

# Extending borders

A social chapter to the Y2016 Annual Report of Kazkommertsbank JSC

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## Address

We think that the business must create values not only for shareholders, but for the company as well. Thus our bank is striving to combine the growth and implementation of advanced technologies by supporting the cultural and social initiatives, baby health, senior generation representatives and environment care.

Such approach was initiated many years ago by the Bank top-managers upon creation of Kus-Zholy Charity Fund. Our fund activities reflect the community-focused approach as an integral part of making business and corporate management of Kazkommertsbank.

Today, Kus-Zholy is focused on three main areas: baby health care, social adaptation for disabled people and support for non-government initiatives. The fund generates its own and supports current charity projects through involvement of non-government organizations, and Qazkom employees and clients as well – based on the equal social partnership principles.

Our fund's sponsorship and charity activities were extended in 2016 and continued under the “Extending borders” motto. New segments and partners, new target auditoriums and geography of projects – all this caused extension of our bank's KCO-strategy in the communities, cities and consciousness of people.

Marc Holtzman



# 1. Corporate Social Responsibility of the Bank

## Charity and sponsorship: Y2016 key indexes

 **3** times

 **KZT 200** mln

growth of Qazkom costs for charity, social and sponsorship projects

**KZT 45,4** mln

online transfers from the Bank clients and employees

**49**  
disabled entrepreneurs

received grants for development of their business projects under the “Look at starts” program

**KZT 12,2** mln

were allocated for equipping of maternity hospitals in 7 regions of Kazakhstan under the “Guardian-Angel” project

**KZT 10,8** mln

total of charity gifts to GPW veterans on the eve of the Victory Day

## Sponsorship projects of Kazkommertsbank.

### New territories

The Bank jointly with the “Plant a tree” program initially started an ecological project in 2016: As a result, the employees started saving the paper and collecting it in special boxes for waste paper.

In April 2016, the Bank employees jointly with Kus-Zholy fund improved the territory around the head office by planting several alleys with birch-trees, maple-trees and conifers.



In addition, the Bank supported development of the city infrastructure through allocation of funds for construction and development of the children's sports ground, which was opened in Nauryzbai District of Almaty in May 2016.

Different play and sports areas (football field, carousels and baby slides, outfit equipment for adults and teens) are provided in the new sports grounds.



### New frontiers

Kazkommertsbank as one of the leading financial institutions in Kazakhstan is really honored to be a partner of the State Opera and Ballet Theater after Abai. The Bank has sponsored several new opera and ballet performances and festivals since 2008.

Compared to the previous period, the Bank seriously increased financing of the basic sponsorship project of the Opera and Ballet Theater after Abai in 2016. Thank to this support, the theater was able to arrange the tour to Europe with its best ballet performances. The theater company tour opened new professional opportunities for young actors.





## New standards

Kazkommertsbank has been supporting the “Altyn Kalam” literature contest since 2009. This literature award is known to the fact that its initiators and judging panel members are not the writers, but they are the active readers instead. Thus, one can say that the “Altyn Kalam” literature award is the first award in Kazakhstan, which is handed out by readers, but not by writers.



However, the Qazkom participation was extended in 2016 at the initiative of Kenges Rakishev, Chairman of the Bank's Board of Directors – a special award was founded for the best novel in Kazakh. In addition, the Bank indemnified the costs for publishing of the total edition including the contest winners' works.

## New audiences

Always following the modern trends, Kazkommertsbank has supported the youth market as well. The first tour of the Kazakhstan Cup on Changellenge business issue salvation was initially started in 2016. Qazkom appeared as the General Partner of the championship.



Changellenge – is the largest organization in Kazakhstan and CIS countries, which is majoring in cases. The meetings for promising students and leading employers are held under it.

Qazkom is striving to earn loyalty of the new audience, which is represented with young and active college/university students, through development of new and attractive products. The Bank encourages students to generate new business development ideas under the

Changellenge project and gives them an opportunity to participate in development of new solutions.

