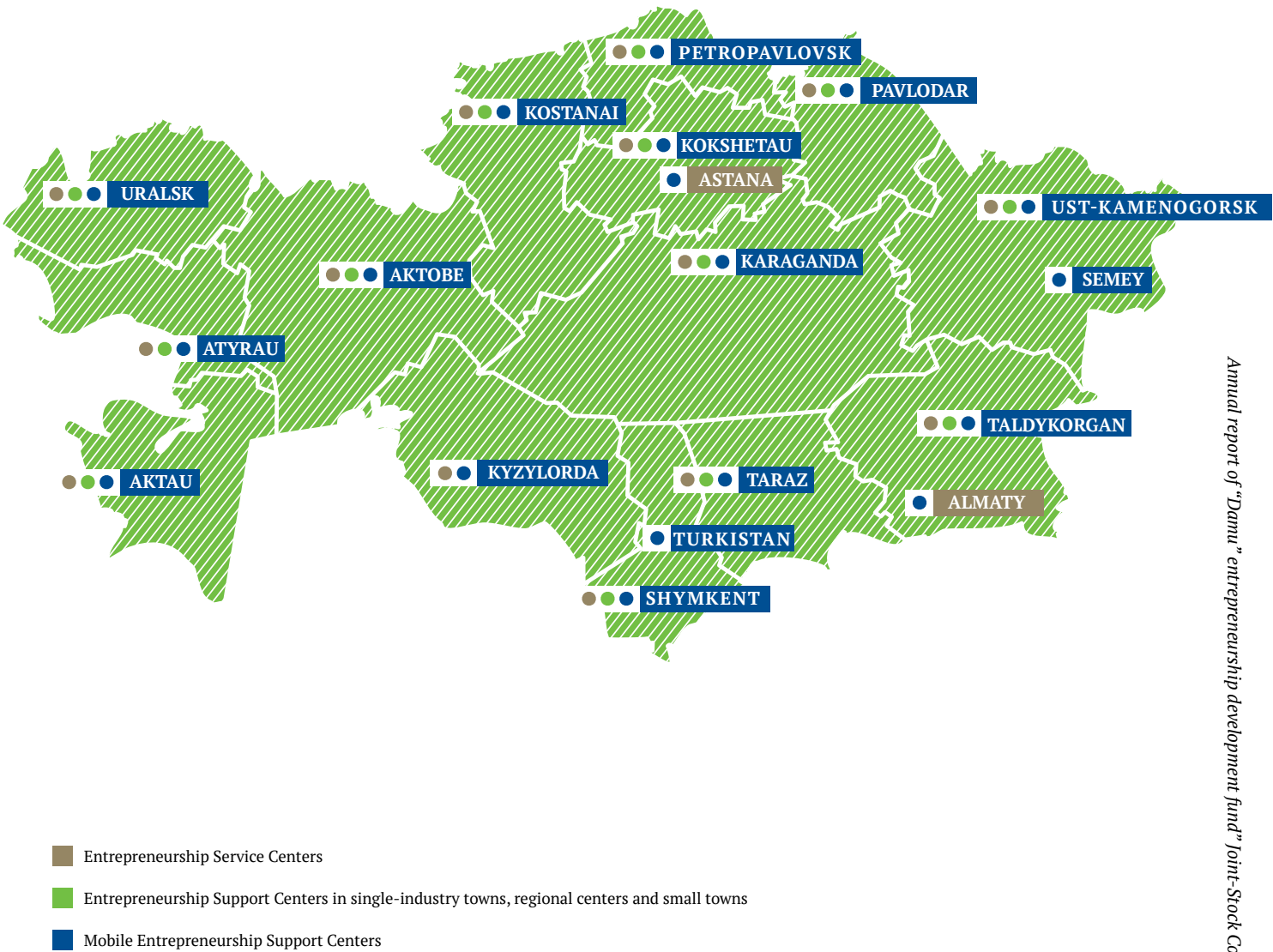
HISTORY OF THE FUND

1997	Establishment of the Fund (resolution of the Government of the Republic of Kazakhstan of April 26, 1997 №665 “On Establishment of the Small Business Development Fund” <sup>1)</sup> )
1997-2001	Exercising functions of an agent for the management of the state budget funds under the program to support domestic commodity producers, as well as under credit facilities of the European Bank for Reconstruction and Development and the Asian Development Bank
2002-2007	Lending to small businesses directly from own funds. The Fund has implemented the “Small businesses lending from the national budget program” and “Small towns development program for 2004-2006”.
2005-2007	Providing support for small businesses through implementation of programs of project financing and leasing, micro-lending development programs in Kazakhstan, SMEs’ loan guarantee programs for loans received from second-tier banks
2007	Exercise of functions of the operator on the conditional placement of funds under the Stabilization Program of the Government of the Republic of Kazakhstan
2010	The Fund is a financial agent for subsidization of interest rates on loans/leasing transactions of entrepreneurs and entrepreneurs’ loans guarantee to banks/leasing companies, and also serves as training and consulting programs’ operator as part of “Business Road Map 2020” government program (hereinafter - “BRM 2020” Program)
2013	Sole Shareholder – “Baiterek” National Managing Holding”

<sup>1</sup>Former name of the Fund: “Small Entrepreneurship Development Fund” JSC

GEOGRAPHIC REACH OF THE FUND

The Fund is represented in all regions of Kazakhstan. Regional network includes 16 branches in all regional centers and in the cities of Astana and Almaty. Moreover, entrepreneurs support infrastructure is represented by 18 Entrepreneurs Service Centers, 14 Mobile Entrepreneurship Support Centers. As part of training and consulting programs the Fund provides coverage of the audience in all 209 cities and regions of Kazakhstan.







# 2

## MISSION AND VISION OF THE FUND

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### Mission of the Fund

The mission of the Fund is to facilitate the qualitative development of SMEs in Kazakhstan through comprehensive support, including a wide range of financial instruments and capacity building programs.

### Vision of the Fund

Vision of the Fund by 2022 - an effective national institution that implements the government SMEs support and development policy.

Strategic intents, goals and Objectives of the fund until 2023

In order to implement its mission and vision the Fund will work on the following strategic areas of development:

№	Strategic areas	Strategic goals	Strategic objectives	Performance				
				KPI Description	2015		2016	2023
					planned	actual	planned	planned
1	Provision of financial support to SMEs	Increased accessibility of lending resources for SMEs	Loan portfolio	234 <i>KZT billion</i>	247 <i>KZT billion</i>	259 <i>KZT billion</i>	From KZT206 billion in 2014 to KZT 869 billion in 2023	
			1.1. Increased in the amounts of financial support to SMEs	Share of SMEs that received support, to the total number of active SMEs in the market	5,0%	6,4%	4,1%	To 11,2% in 2023
				Amount of funds allocated for entrepreneurship development under financial programs	469,6 <i>KZT billion</i>	523,7 <i>KZT billion</i>	451,0 <i>KZT billion</i>	From KZT328 billion in 2014 to KZT83 billion in 2023
			1.2. Expanding areas of cooperation and SMEs funding / co-funding vehicles in cooperation with financial	SMEs co-financing multiplier by STBs on loans granted under conditional financing program	-	-	-	1:2 in 2023
			1.3. Attracting additional funding in the domestic and foreign markets to increase SME funding	Share of attracted funds for financing of SMEs from extra-budgetary resources	22,0%	27,0%	49%	20% to 40% in 2023
2	SMEs’ capacity building	Improving SMEs’ professionalism and involvement of the population in the enterprise	2.1. Development of infrastructure for business advisory services	Number of clients of Entrepreneurs Competence Centers	41 210 <i>people</i>	71 786 <i>people</i>	4 780 <i>people</i>	From 33,2 thousand SMEs in 2014 to 188 thousand of SMEs in 2023
			2.2. Entrepreneurs’ training and capacity building	Number of training programs participants	22 875 <i>people</i>	27 916 <i>people</i>	-	From 22,5 thousand people in 2014 to 25,5 thousand people in 2023
				Share of training programs participants who have started businesses	11,0%	12,0%	12,0%	From 10% in 2014 to 25% in 2023
					Level of satisfaction of entrepreneur with the provided training	At least 80%	93%	At least 80%
			2.3. Introduction of a unified information platform for SMEs and the development of other forms of remote consulting	Number of clients who have received remote services	45 625 <i>people</i>	59 705 <i>people</i>	54 750 <i>people</i>	From 36,5 thousand people to 146 thousand people in 2023

Annual report of "Damu" entrepreneurship development fund" Joint-Stock Company for 2015



## CLIENT: AEGIS PE



Almaty

### Men's Beauty Shop

The purpose of AEGIS PE Project was to organize men's beauty salon "Barbershop" under Russian "OLD BOY" franchise.

To implement the project, a businessman from Almaty, Alan Tsoi applied to "The Bank RBK" JSC for the funding in amount of KZT 5

a razor shaving service, clients also can do tattoos of different complexity and can purchase professional hair and beard care products.

Among the advantages of the shop Alan Tsoi noted that professional experts of the barbershop have

"The Business Road Map – 2020" Program, where young aspiring entrepreneurs are provided with the Fund's guarantee of up to 85% in the form of collateral on the loan, and under "The Zhibek Zholy" Program with preferential funding (not more than 7% per annum).



*To implement the project, a businessman from Almaty, Alan Tsoi applied to "The Bank RBK" JSC for the funding in amount of KZT 5 711 000 under the "Zhibek Zholy" program that involves partial guarantee product form the Fund for young aspiring entrepreneurs.*

711 000 under the "Zhibek Zholy" program that involves partial guarantee product form the Fund for young aspiring entrepreneurs. "Barbershop's" customers are only men who use services of hairdressing, manicure and pedicure; is the company also offers

been carefully selected, and the shop provides high level service. They also offer free soft drinks to clients that included in the price of services; there is a game console installed in the waiting room. "There is such a product as a partial credit guarantees under

Here, thanks to these products, my project was implemented with minimal cost", - says Alan Tsoi. Today men's salon «OLD BOY» is very popular in Almaty.

## CLIENT: Tatkraft-Invest LLP

Petropavlovsk



### Retail Trade

The first shopping and entertainment "Family" complex was built in Petropavlovsk by "Tatkraft-Invest" LLP. The company received government support under "Business Road Map 2020" program in the form of subsidized interest rate on its loan from the ATF Bank.

entertainment center. With the help of "Business Road Map 2020" LLP, "Tatkraft-Invest" has reduced the bank interest rate to 7% per annum. "Family" shopping and entertainment complex has a hypermarket, industrial goods

total area of the shopping complex is more than 14 861 square meters; the range of products available in the hypermarket is more than 50 thousand items. "Kinderland" children's entertainment center has rides for kids from 3 years and up. The project created about 250 jobs.



The total area of the shopping complex is more than  
**14 861**  
square meters



*Using loan funds the company has been successfully implementing several projects, in particular the investments for the purchase of plant and equipment and reconstruction of the "Family" shopping mall and establishment of "Kinderland" children's entertainment center.*

Using loan funds the company has been successfully implementing several projects, in particular the investments for the purchase of plant and equipment and reconstruction of the "Family" shopping mall and establishment of "Kinderland" children's

area, children's entertainment center, restaurant facilities and manufacturing shops. The company actively supports "Made in Kazakhstan" republican campaign - the commercial network of the mall has products of North Kazakhstan producers widely represented. The

"Thanks to the competent state policy, business in Kazakhstan is developing. Our cities are transformed, we are creating new jobs and provide tax revenues to the budget", - said the head of "Tatkraft Invest" LLP, Andrey Isakov.



According to preliminary data, at the end of 2015 the employed population was

**8 624**

thousand people

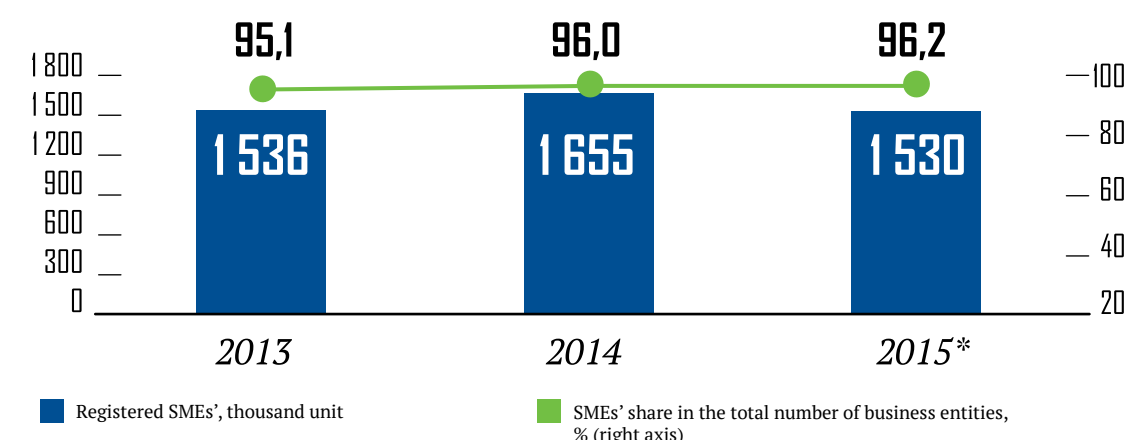
# 3

## SMEs' ANALYSIS IN KAZAKHSTAN. DEVELOPMENT PROSPECTS

### SMEs' Development Index in Kazakhstan

Given the economic situation in the country in 2015, there was reduction in the number of SME registered in Kazakhstan by 7% to 1 530 thousand units. At the same time, their share in the total number of business entities in the country remained at the level of 2014 - 96%. Sector-wise, the highest increase was observed in 2015 in the areas of education, construction, water supply and mining industry. Reduction in the number of registered SMEs was observed in trade, agriculture, transportation and storage.

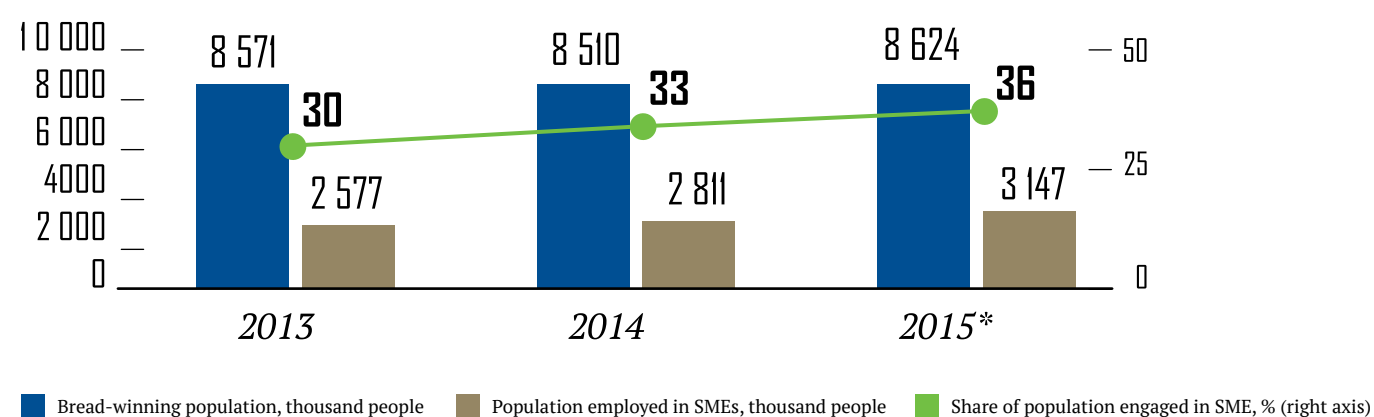
### Dynamics of the number of registered SMEs



Source: Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan ([www.stat.gov.kz](http://www.stat.gov.kz)), \*current information

As in previous years, in 2015, there has been an increase in the number of employed population in the economy of Kazakhstan. According to preliminary data, at the end of 2015 the employed population was 8 624 thousand people. At the same time the number of employed in SMEs as on January 1, 2016 amounted to 3 147 thousand people (36% of all employed).

## Employed Population Dynamics

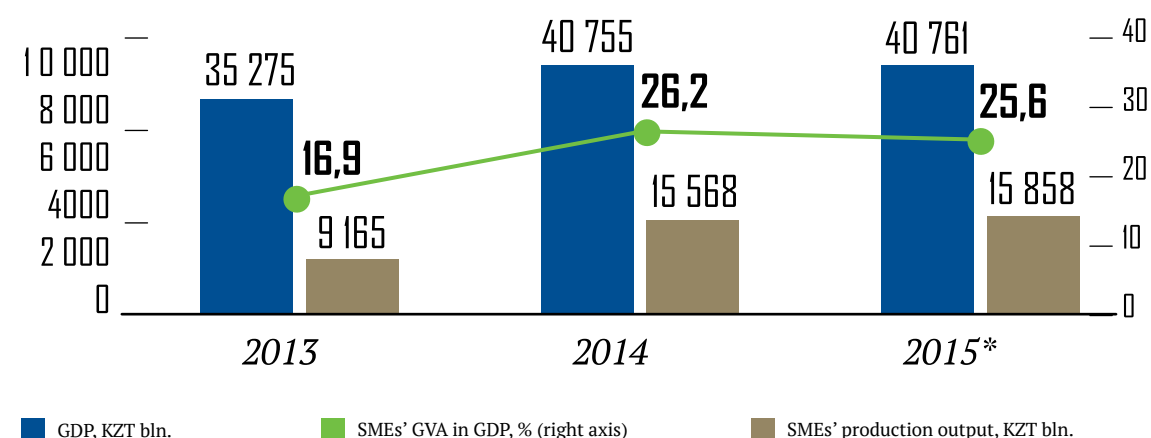


Source: Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan ([www.stat.gov.kz](http://www.stat.gov.kz)), \*current information

Kazakhstan's GDP has demonstrated growth in real terms over the past four years. In 2015, despite the decline in revenues from commodity sectors, and against the background of dropping growth rates of the neighboring Russian economy (-3,7%<sup>2</sup>), Kazakhstan's GDP grew by 1,2% and amounted to KZT40 761 bln. Production of goods generates 36,3% of GDP (including 25,5% of industrial production), tertiary industries - 56,8%, taxes on products - 6,9%.

In 2015, SMEs' products output amounted to KZT 15 858 bln. In comparison with the same period last year this figure (in comparable prices) increased by 1,8%. In 2015, 63,9% of SMEs products were produced by small enterprises, 20,9% - by medium-sized enterprises and even 15,2% - by individual entrepreneurs and farms. In 2015 the share of SMEs' Gross Value Added in the GDP is estimated at 25,6%.

