

ЖЫЛДЫҚ ЕСЕП  
ГОДОВОЙ ОТЧЕТ  
ANNUAL REPORT

2014



BAITEREK





BAITEREK  
ANNUAL REPORT

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# Key facts



2014

**95 000** jobs were created

**1 814** entrepreneurs could obtain subsidies as part of the Business 2020 Road Map

**15** enterprises were brought into operation

**3 324** projects were financed for the amount of **459,6** bln. tenge

**460 000** sq.m of housing were introduced into operation

Over **7 500** families were supported

## Main indicators:

2014

Charter capital

**718 319** M. tenge

Consolidated assets

**2 324 915** M. tenge  
growth by 24,7%

Consolidated net profits

**41 614** M. tenge  
growth by 41,4%

Assets of the Holding  
to the country's GDP

**6%**  
growth by 0,4%

Total headcount of Holding Baiterek  
Group of Companies:

**2 429** employees



Address of the senior  
management



# Address of the senior management



## KARIM MASSIMOV

Chairman of the Board of Directors –  
Prime-Minister of the Republic of Kazakhstan

### Dear partners, colleagues, investors!

In 2014 Baiterek Holding focused its work on improving efficiency of its operations and implementation of a number of economic and socially-oriented objectives.

Currently, the Holding is playing the role of an active shareholder, whereas across the Holding's group the governance bodies have been established and are efficiently operating: the boards of directors, the managements, internal audit functions, risk management teams, etc.

Introduction of the centralized approaches in operations of the Baiterek group allowed to improve the quality of governance and to optimize the internal processes, increase financial efficiency.

In the result of this job, the net profits of the Holding for 2014 constituted over 41 bln. tenge, which is 41% higher than the similar indicator of 2013.

At the background of economic challenges and global geopolitical changes, the Holding carries out support of domestic manufacturers and exporters, including through effective allocation of money received from the National Fund.

At the same time, an important block of the Holding's operations is the further development of rental housing within implementation of the State Program "Nurly Zhol".

During 2014 the development institutions being within the structure of the Holding financed over three thousand projects for the total amount of around 460 bln. tenge with creation of 95 thousand full-time jobs.

In addition, while growing the loan and investment portfolios, the Holding was decreasing the share of non-performing assets in Development Bank of Kazakhstan, Damu Fund, Investment Fund of Kazakhstan.

The job done in the reporting period witness that the Holding is a dynamic structure, and it is at the stage of active development. The Board of Directors of the Holding confirms adherence to the best practices of corporate governance, and intends to promote further improvement of efficiency and transparency of performance.

In general, the results of 2014 show that Baiterek Holding is successfully exercising its critical role in the economic development of Kazakhstan.

**The results of 2014 show that Baiterek Holding is successfully exercising its critical role in the economic development of Kazakhstan.**

# Address of the senior management

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**KUANDYK BISHIMBAYEV**

Chief Executive Officer

## **Dear colleagues, partners, investors!**

Since the moment of the Holding's establishment not much time has passed – 1.5 years. Nonetheless, during this time Baiterek Holding and its subsidiaries have undertaken a considerable work on supporting the non-extractive sector of the country's economy and its diversification, development of entrepreneurial activity, implementation of socially oriented tasks.

We steadily move step-by-step to achieving our goal – to become the main financial agent of the Government in implementing diversification, modernization and sustainable development of the country's economy. This is also proven by the main financial indicators of the Holding – upon results of 2014 the assets of the Holding grew by 24.7%, profits were 41.6 bln. tenge.

The past year 2014 was not simple for our country considering the turbulence in the global economy, fall of oil prices and drastic currency fluctuations at the Russian Federation, our strategic partner in EAEU.

Notwithstanding this, the Holding and its subsidiaries, to our view, could fittingly implement all the forecasted indicators.

Let me briefly outline the main performance directions of the Holding during the passed year.

In 2014 the Holding attracted 273 bln. tenge out of the National Fund of the Republic of Kazakhstan. Within these money, 200 bln. tenge were forwarded to financing businesses in the processing industries, 50 bln. tenge – to crediting projects within the framework of the State Program for Industrial-Innovative Development of RK for 2015-2019, and 23 bln. tenge – to construction of premises at the territory of the International Specialized Exposition EXPO-2017 in Astana.

As known, the program “Business Road Map 2020” is the most important direction for our subsidiary company – Damu Fund. Upon results of the last year, the quantity of contracts for subsidizing interest rates was 1 814 units. The amount of the loans portfolio on the contracted projects was 241 bln. tenge, and the subsidies paid on these projects during the year was 27.6 bln. tenge. The number of contracts for guaranteeing loans was 446 units for the total amount of the loans of 16 bln. tenge. In 2014 the number of granted guarantees was 3 times more than in 2013.

Damu Fund also does a big job on improving competence of entrepreneurs. In 2014 over 160 Centers for Supporting Entrepreneurs were operating across Kazakhstan, which informed the local businessmen about all programs of state support.

A considerable job was done by Development Bank of Kazakhstan. During the last year, the group DBK decided to finance 14 new projects for the total amount of 226 bln. tenge, and the loans portfolio grew from 378 bln. tenge to 815 bln. tenge, counting 34 projects as of yearend 2014. Thus, the share of loans in the



assets of the Bank grew from 41% to 62%. Enterprises – borrowers of DBK manufactured production for the amount over 354 bln. tenge, paid taxes of 21.2 bln. tenge, and the started-up entities retained and created over 19000 jobs. We continued clearing the DBK's balance sheet from non-performing loans, and transferring them to Investment Fund of Kazakhstan. As a result, the undertaken actions allowed to considerably improve the quality of the loans portfolio of DBK, the volume of provisions decreased to 4% as of year end 2014 compared to 12.2% in 2013.

For purpose of bigger coverage of businesses, in 2014 Development Bank of Kazakhstan launched 2 programs of interbank financing: the first one was funded from own money of the Bank for the amount of 45 bln. tenge, and the second – from the money of the National Fund of the Republic of Kazakhstan in amount of 50 bln tenge within the Plan of Joint Actions of the Government of RK and the National Bank of RK for ensuring financing of processing industries developed within the program “Nurly Zhol”. With the money placed in the commercial banks by DBK in the amount of 45 bln. tenge, there were consented for financing 32 projects, where 29 projects were financed for the total amount of 30 bln. tenge. As a result, 656 jobs were supported and created.

In December 2014 within the framework of implementing the state program of infrastructural development for 2015-2019 “Nurly Zhol – Way to the Future”, 50 bln. tenge were allocated from the National Fund of the Republic of Kazakhstan to DBK, which were placed in 13 commercial banks. During less than month, the banks consented 5 projects for the amount of 11.4 bln. tenge in the metallurgical, chemical and light industries.

Today, the critical goal of the Holding is to ensure the high level of corporate governance, openness, transparency of our operations and improving credibility to the Holding.

During the next year, considering the forecasts of the Kazakhstan's economy development for 2015 and

impact of the external factors, the Holding faces the most essential objectives. I am confident that the Holding possesses all necessary instruments for the efficient development and implementation of strategic goals set before it by the Head of the State and the Government of the Republic of Kazakhstan.

I use this opportunity to thank the team of the Holding and all subsidiary companies for the successful realization of all targets set for 2014.

**We steadily move step-by-step to achieving our goal – to become the main financial agent of the Government in implementing diversification, modernization and sustainable development of the country's economy.**



# About The Company



# About The Company

## About The Company

Baiterek National Managing Holding was established in 2013. The main goal is to manage the stakes (participation shares) in the national development institutions, national companies and other legal entities belonging on the possession rights and transferred to trustee management.

The Holding was established for purpose of optimization of management of development institutions, financial institutions and national economy development in accordance with the Decree of the President of the Republic of Kazakhstan of May 22, 2013 № 571. As of yearend 2014, the Holding united 11 subsidiary organizations within its group.

One of the key objectives of the Holding is to ensure efficient and mutually supplementing functions of the companies within the Holding's group.



# BAITEREK

## Mission

Mission of the Holding is to promote sustainable economic development of Kazakhstan through funding and support for priority sectors of economy aimed at implementation of public policy, finding solutions for socially-oriented tasks and reaching goals set by the "Strategy-2050".

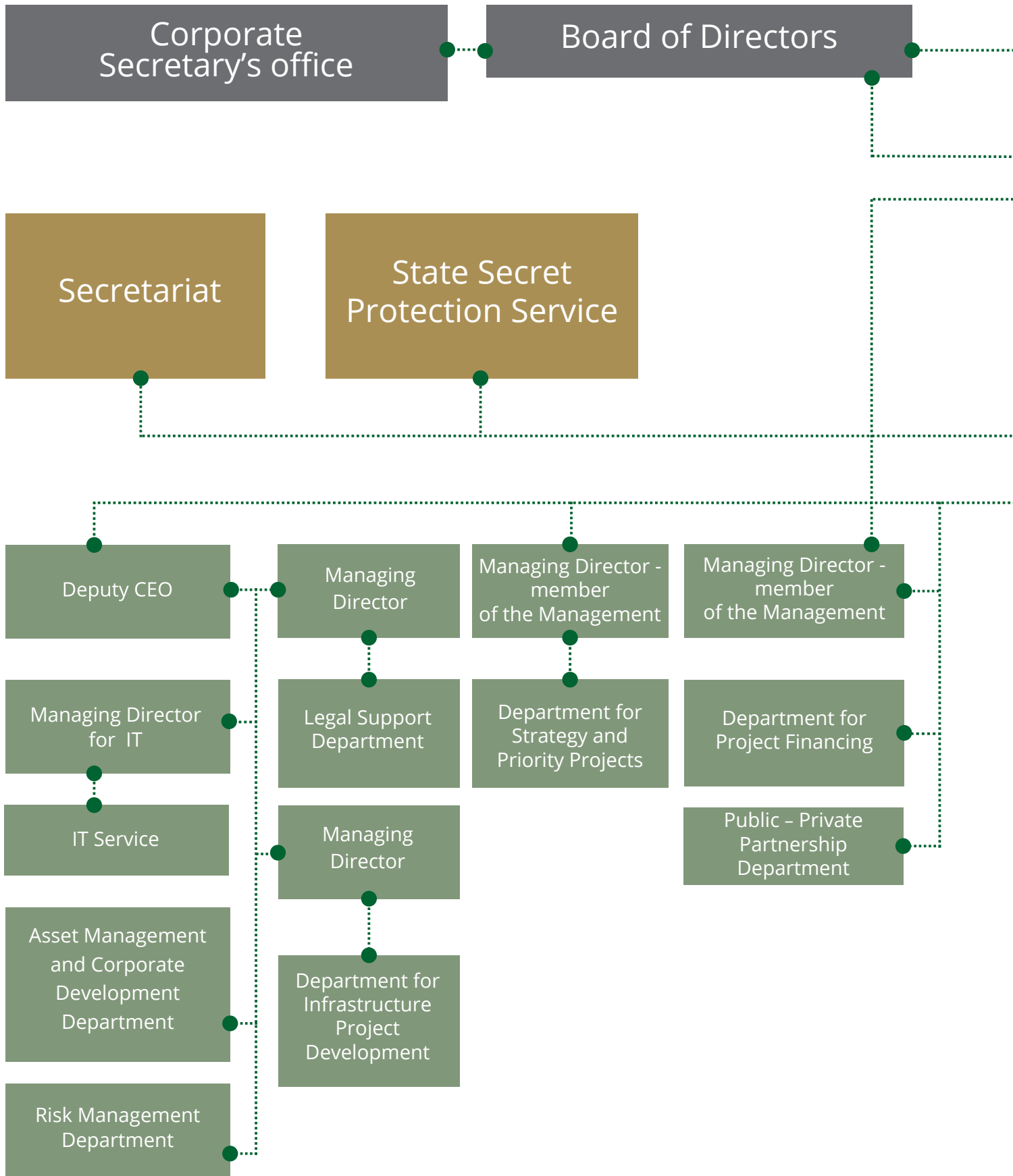
## Vision

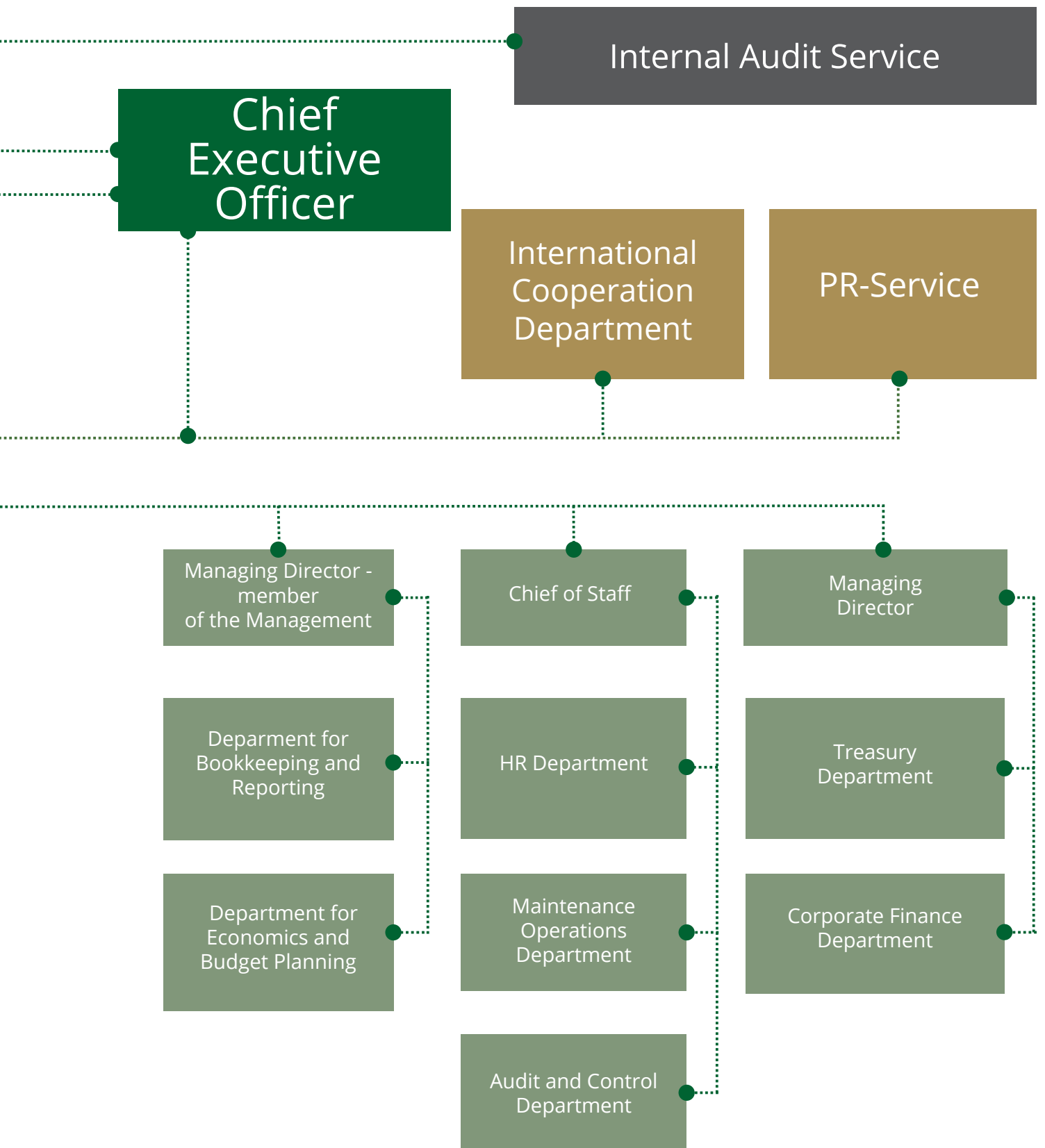
By 2023 - to become the Holding being the main financial agent of the Government of the Republic of Kazakhstan that provides diversification, modernization and sustainable development of the economy and solution of socially-oriented tasks of the state.

## The Holding's structure includes 11 subsidiary organizations:

- development institutions participating in financing, investing and export support of large projects and enterprises, implementation of the State Program for Accelerated Industrial-Innovative Development for 2010-2014: Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Investment Fund of Kazakhstan JSC, KazExportGuarant JSC and Public-Private Partnerships Advisory Center LLP
- institutions providing support to development of innovative activities, small and medium businesses, and implementation of the Program «Business Road Map 2020»: Entrepreneurship Development Fund Damu JSC and National Agency for Technological Development JSC
- financial organizations and national companies involved in implementation of projects in the sphere of real estate, housing-construction savings, and the Program for Regional Development till 2020: Housing Construction Savings Bank of Kazakhstan JSC, Kazakhstan Mortgage Company JSC, Baiterek Development JSC, Kazakhstan Fund for Guaranteeing Mortgage Loans JSC

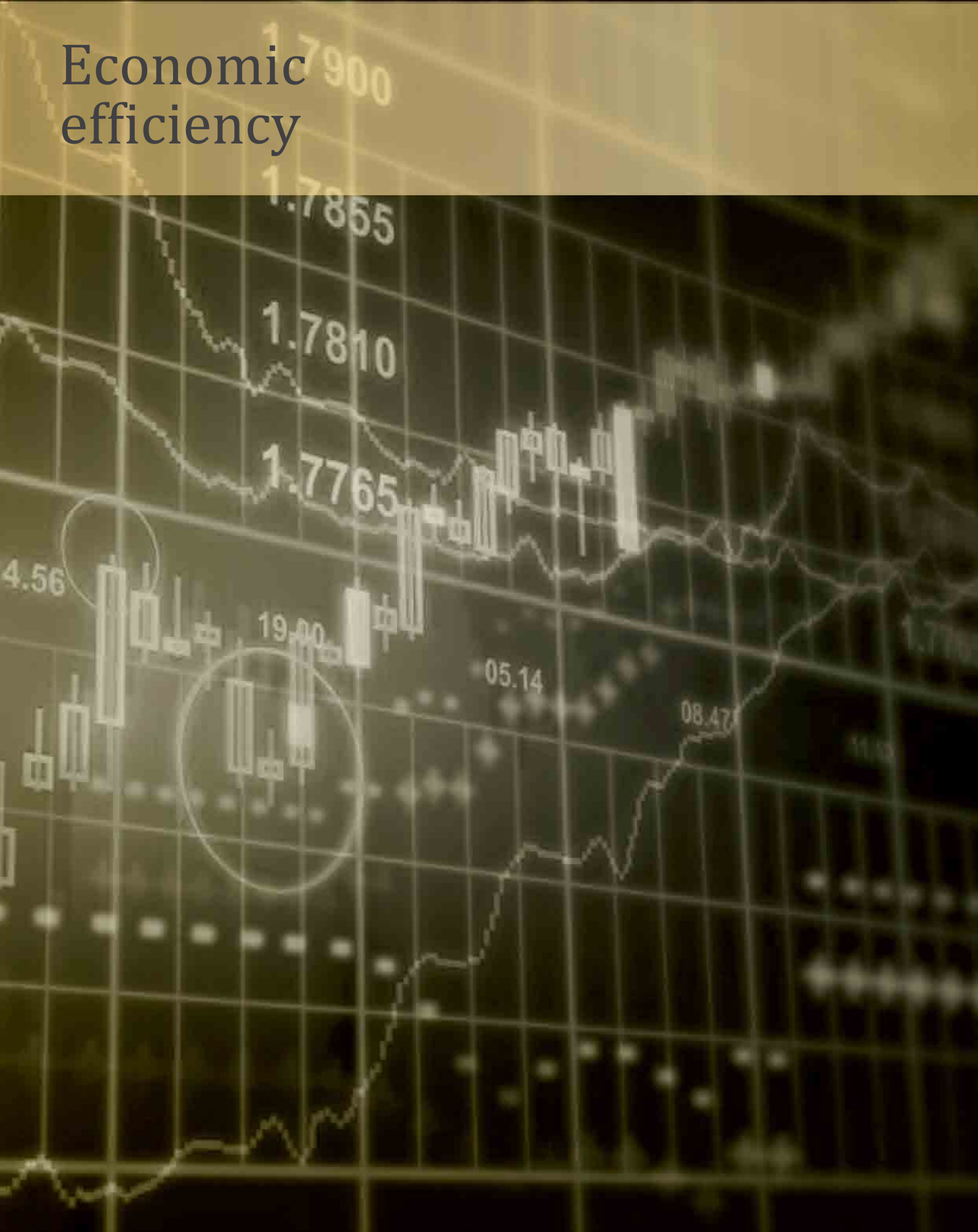
# Structure of the Holding







# Economic efficiency





## Key events of 2014

### **Attribution of credit ratings**

In 2014 international rating agencies Fitch Ratings and Standard&Poor's assigned the Holding with credit ratings at level of the sovereign country rating (BBB+).

### **Implementation of the state program "Nurly Zhol"**

In order to implement the Address of the Head of the State to the people of Kazakhstan dated 11 November 2014 "Nurly Zhol – Way to the Future", the program for infrastructure development "Nurly Zhol" was developed for 2015-2019 where four subsidiaries of the Holding act as the operators: Development Bank of Kazakhstan JSC, Entrepreneurship Development Fund Damu JSC, Kazakhstan Mortgage Company JSC and Kazakhstan Fund for Guaranteeing Mortgage Loans JSC. In December 2014 within the "Nurly Zhol" Program funds were allocated from the National Fund of the Republic of Kazakhstan in amount of 100 bln. tenge for supporting businesses.

### **Attraction of money from the National Fund of RK**

In 2014 the Holding received 273 bln. tenge from the National Fund of the Republic of Kazakhstan, including 200 bln. tenge for financing businesses in processing industries, 50 bln. tenge for financing projects within the State Program for Industrial-Innovative Development of the Republic of Kazakhstan for 2015-2019, and 23 bln. tenge for financing construction of premises at the territory of the International Specialized Exposition EXPO-2017 in Astana.

### **Attraction of money from the Republican Budget**

In 2014 the Holding was capitalized for 45 bln. tenge from the funds of the Republican Budget, including 25 bln. tenge for financing the State Program for Industrial-Innovative Development for 2015-2019, and 20 bln. tenge for establishment of Kazakhstan Infrastructure Fund.

### **Establishment of Kazakhstan Infrastructure Fund**

In 2014, money from the Republican Budget in amount of 20 bln. tenge was allocated for establishment of Kazakhstan Infrastructure Fund. The investment strategy of the fund stipulates implementation of infrastructure projects including the ones being implemented via the mechanism of the public-private partnership, in the priority sectors of the economy, such as energy, transport, telecommunications, renewable energy, social infrastructure.

### **Establishment of Baiterek Venture Fund**

The Fund's investment mandate is – to finance projects in the priority sectors of SPIID. During the last year the Fund invested \$5M. into the first project in order to recover manufacturing at the textile enterprise OXY-Textile LLP.

### **Establishment of Public-Private Partnerships Advisory Center**

The founders of the organization are Baiterek NMH JSC (75%) and Kazakhstan Center of PPP (25%). The main direction of the company's operations is assistance in infrastructure development of the country via provision of services on structuring and advisory of infrastructural projects, including the ones being implemented via the mechanism of PPP.

# Economic efficiency

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## Key events of 2014

### **Recovery of non-performing projects**

For purpose of implementation of the goals set before the Investment Fund of Kazakhstan JSC, upon results of 2014 works were undertaken on recovery of 7 non-performing projects - Astana-Contract JSC, Silicium Kazakhstan LLP, Textiles.kz Group of companies, Agroholding Zhanabas LLP, Asia Ceramic LLP, Kazakhstan Rubber Recycling LLP, ACIG JSC.

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### **Support of innovative projects and development of the system for transfer of technologies**

In November 2014 the foundation documents were signed between National Agency for Technological Development JSC, Islamic Corporation for Development of Private Sector and Tengri Energy Capital LLP (subsidiary of Lancaster Holding) for establishment of the international venture fund with planned charter capital of \$50M.

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### **Changes in composition of the Board of Directors of the Holding**

In 2014 changes happened in composition of the Board of Directors of Baiterek NMH JSC. With the order of the First Vice-Minister for Industry and New Technologies of the Republic of Kazakhstan A. Rau №119 dated 09 April 2014, duties of S. Akhmetov were early terminated, as well as K. Massimov, Prime-Minister of the Republic of Kazakhstan, was elected and introduced to the Board of Directors of Baiterek NMH JSC with the terms of authorities till 30 December 2016. Also, with the order of the Minister for Investments and Development of the Republic of Kazakhstan A. Issekeshov №96 dated 23 October 2014, duties of D. Yergozhin were early terminated, as well as Ye. Orynbayev, Assistant to the President of the Republic of Kazakhstan, was elected and introduced to the Board of Baiterek NMH JSC with the terms of authorities till 30 December 2016.

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### **Changes in structure of shareholding in subsidiaries and affiliates**

On 6 October 2014 in accordance with the Decree of the Government of the Republic of Kazakhstan dated 23 May 2014 №537 "On transfer of state's stake in Kazakhstan Mortgage Company in payment for acquisition of shares of Baiterek NMH JSC" and the order of the Chairman of Committee for State Property and Privatization under the Ministry of Finance of the Republic of Kazakhstan E.Ute-pov dated 2 October 2014 №964 "Certain issues on the republican property", the state stake in Kazakhstan Mortgage Company JSC in the size of 26.1% of the total number of placed shares was transferred in payment for the shares of the Holding. As such, the Holding holds 100% of voting shares of Kazakhstan Mortgage Company JSC.