## New regions – new lives

The children, who need an emergency aid in their first hours of life, are born in Kazakhstan every day. These children need the Guardian-Angel, Any volunteer can become such Guardian-Angel. Every client can contribute to decreasing of the infant and



maternal mortality in Kazakhstan by issuing the Visa payment card with the children drawings design, which participates in the “Guardian-Angel” charity project.



Kazkommertsbank increased charity deductions from the commission fee up to 0,2% in 2016. From now on, upon each payment by using these cards – 0,2% of the transaction amount shall be credited to the account of the “Guardian-Angel” project for further acquisition of the required intensive care equipment to the most needy city, village and district hospitals in different regions of Kazakhstan.

The Bank clients have opened 15 000 cards during implementation of the “Guardian-Angel” project, where around 8 000 cards are currently in circulation. Qazkom and Kus-Zholy Fund installed the intensive care, therapeutic and surgery equipment to the amount of KZT 12 mln. in seven health care institutions of the country.

Hospitals, perinatal centers and maternity hospitals have been provided with the vital equipment in seven Kazakhstan regions within the YY2015-2016: «Regional perinatal center» in Mangistau region, «Aktobe Regional Hospital» in Aktobe region, «Perinatal Center of Zhezkazgan» in Karaganda region, «Kostanani Perinatal Center» in Kostamai, «Regional Perinatal Center» in Kyzylorda Region, hospital of the International Kazakh-Turkish University after Kh. A, Yassau, «Ekibastus maternity hospital» in Pavlodar Region.

## New business initiatives for social equality

The “Look at stars” contest-based charity project for the best business ideas among disabled people has been utilized in Kazakhstan since 2006. The contest winners are annually awarded with grant for the target development of their business initiatives.

49 disabled entrepreneurs became the contest winners in 2016 within the framework of the project. Allocated grants totaled KZT 12,8 mln. The project covered 14 regions of Astana and Almaty. 189 applications were submitted to the contest. The selection criteria included: an adequate business plan, social value and benefit from the business, creation of new work places.



The “Look at stars” project has been implemented jointly with Damu fund since 2012.

Having an extended branch network around the country, the Damu fund provides all contest nominees with the training on business skills, accounting, and leadership. Local mass media appear as information partners. Each publishing house in its own region informs the community on progress of the project and describes success stories of the project winners.



Zhenisgul Dauletova became disabled 13 years ago and her grandmother started teaching her how to sew korpe (covering/blanket) and pillows using the national design. Zhenisgul says that at that moment she did not think these skills would become her destiny; she just tried to get rid of the hard thoughts. Today, she is one of the most needed masters, who work in the national style. Zhenisgul knows all details of creating a real dowry for a bride. But she used to work over non-recurrent orders for a long time.

Her victory in the contest enabled starting the real production and opening of the outlet. Zhenisgul admits: *«It is difficult to open, create something in Almaty. And it is twice as difficult for disabled people without getting any assistance. The grant that I was awarded with is the initial support provided to me, my first victory. I have never been granted with any monetary assistance, grants nor loans».*

According to Zhenisgul, she did not count on the victory when she applied for the contest. She believed in fortune only when they delivered her sewing machines she dreamt of so much. Employment of additional several people brings more satisfaction to Zhenisgul.

Zhenisgul points out: *«Such contests are very useful, as the equipment is very expensive. And if you have the proper equipment then the productivity shall grow. The more and faster you sew, the less expensive is the product. This is very helpful for craftsmen-entrepreneurs. I would with the other sponsors to follow the Kus-Zholy fund, as it is not just the sponsorship, but the contest as well. And the contest always inspires, gives confidence and gives a push for development».*



## New social technologies

Kazkommertsbank has been the partner of such charity campaigns as «Present life to children» and «We will win autism» since 2007, which are organized by the “Charity” voluntary community supervised by Aruzhan Sain, public character.



The goal of these campaigns is to collect funds for providing sick children, who cannot be cured in Kazakhstan yet, with emergency medical services.

Kazkommertsbank is among those who was the first in Kazakhstan to create a special account, which is free from all bank fees and

arranged online collection of funds via Homebank.

