



JSC Development Bank of Kazakhstan

(a joint stock company organised in the Republic of Kazakhstan)

U.S.\$2,000,000,000

MEDIUM TERM NOTE PROGRAMME

Under this U.S.\$2,000,000,000 Medium Term Note Programme (the “**Programme**”), JSC Development Bank of Kazakhstan (the “**Issuer**” or “**DBK**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between DBK and the relevant Dealer (as defined below). The maximum aggregate nominal amount of Notes outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement referred to herein), subject to increase as described herein. The Notes will be constituted by, and have the benefit of, an amended and restated trust deed dated 1 December 2010 (as may be further supplemented, amended or restated from time-to-time) (the “**Trust Deed**”) among DBK and Deutsche Trustee Company Limited (the “**Trustee**”, which term shall include any successor trustee under the Trust Deed).

This Base Prospectus supersedes all previous offering circulars and prospectuses relating to the Programme, including the base prospectus dated 25 October 2007. Any Notes issued after the date hereof are issued subject to the provisions hereof. This Base Prospectus does not affect any Notes issued prior to the date hereof, which were issued subject to the provisions of the relevant offering circular or prospectus in effect at the time of issuance.

Application has been made to the Financial Services Authority (in such capacity, the “**UK Listing Authority**”) in its capacity as the competent authority under the Financial Services and Markets Act 2000, as amended (the “**FSMA**”), for Notes issued under the Programme during the period of twelve months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market (the “**Regulated Market**”). References in this Base Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC. Notice of the aggregate nominal amount of interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein that are applicable to, each Tranche (as defined below) of Notes will be set forth in a final terms document (the “**Final Terms**”), which, with respect to Notes to be admitted to the Official List and to be admitted to trading by the London Stock Exchange, will be delivered to the UK Listing Authority and to the London Stock Exchange on or before the date of issue of the Notes of such Tranche. In addition, unless otherwise agreed with the relevant Dealer(s) (as defined below) and provided for in the Final Terms, DBK will use its reasonable endeavours to cause all Notes issued by DBK under the Programme to be admitted to the “rated debt securities” category of the official list of the Kazakhstan Stock Exchange (the “**KASE**”) as from (and including) the date of issue of the relevant Notes in respect of such Notes (the “**Issue Date**”). In addition, no Notes issued by DBK may be issued and placed without the prior consents of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations (the “**FMSA**”).

The Programme also permits Notes to be issued on an unlisted basis or to be listed on such other or further listing authorities, stock exchanges or quotation systems as may be agreed between DBK and the relevant Dealer(s).

**An investment in Notes involves a high degree of risk.
See “Risk Factors” for a discussion of certain factors that should be considered
in connection with an investment in the Notes issued under the Programme.**

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or the securities laws of any state of the U.S. or other jurisdiction, and, subject to certain exceptions, may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)). The Notes may be offered and sold (i) within the United States to persons who are qualified institutional buyers (each, a “**QIB**”), as defined in Rule 144A under the Securities Act (“**Rule 144A**”) and are also qualified purchasers (each, a “**QP**”) as defined in section 2(a)(51) of the U.S. Investment Company Act of 1940 (the “**Investment Company Act**”), as amended, in reliance on the exemption from registration provided by Rule 144A (such Notes so offered and sold, the “**Rule 144A Notes**”) and (ii) to non U.S. persons in offshore transactions in reliance on Regulation S (such Notes so offered and sold, the “**Regulation S Notes**”). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*General Description of the Programme*” and any additional Dealer appointed under the Programme from time to time by DBK (each, a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue of Notes or an ongoing basis. References in this Base Prospectus to the “relevant Dealer” shall, in relation to an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all the Dealers agreeing to subscribe for such Notes, or in the case of a syndicated issue of Notes, the lead manager of such issue, as the case may be.

Arrangers

Citi

Deutsche Bank

J.P. Morgan

Dealers

Citi

Deutsche Bank

Halyk Finance

J.P. Morgan

The date of this Base Prospectus is 1 December 2010.

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche of Notes, should be read and construed together with the relevant Final Terms. This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”).

Notes issued under the Programme shall have a minimum denomination of not less than €100,000 (or its equivalent in another currency). Subject thereto and in compliance with all applicable legal, regulatory and central bank requirements, Notes will be issued in such denominations as may be specified in the relevant Final Terms.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by DBK or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by DBK, the Trustee or any Dealer or any of their respective affiliates.

None of the Arrangers, the Dealers or the Trustee has independently confirmed the completeness and accuracy of the information contained herein. Accordingly, no representation or warranty is made or implied by the Arrangers, the Dealers, the Trustee or any of their respective affiliates, and none of the Arrangers, the Dealers, the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in, and each of them disclaims all and any liability whether arising in tort or contract or otherwise, which it might otherwise have in respect of, this Base Prospectus or any supplement hereto. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of DBK since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by DBK and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Transfer Restrictions*” and “*Subscription and Sale*”.

Regulation S Notes and Rule 144A Notes in a particular Tranche will each initially be represented by a separate global note (a “**Regulation S Global Note**” and a “**Rule 144A Global Note**”, respectively and, together, the “**Global Notes**”).

This Base Prospectus may only be communicated to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000 does not apply.

Neither this Base Prospectus, any Final Terms nor any other information supplied in connection with the Programme constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by DBK, the Dealers, the Trustee or any of their respective affiliates that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of DBK. The contents of this Base Prospectus are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In connection with the listing of the Notes on the KASE, DBK will furnish the KASE with a Russian translation of this Base Prospectus (the “**Translation**”). The Translation has been prepared by DBK solely for the purpose of listing the securities described in the Base Prospectus on the KASE and obtaining relevant consents of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations. The accuracy and completeness of the Translation have been verified by an independent translation agency hired by the DBK, and none of the Dealers nor any of their affiliates has verified, makes any representation or warranty, or takes any responsibility for the accuracy or completeness of the Translation. The Base Prospectus in English is the authentic and definitive version for the investment decision making process. In the event of any conflict or discrepancy between the English version of the Base Prospectus and the Translation, or any dispute regarding the interpretation of any statement in the English version or the Translation, the English version shall prevail.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive

(2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated by the relevant Final Terms may only do so (i) in circumstances in which no obligation arises for DBK or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer or (ii) if a base prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such base prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such base prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither DBK nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for DBK or any Dealer to publish or supplement a base prospectus for such offer.

NEITHER THE NOTES NOR ANY BENEFICIAL INTERESTS THEREIN HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES (“**RSA**”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421 B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON EACH TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

DBK is required to maintain its accounts in accordance with relevant laws and regulations in the Republic of Kazakhstan (“**Kazakhstan**”) and the regulations of the NBK (as defined below). These laws and regulations require that DBK’s accounts be prepared in Tenge (as defined below) and in accordance with International Financial Reporting Standards (“**IFRS**”) as promulgated by the International Accounting Standard Board (the “**IASB**”). Accordingly, DBK’s audited annual consolidated financial statements contained in this Base Prospectus, including the notes thereto as at and for the year ended 31 December 2009, which include comparative data as at and for the year ended 31 December 2008, and as at and for the year ended 31 December 2007, which include comparative data as at and for the year ended 31 December 2007 (the “**Audited Annual Financial Statements**”) were prepared in Tenge and in accordance with IFRS.

DBK’s unaudited consolidated interim condensed financial statements contained in this Base Prospectus, including the notes thereto, as at 30 September 2010 and for the nine months ended 30 September 2010, which include comparative data as at 31 December 2009 and for the nine-month period ended 30 September 2009 (the “**Unaudited Interim Financial Statements**”) and, together with the Audited Annual Financial Statements, the “**Financial Statements**”) were prepared in Tenge, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The Unaudited Interim Financial Statements have been prepared on the same basis as the Audited Annual Financial Statements and, in the opinion of management, include all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of interim results.

Investors should be aware that DBK has not published any financial statements as at any date, or for any period after, 30 September 2010. The effect of local and global market conditions on DBK as well as the effect of those conditions on DBK’s customers and counterparties may mean that actual financial condition and results of operations of DBK as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter may be materially and adversely different from the financial condition and the results presented as at and for the nine months ended 30 September 2010. Accordingly, investors should not assume that the financial condition and the results presented as at and for the nine months ended 30 September 2010 are an accurate indication of the actual financial condition or results as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter. See “*Management’s Discussion and Analysis of Results of Operations and Financial Condition*”.

DBK’s auditors have issued qualified opinions in respect of the Audited Annual Financial Statements, and DBK’s previous auditors also issued a qualified audit opinion in respect of DBK’s audited annual consolidated financial statements as at, and for the year ended, 31 December 2007. DBK’s auditors have issued an unqualified review report in respect of DBK’s Unaudited Interim Financial Statements as at and for the nine months ended 30 September 2010.

The basis for the qualified opinions issued in respect of the Audited Annual Financial Statements and DBK’s audited annual consolidated financial statements as at, and for the year ended, 31 December 2007, as stated by DBK’s current and previous auditors, respectively, was that, in respect of certain foreign currency derivatives accounted for as hedges in the referenced financial statements, the auditors were unable to satisfy themselves whether the documentation of the prospective hedge effectiveness testing was complete at the date of the inception of the relationship (hedge documentation date) to qualify such derivatives for hedge accounting under IAS 39 *Financial Instruments: Recognition and Measurement* during the period from 9 October 2007 to 26 August 2008.

DBK’s management believes that, since 2007 when the subject transactions were initially accounted for, DBK has developed more sophisticated processes and record-keeping practices, and has retained more experienced and qualified personnel, to the effect that similar issues should not recur. See “*Risk Factors—Risks relating to DBK—Shortage of Qualified Personnel*”. Under DBK’s recently-adopted accounting policies, all extraordinary transactions, which by these policies’ definition include all derivative transactions, are presented to and reviewed by the ALCO, which includes as a member the Managing Director in charge of DBK’s accounting functions and back-office operations. If hedge accounting had not been applied, the derivative financial instruments would have been classified as “financial liabilities at fair value through profit or loss” and income would have increased by KZT 517.4 million net of taxation in the period from 1 January to 26 August 2008, as compared to a decrease of KZT 3,139.6 million for the year ended 31 December 2007. For further information in relation use of hedge accounting, see Note 29(c) to DBK’s audited annual consolidated financial statements as at and for the year ended 31 December 2009 and Note 28(c) to DBK’s audited annual consolidated financial statements as at and for the year ended 31 December 2008.

Currencies

In this Base Prospectus:

- “**EUR**”, “**Euros**” or “**€**” refers to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;

- “Tenge” or “KZT” refers to Kazakhstan Tenge, the lawful currency of the Republic of Kazakhstan; and
- “U.S.\$” or “U.S. Dollars” refers to United States Dollars, the lawful currency of the United States of America.

Solely for convenience, this Base Prospectus includes conversions of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, any consolidated statement of financial position data in U.S. Dollars is converted from Tenge at the applicable exchange rate on the date of such consolidated statement of financial position (or, if no such rate was quoted on such date, the immediately preceding date on which such rate was quoted) and any income statement data in U.S. Dollars is converted from Tenge into U.S. Dollars at the average exchange rate applicable to the period to which such income statement data relates, in each case, calculated in accordance with the published exchange rates for U.S. Dollars on the KASE, as reported by the National Bank of Kazakhstan (the “NBK”). Such translations are not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the Tenge amounts have be or could be converted into U.S. Dollars are that rate or any other rate.

The following table sets forth the period-end, average and low and high rates for Tenge, each expressed in Tenge and based on the Tenge/U.S. Dollar exchange rates quoted on the KASE, as reported by the NBK:

<u>Period</u>	<u>Period end</u>	<u>Average⁽¹⁾</u> <i>(Tenge/U.S.\$1.00)</i>	<u>High</u>	<u>Low</u>
Year ended 31 December 2007	120.30	122.55	127.00	118.79
Year ended 31 December 2008	120.77	120.30	120.87	119.48
Year ended 31 December 2009	148.36	147.50	151.40	120.79
Three months ended 31 March 2010	147.11	147.70	148.46	146.89
Six months ended 30 June 2010	147.46	146.81	147.46	146.41
Nine months ended 30 September 2010	147.47	147.41	147.78	147.12

Note:

(1) The average rate reported by the NBK on each day during the relevant period.

The Tenge/U.S. Dollar exchange rate as reported by the NBK on 25 November 2010, was KZT 147.28 per U.S.\$1.00.

The above rates may differ from the actual rates used in the preparation of DBK’s financial statements or other financial information appearing in this Base Prospectus. No representation is made that the Tenge amounts in this Base Prospectus could have been converted into U.S. Dollars, at any particular rate or at all. Fluctuations in exchange rates between the Tenge and U.S. Dollar are not necessarily indicative of fluctuations that may occur in the future.

Rounding

Certain amounts which appear in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the sum of the figures which precede them.

Market and Industry Data

Certain statistical and market information that is presented in this Base Prospectus on such topics as Kazakhstan’s banking sector and Kazakhstan’s economy in general and related subjects has, unless otherwise stated herein, been extracted from documents and other publications released by the FMSA, the NBK and the National Statistics Agency of Kazakhstan (the “NSA”).

DBK has accurately reproduced such information and, so far as DBK is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Where third party information has been used in this Base Prospectus, the source of such information has been identified. Prospective investors should note that some of DBK’s estimates are based on such third party information. Neither DBK nor the Dealers have independently verified the figures, market data or other information on which third parties have based their studies.

Official data published by Kazakhstan governmental or regional agencies is substantially less complete or researched than those of more developed countries. Further, official statistics, including those produced by the FMSA, the NBK and the NSA, may be produced on different bases than those used in more developed countries. Unless otherwise stated, macroeconomic data which appear in this Base Prospectus have been derived from statistics published by the NSA. See “*Risk Factors—Risk Factors relating to Kazakhstan—Official Statistics*”. Any discussion of matters relating to

Kazakhstan's banking sector, economy and related topics as well as other participants in the Kazakhstan banking sector in this Base Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

SEC Reporting Requirements

The financial information included in this Base Prospectus is not intended to comply with SEC reporting requirements. Compliance with such requirements may require the modification or exclusion of certain financial measures, including the conversion of Tenge into U.S. Dollars for any period other than as of and for the nine months ended 30 September 2010 and the presentation of certain other information not included herein.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and include statements regarding DBK's intentions, beliefs or current expectations concerning, amongst other things, DBK's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that DBK's actual results of operations, financial condition and liquidity and the development of the sectors and economy in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if DBK's results of operations, financial condition and liquidity and the development of the sectors and economy in which it operates are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the stability of the banking sector in Kazakhstan generally;
- anticipated growth of DBK's business;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance revenue growth; and
- estimates and financial targets for increasing and diversifying the composition of DBK's loan portfolio.

Factors that could cause actual results to differ materially from DBK's expectations are contained in cautionary statements in this Base Prospectus and include, among other things, the following:

- effects of the global financial crisis;
- overall economic and business conditions and commodity prices;
- the demand for DBK's products or services;
- competitive factors in the sectors and economy in which DBK and its customers compete;
- changes in regulations of the government of Kazakhstan (the "**Government**");
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- economic and political conditions in international markets, including changes in government;

- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing and impact of other uncertainties relating to future actions.

The sections of this Base Prospectus entitled “*Risk Factors*”, “*Selected Financial Information and Other Data*”, “*Management’s Discussion and Analysis of Results of Operations and Financial Condition*” “*Selected Statistical and Other Data*” and “*Business*” contain a more complete discussion of the factors that could affect DBK’s future performance and the sectors and economy in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus may not occur.

DBK does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to DBK or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

ADDITIONAL INFORMATION

DBK is not required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). For so long as DBK is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, DBK will, upon request, furnish to each holder or beneficial owner of Notes that are “restricted securities” (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. See “*Terms and Conditions of the Notes – Negative Pledge and Covenants*”.

RESPONSIBILITY STATEMENT

This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to DBK which, according to the particular nature of DBK and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of DBK and of the rights attaching to the Notes. DBK accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of DBK (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Certain information in this Base Prospectus contained under the headings “*Risk Factors*” and “*The Banking Sector in Kazakhstan*” and certain other macroeconomic data which appear in this Base Prospectus have been extracted from documents and other publications released by the NSA, the NBK and the FMSA. DBK accepts responsibility for accurately reproducing such extracts, and as far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading.

SUPPLEMENT TO THIS BASE PROSPECTUS

DBK has undertaken, in connection with the listing of Notes, that if there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Notes, whose inclusion would reasonably be required by investors, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of DBK, and the rights attaching to the relevant Notes, DBK will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new base prospectus, for use in connection with that or any subsequent issue by DBK of listed Notes.

ENFORCEMENT OF FOREIGN JUDGMENTS

DBK is a joint stock company organised under the laws of Kazakhstan and certain of its officers and directors and certain other persons referred to in this Base Prospectus are residents of Kazakhstan. All or a substantial portion of the assets of DBK and such persons are located in Kazakhstan. As a result, it may not be possible to effect service of process upon DBK or any such person outside Kazakhstan, to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or to enforce against any of

them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in the courts of England.

The Notes and the Trust Deed are governed by the laws of England and DBK has agreed in the Notes and the Trust Deed that disputes arising thereunder are subject to arbitration in London, England or at the election of the Trustee or, in certain circumstances, a Noteholder to the jurisdiction of the English courts. See Condition 23 under "*Terms and Conditions of the Notes*". Kazakhstan's courts will likely not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and England. However, each of Kazakhstan and England are parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards and, accordingly, an arbitral award should generally be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in that Convention are met.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following general description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in “Forms of the Notes” or “Terms and Conditions of the Notes” below shall have the same meanings in this general description.

Issuer	JSC Development Bank of Kazakhstan.
Arrangers	Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities Ltd.
Dealers	Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, JSC Subsidiary Organization of Halyk Bank of Kazakhstan “Halyk Finance”, J.P. Morgan Securities Ltd. and any other Dealer appointed in accordance with the Programme Agreement.
Trustee	Deutsche Trustee Company Limited.
Principal Paying and Transfer Agent	Deutsche Bank AG, London Branch.
Luxembourg Registrar	Deutsche Bank Luxembourg S.A.
U.S. Paying and Transfer Agent	Deutsche Bank Trust Company Americas.
U.S. Registrar	Deutsche Bank Trust Company Americas.
Size	U.S.\$2,000,000,000 (or its equivalent in other currencies calculated in accordance with the provisions of the Programme Agreement) outstanding at any one time. DBK may increase the amount of the Programme at any time in accordance with the Programme Agreement.
Issuance	<p>Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.</p> <p>Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, supplements the Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Conditions of the Notes as supplemented, amended or replaced by the relevant Final Terms.</p>
FMSA Consents	No Notes issued by DBK may be issued without prior consent from FMSA to issue such Notes in accordance with the laws of a foreign country and place such Notes outside Kazakhstan (the “ FMSA Consents ”).
Forms of Notes	Each Series of Notes will be issued in registered form only. Regulation S Notes and Rule 144A Notes will initially be represented by a Regulation S Global Note and a Rule 144A Global Note, respectively. The Global Notes will be exchangeable for Definitive Notes (as defined herein) in the limited circumstances specified in the Global Notes.
Clearing Systems	DTC (in the case of Rule 144A Notes), unless otherwise agreed, and Clearstream, Luxembourg and Euroclear (in the case of Regulation S Notes), unless otherwise agreed, and such other clearing system as may be agreed between DBK, the Principal Paying and Transfer Agent, the Trustee and the relevant Dealer.
Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal, regulatory and central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in or linked to, any currency or currencies other

	than the currency in which such Notes are denominated.
Status of the Notes	The Notes will constitute direct, general and unconditional obligations of DBK which will at all times rank <i>pari passu</i> among themselves and <i>pari passu</i> in right of payment with all other present and future unsubordinated obligations of DBK, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Issue Price	Notes may be issued at any price and either on a fully- or partly-paid basis, as specified in the relevant Final Terms.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal, regulatory and central bank requirements.
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Optional Redemption	Notes may be redeemed before their stated maturity at the option of DBK (either in whole or in part), the Noteholders or both to the extent (if at all) specified in the relevant Final Terms.
Tax Redemption	Early redemption will be permitted for tax reasons, as described in Condition 11.2 under “ <i>Terms and Conditions of the Notes</i> ”.
Interest	Notes may be interest-bearing or non interest-bearing (as set out in the relevant Final Terms). Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series (as set out in the relevant Final Terms).
Denominations	Notes will be issued in such denominations as may be specified in the relevant Final Terms (the “ Specified Denomination ”), provided that the Specified Denomination(s) shall not be less than €100,000 or its equivalent in another currency. For so long as the Notes are represented by a Global Note, and the relevant clearing system(s) so permit, the Notes shall be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of any smaller amount specified in the relevant Final Terms.
	Interests in the Rule 144A Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in another currency.
	Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by DBK in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in another currency).
Negative Pledge and Covenants	The Notes will have, among others, the benefit of a negative pledge and covenants relating to compliance with the legislative act constituting DBK and provision of certain information, each as more fully described in Condition 6 under “ <i>Terms and Conditions of the Notes</i> ”.
Cross Default	The Notes will have the benefit of a cross default clause as described in Condition 14.3 under “ <i>Terms and Conditions of the Notes</i> ”.
Taxation	All payments in respect of Notes will be made free and clear of withholding taxes of Kazakhstan unless the withholding is required by law. In that event, DBK will (subject as provided in Condition 12 under “ <i>Terms and Conditions of the Notes</i> ”) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Redenomination	The applicable Final Terms may provide that Notes may be redenominated in Euros in accordance with Condition 23 under “ <i>Terms</i> ”

and Conditions of the Notes".

Governing Law English law.

Listing Application has been made for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Regulated Market. This Base Prospectus and any supplement will only be valid for listing Notes on the Official List and admitting Notes to trading on the Regulated Market during a period of twelve months from the date of this Base Prospectus.

The Programme also permits Notes to be issued on an unlisted basis outside of Kazakhstan or to be listed on such other or further listing authorities, stock exchanges or quotation systems outside of Kazakhstan as may be agreed between DBK and the relevant Dealer. In addition, DBK shall make an application to the KASE for Notes issued under the Programme to be listed on KASE, although no assurance can be given that such listing will be obtained. In addition, unless otherwise agreed with the relevant Dealer and provided for in the Final Terms, DBK will use its reasonable endeavours to cause all Notes issued by DBK under the Programme to be admitted to the "rated debt securities" category of the official list of the KASE, although no assurance can be given that such listing will be obtained.

Selling Restrictions For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Kazakhstan and Japan. See "*Subscription and Sale*".

Risk Factors Investing in the Notes involves a high degree of risk, which investors should ensure they fully understand. These include: risk factors relating to DBK, risk factors relating to Kazakhstan and risk factors relating to the Notes. See "*Risk Factors*".

RISK FACTORS

The following factors may affect the ability of DBK to fulfil its obligations under the Notes. Some of these factors are contingencies which may or may not occur and DBK is not in a position to express a view on the likelihood of any such contingency occurring.

Prior to making an investment decision, prospective purchasers of Notes should carefully consider, along with the other matters referred to in this Base Prospectus, the following risks associated with investment in Kazakhstan entities generally and with investment in securities issued by DBK (such as the Notes), which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme. Prospective investors should pay particular attention to the fact that DBK operates in the legal and regulatory environment in Kazakhstan, which in some respects may differ from that prevailing in other countries.

Prospective investors should note that the risks described below are not the only risks faced by DBK. These are the risks that DBK considered to be material. However, there may be additional risks that DBK currently considers immaterial or of which it is currently unaware, and any of these risks could have the effect set forth above.

Risk factors relating to DBK

Loan Portfolio Growth

DBK's loans to customers less allowance for impairment losses has increased rapidly recently, reflecting an increase of 56.9% as at 30 September 2010, as compared to 31 December 2009, following increases of 7.3% in 2009 and 143.4% in 2008. This overall growth in the size of DBK's loan portfolio has increased DBK's credit exposure and will require continued and improved monitoring by management of credit quality and the adequacy of provisioning levels, as well as continued improvement in DBK's credit risk management programme. Failure to do so could result in significant impairment losses. DBK has in the past experienced significant impairment losses, particularly in the year ended 31 December 2009, when it recognised KZT 73,414.1 million in impairment losses, as compared to KZT 10,230.0 million in the corresponding period in 2008. There can be no assurance that impairment losses will not again occur in the future and such impairment losses may increase as the loan portfolio increases. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Results of Operations for the years ended 31 December 2009, 2008 and 2007—Impairment losses*".

Continued growth of DBK's loan portfolio is, to an extent, dependent upon the availability of funds allocated by the Government to finance special development projects, the ability of DBK to identify suitable corporate guarantors for such development projects, the ability of DBK to borrow in the domestic and international market and the ability of DBK to attract and retain qualified personnel and to train new personnel to monitor asset quality. Failure by DBK in any of these areas could limit DBK's ability to increase the size and maintain the quality of its loan portfolio and, accordingly, could result in a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Loan Portfolio Concentration

DBK was established (among other reasons) to provide credit and other banking services at preferential interest rates to, certain sectors of the Kazakhstan economy to support the Government's development goals. As a result of this objective, DBK's loan portfolio is, from time to time, characterised by concentration in one or more particular economic sectors. As at 30 September 2010, outstanding loans to the top 15 customers comprised 61.4% of DBK's total gross loans granted to customers. The largest proportion of such loans were granted to the (i) mining, metallurgy and mineral resources, (ii) agriculture, and (iii) oil and gas sectors, accounting for 22.9%, 14.7% and 11.9%, respectively, of total gross loans granted to customers as at 30 September 2010.

The directed nature of DBK's lending activities may, from time-to-time, result in DBK having continuing concentrated exposures to particular industries or economic sectors and particular borrowers and, ultimately, could adversely affect the diversity of DBK's overall loan portfolio. As a result of any such concentrations, DBK may experience higher losses in its loan portfolio than would be the case if it had a more diversified portfolio, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

State Ownership

DBK was established as the Government's primary vehicle for promoting economic development and exports from non-extractive sectors of the Kazakhstan economy and is part of an overall industrial development programme. DBK's sole

shareholder is JSC Sovereign Wealth Fund “Samruk-Kazyna” (“**Samruk-Kazyna**” or the “**Parent Company**”), and is, in turn, wholly-owned by the Government.

The Government has stated that Samruk-Kazyna will maintain an arm’s-length relationship with DBK and will not influence DBK’s funding or lending policies. However, due to its shareholding in DBK, Samruk-Kazyna has the right to determine all matters requiring a vote of shareholders, including the election of DBK’s Board of Directors (the “**Board of Directors**”), which is the main management body of DBK responsible for the approval of credit decisions for projects whose value exceeds U.S.\$50 million and DBK’s financial strategy.

As Kazakhstan’s sovereign wealth fund, with the goal of supporting and diversifying Kazakhstan’s economy, the interests of Samruk-Kazyna may conflict with the interests of DBK’s creditors and there can be no assurance that Samruk-Kazyna will exercise influence over DBK in a manner that is in the best interests of DBK or the Noteholders. In addition, being controlled by the Government may slow DBK’s decision-making process and may subject DBK to the risk of bureaucracy and inefficiencies commonly attributed to state-controlled companies. Furthermore, because Samruk-Kazyna is controlled by the Government, there is a risk that any change of administration in Kazakhstan may result in changes in Samruk-Kazyna’s policies, and such new policies may conflict with the interests of DBK and the Noteholders.

There can be no assurance that the Government or Samruk-Kazyna will not change their respective policies in respect of DBK, which could result in material adverse changes in DBK’s current strategies and management or could materially affect DBK’s ability to operate on a commercial basis.

Lack of Information and Risk Assessments

Kazakhstan’s system for gathering and publishing statistical information relating to its economy generally or specific economic sectors within it, or corporate or financial information relating to companies and other economic enterprises, is not as comprehensive as that of many countries with established market economies. Thus, the statistical, corporate and financial information, including audited financial statements, available to DBK relating to its corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. The absence of accurate statistical, corporate and financial information may decrease the accuracy of DBK’s assessments of credit risk, thereby increasing the risk of borrower default and decreasing the likelihood that DBK would be able to enforce any collateral in respect of the corresponding loan or that the relevant collateral has a value commensurate to the loan secured on it. Further, and in particular, DBK finances long-term development projects about which there may be little historical information. Accordingly, DBK is subject to greater risks than a commercial bank.

Kazakhstan commercial enterprises, in co-operation with Experian, an international credit reference agency, established a credit reference bureau in Kazakhstan in 2004 to provide information about potential borrowers. However, the credit reference bureau is still developing and, as a result, the quality of information it provides may not be accurate or sufficient, and DBK continues to have relatively limited information, as compared to Lenders in more developed markets, on which to base its lending decisions.

Credit Risks

DBK has implemented specific credit risk policies. However, since DBK’s credit portfolio consists of medium to long-term loans and there has been little historical experience in Kazakhstan with such loans, there can be no assurance that DBK’s credit policies are or will be sufficient to mitigate the risks involved in making such loans in an emerging market such as Kazakhstan. As Kazakhstan’s economy is substantially influenced by commodity prices, customers operating in industries that are susceptible to commodity price fluctuations may find their financial condition affected by such fluctuations and, consequently, the ability of such customers to service loans extended by DBK fully and on time may be adversely affected.

Non-Performing Loans

A relatively high percentage, 25.8%, of loans outstanding to customers was classified as non-performing (*i.e.*, overdue by more than 90 days) as at 30 September 2010, primarily as result of the ongoing impact of the global financial crisis on Kazakhstan. In addition, five of the ten largest loans are non-performing, and one other has been restructured resulting in a loss to DBK. In general, due to the fact that its lending tends to be concentrated in relatively large infrastructure and industrial projects, in connection with its role as a development bank, DBK may be more at risk in respect of non-performing loans than commercial banks. Although the management of DBK believes that it has made significant progress in restructuring some of its non-performing loans and the credit quality of its loan portfolio is improving, there can be no assurance that management will successfully restructure all or most of such non-performing loans or that such restructuring is adequate to address all of the problems it is intended to address, which could reduce recoveries in respect of such non-performing loans and thereby have a material adverse effect on DBK’s business, financial condition, results of operations and prospects.

Concentration of Funding Sources

DBK has been principally dependent upon loans from banks and other financial institutions for its funding. As at 30 September 2010 and 31 December 2009, 2008, 2007, funding from banks and other financial institutions, as a percentage of DBK's total liabilities, represented 78.3%, 74.1%, 49.0% and 40.3%, respectively. Many factors may affect the ability of DBK to obtain such funding, including, *inter alia*, the condition of the Kazakhstan and international banking sectors, capital controls that are or may be imposed globally, the willingness of multilateral institutions to fund specific projects and the actual and perceived economic conditions in Kazakhstan. See "*Risks Relating to Kazakhstan*". Accordingly, there can be no assurance that DBK will be able to continue to satisfy all or part of its funding requirements through amounts provided by the banks and other financial institutions. To the extent that banks and other financial institutions are not willing or able to continue to provide sufficient funding to DBK, DBK may not be able to access alternative sources of funding to compensate for any shortfall in funds. Accordingly, any reduction in the amount of such funding provided to DBK could have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Interest Rate Risk

DBK is exposed to risk resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. From time to time, the maturities of DBK's assets and liabilities are not balanced and, accordingly, an increase or decrease in interest rates could have an adverse effect on DBK's net interest margin and results of operations. To the extent that DBK's liabilities in the future reprice substantially more frequently than its assets, if interest rates rise, DBK's interest expense will increase more rapidly than its interest income, which could negatively affect interest margins and result in liquidity problems. According to DBK's credit policy, it passes on such risks to borrowers by lending on similar conditions; however, DBK may not always be able to do so. In addition, in October 2008, the Kazakhstan banking law (the "**Banking Law**") was amended to prohibit banks from changing interest rates unilaterally. These amendments have retrospective effect and apply to any loan agreements entered into before and after their enactment. DBK's ability to mitigate interest rate risks is therefore extremely limited and its financial condition may be negatively affected. In addition, volatility in interest rate movements may have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Foreign Currency Risk

DBK is exposed to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. DBK sets limits on the level of exposure to currencies (primarily, the U.S. Dollar) and enters into forward and swap transactions to hedge its foreign currency risk. Certain of DBK's cash flows are generated in U.S. Dollars, and any future movements in the exchange rate between the Tenge and the U.S. Dollar may adversely affect the carrying value of DBK's Tenge denominated monetary assets and liabilities and DBK's ability to realise investments in non-monetary assets measured in Tenge.

Additionally, in line with DBK's policy of limiting its exposure to currency fluctuations, DBK's loan portfolio consists of non-Tenge loans, particularly loans denominated in U.S. Dollars. Accordingly, any rise in the value of the Tenge relative to the U.S. Dollar might result in increased costs for DBK and its customers and could adversely affect DBK's business, financial condition, results of operations and prospects.

In addition, many of DBK's borrowers have revenues principally generated in Tenge and any decrease in the value of the Tenge relative to the U.S. Dollar may adversely affect their financial condition and, consequently, the ability of such borrowers to repay fully and on time the U.S. Dollar denominated loans extended by DBK.