In accordance with the Decree of the Government of the Republic of Kazakhstan dated 31 March 2014 №280, one object of the Holding's subsidiary Damu Fund was transferred into the competitive environment – MKO TOTA LLP.

## Operational and financial results

Volume of assets to the country's GDP **6%**

The growth of assets **24,7%**

Increasing by **2 324,9**  
bln. tenge

Net profit **41,6**  
bln. tenge

Growth of net profit **41,4%**

The loans portfolio **60%**  
1361 bln. tenge

The investments portfolio grew by **105%**  
48 bln. tenge

Return on assets (ROA) **2%**

Return on equity (ROE) **5,6%**

In 2014 international rating agencies Fitch Ratings and Standard&Poor's assigned the Holding with credit ratings at level of the sovereign country rating (**BBB+**).

Income from core business **53%**

Financial income **39%**

Foreign exchange gain **5%**

Other income **3%**

Loan expenses **49%**

Prime costs of the provided services **18%**

General administrative expenses **19%**  **15%**  
2013 year

Expenses from devaluation of assets **4%**  **12%**  
2013 year

Other expenses **7%**

Marketing and sales costs **2%**

Foreign exchange loss **1%**

# Economic efficiency

## International cooperation

In 2014 within cooperation with the large multinational companies and international financial institutions, the Holding attracted foreign direct investments for the total amount of \$2.2 bln.

For instance, during the official visit of the President of the Republic of Kazakhstan N. Nazarbayev to the People's Republic of China from 20 to 22 May 2014, the Management of the Holding signed the following international acts:

- 1 Memorandum of understanding with Export-Import Bank of China regarding financing of project for modernization and reconstruction of the Shymkent Oil Refinery for total amount of \$1 bln.
- 2 General Agreement with the State Development Bank of China on allocation of credit line for total amount of \$500 M.

In December 2014 within the meeting of the Kazakhstani-Chinese Business Council, the Memorandum of understanding on establishment of the Chinese-Kazakhstani Fund for Investments and Collaboration between the Holding and the Chinese-Eurasian Fund of Economic Cooperation. The targeted size of the fund is \$500 M.

In order to support small and medium entities, the Holding attracted approximately \$122 M. from the Asian Development Bank.

During the visit of the King of Bahrein to Kazakhstan in April of the last year, the Memorandum of cooperation was signed between the Holding and the Bahrein Holding "Mumtalakat".

There was an active cooperation with the Islamic Development Bank and its subsidiaries. On 23 May 2014 during the negotiations of the Holding's CEO K. Bishimbayev with the President of the Islamic Corporation for Development of Private Sector (ICD) H. M. Al-Abudi the Memorandum of cooperation was signed between Investment Fund of Kazakhstan JSC and ICD.

On 23 May 2014 within the Astana Economic Forum, the Holding held a special session on the topic of "Role of Baiterek NMH JSC in development of the economy of Kazakhstan". Over 120 persons attended the session including representatives of foreign companies, recognized world politicians and businessmen, civil servants, heads of national companies and development institutions. In the course of the event, the Memorandum of understanding was signed between the Holding and International Financial Corporation. The purpose of the Memorandum was to build the foundation for support and implementation of the pilot projects based on mechanism of PPP.

On 10 November 2014 the Holding held the 7th meeting of the Kazakhstani-German Business Council. K. Bishimbayev is the Co-Chairman of the Business Council from the Kazakhstani side. The German delegation was headed by the Federal Minister for Foreign Affairs of Germany F.-W. Steinmeier.

The German delegation was represented by top managers of large German companies from various industries such as METRO AG, Knauf Gruppe, Thyssen Krupp Elevators CENA GmbH, SAP SE. The total number of participants from the German side exceeded sixty persons.

In the course of the meeting, the participant discussed issues of implementation of priority investment projects, as well as issues of bilateral trade-economic relationships.

In general, in 2014 the senior management of the Holding held over 100 international meetings with representatives of state and business communities from many countries of the world.



## Consolidated net profits for 2014 broken down by subsidiaries, (M. tenge)



Public-Private Partnership Advisory Center - 49



Kazakhstan Fund for Guaranteeing Mortgage Loans 94



National Agency for Technological Development 193



Export Credit Insurance Corporation "KazExportGarant" 631



Kazakhstan Mortgage Company 1 184



Investment Fund of Kazakhstan 3 696



Damu Fund 4 141



Baiterek Development 7 704



Kazyna Capital Management 9 797



Development Bank of Kazakhstan 11 262



Housing Construction Savings Bank of Kazakhstan 11 553

**Consolidated\* 41 614**

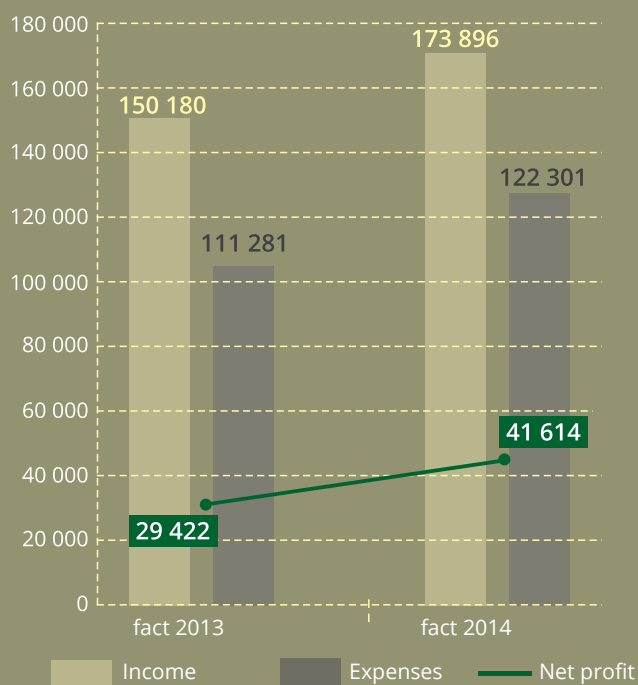
\* less the Holding's intra-group turnover

# Economic efficiency

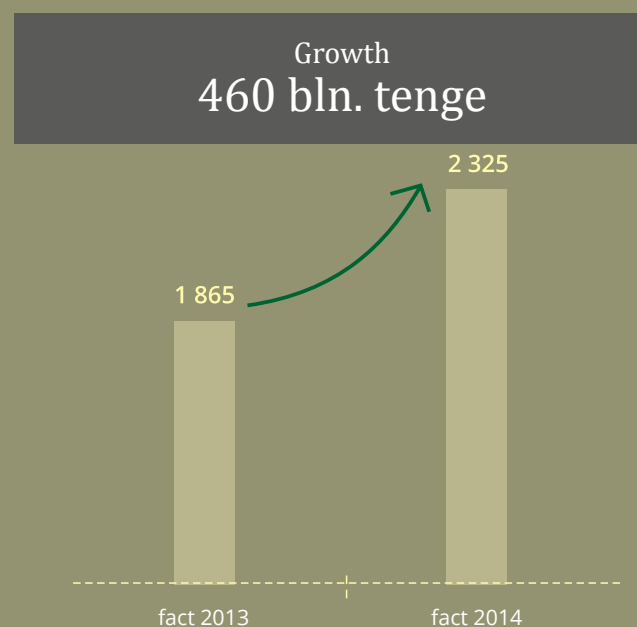
## Key financial-economic indicators

	Unit	fact 2013	fact 2014	Deviation, (+/-)	Deviation, %
Assets	M. tenge	1 865 077	2 324 915	459 838	24,7%
Liabilities	M. tenge	1 190 020	1 525 169	335 149	28,2%
Income	M. tenge	150 180	173 896	23 716	15,8%
Expenses	M. tenge	111 281	122 301	11 020	9,9%
Net profits	M. tenge	29 422	41 614	12 192	41,4%
ROA	%	1,6	2,0		
ROE	%	4,4	5,6		
Debt/equity		1,8	1,9		
Share of loans and investments portfolio in total assets of Holding	%	47	61		

Main indicators, M. tenge

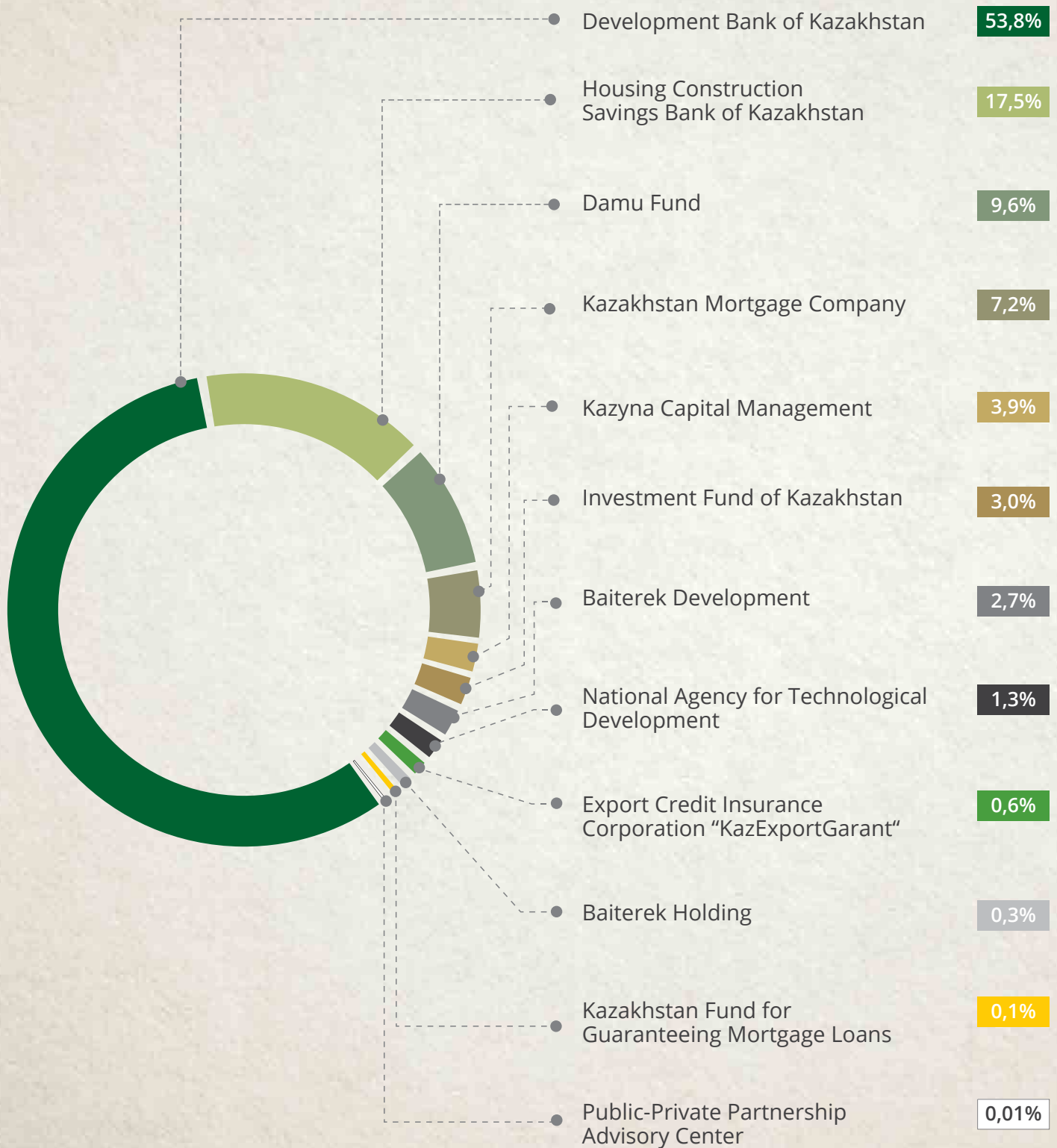


Assets of the group of the Holding, bln. tenge



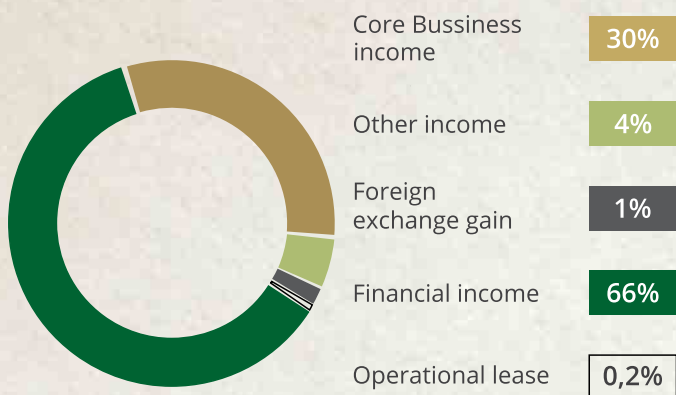
# Economic efficiency

## Structure of assets of the Holding for 2014

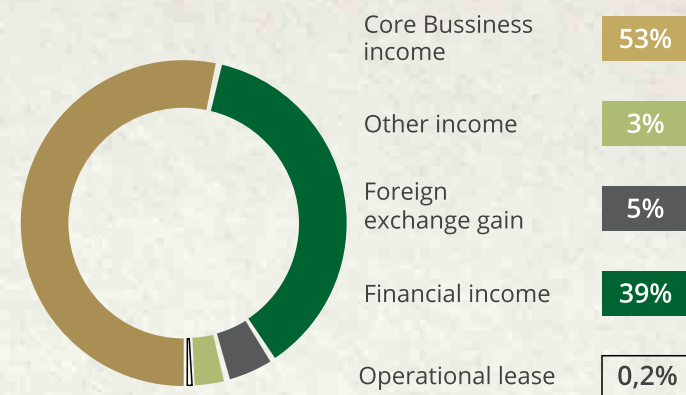


# Economic efficiency

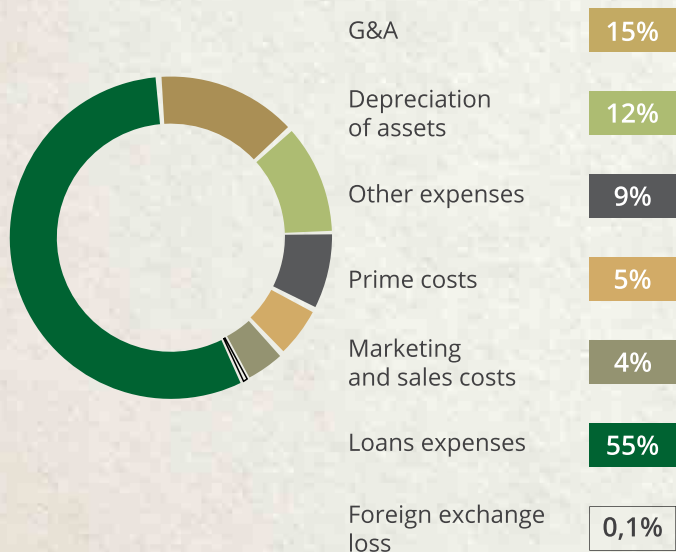
## Structure of income of group of Holding in 2013



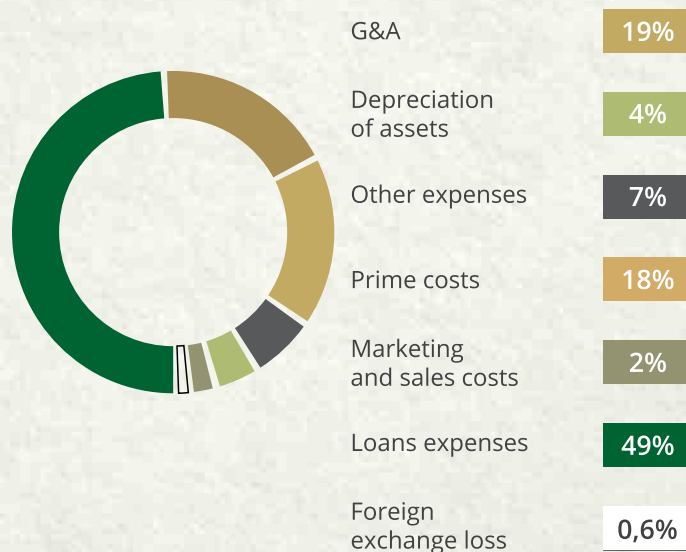
## Structure of income of group of Holding in 2014



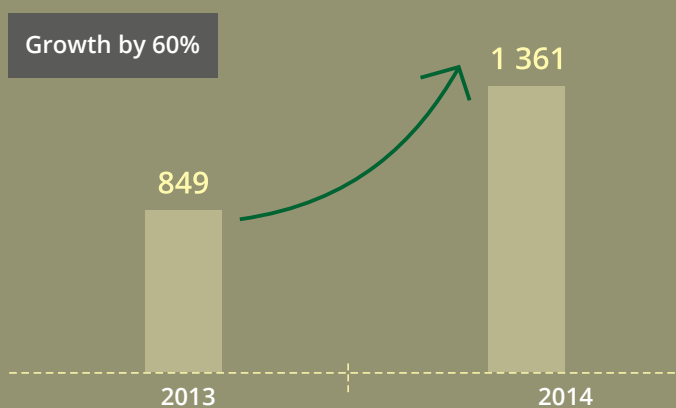
## Structure of expenses of the Holding group in 2013



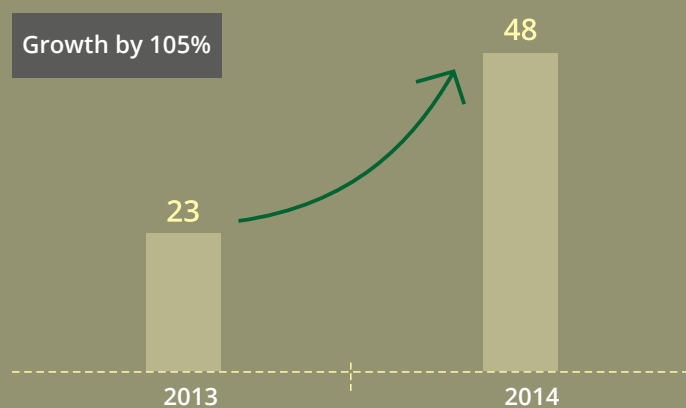
## Structure of expenses of the Holding group in 2014



## Loan portfolio



## Investment portfolio





## Related party transactions (granting loans) for 2014

**Creditor:** Baiterek NMH JSC

**Duration:** 20 years

**Interest rate:** 0,15 per annum

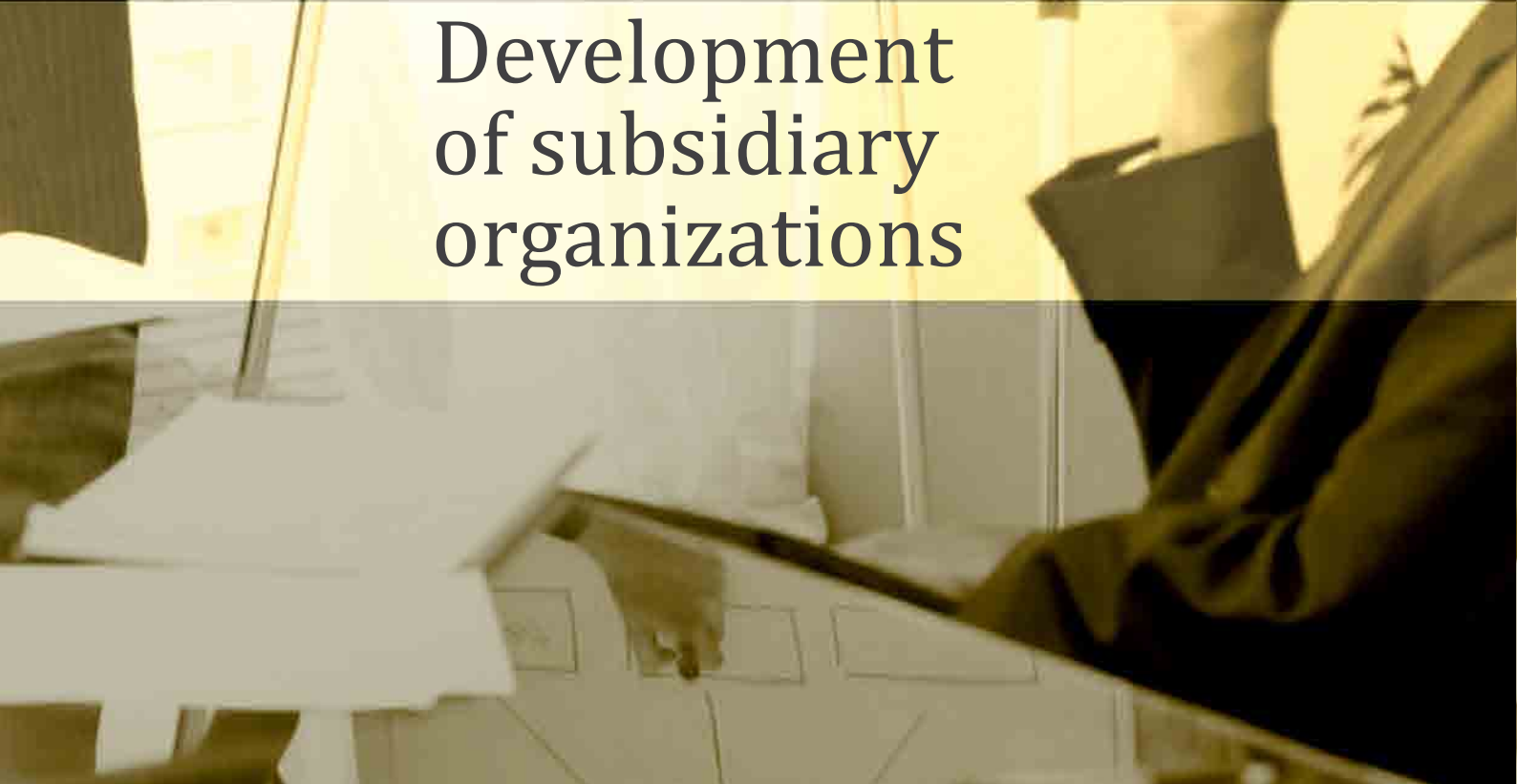
**Body of the Holding which made the decision on conclusion of the transaction:**

Board of Directors of Baiterek NMH JSC

#	Borrower	Purpose of loan	Date of loan	Amount of loan
1	Damu Fund	Conditional placement of money to commercial banks for further crediting subjects of small and medium business in processing industries	16.04.2014	100 bln. tenge
2	Baiterek Development	Financing Lux Real Estate Group LLP and BI Group Corporation LLP for purpose of building premises, Mega Plaza LLP for purpose of building trade center at territory of the specialized exposition EXPO-2017 in Astana	15.07.2014	23 bln. tenge
3	Development Bank of Kazakhstan	Financing projects of State Program of Industrial-Innovative Development of the Republic of Kazakhstan for 2015-2019	30.10.2014	50 bln. tenge
4	Damu Fund	Conditional placement of money to commercial banks for further crediting subjects of small and medium business in processing industries	10.12.2014	50 bln. tenge
5	Development Bank of Kazakhstan	Conditional placement of money to commercial banks for further crediting subjects of large business in processing industries	10.12.2014	50 bln. tenge



## Development of subsidiary organizations



# Development of subsidiary organizations



## Housing Construction Savings Bank of Kazakhstan JSC

www.hcsbk.kz

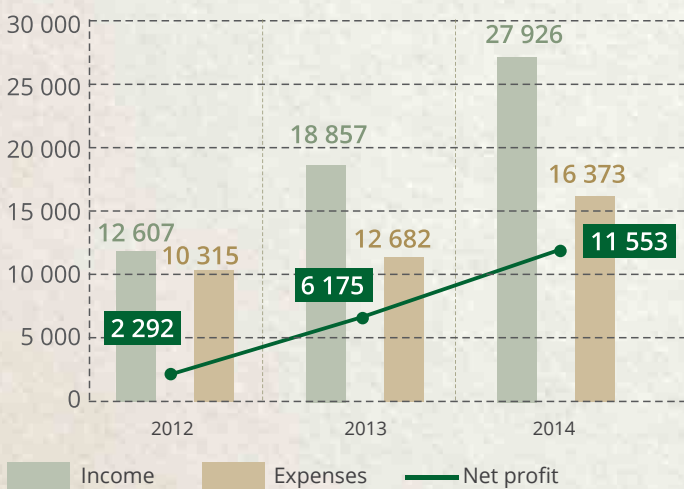
### Mission

Ensuring equal access of the wide population to the system of housing construction savings in all regions of the Republic of Kazakhstan and provision of qualitative banking services for improving the housing conditions.