According to Y2016 results, the portal users (Bank clients and employees) transferred KZT 45,4 mln online, where KZT 15,4 mln were transferred for the benefit of the «Present life to children» campaign. Total KZT 61,4 mln. were collected in 2016 for children treatments; 27 surgeries were done to 21 children.

The training for 5 tutors (out of parents of children suffering from autism) was initially financed from the fund's budget in 2016; the fifth anniversary film «Present life to children» of the "Charity" community was made. The film was demonstrated in Astana and Almaty. Many like-minded and caring people came to see this film.

Around KZT 178 mln. were collected and transferred to the account of the "Charity" community with the help of Qazkom financial tools within the last seven years (2010–2016). Contributions varied from KZT 200 up to KZT 100 thousand. 1 449 children lives have already been saved thank to these campaigns.

### New volunteers support the old tradition

On the annual basis, Kazkommertsbank allocates monetary bonuses to GPW and work veterans-participants, who are the bank depositors. But there are the veterans, who due to their health cannot visit the bank offices and city activities.

Due to the old tradition, each spring since 2005, the volunteers of Kus-Zholy Fund – Qazkom employees visit GPW and work veterans as well as juvenile prisoners of concentration camps under the patronage. The lonely and handicapped veterans are provided with food and medicine (home delivery), as well as warm congratulations and attention under the "Thank you for the right to live in peace" campaign.



The Kus-Zholy Fund jointly with volunteers congratulated 1500 veterans with the Victory Day in 2016. Contributions for veterans totaled KZT 10,8 mln.

Qazkom employees share their impressions from meeting GPW veterans:



*«Our respected veterans thanked us so much for paying attention to them this year. We were the first in their lives to congratulate them with their great holiday. According to them, it was one of the best gifts they ever received during celebration of the Victory Day.*

*When thanking us, the tears came up not only in the eyes of Akyldy Balabatyrovns (GPW veteran), but Zhanna, her daughter as well. They were moved so deeply with our greetings that decided to come to the Qazkom office and express their profound gratitude to the Bank management for the attention paid.*



*The veterans shared their memories about the war at meetings and stressed on the fact that every veteran waits for this great holiday (Victory Day) with the great excitement and tremor.*

**Gulnar Omarkhanova** was brought up in the family of Mukhtar Auezov, famous writer. She is a professor of ophthalmology and concurrently the writer. Gulnar Omarkhanova is an author of the books about Mukhtar Auezov's life. She is a very brave and interesting woman. She went through the war thick and thin when she was 12-13. When she was a medical college student, she bravely helped the wounded soldiers – washed their bloody bandages, ironed them with a heavy iron, and dressed up the wounded soldiers. It was very difficult. After war, Gulnar Omarkhanova worked as ophthalmologist, got married and gave birth to 2 children».



Qazkom employees were deeply moved by the stories of veterans under patronage. According to volunteers, they found out so many interesting facts about the war, which one cannot find in school text books. At the end of meetings, the veterans thanked volunteers for their attention and wished the peace, unity and amity in the country.

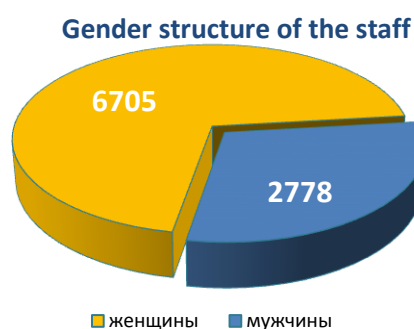
## 2. Human resources management, staff management and corporate culture of the Bank

### Staff of the Bank

Respecting and supporting the gender equality principles, Qazkom provides both men and women with equal career opportunities and salaries. It should be pointed out that 39% of employees have worked in the Bank for more than three years.

70% out of 9483 Bank employees are women working in all position levels, including the Bank's Management Board and Board of Directors. No internal regulations and practices, which in any way discriminate the Bank employees due to their race, nationality, sex, social, religious, language or other characteristics exist in the Bank.