## SMEs' GDP and Production Output Dynamics



Source: Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan ([www.stat.gov.kz](http://www.stat.gov.kz)), \*current information

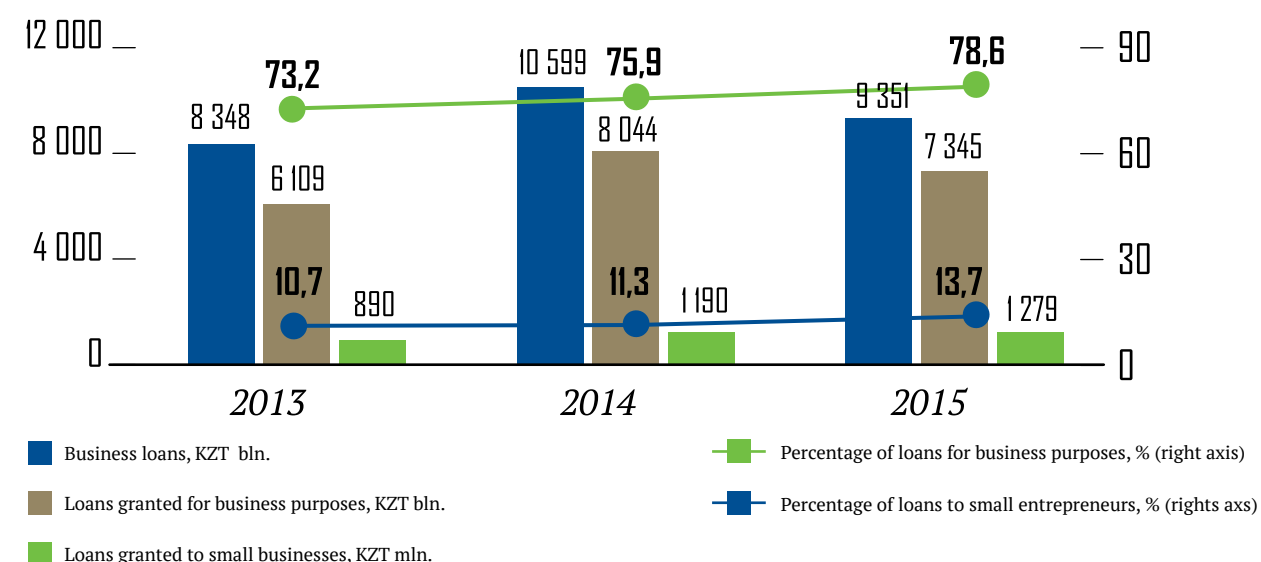
<sup>2</sup>IMF "World Economic Outlook", April, 2016

## Entrepreneurship lending indicators and share of the Fund in lending

In 2015 bank loans decreased by 11,8% to KZT 9,3 bln. Overall, decline in lending for business purposes amounted to 8,7%. However, lending to small businesses during the year increased by 6,8% exceeding KZT 1,2 trillion.

One of the reasons for the overall decline in bank loans is the reduction of tenge liquidity in second-tier banks, namely deposits, due to devaluation expectations.

## Annual business and small entrepreneurship loans



Source: National Bank of the Republic of Kazakhstan ([www.nationalbank.kz](http://www.nationalbank.kz)).

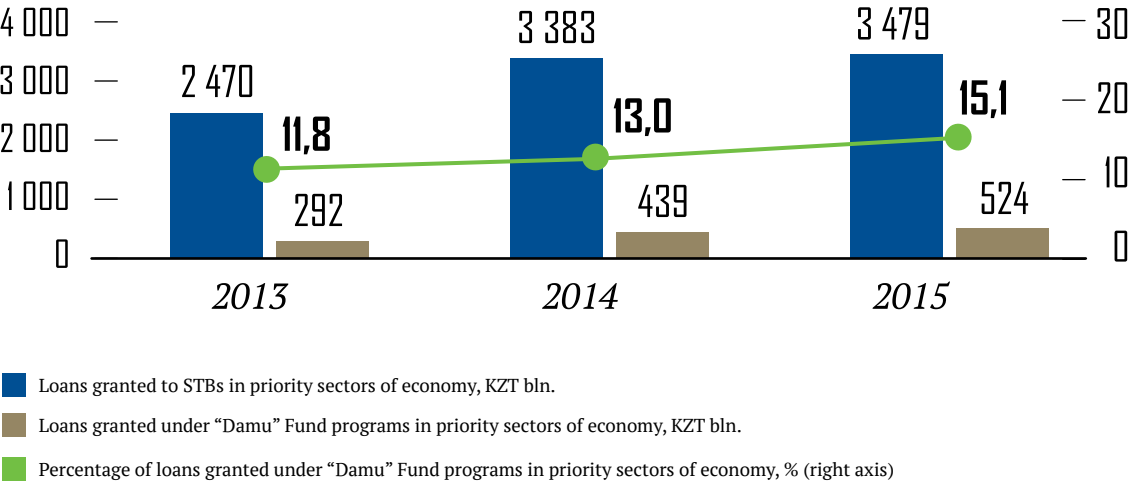
In 2015 the Fund continued the implementation of programs of conditional placement of funds in STBs, subsidization of interest rates on business loans and loan guarantee. For the purpose of increasing SMEs concessional lending in the manufacturing industry, in March 2015 an additional (third) tranche KZT 50 bln. was allocated from the National Fund of the Republic of Kazakhstan; primary disbursement of the second tranche (KZT 50 bln.) took place in the year 2015. The Fund also continues to actively attract funds from international financial institutions and local executive bodies. In 2015, on the basis of "BRM 2020" Program, "Business Road Map 2020" Unified Program for support and development of business was launched (hereinafter – Unified Program) (approved on March 31, 2015 by the Government Decree №168).

In general, by participating in programs of the Fund over the past year, private entrepreneurs have received loans in the amount of KZT 524 billion. In the total amount of bank loans for business purposes the percentage of loans granted to participants in the Fund's programs amounted to 7%. The low percent was due to the fact that lending under the Fund's programs is limited to priority sectors of economy, which do not include trade and construction, receiving about 50% of the STB loans.

When considering contribution of the Fund with a focus on financing the priority sectors of economy, there is observed growth to 15,1%, which is 2,1 points higher than last year.



Dynamics of loans to projects in priority sectors of economy

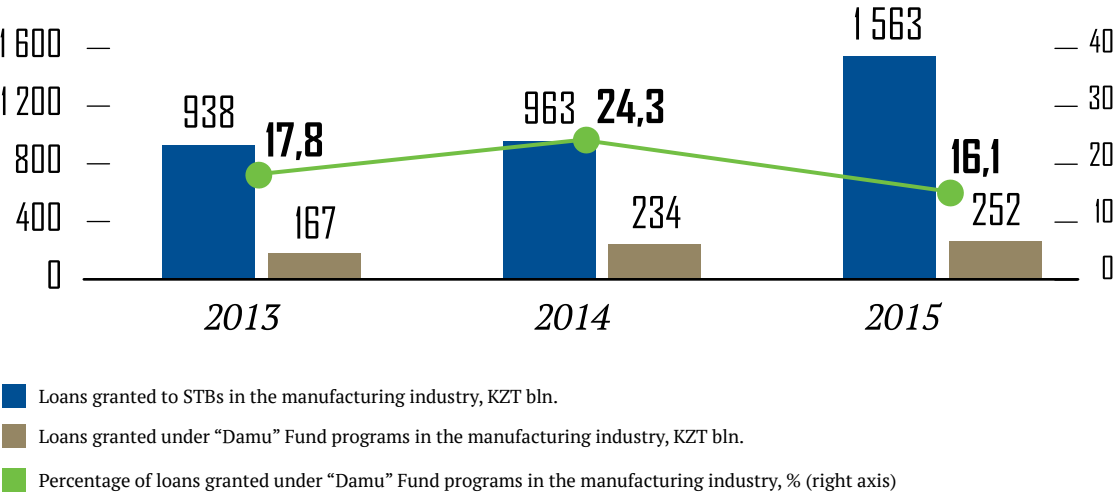


Source: National Bank of the Republic of Kazakhstan (www.nationalbank.kz), "PKB" LLP, Fund (www.damu.kz).

However, despite the increase in the amount of loans in the manufacturing industry under the Fund's programs, in 2015 (+KZT 18 bln.) percentage of the Fund's loans in the manufacturing industry dropped from 24% to 16%. We believe that the reduction of the percent is increase in the volume of short-term

loans in the market in 2015 (+KZT 543 billion), while programs of the Fund primarily grant long-term loans. Also, devaluation (by 82% in September-December) resulted in the increase of tenge equivalent of currency loans, which has partially distorted the market statistics.

Dynamics of loans projects in manufacturing industry



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

The share of clients in the structure of STB's borrowers that was financed by Fund's programs amounted 16%

Coverage of SMEs and individuals with entrepreneurial initiative with information and consulting support

In parallel with financial support programs, in 2015 the Foundation continued to work on the implementation of training programs and consulting support to entrepreneurs. At the end of the year the number of trainees under the framework of "SMEs' top management training" project, which is implemented as part of the Unified Program, amounted to 1 683 entrepreneurs, including 420 people trained in 2015.

As on 01.01.2016, 2794 people were trained within the framework of the 1st stage of "Business Relations" tool, including 542 participants of the project in 2015. During implementation of "Business Relations" program, 166 entrepreneurs were trained in the US and 195 entrepreneurs - in Germany, including 37 interns trained in 2015 in Germany. On 1 January 2016, 94 missions were accomplished under "Senior Seniors" component, including 32 missions during the year 2015.

During 2015, 58,9 thousand clients sought help in 18 Entrepreneurs Service Centers; they were provided more 117,1 thousand consultations. At the district level, there are Mobile Business Support Centers operating in 14 regions. About 12,800 clients sought help in these centers, where about 18,5 thousand. Consultations were provided.

Economy and SMEs' development prospects in Kazakhstan in 2016

The pace of economic growth in 2016 - 2020, according to forecasts of the Ministry of National Economy of the Republic of Kazakhstan will amount to 2,1-3,6%, but they are directly dependent on the development of the world economy and a recovery in demand and prices of commodities. A simultaneous slowdown in the economies of most of the major emerging economies, as well as high volatility of prices for energy and metals are the main factors that threaten the increase of prosperity level on a global scale.

However, Kazakhstan expects stable and slight dynamics of economic growth, mostly due to the fact that at the state level there is increasing investment in infrastructure and active measures are being taken to stimulate consumption growth. Public investment will be an important tool that will support the country's economic growth. The bulk of these investments will be focused on the implementation of major industrial and infrastructure projects which will contribute to the growth of domestic demand. Due to the possible increase of crisis phenomena in the global economy, with the concurrent reduction in external demand, in 2016-2020 economic growth, in accordance with the forecasts of the Ministry of National Economy of the Republic of Kazakhstan will rely on domestic demand, which will grow by an average of 3% per year.

Kazakhstan, in the short and medium term, will continue to implement measures aimed at implementing the priorities of socio-economic development. Thus, it is planned to raise wages of civil servants, introduction of a new model of labor remuneration for civil servants, increased scholarships, pensions and other social payments. Increase in income of this part of the population will, in turn, further stimulate domestic demand, which will positively affect the development of the SME sector, which is primarily focused on the domestic market.

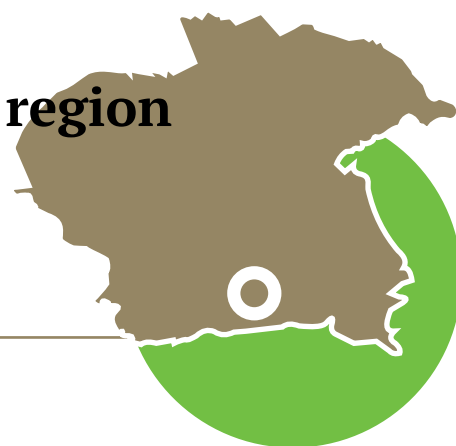
Implementation of various government programs that support infrastructure and innovative development of the country will also have a positive impact on the development of the SME sector, which will be supported by funding from second-tier banks. Thus, the average annual growth rate of STB lending for 2016-2020 is expected to reach 8,9%.

A stable monetary policy will remain a significant factor affecting the development of the SME sector. The specificity of the developing SME sector in Kazakhstan is dependency on imports and, therefore, sensitivity to the exchange rate jumps of the national currency against the currencies of other countries used to make settlements with foreign partners.



CLIENT:  
**Adambaev PE**

Almaty region



*Furniture Assembly*

In Almaty Region an aspiring entrepreneur has organized a furniture workshop.

For Kazbek Adambaev advice and support of his friends became the basis for starting his own business. A year ago, he was working as a

Just recently, the entrepreneur applied to the Sber Bank with a project for the purchasing new equipment. The project was supported by Akimat of Almaty region and “Damu” Fund and was financed in the frame of Regional

for us and now we have employed two more. With the government support my business hastaken the next step forward. In September we are going to launch new furniture assembly workshop, and we will hire 3 more people”, - said



*Just recently, the entrepreneur applied to the Sber Bank with a project for the purchasing new equipment. The project was supported by Akimat of Almaty region and “Damu” Fund and was financed in the frame of Regional Funding Program for amount of 4,0 million tenge at 6,5%.*

hired employee, but lost his job and found himself in a hopeless situation. His friends suggested him to organize a sawing workshop for the preparation of furniture for assembly. Friends helped him find a land and saw-cutting equipment. More than a year Kazbek’s business is growing successfully.

Funding Program for amount of 4,0 million tenge at 6,5%. The entrepreneur bought an automatic edge-banding machine for PVC by this loan. This machine will allow to take laminated chipboards’ and MDF boards’ end facing to the more quality level.

“Initially, we had 2 people working

Kazbek Adambaev. Previously, we had to do facing of the material manually, which took a lot of time. Now, the new machine processes and polishes up to 10 meters per minute”.

To date, within the Regional Funding Program 22 entrepreneurs received support for the amount of more than 600 million tenge.

CLIENT:

**“Window Technologies Union” LLP**

Pavlodar



*Manufacture of Plastic Windows*

Rodichev Eugene had started on his path together with his brother, Vadim, by working for a small private company engaged in plastic windows installation. 2 years later the company closed and the brothers decided to start their own business. At the time

amount of work increased and they began considering expanding their business. In 2014, Eugene Rodichev learned about “Damu” Fund from his friends.

When he came to the Entrepreneurs Service Center, Eugene received detailed information about the

government. The loan money was used to purchase a building for a workshop and automated plastic windows production line.

Today, “Window Technologies Union” LLP Company is a young, dynamic company, with a staff of more than 10 people and



**20**  
windows  
per shift



*“Thanks to the assistance from our government and “Damu” Fund we were able to make our dream a reality and to gain confidence in our future”*

they had an old “Gazelle” minivan and a set of tools at their disposal. With considerable knowledge and experience gained while working for a private company, it didn’t take very long for the Rodichev brothers to prove themselves as professionals who know their business well and are responsible for the quality of services they provide. Over time, they began to receive more and more orders; the

existing government programs to support small and medium-sized businesses. After completing training under “Business Advisor” project, the Rodichev brothers applied for a business plan, and a week later they came to a bank. A month later, thanks to the guarantee of “Damu” Fund, the men received a long-awaited loan of KZT 20 million, where half of the interest rate was subsidized by the

production output of up to 20 windows per shift. Moreover, the company is the exclusive representative of innovative “Ortex” 6 chamber profile in Kazakhstan.

“Thanks to the assistance from our government and “Damu” Fund we were able to make our dream a reality and to gain confidence in our future” - said Eugene Rodichev.

During 2015 the following  
number of projects were signed  
under interest rate subsidization

**1 595**  
Projects

For the total  
amount of Loans of

**260,13**  
KZT Billion

# 4

## MAIN ACTIVITY LINES

For the support and development of SME business, the Fund, together with its partners, provides financial and non-financial support, namely provides assistance to entrepreneurs in obtaining financing, building capacity and managerial skills, free consulting support, reducing costs through subsidizing interest rates and credit guarantees.

The main lines of activities of the Fund include:

- 1) provision of financial support to SMEs;
- 2) capacity building and development of SMEs.

As part of the first strategic line, there is funding provided to SMEs through the STBs, leasing companies (hereinafter - LCs), microfinance institutions (hereinafter - MFIs), interest rate subsidizations and loan guarantees under the Unified Program.

The second strategic line includes programs aimed at capacity building of SMEs, which include the development of entrepreneurs' competencies, increasing productivity of entrepreneurs, expanding business relations and information and analytical support for entrepreneurship (4th line of the Unified Program – "Non-financial entrepreneurship support measures"), development of Entrepreneurs Competence Centers, Business portal, Call-center and publication of various information and analytical materials.

### *Financial support to SMEs – financing, subsidizing, guaranteeing*

For the 2015 3 650 borrowers were funded under the program of conditional placement of funds in second-tier banks and LCs with their loans totaling KZT 236,6 billion.

In 2015, third tranche of the loan of the Asian Development Bank in the amount of USD 228 million or KZT 62,8 billion (as at the date of attraction) was attracted against the state guarantee. Funds of the European Bank for Reconstruction and Development in the amount of KZT 1,86 billion were attracted (2nd tranche of the total loan of USD200 million) and KZT 6,75 billion (3rd tranche of the total loan of USD200 million) against the Fund's guarantee.

During 2015, 1 595 projects with totaling loans of KZT 260,13 billion were signed under the Interest rate subsidization instrument. Under the loan guarantee instrument 941 contracts were signed to guarantee loans totaling KZT 27 billion. During 2015 twice as many guarantees were granted as in 2014.

	Actual 2012	Actual 2013	Actual 2014	plan 2015	Actual 2015	% of plan executed
<b>Financing of entrepreneurs through conditional placement of funds</b>						
Number of participants, units	2 022	2 159	3 271	3 343	3 650	109%
Amount of financing, KZT mln.	79 212	104 766	182 288	185 900	236 629	127%
<b>Interest Rate Subsidization</b>						
Number of participants, units	1 451	1 455	1 814	1 500	1 595	106%
Amount of loans, KZT mln.	240 876	183 563	241 016	273 700	260 131	95%
<b>Guaranteeing of Loans</b>						
Number of participants, units	87	148	446	218	941	432%
Amount of loans, KZT mln.	10 991	7 090	16 097	10 000	27 029	270%



Monitoring of Financial Programs

Monitoring Description	Total number of projects under the programs as on 31/12/15 on an accrual basis	Scheduled Monitoring as on 2015	Actual 2015	% executed	Number of criticisms/ violations for 2015
Monitoring of projects under the Programs of conditional placement of funds of the Fund (Including the National Fund Programs)	20 050	1 782	1 782	100%	62
Monitoring of subsidized projects as part of the BRM 2020 UP	6 778	1 795	1 795	100%	101
Monitoring of guaranteed projects as part of the BRM 2020 UP	1 641	440	440	100%	18
Monitoring of grants as part of the BRM 2020 UP and single-industry towns development programs for 2012-2020	875	191	191	100%	71
TOTAL:	29 344	4 208	4 208		252

Monitoring results for 2015:

- Banks paid penalties for inappropriate use of funds for 14 projects amounting to KZT 174,7 million (including funds of the NF of RK for 13 projects in the amount of KZT 170,93 million).
- Banks have replaced funds for 59 projects in the amount of KZT 15,1 billion with their own funds with subsequent channeling of funds for the financing of final borrowers (including using funds of the National Fund of the Republic of Kazakhstan for 57 projects worth KZT15,08 billion).
- for 3 projects, the Fund decided not to apply any measures
- suspended subsidization for 101 projects.
- canceled guarantees for 18 projects.