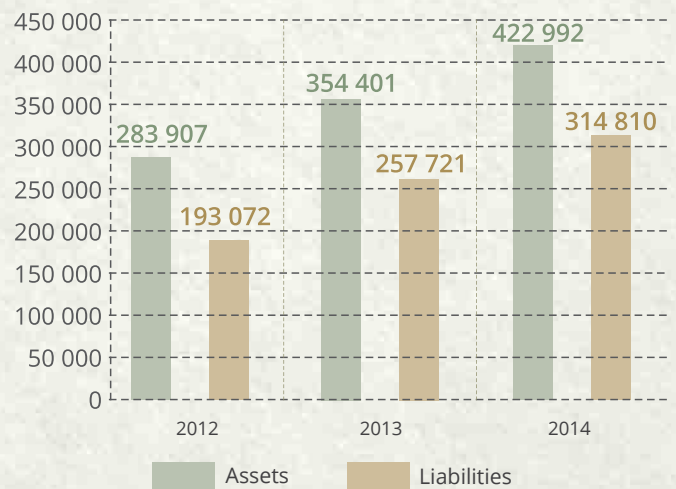
### Directions of operations

- acceptance of deposits to the housing construction saving accounts, opening and maintaining customers' accounts
- granting housing loans, preliminary and interim housing loans to depositors in order to improve their housing conditions

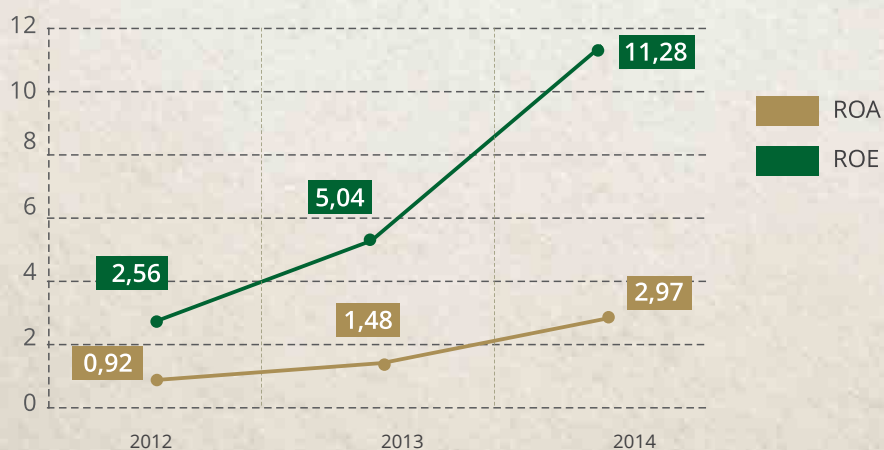
Main financial indicators, M. tenge



Assets/Liabilities, bln. tenge



ROA, ROE, %



# Development of subsidiary organizations



## Housing Construction Savings Bank of Kazakhstan JSC

[www.hcsbk.kz](http://www.hcsbk.kz)

### Main performance results

#### Acceptance of deposits to the housing construction savings accounts

The Bank strives to ensure the wide coverage of the economically active population (EAP) of the country for participation in the system of housing construction savings (HCS), while retaining the principles of reliability, credibility and high quality. The actual share of EAP as of yearend 2014 was 5.34%, which is the result of ratio of 486.5 k existing participants of HCS system to 9110 k persons of the EAP. The deposit base of the Bank as of 31 December 2014 was 247.6 bln. tenge, which exceeded the 2013 figures by 55.1 bln. tenge.

#### Provision of housing loans for improvement of housing conditions

Every third tenge given as a loan in Kazakhstan in 2014, was provided by the Housing Construction Savings Bank. As per data of the National Fund of the Republic of Kazakhstan, in total during 2014 commercial banks granted 295.0 bln tenge for construction and acquisition of housing, where 97.8 bln. tenge (which is 33%) were granted to the customers of the Bank. Achieving this indicator evidence about expansion of the Bank's representation at the market of financial services. In the reporting period, 17 645 customers of the Bank obtained loans for acquisition of real estate in the national currency. In order to provide access to the system of the housing construction savings to the wide population, 17 branches and 15 Customer Service Centers of the Bank are operating in all regions of the country. In 2014 the fees burden on customers decreased in average by 30%.

To improve transparency and credibility of the population to the Bank, the Public Council was established in 2014 composed of recognized journalists, public figures, as well as customers of the Bank. In accordance with the survey undertaken by an independent company Tabiya-Consult LLP, the level of credibility of the population to the Bank was 80%, while in 2013 this indicator was 50%.

#### Implementation of the state program "Affordable Housing-2020"

The Bank is one of the operators in implementation of the program "Affordable Housing-2020" in directions "Housing for all categories of population" and "Housing for young families". Within the actions for the program implementation under the Bank's directions, 7033 families across the country received apartments in 2014, and 429.3 thousand sq.m of housing were introduced into operation.

#### Within the direction "Housing for all categories of population"

- during 2014 the Bank and LEBs concluded 43 agreements on cooperation for construction of 5422 apartments with the total area of 353.3 thousand sq.m in 12 regions of Kazakhstan (except for the Akmola, Kostanai, Northern-Kazakhstan, Southern-Kazakhstan regions)

- within this direction 54 houses in 12 regions were introduced into operation during 2014 for the total area of 301.4 thousand sq.m, which was 4834 apartments



### **Within the direction “Housing for young families”**

- the bank signed 26 agreements on cooperation with the LEBs for construction of 2769 apartments with total area of 157.7 thousand sq.m in 13 regions (except for Almaty city, Kostanai, Northern-Kazakhstan regions)
- 36 houses in 13 regions brought into operation during 2014 with the total area of 127.9 thousand sq.m, which was 2 199 apartments

### **Credit ratings**

Housing Construction Savings Bank of Kazakhstan JSC has the highest ratings under the international scale of Fitch Ratings, Moody's among the second-tier banks of the Republic of Kazakhstan:

- Moody's increased the long-term rating on deposits in the national currency from Ba1 to Baa3, forecast "Stable"
- Fitch Ratings assigned the long-term rating of issuer default in the national currency as BBB+, forecast "Stable"

In accordance with the survey undertaken by an independent company Tabiya-Consult LLP, the level of credibility of the population to the Bank was 80%, while in 2013 this indicator was 50%.

# Development of subsidiary organizations



Development Bank  
of Kazakhstan

Development Bank  
of Kazakhstan JSC

www.kdb.kz

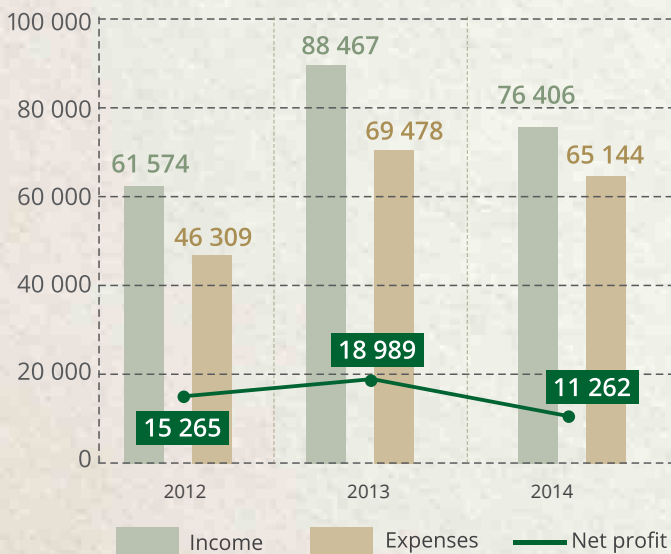
## Mission

Assistance in sustainable development of the national economy by way of making investments into non-extracting sector of the country.

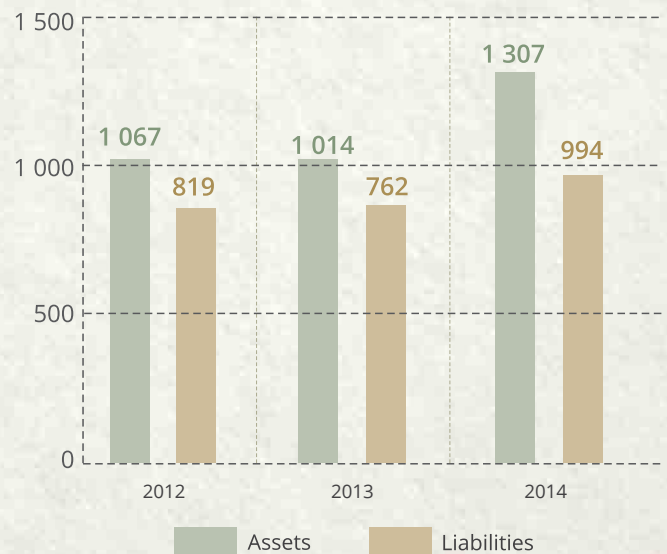
## Strategic directions of operations

- mid- and long-term crediting investment projects in the processing industry, industrial and transport infrastructure
- crediting export (pre-export) operations
- financing leasing transactions
- conditional financing via commercial banks

Main financial indicators,  
M. tenge



Assets/Liabilities,  
bln. tenge



ROA, ROE, %



## Main performance results

### **Crediting investment projects, leasing transactions and export operations**

As of yearend 2014 the loan portfolio of Development Bank of Kazakhstan grew more than twice compared to the preceding year – to 815 bln. tenge, its share in DBK's assets was 62%.

In 2014 DBK decided to finance 7 investment projects and 1 export operation with the amount of loans 208 bln. tenge, as well as 6 leasing transactions with volume of financing on behalf of DBK-Leasing for amount of 17 bln. tenge.

During the year, 23 projects were financed for the total amount of 232.5 bln. tenge, including 13 investment projects, 1 export operation and 9 leasing transactions.

Launched the production capacity of a total 9 projects worth 74.1 bln. tenge, created over 1 000 jobs.

### **Implementation of State Program for Industrial-Innovative Development of RK for 2010-2014 on projects introduced into the Republican Map of Industrialization**

As of 31 December 2014, Development Bank of Kazakhstan consented 32 projects for financing which are being implemented within the Map of Industrialization of the Republic of Kazakhstan with the total value of \$10.76 bln. and involvement of DBK for amount of \$5.24 bln., where 2 projects were consented in 2014.

With the financial support of Development Bank of Kazakhstan, 24 projects were launched in 15 regions for the total value of \$2.74 bln. with involvement of DBK for \$1.36 bln. Over 8 600 permanent jobs were created at these enterprises.

Among the key projects of the Republican Map of Industrialization, the following projects might be noted: Atyrau Oil Refinery, Aktobe Rail-Beam Plant, Kazakhstan Electrolysis Plant, International Aktau Airport and Moinak Hydro Plant.

### **Interbank loans**

For wider coverage of businesses in 2014 the program for interbank financing was launched for purpose of KZT crediting projects in priority industries.

Out of the 45 bln. tenge placed by DBK in commercial banks, 32 projects were consented for financing, where 29 projects were financed for the total amount of 30 bln. tenge. As a result, 626 jobs were supported and created.

In implementation of the program “Nurly Zhol – Way to the Future”, in December 2014 the National Fund of the Republic of Kazakhstan allocated 50 bln. tenge to DBK, which were placed in 13 commercial banks. As of 1 January 2015, the banks consented 5 projects for the amount of 11.4 bln. tenge which are being implemented in the metallurgic, chemical and light industries.

# Development of subsidiary organizations



Development Bank  
of Kazakhstan

**Development Bank  
of Kazakhstan JSC**

[www.kdb.kz](http://www.kdb.kz)

## Main performance results

### Transfer of non-performing loans to Investment Fund of Kazakhstan JSC

In 2014 the work on clearing balance sheet from bad assets. During the last year Development Bank of Kazakhstan closed the deal for transfer of the non-performing project Group of companies Textiles.kz to Investment Fund of Kazakhstan JSC. These measures allowed to considerably improve the quality of DBK's loan portfolio: decrease of provisions from 12.2% in 2013 down to 4.0% as of 31 December 2014.

### Credit ratings

The credit rating of Development Bank of Kazakhstan by Standard&Poor's corresponds with the sovereign rating of the Republic of Kazakhstan, credit ratings by Moody's and Fitch Ratings are one point lower than the sovereign one. The ratings of Development Bank of Kazakhstan are among the highest across the companies of quasi-state and banking sectors of RK.

### Brought into operation:

#### 3 projects of DBK

- manufacturing of rolled iron in Kostanai
- expansion of Toyota Fortuner cars manufacturing
- construction of plant for manufacturing titan slabs and ingots

#### 6 leasing operations of DBK-Leasing

- modernization and expansion of industrial facilities of the transformers manufacturing plant
- organization of industrial construction complex in Shymkent
- modernization of road fence manufacturing
- increasing production facilities and productivity of car assembly ASIA AUTO JSC
- organization of car manufacturing with method of CKD assembling including body welding and coloring
- modernization and expansion of ferroconcrete products in Zaisan
- since 2011 DBK-leasing jsc has been the main operator of the state program "Productivity-2020" with respect to provision of financial leasing



# Development of subsidiary organizations



**KAZYNA  
CAPITAL  
MANAGEMENT**

**Kazyna Capital  
Management JSC**

www.kcm-kazyna.kz

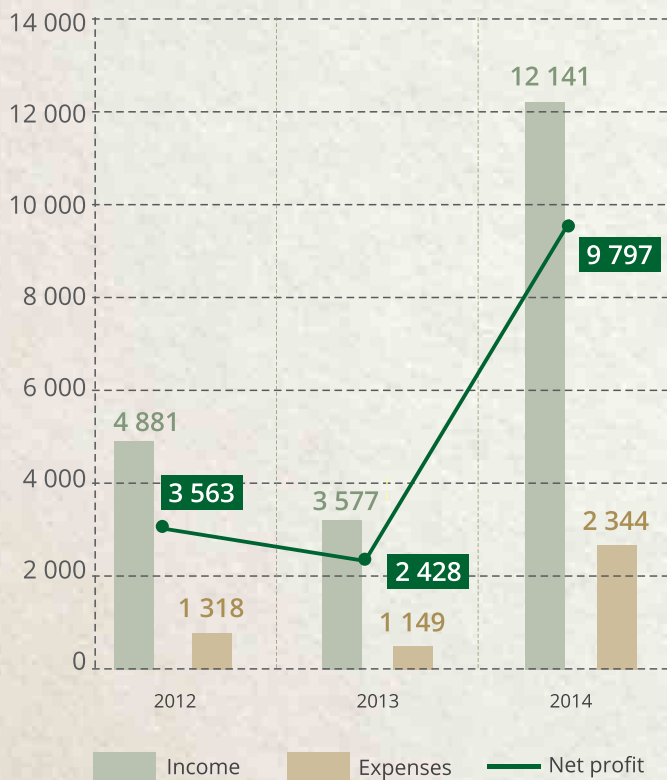
## Mission

Provision of shared capital to companies at various development stages via private equity funds directly or in conjunction with other investors for purpose of assisting the sustainable development of the national economy.

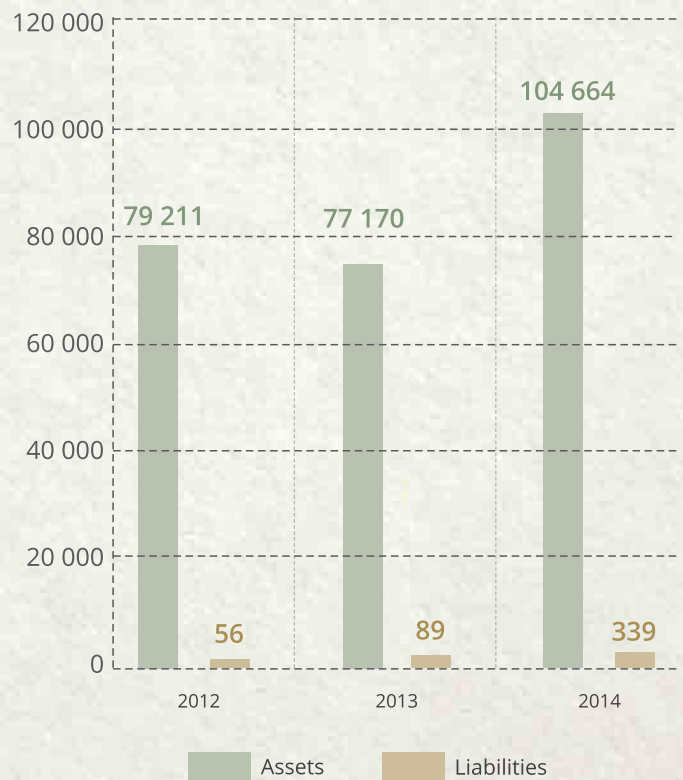
## Strategic directions of operations

- financing investment projects by private equity funds
- attraction of foreign investments to Kazakhstan

Main financial indicators,  
M. tenge



Assets/Liabilities,  
bln. tenge



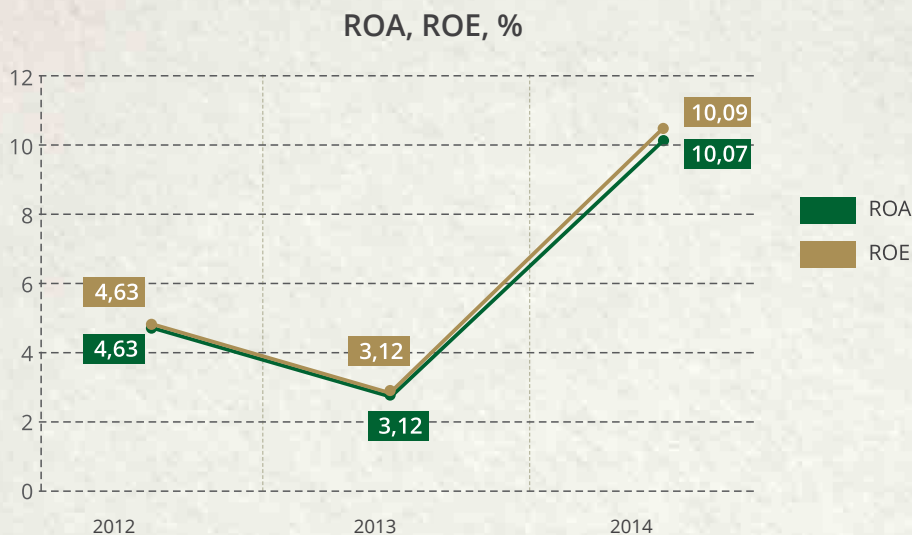
# Development of subsidiary organizations



**KAZYNA  
CAPITAL  
MANAGEMENT**

**JSC «Kazyna Capital  
Management»**

www.kcm-kazyna.kz



## Main performance results

### Financing of investment projects by private equity funds

The total size of the strategic portfolio was 111 316 M. tenge, growing by 62%.

In 2014 the investments of KCM into the private equity funds (PEF) constituted 8.3 bln. tenge. The investment portfolio as of yearend included 43 projects for the amount of 23.7 bln. tenge, with the growth by 64% compared to 2013.

The predominant sectors of economy are: transportation sector with share of 26.7%, financial – 12.2% and energy – 20.4%. Besides, in 2014 the investment portfolios of PEFs introduced also investments in the sector of “light industry”, and the portfolio share thereof constituted 3.4%.

Geographically, 52.4% of the investments were made in Kazakhstan, 20.1% into Russia, 27.5% into other countries.

During the reporting period KCM JSC accepted liabilities on three new funds: Kazakhstan Infrastructure Fund (KIF) of 20.4 bln. tenge, Baiterek Venture Fund (BVF) of 9.1 bln. tenge, Islamic Infrastructure Fund (IIF) of 0.5 bln. tenge.

### Attraction of foreign investments to Kazakhstan

Obligations of PEFs on investments into projects within the territory of Kazakhstan compared to 1 tenge of KCM’s obligations on involvement of PEFs were 2.73 tenge.

PEFs financed 4 projects and made two further investments at the territory of Kazakhstan for total amount of 8.1 bln. tenge.

## **Implementation of State Program for Industrial-Innovative Development of RK for 2010-2014**

The President Decree #958 dated 19 March 2015 determined KCM concluded agreement on establishment of limited liability partnership Kazakhstan Infrastructure Fund C.V. for investing into infrastructural projects in Kazakhstan as well as projects in the priority sectors of SPIID.

KCM concluded agreement on establishment of limited liability partnership Kazakhstan Infrastructure Fund C.V. for investing into infrastructural projects in Kazakhstan as well as projects in the priority sectors of SPIID.

For the purpose of exercising the right of KCM as concessioner, the Governmental Decree dated 10 March 2015 №109 determined Kazakhstan Infrastructure Fund C.V. as the organization for financing concessional projects in accordance with the Law of RK "On Concessions".

## **Financing of investment projects by private equity funds**

KCM had stakes in 13 PEFs as of yearend 2014:

- Aureos Central Asia Fund LLC (\$37 M.) – stake of 14%
- Falah Growth Fund L.P. (\$500 M.) – stake of 10%
- Wolfensohn Capital Partners L.P. (\$250 M.) – stake of 9.9%
- Kazakhstan Growth Fund (\$80.8 M.) – stake of 49.5%
- ADM Capital Restructuring Fund (\$100 M.) – stake of 49.5%
- Macquire Russia and CIS Infrastructure Fund (\$630 M.) – stake of 4.8%
- CITIC Kazyna Investment Fund (\$200,4 M.) – stake of 49.9%
- Russian-Kazakh Nanotechnologies Fund (\$51 M.) – stake of 49%
- Kazakhstani-Tajikistani Private Equity Fund (\$26.3 M.) – stake of 80%
- Kazakhstan Hong-Kong Development Fund (\$400 M.) – stake of 25%
- Islamic infrastructure fund (\$226.5 M.) – stake of 1.3%
- Baiterek Venture Fund (\$49.9 M.) – stake of 100%
- Kazakhstan infrastructure fund (\$111.9 M.) – stake of 100%

# Development of subsidiary organizations



**BAITEREK  
DEVELOPMENT**

**Baiterek Development JSC**

www.baiterekdevelopment.kz

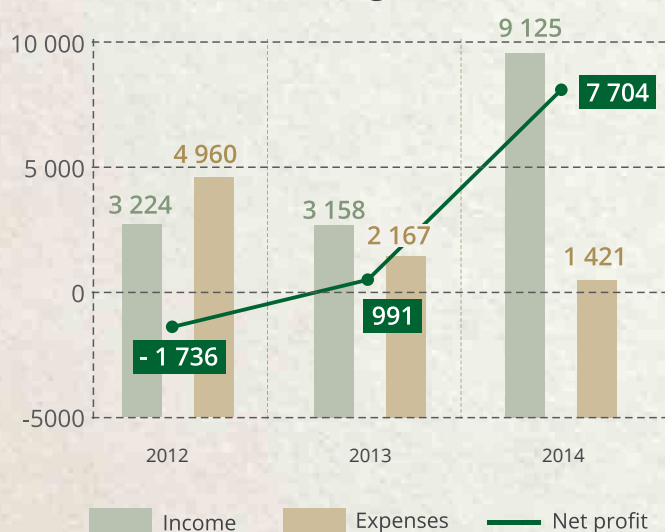
## Mission

Ensuring sustainable competitive development of the non-extractive sector of the economy of the Republic of Kazakhstan by way of financial-investing operations within the development strategy of Baiterek National Managing Holding JSC.

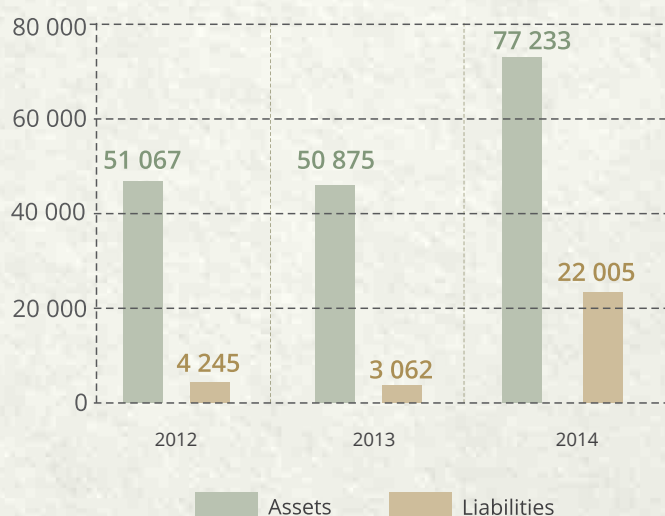
## Strategic directions of operations

- implementation of investment projects in the non-extractive sector of the economy of the Republic of Kazakhstan in the spheres of real estate, production of construction materials and processing industries
- completion of financing in construction of the problem objects of shared construction

**Main financial indicators, M. tenge**



**Assets/Liabilities, bln. tenge**



**ROA, ROE, %**





## Main performance results

In April 2014, the Distressed Assets Fund JSC was renamed to Baiterek Development JSC. In July 2014 the Development Strategy of Baiterek Development for 2014-2023 was approved.

### Implementation of investment projects in the sphere of real estate

In accordance with the Governmental Decree dated 1 July 2014 №753, Baiterek Development JSC commenced implementation of projects of construction of housing and shopping center for the International Specialized Exposition EXPO-2017 in Astana from the money allocated from the National Fund of the Republic of Kazakhstan. The housing fund of the houses shall constitute at least 96 000 sq.m, the total area of the shopping center shall constitute at least 138 000 sq.m for the total amount of financing of 77 bln. tenge.

In July-August 2014 investment contracts were concluded with the developer companies BI Group Corporation LLP and Lux Real Estate Group LLP for construction of the houses, as well as with Mega Plaza LLP for construction of the shopping center.