As at the date of this Base Prospectus, DBK's exposure to exchange rate risk may increase, particularly as it continues to access international capital markets and foreign currency syndicated and bilateral lending markets. Accordingly, future changes in currency exchange rates, which can be particularly volatile in times of national or global financial instability, such as the recent period of economic turmoil, could have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Regulation

DBK's operations are regulated by the Constitution of the Republic of Kazakhstan, the Law on the Development Bank of Kazakhstan dated 25 April 2001, as amended, (the "**DBK Law**"), the Law on the Sovereign Wealth Fund dated 13 February 2009, the Memorandum on Credit Policy of JSC Development Bank of Kazakhstan, dated 18 June 2009, as amended on 19 November 2009 (the "**Credit Policy Memorandum**"), DBK's Charter dated 18 August 2003, as amended on 12 March 2009 and registered on 6 May 2009, (the "**DBK Charter**"), and other relevant laws and regulations. There can be no assurance that this regulatory regime will not change or that the Government will not implement other regulations

or policies, including policies or regulations or legal interpretations of existing banking or other regulations relating to or affecting taxation, interest rates, inflation or exchange controls, or otherwise take action that could have a material adverse effect on DBK's business, financial condition, results of operations and prospects or that could adversely affect the market price and liquidity of the Notes.

Information Systems Risk

DBK relies on information systems to conduct its business. Any failure or interruption in or breach of security of these systems could result in failures or interruptions in DBK's risk management or loan origination systems or errors in its accounting books and records. As at the date of this Base Prospectus, DBK does not have an off-site back-up system. If DBK's information systems failed, it might be unable to serve some customers' needs on a timely basis. Likewise, a temporary shutdown of DBK's information systems may result in DBK incurring costs associated with information retrieval and verification. No assurance can be given that such failures or interruptions will not occur. Accordingly, the occurrence of any failures or interruptions and failure to implement properly any back-up systems could have a material adverse effect on DBK's business, financial condition, results of operations and prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that DBK will be unable to comply with its obligations as a company with securities admitted to the Official List.

Shortage of Qualified Personnel

There is a considerable shortage of adequately qualified personnel in Kazakhstan's financial sector, particularly in such areas as risk management and brokerage services. In this respect, DBK's management believes that a shortage of qualified personnel contributed to the circumstances giving rise to the qualified audit opinions issued in respect of the Audited Annual Financial Statements. See "*Presentation of Financial and Other Information*". If the shortage of adequately qualified personnel persists, DBK's ability to offer the desired range and volume of services and monitor and maintain the quality of its assets may be affected which may, in turn, affect DBK's business, financial condition, results of operations and prospects. In addition, a shortage of adequately qualified personnel may force DBK to offer additional financial and other incentives to retain existing personnel and recruit additional personnel, which would increase operating expenses.

Expansion into New Geographic Areas and New Business Lines

In accordance with DBK's long term corporate development strategy, DBK is planning to expand geographically into the countries which border Kazakhstan, such as China, Russia and other Commonwealth of Independent States (the "CIS") countries, in order to increase financing of cross-border projects, in particular, involving Kazakhstan's manufacturing sector and the development of Kazakhstan's infrastructure and transport facilities. This will expose DBK to the risks associated with a new operating environment, such as a different legal and regulatory regime and a lack of previous experience in conducting business outside of Kazakhstan. DBK also intends to expand its activity in new business lines related to financing large-scale investment projects such as the provision of project financing, mezzanine financing and consultancy and advisory services. No assurance can be given that DBK's efforts to expand into new geographic areas or new business lines will be successful and that DBK will properly take into account and manage the risks associated therewith. Any failure to do so could have a material adverse effect on DBK's financial condition and results of operations.

Long-Term Projects

A key area of DBK's business is the limited recourse financing of large and long-term infrastructure projects, which means that DBK will carry the risk that the projects will not be successful. The macro-economic and political risks inherent in emerging economies will have a significant effect on the success or failure of these projects and it is difficult to predict at the outset of a project all of the factors which may affect it in the long-term. The main risks are likely to be that a project will not be completed as scheduled or within budget or that it may fail altogether. There is also the risk that if an event of default for a project financing occurs the collateral provided may not be sufficient to cover the value of the loans. The occurrence of any of such events could have a material adverse effect on DBK's financial condition or results of operations.

Risk Factors Relating to Kazakhstan

Emerging Markets

The disruptions experienced in recent years due to the impact of the global financial crisis in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in countries in the emerging markets such as Kazakhstan may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by the level of investor confidence in such markets as a whole and as such any factors that affect investor confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets. In particular, the construction and real estate markets in Kazakhstan have experienced significant volatility primarily as a result of the reduction of available financing, which has in turn increased the risk profile of Kazakhstan banks exposed to the construction and real estate markets and has made them more susceptible to defaults caused by these macroeconomic factors.

Investors in emerging markets such as Kazakhstan should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies may dampen foreign investment in Kazakhstan and adversely affect Kazakhstan's economy. In addition, during such times, companies operating in emerging markets can face severe liquidity constraints as foreign funding resources are withdrawn. Thus, whether or not Kazakhstan's economy is relatively stable, financial turmoil in any emerging market country, in particular countries in the CIS or Central Asian regions, which recently have experienced significant political instability (including terrorism), could seriously disrupt the DBK's business. Any such disruption would have a material adverse effect on the DBK's business, prospects, financial condition, cash flows or results of operations.

Kazakhstan's Banking Industry

The global economy and the global financial system have experienced a period of significant turbulence and uncertainty in recent years, particularly the severe disruption of the financial markets around the world that began in August 2007 and that has substantially worsened since September 2008 with adverse consequences for many large global commercial and investment banks, insurance companies and other financial institutions. This disruption has severely impacted general levels of liquidity and the availability of credit together with the terms on which credit is available. Governments around the world, including that of Kazakhstan, have sought to inject liquidity into banking systems and to recapitalise their banking sectors to reduce the risk of systemic failure and increase confidence in the financial markets.

This market disruption has also been accompanied by a slowdown in many economies including that of Kazakhstan. The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Kazakhstan banks have previously heavily relied on such financing and deposits as a source of funding. The high dependence on capital market funding poses a significant refinancing risk for both individual banks and the banking system as a whole. Wholesale debt financing has now become significantly more expensive.

The NBK and the Government have taken steps to protect the Kazakhstan banking sector from the recent turmoil in the financial markets, including the provision of short term liquidity support, the deposit into local commercial banks of temporary excess cash of national companies, enterprises and joint stock companies which are wholly or partially owned by the State or controlled by the NBK and the establishment by the Government of a Distressed Assets Fund to buy doubtful assets of commercial banks. If the NBK and the Government were to withdraw their liquidity support it would lead to decreased overall liquidity in the Kazakhstan banking sector.

Kazakhstan's banking system remains under stress with banks seeking to deleverage through partial repayments and debt restructurings. Although JSC BTA Bank ("**BTA Bank**"), JSC Alliance Bank ("**Alliance Bank**") and JSC Temir Bank ("**Temir Bank**") have successfully completed restructurings, further defaults and debt restructurings by these or other banks cannot be ruled out, and DBK is generally exposed to the risk of further bank failures in particular if DBK is asked or required to play a role in restructurings following such failures. This could, in turn, have an effect on DBK's ability to receive support from the Government, if needed, as the Government's resources may become strained and the Government may be required to allocate support and funds selectively. The full range and consequences of the risks faced by DBK are difficult to predict and guard against in view of the fact that many of those risks are either partially or entirely outside the control of DBK and may be exacerbated by the severity of the financial crisis.

Corporate Governance and Disclosure Laws

The corporate governance laws and rules applicable to DBK are, in the first instance, the DBK Law, the Law on Sovereign Wealth Fund, the Kazakhstan Joint Stock Company Law and other laws of Kazakhstan. The corporate governance regime

in Kazakhstan is less developed than that in the United States and the United Kingdom, and the responsibilities of the members of the Board of Directors and DBK's management board (the "**Management Board**") under Kazakhstan law are different from those generally applicable to corporations organised in the United States, the United Kingdom or other jurisdictions.

A principal objective of the securities laws of the United States, the United Kingdom and certain other countries is to promote the full and fair disclosure of all material corporate information to the public. Although DBK is subject to certain disclosure requirements under Kazakhstan law, these requirements are less stringent than the comparable requirements in the United States, the United Kingdom or certain other jurisdictions and, therefore, there is less information publicly-available about DBK than would be required if DBK were organised in the United States, the United Kingdom or certain other jurisdictions.

The Government has stated that it intends to continue to reform the corporate governance regulations to which DBK is subject, in common with all other joint stock companies, with a view toward increasing disclosure and transparency in the corporate sector in order to promote growth and stability. However, the Government may not continue to pursue such a policy in the future or such policy, if continued, may not ultimately prove to be successful. It is not possible to predict the effect in this regard of future legislative developments.

Location of DBK's Assets and Operations

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has undergone significant change as it has emerged from a single-party political system and a centrally controlled command economy to a market oriented one. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of state enterprises. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Base Prospectus will continue or that such reforms will achieve all or any of their intended aims.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. Thus, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in regional markets may adversely impact Kazakhstan's economy.

According to figures compiled by the NSA, GDP grew in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 13.5% in 2001, 9.8% in 2002, 9.2% in 2003, 9.4% in 2004, 9.4% in 2005, 10.7% in 2006 and 8.9% in 2007. In 2008, the pace of the GDP growth decreased, such that the GDP increased by only 3.3% GDP increased by only 1.2% in 2009. Thus, the global economic crisis resulted in a general economic slowdown in Kazakhstan in 2008 and 2009, as evidenced in higher unemployment, reduced corporate profitability, increased corporate insolvency rates, increased personal insolvency rates and increased interest rates. This, in turn, reduced borrowers' ability to repay loans and caused prices of residential or commercial real estate or other asset prices to fall further, thereby reducing the value of the collateral securing many bank loans, increasing writedowns and negatively affecting the ability and willingness of companies and individuals to place deposits with domestic banks. Although GDP then grew by 8.0% for the six months ended 30 June 2010, as compared to the same period in 2009, similar risks for the ongoing economic recovery in Kazakhstan remain.

Factors outside Kazakhstan have also had an impact on Kazakhstan's economy, specifically the finance and banking sector. For example, in February 2009, Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc ("**S&P**") downgraded the credit ratings of five of Kazakhstan's largest commercial banks, while Moody's Investors Services Inc ("**Moody's**") downgraded the bank financial strength ratings of six banks. Other ratings services have also downgraded certain of Kazakhstan's banks. The rating agencies have stated that these downgrades were the consequence of the increasingly negative impact of the global economic crisis on the Kazakhstan economy and its financial institutions and specifically mounting asset quality and liquidity problems and the inability of Kazakhstan banks to refinance their large foreign wholesale debt in large part because of the devaluation of the Tenge in February 2009. Several commercial banks in Kazakhstan have experienced difficulty in refinancing maturing international debt and, as a result, have sought short-term funding from the NBK and substantially limited issuance of new loans. Pursuant to the terms of financial stability legislation adopted by the Government in February 2009, two of Kazakhstan's largest banks, BTA Bank and Alliance Bank, were effectively nationalised by the Government in the wake of the new fiscal stability legislation and have recently completed substantial restructuring programmes. It is not clear what impact this will have on the prospects of other

participants in the Kazakhstan banking sector and their customers, including DBK. The small and medium-sized enterprises have been particularly affected while larger companies and state-owned entities have generally continued to have access to offshore funding albeit on a more limited basis and on less favourable terms.

On 5 April 2010, Moody's changed the outlook on the sovereign rating of Kazakhstan to stable from negative, based on its analysis of evidence that the economic downturn is proving shallower than expected and that the Government will emerge relatively unscathed from Kazakhstan's serious banking crisis. Any further downgrade of Kazakhstan's sovereign rating is likely to result in a downgrade of DBK's ratings. A downgrade of Kazakhstan's sovereign credit rating and liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could in turn, materially and adversely affect DBK's prospects, business, financial condition and results of operations.

Exchange Rate Policies

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Although the Tenge is convertible for current account transactions, it is not a fully convertible currency for capital account transactions. Since the NBK adopted a floating rate exchange policy for the Tenge in April 1999, the Tenge has fluctuated significantly, although, until its devaluation by the NBK in February 2009, the Tenge had generally appreciated in value against the U.S. Dollar over the previous decade. Exchange rates may also be affected by the levels of inflation in Kazakhstan as high rates of inflation tend, over time, to lead to a depreciation of the currency.

On 4 February 2009, the NBK devalued the Tenge by 18% to KZT 143.98 per U.S.\$1.00, due in part to pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas). Devaluation of the Tenge was also intended to enhance the competitiveness of Kazakhstan exports. As at 31 December 2009, the official KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 148.36 per U.S.\$1.00, reflecting a depreciation of the Tenge against the U.S. Dollar by 22.8% from 31 December 2008. The official KZT/U.S.\$ exchange rate has remained relatively stable throughout 2010; as at 30 June 2010, the official KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 147.46 per U.S.\$1.00, whilst as at 30 September 2010, the official KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 147.47 per U.S.\$1.00. As at 25 November 2010, the official KZT/U.S.\$ exchange rate as reported by the NBK was KZT 147.28 per U.S.\$1.00.

A further devaluation or depreciation of the Tenge against the U.S. Dollar or other foreign currencies could negatively affect DBK in a number of ways, including, among other things, by increasing the actual cost to DBK of financing its U.S. Dollar denominated assets and by making it more difficult for Kazakhstan borrowers to service their U.S. Dollar denominated loans. Any of these developments may, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

The Economy's Dependence on Oil Exports

Countries in the Central Asian region, including Kazakhstan, whose economies and state budgets rely on the export of oil, oil products and other commodities as well as the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by volatility in oil and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability. In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility in earnings from U.S. Dollar denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which would, in turn, have an adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Dependence on Export Trade and Commodity Prices

As Kazakhstan is negatively affected by low commodity prices, particularly in respect of the oil and gas sector, and economic instability elsewhere in the world, the Government has promoted economic reform, inward foreign investment and the diversification of the economy. Notwithstanding these efforts, weak demand in its export markets and low commodity prices, especially with respect to the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which may materially adversely affect DBK's business, prospects, financial condition, cash flows or results of operations.

Rising Operating Costs as Kazakhstan's Commodity Sector Recovers

As the commodity sector in Kazakhstan recovers, it is possible that the operating costs of Kazakhstan companies will increase in line with this recovery. Operating costs, such as labour costs, leases, machinery and plant costs may all rise resulting in increased expenses for businesses operating in this sector. Rising costs will impact the profit margins of such

companies and may adversely affect their ability to service loans made to them by DBK which, in turn, may have a material adverse effect on DBK's business, financial condition, results of operations and prospects. As a result, DBK may experience a decline in its profitability which could affect its ability to service its liabilities, including the Notes.

Recovery from the Global Financial Crisis

Having been greatly affected by the global financial crisis, which commenced in 2007, the Kazakhstan economy is in the process of recovering. In order for this to be fully achieved, solvent borrowers, as well as a diversified economy, in order to stimulate economic growth, are needed. The Kazakhstan economy was one of the most affected economies and, only after many lengthy debt-restructurings of a number of Kazakhstan's largest banks, does it look to be emerging from the global financial crisis. Without solvent borrowers, DBK's returns on its loans will be limited which will, in turn, continue to hamper its profitability.

Uncertainty Over Economic Reforms

The need for substantial investment in many enterprises has driven the Government's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government, although major privatisations in key sectors have taken place, such as full or partial sales of certain large oil and gas producers, mining companies and the national telecommunications company.

There remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the significant size of the shadow economy may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government has stated that it intends to address these problems by improving the business infrastructure and tax administration and by continuing the privatisation process. There can be no assurance, however, that these measures will be effective or that any failure to implement them may not materially and adversely affect DBK's business, financial condition, results of operations and prospects.

The Regulatory and Tax Regime and Judicial System

Although a large volume of legislation has been enacted since early 1995 (including new tax codes, introduced with effect from 1 January 2002 and 1 January 2009 (the "**2009 Tax Code**"), laws relating to foreign arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies and State enterprise reform and privatisation), the legal framework in Kazakhstan is still evolving compared to countries with established market economies.

The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces. There have been instances of improper payments being made to public officials, and administrative decisions and court decisions have been difficult to predict.

Further, due to numerous ambiguities in Kazakhstan's commercial legislation, in particular in its newly-adopted tax legislation, the legal and tax authorities may make arbitrary judgments and assessments of tax liabilities and challenge previous judgments and tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty surrounding judgments rendered under the 2009 Tax Code, as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed legal and tax system.

It is also expected that tax legislation in Kazakhstan will continue to evolve, which may result in additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the business, financial condition results of operations and prospects of companies operating in Kazakhstan, including DBK.

The 2009 Tax Code was adopted at the end of 2008 and came into force as at 1 January 2009. The 2009 Tax Code provides for reduced rates for certain taxes, including the corporate income tax rate from 30% in 2008 to 20% in 2009, 2010, 2011 and 2012 (and further to 17.5% in 2013 and 15% in 2014 and subsequent years). On 13 July 2010, the Government issued Decree No. 709, which introduced export customs duty on crude oil at the rate of U.S.\$20 per tonne. For 2007, the rate was set at U.S.\$0 per tonne. The decree came into force on 16 August 2010. The Government has indicated that this rate may increase, perhaps significantly, in the near-to-medium term.

Under the 2009 Tax Code, the excess profit tax has also been revised. While the former excess profit tax was based on the internal rate of return of each field, the new excess profit tax is based on revenue and deductible expenses for each field as determined in accordance with Kazakhstan tax accounting, and ranges from 0% to 60% based on the revenue-to-expense

ratio of each field. DBK's management expects that the new excess profit tax will be less onerous with respect to fields with a low revenue-to-expense ratio, but higher with respect to fields with a high revenue-to-expense ratio.

DBK expects that there will be additional revenue raising measures which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on DBK's business and financial condition and on the results of operations of companies operating in Kazakhstan. The 2009 Tax Code introduced numerous changes to the existing tax regime and it is not clear how this new legislation will be interpreted and applied.

In addition, senior Government officials may not be fully independent of outside economic forces owing to the underdeveloped regulatory supervision system enabling improper payments to be made without detection. The Government has stated that it believes in continued reform of corporate governance processes and shall endeavour to improve discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the Government will continue such policy, or that such policy, if continued, will ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on DBK's business, financial condition, results of operations and prospects.

As a result of these ambiguities, as well as a lack of any established system of precedent or coherence in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed tax system. Kazakhstan's tax system is still in a transitional phase and no assurance can be given that new taxes and duties or new tax rates will not be introduced during the life of the Programme. Further changes in the withholding tax regime may give DBK the right to redeem Notes prior to their stated maturity.

Underdeveloped Securities Market in Kazakhstan

Kazakhstan has a less-developed securities market than the United States or the United Kingdom and other Western European countries, which may hinder the development of the Kazakhstan economy. An organised securities market was established in Kazakhstan only in the mid-to-late 1990s and procedures for settlement, clearing and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, including an initiative to develop Almaty as a regional financial centre, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed or as strictly enforced in Kazakhstan as they are in the United States or the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Kazakhstan-based entities, such as DBK, may be publicly-available to investors in such entities than is available to investors in entities organised in the United States or the United Kingdom and other Western European countries. The above-mentioned factors may impair foreign investment in Kazakhstan, which may hinder the development of Kazakhstan's economy.

Kazakhstan's President

Since the dissolution of the Soviet Union, a number of former Soviet Republics have experienced periods of political instability, civil unrest, military action and popular changes in governments or incidents of violence. Kazakhstan's president, Nursultan Nazarbaev, is 70 years old and has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbaev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. Changes to the Constitution in May 2007 and further changes in 2010 introduced the concept of the first president and established that the first president (*i.e.*, the current president) enjoys a number of privileges and is not subject to limitation as to the number of consecutive re-elections. The next national elections are expected to be in 2012.

Commentators on Kazakhstan suggest that there is political in-fighting among the potential successors to President Nazarbayev and there are concerns about possible dynastic succession. Should he fail to complete his current term of office for whatever reason or should a new president be elected at the next election, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate, which would have a material adverse effect on DBK's business, financial condition, results of operations and prospects. As there is currently no clear successor, the issue is a potential cause for instability in Kazakhstan. If a future president is elected with a different political outlook, the business regime in Kazakhstan could change. Upon the results of parliamentary elections held in 2007, the Nur Otan party headed by President Nazarbayev became the sole party represented in the Majilis, the lower chamber of the Parliament. Political instability in Kazakhstan or changes to its property, tax or regulatory regimes or other changes could have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Official Statistics

Official statistics and other data published by Kazakhstan authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. DBK has not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this Base Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Base Prospectus has been extracted from official Government sources and was not prepared in connection with the preparation of this Base Prospectus.

In addition, certain information contained in this Base Prospectus is based on the knowledge and research of DBK's management using information obtained from non-official sources. DBK has accurately reproduced such information and, so far as DBK is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. However, this information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Base Prospectus.

Risk Factors Relating to the Notes

Absence of Trading Market for the Notes

Notes issued under the Programme may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Application has been made for the listing of the Notes on the Official List and for trading on the Regulated Market of the London Stock Exchange. In addition, unless otherwise agreed with the relevant Dealer and provided for in the Final Terms, DBK will cause all Notes issued by DBK under the Programme to be admitted to the "rated debt securities" category of the official list of the KASE, and no Notes issued by DBK may be issued and placed without the prior consents of the FMSA. There can be no assurance that either such listings or declaration will be obtained or, if obtained, that an active trading market will develop or be sustained. The liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and may be affected by political, economic, social and other developments both in Kazakhstan and in other emerging markets. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes.

The Notes as Suitable Investment

General

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes may have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes are expected to perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors.

Set out below is a description of the most common such features:

Notes Subject to Optional Redemption by DBK

An optional redemption feature of notes is likely to limit their market value. During any period when DBK may elect to redeem Notes, the market value of those Notes generally shall not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

DBK may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

DBK may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, DBK may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable are likely to be magnified;
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;
- a direct investment in the shares, commodities or other assets underlying an index or in a fund that invests in those assets, or in the currencies comprised in a Dual Currency Note, might give rise to different, and potentially higher returns, than an investment in the Index Linked Notes or Dual Currency Notes; and
- no statutory, judicial, or administrative authority directly addresses the characterisation of Index Linked Notes or securities similar to Index Linked Notes for U.S. federal income tax purposes. As a result, significant United States federal income tax consequences of an investment in such Notes are not certain. DBK has not requested a ruling from the U.S. Internal Revenue Service in relation to any such Notes and gives no assurance that the Internal

Revenue Service will agree with the statements made in this document or the applicable Final Terms relating to those Notes.

Partly-paid Notes

DBK may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable Rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate, such as LIBOR. The market values of these Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate on the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where DBK has the right to effect such a conversion, this is likely to affect the secondary market and the market value of the Notes since DBK may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If DBK converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If DBK converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the prevailing rate on the relevant Notes.

Notes Issued at a Substantial Discount or Premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Collective Action Clauses

The Terms and Conditions of the Notes contain collective action clauses, which are provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined percentages of Noteholders voting in favour to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a contrary manner.

Payments of Interest to Individuals Within a Member State of the EU

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-European Union (“**EU**”) countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of the Savings Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither DBK nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying

Agent following implementation of the Savings Directive, DBK will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to it.

Further Issues of Notes with Original Issue Discount

DBK may offer further Notes with original issue discount for United States federal income tax purposes (“**OID**”) as part of a further Tranche of Notes to be consolidated with and form a single Series with another Tranche. Purchasers of Notes after the date of consolidation of any further issue of Notes will not be able to differentiate between the Notes sold as part of the further issue and previously issued Notes. If DBK were to issue further Notes with OID, purchasers of Notes after such a further issue of Notes may be required to accrue OID (or greater amounts of OID than they would otherwise have accrued) with respect to their Notes. These OID consequences may affect the price of outstanding Notes following a further issue. Prospective purchasers of Notes should consult their own tax advisers with respect to the implications of any decision by DBK to undertake a further issue of Notes with OID.

Trading in the Clearing Systems

The Terms and Conditions of the Notes provide that Notes shall be issued with a minimum denomination of €100,000 (or its equivalent in another currency) and in amounts in excess thereof which are integral multiples of an amount of the relevant Specified Currency. Where Notes are traded in a clearing system, it is possible that processing of trades in the clearing systems may result in amounts being held in denominations smaller than the minimum denominations specified in the relevant Final Terms related to an issue of Notes. If Definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the terms of the relevant Global Notes, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of Definitive Notes unless and until such time as its holding becomes an integral multiple of the minimum denomination.

Volatility of the Trading Price of the Notes

In recent years stock markets have experienced significant price fluctuations. These fluctuations often were unrelated to the operating performance of the companies whose securities are traded on such stock markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

In particular, the markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, may be volatile. Markets for such securities are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors’ reactions to developments in one country may affect securities of issuers in other countries, including Kazakhstan. In the last quarter of 1997, certain markets in southeast Asia experienced significant financial turmoil that had a ripple effect on other emerging markets and in August 1998 the government of the Russian Federation declared a moratorium on the payment of certain debt obligations of Russian entities and forced a restructuring of certain short term domestic sovereign instruments. These events caused significant volatility in prices of emerging market debt. Events may occur which would cause significant volatility of the sort which occurred in worldwide financial markets in 1997 and 1998. Any such volatility may adversely affect the liquidity of the market for, or price of, the Notes.

Exchange Rate Risks and Exchange Controls

DBK is obliged to pay principal and interest on the Notes in the relevant Specified Currency as specified in the applicable Final Terms (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Specified Currency or the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease equivalent in the Investor’s Currency of the yield on the Notes, the principal payable on the Notes and the market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest Rate Risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit Ratings

One or more independent credit rating agencies may assign credit ratings to Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above or other factors that may affect the value of Notes. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal Investment Considerations

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent Notes are lawful investments for it, Notes can be used as collateral for various types of borrowing, and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Enforceability of Judgments

Kazakhstan's courts will not enforce any judgment of a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom. However, each of Kazakhstan and the United Kingdom are parties to the 1958 New York convention on Recognition and Enforcement of Arbitral Awards and, accordingly, an arbitration award should be recognised and enforceable in Kazakhstan provided the conditions of enforcement set out in such Convention are met. See "*Enforcement of Foreign Judgments*".

CAPITALISATION

The following table sets forth the capitalisation and long-term indebtedness of DBK as at 30 September 2010 and 31 December 2009. This table should be read in conjunction with “Selected Financial Information and Other Data” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition” and the Financial Statements, and the notes thereto, included elsewhere in this Base Prospectus.

	As at 30 September 2010		As at 31 December 2009	
	<i>(U.S.\$ millions)⁽²⁾</i>	<i>(KZT millions)</i>	<i>(U.S.\$ millions)⁽³⁾</i>	<i>(KZT millions)</i>
<i>Long-term debt:⁽¹⁾</i>				
U.S.\$100 million 7.375% notes due 2013.....	100.0	14,757.0	100.0	14,846.0
U.S.\$100 million 6.5% notes due 2020.....	100.0	14,757.0	100.0	14,846.0
U.S.\$150 million 6.00% notes due 2026.....	128.3	18,925.9	150.0	22,269.0
KZT 60,597.7 million notes due 2059	410.6	60,597.7	358.0	53,142.4
€11.1 million loan due 2013 ⁽⁴⁾	6.5	961.7	9.2	1,362.9
U.S.\$21.4 million loan due 2023	19.8	2,917.2	19.2	2,852.7
U.S.\$150 million loan due 2014	150.0	22,135.5	150.0	22,269.0
U.S.\$300 million loan due 2015	300.0	44,271.0	300.0	44,538.0
U.S.\$130 million loan due 2015	130.0	19,184.1	130.0	19,299.8
U.S.\$300 million loan due 2011	—	—	300.0	44,538.0
U.S.\$100 million loan due 2018	100.0	14,757.0	100.0	14,846.0
U.S.\$100 million loan due 2018	100.0	14,757.0	100.0	14,846.0
U.S.\$100 million loan due 2019	100.0	14,757.0	100.0	14,846.0
U.S.\$1.5 billion loan due 2019	1,500.0	221,355.0	1,500.0	222,690.0
€10.2 million loan due 2018 ⁽⁴⁾	7.4	1,087.6	0.9	136.9
U.S.\$400 million loan due 2025	400.0	59,028.0	—	—
JPY 3,441.6 million loan due 2019 ⁽⁵⁾	18.8	2,780.0	—	—
€30 million loan due 2013 ⁽⁴⁾	40.9	6,038.7	—	—
U.S.\$884 million loan due 2022	156.0	23,020.9	—	—
KZT 4,300 million budget loan due 2018	29.1	4,300.0	29.0	4,300.0
KZT 4,599 million budget loan due 2019	31.2	4,599.0	31.0	4,599.0
KZT 5,080 million budget loan due 2021	34.4	5,080.0	34.2	5,080.0
KZT 10,046.8 million budget loan due 2028	68.1	10,046.8	67.7	10,046.8
KZT 20,000 million loan due 2024	135.5	20,000.0	134.7	20,000.0
KZT 5,000 million loan due 2029	33.9	5,000.0	—	—
Total long-term debt	4,100.5	605,114.1	3,713.9	551,354.5
<i>Equity:</i>				
Share capital.....	1,734.6	255,976.0	1,724.2	255,976.0
Reserve capital	120.0	17,712.3	119.0	17,666.7
Hedging reserve	(8.6)	(1,264.3)	(5.7)	(847.7)
Revaluation reserve for available-for-sale assets	280.7	41,421.2	242.9	36,064.3
Retained earnings.....	(263.5)	(38,891.5)	(268.2)	(39,817.4)
Total equity	1,863.2	274,953.7	1,812.2	269,041.9
Total capitalisation and long-term liabilities	5,963.7	880,067.8	5,526.1	820,396.4

Notes:

- (1) An indebtedness is classified as long-term if its remaining maturity is not less than one year as at the reporting date.
- (2) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, as at 30 September 2010, which was KZT 147.57 per U.S.\$1.00.
- (3) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2009, which was KZT 148.46 per U.S.\$1.00.
- (4) As at 30 September 2010, the €/U.S.\$ exchange rate used was €0.7331 per U.S.\$1.00 and, as at 31 December 2009, the €/U.S.\$ exchange rate used was €0.6939 per U.S.\$1.00. As at 30 September 2010, the €/KZT exchange rate used was KZT 201.29 per €1.00 and as at 31 December 2009, the €/KZT exchange rate used was KZT 213.95 per €1.00.
- (5) As at 30 September, the JPY/KZT exchange rate used was KZT1.77 per JPY1.00 and, as at 31 December 2009, the JPY/KZT exchange rate used was KZT1.61 per JPY1.00.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The unaudited selected financial information for DBK presented below as at and for the nine months ended 30 September 2010 and 2009 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Unaudited Interim Financial Statements, including the notes thereto, included elsewhere in this Base Prospectus. The results of operations for the first nine months of a financial year are not necessarily indicative of the results to be expected for any future period or for the financial year as a whole.

The audited selected financial information for DBK presented below as at and for the years ended 31 December 2009, 2008 and 2007 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Audited Annual Financial Statements, including the notes thereto, included elsewhere in this Base Prospectus.

Prospective investors should read the selected financial information in conjunction with the information contained under the headings “Risk Factors”, “Capitalisation”, “Management’s Discussion and Analysis of Results of Operations and Financial Condition”, “Selected Statistical and Other Data”, and “Business”, as well as the Financial Statements, including the notes thereto, included elsewhere in this Base Prospectus.

Selected Information from the Consolidated Statement of Comprehensive Income and Financial Position

Consolidated Statement of Comprehensive Income

	For the nine months ended			For the year ended 31 December			
	30 September		2009	2009			
	2010	2009		2009	2008	2007	
(U.S.\$ millions) ⁽¹⁾⁽²⁾	(KZT millions) ⁽¹⁾	(KZT millions) ⁽¹⁾	(U.S.\$ millions) ⁽¹⁾⁽³⁾	(KZT millions)	(KZT millions)	(KZT millions)	
Interest income.....	270.1	39,857.9	29,950.2	282.0	41,868.9	28,068.9	13,490.1
Interest expense.....	(144.5)	(21,326.1)	(14,394.5)	(125.5)	(18,626.0)	(12,823.2)	(5,136.0)
Net interest income	125.6	18,531.8	15,555.7	156.5	23,242.9	15,245.7	8,354.1
Fee and commission income.....	1.2	174.8	152.1	1.2	181.7	323.6	163.2
Fee and commission expense.....	(0.5)	(71.2)	(90.1)	(1.0)	(142.6)	(131.1)	(36.9)
Net fee and commission income	0.7	103.6	62.0	0.2	39.1	192.5	126.3
Net foreign exchange gain/(loss).....	0.4	61.1	8,827.4	51.6	7,667.6	476.2	(138.1)
Net realised gain on available-for-sale assets.....	4.3	640.4	488.4	3.5	513.5	15.4	18.0
Net gain/(loss) on derivative financial instruments.....	3.4	500.7	(3,893.3)	(22.2)	(3,297.0)	(181.8)	(1,300.6)
Gain on repurchase of debt securities issued.....	2.4	351.2	—	—	—	—	—
Other income, net.....	3.0	448.6	462.0	7.9	1,174.1	83.3	35.4
Operating income	139.8	20,637.4	21,502.2	197.5	29,340.2	15,831.3	7,095.1
Impairment losses.....	(80.5)	(11,872.1)	(31,306.2)	(494.5)	(73,414.1)	(10,230.0)	(719.4)
General administrative expenses.....	(13.9)	(2,052.8)	(2,087.6)	(18.6)	(2,767.1)	(2,989.1)	(2,585.7)
Profit/(loss) before taxes	45.4	6,712.5	(11,891.6)	(315.6)	(46,841.0)	2,612.2	3,790.0
Income tax (expense)/benefit.....	(18.8)	(2,767.1)	(3.0)	49.6	7,365.4	(454.3)	(835.7)
Profit/(loss) for the period	26.6	3,945.4	(11,894.6)	(266.0)	(39,475.6)	2,157.9	2,954.3

Notes:

- (1) Derived from the Unaudited Interim Financial Statements.
- (2) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, as at 30 September 2010, which was KZT 147.57 per U.S.\$1.00.
- (3) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2009, which was KZT 148.46 per U.S.\$1.00.