Based on the results of monitoring by the Fund:

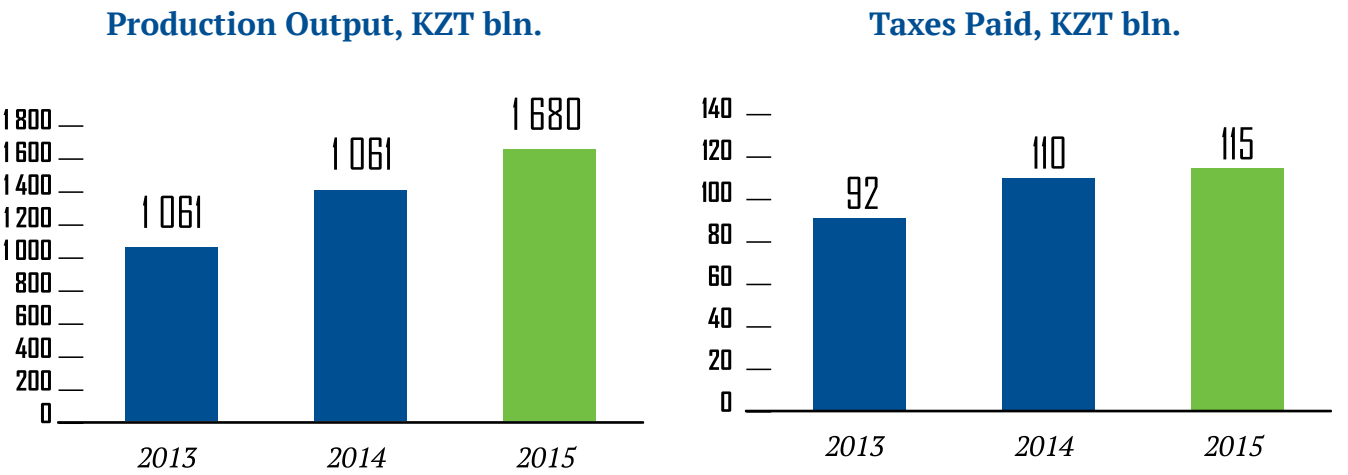
- 1) A monitoring mechanism was developed and approved by “Baiterek” NMHC” JSC, Expenditure Control Commission for the control over the expenditure of funds allocated from the National Fund of the Republic of Kazakhstan (Minutes №8 dated 07.10.2015), with the participation of territorial divisions of law enforcement bodies (the General Prosecutor’s Office and State Revenue Committee of the Ministry of Finance) in order to improve control for the intended use of funds of the National Fund of the Republic of Kazakhstan;
- 2) within the framework of SMEs Support Programs for the SMEs engaged in the manufacturing sector (funds of the National Fund of the Republic of Kazakhstan), changes were made to Loan Agreements with the STBs in order to increase control over the intended use of funds.

Monitoring Programs Effectiveness

“Business Road Map 2020” Unified Business support and development program

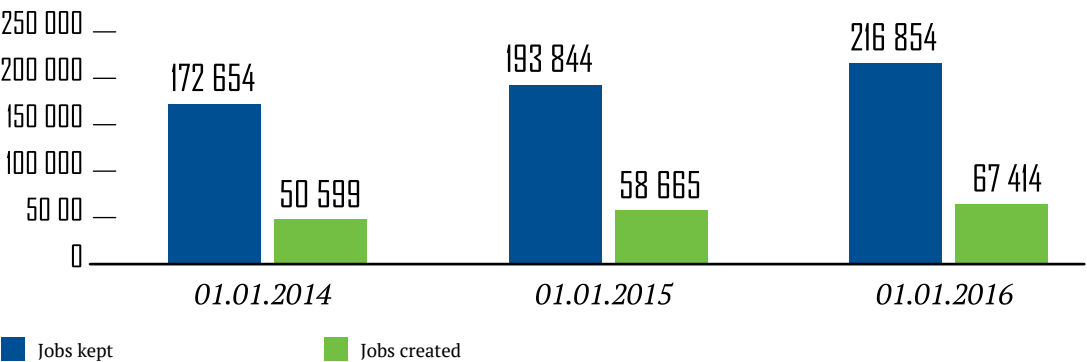
According to the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (hereinafter - the Committee) for enterprises and entrepreneurs participating in the Unified Program, the volume of output as on 01.01.2016 was estimated at KZT 5,1 trillion, including preliminary estimates for 2015 – KZT 1,68 trillion.

Interest rate subsidization and loan guarantees under the Unified Program contribute to improving financial performance of enterprises, which is especially important in the current economic situation. In turn, improvements in the activity of the enterprises ensure growth of budget revenues; improve budgetary efficiency of the program and its economic feasibility. According to the Committee, on 01.01.2016 the total amount of taxes paid by participants of the Unified Program is KZT 412 bln., including KZT 115 billion in 2015.



The broad coverage of the entrepreneurship sector by the Unified Program and the increasing interest in the program from SMEs allows to evaluate the social effect of its implementation, which is expressed in the provision population with jobs. Thus, participants of the Unified Program as on 01.01.2016, about 216,8 thousand jobs were kept and more than 67,4 thousand new jobs created.

Number of created and maintained jobs, units.





SME support program in the manufacturing industry through the funds of the National Fund of the Republic of Kazakhstan (hereinafter - the Program)

Businesses’ revenue from Program’s participants amounted KZT 213,546 mln. in 2014, KZT 417 703 mln. in 2015.

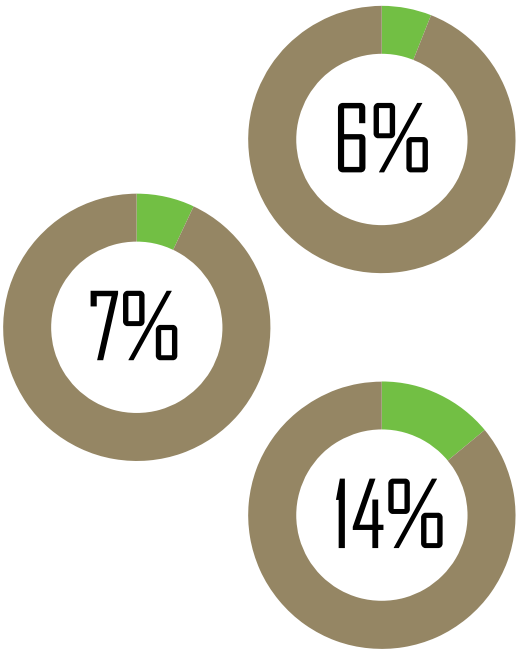
Entrepreneurs who have received funding within the Program paid taxes in the amount of KZT 30 969 million in 2015. Tax revenues in 2014 were KZT 10 844 mln. from Program’s participants of 2014.

According to STB, entrepreneurs who have received funding from the National Fund, created and/or plan to create 12,5 thousand jobs, which is about 10 jobs per company on average.

Recovery of bad debts under direct financing portfolio

Dynamics of direct financing portfolio from 01.01.2015 to 01.01.2016:

- outstanding principal balance (hereinafter - OPB) decreased by KZT 512 mln. (6%).
- number of debtors decreased by 63 units (7%);
- provisions on the balance sheet decreased by KZT 418 million (14%).



Indicator	As on 01.01.2012	As on 01.01.2013	As on 01.01.2014	As on 01.01.2015	As on 01.01.2016
Direct financing loan portfolio (amount of PD), KZT mln.	11 592	9 845	9 274	8 633	8 121
Percentage of bad debts,%	89%	99%	100%	100%	100%
Provisions (MFRS), KZT mln.	4 096	3 564	3 335	3 015	2 597
Number of debtors, units	1 459	1 179	1 059	959	896
Total repayment with money for the period (PD% penalty), KZT mln.	3 743	2 242	510	672	840
Write-off of debt (the PD amount), KZT mln.	-	-	-	82	-
Decrease of the PD for the period, KZT mln.		- 1 747	- 571	- 641	- 512

Capacity building of SMEs and people with entrepreneurial initiative

During 2015 the number of participants in training programs amounted to 27 916 people, including:

- “Business Relations” Instrument - 542 people;
- “SMEs Top Management Training” component - 420 people;
- 401 people trained under youth start-ups support Program (including “Startup-Bolashak” project);
- 995 women entrepreneurs trained to support the development of women’s entrepreneurship;
- 8 512 trainees in training in the framework of workshops, training sessions, seminars, conducted on the basis of the ESCs;
- Under “Business – Adviser” projects - 15 486 people, “Business Growth” - 1 012 people and “Project-based learning” - 548 people

Please note that the indicator “Number of participants in training programs”, was formed in 2013, taking into account projects implemented by the Fund at the time - “Business Advisor”, “Business Growth” “Young Entrepreneur School” instrument, of the “SMEs Top Management Training” component, “Business Relations” and “Senior Seniors” component. In accordance with the Unified Program “Business Advisor”, “Business Growth” and “Young Entrepreneur School” projects were transferred to the National Chamber of entrepreneurs (hereinafter - NCE) in 2015, and “Business Relations” instrument and “Senior Seniors” component were transferred to the NCE in 2016. Under “SMEs Top Management Training” component the Fund monitors provision of services and receipt of requests from entrepreneurs, while entrepreneurs’ training takes place at “Nazarbayev University” AEO, thus, the Fund has no control over the number of participants in this project. The main stream of trainees in training programs was accounted for by “Business Advisor” project, as this project provides for the training of people with entrepreneurial initiative and existing entrepreneurs without any restrictions. Thus, over the period of 2013-2014, within the framework of “Business Advisor” project, about 19 thousand people were trained annually.

During 2015, in the framework of direct consulting 71 786 clients were served through Entrepreneurs Competence Centers and Mobile Business Support Center served, including:

- Entrepreneurs Service Centers – 58 996 clients;
- Mobile BSC – 12 790 clients;

During 2015 14 730 online consultations were provided remotely through “Business Territory” business portal for entrepreneurs (business.gov.kz).

In order to continuously carry out functions of non-financial support of the Youth Entrepreneurship, the Fund has developed and implemented a Youth Start-Up Projects Support Program (hereinafter - the Program), aimed at unlocking innovation and entrepreneurial potential of young people through building of an integrated system of training and practical support for youth start-up projects, increasing the number of SMEs, and creating new jobs. As part of this Program, in July-November the Youth Entrepreneurs Support Project was also implemented called “Startup Bolashak” Start-Up Projects Contest”. The results of Youth Start-Up Projects Support Program for 2015 are as follows:

- number of people trained - 401 people
- number of supported start-up projects - 177,
- number of grants awarded - 18,
- total amount of grants – KZT 32,450 mln.
- number of established private businesses - 48.

“Damu-Komek” Program aims to support entrepreneurs and people with disabilities by raising awareness about their problems and the resources they need (financial assistance, assets, consulting support and other services) through a special website www.damu-komek.kz. However, the Fund does not provide funding, but serves as a link between entrepreneurs with disabilities and potential sponsors and lenders. During 2015 255 applications were placed on the Program website and 316 entrepreneurs with disabilities were provided sponsorship and charitable assistance. In addition, in 2015 the Fund, together with “Kazkommertsbank” JSC held the next competition as part of “Zhuldyzdagha kara” – “Look at the Stars” Project. The total project budget amounted to KZT 16,3 million, the amount of one grant amounted to KZT 100 000 to KZT 300 000, depending on the project. Based on the results of the competition, grants we received by 71 people with disabilities.

Projects/Components/Instruments of the Unified Program	2012	2013	2014	2015
"Business Advisor" Project	17 142	19 274	19 236	-
"Business Advisor-II" Project	-	-	3 236	-
"Young Entrepreneur School" Project	400	632	1 077	-
"SMEs Top Management training Component	210	420	423	420
"Business Relations" Component	622	544	585	542
"Youth Start-Up Projects Support" Project (including "Startup-Bolashak" Project)	-	-	-	401
Entrepreneurs Service Centers (18 Centers)	2043	8 874	60 535	58 996
Entrepreneurship Support Centers in Single-Industry Towns (27 Centers)	540	13 153	14 844	-
Mobile Entrepreneurship Support Centers (in 14 regions)	540	6 714	9 759	12 790
Entrepreneurship Support Centers in regional centers and small towns (161 center)	-	-	42 835	-
Call-Center	7 523	8 725	14 304	38 370
Business Portal	-	-	23 947	14 730

### Information technology Development in the Fund

In 2015, by resolution of the Managing Board, the Fund approved the Information Technologies Development Strategy of "Damu" Entrepreneurship Development Fund" JSC Damu for 2015 - 2018 (hereinafter - the IT Strategy). An action plan stipulated by the IT Strategy for the implementation of IT initiatives has been implemented in full.

During the period of June – December, 2015 a major IT Project was implemented to automate business process for the review of application for loan guarantees for private business loans under a Unified Program and automation of the state service on "E-government" portal (hereinafter – EGP).

On December 18, 2015, in the Committee of Communication, Informatization and Information of the Ministry of Investment and Development of the Republic of Kazakhstan and "National Information Technologies" JSC, the Working Group has held a demonstration of automation of "Provision of private entrepreneurs' loan guarantees" public service as part of the Unified Program on EGP.

EGP productive environment accommodating the service was updated by "National Information Technologies" JSC on December 30, 2015. The public service is available at [www.egov.kz](http://www.egov.kz), section Business - Business Registration and Development - Business Support – Public Service online.

As part of preparation for the integration with the EGP, the Fund has carried out preliminary work to prepare for the certification and has successfully passed the procedure for certification of conformity of the Fund's "bpm'online sales" information system to the Information Security standards adopted in the Republic of Kazakhstan.

Moreover, in 2015, a project was implemented for the automatic formation of the reporting package and integration with the managerial accounting system of "Baiterek NMH" JSC in accordance with the agreed integration perimeter.

# 5

## ASSESSMENT OF PERFORMANCE

In accordance with the set objectives, targets and key performance indicators (hereinafter - KPI) of the Fund Development Plan for 2014-2018, in 2015 the Fund achieved the following results:

№	KPI Description	Unit of Measurement	Actual			2015		
			2012	2013	2014	Planned	Actual	% plan execution
1	Amount of funds allocated for the development of entrepreneurship under financial programs	KZT bln.	331,1	295,4	439,4	469,6	523,7	112%
2	Number of jobs created	persons	3 443	14 901	24 836	25 697	25 900	101%
3	Percentage of SMEs, which were provided support, to the total number of active SMEs in the market	%	1,7%	4,5%	7,5%	5,0%	6,4%	128%
4	Percentage of SMEs coverage in the "BRM 2020" sectors with support	%	1,5%	1,5%	2,0%	1,7%	1,7%	100%
5	Percentage of SMEs coverage in the manufacturing industry with support	%	5,2%	6,9%	13,1%	7,3%	8,4%	115%
6	Number of clients of Entrepreneurs Competence Centers	persons	3 123	28 741	127 973	41 210	71 786	174%
7	Number of clients who have received remote services	persons	-	-	38 251	45 625	59 705	131%
8	Number of participants in training programs	persons	18 148	22 198	24 557	22 875	27 916	122%

During 2015 the number of SMEs that were provided financial and non-financial support amounted to 157 391 units (140% of the plan), which is associated with the excess of the plan in terms of the amount of support provided to SMEs in the framework of financial programs (conditional placement, subsidies, guarantees) and training and consulting programs. The amount of financial support from the implementation of programs for conditional placement of funds, interest rate subsidization and loan guarantees, totaled KZT 523,7 billion (112% of the plan). This figure increased due to the involvement and active use of funds allocated from the National Fund of the Republic of Kazakhstan, as well as attraction of funds from the Asian Development Bank, the European Bank for Reconstruction and Development to support SMEs.

Programs implemented by the Fund also have not only economic, but also a clear social orientation. Based on the results of 2015, 25 900 jobs were created through the financial support in the private business sector (101% of the plan).

In terms of efficiency coefficient of “Percentage of SMEs’ coverage in the manufacturing industry with support”, “Percentage of SMEs that were provided

support to the total number of active SMEs in the market”, performance exceeds the plan, which is due to an increase of the number of SMEs, which were provided support by the Fund under financial programs and capacity building programs.

In terms of efficiency coefficient of “Number of clients of Entrepreneurs Competence Centers” performance exceeds the plan by more than 74% increase in the number of ESCs’ and MESCs’ customers is due to an increase in the number of consultants in the ESCs and MESCs, as well as customer accounting automation process via the CRM-system, which has increased the accuracy of the accounting.

In terms of efficiency coefficient of “Number of training program participants” performance exceeds the plan by 22%. Increase in the number of training programs participants by 22% in 2015 as compared to 2014 year, was due to the launch of new programs to support youth start-up projects, active work of the Fund to conduct workshops, seminars and other activities aimed at improving competencies of entrepreneurs as well as “Business Adviser”, “Business Growth” Projects held by the National Chamber of Entrepreneurs on the basis of the ESCs.

Effective Assets Management

As part of the asset management, main activities of the Fund include servicing of the loan portfolio generated by direct loan programs, management of funds placed in second-tier banks within the stipulated placement programs, and efficient placement of idle funds (hereinafter - IF). Main objectives of the Fund are to ensure safeguard of the IF, solvency for current liabilities, ability to finance the emerging investment opportunities and ensuring a sufficient IF profitability level to the acceptable risk level.

In the process of asset management the Fund is guided by the requirements of the invested capital preservation, ensuring and maintaining the liquidity, profitability, term of investments and diversification. Diversification of the financial assets portfolio is made in order to eliminate the risk of losses resulting from the concentration of financial assets with a

defined maturity, a certain issuer, or a certain class of investments in the Fund’s investment portfolio.

Formulation of a medium and long-term asset and liability management policy, determining an optimal balance sheet structure, monitoring financial state of the Fund, profitability ratios and taking the necessary corrective measures to maximize revenues and to limit risks on IF placement transactions is carried out by Assets and Liabilities Management Committee under the Managing Board of the Fund.

As on 01.01.2016, the Fund’s total balance amounted to KZT 355,3 billion. During the reporting period the Fund’s assets increased by KZT 13262 billion or by 59% compared with the beginning of the year. 69% of the Fund’s assets are the loan portfolio. Relative share of cash is 9,4% of total assets. Securities of the Fund are accounted for on the balance sheet at market value, their share is 2,5%.

Financial Results

At the end of 2015 the Fund received a net income of KZT 15,6 bln., with a planned Indicator of KZT 3,7 bln. Implementation of the planned net profit indicator amounted to 418%.

Revenue from core and non-core activities amounted to KZT 64,3 bln., while the plan was KZT 18 bln.. Execution of the revenue plan was 356%.

Total expenditures of the Fund for 2015 amounted to KZT 44,6 bln., while the plan was KZT 13,4 bln.. Execution was 334%.

Unplanned non-cash income from SWAP revaluation of KZT 44,05 billion and foreign exchange losses of KZT 32,3 billion are recognized in the reporting period.

Excluding these items the financial result amounts to KZT 5,8 bln.

Equity of the Fund as on 01.01.2016 amounted to KZT 95,1 bln..

The weighted average yield of IF was 10,59%.

Performance Profit Margins

Description	2013 (actual)	2014 (actual)	2015 (plan)	2015 (actual)
ROA, Return on Assets	2,0%	1,9%	1,6%	5,4%
ROE, Return on Equity	4,5%	5,0%	4,5%	17,6%
Weighted Average Return on IF	6,42%	6,59%	6%	10,59%
Operating Profitability	39,3%	38,0%	28,0%	35,1%
NI Margin	30,0%	28,0%	22,5%	25,5%

In connection with the receipt of a positive net income, exceeding the planned target for 2015, there is overachievement of the targeted operating profitability observed.

Information on major transactions

Information on related party transactions, major transactions and related party transactions entered into by the Fund in 2015 is presented in Appendix 1.



CLIENT:

## Eco Construction Company LLP

Mangistau region



### Manufacturing injury-safe rubber paving blocks and tiles

Eco Construction Company LLP has implemented a project of the production of injury-safe rubber paving blocks and tiles along with production of seamless rubber coating in different colors. The mini factory is located in the industrial

area of Baskudyk village in Munailinsky District of Mangistau region. Safety rubber paving blocks and tiles can be used for playgrounds and sports grounds, play areas, rides, i.e. areas with high risk of injury. The advantages of this type of tiles are that they are safe, elastic and shock absorptive, has orthopedic effect, with no slip and fall protection, etc. And it does not break.

is to create a new quality of urban environment, improve injury prevention coatings and sports playgrounds in Mangistau region. Currently, raw materials (crumb rubber) obtained from Russia; however, in the future 85% of the loan amount; in addition, the Company received government support in the form of subsidies. Given the fact that the company located in the rural area, subsidization percentage by "Damu" Fund was fixed in 10%. As

"Damu" EDF JSC provided guarantees for

85%  
of the amount  
of loan



### ...subsidization percentage by "Damu" Fund was fixed in 10%.

area of Baskudyk village in Munailinsky District of Mangistau region.