### Completion of financing for construction of the shared construction problem objects

Within the program for stabilization of the real estate market and supporting participants of the shared construction, Baiterek Development JSC provided financing for completion of the problem objects:

- housing complex "Tau Samal" (1st phase) in Almaty was introduced into operation in November 2014. The volume of financing was – 6.56 bln. tenge, claims of 882 sharers were satisfied, the housing fund of the object is 130 550 sq.m, 714 apartments, 40 offices, 988 parking lots were introduced into operation
- housing complex "Shanyrak" in Almaty was brought into operation in October 2014. The volume of financing was 800 M. tenge, claims of 100 sharers were satisfied, the housing fund of the object is 25 838 sq.m, 102 apartments were introduced into operation
- housing complex "Zhaily 2" in Almaty. In January 2014 the agreement with Enterprise for Capital Construction under Akimat of Almaty LLP was signed on partial financing construction of the housing complex, the volume of financing was – 0.35 bln. tenge, and 342 apartments will be introduced into operation, the housing fund of the object will be 50 352 sq.m.

# Development of subsidiary organizations



**Damu Entrepreneurship Development Fund JSC**

www.damu.kz

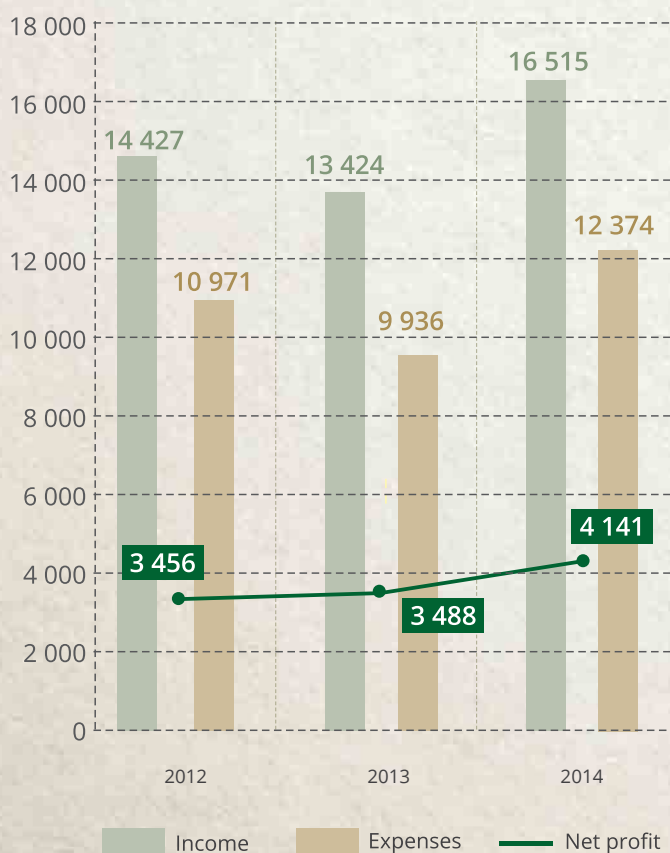
## Mission

Assistance in qualitative development of small and medium businesses of Kazakhstan through a complex support including the wide range of financial instruments and programs for development of competencies.

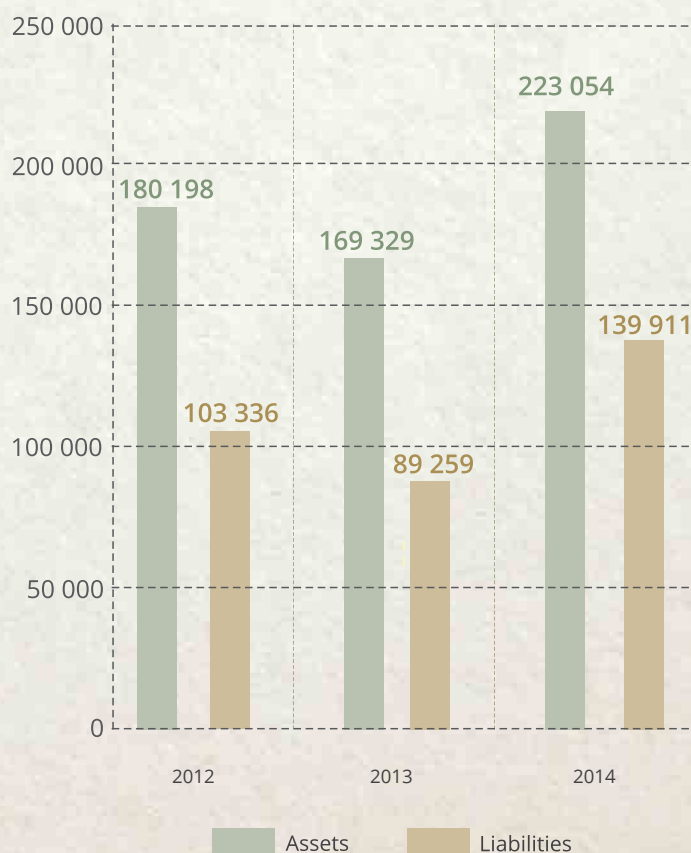
## Strategic directions of operations

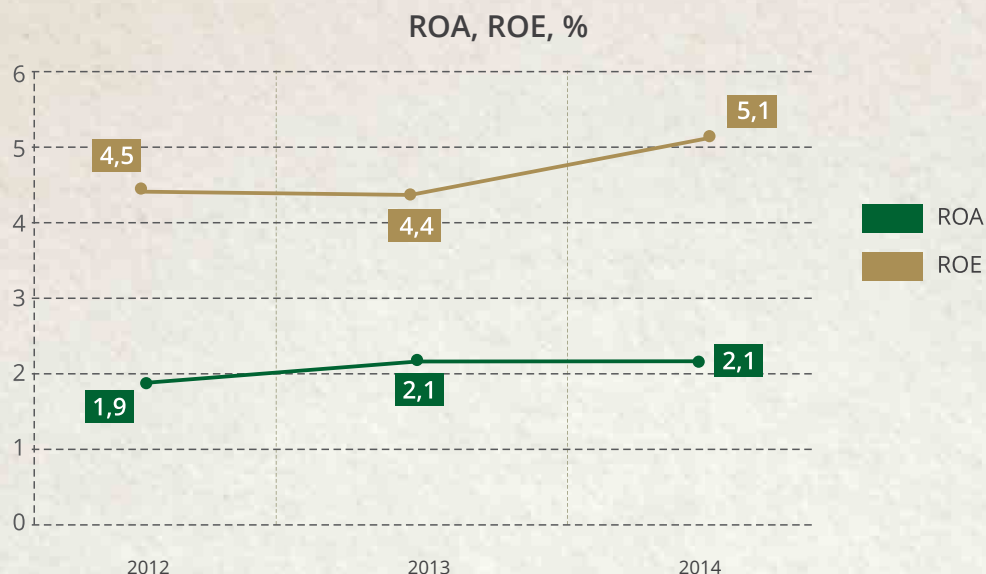
- conditional placement of funds in commercial banks and leasing companies
- subsidizing interest rates under the program "Business Roadmap 2020"
- guaranteeing loans under the program "Business Roadmap 2020"
- improving competencies of entrepreneurs under the program "Business Roadmap 2020" and own programs of Damu Fund

Main financial indicators, M. tenge



Assets/Liabilities, M. tenge





## Main performance results

### Conditional placement of funds in commercial banks and leasing companies

Overall in 2014, under the programs of conditional placement of funds 3 271 borrowers were financed via commercial banks and leasing companies for the total amount of 182.3 bln. tenge.

For implementation of the Plan of Joint Actions of the Governmental of RK and the National Bank of RK for ensuring financing to projects of small and medium business in the processing industries, money of the National Fund of the Republic of Kazakhstan allocated in April 2014 were spent for the amount of 100.0 bln. tenge.

As a result, 13 Kazakhstan banks financed 460 projects of SME projects in the processing industries for the amount of 102.4 bln. tenge, including the new projects in the food industry for 26.1 bln. tenge. In aggregate 12.4 thousand jobs were created and supported.

Within implementation of the National Plan to the Message of the President of RK N. Nazarbayev "Nurly Zhol – Way to the Future", in December 2014:

- Damu Fund received 50 bln. tenge from the National Fund of RK for support to small and medium entities in the processing industries. By 1 January 2015, 13 Kazakhstan banks financed 21 projects for the total amount of 5.4 bln. tenge
- the 2nd tranche loan backed by the state guarantee was attracted from the Asian Development Bank in amount of \$122 M. under the Framework Loan Agreement dated 12 May 2011 for the total amount of \$500 M.
- a Guarantee Agreement was signed with the European Bank for Reconstruction and Development under the loan of Bank CenterCredit JSC for the amount of 10 bln. tenge (1st tranche of the overall loan of \$200 M.) for crediting micro-, small and medium entities

# Development of subsidiary organizations



**Damu Entrepreneurship  
Development Fund JSC**

[www.damu.kz](http://www.damu.kz)

## Main performance results

### Implementation of the program "Business Roadmap 2020"

Damu Entrepreneurship Development Fund JSC is the financial agent under the program "Business Roadmap 2020", and it carries out subsidizing of interest rates under the loans of businessmen, provides guarantees against banks when obtaining loans, conducts free-of-charge training and provides consulting services.

### Subsidizing interest rates

Quantity of agreements for subsidizing interest rates was 1814 units. The amount of the loan portfolio under the underwritten projects was 241 bln tenge, and during the year in total 27.6 bln. tenge of subsidies were allocated under these agreements

### Guaranteeing loans

Quantity of agreements for guaranteeing loans was 446 units for the total amount of the loans of 16 bln. tenge. In general, the amount of the guarantees was 7.5 bln. tenge. In 2014 the guarantees granted were three times more than in 2013.

As a result of the measures for financial support within the program "Business Roadmap 2020", 16.4 thousand new jobs were created and 50.8 thousand jobs supported in 2014.

### Improving competencies of entrepreneurs

Within the 4th direction "Intensification of entrepreneurial potential" of the program "BRM-2020", 24 557 persons were trained, in particular:

- project "Business-Advisor-I" – 19 236 persons
- project "Business-Advisor-II" – 3 236 persons
- project "School of young entrepreneur" – 1 077 persons
- project "Training of SME top-management" – 423 persons
- project "Business relationships" – 585 persons, and 111 businessmen passed foreign probation
- on component "Superior Seniors" 32 missions realized



**Developing infrastructure of consulting services for entrepreneurs on the principle of “single counter”**

Damu Entrepreneurship Development Fund JSC implements the Concept for development of the three-level system of centers of entrepreneurs competences, where businessmen in the regions can obtain the complex services in the regime of “single counter” both on instruments of Damu Fund and instruments of other subsidiaries of the Holding:

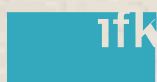
- centers of Entrepreneurs Service are operating in 14 regional centers and Astana, Almaty, Semey and Turkestan
- 27 Centers of Entrepreneurs Support are operating in monotowns
- 161 Centers of Entrepreneurs Support were opened during 2014 in smaller towns
- over 99 thousand persons addressed the Centers of Entrepreneurs Competences during 2014, who received approximately 164 thousand consultations

**Credit ratings**

The credit rating service of Standard&Poor’s assigned the Fund with the counteragent ratings on liabilities in foreign and national currencies at the level of BBB+/A-2 and the rating on the national scale kzAAA. The forecast of rating changes – “Stable”.

Damu Entrepreneurship Development Fund JSC implements the Concept for development of the three-level system of centers of entrepreneurs competences, where businessmen in the regions can obtain the complex services in the regime of “single counter” both on instruments of Damu Fund and instruments of other subsidiaries of the Holding.

# Development of subsidiary organizations



INVESTMENT FUND  
OF KAZAKHSTAN

Investment Fund  
of Kazakhstan JSC

www.ifk.kz

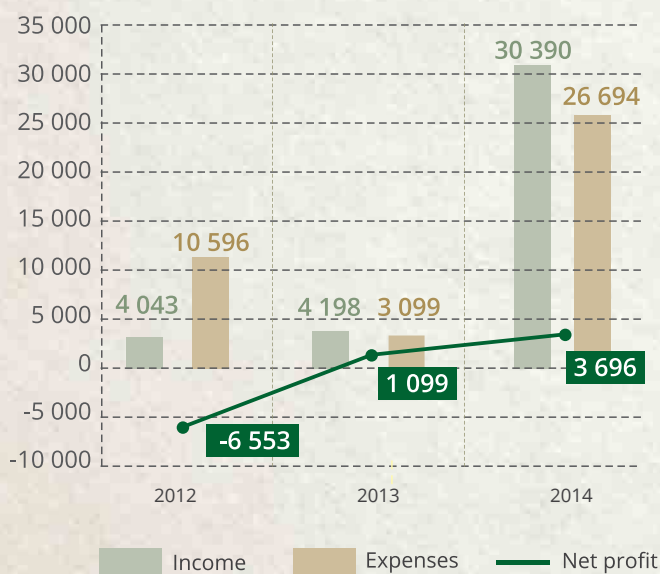
## Mission

Assistance to growth of the industrial potential of the country by way of direct investing in creation of new assets, as well as recovery of non-performing assets.

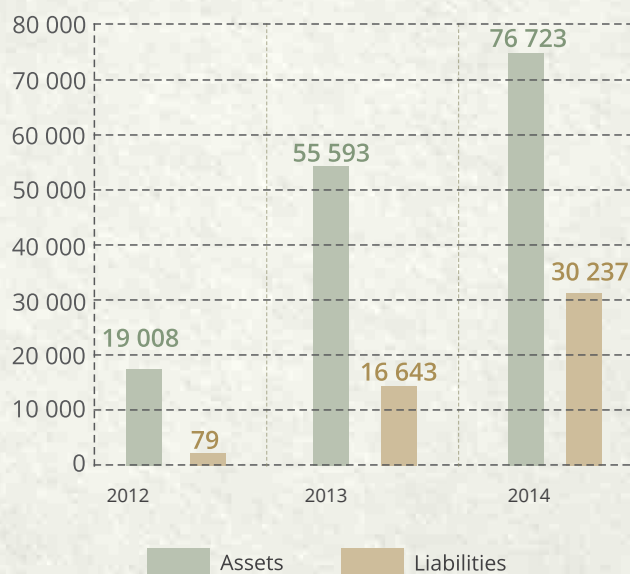
## Strategic directions of operations

- investing new projects
- recovery of non-performing projects

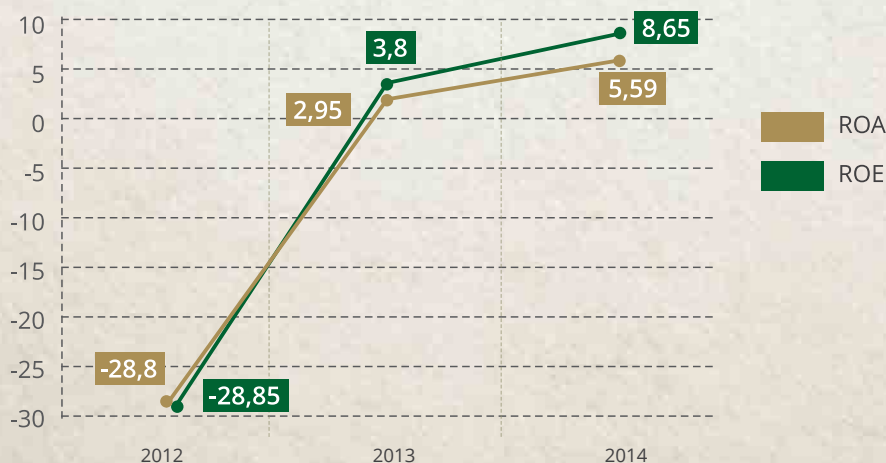
Main financial indicators,  
M. tenge



Assets/Liabilities,  
bln. tenge



ROA, ROE, %



## Main performance results

### Investments into new projects

In 2014 the investments portfolio was 8.9 bln. tenge. Thus, the share of investment portfolio in the total assets was 12%.

IFK along with the strategic partner in person of the American company Stewart Engineers, Inc. implements the project of constructing plant for producing and processing of flat glass with capacity of 197 100 tons/year in Kyzylorda, which is included into the Republican Map of Industrialization for 2015-2019. According to the feasibility study, the project's price is approximately 42.1 bln. tenge, where 20% are own money of the partners, 80% – borrowed money. Introduction of this plant into operation is expected in 2017. When the projects reaches the full production capacity, it is expected to create 310 jobs.

### Recovery of non-performing projects

In 2014 IFK returned assets for the amount of 23.5 bln. tenge to the state within the undertaken recovery of bad assets.

7 projects were recovered, and as a result 1574 jobs were created:

- Astana-Contract JSC and Paragon Development LLP – the fund accepted assets of the group of companies Astana-Contract (transport-logistic center in Almaty – existing production) as repayment of debt for amount of 4.8 bln. tenge. The property accepted to the balance sheet was sold to ALG Company LLP in frameworks of the Purchase-Sale Agreement for the amount of 6.1 bln. tenge

- Silicium Kazakhstan LLP – IFK accepted property within execution of the court ruling for total amount 8.1 bln. tenge.

- In 2014 IFK concluded a cooperation agreement with Tau-Ken Samruk JSC, within which the latter conducted the technical audit, as well as start-up and recovery works. As of yearend, one furnace was launched which produces material in volume of 800 tons per month

- Agroholding Zhana-Bas LLP – plant for processing meat was transferred to trust management to KazBeaf LTD LLP for purpose of its recovery and start-up. On 1 July 2014 KazBeaf LTD LLP launched production in the slaughter shop of the meat-packing plant. As a result the plant produced 491 tons of meat and meat products

- Textiles.kz Group of companies – in 2014 the recovery scheme with participation of Capital Logistics LLP, a subsidiary of IFK JSC. Additional financing was attracted from Development Bank of Kazakhstan JSC for the amount of over 11 000 M. tenge. In November 2014 the production was launched at factories Melange JSC and Yutex JSC, with the actual volume of production of 974 tons of yarn

- ACIG JSC – the investor was attracted in person of YUG Cement Stroy LLP in order to complete the construction and start-up of the entity. The enterprise was started-up on 30 June 2014. The plant produced 56 tons of cement

- Asia Ceramic LLP – work done on accepting the ceramic tiles production plant in Shymkent. Production capacity - 2.5 mln. sq. m of ceramic tiles per year

- Kazakhstan Rubber Recycling LLP – work on recovery of the project was done, through provision of preferable conditions on execution of liabilities before the Fund and other creditors

- 12 projects passed the procedure of forced debt collection for benefit of JSC «Investment Fund of Kazakhstan»

In 2014 JSC Investment Fund of Kazakhstan returned assets for the amount of 23.5 bln. tenge to the state within the undertaken recovery of bad assets.

# Development of subsidiary organizations



KAZAKHSTAN  
MORTGAGE  
COMPANY

**Kazakhstan Mortgage  
Company JSC**

www.kmc.kz

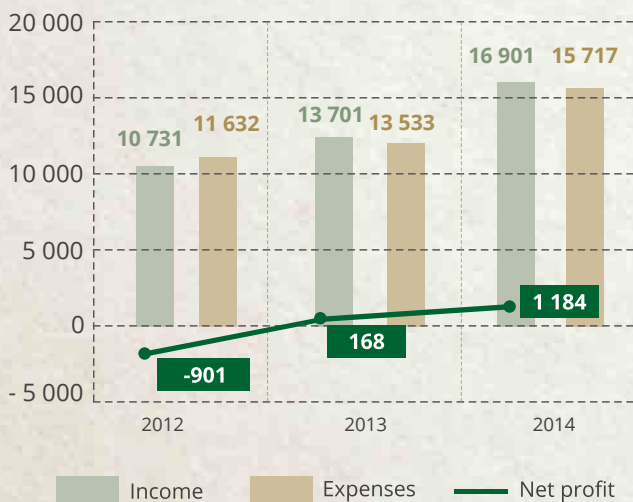
## Mission

Implementation of the state policy in the sphere of the mortgage crediting as the financial operator of the mortgage secondary market, improving availability of housing for the population by way of providing the rental housing to the wide population in order to solve the socially-oriented goals and achievement of targets in the social-housing sector of the economy set by the Strategy-2050.

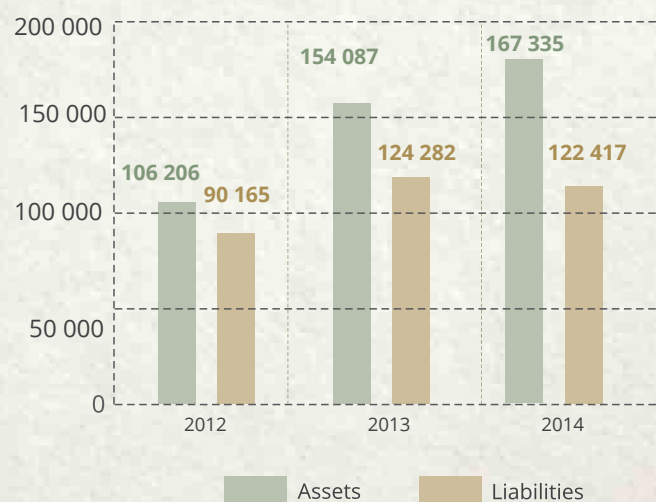
## Strategic directions of operations

- ensuring implementation of the Program for Development of Regions till 2020 on the direction of "Housing of KMC"
- development of instrument "rental with further acquisition"
- support of the mortgage market, improving affordability of housing via mortgage by commercial banks

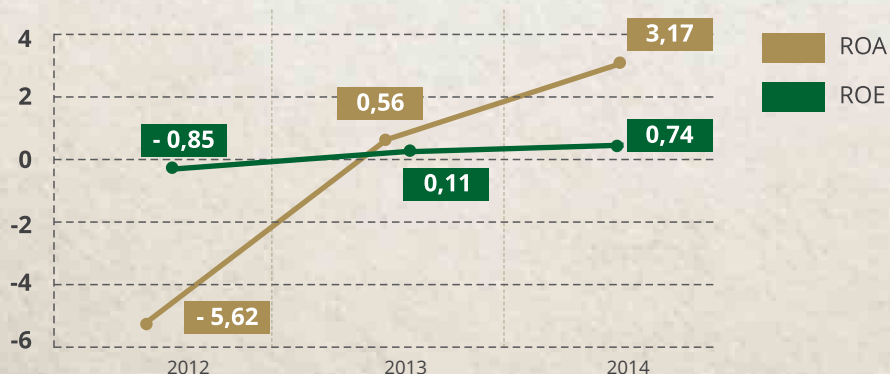
Main financial indicators,  
M. tenge



Assets/Liabilities,  
bln. tenge



ROA, ROE, %





## Main performance results

### Implementation of the program “Affordable Housing-2020” and development of the instrument “rental with further acquisition”

KMC participates in the program “Affordable Housing-2020” (since 2015 the Program for Development of Regions till 2020) on direction “Housing of KMC”:

- in 2013-2014, capitalization of KMC was done in the amount of 29.2 bln. tenge
- contracts concluded for construction and installation works with the total area of 160.68 thousand sq.m for the amount of 16.58 bln. tenge in Almaty, Karaganda, Shymkent, Astana, Pavlodar, Uralsk, Taraz, Semey, Kyzylorda
- 2 nine-floor houses for 108 apartments were built in December 2014 in the microregion of Algabas of Alatau district of Almaty with value of 720 M. tenge, total area of 6 thousand sq.m.
- within implementation of the own program, in 2014 housing was introduced into operation in the housing complex “Akkent” of Almaty in the volume of 24.6 thousand sq.m which is 363 apartments. In the result, 174 agreements were concluded for rental with further acquisition, and rental income of 27 M. tenge was received
- On 11 November 2014, the address of the Head of the State “Nurly Zhol – Way to the Future” determined one of the most important directions for development as strengthening housing infrastructure via construction of the social rental housing and provision thereof to the population for long-term rental at the lowest interest rates. Approaches towards construction of rental housing were revised within the Program for Development of Regions till 2020, where KMC is the construction operator on the direction “Housing of KMC”. The state will allocate 145 bln. tenge for these purposes. In the result of the program implementation, it is planned to introduce into operation 1483 thousand sq.m till 2020, and provide the social housing to 29 thousands of families.

### Support of mortgage market

KMC bought legal claims on mortgage loans from commercial banks for the amount of 12.5 bln. tenge with the average yield of 11.99%. However the portfolio loan portfolio of KMC was 87.19 bln. tenge with the average yield of 11.59%.

Debt securities were placed for the amount of 6.9 bln. tenge with the average rate of 8.2% per annum.

As of yearend 2014, the share of KMC at the mortgage market was 9.9%.

### Credit ratings

In November 2014, the international agency Fitch Ratings confirmed the long-term rating of KMC in the foreign currency at the level of BBB-, and the long-term rating in the national currency at the level of BBB. Also, the short-term rating of KMC in the foreign currency was increased to the level of F3. Forecast on the long-term ratings – “Stable”.

On 11 November 2014, the address of the Head of the State “Nurly Zhol – Way to the Future” determined one of the most important directions for development as strengthening housing infrastructure via construction of the social rental housing and provision thereof to the population for long-term rental at the lowest interest rates. Approaches towards construction of rental housing were revised within the Program for Development of Regions till 2020, where KMC is the construction operator on the direction “Housing of KMC”.