Consolidated Statement of Financial Position

	As at 30 September		As at 31 December			
	2010		2009		2008	2007
	(U.S.\$ millions) ⁽¹⁾⁽²⁾	(KZT millions) ⁽¹⁾	(U.S.\$ millions) ⁽¹⁾⁽³⁾	(KZT millions)	(KZT millions)	(KZT millions)
Assets						
Cash and cash equivalents	1,185.0	174,863.4	1,975.7	293,316.2	72,397.5	61,693.6
Placements with banks and other financial institutions	479.9	70,812.4	299.6	44,481.7	10,420.7	5,676.1
Derivative financial instruments	3.8	567.3	—	—	—	40.4
Amounts receivable under reverse repurchase agreements	—	—	—	—	12,984.4	—
Loans to customers ⁽⁴⁾	2,141.5	316,026.7	1,356.7	201,412.3	187,725.2	77,130.2
Finance lease receivables ⁽⁵⁾	167.9	24,782.2	129.8	19,276.9	10,345.2	3,261.1
Available-for-sale assets	2,215.4	326,924.3	1,810.9	268,830.2	70,587.3	73,196.5
Equipment and intangible assets	1.3	186.6	1.0	150.7	175.3	168.4
Advances for finance leases	8.3	1,225.4	3.3	484.0	4,044.8	3,946.4
Assets to be transferred under finance lease agreements	9.5	1,398.0	38.9	5,782.2	6,273.3	735.9
Other assets	39.3	5,799.6	49.8	7,397.8	698.6	276.0
Current tax asset	—	—	3.6	532.5	763.1	131.5
Deferred tax assets	41.6	6,146.2	53.9	8,001.0	1,451.2	1,147.1
Total assets	6,293.5	928,732.1	5,723.2	849,665.5	377,866.6	227,403.2
Liabilities						
Current accounts and deposits from customers	111.7	16,488.8	304.3	45,181.2	631.9	1,906.9
Loans from the Government of the Republic of Kazakhstan	197.2	29,107.3	208.0	30,886.1	33,903.1	25,563.5
Loans from the Parent Company ⁽⁶⁾	16.2	2,383.4	—	—	50,388.5	—
Loans from banks and other financial institutions	3,467.9	511,756.1	2,897.4	430,143.2	138,036.6	50,961.3
Government grants	75.6	11,156.3	63.7	9,459.5	—	—
Amounts payable under repurchase agreements	134.5	19,846.1	—	—	5,012.4	—
Debt securities issued	326.5	48,184.2	346.1	51,372.4	41,678.1	41,437.6
Subordinated debt	16.9	2,489.1	18.3	2,723.8	—	—
Other liabilities	18.0	2,648.0	18.1	2,673.5	4,459.1	2,182.7
Current tax liability	4.3	641.1	—	—	—	—
Derivative financial instruments	61.5	9,078.0	55.1	8,183.9	7,476.0	4,518.1
Total liabilities	4,430.3	653,778.4	3,911.0	580,623.6	281,585.7	126,570.1
Equity						
Share capital	1,734.6	255,976.0	1,724.2	255,976.0	90,976.0	90,976.0
Reserve capital	120.0	17,712.3	119	17,666.7	15,143.5	12,889.9
General reserve	—	—	—	—	45.6	66.9
Hedging reserve	(8.6)	(1,264.3)	(5.7)	(847.7)	(6,398.2)	(3,139.6)
Revaluation reserve for available-for-sale assets	280.7	41,421.2	242.9	36,064.3	(6,528.8)	(3,077.2)
Retained earnings	(263.5)	(38,891.5)	(268.2)	(39,817.4)	3,042.8	3,117.1
Total equity	1,863.2	274,953.7	1,812.2	269,041.9	96,280.9	100,833.1
Total liabilities and equity	6,293.5	928,732.1	5,723.2	849,665.5	377,866.6	227,403.2

Notes:

- (1) Derived from the Unaudited Interim Financial Statements.
- (2) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, as at 30 September 2010, which was KZT 147.57 per U.S.\$1.00.
- (3) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2009, which was KZT 148.46 per U.S.\$1.00.
- (4) Represents net loans to customers. See Note 16 to the audited annual consolidated financial statements as at and for the year ended 31 December 2008, Note 15 to the audited annual consolidated financial statements as at and for the year ended 31 December 2009, Note 7 to the Unaudited Interim Financial Statements and “Selected Statistical and Other Data”.
- (5) Represents net finance receivables. See Note 17 to the audited annual consolidated financial statements as at and for the year ended 31 December 2008, Note 16 to the audited annual consolidated financial statements as at and for the year ended 31 December 2009 and “Selected Statistical and Other Data”.
- (6) Parent Company means Samruk-Kazyna.

Selected financial ratios and economic data

The table below sets forth DBK's selected financial ratios and economic data for Kazakhstan as at, and for the nine months ended, 30 September 2010 and 2009 and as at, and for the years ended, 31 December 2009, 2008 and 2007:

	As at and for the nine months ended 30 September		As at and for the year ended 31 December		
	2010	2009	2009	2008	2007
Profitability Ratios (%)⁽¹⁾					
Return on average total equity	1.5	(6.8)	(21.6)	2.2	3.2
Return on average assets ⁽²⁾	0.4	(2.6)	(6.4)	0.7	1.5
Net interest margin ⁽³⁾	2.1	3.4	3.9	5.2	4.2
Net interest spread ⁽⁴⁾	1.3	1.9	2.5	3.0	2.0
Non-interest expense/net interest income plus non-interest income ⁽⁵⁾⁽⁶⁾	(10.5)	(8.5)	(8.9)	(19.3)	(31.1)
Non-interest expense as a percentage of net interest income ⁽⁵⁾	(11.5)	(14.0)	(12.5)	(20.5)	(31.4)
Non-interest expense as a percentage of average total assets ⁽⁵⁾	(0.2)	(0.5)	(0.5)	(1.0)	(1.3)
Loan Portfolio Quality (%)⁽⁷⁾					
Allowance for impairment losses/gross loans to customers	27.9	20.5	39.5	6.8	3.7
Balance Sheet Ratios and Capital Adequacy (%)					
Loans to customers-total assets	34.0	35.8	23.7	49.7	33.9
Total equity-total assets	29.6	45.8	31.7	25.5	44.3
Liquid assets-total assets ⁽⁸⁾	61.7	51.5	71.4	44.0	61.8
Contingent liabilities-total equity ⁽⁹⁾	63.1	39.7	36.3	144.6	38.5
Direct liabilities-total equity ⁽¹⁰⁾	232.5	116.6	211.3	287.8	123.4
Capital adequacy ratio ⁽¹¹⁾	13.9	31.6	24.7	16.1	23.8
Economic Data⁽¹²⁾					
Period-end exchange rate (KZT/U.S.\$)	147.47	150.95	148.36	120.77	120.30
Average exchange rate for period (KZT/U.S.\$)	147.41	150.76	147.50	120.30	122.55
Inflation growth rate (CPI) (%) ⁽¹³⁾	5.2	4.7	6.2	9.5	18.8
GDP growth (real) (%) ⁽¹³⁾	5.5	(2.2)	1.2	3.3	8.9

Notes:

- (1) Averages are based upon opening and closing balances. Average equity and total equity were calculated using opening and closing balances for each relevant period.
- (2) Return on average assets is net profit divided by average period assets. Average period assets are calculated on opening and closing balances for each relevant period.
- (3) Net interest margin is net interest income as a percentage of average interest-bearing assets.
- (4) Net interest spread is the difference between the average interest rate on interest-bearing assets and the average interest rate on interest-bearing liabilities.
- (5) Non-interest expense is comprised of fee and commission expense and operating expenses.
- (6) Non-interest income is comprised of net gain/(loss) on financial assets at fair value through profit or loss, net gain/(loss) on foreign exchange operations, fee and commission income, net gain/(loss) on disposal of available-for-sale investments and other income.
- (7) Calculated using gross loan balances, excluding accrued interest.
- (8) Liquid assets comprise investments available-for-sale plus cash and cash equivalents, placements with banks and other financial institutions, derivative financial instruments and amounts receivable under reverse repurchase agreements.
- (9) Contingent liabilities include commitments on loans and unissued credit lines, letters of credit and other transaction-related contingent obligations, as well as guarantees issued less provision on letters of credit.
- (10) Direct liabilities include loans and advances from the Government of the Republic of Kazakhstan, loans from banks and other financial institutions, current accounts and deposits from customers, debt securities issued, loans from the Parent Company, subordinated debt, amounts payable under repurchase agreements and derivative financial instruments.
- (11) Calculated as a ratio of DBK's statutory capital to its statutory unconsolidated assets and statutory unconsolidated contingent liabilities less statutory unconsolidated equity investments.
- (12) Based on data from the NBK and the NSA.
- (13) Year-on-year rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following management's discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in DBK's results of operations and financial condition. The selected financial and operating data set forth below, which, subject to rounding, has been extracted without material adjustment from the Financial Statements. Such data, together with the related discussion and analysis, should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, including the notes thereto, as well as the information set forth under the captions "Selected Statistical and Other Data" and "Asset and Liability Management" included elsewhere in this Base Prospectus. Unless otherwise indicated, all figures are expressed in or derived from amounts in Tenge. The Financial Statements are consolidated and reflect the results of operations of DBK and its subsidiary, DBK-Leasing. DBK prepares its Financial Statements in accordance with IFRS. This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. See "Forward-looking Statements". DBK's actual results could differ materially from those anticipated in the forward-looking statements contained herein for several reasons, including those set forth under "Risk Factors" and elsewhere in this Base Prospectus. This discussion, insofar as it refers to average amounts, has, unless otherwise stated, been based upon annual opening and closing balances. See "Presentation of Financial and Other Information".

Introduction

DBK was organised under the laws of Kazakhstan on 31 May 2001 for an unlimited duration as "Closed Joint Stock Company Development Bank of the Republic of Kazakhstan". On 18 August 2003, DBK was re-registered as Joint Stock Company Development Bank of the Republic of Kazakhstan in order to comply with the requirements of the Law on Joint Stock Companies adopted on 13 May 2003. A re-registration certificate (No. 4686-1900-AO) was issued in respect of DBK by the Registration Service and Legal Assistance Committee of the Ministry of Justice on 18 August 2003. DBK's registered office is 10, Orynbor Street, "Kazyna Tower" Building, Yesil District, Astana, Republic of Kazakhstan and its telephone number is +7-7172-792600. DBK's sole shareholder is Samruk-Kazyna, which is in turn wholly-owned by the Government.

Pursuant to the DBK Law, DBK's purposes are:

- to improve and increase the effectiveness of governmental investment activity;
- to develop the industrial infrastructure and manufacturing industry in Kazakhstan; and
- to promote foreign and domestic investment in Kazakhstan.

As a part its role under Kazakhstan's industrial development programme and in furtherance of such purposes, DBK provides medium and long-term financing for investment projects and, through DBK-Leasing, leasing transactions of U.S.\$5 million or more and export transactions of U.S.\$1 million or more to companies (whether or not resident in Kazakhstan) operating in priority sectors of the economy in Kazakhstan as set out in the Credit Policy Memorandum. See "*Business—Participation in Government Programmes*" and "*Business—Lending*". In determining which projects or transactions to finance, DBK gives priority to projects and transactions related to the modernisation and establishment of competitive industries, in particular, non-extracting industries, and infrastructure in Kazakhstan. DBK's lending activities are primarily funded through the issuance and placement of domestic and international debt securities and through borrowings from Samruk-Kazyna, financial institutions and the state budget.

DBK-Leasing, which is DBK's only subsidiary, offers short- and long-term (up to 20 years) lease financing in various forms, including for industrial equipment, venture leasing, leasing of industrial buildings and certain combined services, such as leasing and consulting, equity participation and leasing (in cooperation with the Investment Fund of Kazakhstan) and credit and leasing. DBK-Leasing invests only in large-scale projects valued at over U.S.\$1 million. See "*Business—DBK-Leasing*".

In addition to financing investment projects, leasing deals and export-related transactions, DBK acts as a service agent for regional and national investment projects financed by the State budget and projects financed by Government-guaranteed borrowing. In this role, DBK receives fees but assumes no risk. Agency services include project monitoring, servicing of payments and collections, including opening and maintaining special conditional deposit and reserve accounts and collecting loans on behalf of the Government. As service agent, DBK arranges the settlement and repayment of funds extended from the Government's budget. Pursuant to the DBK Law, DBK acts as an agent for various national and regional

investment projects financed from the state or local government budget or supported by Government guarantees. See “*Business—Agency Services*”.

For the nine months ended 30 September 2010, DBK’s net profit was KZT 3,945.4 million, as compared to a net loss of KZT 11,894.6 million for the nine months ended 30 September 2009. For the year ended 31 December 2009, DBK’s net loss was KZT 39,475.6 million, as compared to a net profit of KZT 2,157.9 million for the year ended 31 December 2008 and KZT 2,954.3 million for the year ended 31 December 2007. As at 30 September 2010, DBK had total assets of KZT 928,732.1 million, as compared to total assets of KZT 849,665.5 million as at 31 December 2009, KZT 377,866.6 million as at 31 December 2008 and KZT 227,403.2 million as at 31 December 2007.

Critical Accounting Policies

DBK’s accounting policies are integral to understanding the results of operations and financial condition presented in the Financial Statements and notes thereto. DBK’s significant accounting policies are described in Note 3 to the Audited Annual Financial Statements and the Unaudited Interim Financial Statements appearing elsewhere in this Base Prospectus. In addition, the preparation of the Financial Statements requires DBK’s management to make estimates and assumption. See Note 2(d) to the Audited Annual Financial Statements. Set out below is a summary of certain significant accounting policies which DBK’s management believe to be of particular importance.

Derivative Financial Instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments. According to DBK’s existing policy, some of derivative instruments qualify for hedge accounting.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the gain or loss on changes in the fair value of derivatives depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. DBK designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or firm commitment (fair value hedge). A fair value hedge is a hedge of changes in the fair value of the recognised asset or liability, an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The hedge instrument is measured at fair value with changes in fair value recognised in profit or loss;
- A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, or a highly probably forecast transaction, that could affect profit or loss. The hedging instrument is measured at fair value with the effective portion of changes in its fair value recognised as other comprehensive income in equity and ineffective portion recognised in profit or loss.

Derivatives may be embedded in another contractual arrangement (a “**host contract**”). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Impairment

Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (“loans and receivables”). DBK reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by DBK on terms that DBK would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in DBK.

DBK first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If DBK determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, DBK uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. DBK writes off a loan balance (and any related allowances for loan losses) when DBK's management determines that the loans are uncollectable and when all necessary steps to collect the loan are completed.

Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to DBK in return for past or future compliance with certain conditions relating to the operating activities of DBK. Government grants are not recognised until there is reasonable assurance that DBK will comply with the conditions attaching to them and the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which DBK recognises as expenses the related costs for which the grants are intended to compensate. See also "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Government Grants*".

Primary factors affecting DBK's results of operations

DBK's role as a development bank

DBK is a development bank that is wholly-owned by Samruk-Kazyna, which is in turn wholly-owned by the Government. Accordingly, DBK's lending and investment policies are different from those of a standard commercial bank, in that DBK's business activities are generally driven by macro-economic policy in Kazakhstan as a whole rather than purely commercial considerations. As a development bank, DBK does not compete with commercial lending and financial institutions in providing finance to customers and has passed on lending opportunities in the past where financing was available elsewhere. In addition, DBK does not generally accept customer deposits, and its primary funding sources are concessional loans made by the Government and Samruk-Kazyna, issuances of debt securities and loans from international and multi-lateral institutions. DBK concentrates on providing funding to investment projects, such as infrastructure projects and high-value manufacturing projects in Kazakhstan, which are not typically eligible for financing or refinancing on terms acceptable to commercial banks and other non-specialist market investors. Loans and investments made by DBK often involve relatively large principal amounts, have longer-term maturities and are extended at preferential rates, all of which make these activities of relatively high risk and low return. In general, DBK sets interest rates by reference to its cost of funding a particular loan plus a margin reflecting its administrative costs and a risk premium.

The Current Economic Environment

Kazakhstan's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global economic crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and tighter credit conditions within Kazakhstan and generally for Kazakhstan's companies and, through mid-2009, weakened global demand for and an overall decline in prices of crude oil and other commodities. To date in 2010, certain positive economic signs have been evident, as the rate of GDP growth for the first six months of 2010 was, according to statistics published by the NSA, 8% higher than for the same period in 2009. In the first nine months of 2010, according to statistics published by the NSA, industrial production increased by 10.4%, as compared to the same period in 2009. In particular, production in the retail, transportation and telecommunication sectors increased in the first six months of 2010 by 12.9%, 7.2% and 4.9%, respectively, although production in the agriculture and construction sections decreased by 4.1% and 0.2%, respectively, as compared to the same period in 2009. The Government's forecast for real GDP growth for the full year in 2010 is 5%, primarily as a result of the increase in export revenues for the oil and gas and metallurgy sectors, additional public spending as a result of the global economic crisis and state industrialisation projects. On 28 October 2010, the International Monetary Fund also upgraded its economic growth forecast, in terms of real GDP, for Kazakhstan from 4.0% to 5.4% for the year 2010. Despite such positive signs, uncertainties remain.

Weaknesses in the global financial markets have also contributed to bank failures globally, including in Kazakhstan, and put downward pressure on emerging markets currencies, including the Tenge. On 4 February 2009, the NBK devalued the Tenge by 18% to KZT 143.98 per U.S.\$1.00, due in part to pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) and to prevent a significant decrease of Kazakhstan's gold and currency reserves. The devaluation of the Tenge was also intended to enhance the competitiveness of Kazakhstan exports. As at 31 December 2009, the official KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 148.36 per U.S.\$1.00, reflecting depreciation of the Tenge against the U.S. Dollar by 22.8% from 31 December 2008. On 30 September 2010, the official KZT/U.S.\$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 147.47 per U.S.\$1.00, reflecting a strengthening of the Tenge against the U.S. Dollar of 0.5%. See "*Presentation of Financial and Other Information—Currencies*". Future changes in currency exchange rates, which can be particularly volatile in times of national or global financial instability, such as the recent period of economic turmoil, could have a material adverse effect on DBK's business, financial condition, results of operations and prospects. See Note 33 to the audited annual consolidated financial statements as at and for the year ended 31 December 2009 for more detailed information on DBK's interest rate and exchange rate sensitivity analyses.

Concern about the stability of the banking sector in Kazakhstan has led to a material reduction in liquidity as wholesale funding has become more expensive and less available. The Government has taken a number of steps to support the Kazakhstan banking sector including significant capital injections. As at 1 September 2010, the total amount of capital injected into the Kazakhstan banking sector was U.S.\$6,777 million. See "*The Banking Sector in Kazakhstan*".

Kazakhstan is continuing to pursue economic reforms and development of its legal, tax and regulatory frameworks and the Government has introduced a range of stabilisation measures aimed at providing liquidity and supporting refinancing of foreign debt for Kazakhstan banks and companies. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. See "*Risk Factors—Risks relating to Kazakhstan—Uncertainty Over Economic Reforms*". There continues to be uncertainty regarding DBK's access to capital and cost of capital. Global economic circumstances and related developments in Kazakhstan had an adverse effect on DBK's financial position and results of operations in 2008

and 2009 and may continue to do so in the future, despite some recovery in the first nine months of 2010. See “—Results of Operations for the nine months ended 30 September 2010 and 2009” and “—Results of operations for the years ended 31 December 2009, 2008 and 2007”.

Gross domestic product

The table below sets forth data regarding Kazakhstan’s nominal GDP and its real growth rates in the periods indicated:

	As at and for the six months ended 30 June		As at and for the years ended 31 December		
	2010	2009	2009	2008	2007
	Nominal GDP (KZT billion).....	9,134.5	6,446.3	17,007.6	16,052.9
Real GDP (% change during the period then ended)	8.0	(2.3)	1.2	3.3	8.9
Nominal GDP per capita (KZT thousands).....	—	411.2	1,070.4	1,024.2	829.9
Population (millions)	—	15.7	16.0	15.8	15.6

Source: NSA

During 2008 and 2009, Kazakhstan’s economy grew at a significantly lower rate than it did in 2007, although there have been signs of improvement during 2010.

Inflation

The following table sets forth the rates of consumer price inflation and producer price inflation for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2010	2009	2009	2008	2007
	Consumer Prices (%)	5.2	4.7	6.2	9.5
Producer Prices (%)	6.0	22.4	31.0	(19.6)	31.9

Sources: NSA, NBK

Inflation, as measured by the CPI, has decreased in recent years from 18.8% for the year ended 31 December 2007 to 9.5% and 6.2% for the years ended 31 December 2008 and 31 December 2009, respectively. Inflation was 5.2% for the nine months ended 30 September 2010. Inflation, as measured by producer prices, has been volatile in recent years, fluctuating from a growth rate of 18.8% in 2007 to a decline of 19.6% in 2008 to growth rates of 31.0% in 2009 and 6.0% for the first nine months of 2010.

Fluctuations in Interest Rates

Changes in interest rates affect DBK’s net interest income, net interest margin and overall results of operation. During the height of the global financial crisis in 2008, lending generally involved the provision of funding at low rates in order to combat the effects of the global financial crisis on Kazakhstan. In 2009 and 2010, DBK has continued lending at low rates in line with its mission as a development bank and the generally low interest rate climate globally. Although nearly all of DBK’s assets and liabilities are match-funded, an increase in interest rates may generally raise DBK’s funding costs and may also increase interest income in the future, but overall demand for new loans may be reduced and the risk of customer defaults may increase. Increased interest rates may also generally decrease the market value of fixed-rate debt securities held by DBK.

Interest rates are sensitive to many factors beyond DBK’s control, including the policies of central banks, such as the NBK, adverse domestic and international economic conditions and political factors. General volatility in interest rates may result in a mismatch between DBK’s interest-rate sensitive assets and liabilities. DBK’s intentions to diversify its funding sources by continuing to access the domestic and international capital markets may increase these risks. To the extent that DBK’s liabilities reprice substantially more frequently than its assets, if interest rates rise, DBK’s interest expense will increase more rapidly than its interest income, which could negatively affect interest margins and results of operations and result in liquidity problems.

Similarly, fluctuations in exchange rates impact DBK's financial condition and results of operations. DBK maintains open currency positions, which give rise to exchange rate risk. Although nearly all of DBK's assets and liabilities are match-funded, DBK's exposure to exchange rate risk may increase, particularly as it continues to access international capital markets. A significant portion of DBK's exposure to exchange rate risk also depends on numerous factors beyond its control, such as overall market trading activity, fluctuations in interest-rate levels and exchange rates, government actions and general market volatility.

Application of Hedge Accounting by DBK

In October 2007, DBK decided to apply cash flow hedge accounting to its two significant foreign currency swaps. See "Selected Statistical and other Data—Derivatives". As a result, certain fair value gains or losses on such financial instruments were recorded in the hedging reserve, thereby reducing the effect of changes in fair value on DBK's income statement. See "—Results of operations for the years ended 31 December 2009, 2008 and 2007—Net Non-Interest Income", Note 29(c) to the audited annual consolidated financial statements as at and for the year ended 31 December 2009, Note 28(c) to the audited annual consolidated financial statements as at and for the year ended 31 December 2008 and "Presentation of Financial and Other Information".

Taxation

Income tax expense represents the sum of the current and deferred tax expense. The current tax expense is the expected tax payable on the taxable income for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. DBK's current tax expense is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date and includes any adjustment to tax payable in respect of previous years. With effect from 1 January 2009, the income tax rate was reduced to 20% for the period 2009-2012 from 30% in 2008. The tax rate will be further reduced to 17.5% for 2013 and 15% thereafter.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: (i) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and (ii) temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Results of Operations for the nine months ended 30 September 2010 and 2009

The Unaudited Interim Financial Statements are unaudited. The results of operations for the first nine months of a financial year are not necessarily an accurate indication of the actual financial condition or results as at, and for the year ended 31 December 2010, or any future period.

Net Interest Income

The following table sets out the principal components of DBK's net interest income for the nine months ended 30 September 2010 and 2009:

	Nine months ended 30 September⁽¹⁾		Percentage change
	2010	2009	2009/2010
	<i>(KZT millions)</i>		<i>(%)</i>
Interest income.....	39,857.9	29,950.2	33.1
Interest expense.....	(21,326.1)	(14,394.5)	48.2
Net interest income	18,531.8	15,555.7	19.1

Note:

(1) Derived from the Unaudited Interim Financial Statements.

Net interest income increased by KZT 2,976.1 million, or 19.1%, to KZT 18,531.8 million for the nine months ended 30 September 2010, as compared to KZT 15,555.7 million for the nine months ended 30 September 2009.

Interest Income

DBK generates interest income from loans to customers, available-for-sale assets, placements with banks and other financial institutions, finance lease receivables and amounts receivable under reverse repurchase agreements.

The following table sets out the principal components of DBK's interest income for the nine months ended 30 September 2010 and 2009:

	Nine months ended 30 September ⁽¹⁾		Percentage change
	2010	2009	2009/2010
	<i>(KZT millions)</i>		<i>(%)</i>
Loans to customers	17,598.8	21,733.9	(19.0)
Available-for-sale assets	14,339.9	3,358.3	327.0
Placements with banks	6,389.5	2,797.4	128.4
Finance lease receivables	1,461.1	1,597.3	(8.5)
Amounts receivable under reverse repurchase agreements	68.6	463.3	(85.2)
Total interest income	39,857.9	29,950.2	33.1

Note:

(1) Derived from the Unaudited Interim Financial Statements.

Total interest income increased by KZT 9,907.7 million, or 33.1%, to KZT 39,857.9 million, for the nine months ended 30 September 2010, as compared to KZT 29,950.2 million for the nine months ended 30 September 2009. This increase was primarily due to the growth in size of DBK's interest-earning available-for-sale assets and the resulting increase in interest accrued, which was partially offset by reduced income from interest accrued in respect of loans to customers primarily due to the lower interest rate environment, as well as DBK's policy under which loans which are overdue by 30 days or more do not accrue interest. See "Selected Statistical and Other Data—Loan Portfolio".

Interest Expense

Interest expense relates to amounts of interest paid by DBK on loans from Samruk-Kazyna, the Government and banks and other institutions, amounts payable under repurchase agreements, debt securities, subordinated debt and current accounts and customers' deposits.

The following table sets out the principal components of DBK's interest expense for the nine months ended 30 September 2010 and 2009:

	Nine months ended 30 September ⁽¹⁾		Percentage change
	2010	2009	2009/2010
	<i>(KZT millions)</i>		<i>(%)</i>
Loans from banks and other financial institutions	(18,535.2)	(8,843.0)	109.6
Debt securities issued	(2,547.3)	(2,597.7)	(1.9)
Subordinated debt	(102.2)	—	—
Loans from the Parent Company	(78.0)	(2,628.2)	(97.0)
Loans from the Government of the Republic of Kazakhstan	(59.6)	(59.4)	(0.3)
Amounts payable under repurchase agreements	(3.0)	(264.2)	(98.9)
Current accounts and deposits from customers	(0.8)	(2.0)	(60.0)
Total interest expense	(21,326.1)	(14,394.5)	48.2

Note:

(1) Derived from the Unaudited Interim Financial Statements.

Total interest expense increased by KZT 6,931.6 million, or 48.2%, to KZT 21,326.1 million for the nine months ended 30 September 2010, as compared to KZT 14,394.5 million for the nine months ended 30 September 2009. This increase was primarily due to the increase in the amount of loans from banks and other financial institutions, which, in turn, was largely a result of the disbursement of two loans from the Export-Import Bank of China totalling U.S.\$400 million and U.S.\$156 million and loans from Japan Bank for International Cooperation and Bank of Tokyo-Mitsubishi totalling JPY 1,570 million and €30 million, respectively. See “*Selected Statistical and Other Data—Borrowings—Principal Sources of Funding—Loans from Banks and Other Financial Institutions—Export-Import Bank of China*”.

Net Non-Interest Income

The following table sets out the principal components of DBK’s net non-interest income for the nine months ended 30 September 2010 and 2009:

	Nine months ended 30 September ⁽¹⁾		Percentage change
	2010	2009	2009/2010
	(KZT millions)		(%)
Net fee and commission income	103.6	62.0	67.4
Net foreign exchange gain	61.1	8,827.4	(99.3)
Net realised gain on available-for-sale assets.....	640.4	488.4	31.1
Net gain/(loss) on derivative financial instruments.....	500.7	(3,893.3)	—
Gain on repurchase of debt securities issued.....	351.2	—	—
Other income, net.....	448.6	462.0	2.9
Net non-interest income.....	2,105.6	5,946.5	(64.6)

Note:

(1) Derived from the Unaudited Interim Financial Statements.

DBK generates fee and commission income from letters of credit, foreign exchange fees, expert commission on loans which are not entered into, transfer services, commission on finance leases and other sources. Fee and commission expense relates to amounts paid by DBK on the maintenance of current accounts, securities operations, the provision of custodial services, plastic card and transfer services, amounts relating to cancelled Eurobond issuances and other operations. Net fee and commission income increased in the first nine months of 2010 by KZT 41.7 million, or 67.4%, to KZT 103.6 million from KZT 62.0 million for the nine months ended 30 September 2009, primarily due to the increase in commissions received from the provision of project expertise on non-provided loans.

DBK generates foreign exchange gains from translation differences and dealings. Net foreign exchange gain decreased in the first nine months of 2010 by KZT 8,766.3 million, or 99.3%, to KZT 61.1 million from KZT 8,827.4 million for the nine months ended 30 September 2009, primarily due to the increase of expenses due to exchange rate fluctuations.

DBK also generates non-interest income from net realised gains on its available-for-sale assets. Net realised gain on available-for-sale assets increased in the first nine months of 2010 by KZT 152.0 million, or 31.1%, from KZT 488.4 million for the nine months ended 30 September 2009 to KZT 640.4 million for the nine months ended 30 September 2010, primarily due to increased realised gains from exchange rate fluctuations on available-for-sale assets.

DBK’s net loss on derivate financial instruments is principally comprised of unrealised losses derived from the revaluation of derivative financial instruments. For the nine months ended 30 September 2010, DBK had a net gain on derivative financial instruments of KZT 500.7 million, as compared to a net loss of KZT 3,893.3 million for the nine months ended 30 September 2009. The loss in the first nine months of 2009 was primarily due to a decision to recognize unrealised losses from revaluation of derivative financial instruments. See “*Selected Statistical and Other Data—Derivatives*”.

DBK repurchased a number of the U.S.\$150 million 6.0% Notes due 2026 issued by DBK in March 2006, in order to take advantage of the difference between the then-current yield and the yield at the time of issue. Such difference, amounting to KZT 351.2 million, was recorded as profit. The aggregate principal amount of the debt securities repurchased was U.S.\$21.75 million, and the weighted average of the price paid for such debt securities was 86.4% of such aggregate principal amount.

Net other income comprises DBK’s income from fines and penalties, and non-banking activities, as well as the decrease in value added tax, partially offset by losses on the disposal of equipment and intangible assets and other expenses. Net other

income decreased by KZT 13.4 million, or 2.9%, to KZT 448.6 million for the nine months ended 30 September 2010 from KZT 462.0 million for the nine months ended 30 September 2009.

Impairment losses

Impairment losses are principally comprised of losses on loans to customers and available-for-sale assets. The following table sets forth the principal components of DBK's impairment losses for the nine months ended 30 September 2010 and 2009:

	Nine months ended 30 September⁽¹⁾		Percentage change
	2010	2009	2009/2010
	<i>(KZT millions)</i>		<i>(%)</i>
Loans to customers	10,695.0	25,021.7	(57.3)
Letters of credit	320.2	10.4	2978.8
Finance lease receivables	180.9	1,136.4	(84.1)
Available-for-sale assets	—	4,955.5	(100.0)
Other assets	676.0	182.2	271.0
Net impairment losses	11,872.1	31,306.2	(62.1)

Note:

(1) Derived from the Unaudited Interim Financial Statements.