Safety rubber paving blocks and tiles can be used for playgrounds and sports grounds, play areas, rides, i.e. areas with high risk of injury. The advantages of this type of tiles are that they are safe, elastic and shock absorptive, has orthopedic effect, with no slip and fall protection, etc. And it does not break.

Purpose of this business project

entrepreneurs expect to expand production and purchase tire processing equipment. This will also help to get rid of rubber tires dumps that have a negative impact on the environment when they are burnt (regularly).

To launch the project, a loan was attracted from "The Bank Center Credit" JSC under 14% per annum interest. In order to make it possible to grant a loan to this start-up business "Damu" Fund provided a guarantee of

a result, the Company repays the loan with just 4% per annum, and the rest interest covered by the Government.

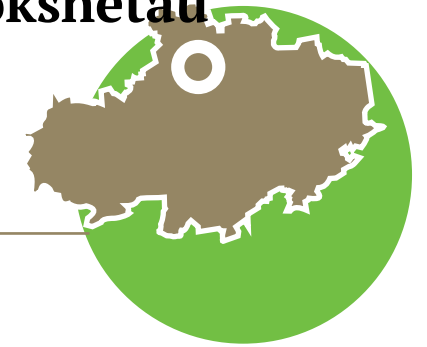
Almost 90% of the funds were used to purchase a set of equipment for the production of injury-preventive rubber paving blocks and tiles and for seamless rubber coating production. The remaining money was used to purchase raw materials for production.

Products are subject of mandatory quality control. The plan is to produce 6000 m2 of rubber tiles per year. Currently, there are no analogues to this project in Mangistau region. There are three companies in Kazakhstan that are engaged in the production of rubber tiles. The Company created 5 jobs.

CLIENT:

## "Ainalaiyn" Mini Center

Kokshetau



### Kindergarten

Statistics show that youth entrepreneurship in Kazakhstan is underdeveloped. Young people start small, even when they try to start a business,. But this is not true about Edil Kenzhegaliev. At the age of 23 he became the founder of a modern "Ainalaiyn" mini-center for 170 children.

"During Soviet times there was a typical kindergarten here called "Golden Key", - says Edil Kenzhegaliev. - After the collapse of the Soviet Union the building

be at an appropriate level. All training is conducted based on the following national standards - "Biz mektepke baramyz", "Algashky kadam", "Zerek Bala". The mini-center employs 30 people, including professional psychologist, speech therapist and choreography teacher . It also offers karate and singing clubs.

"The most important thing for us right now is to develop optimal teaching methods, - explains the



### The mini-center employs 30 people...

was used for a felting plant of "Rose" LLP, and after that it was empty for a long time. Infrastructure fell into disrepair; the facilities' look left much to be desired. It needed serious repairs, but the building itself was quite expensive. When I applied to "BankCenterCredit" JSC for a loan, I was immediately offered to take advantage of the government support under "Business Road Map 2020" Program and decided to try it out".

It took 6 long months to make repairs. At last, the mini-center formed 6 groups of children with training in the State language. All the children came under "Balapan" state preschool education and training program.

The mini-center had just opened recently, but its management already wants the education it offers to

director of "Ainalaiyn" Mini-Center, Tutkysheva Aigul Tuletaevna. - I know that some kindergartens in the city are using innovative "Montessori" method, for example. We want to use the experience of Russian kindergartens, and are actively working along this line. For instance, on July 24 we participated in a round table in Astana, organized by "Kazakhstan Public-Private Partnership" JSC in the framework of "Tugan zherge tagzym" Campaign, where we made a lot of contacts with entrepreneurs working in the same business".

"When I was registering the mini-center I was surprised to learn that as a social type of business our mini center will be exempt from such taxes as CIT and VAT, - says Edil Kenzhegaliev. - This fact greatly eased the business launch, and subsequently the mini-center demonstrated high profitability. Therefore, it was decided to continue work in this area". As a result, the second "Balapan" children's center was established for 120 children with teaching in Kazakh and Russian languages.



***One important factor is the increasing awareness of the visual integrity of both of programs promotion tools, and front offices of the Fund.***

# 6

## INFORMATION ACTIVITY AND MARKETING ACTIVITIES

Taking into account the high level of public interest in the activities of development institutions, the Fund pays great attention to ensuring transparency of decisions made with regard to the implementation of government programs, as well as certain internal procedures that attract the most attention of stakeholders (procurement, recruitment, provision of financial and non-financial support instruments).

Marketing activities of the Fund are carried out in accordance with current trends based on the market situation analysis, the needs of the target audiences; contributes to building public confidence in the Fund, the identification of negative phenomena, is accompanied by the adoption of preventive measures in the organization of crisis management communications.

Customer needs analysis, the possible reasons for their dissatisfaction, media and other stakeholders' requests on activities of the Fund are also important in building a positive brand.

In order to work on the improvement of customer-centeredness level in the Fund, there are annual training sessions conducted for front-office, Entrepreneurs Service Center and Call Center employees; and regular collection of information is conducted, including with the use of sociological research.

A responsible unit of the Fund held a media market research in order to determine the optimal parameters of the time and place of posting information about activities of the Fund, the scope and timing of advertising campaigns aimed at target groups by age, gender, entrepreneurial activity, etc.

*Marketing activities of the Fund are carried out in accordance with current trends based on the market situation analysis, the needs of the target audiences; contributes to building public confidence in the Fund, the identification of negative phenomena, is accompanied by the adoption of preventive measures in the organization of crisis management communications.*

In order to increase confidence of target audiences in the Fund and to establish effective communication with stakeholders, the Fund ensures visibility and accessibility of information on its activities, compliance with the rules of public morality and competition rules.

An important role in reinforcing the positive image of the Fund is also plaid by determining the key nature of the content, positive media of information statements, providing two-way communication with customers, partners and other stakeholders; organization and maintenance of continual contacts with the media, and state and public structures.

To increase recognition ratio and confidence in its activities the Fund provides support of internal communications of the departments, as well as communications of the Fund with the Sole Shareholder in the process of development and implementation of promotional activities. In addition, opinion shapers and successful entrepreneurs, participating in the Fund's programs, are invited to participate in the advertisement while external consultants and experts in the field of communications are engaged to address the strategic objectives of the Fund.

One important factor is the increasing awareness of the visual integrity of both of programs promotion tools, and front offices of the Fund. In 2015, the work was completed to implement a unified branding concept for the front offices of the Fund, including regional offices, Entrepreneurs Service Centers and Mobile Business Support Centers.

In order to ensure a high level of transparency the Fund regularly holds press conferences, briefings, press tours and interviews with managers of the Fund in the media (hereinafter - the Media). Thus, in 2015, 4 237 materials on entrepreneurship state support arrangements were published in the media, including

1 572 materials in the mainstream media and 2 665 materials in the regional mass media. 48 press tours were conducted on successfully implemented SME projects, financed under the entrepreneurship support program in various regions of Kazakhstan. 317 appearances were made in order to cover the "BRM-2020" program implementation on the air of national and regional TV channels.

In order to improve awareness of entrepreneurs and population on the service provision procedure, the Fund widely uses information technologies through which anyone can get access to information about existing entrepreneurship support programs, their implementation mechanisms and conditions, and many other things.

One of the most important mass communication means is the corporate website of the Fund ([www.damu.kz](http://www.damu.kz)), allowing one to quickly inform entrepreneurs and the public about the results of performance, the adopted changes or new support programs implemented by the Fund, and to receive feedback on the most critical issues.

Target audience of the Fund is also informed by placing information on national and local TV stations, radio and in printed media. In 2015, the number of views of the Fund's web site amounted to over 3,5 million. This is, first of all, indicative of the demand (popularity) among the Internet audience both of the web site itself, and of the information posted thereon.

In December, 2013, on the Industrialization Day the Fund presented a new unified business portal for entrepreneurs of Kazakhstan called "Business Territory" ([business.gov.kz](http://business.gov.kz)), created by the order of the President of the Republic of Kazakhstan, N.A. Nazarbayev. [business.gov.kz](http://business.gov.kz) Business Portal is a unified information platform for entrepreneurs of Kazakhstan, which integrates the best information resources about all entrepreneurship support

*the number of views  
of the Fund's web site*



measures, news and analytical articles, training materials and case studies, market research and surveys, plans and procurement notices from government agencies and national companies, etc. In 2015, the number of [www.business.gov.kz](http://www.business.gov.kz) views totaled 4 775 204; the number of visitors amounted to 1 084 339; the number of online consultations - 14 730.

In order to increase awareness and professionalism of private businesses and the public, in March 2011 the Fund has launched a specialized Call-center. Call-center of the Fund is an information and referral service where more information can be obtained about entrepreneurship support programs of "Baiterek NMH" JSC group of companies created for the centralized receipt of requests and processing of calls. Call-center allows for targeted work by selectively directing the exposure to a particular target audience. Currently, Call-center is able to solve a very wide range of tasks: from automated processing of citizens' applications to promotion of products, advertising and conducting market research.

In addition to a phone call any Internet user has the opportunity to receive an initial consultation on questions relate to entrepreneurship state support through online-dialogue with Call-center consultants on the corporate website of the Fund ([www.damu.kz](http://www.damu.kz)), and can also ask a question via e-mail, interactive online-chat, by making a free of charge call via the website and/or to request a callback. In addition, the Fund has introduced a text information service to SMEs.

In 2015, within the framework of remote consulting, Call-center has processed over 38 thousand customer requests, including 14,7 thousand requests received through the Internet resources of the Fund. Almost all questions that entrepreneurs and public are interested in relate to implementation of the Fund's private entrepreneurship support.

Also in 2015, the Fund conducted an awareness raising campaign under "BRM 2020" program to provide explanations to the general public about government support measures to improve implementation of this Program, and to popularize the entrepreneurship ideas.

In order to obtain an objective picture of the website traffic, the Internet resources of the Fund have hit counters. To date, the Fund's resources in Kazakhstan's [zero.kz](http://zero.kz) traffic rating attendance 5-8 places from 120 resources registered in the "Finance" category.

The marketing activity of the Fund focuses on building positive reputation and image of the Fund through the process of building effective communication and feedback with stakeholders. The Fund implements the following measures in order to monitor the effectiveness of marketing activities:

- developed a communication strategy of the Fund, in accordance with the general strategic activity lines;
- carries out a set of special communication activities with the following image characteristics of the Fund: a professional, open and ready to help, a key SME expert;
- conducts analysis and development of recommendations to improve efficiency of delivering information about activities of the Fund and existing entrepreneurship support programs to targeted audiences;
- conducts analysis and develops recommendations to improve awareness of target audiences about the brand of the Fund;
- an annual action plan is being developed, which includes actions under "Promising Events Calendar" and "PR-activities Plan".



7

GENERAL  
INFORMATION  
ABOUT  
PLANS FOR  
THE FUTURE  
PERIODS

*In 2015, the National Fund of the Republic of Kazakhstan has allocated 3rd tranche of a total amount of KZT 50 bln. for the support of SMEs in the manufacturing sector. Its 100% disbursement is scheduled for completion in March 2016*

The main objectives of the Fund in accordance with the development strategy of the Fund for the years 2014-2023 are as follows: increasing the extent of financial support of SMEs, expanding areas of cooperation and small and medium-sized enterprises (hereinafter - SMEs) financing/co-financing arrangements, together with financial institutions, attracting additional funding, entrepreneurs training and capacity building, development of infrastructure of consulting services to entrepreneurs, implementation of a unified information platform for SMEs.

In order to execute the tasks set, it is necessary for the Fund to do the following:

**Firstly**, to raise funds from international financial institutions. Providing medium-term SMEs financing is important to improve its performance and competitiveness. In this regard, the Fund annually conducts the work on attracting funds from international financial institutions.

**In accordance with the tasks set, in 2016 it is planned to raise funds from the European Bank for Reconstruction and Development in the amount of USD 26,61 million (equivalent to KZT 9,6 billion), the Asian Development Bank – USD 7,2 million (equivalent to KZT 2,6 billion). These funds may be attracted in the event of approval of the swap conditions on the part of these international financial organizations and**

**acceptable cost of funding for second-tier banks.**

**Secondly**, in order to increase financing of entrepreneurship in priority sectors of economy, since 2010 the Fund has been acting as a financial agent to subsidize interest rates on loans/leasing transactions and credit guarantee under the Unified Program.

To the extent of interest rates subsidization, in 2016 it is planned to ensure disbursement of the allocated funds in the amount of KZT 40,4 billion (KZT 28,2 billion were allocated from the Republican budget; KZT 7,2 billion were disbursed from the National Fund of the Republic of Kazakhstan to subsidize loans for working capital financing, and KZT 5.0 billion - from the state budget to subsidize the loans, financed at the expense of JSC “Single Accumulative Pension Fund”).

In 2015, the National Fund of the Republic of Kazakhstan has allocated 3rd tranche of a total amount of KZT 50 bln. for the support of SMEs in the manufacturing sector. Its 100% disbursement is scheduled for completion in March 2016

**Third**, in 2016 the Funds plans to launch a number of its own programs for conditional placement of funds in STBs and other financial institutions for the subsequent SMEs financing using franchising and factoring schemes; MFI own support programs, whose main goal will be the reach entrepreneurs in the regions outside the regional centers, as they have lack of available funding; to implement entrepreneurs

*In accordance with the tasks set, in 2016 it is planned to attract funds from*

*European Bank for  
Reconstruction and  
Development*



*Asian Development  
Bank*



support training programs and programs for training of employees of financial institutions participating in the Fund’s programs, etc.

Also, in 2016 the work on attracting funds from local executive bodies will continue.

In 2015, work began on the automation of the state service “Provision of private entrepreneurs’ loan guarantees under “Business Road Map 2020” unified business support and development program for loans under KZT 180 million; in 2016 it is planned to post it on “electronic government” web portal of [www.egov.kz](http://www.egov.kz).

**Fourthly**, the Fund identifies a number of targeted groups in its work: women entrepreneurs, young entrepreneurs, entrepreneurs with disabilities. In 2015, together with the Akimat of Astana, a new tool for the development of youth entrepreneurship – “Astana – ZhasStarT” - was launched within the framework of the Regional Fund financing of SMEs. The Fund and the capital Akimat have allocated KZT 300 million for the implementation of this instrument. The program is open to young entrepreneurs under the age of 29 who intend to implement their projects in Astana.

A separate series of projects is aimed at supporting entrepreneurs with disabilities. Thus, in the framework of the Project to support women with disabilities “Development of entrepreneurial skills in women with disabilities” of the Entrepreneurs

Capacity Building Unified Program, in partnership with NGO “Shyrak”, in 2015 workshops were held in Almaty and Almaty region, attended by 120 women with disabilities. In addition, the study was conducted, involving 322 respondents from all regions of the Republic of Kazakhstan. In 2016, the implementation of this Project will continue. The Project involves:

- 1) conducting training course for women with disabilities to overcome internal barriers and leadership quality development;
- 2) conducting vocational training/retraining courses on demanded and adapted specialties, and on drafting business plans;
- 3) creating a dialogue platform for women with disabilities with current entrepreneurs and potential employers, provision of consulting services;
- 4) creating a business-coaching system for women with disabilities and organization of on-job training.

**Fifth**, to ensure greater public involvement in entrepreneurship and capacity building of entrepreneurs, objective of the Fund is to introduce tools for the capacity building of SMEs. A Unified Entrepreneurship Capacity Building Program for 2016-2018 was approved in 2015. Under its framework new lines for entrepreneurs training were approved. The main focus in the next year will be placed on startups’ training.



GENERAL  
INFORMATION  
ABOUT RISK  
MANAGEMENT  
SYSTEM

The Fund’s risk management system includes a system of processes and procedures that provide the Executive Body and the Management Body of the Fund with timely information on risks and solutions to minimize the risks.

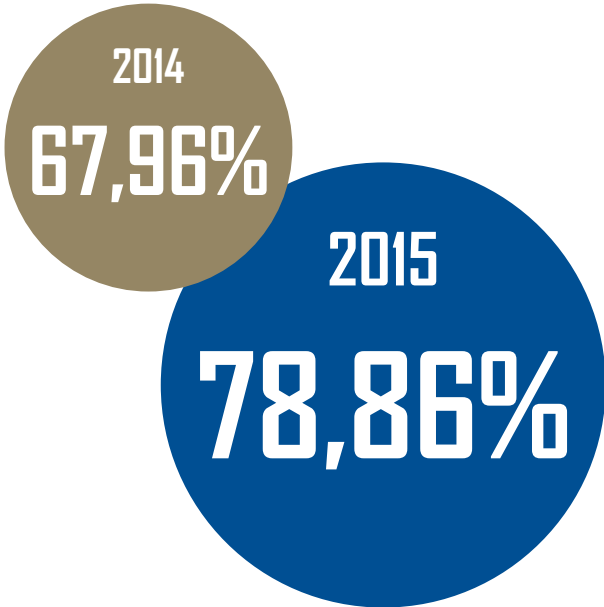
In the reporting period, the risk management system was aimed at implementing the principles of credit risks comprehensive analysis under a Unified Program for guaranteeing SMEs’ projects.

Given the importance of implementation of the Unified Program, the Fund annually develops a methodology to assess project risks, allowing to minimize credit risks at an early stage.

In the course of decision-making on granting guarantees or to deny a guarantee, the Fund used the results of its own comprehensive methodology for assessing credit risks. This technique is based on a comprehensive analysis of related risk factors that may adversely affect financial performance of a project and, thus, increase the Fund’s exposure to credit risk on a portfolio of issued guarantees.

In managing financial risks in 2015, three risk factors areas were traditionally distinguished: conditional placement, investments in securities, and IF management. For minimization thereof, limitation techniques were used on active transactions with counterparty banks, remote analysis of credit risks of STBs, leasing companies and corporate issuers.

Efficiency level of corporate risk management system in “Risk Management Processes Organization” based on the Internal Audit Service’s assessment for 2015 was 78,86%, which is 10,09 percentage points higher compared with the previous year (67,96%).



Application of limitation techniques was made possible through the efforts of the Risk Management Department for the improvement of methodological and technical base of financial risk management.

Since the beginning of implementation of the risk management system, the Fund has conducted substantial work on the implementation of the basic methodological documents on risk management. In particular, as part of centralized activities of “Baiterek” NMH” JSC, together with external consultant - Price WaterhouseCoopers (PWC), a risk management system was implemented based on the best international practices, taking into account the requirements of the Basel Committee on Banking Supervision, and including management and evaluation of all of the individual types of risk (credit, market, operational, business risks, real estate risks), determining the aggregate amount of risks, taking into account normal and stressful situations, calculation of domestic capital adequacy and formation of risk appetite (in terms of capital adequacy, profitability and liquidity).

In accordance with the Risk Management Policy the Managing Board of the Fund on a quarterly basis provides the Board of Directors with a Risks Report on a consolidated basis, with the description and analysis of the key risks, information on compliance with the limits on the risks, as well as information on the

implementation of plans and programs to minimize key risks.

In 2015, work continued on the operational risk management. This work line involves all the structural units of the Fund; a comprehensive package of documents was approved, including:

- Updated register and risk map, risk management action plans;
- Approved key risk indicators (KRI);
- Introduced the practice of weekly maintenance of database on the implemented and potential risks;
- Plans made for operations recovery, crisis management of the Fund within the framework of the Fund’s operations continuity management system.