# Development of subsidiary organizations



**Export Credit Insurance Corporation KazExportGarant JSC**

www.keg.kz

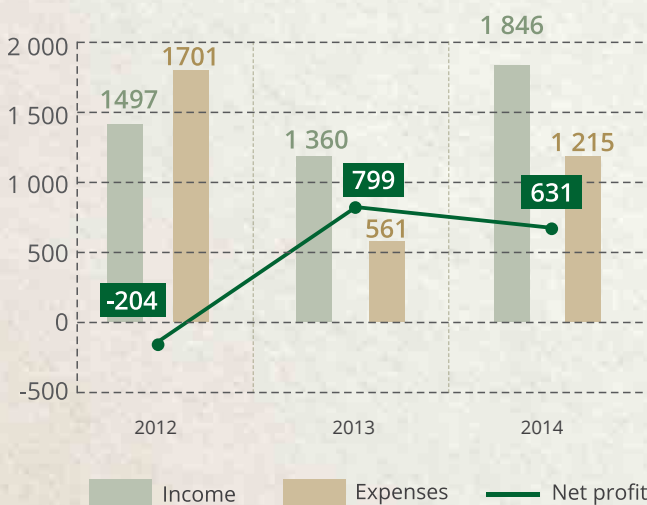
## Mission

Support in growing export of non-extractive goods, works, services in the priority sectors of the economy, and formation of practice of financial-insurance and non-financial support to Kazakh entities.

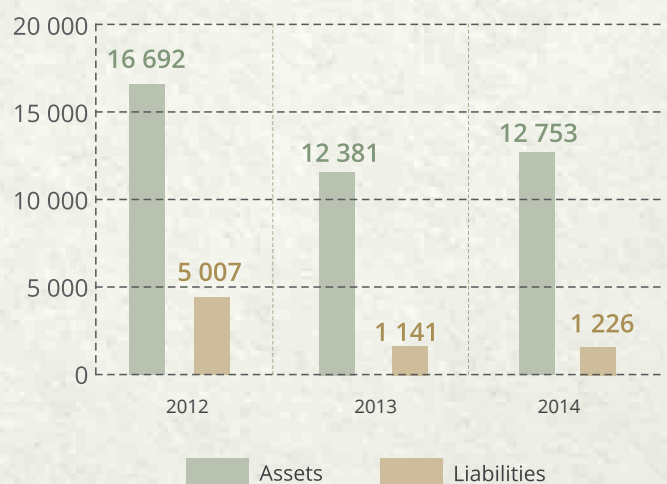
## Strategic directions of operations

- insuring export operations
- export trade finance
- reinsurance
- consultancy on issues of cross-border operations

**Main financial indicators, M. tenge**



**Assets/Liabilities, bln. tenge**



**ROA, ROE, %**





## Main performance results

### Insuring export operations

In 2014 KazExportGuarant received 185 application for insuring exports for the total amount / volume of received application 41.4 bln. tenge. Within the received application 75 insurance contracts were concluded, for the total amount of 11.9 bln. tenge.

The export operations were supported in the following non-extractive sectors:

- heavy machinery (Lokomotiv Kurastyru Zauyty JSC, Hyundai Auto Truck & Bus LLP)
- chemical industry (Eurasian Industrial Chemical Group LLP, Kentau Transformer Plant JSC, Chemical Manufacture Service LLP, KazAzot JSC, KazPhosphate JSC, HimFarm JSC, Dolce-Pharm JSC)
- construction materials (Alina Trade LLP, Knauf Gips JSC, Belkamit JV JSC)
- food processing (Sultan Marketing LLP, Bayan Sulu JSC, Shymkentmai JSC, UPEX LLP, Raimbek Bottlers LLP, Kazexim-Astykh LLP, Maslo-Del LLP, Ust-Kamenogorsk Flour Mill LLP)
- outbound investments from the Republic of Kazakhstan (Ak Bidai – Terminal JSC, SAT & Company JSC)
- in 2014, also the support of export to Russia was intensified. For instance, in 2013 the support in 10 regions across the Russian Federation was provided, and in 2014 the export projects in 12 regions were supported. In addition, KazExportGuarant provided support to the new direction into the Republic of Azerbaijan

### Export trade finance

In accordance with SPIID, KazExportGuarant is the financial operator on supporting operation of trade finance and insuring export trade operations. Within SPIID by means of trade financing during 2014 indirectly, via commercial banks of Kazakhstan, 21 export shipments were supported for the total amount of 1.8 bln. tenge.

At the country breakdown, the export shipments were done: to the Republic of Tajikistan – 76%, to the Republic of Byelorussia – 19%, to the Republic of Uzbekistan – 5%.

The goods structure by types of products constituted the construction materials of 43%, food products – 33%, cargo trucks – 19% and locomotives – 5%.

As per assessment of National Agency for Export and Investments KAZNEX INVEST JSC, the total quantity of export-oriented enterprises in the Republic of Kazakhstan in 2014 was 2 340 entities. During 2014 KazExportGuarant provided advisory and consultancy within the off-site seminars-workshops in the regional centers of the Republic of Kazakhstan, as well as to the 118 exporters of Kazakhstan products which directly addressed KazExportGuarant. Thus, the coverage of export-oriented companies with the consultancy services was 5% of total number of the export-oriented enterprises.

### Credit ratings

The rating service of Moody's Investors Service assigned the rating of financial stability at level of Baa2 with forecast "Positive".

# Development of subsidiary organizations



**National Agency for Technological Development JSC**

www.natd.gov.kz

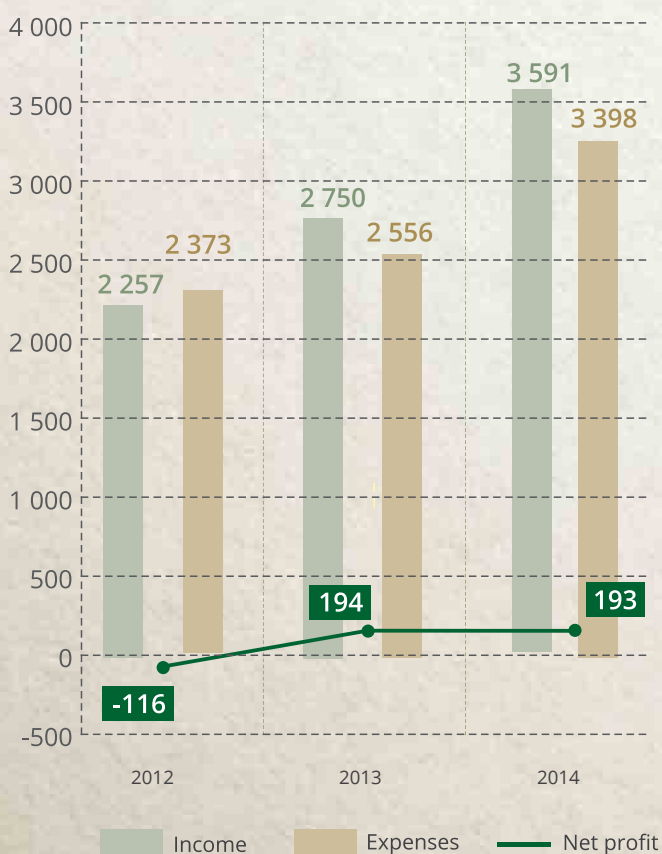
## Mission

Provision of efficient support to innovational activities in the Republic of Kazakhstan

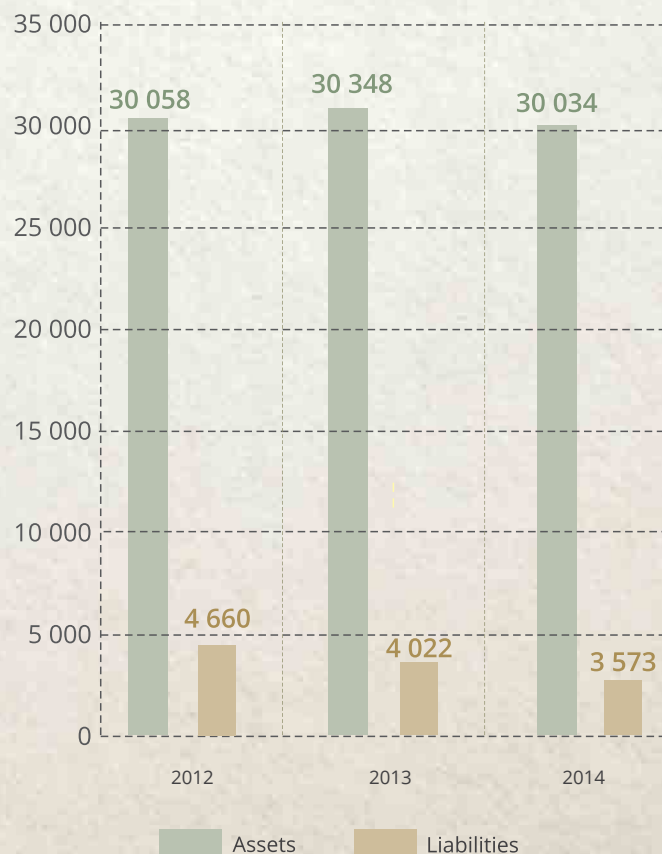
## Strategic directions of operations

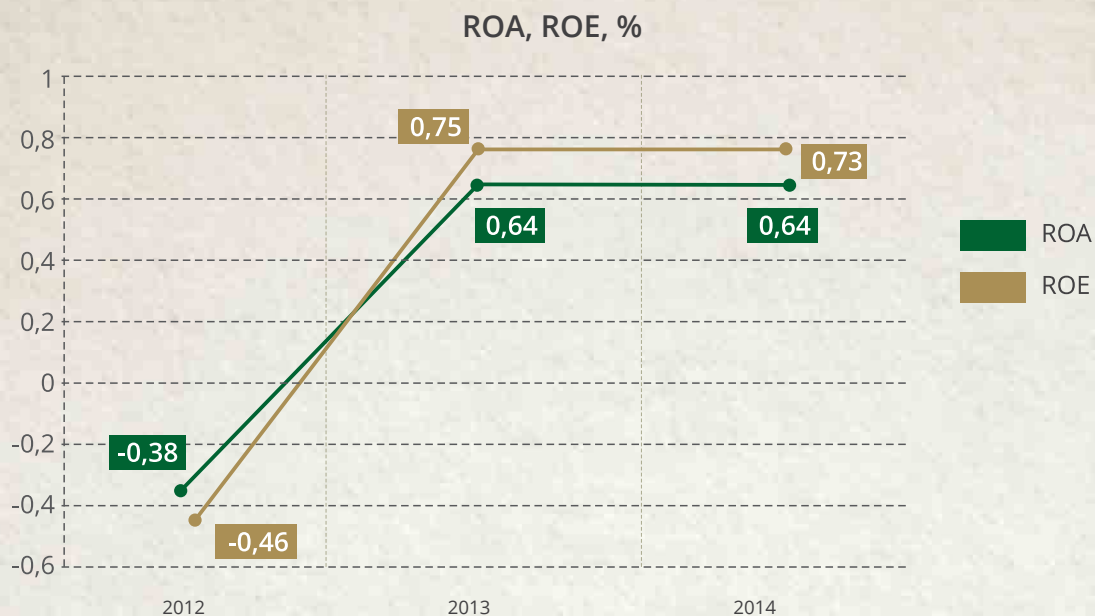
- innovation grants
- provision of services for technological business-incubation
- investment support to innovative projects
- development of the system of technologies transfer
- development of innovational infrastructure
- popularization of innovational activities
- informational-analytical support to innovational processes

Main financial indicators, M. tenge



Assets/Liabilities, bln. tenge





## Main performance results

### Ensuring financial support to innovative projects

Within provision of innovational grants 280 applications were considered, where grants were given on 38 innovative projects for the total amount of 641.1 M. tenge. The total volume of production manufactured by the projects in 2014 was – 33.3 bln. tenge, 1 132 jobs were created, 930.3 M. tenge of taxes were paid.

The total volume of attracted private investments per 1 tenge of the state inputs was 1.38 tenge.

Within the project and venture financing by NATD JSC, the following results were achieved:

- return of investments was done in amount of 78.9 M. tenge on the project of Aspan Telecom LLP, and investment profit received of 21 M. tenge
- return of investments was done in amount of 11.6 M. tenge from Stroitel LLP under the purchase and sale agreement
- central Asian Fund of Renewable Energy LLP was established with the total capitalization of \$50 M. along with Tengri Energy Capital LLP and the Islamic Corporation for the Development of the Private Sector, participation of NATD in money is \$15 M.
- money received in amount of 28.42 M. tenge previously invested in Logycom Perspective Innovations JSC as a result of voluntary liquidation
- in 2014 the American venture fund Flagship Venture Fund (share of NATD in the fund was 6.6%) successfully sold its project company Tetrphase Pharmaceuticals, and as a result NATD received minority allocation of \$486 thousand

# Development of subsidiary organizations



## National Agency for Technological Development JSC

[www.natd.gov.kz](http://www.natd.gov.kz)

### Development of innovational infrastructure

In 2014 technoparks of NATD rendered services of technological business-incubation on 33 projects.

The sectorial engineering bureaus procured 2 and designed 73 sets of engineering-technological documents, as well as tested 10 and certified 9 types of products.

### Development of international partner network

The amount of project financing implemented along with foreign partners via the global centers of technological transfer, was 70 M. tenge.

The result of the undertaken work was commencement of 14 joint projects in 2014, in particular: 8 research projects and 6 projects on technological transfer in the fields of heavy machinery, mining metallurgy, energetics, biotechnologies, pharmaceuticals, etc.

### Stimulating innovational processes via informational-analytical support

- within the technological forecasting with attraction of scientists and businessmen 550 passports of the most perspective developments were collected on 19 topics, 175 technological tasks of the industry were determined
- innovational congress was held within the Astana Economic Forum on topic "Role of innovations in the second five-years of industrialization", which is the international platform for discussing the key issues of innovations development in the world
- in December 2014 the meeting was held on issues of innovations development and innovational projects exhibition with participation of the Head of the State in Almaty
- the republican contest was held on innovational business-plans NIF\$50K, the republican contest of rationalization suggestions "Rationalizator.kz", and the republican contest of journalist materials on innovational topics "Orleu akparaty"
- four practical events were arranged under the program KazINNO. The undertaken work allowed to reveal 40 Kazakhstani technologies / projects which have a potential for commercialization. 8 projects obtained a possibility to pass the program of acceleration and incubation in the Silicon Valley, USA
- 33 seminars were held on innovational management for over 2000 persons

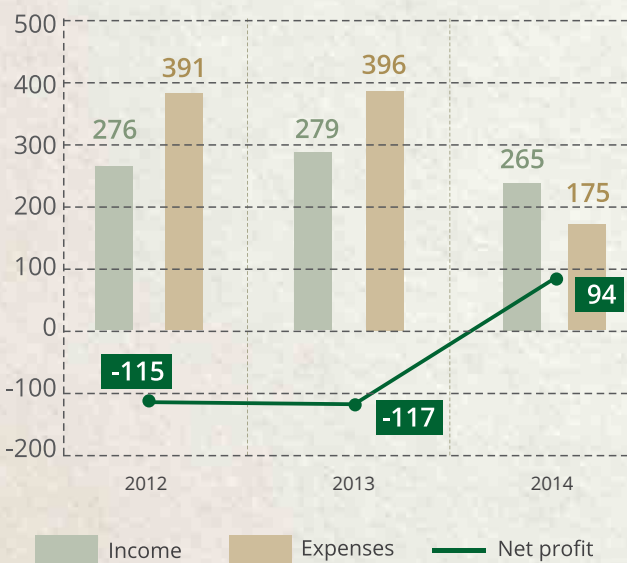
## Mission

Improving accessibility of mortgage loans to the wide population of the Republic of Kazakhstan in order to implement the state housing policy by way of sharing credit risks with creditors, investors, insurance companies.

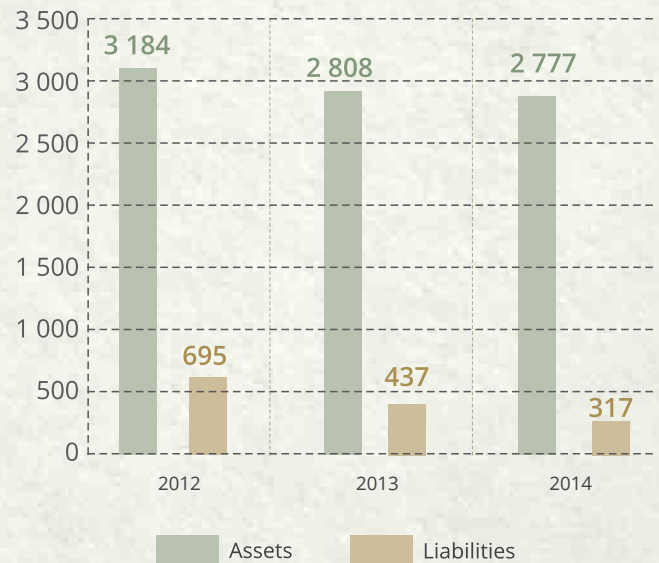
## Strategic directions of operations

- provision of guarantees on mortgage loans granted to individuals by commercial banks and financial institutions

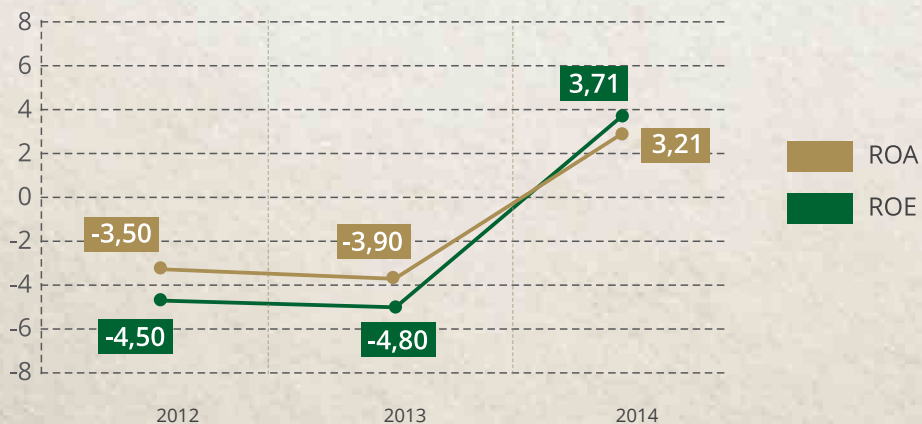
Main financial indicators, M. tenge



Assets/Liabilities, bln. tenge



ROA, ROE, %





# Development of subsidiary organizations



MORTGAGE GUARANTEE FUND OF KAZAKHSTAN JSC

## Kazakhstan Fund for Guaranteeing Mortgage Loans JSC

[www.mgf.kz](http://www.mgf.kz)

### Main performance results

#### The quantity of the existing guarantee liabilities

The quantity of the existing guarantee liabilities as of 31 December 2014 was 21 682 guarantee liabilities (hereinafter – GL) for the loans amount of 70.78 bln. tenge, including:

- on the State Programs – 21 196 GL for the amount of 68.49 bln. tenge
- on the market programs of the partners – 486 GL for the amount of 2.29 bln. tenge

Share of KFGML in the aggregate housing portfolio of the banking sector of the Republic of Kazakhstan as of 31 December 2014 was around 7.1%

#### Actions for developing the mechanism of guaranteeing shared contributions into housing construction

- the international experience of the mechanism for guaranteeing shared contributions was thoroughly researched and analyzed, and in result the successful experience of the Southern Korea was taken as the basis
- Memorandum of Understanding was signed with the South Korean Corporation for Housing Construction. Agreement reached about possibility to involve Korean specialists in implementation of the mechanism for guaranteeing shared contributions
- Concept of creation of the system for guaranteeing shared contributions in RK was developed, as well as the feasibility study
- KFGML actively participated in development of draft laws “On shared participation in housing construction” and “On amendments and additions to certain legislative acts on issues of shared participation in housing construction”, and provisions thereof were consented with participants of the guaranteeing system and the involved state bodies

# Development of subsidiary organizations



## Public-Private Partnership Advisory Center LLP

[www.pppac.kz](http://www.pppac.kz)

### Mission

Assistance to infrastructural development of the Republic of Kazakhstan based on strengthening the public-private partnership.

### Strategic directions of operations

- assistance in development of infrastructure in Kazakhstan.
- ensuring efficiency of implemented projects.

### Main performance results

In 2014 contracts were concluded, and advisory support provided on four projects:

- construction and operation of the multi-functional clinical hospital at the RPCE “Kazakh National Medical University after S. Asfendiyarov” in Almaty
- construction and operation of the Big Almaty Ring Highway
- construction and operation of kindergartens in the Northern Kazakhstan region
- construction of the light-rail transport line in Almaty

A public-private partnership is the system of relations between the state and private businesses aimed at achieving results in the traditional field of state responsibility defined in compliance with agreements on the terms of balanced distribution of rights, commitments, risks, costs and gains.



# ANNUAL FINANCIAL STATEMENTS

Consolidated statement on the financial position

# Annual financial statements

## Consolidated statement on the financial position

(In k KZT)	31st of December of 2014	31st of December of 2013
<b>ASSETS</b>		
Cash and cash equivalents	263 777 147	237 147 413
Financial instruments at fair value through profit or loss	38 175 605	27 010 660
Due from banks	442 651 990	300 236 818
Loans to customers	1 071 335 028	651 492 567
Investment securities available for sale	363 961 744	533 950 157
Receivables reverse repurchase agreements	701 124	477 708
Financial lease reverse repurchase agreements	26 122 360	16 161 514
Investment securities held to maturity	14 595 693	14 521 025
Investment in associates and joint ventures	3 724 560	7 239 202
Investment property	1 516 868	7 394 240
Current income tax prepayment	12 789 939	8 009 659
Deferred income tax asset	6 486 752	12 502 739
Property, plant and equipment	13 233 229	11 778 522
Intangible assets	1 521 354	1 306 379
Non-current assets held for sale	13 360 483	505 332
Other financial assets	18 183 615	9 193 962
Other assets	32 777 623	26 148 851
<b>TOTAL ASSETS</b>	<b>2 324 915 114</b>	<b>1 865 076 748</b>
<b>LIABILITIES</b>		
Customer accounts	260 089 868	203 568 687
Debt securities issued	505 668 105	344 602 388
Subordinated debt	14 163 005	17 747 212
Loans from banks and other financial institutions	619 119 766	507 935 905
Loans from the Government of the Republic of Kazakhstan	61 845 338	60 894 294
Current income tax liability	220 590	-
Deferred income tax liability	7 116 637	157 338
Insurance contract provisions	706 654	402 504
Other financial liability	22 330 519	28 849 004
Other liability	33 908 484	25 862 282
<b>TOTAL LIABILITIES</b>	<b>1 525 168 966</b>	<b>1 190 019 614</b>



# Annual financial statements

## Consolidated statement on the financial position

(In k KZT)	31st of December of 2014	31st of December of 2013
<b>EQUITY</b>		
Share capital	718 318 712	663 102 010
Revaluation reverse for investment securities available for sale	(7 063 690)	858 444
Revaluation reverse for financial assets reclassified from «investment securities available for sale» to «loan to customers»	6 386 403	-
Foreign currency translation reverse	898 082	254 277
Hedging reverse	(348 584)	(330 923)
Business combination reverse and additional paid-in capital	89 147 503	57 661 048
Other reserves	24 618 200	24 381 818
Accumulated deficit	(33 057 692)	(74 262 470)
<b>Net assets attributable to the Holding's owners</b>	<b>798 898 934</b>	<b>671 664 204</b>
<b>Non-controlling interest</b>	<b>847 214</b>	<b>3 392 930</b>
<b>TOTAL EQUITY</b>	<b>799 746 148</b>	<b>675 057 134</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2 324 915 114</b>	<b>1 865 076 748</b>



# Annual financial statements

## Consolidated profit and loss statements

(In k KZT)	2014	2013
Interest income	128 508 820	104 432 495
Interest expense	(60 489 744)	(56 566 481)
Net interest income	68 019 076	47 866 014
Reversal of/(provision for) Loan portfolio impairment	1 690 961	(7 187 417)
<b>Net interest income less provision for loan portfolio impairment</b>	<b>69 710 037</b>	<b>40 678 597</b>
Fee and commission income	4 152 503	3 229 370
Fee and commission expense	(1 425 948)	(3 769 709)
<b>Net fee and commission income/(expense)</b>	<b>2 726 555</b>	<b>(540 339)</b>
Net loss from financial assets at fair value through profit or loss	(9 664 651)	(684 570)
Net foreign exchange gain	14 271 917	116 123
Net (loss)/gain on investment securities available for sale	(990 125)	2 914 262
Gain from modification of terms of a financial liability	-	22 868 022
Net insurance premiums earned	629 685	713 451
Net insurance claims incurred and changes in insurance contract provisions	(351 751)	(23 118)
Other operating income	5 524 391	1 879 704
Other operating expenses	(2 062 699)	(2 006 925)
<b>Operating income</b>	<b>79 793 359</b>	<b>65 915 207</b>
Provision for impairment of other assets and credit related commitments	(302 426)	(5 980 318)
Administrative expenses	(27 774 776)	(21 203 115)
Share of financial result of associates and joint ventures	(121 224)	167 516
<b>Profit before income tax</b>	<b>51 594 933</b>	<b>38 899 290</b>
Income tax expense	(9 980 795)	(9 477 492)
<b>PROFIT FOR THE YEAR</b>	<b>41 614 138</b>	<b>29 421 798</b>
Profit/(loss) attributed to:		
- owners of the Holding	41 298 271	29 422 340
- non-comntrolling interest	315 867	(542)
<b>Profit for the year</b>	<b>41 614 138</b>	<b>29 421 798</b>

# Annual financial statements

## Comprehensive income consolidated statements

(In k KZT)	2014	2013
<b>PROFIT FOR THE YEAR</b>	<b>41 614 138</b>	<b>29 421 798</b>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve for investment securities available for sale:		
Losses less gains from revaluation	(2 246 625 )	(19 574 348)
Losses less gains/(gain less losses) reclassified to profit or loss	990 125	(2 914 262)
Income tax recognised directly in other comprehensive income	340 865	33 821
Foreign currency exchange differences on translation	643 805	125 336
Unrealised losses less gain on hedging	(17 661)	(173 151)
Amortisation of revaluation reserve for investment securities available for sale reclassified to loan to customers	(477 429)	-
<b>Other comprehensive loss for the year</b>	<b>(766 920)</b>	<b>(22 502 604)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>40 847 218</b>	<b>6 919 194</b>
Total comprehensive income/(loss) attributable to:		
- to owners of the Holding	40 586 002	6 930 551
- non-controlling interest	261 216	(11 357)
<b>Total comprehensive income for the year</b>	<b>40 847 218</b>	<b>6 919 194</b>



\*Audited consolidated financial statements of National Management Holding Baiterek JSC are posted on the website [www.baiterek.gov.uk](http://www.baiterek.gov.uk)

# Strategy



## Economy overview

In the post-crisis years, a moderate recovery of the economic growth began in Kazakhstan which accompanied with a gradual growth of the population's revenues, decrease of refinancing rates, as well as increasing the liquidity level at the market of short-term loans. However, the considerable decrease of oil prices happened in 2014 – the main export product of the Republic of Kazakhstan, which along with a number of other factors of internal and external character, led to a significant fall of the economic activity in the country.