Net impairment losses decreased by KZT 19,434.1 million, or 62.1%, to KZT 11,872.1 million for the nine months ended 30 September 2010 from KZT 31,306.2 million for the nine months ended 30 September 2009. The relatively high levels of impairment losses in the first nine months of 2009 was due to DBK's recognition of extraordinary losses in 2009 due to the impact of the global financial crisis on DBK's customers. Levels for the first nine months of 2010, while lower than in the corresponding period in 2009, remained high due to the lagging effect of the impact of the global financial crisis.

General administrative expenses

General administrative expenses are principally comprised of payroll and taxes, occupancy charges (rent), taxes other than income taxes, the expenses of providing services to customers (communication and information services) and depreciation and amortisation. Depreciation is in respect of computers and equipment, vehicles, furniture and other equipment.

The following table sets forth the principal components of DBK's general administrative expenses for the nine months ended 30 September 2010 and 2009:

	Nine months ended 30 September		Percentage
	2010	2009	change
	<i>(KZT millions)</i>		<i>(%)</i>
Payroll and related taxes	1,396.0	1,379.7	1.2
Occupancy	210.8	249.7	(15.6)
Taxes other than on income	77.4	150.6	(48.6)
Communication and information services.....	75.7	73.2	3.4
Professional services.....	56.2	35.7	57.4
Depreciation and amortisation	41.3	46.0	(10.2)
Repair and maintenance	36.2	18.0	101.1
Business travel	34.8	32.7	6.4
Rating services.....	27.9	15.3	82.4
Office supplies	14.2	14.4	(1.4)
Insurance.....	12.2	11.3	8.0
Transportation.....	11.2	12.4	(9.7)
Advertising and marketing.....	10.6	5.1	107.8
Security.....	8.2	8.6	(4.7)
Training and seminars.....	7.0	1.6	337.5
Representative expenses	5.6	3.3	69.7
Other expenses.....	27.5	30.0	(8.3)
Total	2,052.8	2,087.6	(1.7)

General administrative expenses decreased by KZT 34.8 million, or 1.7%, to KZT 2,052.8 million for the nine months ended 30 September 2010 from KZT 2,087.6 million for the nine months ended 30 September 2009. Payroll and related taxes comprise the largest portion of DBK's total general administrative expenses, representing 68.0% of total general administrative expenses for the nine months ended 30 September 2010 and 66.1% of total administrative expenses for the nine months ended 30 September 2009.

Taxation

DBK had an income tax expense of KZT 2,767.1 million for the nine months ended 30 September 2010, as compared to an income tax expense of KZT 3.0 million for the nine months ended 30 September 2009. The increased income tax expense for the nine months ended 30 September 2010, as compared to the nine months ended 30 September 2009, resulted from deferred tax adjustments in connection with changes to the impairment charge on loans to customers and in tax losses carried forward. DBK's applicable tax rate for current tax for the nine months ended 30 September 2009 and 30 September 2010 was 20%. See "*Critical Accounting Policies—Taxation*".

Net loss/profit

For the foregoing reasons, for the nine months ended 30 September 2010, DBK generated a net profit of KZT 3,945.4 million, as compared to a net loss of KZT 11,894.6 million for the nine months ended 30 September 2009.

Results of operations for the years ended 31 December 2009, 2008 and 2007

Net Interest Income

The following table sets forth the principal components of DBK's net interest income for the years ended 31 December 2009, 2008 and 2007:

	Year ended 31 December			Percentage change	
	2009	2008	2007	2008/2009	2007/2008
	(KZT millions)			(%)	
Interest income.....	41,868.9	28,068.9	13,490.1	49.2	108.1
Interest expense.....	(18,626.0)	(12,823.2)	(5,136.0)	45.3	149.7
Net interest income	23,242.9	15,245.7	8,354.1	52.5	82.5

DBK's net interest income increased in 2009 by KZT 7,997.2 million, or 52.5%, to KZT 23,242.9 million for the year ended 31 December 2009 from KZT 15,245.7 million for the year ended 31 December 2008, after having increased in 2008 by KZT 6,891.6 million, or 82.5%, from KZT 8,354.1 million for the year ended 31 December 2007.

Interest Income

The following table sets forth the principal components of DBK's interest income for the years ended 31 December 2009, 2008 and 2007:

	Year ended 31 December			Percentage change	
	2009	2008	2007	2008/2009	2007/2008
	(KZT millions)			(%)	
Loans to customers	28,864.8	16,824.4	5,312.8	71.6	216.7
Available-for-sale assets	6,930.9	5,192.8	4,860.2	33.5	6.8
Placements with banks.....	3,974.2	4,943.6	2,998.3	(19.6)	64.9
Finance lease receivables.....	1,638.3	1,057.9	207.9	54.9	408.9
Amounts receivable under reverse repurchase agreements.....	460.7	50.2	110.9	817.7	(54.7)
Total interest income	41,868.9	28,068.9	13,490.1	49.2	108.1

Interest income increased in 2009 by KZT 13,800 million, or 49.2%, to KZT 41,868.9 million for the year ended 31 December 2009 from KZT 28,068.9 million for the year ended 31 December 2008, after having increased in 2008 by KZT 14,578.8 million, or 108.1%, from KZT 13,490.1 million for the year ended 31 December 2007.

The year-on-year increases in 2009 and 2008 were primarily due to the year-on-year increases in interest received on loans to customers of 71.6% in 2009, from KZT 16,824.4 million for the year ended 31 December 2008 to KZT 28,864.8 million for the year ended 31 December 2009, and 216.7% in 2008, from KZT 5,312.8 million for the year ended 31 December 2007, in each case, these increases largely reflected the continuing growth in DBK's loan portfolio in line with DBK's mission as a development bank. See "*Selected Financial Data—Loan Portfolio*". The year-on-year increase in 2009 was partially offset by the 19.6% decrease in interest on placements with banks, which was, in turn, principally due to generally lower interest rates offered by banks for deposits due to generally lower market rates. Because DBK is not permitted under the Credit Policy Memorandum and the DBK Law from utilising its share capital for lending purposes, subject to certain exceptions, it has significant investments in highly-liquid financial interests, such as bank deposits in the domestic and international markets. Accordingly, lower market interest rates on such instruments, such as placements with banks and other financial institutions, may have a disproportionate impact on DBK. See "*Selected Statistical and Other Data—Investment Portfolio and Management of Share Capital*".

Interest Expense

The following table sets forth the principal components of DBK's interest expense for the years ended 31 December 2009, 2008 and 2007:

	Year ended 31 December			Percentage change	
	2009	2008	2007	2008/2009	2007/2008
	(KZT millions)			(%)	
Loans from banks and other financial institutions	12,150.2	9,004.3	1,372.0	34.9	556.3
Debt securities issued.....	3,474.0	2,822.9	3,629.4	23.1	(22.2)
Loans from the Parent Company.....	2,628.7	861.4	—	205.2	—
Amounts payable under repurchase agreements	261.2	103.2	93.4	153.1	10.5
Loans from the Government of the Republic of Kazakhstan	79.2	30.3	29.2	161.4	3.8
Subordinated debt	30.3	—	—	—	—
Current accounts and deposits from customers.	2.4	1.1	12.0	118.2	(90.8)
Total interest expense	18,626.0	12,823.2	5,136.0	45.3	149.7

For the year ended 31 December 2009, DBK's interest expense increased by KZT 5,802.8 million, or 45.3%, to KZT 18,626.0 million from KZT 12,823.2 million for the year ended 31 December 2008, after having increased in 2008 by KZT 7,687.2 million, or 149.7%, from KZT 5,136.0 million for the year ended 31 December 2007.

The year-on-year increase in interest expense in 2009 was primarily due to the KZT 3,145.9 million, or 34.9%, increase in interest due on loans from banks and other financial institutions, which was, in turn, primarily due to drawdowns following the conclusion of a U.S.\$5,000 million master facility agreement with the Export-Import Bank of China in August 2009 and receipt of a KZT 20,000 million loan from the Fund of Distressed Assets JSC (the "**Distressed Assets Fund**") in November 2009. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Loans from Banks and other Financial Institutions*". The year-on-year increase in 2009 was also a result of the KZT 1,767.3 million, or 205.2%, increase in interest due on loans from Samruk-Kazyna due to the disbursement of a KZT 24,000 million loan by Samruk-Kazyna to DBK on 1 July 2009. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Samruk-Kazyna Loans*".

The year-on-year increase in interest expense in 2008 was also primarily due to the increases in interest due on loans from banks and other financial institutions, primarily due to new borrowings, including U.S.\$430 million in borrowings from Credit Suisse International, U.S.\$300 million in borrowings under a syndicated loan and U.S.\$100 million in borrowings from Bayern LB, as well as DBK's first-time borrowing from Samruk-Kazyna. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings*".

For the year ended 31 December 2009, DBK's interest expense from debt securities increased by KZT 651.1 million, or 23.1%, to KZT 3,474.0 million from KZT 2,822.9 million for the year ended 31 December 2008, after having decreased by KZT 806.5 million, or 22.2%, from KZT 3,629.4 million for the year ended 31 December 2007. The year-on-year increase in interest expense from debt securities issued in 2009 was primarily due to the effect of the devaluation of the Tenge in February 2009. The year-on-year decrease in interest expense from debt securities issued in 2008 was primarily due to the repayment of the Eurobonds issued by DBK in October 2002. See "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*".

Net Non-Interest Income

The following table sets forth the principal components of DBK's net non-interest income for the years ended 31 December 2009, 2008 and 2007:

	Year ended 31 December			Percentage change	
	2009	2008	2007	2008/2009	2007/2008
	(KZT millions)			(%)	
Net fee and commission income	39.1	192.5	126.3	(79.7)	52.4
Net foreign exchange gain	7,667.6	476.2	(138.1)	1,510.2	(444.8)
Net realised gain on available-for-sale assets....	513.5	15.4	18.0	3,234.4	(14.4)
Net loss on derivative financial instruments	(3,297.0)	(181.8)	(1,300.6)	1,713.5	86.0
Net other income	1,174.1	83.3	35.4	1,309.5	135.3
Net non-interest income	6,097.3	585.6	(1,259.0)	941.2	(146.5)

Net fee and commission income decreased in 2009 by KZT 153.4 million, or 79.7%, to KZT 39.0 million for the year ended 31 December 2009 from KZT 192.5 million for the year ended 31 December 2008, after having increased in 2008 by KZT 66.2 million, or 52.4%, from KZT 126.3 million for the year ended 31 December 2007. The year-on-year decrease in 2009 was primarily due to a decrease in income for expert commission on loans not entered into (which are non-refundable fees paid by potential borrowers to DBK to evaluate projects that did not proceed). The year-on-year increase in 2008 was primarily due to an increase in income for expert commission on loans not entered into.

Net foreign exchange gain increased in 2009 by KZT 7,191.4 million, or 1,510.2%, to KZT 7,667.6 million for the year ended 31 December 2009 from KZT 476.2 million for the year ended 31 December 2008, after having increased in 2008 from a loss of KZT 138.1 million for the year ended 31 December 2007. The year-on-year increase in 2009 was primarily due to the increase in gain relating to differences in translation. The year-on-year increase in 2008 was primarily due to increases in both differences in translation and net dealing transactions.

Net realised gain on available-for-sale assets increased in 2009 by KZT 498.1 million, or 3,234.4% to KZT 513.5 million for the year ended 31 December 2009, from KZT 15.4 million for the year ended 31 December 2008, after having decreased in 2008 by KZT 2.6 million, or 14.4%, from KZT 18.0 million for the year ended 31 December 2007. The year-on-year increase in 2009 was primarily due to increased profits from the sale of securities and profit realised due to changes in the market values of available-for-sale securities. The year-on-year decrease in 2008 was primarily due to the decrease in realised profits resulting from changes in the market value of available-for-sale securities.

Net loss on derivative financial instruments increased by KZT 3,115.2 million, or 1,713.5%, to a loss of KZT 3,297.0 million for the year ended 31 December 2009 from a loss of KZT 181.8 million for the year ended 31 December 2008, after having decreased by KZT 1,118.8 million, or 86.0%, from a loss of KZT 1,300.6 million for the year ended 31 December 2007. The year-on-year increase in the loss in 2009 was primarily due to losses as a result of the depreciation of the spot element of certain swaps that are hedging instruments. The year-on-year decrease in the loss in 2008 was primarily due to the realised gain on derivative financial instruments in 2008, as well as the effects of DBK's decision to apply cash flow hedge accounting to its two significant foreign currency swaps in October 2007, through which certain fair value gains or losses on such financial instruments were recorded on the hedging reserve, thereby reducing the effect of changes in fair value on DBK's income statement. As at 31 December 2009, the hedging reserve was KZT 847.7 million, as compared to KZT 6,398.2 million and KZT 3,139.6 million as at 31 December 2008 and 2007, respectively. See "Selected Statistical and Other Data—Derivatives", Note 29(c) to the audited annual consolidated financial statements as at and for the year ended 31 December 2009, Note 28(c) to the audited annual consolidated financial statements as at and for the year ended 31 December 2008 and "Presentation of Financial and Other Information".

Impairment losses

The following table sets forth the principal components of DBK's impairment losses for the years ended 31 December 2009, 2008 and 2007:

	Year ended 31 December			Percentage change	
	2009	2008	2007	2008/2009	2007/2008
	(KZT millions)			(%)	
Impairment losses					
Loans to customers	66,853.0	9,946.3	816.1	572.1	1,118.8
Available-for-sale assets	4,808.0	—	—	100.0	—
Finance lease receivables	857.8	196.9	—	335.7	100.0
Other assets	895.3	107.2	—	735.3	100.0
	73,414.1	10,250.4	816.1	616.2	1,156.0
Reversals of impairment losses					
Other assets	—	—	(32.2)	—	(100.0)
Letters of credit	—	(20.4)	(64.5)	(100.0)	(68.3)
	—	(20.4)	(96.7)	(100.0)	(78.9)
Net impairment losses	73,414.1	10,230.0	719.4	617.6	1,322.0

Net impairment losses increased in 2009 by KZT 63,184.1 million, or 617.6%, to KZT 73,414.1 million for the year ended 31 December 2009 from KZT 10,230.0 million for the year ended 31 December 2008, after having increased in 2008 by KZT 9,510.6 million, or 1,322.0%, from KZT 719.4 million for the year ended 31 December 2007.

In common with other financial institutions with sufficient capital, DBK recognised significant impairment losses in 2009 and 2008 as a result of the impact of the global financial crisis. DBK's impairment policy is based on a conservative assessment of a borrower's ability to pay and conservative valuations of such borrower's collateral. See "*Selected Statistical and other Data—Loan Policies and Credit Approval Procedures*" and "*Selected Statistical and Other Data—Policies Relating to Collateral*".

The year-on-year increase in 2009 was primarily due to the extraordinary KZT 56,906.7 million, or 572.1%, increase in impairment losses on loans to customers due to the deterioration in the financial condition of a number of borrowers mainly as a result of the effect of the global financial crisis on the Kazakhstan financial sector, and the KZT 4,808.0 million, or 100.0%, increase in impairment losses on available-for-sale assets due to the non-payment of amounts owed to DBK by Kazakhstan banks under such banks' Eurobonds. The relatively high levels of impairment losses for the year ended 31 December 2009 was due to DBK's recognition of extraordinary losses in 2009 due to the impact of the global financial crisis on DBK's customers. The year-on-year increase in 2008 was primarily due to the KZT 9,130.2 million, or 1,118.8%, increase in impairment losses on loans to customers.

General administrative expenses

The following table sets forth the principal components of DBK's general administrative expenses for the years ended 31 December 2009, 2008 and 2007:

	Year ended 31 December			Percentage change	
	2009	2008	2007	2008/2009	2007/2008
	(KZT millions)			(%)	
Payroll and related taxes	1,832.0	2,066.9	1,758.9	(11.4)	17.5
Occupancy	333.4	347.9	256.4	(4.2)	35.7
Taxes other than on income	181.6	103.6	114.3	75.3	(9.4)
Communication and information services.....	98.7	107.5	84.9	(8.2)	26.6
Depreciation and amortisation	60.7	61.7	79.6	(1.6)	(22.5)
Professional services.....	56.3	34.5	75.8	63.2	(54.5)
Business travel	51.5	67.1	54.3	(23.2)	23.6
Repair and maintenance.....	22.9	17.7	8.3	29.4	113.3
Office supplies	22.2	18.8	17.0	18.1	10.6
Rating services.....	20.9	28.8	16.8	(27.4)	71.4
Transportation.....	16.9	10.6	5.1	59.4	107.8
Insurance.....	15.9	16.0	2.9	(0.6)	451.7
Advertising and marketing.....	14.9	20.2	23.5	(26.2)	(14.0)
Security.....	11.1	12.9	12.5	(14.0)	3.2
Representative expenses	7.4	4.1	3.0	80.5	36.7
Training and seminars.....	6.9	25.5	14.9	(72.9)	71.1
Conferences	4.0	13.6	5.6	(70.6)	142.9
Other expenses.....	9.8	31.7	51.9	(69.1)	(38.9)
Total	2,767.1	2,989.1	2,585.7	(7.4)	15.6

General administrative expenses decreased by KZT 222.0 million, or 7.4%, to KZT 2,767.1 million for the year ended 31 December 2009 from KZT 2,989.1 million for the year ended 31 December 2008, after having increased in 2008 by KZT 403.4 million, or 15.6%, from KZT 2,585.7 million for the year ended 31 December 2007. Payroll and related taxes generally comprise the largest portion of DBK's total general administrative expenses, representing 66.2% of total general administrative expenses for the year ended 31 December 2009, 69.1% for the year ended 31 December 2008 and 68.0% for the year ended 31 December 2007. Payroll and related taxes decreased by KZT 234.9 million, or 11.4%, in 2009 to KZT 1,832.0 million for the year ended 31 December 2009 from KZT 2,066.9 million for the year ended 31 December 2008, after having increased by KZT 308.0 million, or 17.5%, from KZT 1,758.9 million for the year ended 31 December 2007. The year-on-year decrease in payroll and related taxes in 2009 reflected the non-payment of lump-sum premiums, while the year-on-year increase in payroll and related taxes in 2008 reflected the increased number of staff on the payroll.

Taxation

DBK had an income tax benefit of KZT 7,365.4 million for the year ended 31 December 2009, as compared to an income tax expense of KZT 454.3 million for the year ended 31 December 2008 and income tax expense of KZT 835.7 million for the year ended 31 December 2007. DBK's applicable tax rate for current tax was 20% for 2009, as compared to 30% for 2008 and 2007. The income tax benefit in 2009 resulted largely from the deferral of an income tax expense of KZT 60,613.5 million for ten years in accordance with the 2009 Tax Code in respect of expected future taxable income, which, in turn, resulted in a deferred tax claim in light of the differences in time between the book value and tax base of assets and liabilities in 2009, as well as the lower tax rate. The decrease in DBK's year-on-year income tax expense in 2008, as compared to 2007, was primarily due to the increase in DBK's deductible expenses for the formation of reserves to cover losses on loans.

Net loss/profit

As a result of all the foregoing, DBK had a net loss of KZT 39,475.6 million for the year ended 31 December 2009, as compared to a net profit of KZT 2,157.9 million for the year ended 31 December 2008 and a net profit of KZT 2,954.3 million for the year ended 31 December 2007.

SELECTED STATISTICAL AND OTHER DATA

The selected statistical information and other data set forth below have been extracted, subject to rounding, without material adjustment from the Financial Statements, which are included elsewhere in this Base Prospectus and from management reports and accounting records. The selected statistical information and other data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, as well as the information set forth under the caption “Management’s Discussion and Analysis of Results of Operations and Financial Condition” included in this Base Prospectus. Unless otherwise indicated, all figures are expressed in or derived from amounts in Tenge. All average balances are calculated as the average of annual opening and closing balances. Were a different method of calculating averages to be used, such as using averages of quarterly balances, the averages so determined may be materially different from those set forth in this Base Prospectus.

Average Balance Sheet and Interest Rates

The following tables set forth the average balances for DBK’s interest-earning assets and interest-bearing liabilities, together with weighted average rates and the corresponding amount of interest income (expense) for the periods indicated:

	For the nine months ended 30 September					
	2010			2009		
	Average balance	Average interest rate	Interest Income/ Expense	Average balance	Average interest rate	Interest Income/ Expense
(KZT millions)	(%)	(KZT millions)	(KZT millions)	(%)	(KZT millions)	
Interest-earning assets						
Cash and cash equivalents	234,089.8	1.66	2,908.2	142,383.5	1.67	1,784.4
Placements with banks	57,647.1	8.05	3,481.3	11,795.4	11.45	1,013.0
Loans to customers	258,719.5	9.07	17,598.8	213,142.7	13.60	21,733.9
Finance lease receivables	22,029.5	8.80	1,461.1	14,280.7	14.91	1,597.3
Available-for-sale assets	297,877.3	6.40	14,339.9	63,717.0	7.03	3,358.3
Amounts receivable under reverse repurchase agreements	—	—	68.5	6,875.7	8.98	463.3
Total interest-earning assets	870,363.1	6.13	39,857.9	452,195.0	8.83	29,950.2
Interest-bearing liabilities						
Loans and advances from the Government	29,996.7	0.26	(59.6)	32,892.9	0.24	(59.4)
Loans from Samruk-Kazyna	1,191.7	8.67	(78.0)	25,789.1	13.59	(2,628.2)
Loans from banks	470,949.7	5.20	(18,535.2)	166,308.6	7.09	(8,843.0)
Customer accounts	30,835.0	—	(0.8)	2,196.4	0.12	(2.0)
Debt securities issued	49,778.3	6.80	(2,547.3)	47,039.1	7.36	(2,597.7)
Subordinated debt	2,606.5	5.20	(102.2)	—	—	—
Amounts payable under repurchase agreements	9,923.0	0.00	(3.0)	2,506.2	14.06	(264.2)
Total interest-bearing liabilities	595,280.9	4.80	(21,326.1)	276,732.2	6.94	(14,394.5)
Net interest income			18,531.8			15,555.7

	For the years ended 31 December								
	2009			2008			2007		
	Average balance	Average interest rate	Interest Income/Expense	Average balance	Average interest rate	Interest Income/Expense	Average balance	Average interest rate	Interest Income/Expense
(KZT millions)	(%)	(KZT millions)	(KZT millions)	(%)	(KZT millions)	(KZT millions)	(%)	(KZT millions)	
Interest-earning assets									
Cash and cash equivalents	182,856.8	1.27	2,316.3	67,045.6	2.94	1,969.5	50,797.6	3.77	1,915.7
Placements with banks and other financial institutions	27,451.2	6.04	1,657.9	8,048.4	36.95	2,974.1	8,865.0	12.21	1,082.5
Loans to customers	194,568.7	14.84	28,864.8	132,427.7	12.70	16,824.4	63,517.2	8.36	5,312.8
Finance lease receivables	14,811.1	11.07	1,638.3	6,803.2	15.55	1,057.9	1,697.4	12.70	207.9
Available-for-sale assets	169,708.8	4.08	6,930.9	71,892.0	7.22	5,192.8	74,412.8	6.53	4,860.2
Amounts receivable under reverse repurchase agreements	6,492.2	7.10	460.7	6,492.2	0.77	50.2	—	—	110.9
Total interest-earning assets	595,888.8	6.98	41,868.9	292,708.9	9.59	28,068.9	199,290.0	6.77	13,490.0
Interest-bearing liabilities									
Loans and advances from the Government	32,394.6	0.24	(79.2)	29,733.3	0.10	(30.3)	25,825.2	0.11	(29.2)
Loans from Samruk-Kazyna	25,194.3	10.43	(2,628.7)	25,194.3	3.42	(861.4)	—	—	—
Loans from banks	284,089.9	4.28	(12,150.2)	94,499.0	9.53	(9,004.3)	30,728.3	4.46	(1,372.0)
Customer accounts	22,906.6	0.01	(2.4)	1,269.4	0.09	(1.1)	1,257.1	0.95	(12.0)
Debt securities issued	46,525.2	7.47	(3,474.0)	41,557.9	6.79	(2,822.9)	49,830.7	7.28	(3,629.4)
Subordinated debt	1,361.9	2.22	(30.3)	—	—	—	—	—	—
Amounts payable under repurchase agreements	2,506.2	10.42	(261.2)	2,506.2	4.12	(103.2)	—	—	(93.4)
Total interest-bearing liabilities	414,978.7	4.49	(18,626.0)	194,759.9	6.58	(12,823.2)	107,641.1	4.77	(5,136.0)
Net interest income			23,242.9			15,245.7			8,354.1

The average interest rate on interest-earning assets decreased to 6.13% for the nine months ended 30 September 2010 from 8.83% for the nine months ended 30 September 2009, primarily due to the decrease in market interest rates for deposits due to the impact of the global financial crisis and the resulting reduction of DBK's own lending rates. See “—*Loan Portfolio*”. The average interest rate on interest-bearing liabilities decreased to 4.80% for the nine months ended 30 September 2010 from 6.94% for the nine months ended 30 September 2009, primarily due to the disbursement of concessional loans by Samruk-Kazyna and decreases in certain borrowing rates. See “—*Borrowing*”.

The average interest rate on interest-earning assets decreased to 6.98% for the year ended 31 December 2009 from 9.59% for the year ended 31 December 2008 and 6.77% for the year ended 31 December 2007. The decrease in the average interest rate on interest-earning assets in 2009, as compared to 2008 and 2007, was primarily due to the decrease in market interest rates for deposits due to the impact of the global financial crisis and the resulting reduction of DBK's own lending rates. See “—*Loan Portfolio*”.

The average interest rate on interest-bearing liabilities decreased to 4.49% for the year ended 31 December 2009 from 6.58% for the year ended 31 December 2008, after having increased from 4.77% for the year ended 31 December 2007. The decrease in the average interest rate on interest-bearing liabilities in 2009, as compared to 2008, was primarily due to the generally lower interest rate climate. The increase in the average interest rate on interest-bearing liabilities in 2008, as compared to 2007, was primarily due to the increase in borrowing rates during the global financial crisis. See “—*Principal Sources of Funding*”.

Loan Portfolio

Net total loans increased by KZT 114,614.4 million, or 56.9% to KZT 316,026.7 million as at 30 September 2010 from KZT 201,412.3 million as at 31 December 2009, after having increased in 2009 by KZT 13,687.1 million, or 7.3%, to KZT 187,725.2 million as at 31 December 2008 and, in 2008, by KZT 110,595.0 million, or 143.4%, from KZT 77,130.2 million as at 31 December 2007. The increase in DBK's loan portfolio since 31 December 2007 is primarily due to DBK's strategy for expanding its loan portfolio in line with its role as a development bank in Kazakhstan. See “*Business—Strategy*” and “*Business—Lending*”.

Loans by Type of Borrower

In line with DBK's mission as a development bank, large corporate borrowers, which are borrowers with over 250 employees and average assets in excess of U.S.\$3 million, seeking funding for large infrastructure and industrial projects have historically comprised the largest component of DBK's loan portfolio, with loans to large corporates accounting for

99.8% of total gross loans to customers as at 30 September 2010, as compared to 99.8%, 99.9% and 99.9% of gross total loans to customers as at 31 December 2009, 2008 and 2007, respectively.

Loans by Economic Sector

The following table sets forth an analysis of DBK's loan portfolio, by economic sector, before impairment, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		2009		As at 31 December		2007	
	2010				2008			
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Mining, metallurgy and mineral resources.....	92,693.2	22.9	35,994.8	12.8	31,550.8	15.7	9,537.7	11.9
Agriculture	59,542.1	14.7	60,953.3	21.7	44,132.5	22.0	4,618.4	5.8
Oil and gas.....	48,070.1	11.9	2,054.7	0.7	1,619.3	0.8	—	—
Transportation and warehousing	35,390.8	8.8	34,762.2	12.4	29,215.6	14.6	9,077.7	11.4
Textile	33,981.8	8.4	32,189.7	11.5	19,618.8	9.8	12,901.6	16.1
Energy and electricity distribution	32,805.9	8.1	21,391.9	7.6	12,466.5	6.2	9,325.2	11.7
Construction materials.....	24,780.7	6.1	22,149.6	7.9	10,731.7	5.4	4,809.5	6.0
Chemical.....	20,245.8	5.0	22,022.1	7.8	15,231.1	7.6	11,390.1	14.2
Paper and pulp.....	13,174.8	3.3	13,509.0	4.8	9,666.9	4.8	6,881.7	8.6
Food processing.....	10,420.4	2.6	10,675.2	3.8	7,753.3	3.9	4,189.3	5.2
Manufacturing	9,312.2	2.3	7,757.2	2.8	5,454.5	2.7	806.0	1.0
Machinery producing.....	7,856.7	1.9	6,476.4	2.3	5,241.6	2.6	3,299.8	4.1
Recycling.....	4,786.3	1.2	5,743.4	2.0	5,109.9	2.5	—	—
Telecommunication	1,140.1	0.3	1,745.6	0.6	1,824.4	0.9	2,237.5	2.8
Mortgage	691.3	0.2	311.7	0.1	149.7	0.1	59.5	0.1
Electric equipment.....	376.6	0.1	494.8	0.2	498.7	0.2	467.4	0.6
Fishery.....	295.1	0.1	296.9	0.1	248.6	0.1	371.2	0.5
Other.....	8,701.5	2.1	2,424.2	0.9	—	—	—	—
Total gross loans	404,265.4	100.0	280,952.7	100.0	200,513.9	100.0	79,972.6	100.0
Impairment allowance	(88,238.7)	—	(79,540.4)	—	(12,788.7)	—	(2,842.4)	—
Total loans to customers.	316,026.7	—	201,412.3	—	187,725.2	—	77,130.2	—

Since 31 December 2007, loans to customers have been concentrated predominantly in the mining, metallurgy and mineral resources and agriculture industries.

As a percentage of total gross loans to customers, as at 30 September 2010, as compared to 31 December 2009, loans to customers in the mining, metallurgy and mineral resources increased from 12.8% to 22.9% of total gross loans to customers primarily due to the disbursement of a loan in respect of an aluminium smelter construction project, and loans to customers in the oil and gas section have increased from 0.7% to 11.9% of total gross loans to customers, primarily due to the disbursement of a loan in respect of the Atyrau Refinery. See “*Business—Lending*”. Loans to customers in the agriculture sector decreased from 21.7% to 14.7% of total gross loans to customers, although such loans grew in absolute terms over the nine-month period ended 30 September 2010. Such fluctuations in loans to customers by economic sector, for the most part, occur in the ordinary course of DBK's business and generally results from the disbursement or repayment of one or more large loans.

DBK began focusing on the granting of loans to the agriculture sector in 2008, increasing the proportion of total loans granted to customers in the agriculture sector from 5.8% as at 31 December 2007 to 22.0% as at 31 December 2008. Loans to customers in the agriculture sector accounted for the largest proportion, 21.7%, of total gross loans as at 31 December 2009.

In general, the breakdown of loans granted to customers in the different economic sectors can fluctuate significantly as a result of a single loan disbursement repaid in a given period.

In accordance with the Credit Policy Memorandum, the Board of Directors sets limits set on DBK's total exposure under investment projects to a specific economic sector as a percentage of DBK's own capital. See “*—Loan Policies and Credit Approval Procedures*”.

Loans by Geographic Location

Over 98% of total loans to customers are to customers in Kazakhstan. For the purposes of the overall development of the territories of Kazakhstan and their involvement in the relation to the Industrial and Innovation Development Strategy of Kazakhstan, now superseded by the Industrialisation Programme (as defined below), DBK carries out lending in all regions of Kazakhstan. See “*Business—Participation in Government Programmes—Industrialisation Programme*”. The regional distribution across the loan portfolio varies depending on the nature and industry of investment projects being undertaken as at any given date.

Loans by Currency

The following table sets forth an analysis of DBK’s loan portfolio, by currency, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Tenge.....	51,972.1	16.5	9,080.6	4.5	5,837.1	3.1	4,088.5	5.3
U.S. Dollars.....	258,534.9	81.8	189,949.3	94.3	173,552.7	92.5	68,236.5	88.5
Euros.....	3,271.1	1.0	2,382.4	1.2	8,335.4	4.4	4,805.2	6.2
Other currencies.....	2,248.6	0.7	—	—	—	—	—	—
Total net loans to customers.....	<u>316,026.7</u>	<u>100.0</u>	<u>201,412.3</u>	<u>100.0</u>	<u>187,725.2</u>	<u>100.0</u>	<u>77,130.2</u>	<u>100.0</u>

DBK lends in Tenge and foreign currencies, depending on customer requirements, provided that, in general, DBK will only lend in foreign currencies if the customer has revenues in foreign currencies. Loans in Tenge generally carry a higher interest rate than loans in U.S. Dollars. The currency mix of DBK’s loans has generally been stable in 2007, 2008 and 2009 and the non-recurring extraordinary increase in absolute and relative terms of loans denominated in Tenge in 2010 was due to the disbursement of the loan in respect of the Atyrau Refinery. See “*Business—Lending*”.