Efficiency level of corporate risk management system in “Risk Management Processes Organization” based on the Internal Audit Service’s assessment for 2015 was 78,86%, which is 10,09 percentage points higher compared with the previous year (67,96%). Thus, in accordance with the corporate risk management system development Strategy of the Fund for 2017-2018, the efficiency level of corporate risk management system must be at the level of 75% in 2018.



## CLIENT: ROTO-PRIME LLP

Shymkent



### Printing Services

The company's main activity is the provision of printing services and manufacture of flexible packaging (including labels, bags, etc.). The company was founded in 2010 and operates modern production lines. The company buys raw materials

the company include "Alex" LLP, "Crown" Macaroni factory" LLP, "Altyn Dan" LLP, "Balmuzdyk" LLP, and others.

In March 2015, for the procurement of raw materials the company took advantage of the program

"Thanks to the concessional financing under "Damu" Fund's program, we have been able to purchase the necessary raw materials, which first of all, enabled us to maintain prices for consumers of our products and services at



the company  
received KZT  
**20**  
million of borrowed  
funds



*The company was founded in 2010 and operates modern production lines.*

required for the products (paints, polyethylene and other materials) from Russian manufacturers. The manufactured packaging film is characterized by high quality and reasonable price. The finished products are delivered to all regions of Kazakhstan. Customers of

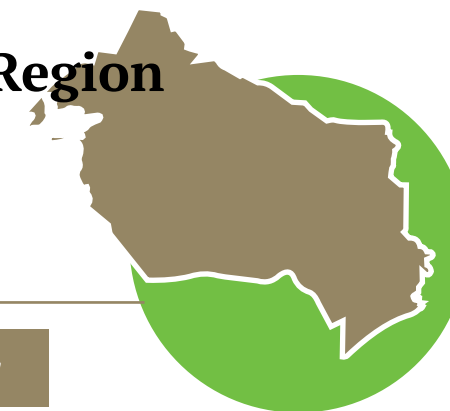
of "Damu" EDF for women's entrepreneurship microlending implemented through second-tier banks. During the same year the company received KZT 20,0 million of borrowed funds at preferential interest rates of 9,5% for a period of 12 months.

the same level, and secondly, to continue to operate without slowing down, and while keeping jobs", - says Deputy Director, Daulet Suintaev.

*The manufactured packaging film is characterized by high quality and reasonable price.*

## CLIENT: Niyazbekov PE

Kyzylorda Region



### Alladin Children's Entertainment Center

In July 2015, Serik Niyazbaev – a private entrepreneur, from Akay village, Karmakshy district of Kyzylorda region, pleased his co-villagers with the opening of the first "Aladdin" children's entertainment center. Now the

cafe with an "informative kitchen" and much more. On a daily basis Serik Niyazbaev has a variety of shows for his guests. "Aladdin" center even has its own "Veselinka" festival theater, which organizes theme parties.

Serik Niyazbaev is one of the most successful startups, who using the government support, not only was able to start a business, but also to make his complex into one of the best leisure centers in Kyzylorda region. The aspiring



Niyazbaev, was  
provided a guar-  
antee of "Damu"  
Fund in the amount  
of KZT  
**12,6**  
million



residents of Akay village and of the city of Baikonur and their families enjoy spending their free time at the center, which always offers a fantastic atmosphere.

"Aladdin" children's entertainment center is unique because it operates all year round. During the summer, the kids enjoy the pool and huge trampolines, and in the winter they enjoy rides and electric vehicles. The new center combines entertainment and educational areas. It has amusements (children's swings, plastic houses, children's castles, inflatable trampolines, children's maze, booths for shooting with a body vest, cars, electric cars, children's locomotive and other), a mini 7D cinema for 8 seats, nursery area for the youngest, a family

*"We are very proud of "Aladdin" entertainment center and our family enjoys spending time here.*

"We are very proud of "Aladdin" entertainment center and our family enjoys spending time here. Animators, clowns, magicians, soap bubbles show, music and dancing programs bring lots of exciting emotions to our children. I can say with confidence that other parts of the region do not have such a fabulous center yet", - shared her impressions the resident of Akay village, Aynur Karabalaeva.

entrepreneur from Akay aul county of Karmakshy district, Serik Niyazbaev, was provided a guarantee of "Damu" Fund in the amount of KZT 12,6 million, or 70% of the loan amount under "Business Road Map 2020" program.



## 9

CORPORATE  
GOVERNANCE  
SYSTEM  
INFORMATION

In accordance with the Articles of Association the bodies of the Fund include:

- 1) supreme body - Sole Shareholder;
- 2) governing body - the Board of Directors;
- 3) executive body - the Management Board;
- 4) a body exercising control over financial and economic activities of the Fund - the Internal Audit Service;
- 5) a body for the implementation of work related to the provision of guarantees to private enterprises when they receive loans in second tier banks and other legal entities - Credit Committee;
- 6) other bodies established under the laws of the Republic of Kazakhstan.

### *Sole Shareholder*

The sole shareholder of the Fund is “Baiterek” National Management Holding” JSC (hereinafter - “Baiterek” NMH” JSC).

The most important functions of the Sole Shareholder include approval of the Articles of Association, the Corporate Governance Code, determining the composition and the term of office of the Board of Directors, approval of the external auditor, of the annual financial statements, and other.

*The sole shareholder  
of the Fund is “Baiterek”  
National Management  
Holding” JSC*

Procedure for placing a matter before the Sole Member

According to the procedure of placing a matter before the Sole Shareholder, the Fund is guided by the “Guidelines for consideration of materials for the meetings of the board of directors, the supervisory boards of subsidiaries and dependent companies of - “Baiterek” NMH” JSC, approved by resolution of the Sole Shareholder on 24.12.2014, Minutes № 41/14.

These Regulations are designed to organize effective activity of representatives of the Sole Shareholder in the boards of directors of subsidiaries through timely and qualitative consideration of issues in “Baiterek” NMH” JSC placed for consideration by the Board of Directors.

Information on main resolutions made by the Sole Member in 2015

№	Description of the matter	Adopted Resolutions
1	Approval of Regulation on the Board of Directors of the Fund	Resolution of the Managing Board of the Holding Company dated 09.02.2015
2	Approval of annual financial statements, of the procedure for distribution of net income of “Damu” Entrepreneurship Development Fund” JSC in 2014, payment of dividends on common shares and approval of the amount of dividends per ordinary share, making note of the information on shareholders’ complaints about actions of the Fund and the amount of remuneration of members Board of Directors and the Managing Board of the Fund	Resolution of the Managing Board of the Holding Company dated 20.05.2015
3	On approval of internal documents on risks developed within the framework of the implementation of the centralized risk management system in “Baiterek” NMH” JSC	Resolution of the Managing Board of the Holding Company dated 25.05.2015
4	On amendments and alterations to the Financial Assets and Liabilities Management Regulations of “Baiterek” NMH” JSC	Resolution of the Managing Board of the Holding Company dated 12.06.2015
5	Approval of the Annual Report of the Fund for 2014	Resolution of the Managing Board of the Holding Company dated 24.07.2015
6	On determining auditors of the Fund for 2016-2018	Resolution of the Managing Board of the Holding Company dated 12.06.2015

The amount of authorized and outstanding securities (ordinary shares) amounted to 27 462 244.

Board of Directors

The Board of Directors carries out overall management of the Fund’s activities. The functions of the Board of Directors is approval of the Development Strategy of the Fund, approval of business support programs, ensuring effective operation of the risk management system, exercise of control of financial and economic activities of the Fund, etc.

The Board of Directors of the Fund is comprised of 8 members including 3 Independent Directors.



# Composition of the Board of Directors



Chairman of the Board of Directors

**Sagintaev  
Bakytzhan Abdirovich**

(born in 1963, date of election to the Board of Directors - 15.04.2013)  
He graduated from C.M. Kirov Kazakh State University, Candidate of Economics.  
From 2007 to 2008 he worked as the head of the Office of the Prime Minister of the Republic of Kazakhstan. From September 30, 2008 he has been an Akim of Pavlodar Region. From 20 January, 2012 - Minister of Economic Development and Trade of the Republic of Kazakhstan. From September 24, 2012 - First Deputy of "Nur-Otan" NDP. Since January 16, 2013 to present he is the First Deputy Prime Minister of the Republic of Kazakhstan.  
He is the Chairman of the Board of Directors of "KazAgro" National Holding" JSC, a member of the Board of Directors of "Baiterek National Holding" JSC. Citizenship: Republic of Kazakhstan.



Member of the Board of Directors

**Dzholdybaeva  
Galiya Tagiberdievna**

(born in 1973, date of the first election to the Board of Directors - 24.09.2012, date of current election to the Board of Directors - 15.04.2013).  
In 1996 she graduated from E.A. Buketov Karaganda State University named, majoring in «Jurisprudence». Since September 2008 she worked as a Deputy Chairperson of the Registration Service and Legal Assistance Committee; from October, 2009 to September, 2012 – as the Director of the Department of Justice of Pavlodar region. In September 2012 he was appointed Chairman of the Entrepreneurship Development Committee of the Ministry of Regional Development of the Republic of Kazakhstan. She is currently the Director of the Entrepreneurship Development Department of the Ministry of National Economy of the Republic of Kazakhstan. Citizenship: Republic of Kazakhstan.



Member of the Board of Directors

**Tuleushin  
Kanysh Amanbaevich**

(born in 1983, date of election to the Board of Directors - 26.06.2013)  
Representative of the Sole Shareholder of the Fund. He graduated from Oxford Brookes University and L.N. Gumilyov Eurasian National University.  
From 2008 to 2011 he worked as a Consultant, head of sector, deputy head of the department of socioeconomic monitoring of the Presidential Administration of the Republic of Kazakhstan. From 2011 to 2013 - Vice-Minister of Industry and New Technologies of the Republic of Kazakhstan. In July, 2013 he was appointed as Managing Director, member of the Board of "Baiterek" NMH" JSC.  
He is a member of the Board of Directors «National Agency for Technological Development» JSC and «EKSK "KazExportGarant" JSC. Citizenship: Republic of Kazakhstan.



Member of the Board of Directors

**Ibragimova  
Lyazzat Erkenovna**

(born in 1972, date of election to the Board of Directors - 14.01.2011)  
In 1994, she graduated from Akmola Agricultural Institute, specializing in "Economics and Management in AIC sectors"; 2003 - Eurasian Humanitarian Institute in "Jurisprudence". Candidate of Economic Sciences.  
From 2004 she headed Departments of Development Analysis and Strategy, training and consulting, corporate development of the Fund. Since January, 2009 he worked as the chief manager of the Department of special programs for the Financial Institutions and Development Institutions Management Directorate of "Samruk-Kazyna" NWF" JSC; from August 2009 - Deputy Chairman of the Managing Board of the Fund.  
Since January 2011, has been working as a Chairperson of the Managing Board of the Fund. Independent Director, Member of the Board of Directors of non-profit "Kasipkor Holding" JSC, member of the National Commission for Women Affairs and Family and Demographic Policy under the President of the Republic of Kazakhstan. Citizenship: Republic of Kazakhstan.





Member of the Board of Directors

### **Aldambergen Alina Otemiskyzy**

(born in 1973, date of election to the Board of Directors - 26.06.2013)

Representative of the Sole Shareholder of the Fund.

In 1995 she graduated from the Kazakh State Academy of Management with a degree in «Finance and Credit». In 1997 she graduated from William E. Simon School of Business Administration, University of Rochester, has an MBA degree.

From 2008 to 2011 she worked as a Deputy Chairperson of the managing Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations. From 2011 to 2013 - Deputy General Director, General Director (from 24.01.2012) of «Samruk-Kazyna Finance» LLP.

She was appointed as Deputy Chairperson of the Managing Board and a member of the Managing Board of «Baiterek» NMH» JSC in July of 2013.

During different years she held the position in the Board of Directors of «Kazakhstan Stock Exchange» JSC, «BTA Bank» JSC, «Temirbank» JSC, and «Alliance Bank» JSC.

She is a member of the Board of Directors of the «Development Bank of Kazakhstan» JSC, «Zhilstroysberbank» JSC («Housing Construction Savings Bank» JSC); Chairperson of the Board of Directors of «Kazakhstan Mortgage Company» JSC.

Citizenship: Republic of Kazakhstan.



Member of the Board of Directors,  
Independent Director

### **Jandosov Oraz Alievich**

(born in 1961, date of the first election to the Board of Directors - 24.09.2012, date of the current election to the Board of Directors - 15.04.2013)

In 1983 he graduated with honors from the Economics Department of M. Lomonosov Moscow State University as a «cybernetic economist».

He worked at the Institute of Economics of the Academy of Sciences of Kazakhstan. Over the years, he served as Chairman of the Board of the National Bank of the Republic of Kazakhstan, First Deputy Prime Minister - Chairman of the State Committee of the Republic of Kazakhstan on investments, Deputy Prime Minister and Minister of Finance of the Republic of Kazakhstan, President of «KEGOC» OJSC, Assistant to the President of the Republic of Kazakhstan, Chairman of the Agency Kazakhstan on Regulation of Natural Monopolies and Protection of Competition.

Since 2008 to the present he has been the Director of «RAKURS» Center for Economic Analysis, member of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan.

He is an independent director, member of the Board of Directors of «Kazpost» JSC, «Batys Transit» JSC and «Golden Compass Capital» JSC.

Citizenship: Republic of Kazakhstan.



Member of the Board of Directors,  
Independent Director

### **Yertlesova Jannat Dzhurgalieva**

(born in 1956, date of the first election to the Board of Directors - 26.03.2012, date of the current election to the Board of Directors - 15.04.2013).

In 1978 she graduated from S.M. Kirov Kazakh State University, mathematician. Doctor of Economics, professor, author of more than fifty scientific papers.

She held key positions in the Ministry of Finance of the Republic of Kazakhstan (Vice-Minister and First Vice-Minister), was a Deputy Chief of the Department for Presidential Affairs of the Republic of Kazakhstan. She worked as the Vice-President of «Kazakhtelecom» JSC, First Deputy Chairman of the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies and Protection of Competition, and Managing Director for Corporate Development of NC «KazMunayGas» JSC.

From June 2007 to September 2007 she worked as a Deputy Chairperson of the Board of «Kazyna» Sustainable Development Fund» JSC; February 2007 - member of the Board of Directors of «Kazyna» Sustainable Development Fund» JSC. From February 2007 has been working as a freelance Advisor to the Prime Minister of the Republic of Kazakhstan. Chairman of the Managing Board of the Association of Taxpayers of Kazakhstan.

Citizenship: Republic of Kazakhstan.



Member of the Board of Directors,  
Independent Director

### **Bisekeev Serikbai Zholdybaevich**

(born in 1971, date of election to the Board of Directors - 31.07.2014)

He graduated from Leningrad Polytechnic Institute. Founder and President of «Arman Holding» GK, manufacturer and supplier of integrated solutions in the field of energy and telecommunications.

From 2000 – to the present - President of «Arman Holding» GC. In 2013, was assigned the status of Vice President for cooperation with Southeast Asian countries of the Association «Eurasian Economic Club of Scientists».

Citizenship: Russian Federation.

Board members of the Fund do not hold any shares of the Fund, shares of the Fund's suppliers and competitors.

*Members  
of the Board*



Chairperson of the Board

**Ibragimova  
Lyazzat Erkenovna**

Supervises deputies of the Chairman of the Board, Managing Director, Guarantee Department, Human Resources Management Department, Monitoring Department, Department for interaction with public authorities, regional branches of the Fund, advisors, and Assistant to the Chairman.

Member of the Board of Directors of the Fund, Independent Director, Member of the Board of Directors of non-profit “Kasipkor Holding” JSC, member of the National Commission for Women Affairs and Family and Demographic Policy under the President of the Republic of Kazakhstan.



Deputy Chairman of the Board

**Beisembaev  
Miras Berikovich**

Supervises the work on the implementation of subsidization program in the framework of “BRM 2020”, work in the field of information technology, administrative department, coordination of the regional branches. Supervises Subsidies Department, the Department of Information Technology and Administration Department, Regional Branches Coordination Department.



Deputy Chairman of the Board

**Abilkairov  
Daulet Maksutovich**

Supervises corporate development, risk management, information analysis work. Supervises Corporate Development Department, Risk Management Department, Information Analysis Department.





Deputy Chairman of the Board

**Ergusaeva  
Saltanat Ubееvna**

Supervises and coordinates the work on legal issues, security issues, working with distressed assets. Supervises Legal Department, Security Department and Distressed Assets Department.



Managing Director, Member of the Board

**Ulasbekov  
Kuanish Serikovich**

Supervises the work in the field of financial monitoring of programs, implementation of conditional placement of funds and human resources management programs. Supervises Monitoring Department, Program Loans Department and Human Resource Management Department.



Managing Director, Member of the Board

**Lesbekov  
Gabit Abdimutalipovich**

Supervises work in the field of marketing and international cooperation, public relations, work on issues in the field of training and service support. Supervises the Marketing and International Cooperation Department and Training and Service Support Department.  
**Managing Director,**



Managing Director, Member of the Board

**Finogenova  
Alyona Valerieevna.**

Coordinates financial matters of the Fund, including issues related to accounting, tax and statistical accounting, financial and tax reporting, issues of effective taxation, budget planning, measures for the effective placement of idle funds, and their methodology. Supervises Budget Planning and Accounting and Reporting Departments.

Board members of the Fund are citizens of the Republic of Kazakhstan; they do not hold shares of the Fund or shares of the Fund's suppliers and competitors.



Organization Chart

Organizational chart of the Fund can help effectively solve strategic goals and objectives. The Fund has 20 organization units and 16 regional branches. The total number of staff of the Fund amounts to 371 people.



List of Subsidiaries of the Fund

List of companies where the Fund has an interest in the authorized capital, but has no significant influence on the activity of these companies:

Nº	Name	Authorized Capital, KZT mln.	Participation Interest	Core Activity
1	ADAL-INVEST MCO LLP	7	28,5%	Microlending
2	ECONOM MCO LLP	12	16,6%	Microlending
3	West Finance MCO LLP	5,06	39,5%	Microlending
4	Zhainar MCO LLP	5,5	36,4%	Microlending

On 04.09.2015, by resolution of the Board of Directors of the Fund (Minutes №64) the sale was approved of participation interests in the authorized capital of MCOs through competitive tenders at a portal of “Information and Accounting Center” JSC (hereinafter - IAC). As part of execution of this resolution, Distressed Assets Department conducted activities on preparation and holding of tenders: a services provision agreement was signed with IAC; correspondence conducted with the Ministry of National Economy of the Republic of Kazakhstan, NCE and “Baiterek” NMH” JSC for the purpose of determining the composition of the Commission on the sale of interests in the authorized capital of legal entities affiliated with the Fund, correspondence conducted with other MCO participants, etc.

On 24.12.2015, the Board of Directors of the Fund (Minutes №66) approved a new Action Plan for the sale of participation interests of “Damu” Entrepreneurship Development Fund” JSC in authorized capitals of microcredit organizations

(hereinafter - the Plan) and reversed resolution of the Board of Directors of the Fund dated 04.07.2014 (Minutes №52), which approved the previous action plan.

On 29.12.2015, the first competitive tenders were held on the IAC portal. Based on the results, the tenders were declared invalid due to no bids. According to the Plan it is planned to hold another competitive tender. If after repeated tenders participation interests in the authorized capitals of the MCOs will not be sold, the Plan establishes the obligation for the Managing Board of the Fund to determine further actions.

On 30.12.2015 the Government of the Republic of Kazakhstan adopted Decree №1141 dated 30.12.2015. However, MCOs are not included in the list of subsidiaries and related organizations, proposed for the transfer to the competitive environment, approved by the above Decree. Thus, the MCOs are not subject to privatization and are not included in the Comprehensive Privatization Plan for 2016-2020.