In addition, there appeared the general slowdown of the economic growth in the world and growth of geopolitical instability due to developments around the Ukraine. Introduction of mutual sanctions between Russia and the EU countries with the USA led to fall of growth rates in Russia and destabilization of the macroeconomic situation.\*

At the background of stronger growth rates of the gross domestic product (hereinafter – GDP) of the USA, cutting the third program of the Federal Reserve System on quantitative easing, US dollar strengthening is happening and interest rates are growing.

In the result of the mentioned factors, as well as at the background of slate oil production in the USA, the world oil prices at Brent decreased from 115 dollars per barrel in end of June 2014 down to 63 dollars per barrel as of 22 December 2014 (by 45.2%).

In February 2014 the National Bank of RK undertook devaluation of tenge. De-jure the main purpose of the monetary policy of the NB RK is stability of prices, however, de-facto the strictly regulated exchange rate defines the system liquidity controllability.\*\*

Based on data of the Ministry for National Economy of RK, in 2014 the real GDP growth was 4.3% against 6% growth in 2013. The main reason for the decrease of GDP growth rates is decrease of demand at the external markets for our export positions and first of all in Russia, as well as decrease of prices of oil and metals in general at the global market. The share of goods production in the structure of GDP was 39.9%, services – 53.3%.

## Industry

In the industry, the growth was 0.3%, agriculture – 0.8%. Investments into fixed capital grew by 3.9%. Unemployment level was 5.0%, inflation – 7.4%. Average monthly salary was 120.5 k tenge, and grew by 3.9% in the real values.

Volume of the industrial production in January-December 2014 was 18492.8 bln. tenge in the current prices, which is 0.2% more than compared to results of the previous year.

Financial results of large and medium enterprises during the 3rd quarter of 2014 were determined as profit in amount of 1830.1 bln. tenge, which is 37.2% higher than the level of the similar period of 2013. The profitability level was 25.6%. Share of loss-making entities was 33.6% of the total number of reporting ones.

Volume of the gross manufacturing of products (services) of the agricultural sector in January-December 2014 was 2509.9 bln. tenge, which is 0.8% more than in 2013.

Light industry of Kazakhstan received a new push for development within the implemented SPIID program of the country. For instance, during the years of implementing the first five-year of industrialization, the volumes of manufacturing by light industry grew from 27.5 bln. tenge to 65.9 bln. tenge.

For the years of SPIID implementation, it was possible to achieve the following results: volumes of manufacturing by light industry grew from 27.5 bln. tenge in 2008 to 65.9 bln. tenge in 2014 which is by 10.2% in the real values; for 2014 the indicator of labor productivity grew 1.5-fold compared with the base 2008 and constituted \$13.2 k.

Upon results of the passed year, the enterprises of light industry manufactured products for 65.9 bln. tenge. The index of the physical volume (IPV) in 2014 constituted 103.7% to 2013. In the production of textile, the real growth of IPV was fixed at 101.4%, in production of clothes IPV was 105.6%, in production of leather-ware and referring products was 108.6%.\*

\* Statement of the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan about the main directions of the economic policy for 2015

\*\*Statement of the International Monetary Fund, August 2014



## Industry

The annual inflation upon results of 2014 was 7.4%, in 2013 – 4.8%. Increase of the inflation level in 2014 was related to several factors: in the first semester of 2014 – with adjustment of the national currency exchange rate in February 2014 and related thereto rise in prices of imported goods, as well as due to seasonal factors.

In the second semester of 2014, retention of the inflation background was related to growth in prices for gas and diesel at the internal market in August 2014, as well as growth in prices for services of the enterprises – natural monopolies. The National Bank of RK shall continue to undertake measures for retaining inflation within the target corridor of 6-8%. Prices for food products grew by 8%, non-food – by 7.8%, chargeable services to the population – by 6.4%. Prices of the enterprises-producers for the industrial production in December 2014 decreased by 1.6% compared to December 2013.

## Investments

Based on data of the Statistics Agency of the Republic of Kazakhstan, the volume of investments into fixed capital grew by 3.9% during 2014 and constituted 6574.7 bln. tenge.

The volume of investments into the processing industry in January-December 2014 (in comparable prices) decreased by 0.9% compared to 2013. Share of investments into the processing industry in the total volume of investments into the fixed capital increased by 0.2 percent points and constituted 11.0%.

The volume of investments into agriculture during January-December 2014 (in comparable prices) grew by 14.4% compared to 2013. The share of investments into agriculture in the total volume of investments into the fixed capital increased by 0.1 percent points and constituted 2.5%.

## Trade

Volume of retail trade during January-December 2014 was 6020.8 bln. tenge (without turnover of public catering) and increased by 12.1% compared to January-December 2013.

Cross-border trade of Kazakhstan in 2014 constituted \$119.5 bln. and decreased by 10.5% compared to 2013 which is \$14.1 bln. (external turnover of Kazakhstan in 2013 was \$133.5 bln.).

Export of goods from Kazakhstan in 2014 was 78.2 bln US dollars, which is 7.6% or \$6.5 bln. less than the indicator of 2013 (export of goods from Kazakhstan in 2013 constituted \$84.7 bln.). The main share of export of Kazakhstani goods refers to countries of the distant abroad (87.5% or \$68.4 bln.). Kazakhstani goods were exported to the CIS countries for the amount of \$9.8 bln. (12.5%).

The main consumers of the Kazakhstani goods in 2014 were: Italy (20.5%), China (12.5%), the Netherlands (11.2%), Russian Federation (6.6%), France (6.0%), Switzerland (5.8%), Romania (4.0%), Austria (3.6%) and Turkey (2.9%).

In 2014 the value-based volume of the goods imported to Kazakhstan, constituted \$41.2 bln., decreasing by 15.5% or \$7.6 bln. compared to 2013 (import of goods in 2013 constituted \$48.8 bln.).

Share of distant countries in the import of Kazakhstan in 2014 constituted 57.7% (goods imported for the amount of \$23.8 bln.). Share of CIS countries in the import of Kazakhstan constituted 42.3% or \$17.4 bln.

The main vendors of the imported products in 2014 were: Russian Federation (33.3% of total volume of import), China (17.9%), Germany (5.6%), Ukraine (2.9%), France (2.6%), Republic of Korea (2.6%), Uzbekistan (2.5%), Turkey (2.5%), Italy (2.5%) and Japan (2.2%). Trade balance in 2014 was positive and constituted \$37 bln.



### Banking sector

As of yearend 2014, the share of banking assets in GDP was 47.2%, share of the loan portfolio in GDP was – 36.7%, share of clients deposits in GDP was – 29.4%. The loan portfolio (principle debt) of the banking sector in 2014 grew by 6.3% to 14 184 bln tenge.

The banking sector in 2014 continued clearing loan portfolios from the “toxic” loans. Upon data of the National Bank of RK, as of beginning 2015 the NPL (non-performing loans (with overdue 90 days) constituted 3 340 bln. tenge or 23.5% of the loan portfolio. For comparison, as of beginning 2014 this indicator constituted 4 158 bln. tenge or 31.2% of the loan portfolio. Provisions on the loan portfolio were 3 570 bln. tenge or 25.2% of the loan portfolio (as of beginning 2014 – 4 644 bln tenge or 34.8% of the loan portfolio).

However, the international rating agencies noted insufficiency of this work. Notwithstanding the suggested recapitalization of the Problem Loans Fund from 5 bln tenge to 250 bln. tenge and changes of its investment policy, which shall allow the fund to buy-out debt related to construction (the main part of bad loans is in this sector), perspectives of improving the situation for the banks remain uncertain\*.

By opinion of the agency S&P, over five years passed since the crisis beginning, and the share of the problem loans still remains very high. Analysts point the aggressive practice of crediting and insufficiently strict standards of underwriting as the main problems.

The market situation was worsened in the end of 2014, when commercial banks began to sharply suffer the tenge liquidity deficit. The population and companies converted their tenge deposits into US dollars, which limited resources of the banks for crediting the economy. The share of individual deposits in foreign currencies increased from 44% as of year beginning to 67.4% as of yearend 2014. During 2014, the 18% growth of assets of commercial banks was noted, and as of 1 January 2015 they constituted 18 239 bln. tenge (as of year beginning 2014 – 15 462 bln tenge). The net profit of the banking sector constituted 286 bln tenge. Ratio of the net profits to the aggregate assets (ROA) was 1.67% (1.77% as of the similar date of the previous year). Ration of net profits to equity under the balance sheet (ROE) was 13.43% (13.15% as of the similar date of the previous year).

Among the positive factors noted at the market, completion of deals on acquisition of the banks nationalized during the crisis – Alliance Bank JSC, BTA Bank JSC, Temirbank JSC.

The National Bank of Kazakhstan continued working on improving the situation at the financial market. Since 1 October 2014 the regulator introduced limitations for commercial banks on abroad allocation of money received as share capital. The requirement is that 70% of the shared capital to be placed at deposits within the country. This measure started to operate since 1 October 2014 for non-system-building banks of Kazakhstan. A similar requirement for the system-building banks such as Halyk Bank and Kazkommertsbank, shall be introduced since 1 October 2015. 2015 will likely be complicated for the banking sector of RK. A number of problems which created and strengthened during 2014 will be sharp. Worsening of the macroeconomic situation including perspectives of the GDP lower growth rates, higher pressure on the national currency, and recession in Russia will have a negative impact to perspectives of business conduct and characteristics of credit solvency of the Kazakhstan banks.

\*Center for Sectorial Analysis of Kazakhstan Industrial Development Institute JSC

## Stock market

To ensure the long-term development of the economy, it is necessary to have an efficient stock market, where the full turnover of internal capital is in place for additional financing of the economy. In general, a relatively developed infrastructure of stock market is currently arranged in Kazakhstan.

The main set of classical financial instruments was introduced. At the same time, during the recent years the Kazakhstan stock market has not developed and moreover has been losing positions compared to other sectors of the financial market. For instance, according to the report of the WEF on global competitiveness 2014-2015, Kazakhstan is only at the 98th position with respect to development of the financial market (the 103rd position in 2011-2012) with very low indicators on accessibility of financing via the internal stock market and development of the stock exchange regulations.

There noted an inconsiderable number of companies in Kazakhstan which list their shares at the stock exchange – 130. At the same time, there is a high demand for a developed stock market as the source for attraction of share capital.

## Small and medium business

Based on data of the World Economic Forum, Kazakhstan held the 77th position in the Annual Report on Global Competitiveness for 2015. 14.6% of respondents determined access to financing as the most problematic factor for the business conduct in Kazakhstan. In the last year, only 8.5% of respondents noted this barrier.

Be beginning of 2015 the number of registered SMEs in Kazakhstan constituted 1 656 k units, which is 2.2% more than the indicator as of 01 January 2014, the share of SMEs in the total number of businesses in the country is assessed at level of 96%.

The number of actively operating SMEs grew by 2% during 2014, achieving 900 k units by 1-st of January of 2015 which is 54% of the total number of registered SMEs.

The dynamics of indicator “share of population actively involved in SME” during the period of 2005 to 2014 has the general trend of growth: as of 01.01.2015 the indicator was 32% of the total quantity of population involved in the economy growing from 2005 by 6.2%, as of yearend 2014 – by 1%.

In the absolute values, the involvement in SMEs grew by 134 k persons or 5.1% during 2014 as a result thereof, as of 1-st of January of 2015 the number of jobs in SMEs achieved 2 770 k persons (the maximum value by beginning of 2015).

Production output of SMEs for 2014 is estimated at the level of 14 605 bln. tenge. Share of the gross added value of SMEs in the gross regional product of Kazakhstan as of yearend 2014 constituted 25%, which is 8.1% higher than the indicator of yearend 2013.

# Strategy

## Economy overview

### Housing construction sector

In the construction sector, the number of objects introduced into operations as of December 2014 decreased by 0.42% to 33 064 units compared to December 2013. In January-December 2014, 613.6 bln. tenge were forwarded to housing construction, which is 18.1% more than in 2013. In January-December 2014, 607.4 thousand sq.m of rental housing were introduced into operation, along with 593.9 thousand sq.m of the crediting housing.

The actual share of economically active population as of yearend 2014 constituted 5.34%, which is the result of ratio of 486.5 k existing participants of the housing construction savings system to 9110 k persons of the economically active population of the country.

In 2014 (December 2014 compared to December 2013), the selling prices of the newly-constructed housing increased by 11.5%, rental of well-finished housing – by 13%, reselling of well-finished housing – by 17.6%.

### Mortgage lending

The strict system of evaluating borrowers on behalf of the commercial banks, including the high qualification requirements to the first installment, thorough checks of credit solvency of clients witness about a restrained credit activities of the banks. At the same time, regardless of the February devaluation of tenge, the demand of the population for mortgage loans in 2014 revived compared to the second semester of 2013. However, in the end of the year some banks decreased mortgage lending due to high devaluation expectations.

In this relation, subsidiaries of the Holding play a big role – Kazakhstan Mortgage Company and Housing Construction Savings Bank of Kazakhstan. Upon results of the last year, the volume of bought-out legal claims on mortgage loans from commercial banks constituted 12.5 bln. tenge with the average yield of 11.99%. The total loan portfolio of KMC was 87.19 bln. tenge with the average yield of 11.59%.

As of yearend 2014, the share of KMC at the market of loans for construction and acquisition of housing was 9.9%.

Each third mortgage tenge granted in Kazakhstan in 2014 was provided by Housing Construction Savings Bank of Kazakhstan.

As of data of the National Bank of RK, in total during 2014 commercial banks granted loans for construction and acquisition of housing for the amount of 295.0 bln. tenge, where 97.8 bln. tenge or 33% were granted to clients of Housing Construction Savings Bank of Kazakhstan. Achievement of this indicator witnesses about expansion of HCSBK at the market of financial services.

**Every third tenge given as a loan in Kazakhstan in 2014, was provided by the Housing Construction Savings Bank.**

# Development strategy of the Holding

## Strategic directions

When forming the strategic development directions, the management of the Holding considered the current economic situation and forecasts of development for the perspective period. Besides, the development strategy of the Holding was designed considering the strategic and program documents of the Republic of Kazakhstan, and defines its mission, vision, strategic directions, goals and objectives for 2014-2023.

### **Project on creation of the Management Information System**

In 2014 the Holding initiated work on the project of creating the Management Information System for implementation of the centralized approaches to planning and budgeting, improvement of the corporate governance, risk management and internal control systems with application of modern information technologies.

### **Approval of general corporate documents**

In order to build-up the efficient governing system, regulatory documents were designed and approved in the spheres of risk management, treasury transactions, internal audit, strategic development, corporate governance in the Holding and its subsidiaries and associates.

### **Ensuring breakeven level of operational and financial results**

Solution of this objective requires implementation of the centralized approaches in planning and budgeting, setting and monitoring of the key performance indicators, improvement of corporate governance, risk management, introduction of internal control systems, improving quality and productivity of personnel, introduction of modern information technologies.

### **Improving efficiency of financial resources management**

This objective presumes work on improving the quality of management and centralized allocation of the available monetary resources for maintaining the credit and investment operations; undertaking work for attraction and optimization of cost of external financing for the Group as well as retaining solvency and financial sustainability of the Group.

### **Improving transparency and credibility level**

Work is being done on improving the client-oriented business of the development institutions, informational awareness of the target audiences about the undertaken work, and improving the level of credibility of the population and the business to the Holding.

The successful implementation of these objectives and arrangement of business-processes shall allow to achieve the complex execution of the strategic goals set before the Holding. Upon results of the undertaken actions, the Holding is planning to move to the strategic governing of the subsidiaries since 2016. The high efficiency and transparency of the Holding's operations shall promote increase of the volumes of financing and direct investments forwarded to the real sector of the Kazakhstan's economy, improving the quality of support to the priority sectors and subjects of the economy, as well as positioning the Holding as the key development institution both in Kazakhstan and the Single Economic Space.



## Strategic development objectives of the Holding

In order to implement the mission and vision, the Holding is operating on five key directions:

### 1 Assistance in sustainable development of the economy of the Republic of Kazakhstan via financial support to the priority sectors of the economy:

#### *Ensuring financing of the economy via mechanisms of lending and investing:*

- increasing the ratio of the Holding's assets to the country's GDP from 6% in 2014 to 7% in 2023
- increasing the loan portfolio from 1 321 bln. tenge in 2014 to 6 619 bln. tenge in 2023
- increasing the investments portfolio (except for the treasury transactions) from 50 bln. tenge in 2014 to 335 bln. tenge in 2023
- increasing the index of effect from development of projects (on DBK JSC) from 62 in 2014 to 70 in 2023
- increasing the share of the loan and investment portfolio in total assets of the Holding from 56% in 2014 to 77% in 2023

#### *Ensuring structuring and financing for infrastructural projects, including the projects of public-private partnership:*

- increasing the cumulative volume of own money of the Holding invested into infrastructural projects to 50.6 bln. tenge by 2023
- 10-fold increase of the cumulative quantity of infrastructural projects including PPP, where advisory services were provided, from 3 in 2014 to 30 projects in 2023

#### *Interaction with the private financial institutions on ensuring the necessary level of financing the economy:*

- increasing the share of attracted direct private investments to a unit of the state money from 1.7 in 2014 to at least 2 during the further period of the strategy implementation

### 2 Support of small and medium entities

#### *Ensuring financial support to SME subjects:*

- increasing the volume of funds forwarded to development of entrepreneurship under the financial programs of the Holding from 328 bln. tenge in 2014 to 583 bln. tenge in 2023
- increasing the multiplier of co-financing SMEs on behalf of commercial banks on the loans granted under the program of conditional placement to 1-to-2 in 2023
- increasing the share of attracted funds for financing SMEs from the non-budget sources from 20% in 2014 to 40% in 2023

#### *Improving competences of SME subjects:*

- increasing the share of training participants who further opened their businesses, from 10% in 2014 to 25% in 2023



## 3 Supporting new, modern sectors of the economy and development of innovations

### ***Financial support to new sectors of the economy and innovational projects:***

- increasing the annual volume of manufactured production by the projects supported within the support tools, from 8 bln. tenge in 2014 to 13 bln. tenge in 2023

### ***Development of innovational infrastructure:***

- increasing the share of commercialized projects in the total number of projects supported by the Holding, from 15% in 2014 to 30% in 2023

### ***Development of competences of the innovation-oriented enterprises and assistance in transfer of technologies:***

- increasing the quantity of enterprises which carried out transfer of technologies, from 12 in 2014 to 70 in 2023

## 4 Support to export operations of the Kazakhstan companies

### ***Development of the export insurance and trade finance:***

- increasing the share of covering the export with tools of export insurance and trade finance from 1.4% in 2014 to 3% in 2023

### ***Non-financial support of the export operations of the Kazakhstan enterprises:***

- increasing the share of export-oriented enterprises which received advisory services, from 4% in 2014 to 8% in 2023

## 5 Assistance in solution of socially-oriented goals of the state

### ***Development of the system of housing construction savings:***

- increasing the ratio of participants in the housing construction savings system to the economically active population from 5.2% in 2014 to 17% in 2023
- increasing the share of the Holding's participation at the market of loans for construction and acquisition of housing from 12.8% in 2014 to 25% in 2023

### ***Development of instrument "rental with further acquisition":***

- increasing the volume of rental housing brought into operation from 171 thousand sq.m in 2014 to 615 thousand sq.m in 2023

### ***Support to the mortgage market:***

- maintaining the volumes of legal claims on mortgage loans from partner banks at the level of 52 bln. tenge in 2023

### ***Development of guaranteeing mortgage loans:***

- increasing the share of mortgage loans in the portfolios of commercial banks which are backed with guarantees of KFGML JSC, from 9% in 2014 to 17% in 2023



# Corporate governance

# Corporate governance

The Holding develops the system of corporate governance in accordance with the best global standards of international corporations. The Management aspires to achieving the high level of corporate governance within the Holding and in relationships with the Sole Shareholder, the Board of Directors of the Holding, subsidiary and dependent organizations, other stakeholders.

Quality of corporate governance facilitates improvement of the Holding's performance efficiency, strengthening its reputation, and decrease of capital-raising costs. The Holding considers the appropriate system of corporate governance as the factor defining its position in the modern economy. The principle of supremacy of law is the backbone of corporate governance.

## **The basic principles of corporate governance are:**

- protection of rights and interests of the Sole Shareholder
- efficient governance of the Holding by the Board of Directors and the Management
- independent operations of the Holding
- transparency and objectivity of informational disclosures about the Holding's operations
- legitimacy and ethics
- efficiency of the dividend policy
- environmental protection
- fair settlement of corporate conflicts and conflicts of interests
- accountability

The Holding developed and adopted: the Code of Corporate Governance, statutes of the Board of Directors and the committees thereof, statutes of the Management and the committees thereof, regulation on the internal audit service, regulations on the corporate secretary and the office thereof, policies on risk management, information security, settlement of corporate conflicts and conflicts of interests, and other documents on corporate governance.

## Shareholder

In accordance with the Decree of the President of the Republic of Kazakhstan dated 6 August 2014, the Sole Shareholder of the Holding is the Government of the Republic of Kazakhstan represented by the Committee for State Property and Privatization of the Republic of Kazakhstan.

On 26 June 2013 the rights of possession and use of the state stake in the Holding were transferred to the Ministry for Industry and New Technologies of the Republic of Kazakhstan.

On 27 November 2014 the rights of possession and use of the state stake in the Holding were transferred to the Ministry for Investments and Development of the Republic of Kazakhstan.

Therefore, the Ministry for Investments and Development of the Republic of Kazakhstan makes decision on issues which are referred to the competence of the Sole Shareholder by laws and the charter of the Holding, and the decisions are formalized with orders of the authorized offices of the Ministry for Investments and Development of the Republic of Kazakhstan.



## Structure of corporate governance

### SOLE SHAREHOLDER



Segregation of duties among the Holding's bodies is formalized in the charter and internal documents of the Holding, which ensures observance of the Sole Shareholder's interests.

### The system of the Holding's bodies

- Sole Shareholder – the supreme body of the Holding
- Board of Directors – the governing body which carries out the general governance and control over performance of the Management
- Management – the collective executive body which manages the current operations of the Holding
- Internal Audit Service – the body which carries out control over financial operations and performance of the Holding, assessment of internal controls and risk management, execution of documents in the sphere of corporate governance and consultancy in order to improve the Holding's performance

The corporate governance in the Holding is based on the principle of protection of rights and legal interests of the Sole Shareholder. The Holding ensures execution of rights of the Sole Shareholder in accordance with the law. The Holding considers presence of independent and professional Board of Directors to be an important element of the efficient corporate governance. The Management carries out managing the current operations in order to achieve the strategic goals and objectives.



### **KARIM MASSIMOV**

Chairman of the Board of Directors of Baiterek  
National Managing Holding JSC

Prime-Minister of the Republic of Kazakhstan

He was born in 1965. Graduated from the Peoples' Friendship University of Russia, Beijing Language Institute, Wuhan University School of Law (China), Kazakh State Academy of Management, completed an internship at Columbia University. Doctor of Economics.