Loans by Maturity

The following table sets forth an analysis of DBK’s loan portfolio after allowances for losses, by maturity, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Less than one month.....	—	—	—	—	58.6	0.0	—	—
One month to three months ...	2,575.8	0.8	587.6	0.3	902.0	0.5	—	—
Three months to one year.....	11,493.7	3.6	19,093.2	9.5	18,987.1	10.1	2,144.0	2.8
One year to five years.....	56,996.2	18.0	45,126.9	22.4	52,343.7	27.9	20,173.0	26.1
More than five years.....	216,340.1	68.5	133,336.1	66.2	115,433.8	61.5	54,813.1	71.1
Overdue.....	28,620.9	9.1	3,268.6	1.6	—	—	—	—
Total net loans to customers.....	<u>316,026.7</u>	<u>100.0</u>	<u>201,412.3</u>	<u>100.0</u>	<u>187,725.2</u>	<u>100.0</u>	<u>77,130.2</u>	<u>100.0</u>

Reflecting its principal mission as a development bank to provide financing for large-scale investment projects, DBK’s loan portfolio is principally comprised of loans with more than five years until maturity, which accounted for 68.5% of total net loans as at 30 September 2010, as compared to 66.2%, 61.5% and 71.1% as at 31 December 2009, 2008 and 2007, respectively. In addition, loans with between one and five years until maturity comprised 22.4%, 27.9% and 26.1% the loan portfolio as at 31 December 2009, 2008, and 2007 respectively.

Loans by Size

The following table sets forth an analysis of DBK's loan portfolio (for investment projects only), by size, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	Outstanding Principal Amount (KZT millions)	No. of Loans	Outstanding Principal Amount (KZT millions)	No. of Loans	Outstanding Principal Amount (KZT millions)	No. of Loans	Outstanding Principal Amount (KZT millions)	No. of Loans
Under KZT 25 million.....	69,479.8	44	68,076.0	46	46,731.1	42	29,884.8	26
KZT 25-50 million	42,578.9	8	41,645.9	8	38,927.6	9	13,225.0	3
KZT 50-100 million	94,491.3	10	106,463.5	10	61,073.8	8	21,316.9	3
KZT 100-200 million	30,464.9	2	0.0	0	0.0	0	0.0	0
Over KZT 200 million.....	108,394.4	2	0.0	0	0.0	0	0.0	0

Loan Policies and Credit Approval Procedures

The DBK Law, the Credit Policy Memorandum and DBK's internal credit policy rules set out the principal guidelines in relation to DBK's lending policies, including the duration, limits and the bases for the calculation of interest rates charged for all lending.

Pursuant to the Credit Policy Memorandum, the Board of Directors makes decisions in relation to the financing of investment projects and export transactions and the granting of loans otherwise in amounts exceeding U.S.\$50 million (or its equivalent) and in relation to the financing of leasing transactions. Applications for the financing of investment projects, export transactions and leasing transactions will only be reviewed by the Board of Directors upon receipt of positive recommendations from the Management Board and the Credit Committee. Pursuant to the Credit Policy Memorandum, DBK's Management Board may make decisions in relation to the financing of investment projects, export transactions and the granting of credit instruments up to an amount not exceeding the lesser of U.S.\$50 million (or its equivalent) and 10.0% of DBK's own capital. The Management Board also reports to the Board of Directors in relation to problem investment projects, export transactions and leasing transactions. Applications for the financing of investment projects, export transactions, leasing transactions will only be reviewed by the Management Board upon receipt of positive recommendations from the Credit Committee.

DBK's credit approval process is based on the Credit Policy Memorandum, its regulations on internal lending policies and other internal regulations and procedures approved by DBK's Board of Directors and Management Board.

The Credit Policy Memorandum, updated and approved by the management board of Samruk-Kazyna in June 2009 and as amended on 19 November 2009, provides that the level of DBK's exposure to any single borrower or group of affiliated borrowers shall be set by the Board of Directors. Such exposure is limited to 25% of its total equity at any given time, unless such borrower is an entity in which the State or Samruk-Kazyna owns 50% or more of the voting shares or participatory interests, in which case the exposure is not limited but may be specially defined by the Board of Directors.

As with DBK's exposure to a single borrower or group of affiliated borrowers, industry sector exposure limits are also set by the Board of Directors. Such exposure is limited to 25% of DBK's total assets at any given time, except in the case of chemical and chemical products, where the limit is 50% at any given time.

DBK is in compliance with the exposure limits set out in the Credit Policy Memorandum.

Pursuant to the DBK's internal credit policy rules, the structure of DBK's loan portfolio, in terms of sources, maturities and fees charged for credit, is set by the Assets and Liabilities Management Committee ("ALCO"). DBK's Project Offices and Risk Management Department are responsible for evaluating DBK's loan portfolio, including its credit quality, and establishing allowances and provisions in relation thereto.

Since the start of its operations in 2001, DBK has received more than 750 credit applications to finance investment projects and export transactions. As at 30 September 2010, 177 of such credit applications had been approved, representing an aggregate amount of U.S.\$10,400.0 million. Many of these projects and operations are co-financed with other financial institutions, and DBK's participation in such projects amounted to U.S.\$4,930.0 million.

Loan Classification Policies

Pursuant to the DBK Law, DBK classifies its loan portfolio in accordance with requirements established by the FMSA and, in particular, the Rules for Classification of Assets, Contingent Liabilities and establishment of Provisions (Reserves) (the “**Loan Classification and Provisioning Rules**”) dated 25 December 2006, as amended in November 2009. These Loan Classification and Provisioning Rules set stringent requirements in relation to the monitoring of credit files and the definition of borrowers’ financial soundness, and set a differentiated approach in relation to different types of borrowers, loans and securities. The Loan Classification and Provisioning Rules also give the FMSA the right to require a bank to increase its ratio of provisions, although as a general rule, under the Loan Classification and Provisioning Rules, DBK can itself evaluate the quality of its loan portfolio and the related provisioning requirements.

DBK grades loans by reference to: (i) the customer’s financial performance; (ii) the timelines of repayment of principal and interest; (iii) the quality of collateral; (iv) whether there has been any unauthorised use of the loan; and (viii) any rating assigned to the customer.

The table below sets forth information in relation to the different types of loan classification:

<u>Grades</u>	<u>Timeliness of Repayment</u>	<u>FMSA Classification</u>	<u>FMSA Provisioning</u>
Less than or 1	Current ⁽¹⁾	Standard	0%
1-2	Current ⁽¹⁾	Doubtful first category	5%
	Overdue	Doubtful second category	10%
2-3	Current ⁽¹⁾	Doubtful third category	20%
	Overdue	Doubtful fourth category	25%
3-4	Both current ⁽¹⁾ and overdue	Doubtful fifth category	50%
4 or more	Both current ⁽¹⁾ and overdue	Loss	100%

Note:

- (1) DBK grades loans by criteria in addition to timeliness of repayment, such as by reference to (i) the customer’s financial performance; (ii) the timelines of repayment of principal and interest; (iii) the quality of collateral; (iv) whether there has been any unauthorised use of the loan; and (viii) any rating assigned to the customer. Accordingly, loans that are current may be graded as doubtful.

At present, DBK’s Project Financing Department uses the systems of classification as set out in the Loan Classification and Provisioning Rules, as follows:

- **Standard loans:** The financial condition of the borrower is good and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. Payments of interest and principal are being made in a timely fashion. The borrower is considered to have the capability to repay the loan and pay interest in accordance with its terms.
- **Doubtful loans (first and second categories):** There is evidence of a temporary deterioration in the financial condition of the borrower, including a reduction in income or a loss of market share. There is evidence, however, to suggest that the borrower will be able to cope with any temporary difficulties, and there is a low expectation that the borrower will be unable to repay the loan and pay interest in full.
- **Doubtful loans (third or fourth categories):** There is evidence of a severe deterioration in the financial condition of the borrower, including negative operating results or a declining liquidity position. The current financial condition of the borrower raises concerns as to the ability of the borrower to stabilise and improve its current financial performance and casts doubt on the borrower’s ability to repay the loan and pay interest in full.
- **Doubtful loans (fifth category):** Deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position or negative shareholders’ equity. It is probable that the borrower will be unable to repay the loan or pay interest in full.
- **Loss:** The borrower’s financial condition and operations have reached the point where there is a high probability that the borrower will be unable to repay the loan or pay interest in full.

Loan Provisioning Policy

According to its internal policies, including, in relation to loan loss estimation, the Procedures for Classification and Provisioning of Assets and Contingent Liabilities (in accordance with FMSA requirements) and the Rules on Estimation of Financial Asset Impairment Losses (in accordance with IFRS), DBK’s determination as to whether a repayment problem has arisen is based on a number of objective and subjective criteria, including: the loan classification as described above; loan-term changes; failure of the borrower or its counterparty to fulfil terms under a contract relating to the loan; refusal of

a borrower to co-operate in supplying documentation. DBK's Financial Department, Loan Administration Department and Risk Management Department are responsible for the process in relation to loan loss provisioning. Loan loss provisioning is estimated on a monthly basis, as per FMSA requirements, and a quarterly basis, for IFRS purposes.

Credit Monitoring

DBK has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor DBK's credit risk. See "*Asset and Liability Management—Principal Committees—Credit Committee*".

Credit risk assessment and management is carried out by the Risk Management Department in accordance with DBK's internal regulations. The Risk Management Department undertakes a thorough analysis of each credit applicant, which includes a project feasibility study, financial analyses and examination of the reputation and experience of the potential borrower. Once this analysis has been completed, the Risk Management Department will prepare its recommendation in relation to the application on the basis of risks relating to the project, the borrower and the proposed collateral.

Investment projects financed by DBK are monitored on a quarterly basis at all phases of the project, *i.e.* from construction through to cash-flow generation. The financial condition of borrowers, co-borrowers and guarantors is assessed on a quarterly basis, whereas the value of collateral is reviewed twice a year. See "*—Policies relating to Collateral*".

Problem loans are handled in either the Problem Loan Department or the Loan Restructuring Department in accordance with DBK's internal policies. In the event that an attempted restructuring of a loan is unsuccessful, the loan is then handled by the Problem Loan Department. Borrowers whose loans are in the Problem Loan Department are generally considered to be insolvent and unable to pay the debt. Some 13 loans totalling approximately U.S.\$220 million are being handled by this department.

There are 20 borrowers (representing seven corporate groups with activities in a range of economic sectors) whose loans, which total an aggregate principal amount of approximately U.S.\$656.1 million, are in the Loan Restructuring Department. Loans in this department are loans that meet two or more of the following criteria: (i) provisions of 50% or more; (ii) a weak collateral structure; (iii) the availability period having been extended by more than 50% of the initial period or on more than three occasions; (iv) more than 60 days delinquent in respect of payments; and (v) extensions being granted more than three times. Loans subject to restructuring may be converted into equity, in which case DBK will become a shareholder or the shareholder of the relevant company, or may be subject to restructuring with the benefit of further corporate or group guarantees and additional collateral.

Analysis of Loans by Credit Quality

DBK estimates loan loss provisions on a monthly basis, applying the policies described above. In addition, DBK may also make additional provisions for possible loan losses on a case-by-case basis based on DBK's experience and management's judgment as to the level of losses likely to be incurred. For this reason, actual provisioning levels may differ from the stated provisioning rates.

For loans which are overdue by 30 days or more, the accrual of interest is suspended. DBK's internal policies require DBK to fully provision a loan if interest and principal have not been paid for more than 90 days or if management is of the opinion that the loan is unrecoverable, unless the loan is secured by high-quality collateral.

The following tables set forth information on the credit quality of DBK's loan portfolio as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010 ⁽¹⁾			
	Gross loans (KZT millions)	Impairment provisions	Net loans	Impairment to gross loans (%)
Loans without individual signs of impairment.....	201,422.8	(5,880.4)	195,542.4	2.9
Impaired loans, of which.....				
Not past due.....	85,870.2	(27,220.2)	58,650.0	31.7
Overdue by less than 90 days.....	12,509.0	(3,044.3)	9,464.7	24.3
Overdue by more than 90 days and less than 360 days..	82,708.3	(37,867.3)	44,841.0	45.8
Overdue by more than 360 days ⁽²⁾	21,755.0	(14,226.4)	7,528.6	65.4
Total impaired loans.....	202,842.5	(82,358.2)	120,484.3	40.6
Total loans.....	404,265.3	(88,238.7)	316,026.7	21.8

Notes:

(1) Derived from the Unaudited Interim Financial Statements.

(2) This category does not appear in previous periods because DBK did not have loans overdue by more than 360 days as at the end of such periods.

	As at 31 December 2009			
	Gross loans (KZT millions)	Impairment provisions	Net loans	Impairment to gross loans (%)
Loans without individual signs of impairment.....	135,581.1	(7,904.2)	127,676.9	5.8
Impaired loans, of which.....				
Not past due.....	94,013.1	(40,589.0)	53,424.1	43.2
Overdue by less than 90 days.....	32,706.5	(15,954.1)	16,752.4	48.8
Overdue by more than 90 days and less than 360 days..	18,652.0	(15,093.1)	3,558.9	80.9
Total impaired loans.....	145,371.6	(71,636.2)	73,735.4	49.3
Total loans.....	280,952.7	(79,540.4)	201,412.3	28.3

	As at 31 December 2008			
	Gross loans (KZT millions)	Impairment provisions	Net loans	Impairment to gross loans (%)
Loans without individual signs of impairment.....	170,754.1	(1,479.6)	169,274.5	0.9
Impaired loans, of which.....				
Not past due.....	24,512.2	(7,201.7)	17,310.5	29.4
Overdue by less than 90 days.....	5,079.4	(3,939.2)	1,140.2	77.6
Overdue by more than 90 days and less than 360 days..	168.2	(168.2)	—	100.0
Total impaired loans.....	29,759.8	(11,309.1)	18,450.7	38.0
Total loans.....	200,513.9	(12,788.7)	187,725.2	6.4

	As at 31 December 2007			
	Gross loans (KZT millions)	Impairment provisions	Net loans	Impairment to gross loans (%)
Loans without individual signs of impairment.....	35,471.6	—	35,471.6	—
Impaired loans, of which.....				
Not past due.....	44,501.0	(2,842.4)	41,658.6	6.4
Overdue by less than 90 days.....	—	—	—	—
Overdue by more than 90 days and less than 360 days..	—	—	—	—
Total impaired loans.....	44,501.0	(2,842.4)	41,658.6	6.4
Total loans.....	79,972.6	(2,842.4)	77,130.2	3.6

As at 30 September 2010, the ratio of impairment provisions to total gross loans was 21.8%, as compared to 28.3%, 6.4% and 3.6% as at 31 December 2009, 2008 and 2007, respectively. The year-on-year increases in impairment provisions in 2008 and 2009 are principally due to DBK's re-classification of certain loans due to the impact of the global financial crisis

on Kazakhstan companies and the weakened overall economic conditions in Kazakhstan during the period. The increase in impairment provisions as at 30 September 2010, as compared to 31 December 2009, despite the signs of economic recovery during the first nine months of 2010, are primarily due to the increase of impairment losses recognised on loans to customers due to the lagging effect of the impact of the global financial crisis on DBK's customers, which continued into 2010.

Analysis of Movements in Loan Impairment Allowance

The following table sets forth an analysis of movements in the loan impairment allowance for the nine months ended 30 September 2010 and the years ended 31 December 2009, 2008 and 2007:

	Nine months ended 30 September 2010⁽¹⁾	Year ended 31 December		
		2009	2008	2007
		<i>(KZT millions)</i>		
Balance at the beginning of the year/period.....	(79,540.4)	(12,788.7)	(2,842.4)	(2,026.4)
Net charge for the year.....	(10,695.0)	(66,853.0)	(9,946.3)	(816.1)
Effect of foreign currency movements.....	476.8	(3,197.2)	—	—
Write-offs.....	1,519.9	3,298.4	—	—
Balance at the end of the year	<u>(88,238.7)</u>	<u>(79,540.4)</u>	<u>(12,788.7)</u>	<u>(2,842.4)</u>

Note:

(1) Derived from the Unaudited Interim Financial Statements.

Policies relating to Collateral

Pursuant to the DBK Law, DBK requires collateral from all borrowers except in the circumstances where DBK's participation in the financing is made through 100% participation in share capital, mezzanine financing or interbank financing. In accordance with DBK's internal policies, the following forms of collateral may be accepted: immovable and moveable property (including assets created under the relevant project); legal rights of use and possession property rights; securities (including shares); cash and commodities and other forms of security not prohibited under Kazakhstan law. DBK also accepts security by way of third party guarantees, provided that such guarantees meet DBK's requirements. The main requirements in relation to collateral are set forth in DBK's Policy on Securing the Fulfilment of Obligations, which was approved by the Board of Directors.

The procedures for collateral appraisal and evaluation are set forth in the Collateral Appraisal Rules as approved by the Board of Directors and internal rules relating to the adequacy and monitoring of collateral as set out by the Management Board. Collateral is appraised by independent valuation companies. The Collateral Appraisal Department is responsible for the inspection and valuation of collateral and for preparing an internal report in relation to the same. The Collateral Appraisal Department reviews the quality of collateral at least twice a year. See "*—Classification of Collateral*".

Collateral by Type

The following table sets forth an analysis of DBK's gross and net total loans to customer by type of collateral as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Mixed types of collateral ⁽¹⁾ ..	246,764.0	78.1	165,775.9	82.3	124,581.8	66.4	56,900.1	73.8
Guarantees by other companies	61,876.0	19.6	4,464.8	2.2	3,720.2	2.0	5,702.6	7.4
Motor vehicles and equipment	39,455.3	12.5	34,158.9	17.0	5,161.7	2.7	8,464.2	11.0
Guarantees by financial institutions	22,383.3	7.1	49,344.7	24.5	47,458.5	25.3	6,493.2	8.4
Cash	10,420.7	3.3	9,076.7	4.5	8,242.6	4.4	322.1	0.4
Real estate	9,786.9	3.1	10,166.6	5.0	4,950.1	2.6	—	0.0
Guarantees by the Government	7,677.8	2.4	7,965.1	4.0	6,399.0	3.4	2,090.4	2.7
Blank loans	5,901.4	1.8	—	—	—	—	—	—
Less impairment allowance ..	(88,238.7)	(27.9)	(79,540.4)	(39.5)	(12,788.7)	(6.8)	(2,842.4)	(3.7)
Net total loans to customers	316,026.7	100.0	201,412.3	100.0	187,725.2	100.0	77,130.2	100.0

Notes:

- (1) Mixed types of collateral include, *inter alia*, property complexes, equipment, vehicles, land, guarantees and construction in progress.
- (2) The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

As at 30 September 2010, the value of collateral securing investment projects and export transactions financed in the principal amount of U.S.\$3,006.7 million was estimated at U.S.\$3,621.1 million. As at 31 December 2009, it was deemed impractical to determine the fair value of certain collateral in respect of impaired or overdue loans with an aggregate gross value of KZT 145,371.6 million. As at 31 December 2008, impaired or over due loans with an aggregate gross value of KZT 4,259.6 million were secured by collateral with a fair value of KZT 3,147.8 million, it was deemed impractical to determine the fair value of collateral for the remaining impaired loans of KZT 25,500.2 million. As a result of the foregoing, as at 30 September 2010, the coverage ratio of total collateral to total loans was 120%, as compared to 138%, 156% and 168% as at 31 December 2009, 2008 and 2007, respectively.

During the nine months ended 30 September 2010 and during the year ended 31 December 2009, DBK did not acquire any assets by foreclosure on collateral accepted as security for loans.

Classification of Collateral

Collateral is classified in accordance with the Loan Classification and Provisioning Rules, as follows:

- **“Reliable Collateral”** is highly liquid collateral covering, in aggregate, not less than 100% of the liability of the borrower, in the form of Kazakhstan governmental guarantees, guarantees from national holding companies and guarantees from legal entities resident in Kazakhstan, including from banks with a credit rating of at least “BBB-” from S&P or an equivalent rating from another rating agency.
- **“Good Collateral”** is highly liquid collateral (as in Reliable Collateral), which, in aggregate, covers not less than 70% of the borrowers' liability or security in the form of guarantees of legal entities, resident in Kazakhstan, including banks with a credit rating of at least “B+” from S&P or an equivalent rating from another rating agency, which covers 100% of the borrower's liability.
- **“Satisfactory Collateral”** is Good Collateral whose value covers, in aggregate, not less than 75% of the borrower's liability, Reliable Collateral whose value covers, in aggregate, not less than 60% of the borrower's liability or other collateral covering, in aggregate, not less than 100% of the borrower's liability, in the form of guarantees of legal entities resident in Kazakhstan, including banks with a credit rating of not lower than “B-” from S&P or an equivalent rating from another rating agency, future receivables as detailed in a business plan or money allocated for the settlement and servicing of the borrower's liability under investment credits in state or local budgets. In addition, collateral formed in accordance with applicable legislation in relation to the maintenance of credit documentation by banks, in the form of movable property in an amount not exceeding 60% of the amount on

the borrower's balance sheet, inventory in an amount not exceeding 60% of the amount on the borrower's balance sheet and immovable property, whose value covers, in aggregate, not less than 100% of the borrower's liability will be accepted as Satisfactory Collateral.

- “**Unsatisfactory Collateral**” is liquid collateral which, in aggregate, covers not less than 50% of the borrower's liability.
- “**No Collateral**” is unsecured credit or credit which is partially secured, where the amount of collateral covers, in aggregate, less than 50% of the borrower's liability under the loan. Real collateral under investment projects (such as money, goods, real estate, equity construction and other) and collateral in the form of future receivables, claims and equity shares in household companies, other than assets with repayment terms in the form of a letter of credit, as well as collateral in the form of securities issued by DBK or a party affiliated with DBK are also treated as “No Collateral”.

Contingent Liabilities and Other Off-Balance Sheet Exposures

Contingent Liabilities

In the normal course of business, DBK makes contractual commitments on behalf of its customers and, in order to meet the financing needs of its customers, is a party to financial instruments with off-balance sheet risk. Such commitments comprise principally loans or credit lines, whereby DBK agrees to make payments for customers' accounts under certain conditions or in the event of default by a customer and receives a counter-indemnity from the customer, as well as (to a lesser extent), documentary credits for imports and exports, finance leases (under similar stand-by terms) and commitments with respect to recourse risks arising from discounted bills. These services are normally provided on a fee-paying basis.

The following table sets forth an analysis of DBK's contingent liabilities as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010	As at 31 December		
		2009	2008	2007
		<i>(KZT millions)</i>		
Letters of credit and other commitments related to settlement operations	3,581.5	411.1	14,846.8	4,614.7
Others, of which:				
Finance lease commitments	2,188.9	5,740.3	8,362.7	6,496.3
Loan, credit lines commitments	167,795.3	91,388.5	116,036.5	27,753.2
Total	173,565.7	97,539.9	139,246.0	38,864.2

As at 30 September 2010, contingent liabilities and other off-balance sheet commitments increased by KZT 76,025.8 million, or 77.9%, to KZT 173,565.7 million from KZT 97,539.9 million as at 31 December 2009, after having decreased in 2009 by KZT 41,706.1 million, or 30.0% from KZT 139,246.0 million as at 31 December 2008, which, in turn, increased by KZT 100,381.8 million, or 258.3%, from KZT 38,864.2 million as at 31 December 2007.

The increase in the first nine months of 2010 was primarily due to the increased amount of loans or credit lines classified as contingent liabilities due to DBK entering into new credit agreements with customers.

Derivatives

DBK enters into derivatives transactions, most commonly swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions, for hedging purposes. The risk management department monitors risks associated with derivatives, particularly market risks, and derivative instruments (other than such instruments qualifying for hedge accounting) are periodically marked-to-market to reflect their realisable values. According to DBK's existing policy, some of DBK's derivative instruments qualify for hedge accounting, either through fair value or cash flow hedges. See Note 3(f)(vii) and Note 29 to the audited annual consolidated financial statements as at and for the year ended 31 December 2009 and Note 3(f)(ii) and Note 28 to the audited annual consolidated financial statements as at and for the year ended 31 December 2008. See also “*Presentation of Financial and Other Data*”.

As at 30 September 2010, the fair value liability of derivative financial instruments increased by KZT 894 million, or 10.9%, to KZT 9,078.0 million from KZT 8,183.9 million as at 31 December 2009. This increase in the first nine months of 2010 was mainly due to the increased derivative transaction activity over the period and the change in the fair value of the currency swap transaction due to mature in 2014. As at 30 September 2010, DBK's principal derivative transactions

included a foreign currency swap for a notional amount of U.S.\$160 million due to mature in February 2014, whose fair value liability was KZT 4,564.8 million; a foreign currency swap for a notional amount of U.S.\$122.3 million due to mature in June 2014, whose fair value liability was KZT 3,932.8 million; four non-deliverable currency forwards, one for a notional amount of U.S.\$150 million, due to mature in January 2011, whose fair value liability was KZT 503.0 million, one for a notional amount of KZT 21,652.5 million, due to mature in January 2011, whose fair value assets was KZT 567.3 million, one for a notional amount of U.S.\$135.0 million, due to mature in November 2010, whose fair value liability was KZT 66.0 million and one for a notional amount of U.S.\$15.0 million, due to mature in November 2010, whose fair value liability was KZT 8.3 million; and one foreign currency forward for a notional amount of U.S.\$10 million, due to mature in November 2010, whose fair value liability was KZT 3.1 million.

As at 31 December 2009, the fair value liability of derivative financial instruments increased by KZT 707.9 million, or 9.5% to KZT 8,183.9 million from KZT 7,476.0 million as at 31 December 2008. This increase was mainly due to the change in fair value liability of existing foreign currency swaps due to mature in 2014.

As at 31 December 2008, the fair value liability of derivative financial instruments increased by KZT 2,958.0 million, or 65.5%, to KZT 7,476.0 million from KZT 4,518.1 million as at 31 December 2007. This increase was mainly due to the change in the fair value liability of existing foreign currency swaps due to mature in 2014.

As at 30 September 2010, the fair value asset of derivative financial instruments was KZT 567.3 million, as compared to nil as at 31 December 2009 and 2008. This increase was due to the positive revaluation of a number of derivative transactions DBK entered into in 2010. As at 31 December 2007, the fair value asset amount of derivative financial instruments was KZT 40.4 million.

Investment Portfolio and Management of Share Capital

Pursuant to the Credit Policy Memorandum and the DBK Law, DBK is prohibited from utilising its share capital to fund investment projects and leasing transactions, save for the funding of certain export transactions in accordance with the limits set out in the Credit Policy Memorandum. Consequently, DBK invests its share capital in highly-liquid financial instruments in both international and domestic markets. A significant portion of DBK's investment portfolio consists of securities issued by the Government, Samruk-Kazyna and companies deemed to have a significant role in the country's economy, such as JSC National Company KazMunayGas and JSC Kazakhtelecom.

In accordance with its Strategy on Investment Portfolio Management, adopted on 7 August 2008, DBK aims to maintain adequate levels of liquidity and maximise the profitability of its assets. The long-term objectives for the management of DBK's investment portfolio are:

- the preservation of the real value of DBK's equity over time through, *inter alia*, the protection of authorised capital from the effects of inflation;
- the maintenance of sufficient asset liquidity through, *inter alia*, ensuring DBK's ability to cover current liabilities and benefit from new investment opportunities; and
- the maintenance of adequate asset profitability in relation to the level of risk assumed.

DBK actively manages its investments, selling selective assets in order to generate profits or minimise loss, enhance DBK's liquidity and funding base and maintain the diversity of its investment portfolio.

Pursuant to the Credit Policy Memorandum, the ratio of the investment portfolio invested in financial instruments is set by the Board of Directors. All financial instruments in the investment portfolio are classified into liquid and savings instruments in accordance with definitions and regulations established by the Treasury Department.

Liquid instruments consist of unutilised borrowed funds, which are used to maintain the required liquidity level. The weighted average duration of the liquid instruments investment portfolio should not exceed one year. Savings instruments consist of bonds issued by foreign and domestic corporate entities and by the Government, are funded through DBK's equity and serve to maintain DBK's capital at adequate levels.. The weighted average duration of the savings instruments investment portfolio should not exceed five years, although the duration of securities issued by Samruk-Kazyna is not included in the calculation of the weighted average duration of the savings instrument investment portfolio.

The requirements set forth in the DBK Law, the Credit Policy Memorandum and the Strategy on Investment Portfolio Management permit DBK's share capital to be invested in the following types of instruments, subject to the specified limits:

Savings instruments investment portfolio	Maximum exposure
Securities issued by the Government, local authorities and Samruk-Kazyna ⁽¹⁾	100%
Sovereign securities of foreign states, bonds with credit ratings of not lower than AAA- (S&P and Fitch Ratings Ltd. "Fitch")	70%
Deposits with the NBK	90%
Deposits with domestic and foreign commercial banks	50%
Securities issued by companies within the Samruk-Kazyna group	90%
Supranationals with a maturity of no longer than five years	40%
Bonds issued by domestic and foreign corporate issuers	50%
Structured securities of up to one year with guaranteed principal and derivatives ⁽²⁾	3%
Other financial securities, that meet criteria set by the FMSA	10%
Export loans financing	20%

Notes:

- (1) The minimum amount of the savings investment portfolio to be invested in securities issued by the Government, local authorities and Samruk-Kazyna is 10%. There is no minimum limit for other types of investments.
- (2) Including currency options, currency forwards, currency swaps, U.S. treasury bill futures and certain Eurodollar futures with a maximum duration of six months.

Liquid instruments investment portfolio	Maximum exposure
Deposits with the NBK, notes issued by the NBK and bonds issued by the Ministry of Finance of Kazakhstan	100%
Deposits with domestic and foreign commercial banks and bank deposit certificates with a duration of up to one year	100%
Securities issued by Samruk-Kazyna	100%
Securities issued by companies within the Samruk-Kazyna group	100%
Certain derivatives ⁽¹⁾	3%
Money Market Funds with terms of up to one year	10%
U.S., Eurozone and U.K. bonds (with credit ratings of not lower than "A-" (S&P and Fitch)) with maturities from one to five years	10%
Other financial securities that meet the criteria set by the FMSA	10%

Note:

- (1) Including currency options, currency forwards, currency swaps, U.S. treasury bill futures and certain Eurodollar futures with a maximum duration of six months.

Finance Lease Receivables

DBK conducts all of its finance lease operations through its wholly-owned subsidiary DBK-Leasing. See "*Business—DBK-Leasing*".

As at 30 September 2010, DBK's finance lease receivables increased by KZT 5,505.3 million, or 28.6% to KZT 24,782.2 million from KZT 19,276.9 million as at 31 December 2009 due to the overall increase in DBK-Leasing's leasing activities in line with its role supporting DBK's mission as a development bank.

As at 31 December 2009, DBK's finance lease receivables increased by KZT 8,931.7 million, or 86.3%, to KZT 19,276.9 million from KZT 10,345.2 million as at 31 December 2008, after having increased by KZT 7,084.1 million, or 217.2%, from KZT 3,261.1 million as at 31 December 2007.

Finance Lease Receivables by Lessee

The following table sets forth the components of DBK's finance lease receivables, by type of lessee, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010		2009		As at 31 December 2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Leases to large corporates ⁽¹⁾	19,299.4	74.7	7,830.0	38.5	2,990.8	28.4	757.1	23.2
Leases to small- ⁽²⁾ and medium-sized ⁽³⁾ companies.....	6,542.5	25.3	12,501.6	61.5	7,551.3	71.6	2,504.0	76.8
Total gross investment in finance leases	25,841.9	100.0	20,331.6	100.0	10,542.1	100.0	3,261.1	100.0
Less impairment allowance.....	(1,059.7)	—	(1,054.7)	—	(196.9)	—	—	—
Net investment in finance leases	24,782.2	—	19,276.9	—	10,345.2	—	3,261.1	—

Notes:

- (1) Large corporates are corporate entities with more than 250 employees and average assets in excess of U.S.\$3 million.
- (2) Small companies are companies with up to 50 people and average assets of up to U.S.\$0.5 million.
- (3) Medium companies are companies with between 50 and 250 employees and average assets of between U.S.\$0.5 million and U.S.\$3 million.

Leases to small- and medium-sized companies have historically comprised the largest component of DBK's portfolio of finance lease receivables, with such leases accounting for 25.3% of total gross investments in finance leases as at 30 September 2010, as compared to 61.5%, 71.6% and 76.8% as at 31 December 2009, 2008 and 2007, respectively.

The year-on-year increase in 2009 was primarily due to the KZT 4,839.2 million, or 161.8%, increase in leases to large corporates to KZT 7,830.0 million as at 31 December 2009 from KZT 2,990.8 million as at 31 December 2008 and the KZT 4,950.3 million, or 65.6% increase in leases to small, and medium, size companies to KZT 12,501.6 million as at 31 December 2009 from KZT 7,551.3 million as at 31 December 2008, partially offset by the increase in impairment allowance. The year-on-year increase in 2008 was primarily due to the KZT 5,047.3 million, or 201.6%, increase in leases to small and medium-sized companies to KZT 7,551.3 million as at 31 December 2008, as compared to KZT 2,504.0 million as at 31 December 2007.