CLIENT:

## «Chess Academy of Zhansaya Abdumalik»



Almaty

### Teaching Chess

“Damu” Fund supported Daniyar Ashirov’s initiative for the acquisition of non-residential premises for opening a new chess academy for players in beginner, advanced and professional levels

equipment and supplies and to carry our repair. “Damu” Fund has also subsidized loans and now the loan rate is 7% per annum. Zhansaya Abdumalik, whom the Academy was named after,

there is a waiting area designed for parents, each room is named after a famous grandmaster of the world championships; well-known chess games are written out in the school lobby.



Currently  
Rate on the loan is

7%

Per annum



### The Zhansaya Abdumalik Chess Academy has the best coaches from Georgia, Azerbaijan, Ukraine and Almaty.

– “Chess Academy of Zhansaya Abdumalik”.

To implement the project the entrepreneur applied to “The Bank Capital” JSC for funding in the amount of KZT 120 900 000, within “The Unified Business Road Map 2020” program that involves the Fund’s partial guaranteeing product for the priority sectors. Assigned purpose of the loan is investment. The funds provided to the Academy allowed to purchase a building, to buy the necessary

the Kazakh chess player, female international grandmaster (2014), was born January 12, 2000.

New Academy was successfully opened on March 17, 2016. Anatoly Karpov, the world’s famous grandmaster was presented on the opening ceremony of the Academy and played with 11 young students at the multi-board chess-play.

From the very entrance hall of the academy everyone can notice how carefully everything is designed –

The Zhansaya Abdumalik Chess Academy has the best coaches from Georgia, Azerbaijan, Ukraine and Almaty. The Academy aims to produce players with the highest chess education.

The Academy is designed for 500 people; one can begin to play chess from the age of 4, and children from low-income families can attend the school free of charge.

CLIENT:

## ALPROF LLP



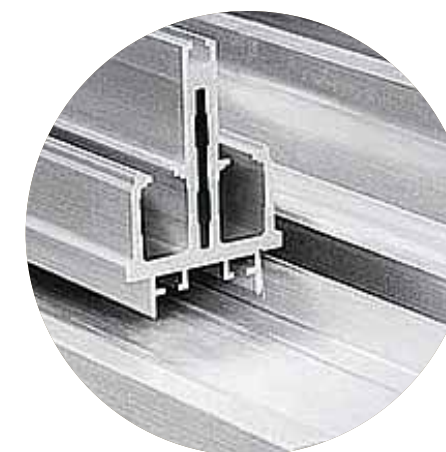
Almaty

### Producer of aluminum section and structural aluminum

“ALPROF” LLP has been operating in the aluminum section and structural aluminum manufacture market for more than fifteen years. During this period, the company managed to create a large-scale production and technical capacity and to build one of the strongest teams in its sector’s market.

the unique “Cisart” equipment (Italy); manufacturing arches on a Swiss arch-making machine for window and door systems.

The company has implemented a quality management system based on ISO 9001: 2008 Standard, by Ukrainian branch of “TUV Nord” German company.



As an industry leader in the Republic of Kazakhstan, realizing the extent of its responsibility towards society, the management of “Alprof” LLP makes every effort and uses all the knowledge and experience to make the company’s performance the standard of quality performance of the commitments made.

Along with its main activity, “Alprof” LLP pays much attention to the social responsibility segment, including the improvement of the code of business ethics, quality control of products and services, strengthening the corporate spirit of the team, the introduction of environmentally sound technologies and rendering support to the needy.

“Alprof” LLP is the only producer in the Republic of Kazakhstan, carrying out the following activities: extrusion of aluminum shapes of any configuration using German equipment by Schloemann Company; aluminum anodizing using Italian technology; aluminum decoration; painting of aluminum profile with powder coating using Ral painting system on

In 2015 “Alprof” LLP received concessional financing under the framework of Lending Program to small and medium-sized enterprises in the manufacturing sector (“Damu” Fund) and modernized its existing equipment, which helped it to expand production.

Modern plant and equipment used by “Alprof” group of companies and highly trained personnel that was trained at advanced factories in Germany, Italy and China, provide an opportunity to maximize the use of all the potential production capacity of the company, allowing to produce competitive products that meet the most stringent European standards.

The mission of “Alprof” LLP is to facilitate the transition of the economy of the Republic of Kazakhstan from raw material orientation to the industrial-innovative development. The company’s goal is to increase production needed to meet consumer demand and demands of the construction sector and other sectors in our country.



# 10

## REPORTS ABOUT ACTIVITIES OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

In 2015, 9 meetings of the Board of Directors were held, including 8 attendee meetings and 1 absentee meeting. 157 items were examined. In the reporting period, 27 meetings of committees of the Board of Directors were held.

## Information about key resolutions adopted by the Board of Directors in 2015

Nº	Item	Adopted Resolutions
1	Consideration of the Report of the Fund on following the principles set forth in the Corporate Governance Code	Taken note of by resolution of the Board of Directors dated 16.02.2015
2	Approval of the Regulations on the Internal Audit Service of the Fund	Approved by resolution of the Board of Directors dated 16.02.2015
3	On approval of the Program of support of small and medium enterprises engaged in the manufacturing sector (tranche III of the National Fund)	Approved by resolution of the Board of Directors dated 10.03.2015
4	On approval of redrafted Regulations for setting limits for counterparty banks on balance sheet and off-balance sheet liabilities	Approved by resolution of the Board of Directors dated 10.03.2015
5	Consideration of the results of implementation of the Program to support small and medium enterprises engaged in the manufacturing sector	Taken note of by resolution of the Board of Directors dated 20.05.2015
6	Approval of the Action Plan for 2015-2016 on the implementation of the Fund's Development Strategy for 2014-2023	Approved by resolution of the Board of Directors dated 20.05.2015
7	On approval of the Corporate Governance Code of the Fund	Approved by resolution of the Board of Directors dated 20.05.2015
8	Consideration of the results of performance evaluation of the Board of Directors of the Fund	Taken note of by resolution of the Board of Directors dated 20.05.2015
9	Entering into transactions related to the increase in liabilities by the amount equaling ten or more percent of the Fund's equity as part of Tranche 3 of the Asian Development Bank loan.	Approved by resolution of the Board of Directors dated 07.07.2015
10	Entering into transaction related to an increase in liabilities by the amount equaling ten or more percent of the Fund's equity as part of provision of a complete commercial guarantee under the loan of the European Bank for Reconstruction and Development.	Approved by resolution of the Board of Directors dated 07.07.2015
11	Approval of mechanisms to minimize second tier banks' credit risks of "Damu" Fund.	Approved by resolution of the Board of Directors dated 07.07.2015
12	On appointment of Ombudsman in the Fund	Approved by resolution of the Board of Directors dated 04.09.2015
13	Approval of the of executives' key performance indicators map of the Fund for 2015	Approved by resolution of the Board of Directors dated 04.09.2015

Nº	Item	Adopted Resolutions
14	Transfer of shares of "Damu" Fund in the authorized capitals of microcredit organizations to the competitive environment	Approved by resolution of the Board of Directors dated 04.09.2015
15	Approval of the Unified Entrepreneurs Capacity Building Program	Approved by resolution of the Board of Directors dated 30.10.2015
16	Approval of redrafted Regulation on the Committee for Appointments, Remunerations and Social Affairs of the Board of Directors of the Fund	Approved by resolution of the Board of Directors dated 30.10.2015
17	Approval of the Strategic Plan of the Internal Audit Service of the Fund for 2016 - 2018	Approved by resolution of the Board of Directors dated 30.10.2015
18	Consideration of the Report on execution of the Action Plan for 2015-2016 to implement the Development Strategy of the Fund for 2014-2023, for the 1st half of 2015	Taken note of by resolution of the Board of Directors dated 24.12.2015
19	Approval of draft amendments and alterations to the Fund's Articles of Association	Approved by resolution of the Board of Directors dated 24.12.2015
20	Approval of the Program of Conditional Placement of funds in microfinance institutions for further financing of micro and small business entities	Approved by resolution of the Board of Directors dated 24.12.2015
21	Approval of redrafted Regulations on the Audit Committee of the Board of Directors of the Fund	Approved by resolution of the Board of Directors dated 24.12.2015
22	Approval of key performance indicators of the Fund's corporate secretary activities for 2016	Approved by resolution of the Board of Directors dated 24.12.2015
23	Approval of the Annual Audit Plan of the Internal Audit Service of the Fund for 2016	Approved by resolution of the Board of Directors dated 24.12.2015
24	Consideration of the quarterly reports on execution of the Development Plan of the Fund for 2014-2018	Approved by corresponding resolutions of the Board of Directors
25	Approval of the quarterly risk management reports of the Fund	Approved by corresponding resolutions of the Board of Directors
26	Approval of the regulations of the Internal Audit Service of the Fund	Approved by corresponding resolutions of the Board of Directors
27	Approval of risk management regulations of the Fund	Approved by corresponding resolutions of the Board of Directors
28	Hearing of quarterly reports on performance of the Internal Audit Service of the Fund	Approved by corresponding resolutions of the Board of Directors
29	Hearing of quarterly reports on performance of the Board of Directors, Committees and Corporate Secretary of the Fund	Approved by corresponding resolutions of the Board of Directors



Attendance of the meetings by members of the Board of Directors of the Fund in 2015

Item №	Full Name	Participation in the BoD	%
1	Sagintaev Bakytzhan Abdirovich	9/9	100%
2	Dzholdybaeva Galiya Tagiberdievna	5/9	60%
3	Aldambergen Alina Otemiskyzy	8/9	90%
4	Tuleushin Kanysh Amanbaevich	9/9	100%
5	Jandosov Oraz Alievich	8/9	90%
6	Yertlesova Jannat Dzhurgalievna	5/9	60%
7	Bisekeev Serikbai Zholdybaevich	9/9	100%
8	Ibragimova Lyazzat Erkenovna	9/9	100%

Work of the Committees under the Board of Directors

There are 3 committees operating under the Board of Directors of the Fund: Committees for Strategic Planning and Budget, Audit, Nominating, Remuneration and Social Affairs. In accordance with best corporate governance practice, the relevant committees of the Board of Directors are headed by independent directors.

Activities of the Committee are regulated by the relevant provisions approved by resolutions of the Board of Directors of the Fund.

**Strategic and Budget Planning Committee** makes recommendations and suggestions on matters relating to development and implementation of the Development Strategy of the Fund, and makes proposals to improve the budgeting system, etc. In 2015, 9 in-person meetings of the Committee were 70 items were examined, with the adoption of the relevant recommendations for the Board of Directors and the Managing Board of the Fund.

**The Audit Committee** is also working on making recommendations to the Board of Directors to establish an effective system of control over financial and economic activities of the Fund, monitoring the independence and effectiveness of the internal external control and risk management systems, as well as execution of corporate governance documents, etc.

In order to improve corporate governance in the Fund in 2015, the Fund approved redrafted Regulations on the Audit Committee of the Board of Directors of the Fund.

9 in-person meeting of the Committee were held in 2015, where 74 items were examined with the adoption of the relevant recommendations of the Board of Directors, the Managing Board and the Internal Audit Service of the Fund.

**The Nominating, Remuneration and Social Affairs Committee** was created to develop and present to the Board of Directors the recommendations on attracting highly qualified specialists to the Board of Directors and the Managing Board; the formation of proposals to the Sole Shareholder on determining remuneration of the Board of Directors, and to the Board of Directors on determining remuneration of the Managing Board and Corporate Secretary, etc.

In 2015, the Nominating and Remuneration Committee was renamed as the Nominating, Remuneration and Social Affairs Committee, and the Board of Directors approved redrafted Regulations on the Nominating, Remuneration and Social Affairs Committee.

9 in-person meetings of the Committee were held in 2015, where 36 items were examined, with the adoption of the relevant recommendations to the Board of Directors and the Managing Board

As on 01.01.2016, the compositions of the relevant committees were presented as follows:

Audit Committee		
1	Chairperson of the Committee	Yertlesova J.D. – member of the Board of Directors, Independent Director
2	Committee Member	Dzholdybaeva G.T. – member of the Board of Directors
3	Committee Member	Aldambergen A.U. – member of the Board of Directors, Shareholder’s Representative
4	Committee Member	Bisekeev S. Zh. - member of the Board of Directors, Independent Director
Strategic and Budget Planning Committee		
1	Chairperson of the Committee	Jandosov O.A. - member of the Board of Directors, Independent Director
2	Committee Member	Yertlesova J.D. - member of the Board of Directors, Independent Director
3	Committee Member	Dzholdybaeva G.T. – member of the Board of Directors
4	Committee Member	Tuleushin K.A. – member of the Board of Directors, Shareholder’s representative
5	Committee Member	Bisekeev S.Zh. - member of the Board of Directors, Independent Director
Nominating, Remuneration and Social Affairs Committee		
1	Chairperson of the Committee	Bisekeev S.Zh. - member of the Board of Directors, Independent Director
2	Committee Member	Jandosov O.A. - member of the Board of Directors, Independent Director
3	Committee Member	Dzholdybaeva G.T. – member of the Board of Directors
4	Committee Member	Tuleushin K.A. – member of the Board of Directors, Shareholder’s representative

No changes in the composition of the Committee took place in the reporting period.

In addition to performing the basic functions for preliminary examination of issues submitted to the Board of Directors, in 2015 through the committees, independent directors have undertaken the following initiatives:

1. update of the Development Strategy of the Fund with a focus on the introduction of international best practices for SME support.
2. holding strategic session with the participation of independent directors in June, 2015, to discuss the key issues of the Fund’s activities in terms of planning, implementation of personnel policy, achievement of strategic performance indicators of the Fund, risk control, etc.

3. initiation of the development of an action plan to minimize risks, which was subsequently examined and approved by the Board of Directors;
4. development of training programs for entrepreneurs, the Fund’s staff, including with the use of web conferencing, competence portraits development at the level of the management of the Fund and regional branches of the Fund;
5. meetings with the Fund’s staff that are members of the personnel reserve;
6. the need for periodic review of the Fund’s Ombudsman’s reports by the appropriate committee of the Board of Directors.

## Training of members of the Board of Directors

In order to improve qualifications of the members of the Fund's Board of Directors, during the second half of 2015, at the request of independent director risk management training was organized. No other inquiries were received from other members of the Board of Directors in the reporting period. Also, there is work conducted on determining training needs of dependent and independent members of the Board of Directors in 2016.

## Control over Activities of the Fund

There is the Internal Audit Service operating in the Fund, which is an independent structural subdivision ensuring the organization and implementation of internal audit, and that is directly subordinate and accountable to the Board of Directors. Activities of the IAS are supervised by the Audit Committee of the Board of Directors of the Fund.

The following audits were conducted by the IAS in 2015:

- Assessment of corporate risk management system effectiveness;
- Assessment of internal control system effectiveness;
- Assessment of adherence to the Corporate Governance Code principles;
- diagnostics of the corporate governance effectiveness;
- Activity of the: Budget Planning Department, Program Loans Department, Risk Management Department for Business - process of "evaluation of credit risk management"; Guarantee Department; Subsidization Department; regional branches in the city of Almaty, Karaganda, North Kazakhstan, Aktobe and Almaty regions;
- unscheduled inspection of fulfillment by the Fund of the Law of Republics of the Kazakhstan "On languages in the Republic of Kazakhstan" and the Languages Functioning And Development State Program for 2011 - 2020.

These checks are carried out on a timely basis and in full compliance with the audit engagement provided for and approved in the Annual Audit Plan for 2015. As a result of audits by the Internal Audit Service, recommendations were provided for further improvement of the corporate risk management system, improvement of internal control system and suggestions on addressing the detected violations.

## External Auditor Information

Audit of financial statements for the year 2015 was conducted by «PricewaterhouseCoopers» LLP. The amount of remuneration paid to «PricewaterhouseCoopers» LLP for services for the audit of financial statements for 2015 amounted to KZT10 472 thousand, including VAT.

Services for the audit of financial statements of the Fund were previously provided by:

- 2015 – PricewaterhouseCoopers LLP;
- 2014 – PricewaterhouseCoopers LLP;
- 2013 – PricewaterhouseCoopers LLP;
- 2012 – Deloit LLP;
- 2011 – PricewaterhouseCoopers LLP;
- 2010 – KPMG Audit LLP;
- 2009 – Earnst & Young LLP;
- 2008 – KPMG Audit LLP.

In 2015, no former employees of audit organizations that conducted the audit of financial statements were employed by the Fund.

# 11

## MANAGING BOARD ACTIVITY REPORT

Executive body of the Fund is the Managing Board composed of 7 members. The Managing Board of the Fund meets weekly and makes decisions on the operational management of the Fund. During 2015 the Managing Board held 80 meetings and examined 1219 questions.



Information about key resolutions adopted by the Board in 2015

Nº	Item	Execution Status
1	Regulations of treasury operations of "Damu" Entrepreneurship Development Fund" JSC approved	The Regulations approved by resolution of the Managing Board dated 21.04.2015
2	<b>Regulations on internal assurance processes in "Damu" Entrepreneurship Development Fund" JSC approved</b>	<b>The Regulations approved by resolution of the Managing Board dated 30.04.2015</b>
3	Approved amendments to the Regulations on charity competition project "Zhuldyzdarga kara" - "Look at the stars" in support of entrepreneurial activity of people with disabilities, implemented by "Damu" Entrepreneurship Development Fund" JSC in partnership with "Kus Zholy" Charity Fund"	Amendments and alterations approved by resolution of the Managing Board dated 18.05.2015
4	<b>Approved conditions of full commercial guarantees in favor of the European Bank for Reconstruction and Development for "Bank CenterCredit" JSC on the loan obtained to finance micro, small and medium-sized businesses as part of the implementation of the President's Address to the people of Kazakhstan dated November 11, 2014 "Nurly Zhol - the Path to the Future"</b>	<b>Conditions approved by resolution of the Managing Board dated 21.05.2015</b>
5	Approved amendments and alterations to the Idle Funds Management Guidelines of "Damu" Entrepreneurship Development Fund" JSC	Amendments and alterations approved by resolution of the Managing Board dated 28.05.2015
6	<b>Approved to support program for women with Disabilities "Six steps to your own business", implemented by "Damu" Entrepreneurship Development Fund" JSC in partnership with the NGO "Shyrak" Association of Women with Disabilities"</b>	<b>The Program approved by resolution of the Managing Board dated 28.05.2015</b>
7	Approved Operating Procedures of Entrepreneurs Service Centers, Mobile Entrepreneurship Support Centers	The Procedures approved by resolution of the Managing Board dated 04.06.2015
8	<b>Approved the Regulation on Assets and Liabilities Management Committee of "Damu" Entrepreneurship Development Fund" JSC</b>	<b>The Regulations approved by resolution of the Managing Board dated 12.06.2015</b>
9	Approved Business Process, risks and controls Matrix; Register of risks and action plan for risk management; Risks Map and key risk indicators Panel (KRI) of "Damu" Entrepreneurship Development Fund" JSC dated 2015-2016	Business Process, risks and controls Matrix; Register of risks and action plan for risk management; Risks Map and key risk indicators Panel (KRI) approved by resolution of the Managing Board dated 28.08.2015
10	<b>Approved amendments and alterations to the treasury transactions Procedures of "Damu" Entrepreneurship Development Fund" JSC</b>	<b>Alterations and amendments approved by resolution of the Management Board dated 29.09.2015</b>
11	The Approved Procedures for the process of lending by second tier banks to small and micro-enterprises in the framework of business support programs implemented by "Damu" Entrepreneurship Development Fund" JSC	The Procedures approved by resolution of the Managing Board dated 29. 09.2015
12	<b>Approved draft program "Financial support to small and medium-sized businesses using factoring"</b>	<b>The Program draft approved by resolution of the Managing Board dated 19.11.2015</b>
13	Approved amendments to the Code of Ethics of "Damu" Entrepreneurship Development Fund" JSC	Alterations and amendments approved by resolution of the Management Board dated 19.11.2015
14	<b>Approved financial reporting process and quick period closing procedures of "Damu" Entrepreneurship Development Fund" JSC</b>	<b>The Procedures approved by resolution of the Management Board dated 28.12.2015</b>
15	Approved amendments to the Guidelines for monitoring of projects implemented under entrepreneurship financial support programs of "Damu" Entrepreneurship Development Fund" JSC	Alterations and amendments approved by resolution of the Management Board dated 28.12.2015
16	<b>Approved Information Technologies Development Strategy of «Damu" Entrepreneurship Development Fund" JSC for 2015 – 2018</b>	<b>The Strategy approved by resolution of the Management Board dated 30.12.2015</b>

Operations of the Committees under the Board

There are standing committees and commissions created under the Managing Board of the Fund, which examine questions on various aspects of operations and make recommendations to the Managing Board for their effective solution.