The representatives of 36 nationalities and various religions feel absolutely comfortable working at the Bank. The Bank's ethnic structure is mainly represented by Kazakhs (79,5%) and Russians (12,64%). Uighurs, Tatars, Koreans, Ukrainians, Germans, Uzbeks, Belarus, Azerbaijanis, Bashkir,



Ingush, Kirghiz and the representatives of other nationalities work at the Bank as well.

## Staff training

The regular and continuous staff trainings are the integral part of the Bank's corporate culture.

The trainings are arranged for improving professional skills of employees, developing new skills required for implementation of the Bank's development strategy.

1819 employees of 48 different units of the Bank were trained in 2016 via involvement of external and internal trainers:

Unit	Subject	Number of employees	City
Management Board Administration	Improvement of Chief Accountant qualifications	2	Almaty
	"Become the agent of changes"	2	Almaty
	"Anti-fraud in Bank" conference	2	Moscow
	"Methods of making efficient changes in the company"	3	Almaty
Homebank Department	"Development of web-applications for WEB 2.0"	1	Almaty
Administrative Department	"Profpotology" Improvement of qualifications	1	Almaty
Bank Cards Department	Improvement of qualification for working with the Oracle database	4	Moscow
Accounting Department	"Standard Business Services"	2	Almaty
	"Accounting of financial tools (IFRS/GAAP USA"	4	Almaty
	Training on DiplFR	4	Almaty
Chief Operating Department	"Public procurement in Kazakhstan in 2016"	1	Astana
	"AML Compliance Best Practices"	1	London
Innovational Technologies Department	"Public Speaker tools"	1	Almaty
	" Development of web-applications for WEB 2.0"	2	Almaty
	"Management of projects on flexible AGILE methodology"	8	Almaty
	"Java SE software language"	3	Almaty
Treasury Department	" Public Speaker tools "	1	Almaty
Department for compensations and benefits	" Become the agent of changes"	4	Almaty
Corporate Lending Department № 2	"Financial analysis for banks"	7	Almaty
Methodology and Analysis Department of the Problem Unit	"Financial analysis for banks"	1	Almaty
Organizational Development Department	" Become the agent of changes"	4	Almaty
HR Department	" Become the agent of changes"	5	Almaty
LE Support and Development Department	"Management of projects on flexible AGILE methodology"	1	Almaty
	"EXCEL Advanced"	4	Almaty
Distressed Loans Department	"Bank Debt Management "	1	Moscow
	"Persuading and influencing skills" for early collection of overdue debts	26	Almaty

Retail Product Development Department	"Management of projects on flexible AGILE methodology"	2	Almaty
SME Development Department	"Caucasus SME Banking Conference" conference	1	Tbilisi
Onlinebank Development Department	"Management of informational security risks in the modern organization. Methods and practical aspects"	1	Almaty
Operating Activity Development Department	"Transformation of client centeredness "	3	Almaty /Aktobe
	"Management of projects on flexible AGILE methodology"	1	Almaty
Risk Management Department № 1	"Financial analysis for banks"	3	Almaty
Risk Management Department № 2	"Caucasus SME Banking Conference" conference	1	Tbilisi
Risk Management Department № 2	Experian CIS Limited conference	2	Budweis
Risk Management Department № 2	"SAS Enterprise Guide"	3	Moscow
Administrative Operations and Tax Department	Improvement of Chief Accountant qualifications	1	Almaty
	"Implementation of electronic invoices"	2	Almaty
Anti-Money Laundering and Terrorism Financing Division	"AML&TF (ACAMS)"	10	Almaty
	"AML Compliance Best Practices"	1	London
	ACAMS certifications	9	Almaty
	COMPLIANCE CASE FORUM 2016	2	Moscow
Call-Center	" Development of web-applications for WEB 2.0"	1	Almaty
Aktau Branch	"Transformation of client centeredness "	12	Astana/Aktobe
Aktobe Branch	" Transformation of client centeredness "	267	Astana/Aktobe/Almaty
Almaty Branch	" Transformation of client centeredness "	127	Almaty/Shymkent
Atyrau Branch	" Transformation of client centeredness "	124	Astana/Almaty/Atyrau/Ust-Kamenogorsk
	"KAZOILGAZSERVICE-2016 New horizons: oil and gas construction and engineering "	1	Atyrau
	"English"	2	Atyrau
	"Security and labor protection"	1	Atyrau
Balkhash Branch	" Transformation of client centeredness "	35	Astana/Almaty/Zhezkazgan
Zhambyl Branch	" Transformation of client centeredness "	38	Astana/Almaty/Shymkent
Zhezkazgan Branch	" Transformation of client centeredness "	54	Astana/Almaty/Zhezkazgan
Karaganda Branch	" Transformation of client centeredness "	1	Almaty
Kokshetau Branch	" Transformation of client centeredness"	6	Astana/Almaty
	5 Annual SME Banking Conference 2016	1	Kiev
Kostanai Branch	" Transformation of client centeredness "	6	Astana/Almaty/Kostanai
Kyzylorda Branch	" Transformation of client centeredness "	66	Astana/Almaty/Shymkent/Kyzylorda