He worked as chief economist, head of department at the Ministry of Labour, senior specialist of the representation office of the Ministry of External Economic Ties in Urumqi (China), Managing Director of the Kazakh Trading House in Hong Kong.

Served as Chairman of the Board of Almaty Trade and Finance Bank and Chairman of the Board of the People's Savings Bank. Was appointed Minister of Transport and Communications, Deputy Prime-Minister, Assistant to the President of Kazakhstan.

From January 2006 – Deputy Prime-Minister of Kazakhstan.

From April 2006 – Deputy Prime-Minister of Kazakhstan - Minister of Economy and Budget Planning.

From January 2007 – Prime-Minister of Kazakhstan.

From September 2012 – Head of the Presidential Administration of Kazakhstan.

Since April 2014 – Prime-Minister of Kazakhstan.

On 9 April 2014 elected as Chairman of the Board with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №19 "On composition of the board of directors of Baiterek National Managing Holding joint-stock company".



# Corporate governance

## Board of Directors



### **BAKYTZHAN SAGINTAYEV**

Member of the Board of Directors of Baiterek National Managing Holding JSC

First Deputy Prime-Minister of the Republic of Kazakhstan

Born in 1963 in Usharal village, Talas district, Dzhambul region.

He graduated from Kazakh State University. Economist, Ph.D. in Economics.

Began his career as a Lecturer at the Department of Political Economy in the Almaty Institute of National Economy.

From 1988 to 1992 worked in the Kazakh State University, starting from position of an assistant to Associated Professor of the Sociology Department.

From 1992 to 1998 he was involved into entrepreneurship.

Appointed as the Deputy Mayor (Akim) of Zhambyl region in 1998.

From 1999 to 2002, occupied the positions of Deputy Chairman of the Agency for Regulation of Natural Monopolies, Protection of Competition and Small Business Support of the Republic of Kazakhstan.

From 2002 to 2004 – First Deputy Chairman of the Agency for Regulation of Natural Monopolies, Protection of Competition and Small Business Support of the Republic of Kazakhstan.

From 2004 to 2007 – Chairman of the Agency for Regulation of Natural Monopolies, Protection of Competition and Small Business Support of the Republic of Kazakhstan.

From 2007 to 2008 he worked as the Head of Prime Minister’s Office of the Republic of Kazakhstan.

From 2008 to 2012 – Mayor (Akim) of Pavlodar region.

From January 20, 2012 – Minister of Economic Development and Trade of the Republic of Kazakhstan.

From September 24, 2012 – First Deputy of Nur-Otan People’s Democratic Party.

On January 16, 2013 appointed as the First Deputy Prime-Minister – Minister of Regional Development of the Republic of Kazakhstan, based on the Decree of the President of the RK.

On November 6, 2013 he resigned as the First Deputy Prime-Minister – Minister of Regional Development of the Republic of Kazakhstan and appointed as the First Deputy Prime-Minister of the RK, based on the Decree of the President of the RK.

From June 2013 – Member of the Board of Directors at Baiterek National Managing Holding JSC.

On 30 December 2013 elected as Board member with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 “On composition of the board of directors of Baiterek National Managing Holding joint-stock company”.

### **ASSET ISSEKESHEV**

Member of the Board of Directors of Baiterek National Managing Holding JSC

Minister for Investments and Development of the Republic of Kazakhstan



Born in 1971 in Karaganda. In 1994 he graduated from the Kazakh State University named after Al-Farabi, Department of Law.

In 1998 he graduated from the High State Management School at the President of the Republic of Kazakhstan.

Worked in the Agency on Strategic Planning and Reforms, in the Ministry of Economy and Budget Planning of the Republic of Kazakhstan.

From 2003 to 2006 – Vice-Minister of Industry and Trade of the Republic of Kazakhstan.

From 2006 to 2007 – Deputy CEO at Kazyna Sustainable Development Fund JSC.

From 2007 to 2008 – Director for Financial Projects Marketing, Credit Swiss (Kazakhstan).

From 2008 to 2009 – Assistant of the President of the Republic of Kazakhstan on Economic Affairs.

From May 2009 – Minister for Industry and Trade of the Republic of Kazakhstan.

From March 2010 – Deputy Prime-Minister of the Republic of Kazakhstan – Minister for Industry and New Technologies of the Republic of Kazakhstan.

From January 2012 – Minister for Industry and New Technologies of the Republic of Kazakhstan.

From September 2012 – Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan.

From August 2014 he was appointed as the Minister for Investments and Development of the Republic of Kazakhstan.

On 25 June 2013 he was appointed as Board Member with order of the Chairman of the Committee for State Property and Privatization E. Utepov #471 "On governing body of Baiterek National Managing Holding joint-stock company".

On 30 December 2013 elected as Board member with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 "On composition of the board of directors of Baiterek National Managing Holding joint-stock company".



# Corporate governance

## Board of Directors



## YERBOLAT DOSSAYEV

Member of the Board of Directors of Baiterek National Managing Holding JSC

Minister for National Economy of the Republic of Kazakhstan

Born in 1970 in Almaty. Graduated from the Almaty Power Engineering Institute, Moscow State Technical University named after Bauman.

From 1997 to 1998 – Deputy CEO of Closed Joint-Stock Company Bank TuranAlem, CEO of CJSC ATFBank.

In 1998 – Advisor of the Prime-Minister of the Republic of Kazakhstan, Vice-Minister of Energy, Industry and Trade of the RK.

From 2000 to 2001 – Vice-Minister of Finance of the RK.

From 2001 to 2003 – Chairman of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies, Protection of Competition and Small Business Support.

From 2003 to 2004 – Minister of Finance of the RK, Executive manager of the European Bank for Reconstruction and Development (EBRD) in Kazakhstan, Member of the Management of the National Bank of the RK.

From 2004 to 2006 – Minister of Healthcare of the RK.

From 2006 to 2012 – Chairman of Board, JSC KazInvestBank.

From September 2012 to January 2013 – Minister of Economic Development and Trade of the RK.

From January 16, 2013 appointed as the Minister of Economy and Budget Planning of the Republic of Kazakhstan. On 6 August 2014 he was appointed the Minister of National Economy of the Republic of Kazakhstan.

On 25 June 2013 he was appointed as Board Member with order of the Chairman of the Committee for State Property and Privatization E. Utepov #471 "On governing body of Baiterek National Managing Holding joint-stock company".

On 30 December 2013 elected as Board member with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 "On composition of the board of directors of Baiterek National Managing Holding joint-stock company".

### **BAKHYT SULTANOV**

Member of the Board of Directors of Baiterek  
National Managing Holding JSC

Minister of Finance of the Republic  
of Kazakhstan



Born in 1971 in Almaty. Graduated from the Kazakh National Technical University and Kazakh State Management Academy. He has diplomas of electrical engineer and economist.

In 1994–1997 – Junior Economist, Deputy Head of State Securities Administration – Head of department of the Ministry of Finance of the Republic of Kazakhstan.

In 1996–1997 – Deputy Head on Cash Operations Management and Treasury State Debt at the Ministry of Finance of the RK.

In 1997–1998 – Deputy Director of Budget Department, Director of Department for Governmental Procurement, Ministry of Finance of the Republic of Kazakhstan.

In 1998–1999 – Deputy Director of Treasury Department at the Ministry of Finance of the RK.

In 1999–2002 – Deputy Director of Budget Department, Deputy Director, Director of the State Budget Department, Ministry of Finance of the RK.

In 2002–2003 – Director of Budget Policy Department at the Ministry of Economy and Budget Planning of the Republic of Kazakhstan.

In 2003–2006 – Vice-Minister on Economy and Budget Planning of the Republic of Kazakhstan.

In 2006–2007 – Chairman of the Agency of the Republic of Kazakhstan for Statistics, Vice-Minister of Finance of the RK.

In 2007–2010 – Ministry of Economy and Budget Planning of the Republic of Kazakhstan.

In March 2010 appointed as the Assistant to the President of the Republic of Kazakhstan.

In January 2012 appointed as Deputy Head of Administration of the President of the RK by Decree of the Head of State.

In November 2013 he was appointed as the Deputy Prime-Minister – Minister of Finance of the Republic of Kazakhstan.

In August 2014 he was appointed the Minister of Finance of the Republic of Kazakhstan.

On 25 June 2013 he was appointed as Board Member with order of the Chairman of the Committee for State Property and Privatization E. Uteпов #471 “On governing body of Baiterek National Managing Holding joint-stock company”.

On 30 December 2013 elected as Board member with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 “On composition of the board of directors of Baiterek National Managing Holding joint-stock company”.



# Corporate governance

## Board of Directors



### YERBOL ORYNBAYEV

Member of the Board of Directors of Baiterek National Managing Holding JSC

Assistant to the President of the Republic of Kazakhstan

He was born in 1971.

In 1993 he graduated from Moscow State University after Lomonosov, in 2002 – Duke University (USA).

In 1992-1993 – Specialist of Commercial Department of Shymkent Commercial Bank “Ak- Bastau”.

In 1994-1995 – Deputy Chairman of Joint Stock Commercial Bank “Future”, Moscow.

In 1995-1996 – General Director of “Wakefield Inspection Services K Ltd”, Shymkent.

In 1996-1997 – Deputy mayor (Akim) of South Kazakhstan region.

From March to May 1998 – Head of the Department of Macroeconomic Policy and Forecasting of Agency for Strategic Planning and Reform of the Republic of Kazakhstan.

From May to September 1998 – Chief expert of the Office of the President of the Republic of Kazakhstan.

From September 1998 to February 1999 – Deputy Head of the Department of socio-economic reforms under the Presidential Administration of the Republic of Kazakhstan.

From 1999-2002 – Director of the Department, Assistant to Chairman of Agency for Civil Service Affairs of the Republic of Kazakhstan.

In 2002-2003 – Vice-Minister of Economy and Budget Planning of the Republic of Kazakhstan.

In 2003-2004 – CEO at Marketing and Analytical Research Centre JSC.

In 2004-2005 – Deputy Head of the Presidential Administration of the Republic of Kazakhstan - Head of Economic Policy Office.

In 2005-2006 – Head of the Department of Social and Economic Analysis of the Presidential Administration of the Republic of Kazakhstan.

In 2006-2007 – Deputy Head of the Presidential Administration of the Republic of Kazakhstan.

From January to October 2007 – Head of the Prime-Minister’s Office of the Republic of Kazakhstan.

In 2007-2013 – Deputy Prime-Minister of the Republic of Kazakhstan.

In November 2013 by the Decree of the Head of State was appointed as Assistant to the President of the Republic of Kazakhstan.

On 23 October 2014 he was elected as Board Member with order of the Minister for Investments and Development of the Republic of Kazakhstan A. Issekeshov №96 “On composition of the Board of Directors of Baiterek National Managing Holding joint-stock company”.



### **KUANDYK BISHIMBAYEV**

Member of the Board of Directors of Baiterek  
National Managing Holding JSC

Chief Executive Officer of Baiterek  
National Managing Holding JSC



Born in 1980 in Kyzylorda. In 1999 he graduated from the Kazakh State Management Academy with specialty of International economic relations, in 2001 with support of the Bolashak Program scholarship, he graduated from the Management and Business School at the George Washington University (USA), Master of Business Administration. In 2002 he graduated from Taraz State University named after M. Dulati with specialty in Law.

From 2001 to 2002 – Principal Manager of JSC Kazakhstan Development Bank.

From August 2002 to March 2003 – Head of Functional Analysis Service of the Budget Policy and Planning Department, Deputy Head of Investment Planning and Analysis Unit at the Department for Strategic Planning and Investment Policy of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan.

From 2003 to 2005 he occupied the managerial positions in the joint-stock companies: National Innovation Fund, Marketing and Analytical Research Center, Ordabasy Corporation.

From 2005 to 2006 – Advisor of the Minister of Economy and Budget Planning of the Republic of Kazakhstan.

From 2006 to 2007 – Advisor of Prime-Minister of the Republic of Kazakhstan.

From 2007 to 2008 – Vice-Minister of Industry and Trade of the Republic of Kazakhstan.

From 2008 to 2010 – Head of Social Economic Monitoring Department of the Administration of the President of the Republic of Kazakhstan.

From 2010 to 2011 – Vice-Minister of Economic Development and Trade of the Republic of Kazakhstan.

From 2011 to 2013 – Deputy CEO at Samruk-Kazyna National Welfare Fund JSC.

From May – CEO at Baiterek National Managing Holding.

From June 2013 – Member of the Board of Directors, JSC National Management Holding Baiterek.

On 25 June 2013 he was appointed as Board Member with order of the Chairman of the Committee for State Property and Privatization E. Uteпов №471 “On governing body of Baiterek National Managing Holding joint-stock company”.

On 30 December 2013 elected as Board member with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 “On composition of the board of directors of Baiterek National Managing Holding joint-stock company”.

# Corporate governance

## Board of Directors



## PHILIP YEO

Independent director  
of the Board of Directors of Baiterek  
National Managing Holding JSC

Philip Yeo was born in 1946 in Singapore. He is the Chairman of SPRING Singapore – Agency for Development of the Government of Singapore, which main purpose is support for development of Singapore companies and building trust in their goods and services.

Doctor Yeo is a member of UN Committee of Experts on State Administration, established by the Economic and Social Board for Promotion and Development of State Administration and Management among the Member countries under UN Development program.

Doctor Yeo is also the Chairman of Economic Development Innovations Singapore Pte Ltd, engaged in development and management of integrated cities and consulting the foreign governments and state enterprises on the industrial development issues.

From January 1986 to January 2001 – Founder and First chairman of National Computer Board and Chairman of Economic Development Council (EDC).

From 2001 to 2006 – Co-Chairman of EDC.

From 2006 to 2007 – Chairman of A\*STAR, Agency for Science, Technology and Research, Singapore.

From April 2007 to August 2011 – Special Advisor on Economic Development at the Singapore Cabinet Office.

In private sector, Philip Yeo headed the boards of several companies, including: Singapore Technological Holding, Sembawang and CapitaLand Corporation. Now he is the Chairman of Ascendas India Trust and Accuron Technologies, Non-Executive Director of City Developments Limited and Hitachi.

On 25 June 2013 he was appointed as Board Member with order of the Chairman of the Committee for State Property and Privatization E. Uteпов №471 "On governing body of Baiterek National Managing Holding joint-stock company".

On 30 December 2013 elected as Board member (independent director) with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 "On composition of the board of directors of «Baiterek» National Managing Holding» JSC.



### **KLAUS MANGOLD**

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Independent director  
of the Board of Directors of Baiterek  
National Managing Holding JSC



He was born in 1943 in Rforzheim, Germany.

Doctor Klaus Mangold studied law and economy in the universities of Munich, Geneva, London, Mainz and Heidelberg. He occupied senior managerial positions in Germany.

From 1995 to 2003 – Member of the Managing Board of DaimlerChrysler AG and Chairman of the Managing Board, Debis AG.

From 2011 he is chairman of supervisory board of TUI AG, Germany, as well as member of other supervisory boards in Germany, including Metro AG, Alstom AG, Continental AG.

He is a member of supervisory boards of Alstom S.A. in France and Ernst & Young in the USA. Besides, Klaus Mangold is a chairman of the supervisory board of Rothschild GmbH in Frankfurt.

From 1999 to 2010 – President of the Eastern Committee of the German Economy. In 2003 Klaus Mangold founded the IWB Company International Business Consulting in Stuttgart. Since 2005 Klaus Mangold has been the honorary consul of the Russian Federation in Baden-Wurtemberg.

On 25 June 2013 he was appointed as Board Member with order of the Chairman of the Committee for State Property and Privatization E. Utepov №471 "On governing body of Baiterek National Managing Holding joint-stock company".

On 30 December 2013 elected as Board member (independent director) with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 "On composition of the board of directors of «Baiterek» National Managing Holding» JSC.

# Corporate governance

## Board of Directors



### THOMAS MIROW

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Independent director  
of the Board of Directors of Baiterek  
National Managing Holding JSC

Doctor Tomas Mirow was born in 1953 in Paris, France. He graduated from Bonn University in 1970. In 1975 he defended the doctoral thesis on the issue of 'Policy of France in Europe during the period of Fifth republic', then he headed the Administration of Willy Brandt, Chairman of Socialistic party of Germany.

From 2008 to 2012 – the Fifth President of the European Bank for Reconstruction and Development (EBRD).

Before joining EBRD, Tomas Mirow occupied a number of political positions in Germany. From 1983 – Head of Press Service of Hamburg, after that he Headed the Municipal Office of Hamburg. In 1997 he was appointed as the Minister of Economy of Hamburg. From 2002 – Senior Advisor of Ernst & Young. From 2005 – State Secretary of the Ministry of Finance, Germany.

Tomas Mirow has many years of experience in the Managerial Boards of the companies, in particular, Deutsche Telekom, DaimlerChrysler Aerospace, KfW, and also as the Chairman of the Board of Directors of Hamburg port and airport.

On 25 June 2013 he was appointed as Board Member with order of the Chairman of the Committee for State Property and Privatization E. Utepov №471 "On governing body of Baiterek National Managing Holding" JSC.

On 30 December 2013 elected as Board member (independent director) with the order of the First Vice-Minister for Investments and New Technologies of the Republic of Kazakhstan A. Rau №464 "On composition of the board of directors of "Baiterek" National Managing Holding" JSC".

# Corporate governance

## Corporate governance events of Baiterek NMH JSC

<b>March</b>	<p>The Board of Directors resolved on acquisition of 75% stake in charter capital of Public-Private Partnership Projects Advisory Center LLP by Baiterek NMH JSC.</p>
<b>April</b>	<p>With the order of the First Vice-Minister for Industry and New Technologies of the Republic of Kazakhstan A. Rau №119 dated 09 April 2014, duties of S. Akhmetov were early terminated, as well as K. Massimov, Prime-Minister of the Republic of Kazakhstan, was elected and introduced to the Board of Directors of «Baiterek» NMH JSC with the terms of authorities till 30 December 2016.</p> <p>By decision of the Board of Directors #03/14 dated April 10, 2014 a deal is made with Entrepreneurs Development Fund Damu JSC and Baiterek NMH JSC is showing an interest in implementing it. The deal is aimed at lending to small and medium-sized businesses in the manufacturing sector.</p>
<b>June</b>	<p>With Decree of the Government of the Republic of Kazakhstan #674 dated 18 June 2014, the Development Strategy of Baiterek NMH JSC for 2014-2023 was approved.</p> <p>By decision of the Board of Directors #05/14 dated June 30, 2014 a deal is made with Baiterek Development JSC and Baiterek NMH JSC is showing an interest in implementing it. The deal is aimed at financing the construction of real estate as part of the International Specialized Exhibition EXPO-2017 in the city of Astana.</p>
<b>September</b>	<p>By decision of the Board of Directors #08/14 dated September 30, 2014 deals are made with Development Bank of Kazakhstan JSC and Baiterek NMH JSC is showing an interest in implementing them. The deals are aimed at financing projects under Kazakhstan's Industrial Development Program.</p>
<b>October</b>	<p>With the order of the Minister for Investments and Development of the Republic of Kazakhstan A. Issekeshov #96 dated 23 October 2014, duties of D. Yergozhin were early terminated, as well as Ye. Orynbayev, Assistant to the President of the Republic of Kazakhstan, was elected and introduced to the Board of «Baiterek» NMH JSC with the terms of authorities till 30 December 2016.</p>
<b>December</b>	<p>With the order of the Ministry for Investments and Development of the Republic of Kazakhstan #279 dated 23 December 2014, the charter of Baiterek NMH JSC was approved in the new wording.</p> <p>With the order of the Ministry for Investments and Development of the Republic of Kazakhstan #292 dated 25 December 2014, the Code of Corporate Governance of «Baiterek» NMH JSC was approved.</p> <p>By decision of the Board of Directors #10/14 dated December 29, 2014 a deal is made with Kazakhstan's Mortgage Company JSC and Baiterek NMH JSC is showing an interest in implementing it. The deal is aimed at building and buying housing to be rented out.</p>
<b>During the year</b>	<p>Resolution of the Board of Directors of Baiterek NMH JSC approved the main regulations and internal documents of Baiterek NMH JSC, such as the Corporate Accounting Policy of Baiterek NMH JSC (resolution #01/14 dated 10 February 2014), Tax Accounting Policy of Baiterek NMH JSC (resolution #01/14 dated February 2014), Information Disclosure Policy of Baiterek NMH JSC (minutes #02/14 dated 20 March 2014), Investment Policy of Baiterek NMH JSC (minutes #04/14 dated 26 May 2014), Policy for Settling Corporate Conflicts and Conflicts of Interests in Baiterek NMH JSC (minutes #06/14 dated 24 July 2014), etc.</p>



## Performance report of the Board

In 2014 the Board of Directors had 10 meetings, of which 4 were in-person meetings and 6 absent votings.

### **The most important resolutions:**

- Corporate Accounting Policy of Baiterek NMH JSC (resolution #01/14 dated 10 February 2014) and Tax Accounting Policy of Baiterek NMH JSC (resolution #01/14 dated 10 February 2014)
- consent of the draft Development Strategy of Baiterek NMH JSC for 2014- 2023
- Information Disclosure Policy of Baiterek NMH JSC (minutes #02/14 dated 20 March 2014)
- several decisions are taken to with a view to concluding deals with the Holding's subsidiaries (Development Bank of Kazakhstan JSC, Entrepreneurship Development Fund Damu JSC, IO KIK JSC, Baiterek Development JSC) aimed at financing projects under Kazakhstan's Industrial Development Program, building and buying housing to be rented out etc.
- approval of the Development Plan of Baiterek NMH JSC for 2014-2018
- preliminary approval of annual financial statements (consolidated and stand-alone) (minutes dated 26 May 2014 #04/14)
- consented the Charter in new wording and the Code of Corporate Governance, and submission thereof for approval of the Single Shareholder
- approval of the Investment Policy of Baiterek NMH JSC
- Policy for Settling Corporate Conflicts and Conflicts of Interests in Baiterek NMH JSC (minutes #06/14 dated 24 July 2014), etc.
- Information Security Policy of Baiterek NMH JSC (minutes dated 24 July 2014 #06/14)
- approval of the Rules for Internal Control over Circulation and Use of Insider Information in Baiterek NMH JSC

The Audit Committee was established on 25 September 2013 for the purpose of preparing recommendations to the Board on setting an efficient system of control over the financial and operational performance of the Holding (including completeness and authenticity of financial statements), control over reliability and efficiency of internal controls and risk management systems, as well as compliance with documents on corporate governance, control over independence of external and internal audits.

**Thomas Mirow – Chair of the Committee**

**Klaus Mangold – member of the Committee**

In 2014 the Committee had 4 in-person meetings and 4 absent votings, where 25 items were considered.

The most critical decisions are:

- drafts Corporate Accounting Policy and Tax Accounting Policy were considered
- audited financial statements of the Holding for 2013 (consolidated and standalone) were preliminary consented
- qualifying requirements were set for selection of external auditor for the Holding and subsidiaries for 2015-2018
- issues were considered on organization of the internal audit function in the Holding: regulation on the internal audit service, annual audit plan, key indicators maps
- reports on the state of risk management and internal controls systems were regularly reviewed

# Corporate governance

## Nominations, Remunerations and Social Issues Committee

The Nominations, Remunerations and Social Issues Committee was established on 25 September 2013 for the purpose of improving efficiency and quality of the Board's performance by way of deeper working out and monitoring issues referring to the Board's competence in the sphere of human resource policy, system of nominations and remunerations, as well as performance evaluation in general, and of members of the Board, members of the Management of the Holding, the internal audit service, as well as the corporate secretary and foreign specialists involved to the Holding in particular.

**Klaus Mangold – Chair of the Committee**  
**Philip Yeo – member of the Committee**  
**Kuandyk Bishimbayev – member of the Committee**

In 2014 the Committee held 4 in-person meetings, where 10 items were considered.

The most critical decisions:

- maps of Key Performance Indicators of the CEO and members of the Management of the Holding were considered with target indicators for 2014-2016
- recommendations issued to the Board of the Holding about remuneration to the CEO and members of the Management of the Holding upon results of 2013 performance

## Strategic Planning Committee

The Strategic Planning Committee was established on 25 September 2013 for the purpose of preparing recommendations to the Board on issues of defining the priority directions of operations (development), strategic goals (strategy of development) of the Holding, including designing actions to assist in improving efficiency of the Holding's performance in mid- and long-term perspective.

**Philip Yeo – Chair of the Committee**  
**Klaus Mangold – member of the Committee**  
**Asset Issekeshv – member of the Committee**  
**Kuandyk Bishimbayev – member of the Committee**

In 2014 the Committee held 3 in-person meetings, where 9 items were considered.

The most critical decisions were:

- the Development Strategy of the Holding for 2014-2023
- the HR Strategy of the Holding for 2015-2020
- the IT-Strategy of the Holding



# Corporate governance

## Management



### **ALINA ALDAMBERGEN**

Deputy CEO of Baiterek NMH JSC

In 1995, graduated from the Kazakh State Management Academy, specialty Finances and Loans.

In 1997, graduated from the Business Administration School named after William E. Simons, University of Rochester, has a business administration master's degree.

In 1997, started her career as finance analytical specialist, later worked as manager, chief specialist, deputy head of the Finance Structural Management, deputy head of the Lending Analyses and Structuring Management at ABN AMRO Bank Kazakhstan.