**Assets and Liabilities Management Committee.** Created in order to develop medium- and long-term assets and liabilities management policy, to determine an optimal balance sheet structure, to monitor financial status of the Fund, profitability indicators and to take the necessary corrective measures to maximize revenues and to limit risk by placing idle funds of the Fund. During 2015 the Committee held 21 meetings.

**Personnel Policies Committee.** Created in order to improve efficiency in the implementation of the personnel policy and motivation policy, included in the competence of the Managing Board. During 2015 the Committee held 26 meetings.

**Debt Recovery Committee.** Established for the effective implementation of credit policy. During 2015 the Committee held 31 meetings.

**Risk Committee.** Created in order to develop effective solutions for risk management, improvement and reinforcement of the risk management system. During 2015 the Committee held 20 meetings.

**Strategic Development Committee.** Created in order to promote effectiveness of the Fund by developing and submitting proposals to the Managing Board on determination of development Strategy, goals, objectives and priorities of the activities of the Fund in the long term. During 2015 the Committee held 9 meetings.

**Controlling Committee.** Oversees the implementation by structural divisions and regional branches of the Fund of the planned activities in accordance with the Development Strategy of the Fund, based on reports provided by them. During 2015 the Committee held 14 meetings.

**Credit Committee.** It makes decisions related to the provision of guarantees to private enterprises in obtaining loans in the counterparty banks. In 2015 it held 84 meetings.

**Budget Commission.** Created in order to provide timely and quality development of the draft budget and making adjustments to the current budget. During 2015 the Commission held 25 meetings.

Corporate Conflicts and Conflicts of Interest Settlement Policy

The purpose of the Policy for the settlement of corporate conflicts and conflicts of interests of the Fund (hereinafter - the Policy) is to increase efficiency of decision making by the bodies of the Fund by ensuring fair, impartial and independent decision-making process for the benefit of the Fund and the Sole Shareholder of the Fund.

In order to prevent conflicts, officials and employees of the Fund carry out their professional duties in good faith and reasonably for the benefit of the Fund and the Sole Shareholder, avoiding conflicts, and ensure full compliance of their activities with the requirements of legislation, internal by-laws of the Fund, acts of the Sole Shareholder, ethical standards and generally accepted standards of business ethics.

In accordance with the Policy, officials and employees of the Fund, in order to avoid conflicts of interest, are obliged to avoid any actions and relationships that can potentially cause a conflict of interest.

## 12

## BASIC REMUNERATION PRINCIPLES OF MEMBERS OF THE MANAGING BOARD AND THE BOARD OF DIRECTORS

Members of the Board of Directors of the Fund, except independent directors, carry out their activities free of charge. The procedure for payment of remuneration to independent directors is determined in accordance with the Selection Rules, remuneration and reimbursement of expenses of independent directors of subsidiaries of the Holding Company's organizations.

Members of the Board of Directors of the Fund, except independent directors, carry out their activities free of charge. The procedure for payment of remuneration to independent directors is determined in accordance with the Selection Rules, remuneration and reimbursement of expenses of independent directors of subsidiaries of the Holding Company's organizations.

The following types of remuneration are established for an Independent Director:

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

During 2015, remuneration paid to independent directors, members of the Board of Directors of the Fund amounted to KZT 9 372 thousand.

Full Name of Independent Director	Information on the work in the Committees of the Board of Directors	Remuneration	Including (remuneration structure)		
		Total at cost	For their work in the Board of Directors	For their work on the Committee	
				As a Chair of the Committee	As a member of the Committee
Jandosov Oraz Alievich	Chairman of the Strategic Planning and Budget Committee, member of the Nominating Remuneration and Social Affairs Committee	3 637 500	3 062 500	375 000	200 000
Yertlesova Jannat Dzhurgalievna	Chair of the Audit Committee, member of the Strategic and Budget Planning	1 896 875	1 562 500	234 375	100 000
Bisekeev Serikbai Zholdybaevich	Chairman of the Nominating Remuneration and Social Affairs Committee, member of the Audit Committee, member of the Strategic and Budget Planning	3 837 500	3 062 500	375 000	400 000

In an effort to improve the efficiency of business processes and motivation of employees to perform priority objectives, the Fund has developed and approved by resolution of the Board of Directors dated 30.10.2015 (Minutes №65) Guidelines for Labor Remuneration, Performance Evaluation and Remuneration of Executives of "Damu" Entrepreneurship Development Fund" JSC (hereinafter - Guidelines).

The aim of the Guidelines is to regulate conditions and procedure for payment of remuneration to the executives of the Fund within the framework of objectives management project. Guidelines also describe the basic principles on which to base the remuneration system:

- the relationship of remuneration with accomplishment of goals and objectives that meet the interests of the Fund and its Sole Shareholder;

- simplicity and fairness of principles for determining remuneration;

- dependence of remuneration on the Fund's performance and personal performance of executives.

To assess performance of executives, a key performance indicators system (hereinafter - KPI) is used, which maximizes the use of the above principles in the work. Consequently, it enhances the effectiveness of financial and industrial activity of the Fund, through effective planning and goal setting process, reliable and fair assessment of the performance of each employee individually. These factors significantly increase the extent of achievement of corporate and individual KPIs by the executives.



## 13

SUSTAINABLE  
DEVELOPMENT  
OF THE FUND*Quantity and qualitative  
composition of staff*

The total number of employees of the Fund as on December 31, 2015 amounted to 371 people. The total number of employees in comparison with 2014 has not changed.

*Personnel reserve*

The Fund established a Personnel Reserve, which includes workers who can function as heads of structural division/regional branch. When an employee is included in the personnel reserve, the focus is made on their professional competence. Currently, the Head Office has 28 employees in the reserve, while regional branches have 23 employees. During 2015 the Personnel Policy Committee examined 129 questions related to appointments, including 60 candidates appointed from the internal resources of the Fund (representing 47% of the total number).

*Employees' training  
and advanced training*

For the successful implementation of continuity program and enhancing the quality of human resources, there is training carried out of employees included in the personnel reserve of the Fund. In 2015, 282 employees (representing 76% of the total number of employees) of the Fund were trained under the Advanced Training System.

Also, the Fund has launched a new training format - learning through browser-based online games. The advantage of a game is that it is built in such a way that allows you to directly teach, consolidate and check the knowledge of employees. 75 monitoring workers and 68 subsidization and guaranteeing were trained under "Business Road Map 2020" Unified business support and development program", "Subsidization and Guaranteeing Regulations" and "Financial Analysis".

*Human resources  
management policy*

Human Resources Management Policy of the Fund is carried out in the following strategic areas:

- formation of a unified human resources management model;
- policy to improve labor efficiency;
- policy to improve the quality of human capital;
- corporate culture development.

The Fund adheres to the policy of continuity and maximum use of internal staff capacities. The rotation promotes more effective continuity planning, which is in the continuous process of identifying future leaders and purposeful work on the development of their professional, managerial and leadership competencies. Objectives achieved by the Fund by rotation of employees are as follows:

- Improving human capital though employees gaining new knowledge, skills and abilities in the rotation process;
- Optimization of business processes and existing internal documents of the Fund under the influence of "a fresh mind effect";
- Non-financial motivation of employees;
- Improving the efficiency of personnel reserve development program.

This tool is actively used in the work. Human Resources Management Department identifies employees with significant potential, who in the future, if necessary, will be able to take a leadership position.

*The Fund adheres  
to the policy  
of continuity  
and maximum  
use of internal staff  
capacities.*

Rotation

During 2015, 60 employees (including 33 women) were rotated in the Fund, including 6 employees (including 1 woman) appointed to senior management positions, 9 executives (including 2 women) were rotated between the Head Office and regional branches of the Fund. 14 employees (including 3 women) have received new appointments.

As practice shows, a guided, formed by the rotation leads to a good staffing stability.

Staff turnover

In 2015, turnover in managerial positions was 14,28%, of administrative staff 15,66% versus planned 20%. Total staff turnover was 15,7% in 2015. Compared to 2014, personnel turnover rate increased by 2,6%. The level of staff satisfaction and engagement was 80%.

Personnel engagement and motivation

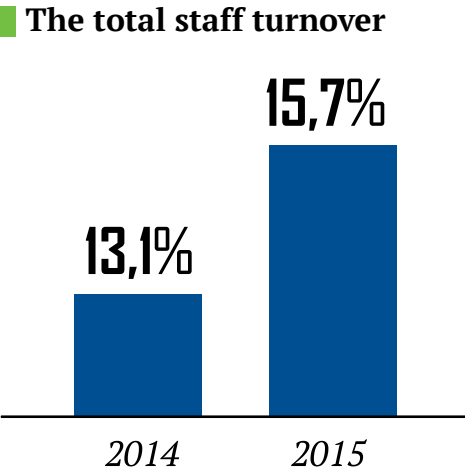
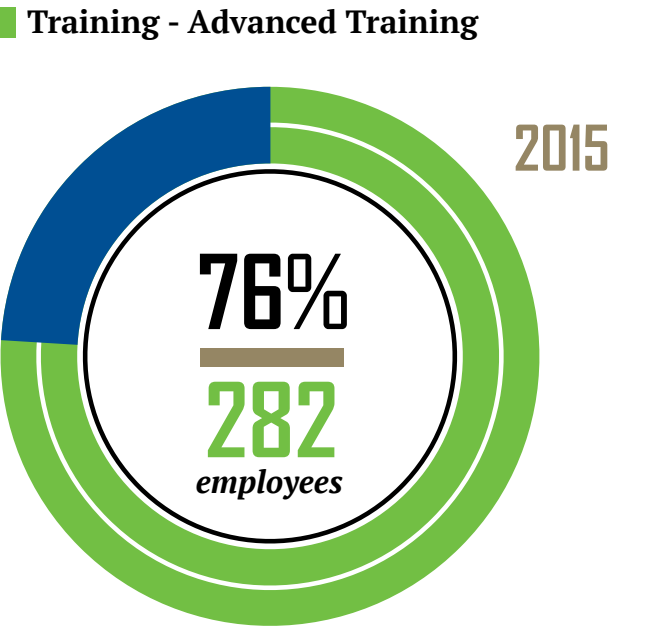
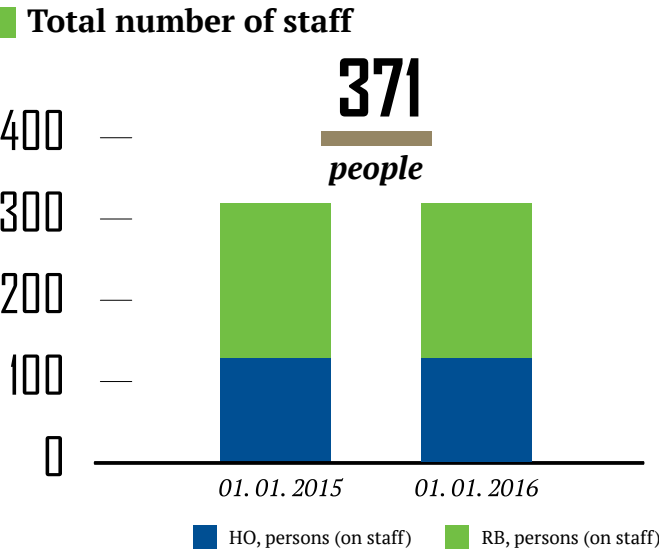
Employees of the Fund are provided with annual health insurance at the expense of the funds provided for in the budget of the Fund.

From 2014, the Fund has been paying for maternity leaves, with preservation of an average wage, less the amount of social payments for loss of income due to pregnancy and childbirth. Also, in 2015, the Fund provided financial assistance at marriage (10 cases), in connection with the birth of a child (45 cases), in connection with the anniversary of employees (1 case), payment for medical treatment and surgery of an employee (family member) (case 3), and in connection with the death of a family member (8 cases).

An employee of the Fund has won first prize in the competition among employees of subsidiaries of “Baiterek” NMH” JSC for writing an essay on the topic: “550 years of the Kazakh Khanate”, held in September-October 2015.

In 2015, as part of “Baiterek Best Mind” intellectual games championship, a game took place called “What? Where? When?”, which resulted in the Fund’s team winning the 3rd prize, and employees of the Fund taking prize-winning places in the autumn and winter Olympics, organized by “Baiterek” NMH” JSC among its subsidiaries.

In 2015, the Fund approved the Regulations on non-material incentives for employees of “Damu” Entrepreneurship Development Fund” JSC, which



provides for the following types of incentive and remuneration of employees:

- certificate for 1, 3 and 5 days of vacation with a pay during the calendar year;

- certificate to the best worker for flexible working hours for 1, 3 and 6 months;
- provision of a free parking space in the office area;
- certificate for learning a foreign language;
- an informal dinner with the management.

Corporate social responsibility

The Fund, being the main operator and integrator of government measures to support entrepreneurship in Kazakhstan, considers social responsibility as one of the key principles in its activities.

In the exercise of Corporate Social Responsibility, the Fund is guided by the Corporate Social Responsibility Policy (hereinafter - the Policy) approved by the Board of Directors.

The purpose of the Policy is to ensure operations of the Fund in accordance with the principles of corporate social responsibility (hereinafter - CSR) and enhancing the relationship of trust with all stakeholders.

The Policy is aimed at increasing the effectiveness of the Fund’s operations in the field of CSR with application of international norms of behavior and the principles enshrined by international standards in the field of CSR and sustainable development.

In assessing CSR effectiveness the Fund is guided by economic indicators and HR operation indicators.

The Fund is actively working to increase the percentage of local content in the procurement.

Overall, local content in the procurement of the Fund was 82% in 2015, including: for the work - 95%, services - 97% and goods - 14%.

At the initiative of the Fund’s employees, private material assistance is provided to the sick and needy children and adults.

Occupational safety

The Fund focuses on systematic work, consistent steps to improve protection of workers and implementation of safe work culture.

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

Employees of the Fund are guided by the Instructions on Labor Protection of office employees of the Fund. Requirements of the Instructions apply to all the main activities carried out by employees of the Fund during the working process, the Fund’s offices, during business trips, as well as during emergencies and accidents.

Charity

In 2015, 4 organizations (PF “Council of veterans, home front workers and children of war”, NGO “Deaf Sports Federation,” Children’s home № 1 in Almaty and the Foundation “Happiness with your own hands”) and 1 individual (Abylov M.K.) came to the Fund with a request to provide financial assistance. Assistance to these organizations and an individual was provided by employees of the Fund on a voluntary basis at their own expense.

Below are the results of CSR achieved in 2015:

№		Indicators	Result
Economic Indicators			
1	Amount of funds in the budget of the Fund provided for sponsorship/charitable assistance		KZT8,4 mln.
2	Number of training programs participants		27 916 people
3	percent of participants in training programs, who have started a business (within the framework of the Program for youth start-up projects support)		12%
4	Satisfaction level of employers with the provided training		94,1 %
	Number of clients who have received remote services		59 705 people
5	Number of entrepreneurs with disabilities who have received support under "Damu-Komek" program		316 people
6	Kazakh content in procurements of the Fund		82%
Indicators in working with staff			
1	Personnel engagement level (emotional)		93%
2	Personnel engagement level (active)		74%
3	Personnel satisfaction level		72%
4	Number of employees of the Fund that underwent training		282 employees



CLIENT:

## Ak Zhelken Children's Preschool Institution LLP

Kostanay



### Kindergarten

Kindergarten director in Kostanay, Inna Kusakpaeva, has long wanted to start her own business and to open a kindergarten in the city. After all, it is no secret that there are more and more children born each year, and there is lack of places in kindergartens every year. Activity in providing pre-school education services at the city market is in high demand that is why she had

expense and the Department of Education places children there under the government contracts".

Total number of beds in the kindergarten is up to 200, the maximum number of children in the kindergarten can be up to 250 people. Groups of children are formed by age and educational characteristics – we have toddlers and children of kindergarten age.

the Fund has  
issued a guarantee  
in the amount of  
KZT  
**14**  
million



Total number  
of beds in the  
kindergarten is  
up to  
**200**

a desire to develop such a business idea.

In 2014 Inna Kusakpaeva took courses at "Damu" Fund for aspiring entrepreneurs, and later she started her own enterprise – Ak Zhalken Preschool LLP. After having a full consultation of the Fund's managers, the entrepreneur applied for a loan in the ATF Bank. The funds, namely KZT 20 million, were necessary for an acquisition of fixed assets - furniture, appliances, kitchen utensils, etc. Due to insufficiency of the collaterals, the Fund has issued a guarantee in the amount of KZT14 million for the funding.

"The building, where the kindergarten is now located is the building of a former kindergarten, and later on – of the former city recruiting office - says Inna Kusakpaeva. - The building was in poor condition. We have completely overhauled the building at our own expense; the kindergarten is now equipped with all necessary equipment and furniture. Our project is designed to implement the policy of rebuilding departmental kindergartens network using in the form of public-private partnership where a private owners repair kindergarten buildings at their own

These groups, in turn, are subdivided into groups with children who are on the waiting list of the e-government service, in accordance with the government quotas, and groups are formed on the basis of contracts with the children's parents who do not apply for the government quotas.

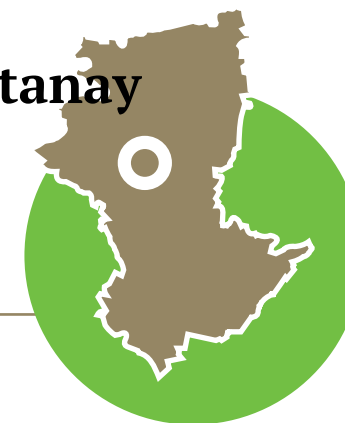
The list of services that provided by the kindergarten includes: education of children; formation and establishment of speech; intellectual development of children; teaching Kazakh and English languages; preparation for school; music lessons; sports activities; speech therapy; choreography; as well as a balanced diet complying with the standards, and more. Leisure time also includes learning games, clubs, physical activities (exercise, sports games), children's parties (Autumn Ball, New Year, March 8, International Children's Day, birthday parties) and matinees.

"We are very grateful to the Fund for their support to us! – says the director of the kindergarten, Inna Kusakpaeva.

CLIENT:

## Sadovod Farm

Kostanay



### Growing vegetables

"Sadovod" (Gardener) farm has been operating for 27 years. During this period, the company acquired the entire necessary infrastructure for quality cultivation and storage of vegetables, and has leading position in Kostanai region. To

hectares, including 379,8 hectares of irrigated lands. Seeds are purchased from both local and from foreign companies. Seedlings are grown in their own greenhouses. Modern machinery is used for planting, irrigation and watering,

employees and also engages seasonal workers.