Finance Lease Receivables by Economic Sector

The following table sets forth the components of DBK's finance lease receivables, by economic sector, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Telecommunication and transportation.....	9,558.4	37.0	7,812.0	38.4	3,128.6	29.7	—	—
Textile	7,414.8	28.7	2,732.1	13.4	1,113.8	10.6	407.8	12.5
Construction	1,652.5	6.4	1,862.8	9.2	2,108.1	20.0	1,529.8	46.9
Metallurgy	1,526.4	5.9	2,166.7	10.7	556.3	5.3	7.0	0.2
Construction materials.....	1,435.1	5.6	1,525.1	7.5	1,554.2	14.7	763.1	23.4
Machinery.....	1,363.7	5.3	1,609.9	7.9	1,076.1	10.2	43.9	1.3
Agriculture	1,154.1	4.5	346.4	1.7	384.7	3.6	126.5	3.9
Mineral resources	744.6	2.9	1,322.9	6.5	341.4	3.2	327.2	10.0
Electric equipment.....	685.8	2.7	618.6	3.0	37.1	0.4	50.2	1.5
Food processing.....	194.2	0.8	244.6	1.2	240.7	2.3	5.6	0.2
Paper and pulp.....	75.4	0.3	79.7	0.4	0.7	0.0	—	—
Pharmaceutical	36.9	0.1	10.7	0.1	0.5	0.0	—	—
Total gross investment in finance leases.....	25,841.9	100.0	20,331.6	100.0	10,542.1	100.0	3,261.1	100.0
Less impairment allowance	(1,059.7)	—	(1,054.7)	—	(196.9)	—	—	—
Net investment in finance leases.....	24,782.2	—	19,276.9	—	10,345.2	—	3,261.1	—

Fluctuations in exposures to customers by economic sector, for the most part, occur in the ordinary course of DBK's business. DBK began investing in leases in the telecommunication and transportation sector in 2008 and, since 31 December 2008, investments in finance leases have been concentrated predominantly in that sector accounting for 37.0%, 38.4% and 29.7% of total gross investment in finance leases as at 30 September 2010 and 31 December 2009 and 2008, respectively.

As at 31 December 2007, investment in finance leases in the construction sector accounted for the largest proportion of total gross investment in finance leases comprising 46.9% of the total portfolio, as compared to 20.0%, 9.2% and 6.4% of total gross investment in finance leases as at 31 December 2008 and 2009 and 30 September 2010, respectively.

Finance Lease Receivables by Maturity

The following table sets forth an analysis of DBK's finance lease receivables, by maturity, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Less than one month.....	351.9	1.4	280.4	1.5	289.3	2.8	33.8	1.0
One month to three months	1,252.1	5.1	1,293.1	6.7	830.3	8.0	—	—
Three months to one year	3,174.2	12.8	3,026.2	15.7	1,807.8	17.5	736.6	22.6
One year to five years.....	11,489.0	46.4	10,184.9	52.8	6,084.9	58.8	2,029.2	62.2
More than five years.....	4,350.9	17.5	2,991.4	15.5	1,332.9	12.9	461.5	14.2
Overdue.....	4,164.1	16.8	1,500.9	7.8	—	—	—	—
Total finance lease receivables.....	24,782.2	100.0	19,276.9	100.0	10,345.2	100.0	3,261.1	100.0

As at 30 September 2010, 46.4% of total finance lease receivables had between one and five years remaining until contractual maturity, as compared to 52.8%, 58.8% and 62.2% of total finance lease receivables as at 31 December 2009, 2008 and 2007, respectively, in line with the long-term nature of DBK-Leasings's lease-financing activities in support of DBK's role as a development bank.

Analysis of Finance Lease Receivables by Credit Quality

The following tables set forth information on the credit quality of the finance lease portfolio as at 30 September 2010 and 31 December 2009, 2008 and 2007:

As at 30 September 2010				
	Gross finance leases	Impairment <i>(KZT millions)</i>	Net finance leases	Impairment as a percentage of gross finance leases (%)
Leases to large corporates				
Leases for which no impairment has been identified:				
Standard leases.....	7,897.7	(143.4)	7,754.3	1.8
Overdue by more than 90 days.....	11,401.7	(251.0)	11,150.7	2.2
Total leases to large corporates.....	19,299.4	(394.4)	18,905.0	2.0
Leases to small, and medium-sized companies				
Leases for which no impairment has been identified:				
Standard leases.....	972.4	(22.7)	949.7	2.3
Impaired leases				
Overdue by less than 90 days.....	194.2	(3.9)	190.3	2.0
Overdue by more than 90 days.....	5,375.9	(638.8)	4,737.1	11.9
Total leases to small, and medium-sized companies.....	6,542.5	(665.4)	5,877.1	10.2
Total finance leases	25,841.9	(1,059.8)	24,782.1	4.1

As at 31 December 2009				
	Gross finance leases	Impairment <i>(KZT millions)</i>	Net finance leases	Impairment as a percentage of gross finance leases (%)
Leases to large corporates				
Leases for which no impairment has been identified:				
Standard leases.....	7,830.0	(206.6)	7,623.4	2.6
Total leases to large corporates.....	7,830.0	(206.6)	7,623.4	2.6
Leases to small- and medium-sized companies				
Leases for which no impairment has been identified:				
Standard leases.....	10,715.2	(282.8)	10,432.4	2.6
Impaired leases				
Overdue by more than 90 days.....	1,786.4	(565.3)	1,221.1	31.6
Total leases to small-, and medium-sized companies	12,501.6	(848.1)	11,653.5	6.8
Total finance leases	20,331.6	(1,054.7)	19,276.9	5.2

As at 31 December 2008				
	Gross finance leases	Impairment <i>(KZT millions)</i>	Net finance leases	Impairment as a percentage of gross finance leases <i>(%)</i>
Leases to large corporates				
Leases for which no impairment has been identified:				
Standard leases.....	2,990.8	(15.6)	2,975.2	0.5
Total leases to large corporates.....	2,990.8	(15.6)	2,975.2	0.5
Leases to small- and medium-sized companies				
Leases for which no impairment has been identified				
Standard leases.....	6,735.6	(35.1)	6,700.5	0.5
Impaired leases				
Overdue by more than 90 days.....	815.7	(146.2)	669.5	17.9
Total leases to small, and medium-sized companies.....	7,551.3	(181.3)	7,370.0	2.4
Total finance leases	10,542.1	(196.9)	10,345.2	1.9

As at 31 December 2007				
	Gross finance leases	Impairment <i>(KZT millions)</i>	Net finance leases	Impairment as a percentage of gross finance leases <i>(%)</i>
Leases to large corporates				
Leases for which no impairment has been identified:				
Standard leases.....	757.1	—	757.1	0.0
Total leases to large corporates.....	757.1	—	757.1	0.0
Leases to small- and medium-sized companies				
Leases for which no impairment has been identified				
Standard leases.....	2,504.0	—	2,504.0	0.0
Impaired leases				
Overdue by more than 90 days.....	—	—	—	—
Total leases to small, and medium-sized companies.....	2,504.0	—	2,504.0	0.0
Total finance leases	3,261.1	—	3,261.1	0.0

As at 30 September 2010, impairment as a percentage of total finance leases was 4.1%, as compared to 5.2%, 1.9% and 0.0% as at 31 December 2009, 2008 and 2007, respectively. This lower level of impairment as at 30 September 2010 principally reflected the increased value of standard lease transactions.

As at 30 September 2010, DBK had three lessees whose balances each exceeded 10% of finance lease receivables, as compared to two, one and four lessees as at 31 December 2009, 2008 and 2007, respectively.

Available-for-Sale Assets

Available-for-sale financial assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss. See Note 3 to the Financial Statements. DBK's portfolio of available-for-sale assets consists of bonds and bills held by DBK and its subsidiary comprised of, *inter alia*, bonds issued by corporates, Government entities and local authorities, banks and other credit institutions, treasury bills of the Treasury Department of the United States pledged under a foreign currency swap and treasury bills of the Treasury Department of Ministry of Finance of Kazakhstan pledged under repurchase agreements. In addition to conducting lending and leasing activities, DBK also purchases bonds issued by companies or in respect of projects in furtherance of its role as a development bank. Such bonds are generally classified as "available-for-sale" and categorised as "corporate bonds".

Available-for-sale assets held by DBK increased by KZT 26,900.1 million, or 10.0%, to KZT 295,730.3 million as at 30 September 2010, as compared to KZT 268,830.2 million as at 31 December 2009 after having increased by KZT 205,607.2 million, or 325.2%, in 2009, from KZT 63,223.0 million as at 31 December 2008, after having decreased by KZT 9,973.5 million, or 13.6%, from KZT 73,196.5 million as at 31 December 2007. The increase as at 30 September 2010, as compared to 30 September 2009, was primarily due to the purchase of new available-for-sale securities. The increase in 2009 was primarily due to the increase in corporate bonds acquired by DBK by KZT 203,543.7 million, or

7,619.5%, to KZT 206,215.0 million as at 31 December 2009, from KZT 2,671.4 million as at 31 December 2008 primarily as a result of DBK's acquisition of ten-year bonds issued by JSC National Company KazMunayGas and Kazazhktelecom JSC in October 2009 for a total cash consideration of KZT 165,500.0 million. The year-on-year decrease in available for sale assets held by DBK in 2008 was due to the reduced amount of bonds of Kazakhstan banks held by DBK due to a reduction in bond issues by such banks as a result of the impact of the global financial crisis on such bonds.

Available-for-Sale Assets by Type

The following table sets forth the composition of DBK's investment portfolio of available for sale assets, by type, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010⁽¹⁾		As at 31 December					
			2009		2008		2007	
	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>
<i>Held by DBK</i>								
Debt Instruments								
Corporate bonds	209,156.9	70.7	206,215.0	76.7	2,671.4	4.2	1,253.6	1.7
Treasury bills of the Ministry of Finance of Kazakhstan	20,405.8	6.9	38,630.9	14.4	36,919.1	58.4	39,455.8	53.9
Bonds of Kazakhstan banks	35,492.7	12.0	16,130.4	6.0	16,021.9	25.3	22,031.1	30.1
Bonds of Kazakhstan credit institutions, other than banks	3,387.8	1.1	4,360.0	1.6	4,066.9	6.4	4,876.6	6.7
Bonds of Samruk-Kazyna...	27,202.6	9.2	1,817.0	0.7	—	—	—	—
Bonds of OECD ⁽²⁾ Banks....	—	—	1,676.9	0.6	3,543.7	5.6	3,549.7	4.8
Municipal bonds	84.4	0.1	—	—	—	—	2,029.7	2.8
Total	295,730.3	100.0	268,830.2	100.0	63,223.0	100.0	73,196.5	100.0
<i>Pledged under foreign currency swap</i>								
Debt Instruments								
Treasury Bills of the Treasury Department of the United States.....	2,944.5	100.0	—	—	—	—	—	—
Total	2,944.5	100.0	—	—	—	—	—	—
<i>Pledged under repurchase agreements</i>								
Debt instruments								
Treasury bills of the Ministry of Finance of Kazakhstan	28,249.5	100.0	—	—	7,364.3	100.0	—	—
Total	28,249.5	100.0	—	—	7,364.3	100.0	—	—

Notes:

- (1) Derived from the Unaudited Interim Financial Statements.
- (2) OECD means the Organisation for Economic Co-operation and Development.

Available-for-sale assets pledged under a foreign currency swap and available-for-sale assets pledged under repurchase agreements accounted for KZT 2,944.5 million and KZT 28,249.5 million, respectively, as at 30 September 2010, as compared to nil (in each such case) as at 31 December 2009, as DBK commenced repurchase activities as at 1 January 2010. Available-for-sale assets pledged under repurchase agreements were nil as at 31 December 2009 and 2007, as compared to KZT 7,364.3 million as at 31 December 2008. The available-for-sale assets pledged under repurchase agreement in 2008 were comprised of treasury bills of the Ministry of Finance of Kazakhstan, a portion of which have since matured.

Available-for-Sale Assets by Maturity

The following table sets forth an analysis of DBK's investment portfolio of available-for-sale assets, by maturity, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
On demand	—	—	—	—	—	—	73,196.5	100.0
Less than one month.....	1,171.4	0.4	—	—	2,028.5	2.9	—	—
One month to three months....	11,939.0	3.7	8,040.7	3.0	254.9	0.4	—	—
Three months to one year.....	6,198.2	1.9	22,768.2	8.5	11,377.8	16.1	—	—
One year to five years	44,456.5	13.6	23,102.9	8.6	38,235.7	54.2	—	—
More than five years.....	263,159.1	80.5	214,459.4	79.8	18,690.4	26.5	—	—
Overdue	—	—	458.9	0.2	—	—	—	—
Total available –for-sale assets.....	326,924.3	100.0	268,830.2	100.0	70,587.3	100.0	73,196.5	100.0

In order to match the maturities of its assets to its liabilities, DBK has increasingly rebalanced its available-for-sale assets portfolio in favour of longer-term securities. For example, in the last quarter of 2009, DBK purchased bonds issued by JSC National Company KazMunayGas and by JSC Kazakhtelecom totalling KZT 165,500.0 million in aggregate principal amount. Such bonds are denominated in Tenge but linked to the U.S. Dollar and are due to mature in 2019. DBK has also increased its holding of bonds issued by Samruk-Kazyna due to mature in 2059 (as at 30 September 2010, DBK held KZT 60.6 billion of such bonds). As at 30 September 2010, 80.5% of total available-for-sale assets had more than five years remaining until contractual maturity, as compared to 79.8%, 26.5% and 0.0% of total available-for-sale assets as at 31 December 2009, 2009 and 2007, respectively.

Available-for-Sale Assets by Currency

The following table sets forth an analysis of DBK's available-for-sale assets, by currency, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Tenge.....	102,601.3	31.4	57,490.4	21.4	61,942.2	87.8	62,311.4	85.1
U.S. Dollars.....	224,323.0	68.6	211,212.5	78.6	8,476.4	12.0	10,600.7	14.5
Other currencies	—	—	127.3	0.0	168.7	0.2	284.4	0.4
Total available-for-sale assets.....	326,924.3	100.0	268,830.2	100.0	70,587.4	100.0	73,196.5	100.0

As at 30 September 2010, 68.6% of DBK's available-for-sale assets was denominated in U.S. Dollars, as compared to 78.6%, 12.0% and 14.5% as at 31 December 2009, 2008 and 2007, respectively. As at 31 December 2008 and 2007, 87.8% and 85.1% of DBK's available-for-sale assets were denominated in Tenge, as compared to 21.4% as at 31 December 2009.

Analysis of Available-for-Sale Assets by Credit Quality

The following table sets forth information on the credit quality of DBK's available-for-sale assets as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Rated above A-.....	3,029.0	0.9	1,676.9	0.6	3,543.7	5.0	3,549.7	4.8
Rated BBB.....	49,162.3	15.0	39,189.2	14.6	48,350.4	68.5	41,485.5	56.7
Rated from BB- to BB+.....	212,750.2	65.1	214,556.6	79.8	16,507.7	23.4	12,588.9	17.2
Rated below B+.....	27,859.1	8.5	8,612.8	3.2	1,051.1	1.5	2,571.1	3.5
Rated D.....	4,221.8	1.3	1,945.8	0.7	—	—	—	—
Not rated.....	29,901.9	9.1	2,848.9	1.1	1,134.5	1.6	13,001.3	17.8
Total available-for-sale assets.....	326,924.3	100.0	268,830.2	100.0	70,587.4	100.0	73,196.5	100.0

Note:

(1) Ratings as reported by Reuters.

Principal Sources of Funding

DBK's activities are funded through the issuance and placement of bonds, in both the domestic and international capital markets, and through loans from the Government of the Republic of Kazakhstan, loans from Samruk-Kazyna, loans from banks and other financial institutions, Government grants and current accounts and deposits from customers. DBK is not permitted to take deposits from customers who are not borrowers of DBK or customers of DBK under an agency agreement. However, acting in its agency capacity, DBK opens interest-free current accounts and interest-bearing deposit accounts. See "Business—Agency Services".

DBK may take inter-bank deposits and open and maintain correspondent accounts for the purpose of managing its liquidity.

The following table sets forth DBK's principal external sources of funding (*i.e.*, other than capital) as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010 ⁽¹⁾		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Current accounts and deposits from customers.....	16,488.8	2.7	45,181.2	7.9	631.9	0.2	1,906.9	1.6
Loans from the Government of Kazakhstan.....	29,107.3	4.7	30,886.1	5.4	33,903.1	12.8	25,563.5	21.3
Loans from Samruk-Kazyna.....	2,383.4	0.4	—	—	50,388.5	19.1	—	—
Loans from banks and other financial institutions.....	511,756.1	82.3	430,143.2	75.5	138,036.6	52.1	50,961.3	42.5
Government grants.....	11,156.3	1.8	9,459.5	1.7	—	—	—	—
Debt securities issued.....	48,184.2	7.8	51,372.4	9.0	41,678.1	15.7	41,437.6	34.6
Subordinated debt.....	2,489.1	0.4	2,723.8	0.5	—	—	—	—
Total.....	621,565.2	100.0	569,766.2	100.0	264,638.2	100.0	119,869.3	100.0

Note:

(1) Derived from the Unaudited Interim Financial Statements.

To diversify its funding base and to enable it to better manage its maturity profile, DBK has entered into various credit facilities as described in "—Borrowings", established the Programme and issued various debt securities as described in "—Debt Securities". DBK has also commenced negotiations for the conclusion of framework agreements with Japan Bank for International Cooperation, Dresdner Bank A.G., Sanpaolo IMI Bank, ABN AMRO Bank, ING Bank N.V., AKA Bank, Commerzbank A.G., Banca Popolare Di Vicenza and UBS A.G. and ISDA Master Agreements with a number of international banks, has entered into a Co-operation Agreement with the Development Bank of China and has commenced negotiations for opening a credit line with the Development Bank of China to finance large-scale infrastructure projects.

Borrowings

The principal source of funding for DBK is loans from banks and other financial institutions, which accounted for 78.3%, 74.1%, 49.0% and 40.3% of DBK's total liabilities as at 30 September 2010, 31 December 2009, 2008 and 2007, respectively. Loans from Samruk-Kazyna and from the Government also contribute to the funding of DBK.

Loans from Banks and Other Financial Institutions

The table below sets forth certain information in respect of the composition of DBK's loans, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Loans with fixed interest rate								
Loans from OECD banks	96,709.1	18.9	89,831.2	20.9	73,249.7	53.1	20,160.9	39.6
Loans from non-OECD banks	79,427.2	15.5	9,028.4	2.1	—	—	—	—
Total loans with fixed interest rate	176,136.3	34.4	98,859.6	23.0	73,249.7	53.1	20,160.9	39.6
Loans with floating interest rate								
Loans from OECD banks	18,801.3	3.7	23,997.5	5.6	19,890.0	14.4	26,332.7	51.7
Loans from non-OECD banks	292,058.9	57.1	269,320.3	62.6	12,086.9	8.8	—	—
Syndicated loan facility	44,341.6	8.6	44,851.7	10.4	36,761.5	26.6	4,831.6	9.5
Total loans with floating interest rate	355,201.8	69.4	338,169.5	78.6	68,738.4	49.8	31,164.3	61.2
Less unamortised portion of borrowing costs	(19,582.0)	(3.8)	(6,885.9)	(1.6)	(3,951.5)	(2.9)	(363.9)	(0.7)
Net total loans from banks and other financial institutions	511,756.1	100.0	430,143.2	100.0	138,036.6	100.0	50,961.3	100.0

As at 30 September 2010, loans from banks and other financial institutions increased by KZT 81,612.9 million, or 19.0%, to KZT 511,756.1 million from KZT 430,143.2 million as at 31 December 2009, primarily due the disbursement of a U.S.\$400 million loan granted by the Export-Import Bank of China. See “—*Export-Import Bank of China*”.

As at 31 December 2009, loans from banks and other financial institutions increased by KZT 292,106.6 million, or 211.6%, to KZT 430,143.2 million from KZT 138,036.6 million as at 31 December 2008 due to the drawing of U.S.\$1,500 million under a Master Facility Agreement with the Export-Import Bank of China for U.S.\$5,000 million and a KZT 20,000 million loan received from Distressed Assets Fund. See “—*Export-Import Bank of China*” and “—*Distressed Assets Fund Loan*”. The latter loan was provided to finance the restructuring of loans of troubled borrowers under certain conditions. As at 31 December 2008, loans from banks and other financial institutions increased by KZT 87,075.3 million, or 170.9%, to KZT 138,036.6 million as at 31 December 2008, as compared to KZT 50,961.3 million as at 31 December 2007. The year-on-year increase in 2008 was due to several new loans and facilities as described below.

As at the date of this Base Prospectus, DBK's principal loans from banks and other financial institutions are as follows.

Export-Import Bank of China

On 1 August 2009, DBK entered into a master facility agreement for a period of up to 15 years with the Export-Import Bank of China permitting DBK to draw down up to U.S.\$5 billion (the “**China Ex-im Bank Facility**”). This China Ex-im Bank Facility is divided into restricted (U.S.\$3.5 billion) and unrestricted (U.S.\$1.5 billion) portions. The restricted portion of the China Ex-im Bank Facility is for use on projects with a Chinese component, whereas the unrestricted portion can be used for DBK's general purposes. The master facility agreement contains certain covenants prohibiting DBK from incurring indebtedness exceeding 25% of its assets or disposing of over 25% of its assets. In addition, there is a change of control clause put option in favour of the Export-Import Bank of China.

Under the unrestricted portion of the China Ex-im Bank Facility, on 24 October 2009, DBK entered into an individual credit agreement with the Export-Import Bank of China for the amount of U.S.\$1.5 billion. This credit agreement is for a

period of ten years. Principal and interest under this individual credit agreement is paid semi-annually. As at 30 September, the principal amount outstanding under this individual credit agreement was U.S.\$1.5 billion.

Under the restricted portion of the China Ex-im Bank Facility, on 12 December 2009, DBK entered into an individual credit agreement with the Export-Import Bank of China for the amount of U.S.\$884 million of which U.S.\$156 million has been drawn as at 30 September 2010. This loan was granted for the purpose of providing financing for the reconstruction of the Atyrau Refinery. This credit agreement matures on 21 July 2022. Principal and interest under this individual credit agreement is paid semi-annually.

The restricted portion of the China Ex-im Bank Facility is aimed at the development of energy, transport and communication infrastructure and the funding of strategic projects in metallurgy, chemical and oil industries pursuant to the Kazakhstan State Commission on Modernisations of the Economy's consideration of such projects. The funds of this credit facility will be used for the realisation of investment projects of Kazakhstan companies, including particularly those exporting of industrial output, services and equipment to China.

In addition, in May 2010, DBK entered into a loan with the Export-Import Bank of China for the amount of U.S.\$400 million. This loan is for a period of 15 years. Under the loan agreement, principal and interest is paid semi-annually. This loan matures on 21 May 2025. The loan agreement contains certain covenants prohibiting DBK from incurring indebtedness exceeding 25% of its assets, disposing of over 25% of its assets or declaring or paying more than 50% of dividends or other income distribution whilst there is an outstanding event of default or potential event of default. The funds from this loan have been used for the aluminium smelter construction project in Pavoldar. See "*Business—Lending—Investment Projects—Metallurgy Sector*".

Credit Suisse International

On 19 November, 2007, DBK entered into a loan with Credit Suisse International for the amount of U.S.\$150 million. This loan matures on 24 November 2014. On 23 January 2008, DBK entered into a second loan with Credit Suisse International for the amount of U.S.\$300 million. This loan matures on 7 February 2015. On 5 March 2008, DBK entered into a third loan with Credit Suisse International for the amount of U.S.\$130 million. This loan matures on 7 March 2015. Under all three loan agreements with Credit Suisse, principal and interest is paid semi-annually. Each of these agreements contains covenants requiring DBK, *inter alia*, to comply with applicable FMSA capital adequacy ratios and to maintain a debt to equity ratio of 4:1 and a net worth of not less than U.S.\$300 million and not to dispose of more than 10% of its assets.

BNP Paribas

On 23 September 2009, DBK entered into a framework agreement with BNP Paribas for a total principal amount of €200 million. Under this agreement, on 6 October 2009, DBK entered into an individual credit agreement with BNP Paribas for the amount of €10.2 million for the financing of an oil-gas separation plant at Akshabulak in the Kyzylorda region of Kazakhstan. This loan matures on 1 November 2018.

China Development Bank

In 2008 and 2009, DBK received three loans from the China Development Bank, each in the principal amount of U.S.\$100 million. These loans mature on 23 June 2018, 15 December 2018 and 15 April 2019, respectively. Under all three loan agreements, principal and interest is paid semi-annually. The China Development Bank loans contain covenants requiring DBK, *inter alia*, to comply with applicable FMSA capital adequacy ratios and to maintain a debt to equity ratio of 4:1.

Bayern LB

On 20 February 2008, DBK entered into a loan with Bayern LB for the amount of U.S.\$100 million. This loan matures on 20 March 2011. Under the loan agreement, interest is paid semi-annually and principal is to be repaid in full at maturity. This loan contains covenants requiring DBK, *inter alia*, to comply with applicable FMSA capital adequacy ratios and to maintain a debt to equity ratio of 4:1.

Syndicated Loan

On 20 February 2008, DBK entered into a syndicated loan with ING, HSBC and Sumitomo Mitsui Banking Corporation for the amount of U.S.\$300 million. This loan matures on 18 February 2011. Under the credit agreement, interest is paid semi-annually and principal is repaid in full at maturity. The syndicated loan contains covenants requiring DBK, *inter alia*, to comply with applicable FMSA capital adequacy ratios, and to maintain a debt to equity ratio of 4:1 and not to dispose of more than 20% of its assets.

Distressed Assets Fund Loan

On 2 November 2009, DBK entered into a loan with the Distressed Assets Fund, a State-owned company, for KZT 20,000 million. This loan bears interest at a concessional rate of 1% per annum and matures on 24 November 2024. Under the credit agreement, interest is paid semi-annually and principal is repaid in full at maturity.

This loan was provided in order to finance the restructuring of loans of troubled borrowers under certain conditions in the manufacturing area with the aim of reducing the burden on the real sector of the national economy as a result of the impact of the global financial crisis on Kazakhstan and the impact of the problems within the domestic financial sector. See “*The Banking Sector in Kazakhstan*”. As at 30 September 2010, the principal amount outstanding under this loan was KZT 20,000 million.

Loans from Banks and Other Financial Institutions by Maturity

The following table sets forth an analysis of DBK’s loans from banks and other financial institutions, by maturity, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
		<i>(KZT millions)</i>		
One month to three months.....	—	—	—	18,474.6
Three months to one year .	59,002.7	6,125.9	244.4	4,819.6
One year to five years.....	91,377.6	82,764.2	54,777.7	5,672.8
More than five years.....	361,375.8	341,253.1	83,014.5	21,994.3
Loans from banks and other financial institutions.....	511,756.1	430,143.2	138,036.6	50,961.3

As at 30 September 2010, 70.6% of total loans from banks and other financial institutions had over five years remaining until contractual maturity, as compared to 79.3%, 60.1% and 43.2% of total loans from banks and other financial institutions as at 31 December 2009, 2008 and 2007, respectively, as a result of the portion of total loans from banks and other financial institutions with maturities of over five years growing less rapidly than other portions of the overall portfolio. The increase in the amount of total loans from banks and other financial institutions with three months to one year until maturity as at 30 September 2010, as compared to 31 December 2009, was primarily due to the upcoming maturity of the loan from Bayern LB and the syndicated loan entered into with ING, HSBC and Sumitomo Mitsui Banking Corporation. See “—*Bayern LB*” and “—*Syndicated Loan*”.

Government Loans

Pursuant to the DBK Law, DBK may, from time-to-time, borrow certain funds from the Government in line with its mission as a development bank for the purpose of on-lending funds to its corporate customers subject to the requirements, priority economic sectors and objectives set out in the Credit Policy Memorandum and the DBK Law.

DBK uses proceeds from Government loans to help to develop community sectors by providing financing at interest rates comparable to those provided by similar development institutions. As at 31 December 2009, Government loans consisted of long-term loans at concessional rates granted by the Government as part of a Government programme to support certain industries, including, in particular, the textile, gas processing and chemicals industries. The concessional rates of interest on the Government loans range from 0.1% to 0.5%. The funds from such loans were used to provide loans at below market rates in furtherance of DBK’s role as a development bank.

Government Loans by Type

The table below sets forth an analysis of the loans and advances from the Government, by type, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at	As at 31 December		
	30 September 2010	2009	2008	2007
		<i>(KZT millions)</i>		
Loans from the Government ⁽¹⁾	24,070.9	24,038.3	23,988.3	13,987.2
Advances for project finance ⁽²⁾	5,036.4	6,847.8	9,914.8	11,576.3
Total Government loans	29,107.3	30,886.1	33,903.1	25,563.5

Notes:

- (1) Loans from the Government consist of loans from the Government's budget.
(2) Advances for project finance represent the unutilised portion of a loan from the Government intended for the financing of a joint Kazakhstan-Russian aerospace complex.

Loans and advances from the Government decreased by KZT 1,778.8 million, or 5.8%, to KZT 29,107.3 million as at 30 September 2010 from KZT 30,886.1 million as at 31 December 2009, after having decreased by KZT 3,017.0 million, or 8.9%, from KZT 33,903.1 million as at 31 December 2008, which, in turn, had increased by KZT 8,339.5 million, or 32.6%, from KZT 25,563.5 million as at 31 December 2007.

On 25 November 2003, DBK entered into a 15-year credit agreement with the Government for the total principal amount of KZT 4,300 million, bearing interest at a concessional annual rate of 0.1%. As at 30 September 2010, the total outstanding principal amount of the loan was KZT 4,300 million. Interest on this loan is paid semi-annually and principal is to be repaid in full at maturity on 25 November 2018.

On 27 July 2004, DBK entered into a second 15-year credit agreement with the Government for the total principal amount of KZT 4,599 million, bearing interest at a concessional annual rate of 0.1%. As at 30 September 2010, the total outstanding principal amount of the loan was KZT 4,599 million. Interest on this loan is paid semi-annually and principal is to be repaid in full at maturity on 30 July 2019.

On 12 September 2006, DBK entered into a third 15-year credit agreement with the Government for the total principal amount of KZT 5,080 million, bearing interest at a concessional annual rate of 0.4%. As at 30 September 2010, the total outstanding principal amount under the loan was KZT 5,080 million. Interest on this loan is paid semi-annually and principal is to be repaid in full at maturity on 15 September 2021.

On 24 December 2008, DBK entered into a fourth 20-year credit agreement with the Government for the total principal amount of KZT 10,047 million, bearing interest at a concessional annual rate of 0.5%. As at 30 September 2010, the total outstanding principal amount under the loan was KZT 10,047 million. Interest on this loan is paid semi-annually and principal is to be repaid in full at maturity on 1 December 2028.

Government Loans by Maturity

The following table sets forth an analysis of DBK's loans from the Government, by maturity, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
		<i>(KZT millions)</i>		
One month to three months	5,036.4	—	—	—
Three months to one year	—	6,847.8	—	—
One year to five years.....	—	—	9,914.8	11,576.3
More than five years.....	24,070.9	24,038.3	23,988.3	13,987.2
Total Government loans	29,107.3	30,886.1	33,903.1	25,563.5

As at 30 September 2010, 82.7% of total loans from the Government had over five years remaining until contractual maturity, as compared to 77.8%, 70.8% and 54.7% of total loans from the Government as at 31 December 2009, 2008 and

2007, respectively. The average tenor of loans from the Government has been generally increasing due to the fact that DBK has been participating in longer-term projects.

Loans from Samruk-Kazyna

As at 30 September 2010, loans from Samruk-Kazyna comprised a KZT 5,000 million loan granted in April 2010. This loan bears interest at an annual rate of 0.2% per annum and will mature in November 2029. Under the credit agreement, principal and interest shall be repaid in consecutive six monthly installments. As at 31 December 2009, there were no loans from Samruk-Kazyna outstanding, as compared to loans of KZT 50,388.5 million outstanding as at 31 December 2008. See Note 11 to the Unaudited Interim Financial Statements, Note 23 to the audited annual consolidated financial statements as at and for the year ended 31 December 2009 and Note 24 to the audited annual consolidated financial statements as at and for year ended 31 December 2008.

Government Grants

As at 30 September 2010, Government grants increased by KZT 1,696.8 million, or 17.9%, to KZT 11,156.3 million from KZT 9,459.5 million as at 31 December 2009. No Government grants were recorded as at 31 December 2008 and 2007. As at 30 September 2010, the amount of Government grants recorded comprises the amount of benefits received as a result of the concessional interest rate as compared to the market interest rate, which difference is recognised as income, on the loan received from the Distressed Assets Fund and Samruk-Kazyna. See “*Management’s Discussion and Analysis of Results of Operation and Financial Condition—Critical Accounting Policies—Government grants*”, Note 13 to the Unaudited Interim Financial Statements and Note 25 to the audited annual consolidated financial statements as at and for the year ended 31 December 2009.

Debt Securities

As at 30 September 2010, debt securities issued decreased by KZT 3,188.2 million, or 6.2%, to KZT 48,184.2 million from KZT 51,372.4 million as at 31 December 2009, after having increased by KZT 9,694.3 million, or 23.3%, from KZT 41,678.1 million as at 31 December 2008, which, in turn, had increased by KZT 240.5 million, or 0.6%, from KZT 41,437.6 million as at 31 December 2007. The increases since 31 December 2007 reflect changes due to fluctuations in exchange rates, as outstanding debt securities primarily consist of Eurobonds denominated in U.S. Dollars.