In 2001-03, worked as rating consultant, lead rating consultant of the Rating Consultancy Department, Global Financial Risks Department at ABN AMRO Asset Management in London, the UK.

In 2005-06, deputy chairperson of the Board at ABN AMRO Bank Kazakhstan, head of Global Financial Risks Department in Kazakhstan, Debt Financing Management for the Central and Eastern European and Middle Eastern countries.

In 2006-07, deputy chairperson of the Agency for Regulation Regional Financial Center Activity in Almaty.

In 2008-11, deputy chairperson of the Agency for Regulation and Supervision of the Financial Market and Financial Organizations.

In 2011-13, deputy CEO, CEO (since Jan. 24, 2012) at Samruk-Kazyna Finance LLP

In previous years worked for the Boards of Directors at Kazakhstan Stock Exchange, Alliance Bank JSC, BTA Bank JSC, Temirbank JSC.

Appointed in July 2013 as deputy chairperson of the Board and member of the at Baiterek National Managing Holding JSC.

Member of the Boards of Directors at the Development Bank of Kazakhstan JSC, Zhilstroisberbank JSC, Entrepreneurship Development Fund Damu JSC, chairperson of the Board of Directors at Kazakhstan's Mortgage Company JSC.



# Corporate governance

## Management

### **ASKAR DOSTIYAROV**

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Managing Director,  
member of the Management  
of Baiterek NMH JSC



In 1999, graduated with a red diploma from the Kazakh State University named after Al-Farabi, specialty for the international economic relations.

In 2001, received a business administration master's degree in finances at the University of George Washington as part of the Bolashak Scholarship.

Doctor of Philosophy in Economics.

In 2011, underwent a top management development program at the Worton Business School at the University of Pennsylvania.

In 2014, underwent a program of studies under the Worton Advanced Management Program at the University of Pennsylvania.

In 2001-13, held various lead positions at Meridian Capital Investment Group of Companies, where restructured and carried out deals on asset acquisition, restructuring and/or further development of acquired companies with the aim of improving their operating activities and financial efficiency, M&A transactions, managed direct investment portfolios, participated in the strategic planning and represented the interests of shareholders in their Boards of Directors.



## **DINARA SEIDZHAPAROVA**

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Managing Director,  
member of the Management  
of Baiterek NMH JSC

Graduated from the Business High School at Stanford University.

In 1998-2002, worked at the Project Assessment Department, then as deputy director of the International Bank of Reconstruction and Development.

In 2004-05, managing director at Investment Company ICDM Group.

In 2005-06, deputy head of the Corporate Financing Department at KMG Kashagan B.V.

In 2006-07, head of the Corporate Financing Department at KMG Kashagan B.V.

In 2007-08, deputy director of the Branch Office of KMG Kashagan B.V.

In 2007-13, deputy CEO for economics and finances at National Company KazMunayTeniz JSC.

Joined the Board of Directors of Baiterek National Managing Holding JSC in July 2013.

# Corporate governance

## Management

### KANYSH TULEUSHIN

Managing Director,  
member of the Management  
of Baiterek NMH JSC



In 2006, graduated from the University of Oxford Brookes, Oxford, the UK, innovative management master.

In 2004, graduated from the Eurasian National University in Astana, specialty Finances and Loans.

In 2003, started his career in commercial entities.

In 2004-05, operational accountant, head of payment and cash office at Temirbank JSC.

In 2006, consultant at National Center of Scientific and Technical Information JSC.

In 2006-07, chief expert at National Trade Policy Development JSC.

In 2007, head of the innovative policy directorate at the Ministry of Industry and Trade of the Republic of Kazakhstan.

Trainer at Seminars for Enhancing Government Employees' Skills at the Academy of State Administration of Kazakhstan's President.

In 2008-11, consultant, manager of the subsection, deputy manager of the social economic monitoring section at the Kazakh President's Administration.

In 2011-13, deputy minister of the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

In 2012, attended the State Policy Higher School of Nazarbayev University jointly with the State Policy School named after Lee Kuan You of Singapore's National University on the topic 'State Policy and Management'.

In 2013, attended UNIDO training in Austria on the topic "The Future of Manufacturing Industry".

Since June 2013, managing director, member of the Board of Directors of Baiterek National Management Holding JSC.

In 2014, Ernst&Young Business School training on the topic "Financial Modelling 1", "Business Assessment", "Mini MBA", "Financial Analysis", "Investment Project Assessment 1", "Investment Project Assessment 2".

Member of the Board of Directors of National Agency for Technological Development JSC.

Member of the Board of Directors of Export Loan Insurance Corporation KazExportGarant JSC.

Member of the Board of Directors of Entrepreneurship Development Fund Damu JSC.

Member of the Advisory Council at IncoNet Central Asia.



## The Management's performance

In 2014 the Management held 42 meetings, where 29 were in-person and 13 – by absent voting. During the period, the Management of the Holding considered 262 items, including 102 items regarding operations of the subsidiaries.

Among the resolutions passed by the Holding's Management, the following should be noted:

1

### **On subsidiaries of the Holding:**

- in implementation of the Governmental Decree dated 30 April 2014 №429 "On amendments to the Decree of the Government dated 31 March 2014 №280 "On approval of the Complex Plan of Privatization for 2014-2016" the list of the Holding's affiliated entities was approved for transfer to the competitive environment
- the Action Plan for 2014-2016 was approved for Implementation of the Development Strategy of the Holding for 2014-2023
- the Rules were approved for Selection, Remuneration and Compensations to Independent Directors of the Holding's Subsidiaries
- the Order was approved for Determination of the Size of Dividends Payable by the Holding's Subsidiaries
- the list and forms of reporting were approved for submission by the subsidiaries to the Holding
- the Standard Rules were approved for Transfer of Participation Shares in Charter Capitals of Companies Affiliated to the Holding into the Competitive Environment.

2

### **On improving efficiency of the subsidiaries' Boards of directors:**

- during the year, monitoring of the boards' performance was carried out, and upon results the Holding's representatives if the boards received respective recommendations
- segregation of duties between bodies of the subsidies was approved, where authorities of the boards were expanded
- regulatory base was formed for evaluation of the boards of the subsidiaries



# Corporate governance

## 3 On preliminary consent of documents and submission to consideration of the Holding's Board of Directors

- Development Strategy of the Holding for 2014-2023
- determination of parameters of the Holding's debt securities issue
- conclusion of related-party transactions with Development Bank of Kazakhstan JSC, Damu Fund JSC, Baiterek Development JSC, Kazakhstan Mortgage Company JSC
- acquisition of participation shares in charter capital of Public-Private Partnership Advisory Center LLP by the Holding
- placement of ordinary shares within the quantity of declared shares, method and price of their placement
- internal documents of the Holding (Information Disclosure Policy, Information Security Policy, Policy for Settling Corporate Conflicts and Conflicts of Interests, Code of Corporate Governance, Investment Policy, Rules for Internal Control over Circulation and Use of Insider Information in Baiterek NMH JSC, Corporate Accounting Policy, Tax Accounting Policy)
- information on use of money allocated from the National Fund of the Republic of Kazakhstan, results of monitoring over execution of the Holding's budget for 2013

## 4 Formation/improvement of regulatory base of the Holding

- approval of Statute of Investment Committee of the Holding
- approval of Rules for Selecting Candidates to Vacant Positions
- approval of Regulation for Managing Financial Assets and Liabilities of the Holding in new wording
- approval of Rules for Managing Temporarily Free Cash of the Holding in new wording
- approval of Statute of Assets and Liabilities Management Committee of the Holding in new wording
- approval of Rules for Intragroup Financing of the Holding
- approval of Rules for Provision of Sponsorship and Charity by the Holding
- approval of Statute of Commission of the Holding on Consideration of Appeals of Individuals and Legal Entities on Issues of Procurement of Goods, Works and Services; Rules for Formation, Maintaining and Approval of the List of Unreliable Potential Vendors (Vendors) of the Holding
- approval of Regulation for Consideration of Materials to Meetings of Boards of Directors, Supervisory Boards of Subsidiary and Dependent Organizations of the Holding

## The Management's performance

5

### On charity and sponsorship

- Kazakhstan's Volleyball Federation
- PF «Euroasian Respiratory Society»
- R.B.Mankeyev
- PF "Dar"
- PS "Association of Kazakhstani diplomats"
- PF "Fund for development of Kazakh internet "Abai-inform"
- BC "Association "Eurasian Economic Club of Scientists"
- CF "Development fund"
- PS "Center of Civil Initiatives"

The efficient performance of the Holding's Management is supported by the following committees:

- Performance Evaluation and Planning Committee works out the single position for representatives of the Holding on issues of financial and operational performance of subsidiaries, including when approving development plans, ensuring timely and qualitative approval and execution of the Holding's budget
- Assets and Liabilities Management Committee works out recommendations for improving efficiency of managing assets and liabilities of the Holding and subsidiaries in compliance with the principles of diversification, optimization of financial risks and retaining financial sustainability
- Human Resources Policy Committee assists in improving efficiency of operations in managing personnel of the Holding and its subsidiaries
- Investment Committee assists in improving efficiency as well as formation of the single policy of the Holding and its subsidiaries with respect to investment operations

## Risk management

The corporate risk management system is an integral part of the Holding's operations and the subsidiaries thereof. The system is aimed at identification, assessment and monitoring of all critical risks, as well as at undertaking measures for mitigation of level of the risks which may negatively impact the value and reputation of the Holding and its companies.

The Holding carries out continuous work on improving the corporate risk management system in accordance with the leading international risk management practices. This work is aimed at designing and actualization of methodology for assessing and control over risks, as well as reporting on the risks to be submitted to the Management and the Board of Directors of the Holding.

**Within the framework of the Holding's risk management, in 2014 the Department for Risk Management in conjunction with PwC LLP undertook the following work**

- developed the Concept for the Centralized Risk Management System of the Holding (hereinafter – CRMS)
- compiled risk maps for each subsidiary
- held the GAP-analysis of processes of assessing and managing risks in all SUBS of the Holding, upon results of which the Report was created with indication of recommendations with respect to improving methods of risk assessment and/or introduction of new methods
- based on the recommendations, the methodology was developed for assessment of risks, managing risks, aggregation of risks, internal control (assessment of business processes and the risks thereof, as well as determination of controlling procedures), also reporting on risks was developed for both subsidiaries and the Holding

**In the result of joint work, documents were created to regulate performance of CRMS across the whole group of the Holding, in particular**

- regulation on the centralized risk management system in Baiterek Holding
- methodology for identification of business processes, inherent risks and key risk indicators in Baiterek NMH JSC
- risks aggregation techniques in the Holding
- methodology of stress-testing and determination of reserves in the group of the Holding
- methodology for assessing market risk and liquidity risk in the group of the Holding
- methodology for assessing business-risk in the group of the Holding
- methodology for reserving capital to underline operational risks in the Holding
- regulations for managing operational risks in the Holding
- methodology for assessing real-estate risk in the group of the Holding
- methodology for assessing credit risk in the group of the Holding

The Department for Risk Management carries out periodic (at least quarterly) collection and consolidation of information about the following types of risks: credit, interest, currency, liquidity risks. The consolidated information in the form of report is brought for consideration of the Assets and Liabilities Management Committee of the Holding, and after that is submitted for information of the Management and the Board of Directors of the Holding.



In 2014 the Holding paid a special attention to approval of regulatory documents on the main systems of personnel management such as – the Single Human Resources Strategy of the Holding, the system of personnel efficiency management, system of competitive selection of candidates, training and development, as well as the single system of selection, remuneration and compensations to independent directors across the group of the Holding.

In consequence of the undertaken work, the Holding achieved remarkable results:

- a systematic approach to personnel training and development was introduced
- the system for social support, social protection of staff was implemented – various types of insurance, representatives of the staff
- the system of motivation and promotion of staff was introduced based on principles of meritocracy
- the system of efficiency management is being improved (KPIs)
- the process of scouting and selection of personnel was automated and standardized
- the program for adaptation of newcomers was introduced

Professionalism and competence of the staff is the keystone of the Holding's success, and how the Holding will be able to implement its strategy and mission. Thus, the Holding dedicated much attention to development of personnel, coverage of staff with training programs as of yearend 2014 across the group of the Holding was over 60%. At the same time, the Holding departs from the traditional understanding of personnel training, and moves to more efficient methods of training and development. In accordance with the new concept of training and development reflected in the HR Strategy, traditional courses and seminars constitute only 20% of all types of the training.

The HR team of the Holding believes that the main development an employee can obtain directly during job performance, and therefore the Holding actively introduces the institution of on-job coaching when each manager/expert is an individual coach/tutor for the subordinate thereof. This system allows to ensure succession of knowledge, the system of internal growing and development of human resources. As such, during the last two years the Holding has been exercising the centers of competence and the single knowledge-accumulation base, arranging business-breakfasts with experts in the industries.

Employees have a good possibility to develop due to the system of rotating personnel across the group of the Holding, and participating in various cross-functional projects. For instance, upon results of 2014, the indicator of internal mobility of personnel (targeted indicator of internal rotation of personnel) was 27%.

The Holding holds an annual independent assessment of the indicator "credibility of target groups to the Holding's performance"; and the trust of the population, business-community and investors is built from how the Holding is transparent in its information disclosure policy, and how professional it is from the staff standpoint. Thus, the high rating of credibility of the target auditoriums of the Holding is an indirect confirmation of professionalism and competence of the Holding's staff.

For the purpose of popularizing a non-standard approach to solution of goals, creativity, formation of desire to self-development, as well as creation of talent pool of the Holding, in 2014 the Holding initiated the Championship on Intellectual Games "Baiterek Best Mind" among employees of the group.

An important event for the Holding's performance was participation in the vacancies fair for disabled people which was arranged by the division for employment and social programs of the local authorities of Astana in conjunction with the Astana branch of Nur Otan Party. Upon results of the fair, the Holding hired 3 specialists, 11 candidates were included into the talent pool database.

The Holding actively interacts with the target universities of Kazakhstan, career centers of Nazarbayev University and the Bolashak Association. For instance, upon results of 2014, 120 students of RK universities passed internship within the group of the Holding. Also, the Holding signed the memorandum on cooperation with the youth wing of the party "Zhas Otan" and participated in the action "Satti Kadam". The Action was aimed at the labor socialization of the youth and increasing their competitiveness at the labor market. In the result of this action, the Holding welcomed 28 young specialists for a 3-month probation.

Upon results of the actions and implemented systems, the consolidated ratio of personnel flows across the group of the Holding was 18%, the ratio of personnel involvement across the group was 71%.



# Corporate governance

## Development of IT-technologies

The Holding dedicates much attention to development of IT-technologies which allow to improve efficiency of business processes and increasing the speed of management decision-making.

In the last year the Holding undertook:

For purpose of collecting daily reporting on balances of money of the Holding's subsidiaries, the System for Managing Treasury Operations was implemented. It does a direct upload of cash balances of subsidiaries from commercial banks via the protected channel of FASTI and a receipt on cash balances and securities of the subsidiaries from the custody bank, as well as allows to consolidate data on free cash. For purposes of automating the management information system within the first stage, the Holding undertook the following actions:

**1** Designed a complete detailed methodology of management accounting for the Holding and subsidiaries including methodology on four functional directions: business planning and budgeting (including financial and non-financial performance indicators), financial consolidation, integrated monitoring of treasury operations and centralized risk management;

**2** Procured software of IBM Cognos (Modules for budgeting, consolidation, system of business analysis for the treasury and risk management).

The corporate portal of the Holding and subsidiaries was implemented which allows exchange of information, as well as personal accounts of members of the Boards of the SUBS and the Holding, creating a single discussion platform for discussing drafts, general documents, data sharing, etc.

In order to improve the information security, there were implemented:

- the system for monitoring and protection of data loss (DLP) allowing to prevent loss of information, carry out monitoring of incidents
- the system of video control

## Information disclosure policy

The high level of credibility on behalf of the foreign and Kazakhstani investors, as well as of the population of the country and mass media — is the most important goals for building a successful reputational capital of the Holding. In this respect, immediately since establishment the Holding adheres to the following principles of the information disclosure policy: regularity, timeliness, accessibility, authenticity, completeness and protection of informational resources.

### Principle of regularity

means that the Holding regularly provides necessary information to shareholders, investors and mass media. In 2014 the group of companies of Baiterek Holding posted over 200 press-releases containing information about the Holding's operations on all the state programs, as well as of explanatory character on the processes on-going in the group of the Holding.

### Principle of authenticity

means that the Holding provides information to all shareholders, investors and investment society, as well as the mass media about the most considerable events of the company within the shortest deadlines.

confirms that the Holding provides information authentic to the reality, as well as thoroughly looks after this information to be undistorted or misleading.

## Principle of accessibility

testifies that the Holding continues to inform all stakeholders with the most convenient and accessible way. In this respect during 2014 a number of press-conferences and briefings was held for the mass media. In addition, the active work in the internet was done during the reporting period in order to form the positive image of the Holding and its subsidiaries, as well as for informing the wider publicity about performance of the Holding and its subsidiaries.

as a result, corporate web-pages of the Holding were created in the social networks which allowed to more actively use the corporate accounts for delivering information for customers of the Holding and its subsidiaries. The social networks also allow to assess the levels of satisfaction and loyalty to the Holding and its subsidiaries. In the result of the active work in the social networks, the total quantity of subscribers at the Holding's pages reached 4 thousand people.

the active coverage of the Holding's performance was done also by such an informational tool as the corporate website. As of yearend 2014 the resource base thereof contains all necessary program documents, press-releases, information about subsidiaries of the Holding, blog-platform of the chief executive officers and their deputies, videos, and other sections. The main purpose of the Information Disclosure Policy remains a continuous contenting and updating the relevant information for visitors. The Holding dedicated much attention to accessibility of information using in its content-strategy such methods of delivering information as infographics, photo- and video-materials.

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## Principle of completeness

reflects the Holding's position regarding necessity of providing the complete information about on-going events, state programs and reports on utilization of the state money.

audit of the Holding's image undertaken in 2014, confirmed that the reputational capital of the Holding was built by its PR-division practically 'from scratch', and has a positive trend. The PR-service of the Holding undertook a systematic work on formation of the positive image of the Holding and its subsidiaries in the mass media within the shortest deadlines – during 6-8 months. The Press-Service of the Holding undertakes continuous monitoring of publications in the mass media about operations of Baiterek NMH and its subsidiaries.

in the result of the Information Disclosure Policy undertaken by the Holding, as per the statistical data, during 2014 over one thousand publications were posted in the mass media about performance of the Holding and its subsidiaries. One of the main indicators is absence of negative publications in the mass media about the Holding's performance.

based on the data received as result of the reputational audit of the Holding and its subsidiaries, and considering the principles of the Information Disclosure Policy, the PR-Service is planning to intensify efforts in 2015 on wider coverage of programs for the accelerated industrial-innovative development of the country in the mass media and among wider publicity. Besides, the job will continue on popularization of the state programs implemented by the Holding.



# Corporate governance

## Charity and sponsorship

Provision of the Holding's sponsor support and charitable aid is aimed at reviving national values, supporting culture, science and education, promoting healthy lifestyle, offering aid to vulnerable households, needy citizens and supporting sports.

The Board of the Holding approved the Sponsorship and Charitable Aid Regulations May 29, 2014 (thereafter the Regulations). The Regulations define main aspects of sponsorship and charitable aid, the procedure for budget expenditure items, monitoring maintenance and expenditure supervision:

- organization of events according to the instructions of Kazakhstan's President, of Kazakhstan's Government, of the sole shareholder, the Board of the Director's of the Holding
- provision of aid in the social sphere
- organizational and hands-on events related to the Holding's activity
- implementation of image making projects

The whole volume of the sponsor support and charitable aid provided by the Holding in 2014 amounted 119 509 500 tenge.

Provision of the Holding's sponsor support and charitable aid is aimed at reviving national values, supporting culture, science and education, promoting healthy lifestyle, offering aid to vulnerable households, needy citizens and supporting sports.

Throughout the year the sponsor support and charitable aid was provided to the following organizations and persons:

- 50 M. tenge in sponsorship to Kazakhstan's Volleyball Federation with the aim of providing support for domestic volleyball players to participate in international competitions. Thus, Kazakhstan's women volleyball players got an opportunity to participate in the Women's Volleyball World Grand Prix (Kazakhstan, the Czech Republic, Bulgaria), in the women's volleyball world championships (Italy), as well as the Asian women's and men's championships (Kazakhstan, China), where Kazakhstan won a bronze medal for the 1st time and joined the top 15 world volleyball teams
- 3 M. tenge in sponsorship to Public Fund Euroasian Respiratory Society with the aim of assisting in holding the 21th Congress of the International Physicians for the Prevention of War. Thus, over 500 delegates from 50 countries participated in the Congress. Domestic doctors and scientists got an opportunity to take the floor alongside the world's lead experts and gain colossal experience
- 10.8 M. tenge in sponsorship to the chess school "Intellectual" with the aim of assisting in holding national chess tournaments among schoolchildren. Thus, over 5 national chess tournaments were arranged in the city of Astana involving over 150 schoolchildren from Kazakhstan's various regions
- 1.5 M. tenge in charitable aid to Public Fund "Dar" with the aim of assisting in holding the nationwide event «Road to School», including the purchase of required clothes and school stationery supplies for children from needy families. The provided aid allowed organizers to buy clothes, footwear and school stationery for 50 children for needy families in Astana
- 1 M. tenge in sponsorship to Public Fund Kazakh Internet Space Development Fund «Abai-Inform» with the aim of assisting in holding the 3rd National Literary Contest Altyn Kalam (Golden Pen) - 2014. Over 300 works were submitted by 137 applicants to the literary contest. Special purpose disks and 1000 books containing best Kazakh works were issued as part of the Altyn Kalam-2014

# Corporate governance

- 18.2 M. tenge in sponsorship to the Association of Kazakhstan's Diplomats with the aim of assisting in presenting expert proposals and recommendations for implementation of Kazakhstan's foreign policy. Currently the Association of Kazakhstan's Diplomats is examining an opportunity for concluding a contract with the International Peace Institute for expert scrutiny of Kazakhstan's foreign policy priorities in the near future, including recommendations on promoting Kazakhstan's candidacy for the UN Security Council seat in 2017-18, preparation of regular analytic materials on developments in the Middle east and South Africa, as well as on other pressing problems. The work in this aspect will continue until the end of the year 2015
- 11 M. tenge in sponsorship to the Association of Euroasian Economic Scientists' Club with the aim of assisting in supporting and developing intercommunicative platform G-Global – a global initiative by the head of state aimed at building up the international economic policy and search for global anti-crisis solutions; 14 million tenge in sponsorship to the Development Fund with the aim of assisting in supporting talented and gifted students at Nazarbayev Intellectual Schools from vulnerable households for their study abroad. The provided aid allowed students to participate in elective courses abroad in 2015 at Kolmogorov Specialized Educational Scientific Center at Lomonosov Moscow State University, summer camps of John Hopkins University, the British Royal University
- 10 M. tenge in sponsorship to the Civil Initiative Center with the aim of information coverage of the results of the Industrial Innovative Development 1st 5-year State Program, as well as objectives of the 2nd 5-year program as part of the Altyn Sapa (Gold Quality) national prize. Thus, large-scale information work will be done in the country's regions to highlight the results and objectives of the the Industrial Innovative Development State Program

Special attention is paid to the promotion of the Holding's image while conducting the sponsor support and charitable activity because positioning itself as a sponsor improves the Holding's reputation, helps solidify its positive image and enhance the level of recognizability among various target audiences. As the result of reputational audit shows the provision of similar sponsorship and charitable aid has had a positive impact on the Holding's perception both in Kazakhstan and abroad. In particular, the Holding's logo and website became recognizable. In addition, sponsorship and charitable projects promoted the growth of trust in the Holding as a socially responsible organization on the part of civil servants and Kazakhstan's society as a whole.



# Abbreviations

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bln.	billion
CSE	Centers for support of entrepreneurship
DBK	Development Bank of Kazakhstan
EDF	Entrepreneurship Development Fund
EU	European Union
FOP	Financial and operational performance
GDP	Gross domestic product
ha	hectare (of land area)
HCSBK	Housing Construction Savings Bank of Kazakhstan
ICD	Islamic Corporation for the Development of the Private Sector
IFK	Investment Fund of Kazakhstan
JSC	Joint-stock company
KCM	Kazyna Capital Management
KEG	KazExportGuarant
KFGML	Kazakhstan Fund for Guaranteeing Mortgage Loans
KMC	Kazakhstan Mortgage Company
KPI	Key Performance Indicators
LLP	Limited liability partnership
LEB	Local Executive Bodies
M.	million
NATD	National Agency for Technological Development
NBRK	National Bank of the Republic of Kazakhstan
NMH	National Managing Holding
PE	Private Equity
RK	Republic of Kazakhstan
ROA	Return on assets
ROE	Return on equity
SA	Statistics Agency of RK
SME	Small and medium entities
SPIID	State Program of Industrial-Innovative Development of RK for 2010-2014
PPP AC	Public-Private Partnerships Advisory Center
Sq.m	square meter (of apartment area)
SSME	Subjects of small and medium entrepreneurship
STB	second-tier banks (commercial banks)
SUBS	Subsidiary organizations
WEF	World Economic Forum



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