For a loan, the company applied to "Sberbank" JSC subsidiary bank, for expansion its capacities. The company needed funds to replenish the company's working



The  
guarantees of  
"Damu" Fund  
amounted to  
KZT  
**12**  
million



**Vegetables are produced on own plots of land with an area of 1089 hectares, including 379,8 hectares of irrigated lands.**

the date, the company has two production centers with vegetable store capacity of 6 000 tons for vegetables, a large agricultural equipment fleet, new refrigeration equipment to store the winter and summer harvests of, washing, and other equipment.

Vegetables are produced on own plots of land with an area of 1089

and allows to reduce losses.

Production is sold through two own stores, and at the rented outlets on the basis of a wholesale retail market – Skladskaya and at Berkut market. The production is also sold through participation in the government procurement.

"Sadovod" Farm has a full staff; it employs more than 118 permanent

capital in total amount of KZT 50 million. Entrepreneur was funded at 14% per annum interest rate, of which 7% were subsidized by the government and 7% were paid by the entrepreneur. The guarantees of "Damu" Fund amounted to KZT 12 mln.

This credit facility has helped the company to eliminate the cash deficiency in the operations and to harvest crops without delays, to pay salaries to employees on a timely basis; to purchase fertilizers, packaging products, spare parts for agricultural machinery and to create 25 additional jobs in times of crisis.



# 14

## ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT

### Statement of financial standing (thousand KZT)

(in thousand KZT)	Note	December 31, 2015	December 31, 2014
<b>ASSETS</b>			
Cash and Cash Equivalents	7	33,252,986	20,831,371
Securities evaluate at fair value through profit or loss	8	6,322,142	9,605,641
Cash in financial institutions	9	254,953,501	177,779,614
Receivables under subsidization programs		42,508	38,552
Loans and advances to clients	10	101,602	104,792
Investment securities available-for-sale	11	2,661,023	2,538,843
Fixed Assets	12	3,206,146	2,657,308
Intangible Assets		276,324	203,724
Advance payment of current liabilities for income tax		7,402,353	5,271,880
Deferred tax asset	26	-	440,574
Other assets	13	47,087,170	3,581,645
<b>TOTAL ASSETS</b>		<b>355,305,755</b>	<b>223,053,944</b>
<b>LIABILITIES</b>			
Borrowed Funds	14	235,268,857	124,495,453
Liabilities under Subsidization Programs	15	15,675,071	6,047,164
Deferred Tax Liability	26	3,561,258	-
Deferred income and provision for credit related liabilities	16	4,515,041	8,927,402
Other Liabilities	17	1,112,339	441,184
<b>TOTAL LIABILITIES</b>		<b>260,132,566</b>	<b>139,911,203</b>
<b>CAPITAL</b>			
Authorized Capital	18	72,920,273	72,920,273
Additionally paid-in capital		834,527	834,527
Fund for revaluation of investment securities available-for-sale		123,219	5,447
Other provisions		316,430	316,430
Retained earnings		20,978,740	9,066,064
<b>TOTAL CAPITAL</b>		<b>95,173,189</b>	<b>83,142,741</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>355,305,755</b>	<b>223,053,944</b>

Annual report of "Damu" entrepreneurship development fund" Joint-Stock Company for 2015

### TOTAL LIABILITIES AND CAPITAL

December 31, 2015

355,305,755  
thousand KZT

December 31, 2014

223,053,944  
thousand KZT



## Statement of profit or loss and other aggregate income

(in thousand KZT)	notes	2015	2014
Interest income	19	19,430,982	12,550,795
Interest costs	19	(7,102,103)	(5,062,080)
<b>Net Interest income</b>		<b>12,328,879</b>	<b>7,488,715</b>
Recovery of provision for impairment of loans to customers and cash in financial institutions	9,10	833,934	612,366
<b>Net interest income after recovery of provision for loan portfolio impairment</b>		<b>13,162,813</b>	<b>8,101,081</b>
Commission income	20	2,153,545	2,529,635
<b>Gains less losses from financial derivatives transactions</b>	21	<b>44,055,883</b>	<b>1,461,340</b>
Net losses from revaluation of securities at fair value through profit or loss		(1,012,726)	129,340
<b>Net losses on foreign exchange transactions</b>		<b>(211,921)</b>	<b>155,424</b>
Net losses from foreign currency revaluation	22	(32,119,787)	(212,879)
<b>Net loss arising on initial recognition of financial instruments at rates below market rates</b>	23	<b>(404,812)</b>	<b>(1,462,112)</b>
Provision for impairment of other assets	13	(114,428)	(76,258)
Provision for credit related liabilities	28	(1,056,091)	(40,200)
Восстановление инвестиционных ценных бумаг, имеющих в наличии для продажи		39,005	2,147
Other operating income	24	106,686	102,965
General and administrative costs	25	(4,940,830)	(5,141,595)
<b>Profit before tax</b>		<b>19,657,337</b>	<b>5,548,888</b>
Income tax costs	26	(4,001,832)	(1,407,468)
<b>PROFIT FOR THE YEAR</b>		<b>15,655,505</b>	<b>4,141,420</b>
<b>Other Aggregate Income</b>			
Items that could be subsequently reclassified to profit or loss:			
Investments available for sale:			
- Gains less losses for the year		156,777	(19,866)
- Gains less losses transferred to profit or loss on disposal or impairment		(39,005)	(2,147)
<b>Other aggregate income for the year</b>		<b>117,772</b>	<b>(22,013)</b>
<b>TOTAL AGGREGATE INCOME FOR THE YEAR</b>		<b>15,773,277</b>	<b>4,119,407</b>

## Statement of changes in equity

(in thousand KZT)	Authorized Capital	Additionally Paid-In Capital	Fund for Revaluation of investment securities available-for-sale	Other provisions	Retained earnings	Total
<b>Balance as on January 1, 2014</b>	<b>72,920,273</b>	<b>834,527</b>	<b>27,460</b>	<b>316,430</b>	<b>5,971,230</b>	<b>80,069,920</b>
Profit for the year	-	-	-	-	4,141,420	4,141,420
<b>Other Aggregate income</b>	-	-	(22,013)	-	-	(22,013)
Total aggregate income for the year	-	-	(22,013)	-	4,141,420	4,119,407
<b>Dividends paid</b>	-	-	-	-	(1,046,586)	(1,046,586)
<b>Balance as on December 31, 2014</b>	<b>72,920,273</b>	<b>834,527</b>	<b>5,447</b>	<b>316,430</b>	<b>9,066,064</b>	<b>83,142,741</b>
Profit for the year	-	-	-	-	15,655,505	15,655,505
<b>Other Aggregate income</b>	-	-	117,772	-	-	117,772
Total aggregate income for the year	-	-	117,772	-	15,655,505	15,773,277
<b>Dividends paid</b>	-	-	-	-	(3,742,829)	(3,742,829)
<b>Balance as on December 31, 2015</b>	<b>72,920,273</b>	<b>834,527</b>	<b>123,219</b>	<b>316,430</b>	<b>20,978,740</b>	<b>95,173,189</b>

Cashflow Statement

(in thousand Kazakh Tenge)	2015	2014
Operating Cash Flow:		
Interest received	12,393,691	9,797,407
Interest paid	(2,906,961)	(3,394,628)
Commissions received	3,873,034	1,570,206
Revenues from financial derivatives transactions	727,266	-
Income from other operating activities	105,713	98,194
Repayment of previously written off loans to customers	-	358,271
Wages costs, paid	(2,206,191)	(1,770,930)
General and administrative expenses paid	(1,460,109)	(1,472,800)
Paid income tax	-	-
Cash received from operating activities before changes in operating assets and liabilities	10,526,443	5,185,720
Net (increase)/decrease on:		
- Securities evaluated at fair value through profit or loss	2,346,043	197,170
- cash in financial institutions	(114,045,580)	(141,509,617)
- credits and advances to clients	520,408	274,413
- other assets	(1,094,703)	(1,625,497)
Net (increase)/decrease on:		
- other financial liabilities	9,922,216	(1,783,835)
- other liabilities	262,448	466,844
Net cash used in operating activities	(91,562,725)	(138,794,802)
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities available for sale	-	81,969
Proceeds from sale and investment securities available-for-sale	300	1,700
Acquisition of fixed assets	(852,302)	(669,522)
Acquisition of intangible assets	(146,372)	(133,990)
Net cash used in investing activities	(998,374)	(719,843)
Cash flows from financing activities		
Receipt of borrowed funds	115,365,480	172,646,140
Repayment of borrowed funds	(7,113,597)	(19,960,506)
Subordinated debt repayment	-	(3,953,782)
Dividends paid	(3,742,829)	(1,046,586)
Net cash received from financing activities	104,509,054	147,685,266
Влияние изменений обменного курса на денежные средства и их эквиваленты	473,660	91,786
Net increase in cash and cash equivalents	12,421,615	8,262,407
Cash and cash equivalents at the beginning of the period	20,831,371	12,568,964
Cash and cash equivalents at the end of the period	33,252,986	20,831,371

Auditor's Report (Independent Auditor's Report, PricewaterhouseCoopers LLP)

TO: Shareholder and Board of Directors of the Fund

We have audited the Fund's financial statements, which comprise the statement of financial standing as on December 31, 2015 and profit or loss accounts and other comprehensive income report, changes in equity and cash flow statement for the year ended on that date, and also notes, consisting of a brief overview of the main provisions, taking into account policies and other explanatory information.

Our responsibility is to express our opinion about these financial statements based on the audit conducted by us.

Management's liability for financial statements

The Management is liable for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and internal controls that the management deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express our opinion about these financial statements based on the audit conducted by us. We have conducted audit in accordance with the International Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit in such a way as to obtaining reasonable assurance of whether or not the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts of financial statements and disclosure of information therein. The procedures are selected depending on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or judgments. In assessing these risks, the auditor considers the internal control system over preparation and fair presentation of financial statements in order to design audit procedures

The procedures are selected depending on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or judgments.

appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the organization.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluation of overall financial statement presentation.

We believe that the audit evidence we were provided are sufficient and appropriate for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as on December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.



Addresses and contacts

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e-mail: info@fund.kz,  
website of the Fund: www.damu.kz  
Call-center: +7 (727) 244-55-77, the short number  
1408 (calls are free for Kazakhstan)

Branch Network:

1. Entrepreneurs Service Centre

Regional branch in Astana

010000, Astana, Almaty District, Kazhymukan Street,  
8a, +7 (7172) 55-91-99, 55-94-34,  
fax: +7 (7172) 55-92-13, e-mail: Astana@fund.kz

2. Entrepreneurs Service Centre

Regional branch in Almaty

050004, Almaty Gogol Street, 111,  
tel.: +7 (727) 244-55-66, 244-55-77,  
fax: +7 (727) 278-07-76 (ext 3100.),  
E-mail: almaty@fund.kz

3. Entrepreneurs Service Centre

Regional branch for Akmola region

020000, Kokshetau, Akana sere Str., bld. 46 A/1,  
tel.: +7 (7162) 16/11/55, 11/18/55,  
fax: +7 (7162) 33-38-67, e-mail: akmola@fund.kz

4. Entrepreneurs Service Centre

Regional branch for Aktobe region

030019, Aktobe, Abilkaiyr Khan Ave., 51,  
tel.: +7 (7132) 55-24-36, 70-38-08,  
fax: 8 (7132) 55-24-35, e-mail: aktobe@fund.kz

5. Entrepreneurs Service Centre

Regional branch for Almaty region

040,000, Taldykorgan, Tolebayev Str., 86,  
tel.: +7 (7282) 24-24-30, 55-87-10,  
fax: +7 (7282) 24-17-27, e-mail: taldyk@fund.kz

6. Entrepreneurs Service Centre

Regional branch for Atyrau region

060005, Atyrau, Azattyk ave, 17,  
tel.: +7 (7122) 55-81-01, 55-80-91  
Fax.: +7 (7122) 35-46-51, e-mail: atyrau@fund.kz

7. Entrepreneurs Service Centre

Regional branch for the East Kazakhstan region

070004, Ust-Kamenogorsk, Pobedy Ave., 6,  
tel.: +7 (7232) 11/12/25, 56-05-90, 56-05-93.;  
Fax: +7 (7232) 25-11-12, e-mail: vko@fund.kz

8. Entrepreneurs Service Centre

Regional branch for Zhambyl region

080000, Taraz, st. Zheltoksan, 94,  
tel.: +7 (7262) 11.24.50;  
Fax: +7 (7262) 54-11-51,  
e-mail: damu-reception@fund.kz

9. Entrepreneurs Service Centre

Regional branch for West Kazakhstan region

090000, Uralsk, Temir Masin Street, building 67/2,  
tel.: +7 (7112) 93-34-50, 93-34-54, 93-34-53,  
93-34-48, e-mail: zko@fund.kz

10. Entrepreneurs Service Centre

Regional branch for Karaganda region

100026, Karaganda, Stroiteley Street, 4,  
tel.: +7 (7212) 40-09-68, 40-09-69,  
fax: +7 (7212) 40-09-69, e-mail: karaganda@fund.kz

11. Entrepreneurs Service Centre

Regional branch for Kyzylorda region

120001, Kyzylorda, Ivan Zhurba Str., №12  
tel.: +7 (7242) 55-11-12, 55-11-18,  
e-mail: damu@list.ru

12. Entrepreneurs Service Centre

The regional branch for Kostanay region

110000, Kostanay, Al-Farabi Ave, 65,  
tel.: +7 (7142) 54-15-83, 54-24-41, 03.05.99, 03.06.54,  
fax: +7 (7142) 53-23-98, e-mail: kostanay@fund.kz

13. Entrepreneurs Service Centre

Regional branch for Mangistau region

130000, Aktau, 16 md, bld. 24,  
tel.: +7 (7292) 70-10-51.; Fax: +7 (7292) 30-43-04,  
e-mail: aktau@fund.kz

14. Entrepreneurs Service Centre

Regional branch for Pavlodar region

140000, Pavlodar, Korolenko Str., 109,  
tel.: +7 (7182) 70-38-02, 70-38-10;  
Fax: +7 (7182) 20-83-53, e-mail: pavlodar@fund.kz

15. Entrepreneurs Service Centre

Regional branch for North-Kazakhstan region

150000, Petropavlovsk, Zhambyl Str., 191,  
tel.: +7 (7152) 55-98-10,  
e-mail: Zh.Kazezova-Bebko@fund.kz

16. Entrepreneurs Service Centre

Regional branch for the South Kazakhstan region

160023, Shymkent, Al-Farabi district, Ryskulov Street,  
8 A, tel.: +7 (7252) 99-70-49, 29-48-11.

17. Entrepreneurs Service Centre

Representative office of the Regional branch for East Kazakhstan region, Semey

071400, Semey, Abaya Sq., 5, tel.: +7 (7222) 52-01-59;  
e-mail: cppsemey@mail.ru

18. Entrepreneurs Service Centre

161200, Turkestan, Kozhanova Str., 7,  
tel.: +7 (72533) 59-98-2

# Appendix 1

## Information on related Party transactions entered into by the Fund in 2015

Counterparty's Name under the Contract	Number and Date of the Contract	Subject of the Contract	Essential terms of the Contract
Kazakhstan Development Bank JSC	Nº27-БЭ-А/21 dated 10.03.2015	Carrying out bank expert examination of the project «Financing of SMEs through the STB through the Asian Development Bank»	Amount - KZT 463 000; Time limits for the provision of service 30 business days
Baiterek NMH JSC	Nº39 dated 13.03.2015	<b>Provision of loan from the funds of the National Fund of the Republic of Kazakhstan for placement in STBs for on-lending to SMEs in manufacturing industry</b>	<b>Amount KZT50 000 000 000;</b> <b>Period - 20 years;</b> <b>rate - 0,15% per annum.</b>
Technopark Algorithm LLP	Nº40 dated 29.01.2015	Office Premises rental services	Term of the Contact – 01.01.2015 to 31.12.2015
Kazakhstan Development Bank JSC, Ministry of Finance of the Republic of Kazakhstan	Agreement on the provision of state guarantees Nº4PPK022 dated 12.08.2015	Provision of state guarantee for the loan from the Asian Development Bank (3rd tranche)	Contractual amount - USD 228 million; Payment of one-time fee for the state guarantee – 0,2% of the amount of state guarantee. (3rd tranche)
Kazakhstan Development Bank JSC	Special conditional deposit account contract Nº042/2015 dated 11.09.2015	Opening of a special account to accumulate 3rd tranche funds of the loan from the Asian Development Bank	Conditional deposit special account (Maintenance Account) - a bank account designated solely for the repayment of pending payments under the loan guaranteed by the state.
Kazakhstan Development Bank JSC	<b>Paid Services Agreement for bank expert examination of the projects, proposed for financing through state-guaranteed loans (Republican and local budget investment projects proposed for financing on a repayment basis) Nº254- БЭ-А/21 dated 30.09.2015</b>	<b>Procurement of bank expert examination services for the World Bank loan</b>	<b>Amount - KZT 1 982 000;</b> <b>Time line for the provision of the service – 30 business days;</b> <b>100% advance payment.</b>

## Information about major Transactions entered into by the Fund in 2015

Counterparty's Name under the Contract	Number and Date of the Contract	Subject of the Contract	Essential terms of the Contract	Ate and number of resolution of an authorize agency of the Fund that adopted the resolution to enter into the transaction
Ministry of Finance of the Republic of Kazakhstan	Nº4PPK022 dated 12.08.2015	Provision of state guarantee to the Fund	Amount – USD 228 000 000, Currency – US Dollar, Rate – 0,81470% Period – 15.09.2020	Resolution of the BoD of the Fund dated 07.07.2015 (Minutes Nº63)
Asian Development Bank	Nº3231-KAZ 3261-KAZ dated 11.09.2015	Provision of funding to SMBEs through STBs	<b>Amount - USD 228 000 000</b> <b>Period – 5 years</b> <b>Rate – 2,34%</b>	<b>Resolution of the BoD of the Fund dated 16.02.2015 (Minutes Nº58)</b>

## Information about related party transactions entered into by the Fund in 2015

Nº	Counterparty's Name under the Contract	Number and Date of the Contract	Subject of the Contract	Essential terms of the Contract	Ate and number of resolution of an authorize agency of the Fund that adopted the resolution to enter into the transaction
1	Baiterek NMH JSC	Nº39 dated 13.03.2015	Placement of cash from the funds of the National Fund of the Republic of Kazakhstan	Amount - KZT50 bln. Currency – KZT Rate – 0,15% Period – up to 20 year	Resolution of the meeting of the BoD of the Fund dated 10.03.2015 (Minutes Nº59)
2	Kazakhstan Development Bank JSC (and the Ministry of Finance of the Republic of Kazakhstan)	Nº4PPK022 dated 12.08.2015	Provision of state guarantee and the provision financial agent services.	<b>Provision of state guarantee for the loan from the Asian Development Bank</b>	<b>Resolution of the meeting of the BoD of the Fund dated 07.07.15 (Minutes Nº63)</b> <b>Resolution of the Board of Directors Nº58 dated 16.02.15</b>
3	Kazakhstan Development Bank JSC	Nº042/2015 dated 11.09.15	Special conditional deposit account and provision of banking services	Accumulation of funds on the account during 40 days	Resolution of the meeting of the BoD of the Fund dated 07.07.15 (Minutes Nº63) Resolution of the Board of Directors Nº58 dated 16.02.15