In October 2002, DBK established the Programme and has completed four issuances under it as follows:

- U.S.\$100 million 7.125% Notes due 2007 in October 2002, which were repaid in accordance with their terms on their maturity date;
- U.S.\$100 million 7.375% Notes due November 2013, in November 2003;
- U.S.\$100 million 6.5% Notes due 2020, in May 2005; and
- U.S.\$150 million 6.0% Notes due 2026, in March 2006. (An aggregate principal amount of U.S.\$21.75 million of such Notes has since been repurchased by DBK. See “*Management’s Discussion and Analysis of Results of Operations and Financial Condition—Results of Operations for the nine months ended 30 September 2010 and 30 September 2009—Net Non Interest Income*”.)

These Eurobonds were and (with the exception of the notes issued in October 2002 which have been repaid) are listed on the Luxembourg Stock Exchange and on the KASE.

The Eurobonds also contain covenants requiring DBK to: (i) comply with the DBK Law and the Credit Policy Memorandum; (ii) ensure that its tangible net worth is not less than KZT 28 billion; and (iii) not pay or cause to be paid any dividends in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise), in respect of its share capital at any time.

In addition, during the nine months ended 30 September 2010, DBK issued subordinated bonds to Samruk-Kazyna with a nominal value of KZT 7,455.3 million, which bear interest at a fixed rate of 0.01% per annum and mature in September 2059. The subordinated bonds also have a discretionary coupon of 6.99% per annum, which DBK may unconditionally and unilaterally waive with no further obligation. The subordinated bonds were issued concurrently with DBK’s purchase of Samruk-Kazyna securities using DBK’s share capital. See “*Investment Portfolio and Management of Share Capital*”. The proceeds of the issue of the subordinated bonds were used to fund the aluminium smelter project and the Chimbulak Ski Resort project in Almaty. See “*Business—Lending*”.

Current accounts and deposits from customers

DBK generally does not accept deposits except in limited circumstances for certain customers and in its capacity as agent. Accordingly, DBK does not depend on deposits as a source of funding, and changes in current account and deposit balances are not indicative of DBK's levels of funding or ability to lend.

Current accounts and deposits for customers are also a limited source of funding, accounting for 2.5%, 7.8%, 0.2% and 1.5% of total liabilities as at 30 September 2010, 31 December 2009, 2008 and 2007, respectively. See “—*Principal Sources of Funding*”.

Total current accounts and deposits from customers decreased by 28,692.4 million, or 63.5%, to KZT 16,488.8 million as at 30 September 2010 from KZT 45,181.2 million as at 31 December 2009, after having increased in 2009 by KZT 44,549.3 million, or 7,050.1%, from KZT 631.9 million as at 31 December 2008, which, in turn, decreased in 2008 by KZT 1,275.0 million, or 66.9%, from KZT 1,906.9 million as at 31 December 2007. As at 30 September 2010, KZT 14,535.6 million, or 88.2%, of total current accounts and deposits from customers were held by Samruk-Kazyna.

Total current accounts and deposits from customers decreased in the first nine months of 2010 primarily due to the transfer of an amount in U.S. Dollars to Samruk-Kazyna's account with the NBK in January 2010. Total current accounts and deposits from customers grew by KZT 44,549.3 million to KZT 45,181.2 million as at 31 December 2009, from KZT 631.9 million as at 31 December 2008.

Current Accounts and Deposits from Customers by Currency

The following table sets forth a breakdown of DBK's current accounts and deposits from customers, by currency, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010		As at 31 December					
			2009		2008		2007	
	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>
Tenge.....	103.6	0.6	61.0	0.1	119.2	18.9	8.1	0.4
U.S. Dollars.....	16,376.4	99.3	45,119.4	99.9	430.3	68.1	196.4	10.3
Euros.....	—	—	0.0	0.0	—	—	35.7	1.9
Other currencies.....	8.7	0.1	0.8	0.0	82.4	13.0	1,666.7	87.4
Total current accounts and deposits from customers.....	16,488.7	100.0	45,181.2	100.0	631.9	100.0	1,906.9	100.0

Current Accounts and Deposits from Customers by Maturity

The following table sets forth an analysis of DBK's current accounts and deposits from customers, by maturity, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010		As at 31 December					
			2009		2008		2007	
	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>
On demand.....	543.1	3.3	312.2	0.7	255.7	40.5	1,839.0	96.4
Less than one month.....	14,535.6	88.2	43,869.9	97.1	—	—	—	—
One year to five years.....	21.2	0.1	—	—	—	—	—	—
More than five years.....	1,388.8	8.4	999.1	2.2	376.2	59.5	67.9	3.6
Total current accounts and deposits from customers.....	16,488.7	100.0	45,181.2	100.0	631.9	100.0	1,906.9	100.0

As at 30 September 2010 and 31 December 2009, DBK's balance of current accounts and deposits from customers were principally comprised of current accounts and deposits from customers with up to one month until contractual maturity, accounting for 88.2% and 97.1% of total current accounts and deposits from customers, respectively.

As at 31 December 2008, current accounts and deposits from customers were largely split between on demand current accounts and deposits from customers, which accounted for 40.5% of total current accounts and deposits from customers, and current account and deposits from customers with more than five years until maturity, which accounted for 59.5% of total current accounts and deposits from customers. As at 31 December 2007, DBK's current accounts and deposits from customers were principally comprised of on demand current accounts and deposits, which accounted for 96.4% of total current accounts and deposits from customers.

Equity and Capital Adequacy Ratios

As at 30 September 2010, DBK has share capital of KZT 255,976.0 million, consisting of 2,066,525 ordinary shares all of which are fully paid. According to the DBK Charter, the net income of DBK is used to form reserve capital.

As at 30 September 2010, DBK's total equity had increased by KZT 5,911.7 million, or 2.2%, to KZT 274,953.6 million, as compared to KZT 269,041.9 million as at 31 December 2009, primarily due to an increase in the fair value reserve of available-for-sale assets and net income received in the nine-month period ended 30 September 2010. As at 31 December 2009, DBK's total equity had increased by KZT 172,761.1 million, or 179.4%, to KZT 269,041.9 million, as compared to KZT 96,280.9 million as at 31 December 2008, primarily due to an increase of KZT 165,000.0 million, or 181.4%, in share capital from KZT 90,976.0 million as at 31 December 2008 to KZT 255,976.0 million as at 31 December 2009, as a result of the issue of 247,006 ordinary shares to Samruk-Kazyna during 2009, as well as an increase in the revaluation reserve for available-for-sale assets, partially offset by the decrease in retained earnings. As at 31 December 2008, DBK's total equity had decreased by KZT 4,552.2 million, or 4.5%, to KZT 96,280.8 million, as compared to KZT 100,833.0 million as at 31 December 2007, primarily due to decreases in the hedging reserve and the revaluation reserve for available-for-sale assets.

Any entity may be designated by the FMSA as a financial agency if either its entire share capital is held by Samruk-Kazyna or if it is authorised to implement state investment policy in certain economic spheres and the FMSA has given its consent to it being so designated. DBK qualifies under both heads and, as such, has been designated as a financial agency. As a result, the DBK Law exempts DBK from the prudential requirements of the FMSA applicable to commercial banks operating in Kazakhstan. However, DBK is still subject to the requirements of the NBK applicable to financial agencies and is required to maintain a minimum level of shareholders' equity of KZT 1.0 billion and a capital adequacy ratio of not less than 8.0%, calculated in accordance with the principles applicable to financial agencies. As at 30 September 2010, DBK had a capital adequacy ratio of 13.9%, as compared to 24.7%, 16.1% and 23.8% as at 31 December 2009, 2008 and 2007, respectively. According to Resolution No. 251 of the management board of NBK regarding prudential norms for financial agencies and the financial agent status forfeit procedure, the capital adequacy ratio is calculated as the ratio of statutory unconsolidated shareholders' equity to statutory unconsolidated total assets, statutory unconsolidated contingencies and potential liabilities, excluding statutory unconsolidated investments in shares (*i.e.*, participation interests in charter capital) of other legal entities.

Return on Average Assets and Return on Average Equity

DBK had a positive annualised return on average assets of 0.6% for the nine months ended 30 September 2010, as compared to a negative annualised return on average assets of 3.5% for the nine months ended 30 September 2009. This increase was primarily due to the net profit generated in the first nine months of 2010, which was partially offset by the increase in average assets over the same period. DBK had a positive annualised return on average equity of 1.9% for the nine months ended 30 September 2010, as compared to a negative annualised return on average equity of 9.1% for the nine months ended 30 September 2009. This increase was primarily due to the net profit generated in the first nine months of 2010, which was partially offset by the increase in average equity due to the incorporation of profits in shareholders' equity and an increase in the revaluation reserve over the same period.

DBK had a negative return on average assets of 6.4% for the year ended 31 December 2009, as compared to a positive return of 0.7% and 1.5% for the years ended 31 December 2008 and 2007, respectively. The negative return on average assets in 2009 was due to the increase in impairment losses in 2009, as compared to 2008. Pre-provision return levels on average assets were 5.5% for the year ended 31 December 2009, as compared to 4.1% and 1.8% for the years ended 31 December 2008 and 2007, respectively.

DBK had a negative return on average equity of 21.6% for the year ended 31 December 2009, as compared to a positive return of 2.2% and 3.2% for the years ended 31 December 2008 and 2007, respectively. The negative return on average equity for the year ended 31 December 2009 was principally due to DBK's net loss of KZT 39,475.7 million, as compared to a net profit of KZT 2,157.9 million for the year ended 31 December 2008 and a net profit of KZT 2,954.2 million for the year ended 31 December 2007.

ASSET AND LIABILITY MANAGEMENT

General

DBK's operations are subject to a variety of risks, some of which are not within its control. These include risks relating to changes in interest rates and foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan and securities portfolios. DBK monitors and manages the maturities of its loans, interest rate exposure, exchange rate exposure and credit quality in order to minimise the effect of changes on DBK's profitability and liquidity position.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures, as well as approving significantly large exposures. The Board of Directors has established the Risk Committee, which has the particular responsibility to assist the Board of Directors in supervising DBK's risk management systems.

The Management Board is responsible for monitoring and implementing risk mitigation measures and ensuring that DBK and DBK-Leasing operate within the established risk parameters. The Risk Management Department is responsible for the establishment and maintenance of DBK's risk management policies.

The Risk Management Department has adopted internal risk management regulations based on international standards and is responsible for ensuring that levels of risk are controlled in accordance with these regulations. The Risk Management Department is also responsible for identifying and monitoring risks on an on-going basis. The Risk Management Department reports directly to the Management Board, which, in turn, reports to the Board of Directors.

DBK has established the ALCO, the Credit Committee and the Investment Committee, which are responsible for devising, implementing and monitoring DBK's risk policies, including in respect of liquidity, credit and market risks. The basic credit policy of DBK is set out and governed by the Credit Policy Memorandum. This policy was updated and approved by a decision of the management board of Samruk-Kazyna in June 2009 and updated in November 2009, in response to the impact of the global financial crisis. DBK has also adopted and follows a comprehensive internal Asset and Liability Management Strategy to facilitate management of credit, liquidity and market risks. In addition, DBK's risk management process is guided by the rules and guidance of the FMSA, the Basel II (International Convergence of Capital Measurement and Capital Standards) Convention ("**Basel II**") and the recommendations of Samruk-Kazyna.

Principal Committees

Asset and Liability Committee

The overall asset and liability position of DBK is monitored and managed by the ALCO. The ALCO is a standing committee that consists of eight members and reports to the Management Board. All members of the ALCO are appointed by the Management Board. The ALCO is headed by a Chairman (currently Zhaslan Madiyev) and is comprised of representatives of the Treasury Department, the Debt and Structured Finance Department, the Risk Management Department, the Corporate Development Department and the Loan Department. The members of the ALCO are: Zhaslan Madiyev (Managing Director-Board Member), Arman Kassenov (Managing Director-Board Member), Mirzhan Karakulov (Managing Director-Board Member), Botagoz Choibekova (Director, Debt and Structured Finance), Kymbat Olzhabayeva (Head, Corporate Development), Aigul Kuranbayeva (Deputy Head, Treasury), Beibit Abildinov (Deputy Head, Risk Management) and Tynyshykbayeva Zhamilya (Secretary).

The ALCO provides assistance to the Management Board through the consideration and initial approval of rules and procedures relating to borrowing, transactions for the purchase and sale of financial instruments and investments and the issuance of guarantees. The ALCO also formulates policy in relation to the management and control of liquidity, market and credit risks. The ALCO co-ordinates the risk management activities of the various management divisions with the aim of optimising the ratio of risks to profitability and the management of assets and liabilities. The ALCO also participates in the process of approving new business and the development of new lending products and funding instruments. The ALCO meets on an *ad hoc* basis, although in practice, meetings are held approximately twice a month.

Credit Committee

The Credit Committee implements DBK's credit policies in accordance with the Credit Policy Memorandum and additional internal controls. All members of the Credit Committee are appointed by the Management Board, which decides upon the number of members and their terms of appointment. The Credit Committee is a standing committee that reports to the Management Board. As at the date of this Base Prospectus, the Credit Committee consists of seven members. The

principal responsibilities of the Credit Committee include the organisation and supervision of DBK’s lending processes based on the principles of transparency and the strict division of responsibility between departments. The Credit Committee also assists with the development of processes for the efficient use of borrowed funds through the provision of credit instruments and with the supervision of the application of DBK’s lending policy, credit process and credit risk management process, as well as the use of DBK’s resources, across DBK’s offices. The Credit Committee monitors the quality and profitability of DBK’s loan portfolio. See “*Selected Statistical and Other Data—Loan Portfolio—Loan Policies and Credit Approval Procedures*”.

The members of the Credit Committee are: Mirzhan Karakulov (Managing director – Board member, Arman Kassenov (Managing director – Board member), Ruslan Kidrissov (Managing director), Yerlan Balgarin (Managing director), Ainar Iliyassov (Head of the Law Department), Beibit Abildinov (Deputy Head of the Risk management Department), Rizana Makenova (Secretary).

Investment Committee

The Investment Committee monitors and manages DBK’s treasury portfolio within guidelines established by the ALCO. The Investment Committee is appointed by the Management Board, consists of six members and reports to the Management Board. The Investment Committee is responsible for the development of DBK’s internal policy on investment portfolio management. In August 2008, the Board of Directors of DBK approved the Investment Portfolio Management Strategy, which seeks to effectively improve the management of DBK’s investment portfolio by defining the types of instruments in which DBK invests, investment limits, the structure of the portfolio and investment risk evaluation methods.

The members of the Investment Committee are: Arman Kassenov (Managing Director-Board Member), Zhaslan Madiyev (Managing Director-Board Member), Mirzhan Karakulov (Managing Director-Board Member), Dauren Ibraimov (Head, Treasury), Beibit Abildinov (Deputy Head, Risk Management), Madina Munaitbasova (Secretary).

Liquidity Risk

Liquidity risk originates from the fact that short-term obligations of DBK may not be sufficiently covered by cash or other equivalently liquid assets. DBK’s asset and liability management strategy aims to maintain DBK’s liquidity at a level sufficient to meet its funding requirements and to satisfy DBK’s commitments to its customers. See “*Risk Factors—Risks Relating to DBK—Liquidity risk*”. For the purposes of liquidity risk management, DBK establishes limits and traces expected funds flows on client and bank operations, within the framework of the general management of assets and liabilities, on a daily basis. To provide for unexpected short-term funding requirements, DBK invests its funds in highly liquid financial instruments and places its funds on deposit with the NBK and domestic and foreign banks.

The following table provides certain information as to DBK’s liquidity as at the dates indicated:

	Requirement	As at 30 September 2010	As at 31 December 2009
		(%)	
Total debt ⁽¹⁾ /equity.....	Not to exceed 600.0	237.8	215.8
Liquid assets ⁽²⁾ /total assets.....	Not less than 20.0	61.7	71.4

Notes:

(1) Total debt comprises short-term debt plus long-term debt.

(2) Liquid assets comprise investments available-for-sale plus cash and cash equivalents and amounts due from banks.

For further information on DBK’s management of liquidity risk, see Note 33(d) to the audited annual consolidated financial statements as at and for the year ended 31 December 2009 and Note 32(d) to the audited annual consolidated financial statements as at and for the year ended 31 December 2008.

Maturities

The following tables set forth a breakdown of DBK's assets and liabilities by remaining contractual maturity as at the dates indicated:

As at 30 September 2010									
<u>On demand</u>	<u>Up to 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>	<u>Maturity undefined</u>	<u>Overdue</u>	<u>Total</u>	
<i>(KZT millions)</i>									
Total assets	169,872.5	1,544.9	72,220.4	47,905.4	113,430.0	489,996.2	930.1	32,832.6	928,732.1
Total liabilities	724.0	35,137.8	5,605.9	60,989.9	115,266.4	436,054.4	—	—	653,778.4
Maturity gap	169,148.5	(33,592.9)	66,614.5	(13,084.5)	(1,836.4)	53,941.8	930.1	32,832.6	274,953.7
Cumulative gap	169,148.5	135,555.5	202,170.1	189,085.6	187,249.2	241,191.0	242,121.1	274,953.7	—

As at 31 December 2009									
<u>On demand</u>	<u>Up to 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>	<u>Maturity undefined</u>	<u>Overdue</u>	<u>Total</u>	
<i>(KZT millions)</i>									
Total assets	203,089.9	96,623.4	15,377.9	87,058.5	83,346.5	358,938.7	2.2	5,228.4	849,665.5
Total liabilities	364.3	44,372.7	690.8	14,397.7	105,725.5	415,072.6	—	—	580,623.6
Maturity gap	202,725.6	52,250.7	14,687.1	72,660.8	(22,379.0)	(56,133.9)	2.2	5,228.4	269,041.9
Cumulative gap	202,725.6	254,976.3	269,663.4	342,324.2	319,945.2	263,811.3	263,813.5	269,041.9	—

As at 31 December 2008								
<u>On demand</u>	<u>Up to 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>	<u>Maturity undefined</u>	<u>Overdue</u>	<u>Total</u>
<i>(KZT millions)</i>								
Total assets	30,374.9	46,395.0	15,408.1	49,018.5	96,672.8	139,819.8	177.5	377,866.6
Total liabilities	255.7	178.5	922.0	8,929.7	100,756.2	170,543.6	—	281,585.7
Maturity gap	30,119.2	46,216.5	14,486.1	40,088.8	(4,083.4)	(30,723.8)	177.5	96,280.9
Cumulative gap	30,119.2	76,335.7	90,821.8	130,910.6	126,827.2	96,103.4	96,280.9	—

As at 31 December 2007								
<u>On demand</u>	<u>Up to 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>	<u>Maturity undefined</u>	<u>Overdue</u>	<u>Total</u>
<i>(KZT millions)</i>								
Total assets	94,345.3	41,967.2	5,762.2	5,213.5	22,221.5	57,725.1	168.4	227,403.2
Total liabilities	2,564.4	104.6	18,562.7	5,018.7	18,328.4	81,971.0	20.3	126,570.1
Maturity gap	91,780.9	41,862.6	(12,800.5)	194.8	3,893.1	(24,245.9)	148.1	100,833.1
Cumulative gap	91,780.9	133,643.5	120,843.0	121,037.8	124,930.9	100,685.0	100,833.1	—

For further information on DBK's management of maturity gaps, see Note 33(e) to the audited annual consolidated financial statements as at and for the year ended 31 December 2009 and Note 32(d) to the audited annual consolidated financial statements as at and for the year ended 31 December 2008.

Interest Rate Risk

DBK experiences interest rate risk when the values of its financial investments fluctuate as a result of changes in applicable interest rates. DBK adopts certain measures to minimise these risks by trying to link its borrowing and lending rates.

The principal objective of DBK's interest rate management activities is to enhance profitability by limiting the effect of adverse interest rate movements on interest income through managing interest rate exposure. DBK monitors its interest rate sensitivity by estimating: (i) its gap position, which is based on analysing the composition of its assets and liabilities and off-balance sheet financial instruments susceptible to interest rate fluctuations and evaluations of asset and liabilities differentials in selected time periods; (ii) mismatches between average maturities of its assets and liabilities base; (iii) duration; and (iv) value at risk ("VaR"), which is based on evaluating potential loss to DBK as a result of adverse market fluctuations. In addition, DBK monitors the sensitivity of DBK's net interest margin to various standard and non-standard interest rate scenarios.

The following table sets forth DBK's interest rate gap positions for DBK's combined trading and non-trading portfolio as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010	As at 31 December		
		2009	2008	2007
		<i>(KZT millions)</i>		
Tenge cumulative gap.....	180,535.0	293,135.7	50,602.7	69,498.7
U.S. Dollar cumulative gap.....	(11,810.5)	14,025.4	17,846.2	21,333.1
Euro cumulative gap.....	(4,546.5)	1,700.5	6,962.5	2,843.0
Other currencies.....	—	—	168.7	284.4
Total up to one year gap position.....	62,127.7	88,606.0	60,326.2	100,121.4

A negative gap denotes sensitivity and normally means that an increase in interest rates would have a negative effect on net interest income, while a decrease in interest rates would have a positive effect on net interest income. A positive gap has the reverse effect. The positions are classified by the principal amount of the asset or liability that matures or is re-priced within the time period indicated. For further information on DBK's management of interest rate gaps, see Note 33(b)(i) to and Note 32(b)(i) to the audited annual consolidated financial statements as at and for the years ended 31 December 2009 and 31 December 2008, respectively.

Credit Risk

Loans provided to customers, finance lease receivables, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements, available-for-sale assets and accounts receivable are all considered financial assets subject to credit risk. Credit risk is embodied in the potential default of any counterparty in the repayment of all or part of amounts due from such counterparty at maturity. DBK has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of the Credit Committee to actively monitor DBK's credit risk. See "*—Principal Committees—Credit Committee*" and "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Credit Monitoring*". To assist in its measurement of credit risk, DBK has introduced a system of internal ratings of DBK's borrowers and potential borrowers. See "*Selected Statistical and Other Data—Credit Monitoring*".

Foreign Currency Risk

DBK is exposed to foreign currency risk as a result of fluctuations in foreign exchange rates and mismatches between its assets and liabilities, as well as through its off-balance sheet activities involving exposures to instruments denominated in different currencies. The Financial Risk Control Department monitors DBK's net currency position and advises on strategy accordingly. In order to effectively manage currency risk, the Board of Directors has approved the Rules of Currency Risk Management, which provide guidelines for the identification, assessment and control and monitoring of currency risk. DBK has established a limit on open currency positions, the VaR on each currency, the daily monitoring of currency positions and the market situation, as well as methods for the calculations of VaR and stress-testing of open positions. DBK does not conduct any proprietary foreign exchange trading and only enters foreign exchange markets on behalf of its clients, in order to hedge its exposures and for the purposes of aligning its exchange positions. See "*Risk Factors—Risks Relating to DBK—Foreign currency risks*". For further information on DBK's management of foreign currency risk, see Note 33(b)(ii) and Note 32(b)(ii) to the audited annual consolidated financial statements as at and for the years ended 31 December 2009 and 31 December 2008, respectively.

The following table sets forth a breakdown of DBK's assets and liabilities, by currency, as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010	As at 31 December		
		2009	2008	2007
<i>(KZT millions)</i>				
Assets				
Foreign currency-denominated assets				
U.S. Dollars.....	540,113.3	485,625.5	204,393.0	114,960.3
Euros.....	9,606.5	3,293.2	8,444.2	6,792.0
Other currencies.....	8,800.0	136.9	381.0	4,979.4
Tenge-denominated assets.....	370,212.1	360,609.8	160,428.2	100,671.5
Liabilities				
Foreign currency-denominated liabilities				
U.S. Dollars.....	565,558.3	524,277.0	178,986.2	90,800.8
Euros.....	8,585.4	2,282.4	1,596.1	2,026.6
Other currencies.....	2,654.5	3.5	585.6	1,672.8
Tenge-denominated liabilities.....	76,980.2	54,060.7	100,418.0	32,070.0

As at the date of this Base Prospectus, DBK is within its open position limits for convertible and non-convertible currencies it has set for the purposes of managing foreign currency risk.

The following table shows the net foreign currency position of DBK as at 30 September 2010 and 31 December 2009, 2008 and 2007:

	As at 30 September 2010	As at 31 December		
		2009	2008	2007
Net long (short) currency position (<i>KZT millions</i>).....	(18,278.4)	(37,507.3)	32,050.3	32,231.5
Net currency position as a percentage of total equity (%).....	(6.6)	(13.9)	33.3	32.0
Net currency position as a percentage of foreign currency liabilities (%).....	(3.2)	(7.1)	17.7	34.1

Market risk

DBK manages market risk, which arises from movements in market variables, such as interest rates, equity prices and foreign exchange rates and which may have a negative impact on DBK's earnings. Market risk either arises through positions in trading books (positions held for the purpose of benefiting from short-term price movements) or through the banking book (positions intended to be held in the long-term or until maturity). The objective of DBK's market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on such risk. DBK manages such risk by setting open position limits in relation to financial instruments, interest rate, maturity and currency positions and stop-loss limits, all of which are monitored on a regular basis. See Note 33(b) to the audited annual consolidated financial statements as at and for the year ended 31 December 2009 and Note 32(b) to the audited annual consolidated financial statements as at and for the year ended 31 December 2008.

Operational Risk

Operational risk is the risk of the occurrence of losses as a result of failures of internal processes performed by employees, information systems and technology, as well as other internal and external events.

DBK applies the basic indicative approach set out in Basel II for the calculation of operational risk. Since 2009, DBK has employed operational risk identification, assessment, reporting and control processes, as well as the periodic monitoring of the control system, to manage operational risk. Such processes are carried out on a constant basis and in accordance with Samruk-Kazyna's methodology. See "*Risk Factors—Risk Factors Relating to DBK—State Ownership*".

Legal Risk

Legal risk arises from the probability of losses as a result of the infringement of any contractual obligations, the mistaken application of normative legal acts, constitutional documents, policies, actions of governmental or state-owned bodies and amendments to legislation (including foreign legislation). DBK has generated a methodological approach to legal risk

management and has established the Compliance Control Service, which reports to the Board of Directors. See “*Management—Corporate Governance*”.

Anti-Money Laundering Policies and Procedures

In addition to mandatory statutory requirements, DBK has developed internal know-your-customer and anti-money laundering policies, including DBK’s procedures in relation to: (i) verifying information provided by customers in order to permit identification of customers, including ultimate owners and beneficiaries; (ii) evaluation of a client’s business to determine whether a customer may be involved in money-laundering or terrorism financing; (iii) identifying any suspicious transactions and further assessing these against anti-money laundering safeguards; (iv) notifying authorised bodies in regard to any suspicious transactions; and (v) refusing to proceed with transactions or suspending transactions in the event that a customer fails to provide supporting documentation or provides false or inaccurate documentation or DBK otherwise believes the transaction is suspicious. These policies include the Policy for the Management of Risks relating to Money Laundering and the Financing of Terrorism, adopted on 14 May 2008, and Internal Rules in relation to anti-money laundering procedures and countermeasures for the financing of terrorism, adopted on 12 October 2010. In order to implement these policies to their fullest benefit, DBK provides on-going anti-money laundering training to all relevant employees.

BUSINESS

Overview

DBK was organised under the laws of Kazakhstan on 31 May 2001 for an unlimited duration as “Closed Joint Stock Company Development Bank of the Republic of Kazakhstan”. On 18 August 2003, DBK was re-registered as Joint Stock Company Development Bank of the Republic of Kazakhstan in order to comply with the requirements of the Law on Joint Stock Companies adopted on 13 May 2003. A re-registration certificate (No. 4686-1900-AO) was issued in respect of DBK by the Registration Service and Legal Assistance Committee of the Ministry of Justice on 18 August 2003. DBK’s registered office is 10, Orynbor Street, “Kazyna Tower” Building, Yesil District, Astana, Republic of Kazakhstan and its telephone number is +7-7172-792600. DBK’s sole shareholder is Samruk-Kazyna, which is in turn wholly-owned by the Government.

Pursuant to the DBK Law, DBK’s purposes are:

- to improve and increase the effectiveness of governmental investment activity;
- to develop the industrial infrastructure and manufacturing industry in Kazakhstan; and
- to promote foreign and domestic investment in Kazakhstan.

As a part its role under Kazakhstan’s industrial development programme and in furtherance of such purposes, DBK provides medium and long-term financing for investment projects and, through DBK-Leasing, leasing transactions of U.S.\$5 million or more and export transactions of U.S.\$1 million or more to companies (whether or not resident in Kazakhstan) operating in priority sectors of the economy in Kazakhstan as set out in the Credit Policy Memorandum. See “—*Participation in Government Programmes*” and “—*Lending*”. In determining which projects or transactions to finance, DBK gives priority to projects and transactions related to the modernisation and establishment of competitive industries, in particular, non-extracting industries, and infrastructure in Kazakhstan. DBK’s lending activities are primarily funded through the issuance and placement of domestic and international debt securities and through borrowings from Samruk-Kazyna, financial institutions and the state budget.

DBK-Leasing, which is DBK’s only subsidiary, offers short- and long-term (up to 20 years) lease financing in various forms, including for industrial equipment, venture leasing, leasing of industrial buildings and certain combined services, such as leasing and consulting, equity participation and leasing (in cooperation with the Investment Fund of Kazakhstan) and credit and leasing. DBK-Leasing invests only in large-scale projects valued at over U.S.\$1 million. See “—*DBK-Leasing*”.

In addition to financing investment projects, leasing deals and export-related transactions, DBK acts as a service agent for regional and national investment projects financed by the State budget and projects financed by Government-guaranteed borrowing. In this role, DBK receives fees but assumes no risk. Agency services include project monitoring, servicing of payments and collections, including opening and maintaining special conditional deposit and reserve accounts and collecting loans on behalf of the Government. As service agent, DBK arranges the settlement and repayment of funds extended from the Government’s budget. Pursuant to the DBK Law, DBK acts as an agent for various national and regional investment projects financed from the state or local government budget or supported by Government guarantees. See “—*Agency Services*”.

For the nine months ended 30 September 2010, DBK’s net profit was KZT 3,945.4 million, as compared to a net loss of KZT 11,894.7 million for the nine months ended 30 September 2009. For the year ended 31 December 2009, DBK’s net loss was KZT 39,475.6 million, as compared to a net profit of KZT 2,157.9 million for the year ended 31 December 2008 and KZT 2,954.3 million for the year ended 31 December 2007. As at 30 September 2010, DBK had total assets of KZT 928,732.1 million, as compared to total assets of KZT 849,665.5 million as at 31 December 2009, KZT 377,866.6 million as at 31 December 2008 and KZT 227,403.2 million as at 31 December 2007.

Authority of DBK

The DBK Law specifies certain activities in furtherance of DBK’s purposes that DBK is authorised to engage in, whether in Tenge or foreign currencies, without the need to obtain a licence in advance. These activities include, *inter alia*:

- providing loans to entities;

- issuing guarantees;
- issuing and confirming letters of credit;
- opening and maintaining correspondent accounts with and for other financial institutions;
- accepting deposits and opening and managing bank accounts for certain of DBK's borrowers and certain other entities;
- accepting certain deposits in order to provide liquidity to DBK;
- conducting leasing activities;
- issuing securities; and
- participating in certain foreign currency exchange transactions.

DBK is not permitted to solicit deposits from, open accounts for or provide settlement and cash services to individuals. In addition, there are legal restrictions on DBK's ability to conduct business with certain entities (*e.g.*, internal or external borrowers whose borrowings are overdue and, *inter alia*, individuals, credit associations, non-governmental pension funds, pension fund management companies, investment funds and insurance organisations) or to make certain unsecured loans.

DBK may conduct banking activities not specifically authorised but not specifically prohibited by the DBK Law if it obtains a specific licence from either the NBK or the FMSA, or both, in respect of such activities. As at the date of this Base Prospectus, DBK is not engaged in any activity requiring a licence from the NBK or the FMSA.

Participation in Government Programmes

DBK provides financing in connection with a number of Government programmes and initiatives, including, most notably:

- the Industrial and Innovation Development Strategy of Kazakhstan, which was superseded by the Programme for Accelerated Industrial and Innovation Development of Kazakhstan in March 2010;
- the Programme for Accelerated Industrial and Innovation Development of Kazakhstan, which covers the years 2010-2014 (the "**Industrialisation Programme**"); and
- the Government's anti-crisis programmes.

Industrialisation Programme

The Industrialisation Programme was approved by Presidential Decree No. 958, dated 19 March 2010, and sets out expected investments of over U.S.\$43 billion during the period 2010-2014. The Industrialisation Programme consolidates all previously-adopted state industrial programmes (over 50 in total) and provides that DBK will be a primary lending vehicle for the long-term financing of infrastructure and other strategic investments in the metallurgy, chemical and petrochemical, electrical, energy generation, transportation, telecommunication and other manufacturing sectors. The Government has approved a list of 29 'strategic investment projects' to be implemented as part of the Industrialisation Programme, of which DBK is committed to provide partial or full funding for ten projects and is considering funding a further five projects.