			ylorda
Pavlodar Branch	" Transformation of client centeredness "	48	Astana/Almaty/Semei/Uralsk/Pavlodar
Petropavlovsk Branch	" Transformation of client centeredness "	5	Astana/Almaty/Petropavlovsk
Taldykorgan Branch	" Transformation of client centeredness "	28	Astana/Almaty/Shymkent
Temirtau Branch	" Transformation of client centeredness "	53	Astana/Almaty
Uralsk Branch	" Transformation of client centeredness "	107	Astana/Aktobe/Almaty/Aktau/Uralsk
	5 Annual SME Banking Conference 2016	1	Kiev
Ust-Kamenogorsk Branch	" Transformation of client centeredness "	118	Astana/Almaty/Semei/Ust-Kamenogorsk
Astana Branch	" Transformation of client centeredness "	233	Astana/Almaty/Semei/Aktobe
Semei Branch	" Transformation of client centeredness "	92	Astana/Almaty/Semei
Shelek Branch	" Transformation of client centeredness "	9	Almaty
Shymkent Branch	" Transformation of client centeredness "	137	Astana/Almaty/Shymkent
Ekibastuz Branch	" Transformation of client centeredness "	39	Astana/Almaty/Semei/Pavlodar
Internal meetings of branches	"Training for the heads of collection divisions and units "	37	Almaty
	"Dealing with distressed RB and SME loans for employees of the Bank branches"	33	Almaty

## New Staff Motivation Tools

The Bank pays special attention for development of its corporate values, which are targeted at teambuilding and corporate spirit development. For instance, the QAZKOM mission and values were chosen in 2016 through general staff voting in the Bank's internal corporate site and the Q Family Group as well. The infographic of mission and values published in the Bank's internal informational resources has been developed with the Marketing Department efforts according to the voting results.

### Corporate flash mob

The flash mob was arranged in the Bank for its 25<sup>th</sup> anniversary. According to the flash mob conditions, the Bank employees prepared photos and video greetings addressed to the Bank by using the Bank's corporate colors. Over 40 photos and video greetings participated in this event; the Bank branches were actively involved. Those Bank employees, who submitted audacious greetings, were awarded with incentive prizes totaling 250 ths. GO!Bonuses.



### QStar Recognition Program

The QStar recognition program, which is aimed at encouragement of employees for demonstration of the Bank values, was implemented for additional motivation, retention of employees, and for translation of the Bank values as well.

Implementation of the QStar contest – enabled reinforcement of the understanding and acceptance of corporate values, which were implemented in 2016.



### The victories of corporate teams

The QAZKOM team was awarded with the first prize at the team karaoke tournament and with the third prize at the "Clash of the titans" interbank bowling tournament in 2016. The contests were arranged between ten Almaty banks on several events - karaoke, carting, billiard and bowling.



in addition, the Bank regularly arranges sport events for developing the corporate culture and increasing the involvement level of its employees.

So, 20 teams (each team consisting of 10-12 players) took part in the annual football tournament in 2016. The fans represented by Bank employees and the family members of the team participants took an active part.

The corporate bowling tournament was arranged on the eve of the National Currency Day. 53 teams (consisting of four players each) took part in the tournament. The best player was nominated among



men and women according to the tournament results. All winners were awarded with commemorative prizes and diplomas.

### **New approaches: the on-job health care**

QAZKOM's top-priority is taking care of its employees. The Bank arranged the free screening in 2016 in Almaty and Astana offices for measuring the level of sugar in the blood of its employees. Certified volunteers tested the level of sugar the employees' blood, and distributed the handouts on diabetes symptoms and preventive measures.

Such measures are absolutely socially important as the symptoms of diabetes are not florid, and the complications from such disease can be prevented only if the increased level of sugar in the blood is diagnosed at the early stage.



### **Volunteer and donor-employees**

In December 2016, the Bank for the first time became a partner of the New Year charity campaign arranged by Kazpost JSC. Thank to the sincere help and support provided by QAZKOM volunteer-employees, the dreams of 170 children from the entire Kazakhstan, who wrote their letters to the Father Frost, came true. The Bank employees in the costumes of the Father Frost and Snow Maiden gave presents to children in all Kazakhstan regions. The unconditional priority was given to the letters written by the children from vulnerable social groups, orphans and low-income children.



### **Blood Drive**

In addition, in 2016 Qazkom arranged the Blood Drive in Head Bank. For the Bank employees' convenience, the mobile lab was provided for the voluntary blood donation during the day. Many Qazkom employees responded to this campaign.



## **3. Company responsibility in ecology, environmental policy**



The Bank causes no damage to the environment when performing its commercial and administrative activities. The Bank is extremely responsible towards environmental issues and makes all efforts for protecting natural resources and improving the ecological situation in Kazakhstan.

The Bank takes all necessary environment protection measures envisaged in the legislation. The Bank does not produce any dangerous waste and has officially executed the waste disposal limits and atmospheric pollutant emission permits.

The Bank uses energy efficient fluorescent and LED lamps for illuminating its internal premises and fore-sides. When such lamps expire, the Bank collects and takes them to special companies for their further safe reprocessing (demercuration and etc.).

The Bank takes measures for decreasing the level of noise and vibration produced by diesel generators used for providing the reserve electric power supply. Premises equipped with diesel generators are made of the soundproof materials, and the aggregates themselves have vibro- and noise-attenuating units.

Bank makes maximum efforts for protecting the environment and ensures weekly garbage removal in the adjacent areas, and also observes all technical requirements applied to the Bank's vehicle fleet by conducting regular vehicle inspections and testing for harmful substances in the exhaust.

Bank follows basic standards for the safe construction and reconstruction of own buildings and structures and warrants that civil construction and erection works performed by Bank and contractors involved do not cause any harm to the environment. Residents of the environment, where the Bank buildings and structures are constructed or reconstructed, can freely learn all required documentation, which confirm an ecologic safety and serenity of the works performed.

The Bank's social responsibility concept allows every employee to participate in the Bank's charity programs, which always propagates the environmental friendliness among its employees and supports the idea of arranging clean-up events and other volunteer work.

One of the Bank's last environment protection initiatives was the ecological campaign in April 2016 – planting of the green alley near the Head Bank. Around 200 Head Bank employees took part in the activity, KZT 758 400 were collected. They were used for purchasing of 70 foliaceous transplants and 20 coniferous transplants. The types of trees were chosen in compliance with climatic situation in Almaty region and recommendations of professional specialists. This worthy initiative was strongly supported by the Bank team – from ordinary employees up to top-management representatives. Participation in clean-up events and other volunteer work is one of the planned activities performed within the framework of implementation of the Bank's strategic goals, thus such tree planting campaign will become an annual tradition.

The Bank's work characteristics as well as the Kazakhstan legislation requirements does not allow it to be an initiator of the projects, which are based on ecologically safe

technology. However, the Bank does not finance the projects, which are based on the technology having destructive impact on the environment.

Following the principles of social responsibility of the business in the environment protection area, the Bank is further planning to support the development and propagation of the environment-related activities.