Government Anti-Crisis Programme

In response to the effect of the global financial crisis and, in particular, with the aim of supporting the Kazakhstan financial sector, the Government has developed the "Plan of Top Priority Measures for Securing the Stability of Social and Economic Development of the Republic of Kazakhstan". Under this programme, DBK refinances loans for certain investment projects previously approved by domestic commercial banks in Kazakhstan. As at 30 September 2010, DBK has refinanced 17 investment projects of domestic commercial banks totalling U.S.\$300 million in respect of strategically-important sectors of the Kazakhstan economy, such as transportation, communication, metallurgy and manufacturing of construction materials. Projects are elected for refinancing are selected in accordance with DBK's internal standards and on the basis of an assessment of the degree of completion of the project and the previous financing terms provided by the relevant domestic commercial banks.

In addition, under this programme, DBK received a loan of KZT 20 billion from the Distressed Assets Fund, which was granted, to encourage the refinancing of previously-disbursed loans within the manufacturing sector at lower interest rates. Furthermore, DBK has financed a number of strategic investment projects using funds received from the National Fund of the Republic of Kazakhstan, including, *inter alia*, the development of the Chymbulak ski resort and the expansion and modernisation of Taraz metallurgical plant through loans of KZT 15.0 billion and KZT 7.2 billion, respectively.

Strengths

DBK believes it benefits from the following strengths:

- **Strong Government Support**

DBK plays a significant role in the Industrialisation Programme and other Government programmes. Under the Industrialisation Programme, DBK is intended to be the major source of low-cost and long-term funding for manufacturing and infrastructural projects. Under the DBK Law, DBK enjoys a special legal status, which gives it special rights and responsibilities not applicable to other participants in the Kazakhstan banking sector.

- **Strong shareholder support and high capitalisation**

DBK is relatively well-capitalised with a capital adequacy ratio of 13.9% as at 30 September 2010. In addition, Samruk-Kazyna has recently demonstrated its support for DBK through the provision of a U.S.\$1.1 billion capital injection in October 2009. Samruk-Kazyna has also indicated that it would provide further support to DBK should it be required in order to meet applicable capital adequacy ratios. This support has permitted DBK to maintain an active role in the lending market in comparison to the rest of Kazakhstan's banking sector, which has been more significantly affected by the global financial crisis.

- **Credit Ratings**

DBK has one of the highest credit ratings among corporate entities in Kazakhstan, on a par with the sovereign ratings of Kazakhstan published by S&P (BBB-) and Fitch (BBB-) (although Moody's has published a rating of Baa3 in relation to DBK, as compared to a sovereign rating of Kazakhstan of Baa2). A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time.

Strategy

DBK's long-term strategy for the period 2010-2020 (the "**Long Term Strategy**") was approved by the Board of Directors on 28 May 2010. In accordance with Samruk-Kazyna guidelines, from 2011, DBK's Board of Directors will also approve medium-term five-year development plans, which will be updated on an annual basis. DBK's development plan for 2011-2015 is expected to be approved by the Board of Directors in December 2010. Samruk-Kazyna was consulted on the establishment of the Long Term Strategy and is expected to participate in the formulation of DBK's medium-term development strategies.

DBK's development strategies have been and are being developed with the aim of transforming DBK into a high-profile development bank, which plays a significant role in the diversification and development of Kazakhstan's economy, whilst remaining a stable and commercial organisation. Under such strategies, DBK will continue to focus its operations on its key business lines of corporate fixed capital lending, trade finance and financial agency services.

The Long Term Strategy sets out the principal directions and objectives for the implementation of DBK's mission to assist in the development of competitive, non-extractive economic sectors in Kazakhstan. Under the Long Term Strategy, DBK aims to become, *inter alia*:

- a recognised and dynamic national development bank offering a wide range of financing instruments and services to development projects within or related to Kazakhstan;
- a leading participant in structuring and financing infrastructure and industrial projects within Kazakhstan; and
- the principal financing agent for the raising of long-term and low-cost borrowings in the non-extractive economic corporate and public sector in Kazakhstan.

DBK's Long Term Strategy is split into two stages, stage 1 for the years 2010-2014 ("**Stage 1**") and stage 2 for the years 2015-2020 ("**Stage 2**"). During Stage 1, DBK intends to focus on lending to strategic investment projects in line with the Government's development priorities (namely infrastructure development, metallurgy, chemical and petrochemical

industries, the energy sector and manufacturing, as well as continuing its trade finance activities. During Stage 2, DBK intends to increase its lending volumes and attract increased amounts of private capital into its projects, as well as to syndicate certain loans, offering structured and project products and providing consultation services in connection with the raising of capital, as well as the provision of financial agency services for investment projects of the Government and commercial banks.

The key components of DBK's Stage 1 strategy are:

- **Applying different approaches to the financing of development and commercial projects**

DBK intends to divide its loan portfolio into two parts: development projects (*i.e.*, capital-intensive projects financed in accordance with the priorities of the Industrialisation Programme) and commercial projects (*i.e.*, all other projects). This intended division, which has not yet commenced, is aimed at concentrating expertise, increasing the quality and diversification of the loan portfolio and reducing the overall level of credit risk, as well as ensuring DBK's long-term stability and profitability in accordance with applicable Samruk-Kazyna requirements. DBK intends to implement different procedures, offer different instruments and use different funding sources for each part of its loan portfolio. For example, DBK intends to use low-interest, low-cost loans for the financing of development projects, whereas the financing of commercial projects will involve a wider range of alternative instruments, such as mezzanine financing, project financing and working capital loans and will be funded primarily by commercial sources. DBK intends that not less than 60% of its total portfolio will be comprised of development projects and not more than 40% of its total portfolio will be comprised of commercial projects.

- **Increasing DBK's range of products and services**

The majority of DBK's activities are concentrated on the provision of low-cost finance of investment projects and export transactions for domestic manufacturers. The amendment to the DBK Law in February 2009 expanded the range of credit instruments that DBK may offer. Accordingly, DBK intends to expand the range of credit instruments offered to clients. Such credit instruments will include, *inter alia*, various project financing, mezzanine financing, working capital loans, bridge financing and interbank lending. In addition to direct lending, DBK is planning to offer advisory services to clients in respect of raising debt capital and managing project risks.

- **Expanding DBK's presence outside of Kazakhstan**

In order to support investment in cross-border projects, which are linked to manufacturing facilities in, or otherwise relating to, Kazakhstan and which may play a significant role in the development of Kazakhstan's transportation and other infrastructure, DBK intends to expand its operations into neighbouring markets beginning in 2013.

- **Diversifying Funding Base**

Pursuant to the DBK Law, DBK currently funds the majority of its operations by borrowing from Samruk-Kazyna, the Government and international commercial banks in both domestic and foreign currencies and issuing debt securities on the domestic and international capital markets. In order to diversify its funding base, DBK intends to continue to borrow from international commercial banks and expand its borrowing in the domestic market by issuing Tenge-denominated domestic bonds. In order to promote investment opportunities in Kazakhstan, DBK also expects to increase its participation in project co-financings with various multinational financial development organisations. DBK believes that, through its funding sources, it should be able to provide loans at lower cost than commercial banks, thereby stimulating economic growth, as well as establishing margin yield benchmarks for domestic and international corporate debt security issuers, and contributing to the development of Kazakhstan's securities market. See "*Selected Statistical and Other Data*".

- **Strengthening human resources**

In order to compete with other banks in attracting and retaining highly qualified staff, DBK is planning to strengthen its human resources by providing further investment in internal and external training programmes for its employees and by enhancing the rewards, benefits and bonuses granted its employees.

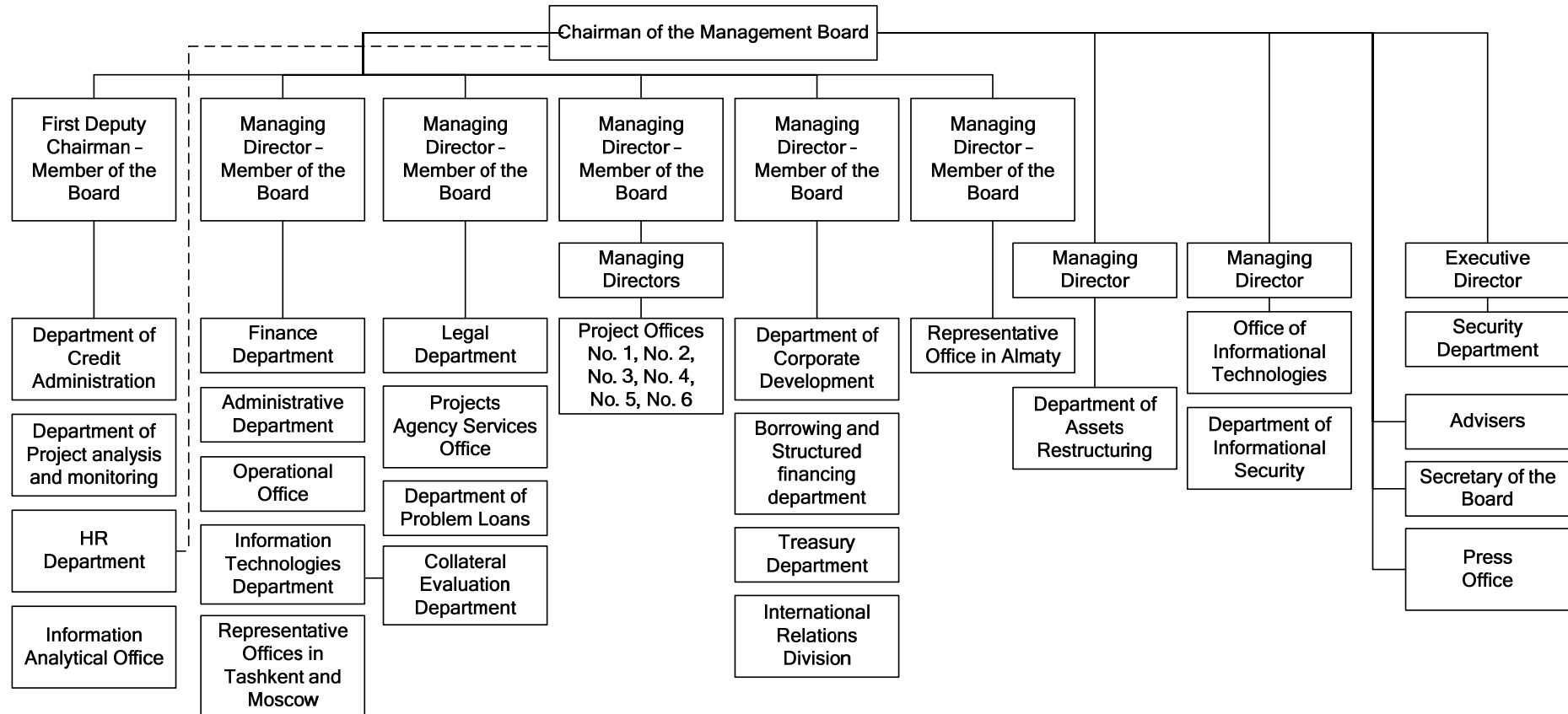
Structure of DBK

DBK's head office is in Astana. As at 30 September 2010, DBK had representative offices in Almaty, Tashkent and Moscow in order to facilitate liaison with the various financial and credit institutions located there. The chart below sets forth the organisational structure of DBK.

Organizational Structure of JSC "Development Bank of Kazakhstan"



Executive Board of the JSC "Development of Kazakhstan"



Lending

DBK is a development financial institution that provides medium and long-term financing for investment projects and trade financing for export transactions in priority sectors of the economy of Kazakhstan, as set out in the Credit Policy Memorandum.

As defined in the Credit Policy Memorandum, DBK's priorities are to finance investment projects and leasing transactions (through its subsidiary, DBK-Leasing), which are focused on the creation and development of:

- infrastructure (power engineering, transport, telecommunications and tourist infrastructure);
- non-extractive industrial production, including the excavation, purchase and transportation of raw materials and the processing and sales of finished products;
- agricultural production, including the cultivation, purchase and transportation of raw materials and the processing and sales of finished products;
- commercial service industries, including tourism, healthcare, education, recreation, sports and hotels; and
- exports.

DBK is also permitted to finance the following types of projects implemented outside Kazakhstan:

- projects, which are linked to facilities located in Kazakhstan and which are involved in the processing of extracted raw materials where those projects aid the development of such facilities;
- infrastructure projects, which enhance the transportation network in Kazakhstan and promote exports of Kazakhstan's goods; and
- projects by non-residents, which are recommended by the Government and guaranteed by the government of the borrower's country.

DBK's core investment activity abroad is in projects that facilitate the development of infrastructure in Kazakhstan and the export of goods and services produced in Kazakhstan.

Much of DBK's lending is co-financed by other banks or lending institutions. As at 30 September 2010, DBK has approved 177 investment projects and export-related projects worth a total of U.S.\$10.4 billion, of which DBK's participation was U.S.\$4.93 billion. As at 30 September 2010, DBK's outstanding and disbursed loans to customers in respect of investment projects and export related projects amounted to U.S.\$3.5 billion.

Despite the global financial crisis, DBK has continued lending. In 2009, DBK's lending activity focused on the financing of projects, which had been previously approved and adopted and nine projects for an aggregate amount of U.S.\$1.3 billion (of which DBK's participation was U.S.\$603.5 million) were approved in 2009. These projects comprised four investment projects for an aggregate amount of U.S.\$1.2 billion (of which DBK's participation was U.S.\$535.9 million) and five export related projects of an aggregate amount of U.S.\$80.5 million (of which DBK's participation was U.S.\$67.6 million). See "*Selected Statistical and Other Data—Loan Portfolio*" and "*Selected Statistical and other Data—Available-for-Sale Assets*".

Investment Projects

As at 30 September 2010, the total amount of investment project loans was U.S.\$8.7 billion (of which DBK's participation was U.S.\$4.0 billion), with investments in the oil refining, industrial and transport and storage sectors comprising the largest proportion of such investment projects (28.3%, 12.2% and 12.6%, respectively). Details of the principal sectors in which DBK is participating, as at 30 September 2010, are set out below.

- **Transport and Communications Sector**

DBK is participating in a number of investment projects in the transport and communications sector, totalling approximately U.S.\$270 million, of which DBK's participation is approximately U.S.\$180 million.

DBK is participating in three major projects in this sector: (i) the U.S.\$282.6 million expansion of the Aktau Sea International Commercial Port in the Manghystau Region (DBK's participation is U.S.\$133.2 million); (ii) the U.S.\$57.1 million railway transportation project (DBK's participation is U.S.\$52.7 million); and (iii) the U.S.\$123.9 million construction of transportation and logistics centres in Almaty and Astana (DBK's participation is U.S.\$96.1 million).

- **Electric Power, Gas, Steam and Water Sector**

DBK is participating in a number of investment projects in the electric power, gas, steam and water sector, totalling approximately U.S.\$900 million, of which DBK's participation is approximately U.S.\$270 million.

DBK is participating in two major projects in this sector: (i) the U.S.\$322.9 million project to construct a second north-south 500kW electric power line (DBK's participation is U.S.\$68.3 million); and (ii) the U.S.\$118.5 million gas-turbine power station project in Akshabulak field (DBK's participation is U.S.\$79.0 million).

- **Tourism Sector**

DBK is participating in a number of investment projects in the tourism sector, totalling approximately U.S.\$208 million, of which DBK's participation is approximately U.S.\$101 million.

DBK is participating in the Chimbulak ski resort project in Almaty, totalling approximately U.S.\$205 million (DBK's participation is KZT 15,000 million (or approximately U.S.\$100 million)).

- **Metallurgy Sector**

DBK is participating in a number of investment projects in the metallurgy sector, totalling approximately U.S.\$1,300 million, of which DBK's participation is approximately U.S.\$540 million.

DBK is participating the U.S.\$1,018.3 million aluminium smelter construction project in Pavoldar with an expected capacity of up to 250 tons per year (DBK's participation is U.S.\$400 million).

- **Other Non-Metal Mineral Products Sector**

DBK is participating in a number of investment projects in the other non-metal mineral products sector, totalling approximately U.S.\$360 million, of which DBK's participation is approximately U.S.\$260 million.

DBK is participating in the U.S.\$165.4 million construction of a metallic silicium production plant (DBK's participation is U.S.\$63.6 million).

- **Chemicals Sector**

DBK is participating in a number of investment projects in the chemicals sector, totalling approximately U.S.\$2,035 million, of which DBK's participation is approximately U.S.\$133 million.

DBK is participating in the U.S.\$90.2 million chlorine production plant project (DBK's participation is U.S.\$65.7 million).

- **Agriculture Sector**

DBK is participating in a number of investment projects in the agricultural sector, totalling approximately U.S.\$169 million, of which DBK's participation is approximately U.S.\$132 million.

- **Miscellaneous**

DBK is participating in two projects in this sector: (i) the U.S.\$133.7 million vertically-integrated agro-industrial grain production and processing project in the Akmola and North Kazakhstan regions (DBK's participation is U.S.\$107.4 million); and (ii) the U.S.\$90.4 million construction of a paper products plant (for use in food production) (DBK's participation is U.S.\$65.7 million).

In addition to the foregoing, DBK is participating in (i) the U.S.\$1,124.4 million project to construct an oil refinery in Atyrau (DBK's participation is U.S.\$1,063.0 million); (ii) the U.S.\$141.6 million textile factory project in the special economic zone "Ontustik" (DBK's participation is U.S.\$84.7 million); and (iii) the U.S.\$130.0 million construction of a cement plant with an expected capacity of one million tonnes per year in the East Kazakhstan region (DBK's participation is U.S.\$90 million).

Export Financing

DBK provides export financing services for operations worth more than U.S.\$1 million. The provision of financing of exports of Kazakhstan commodity producers promotes the development of Kazakhstan's export potential. As at 30 September 2010, DBK had approved 83 export-related transactions worth a total amount of U.S.\$1,308 million, of which DBK's participation was U.S.\$688 million. The total amount of outstanding loans in relation to export transactions as at 30 September 2010 was U.S.\$358 million.

DBK-Leasing

DBK-Leasing, which is DBK's only subsidiary, conducts all of DBK's lease financing activities. It offers short- and long-term (up to 20 years) lease financing in various forms, including for industrial equipment, venture leasing, leasing of industrial buildings and certain combined services, such as leasing and consulting, equity participation and leasing and credit and leasing. DBK-Leasing invests only in large-scale projects worth more than U.S.\$1 million and the average value of transactions in which DBK-Leasing participates was U.S.\$5 million as at 30 September 2010. All of DBK's lease financing operations are carried out through DBK-Leasing. DBK-Leasing has a total portfolio of approximately U.S.\$150 million over 42 transactions. See "*Selected Statistical and Other Data—Analysis of Finance Lease Receivables by Credit Quality*".

DBK funds 100% of DBK-Leasing's activities at market rates for on-lending under finance lease arrangements. DBK-Leasing was established as a separate legal entity in order to permit DBK-Leasing's customers to take advantage of tax benefits and certain VAT exemptions in respect of certain financed imported equipment. These tax advantages can offset higher borrowing costs as compared to bank loans. Customers may also prefer leasing, which unlike loans from DBK, does not require 100% collateral, since DBK-Leasing retains title to the equipment. As a result only a 15-30% down payment and a smaller collateral requirement that is required for all other forms of finance is requested of customers.

DBK-Leasing was established as a joint stock company under the laws of Kazakhstan on 6 September 2005 and was re-registered with the Ministry of Justice under certificate No. 20246-1901-AO in February 2006. DBK-Leasing is based in Astana and has a representative office in Shymkent. As at 30 September 2010, DBK-Leasing had share capital of 160,000 ordinary shares all of which were fully paid and directly owned by DBK. DBK-Leasing has the same development priorities as DBK and supports DBK's role as a development bank.

As at 1 January 2010, based on its internal research, DBK-Leasing had an approximate 11% share of the leasing market in Kazakhstan. The Chairman of the management board of DBK-Leasing is Izbastin Kanysh Temirtayevich. See "*Selected Statistical and Other Data—Finance Lease Receivables*".

Agency Services

Pursuant to the DBK Law, DBK acts as an agent for various national and regional investment projects financed from the state or local government budget or supported by Government guarantees. Agency services include project monitoring, servicing of payments and collections, including opening and maintaining special conditional deposit and reserve accounts and the collection of loans on behalf of the Government. The scope of DBK's agency services and the fees for such services are defined on a case-by-case basis by the agency agreements between the parties who have received such loans. DBK's provision of agency services does not involve an assumption by DBK of liability for the clients' obligations to the Government or creditors' obligations under loans guaranteed by the Government. Acting solely as an agent, DBK receives fees but assumes no risk.

As at 30 September 2010, DBK was acting as the paying agent for 12 investment projects, including three Government loans and nine Government guaranteed loans, in an aggregate amount of approximately U.S.\$437 million. As at 30 September 2010, DBK's total fees for agency services were KZT 54.2 million.

Investment Banking Services

Pursuant to the DBK Law, DBK is permitted to provide investment banking services together with direct financing. In line with the Long Term Strategy, DBK may provide financial consulting and underwriting services and it is envisaged that DBK will provide the following range of investment banking services:

- assistance in obtaining credit ratings from international ratings agencies;
- organising initial public offerings on international stock exchanges for DBK's clients, including carrying out due diligence exercise, arranging the necessary documentation and assisting with the compliance with the listing procedures of the international stock exchanges;

- arranging syndicated loans, including the selection of investors, and providing assistance with the preparation of the related legal and financial documentation;
- arranging bond issues on both the domestic and foreign debt markets and the underwriting of such transactions, including conducting market analysis, arranging for the necessary certifications and assisting with the compliance requirements of any stock exchange procedures; and
- other financial consulting services.

International Banking

DBK co-operates with international development organisations and financial institutions, such as the International Monetary Fund (the “**IMF**”), the Islamic Development Bank, the European Bank for Reconstruction and Development (the “**EBRD**”), the Asian Development Bank, the Export-Import Bank of Turkey, the Development Bank of China, the Export-Import Bank of China, the European Investment Bank and other international financial institutions. DBK is a founding member of the InterBank Consortium of the Shanghai Co-operation Organisation, established in 2005, and holds the Interbank Consortium chairmanship for the second time for the 2010-2011 period (having previously held this position in 2007-2008). DBK has also been appointed as a national coordinator and operator for the Islamic Corporation for Private Sector Development and is a member of the Board of Directors of the Association of Development Financial Institutions of Asia and the Pacific.

On 4 June 2007, DBK and EBRD entered into a Memorandum on Principles of Co-operation (the “**EBRD Co-operation Memorandum**”). Pursuant to the EBRD Co-operation Memorandum, DBK and EBRD agreed to co-operate further in the financing of the second construction phase of the KEGOC North-South power transmission line following the completion of their joint financing of the first phase of this project. As at the date of this Base Prospectus, the project has been fully funded and has been commissioned. This co-financing marked the first time in the history of Kazakhstan’s power distribution sector that a company operating in this sector succeeded in obtaining significant long-term funding from an international development bank without the benefit of a Government guarantee. In addition, co-operation with EBRD during this project allowed DBK’s personnel to familiarise themselves further with international standards for credit assessment, portfolio performance and management of information systems, which has, in turn, improved the quality of services provided by DBK in other projects.

For the purposes of improving its effectiveness, harmonisation of actions and risk-sharing, when financing long-term investment projects, DBK maintains strategic partnerships with national development institutions, including the State Insurance Corporation on Insurance of Export transactions, the Investment Fund of Kazakhstan, the Centre for Engineering and Technology Transfer and the Corporation for Export Development and Promotion. In the coming years, DBK intends to expand its co-operation with multilateral development institutions, such as the EBRD, the Asian Development Bank, the World Bank, the Islamic Development Bank, and the European Investment Bank, principally through the involvement of such institutions in strategic investment projects, whether through co-financing or in an advisory capacity.

DBK maintains correspondent banking relationships with a number of banks, including ING Bank N.V., Bank of New York Mellon, Commerzbank AG, Sberbank of the Russian Federation and JPMorgan Chase Bank.

Competition

Pursuant to the DBK Law, DBK’s primary lending activities include both medium-term (for five or more years) and long-term (from 10-20 years) financings. Kazakhstan’s commercial banks generally provide short- to medium-term financing for up to three years. DBK does not consider itself to be a competitor of the commercial banks in Kazakhstan.

The Investment Fund of Kazakhstan, designated to be part of the development infrastructure of Kazakhstan, and JSC KazAgroFinance, a non-banking financial institution, in each case, like DBK, are charged with supporting the development of certain sectors of the economy. The objectives of these entities, however, are limited to those set forth in the relevant legislation approved by the Government, and they do not have flexibility in selecting their areas of investment. The Investment Fund of Kazakhstan is only permitted to make equity investments in those sectors of the economy that do not involve extraction and processing of mineral resources and may not engage in lending activity, while JSC KazAgroFinance was specifically established by the Government to support the agricultural sector through the financial leasing of machinery and equipment. Consequently, DBK does not consider itself to be a competitor of such entities in any material respects.

Employees

As at 30 September 2010, DBK had 246 full-time employees, as compared to 238 as at 31 December 2009. DBK has not entered into any collective labour agreements nor are any of its employees members of a labour union nor has DBK experienced any work stoppages resulting from labour disputes.

DBK's statute on labour compensation and employee motivation governs the procedures for the granting of employee incentives and rewards. In addition to salaries, the statute provides for bonus packages to be awarded based on DBK's reported financial results in certain circumstances as well as certain other employee incentives. In addition, levels of social support are also provided to employees, including in the form of financial aid on the occurrence of certain events, seconded compensation payments, health insurance and assistance with housing costs.

Employees from key departments and divisions of DBK regularly attend a wide range of specialised training seminars organised by multinational financial institutions. In addition to the arrangement of specialist seminars and training courses, DBK's employees also participate in internships with banks and other financial institutions.

DBK is committed to continuing to upgrade the level of the professional skills and knowledge of its personnel to ensure the availability of sufficiently trained personnel to implement its strategic objectives as set out in the DBK Law and the Credit Policy Memorandum. For this purpose, DBK has budgeted KZT 21.5 million for training expenses in 2010 and KZT 32.3 million in 2011. To date in 2010, 38 employees of DBK have received training at various seminars and courses. at a total cost of KZT 10 million.

Technology

DBK has developed its own internal documentation and information network protection system to assist efficient communication and data management and protection. Management believes that DBK is in compliance with IFRS relating to automation and has installed a Monitoring and Analysis automated information system. The use of these communications systems enables DBK to have protected interactive access to SWIFT, the Kazakh Centre of Interbank Settlements for KZT payments and the Reuters and Bloomberg information services. DBK is committed to further upgrading and maintaining its information and technology systems and it has budgeted KZT 240 million for this purpose in 2010 and KZT 190 million for this purpose in 2011. As at the date of this Base Prospectus, KZT 164 million has been spent for this purpose.

Credit ratings

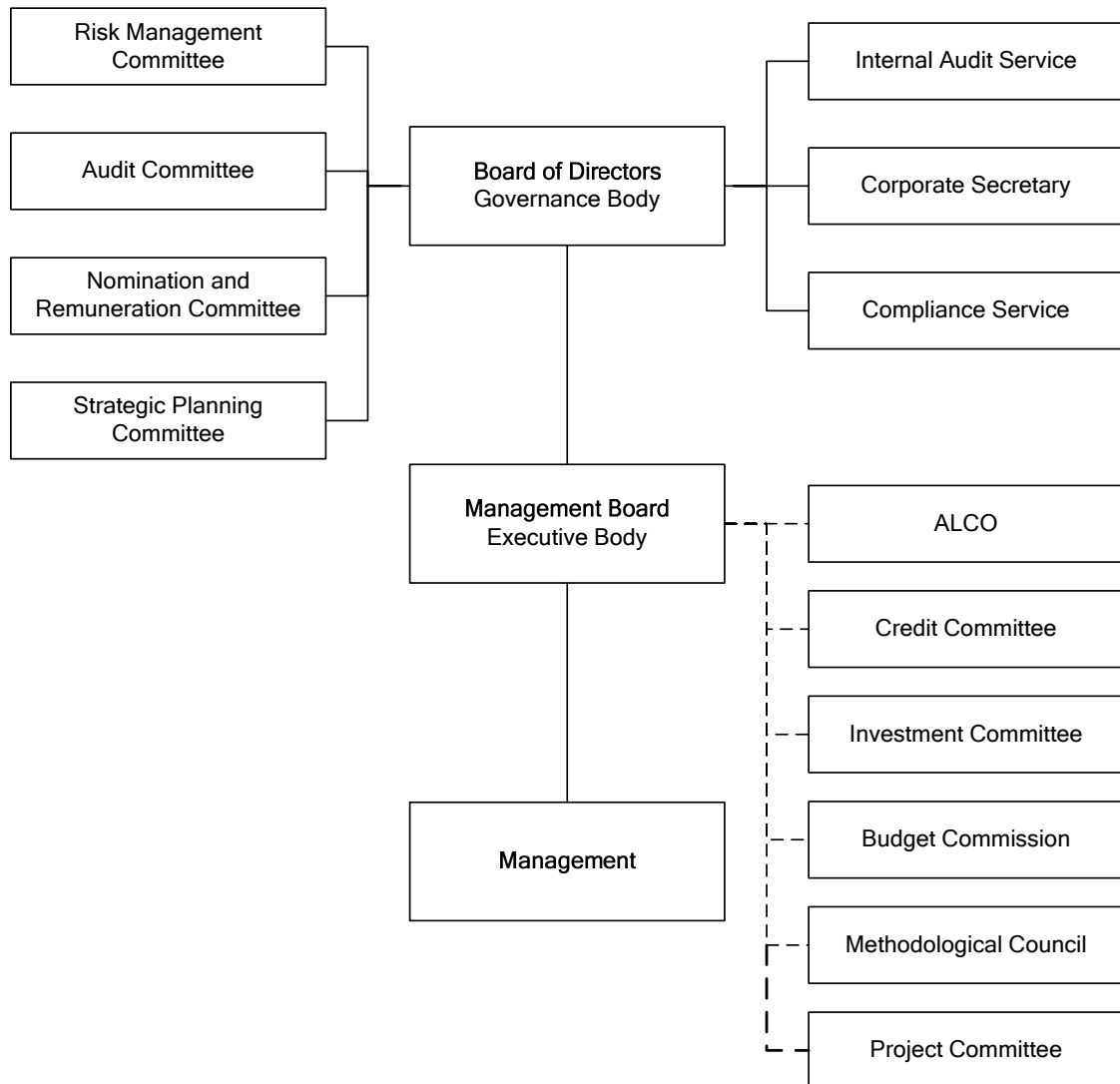
DBK is rated by S&P, Moody's and Fitch and its credit ratings are as follows:

Rating Agency	Tenor	Rating	Outlook
S&P	Foreign Long Term Rating	BBB-	Stable
	Foreign Short Term Rating	A-3	—
	Local Long Term Rating	BBB	Stable
	Local Short Term Rating	A-3	—
Moody's	Foreign Long Term Issuer Rating	Baa3	Stable
Fitch	Long Term Issuer Default Rating	BBB-	Stable
	Short Term Issuer Default Rating	F3	—
	Local Currency Long Term Issuer Default Rating	BBB	—
	Local Currency Short Term Issuer Default Rating	F3	—
	Support Rating	2	—
	Support Rating Floor	BBB-	—

A credit rating is not a recommendation by the rating organization or any other person to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning rating organization and each should be evaluated independently from the other. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

MANAGEMENT

The following organisation chart sets forth the management reporting lines and principal business units of DBK as at the date of this Base Prospectus:



General

The DBK Charter provides for the following corporate governing bodies:

- the sole shareholder, Samruk-Kazyna, which represents the highest corporate governing authority of DBK. Samruk-Kazyna sets the structure and terms of appointment to the Board of Directors, appoints the chairman and members of the Board of Directors and approves the annual financial statements and DBK's dividend policy;
- the Board of Directors, which is responsible for the general management of DBK and the approval of its strategic and operational plans;
- the Management Board, which is responsible for the day-to-day management and administration of DBK; and
- the Internal Audit Service, which is responsible for the internal control processes and reports to the Board of Directors.

Board of Directors

DBK's Board of Directors, consisting of eight members, including the chairman of the Board of Directors, is generally responsible for setting the strategic policy of DBK in accordance with the Credit Policy Memorandum, determining and overseeing the remuneration of the Management Board, approving DBK's annual budget and dealing with all other matters not reserved to Samruk-Kazyna. In accordance with the DBK Law and the DBK Charter, the members of the Board of Directors are elected by Samruk-Kazyna. At least one-third of the members of DBK's Board of Directors must be independent directors. The activities of the Board of Directors are governed by DBK's Code of Corporate Governance and the Statute on the Board of Directors, both dated 14 March 2008.

The business address of the members of the Board of Directors is the registered office of DBK, namely, 10, Orynbor Street, "Kazyna Tower" Building, Yesil District, Astana, Republic of Kazakhstan. As at the date of this Base Prospectus, the members of DBK's Board of Directors are:

<u>Name</u>	<u>Other Positions</u>	<u>Date Appointed</u>
Aset Isekeshv (Chairman).....	Deputy Prime Minister and Minister of Industry and New Technology of Kazakhstan	21 May 2009
Kairat Aitekenov.....	Managing Director and member of the management board of Samruk-Kazyna	23 May 2008
Gali Iskaliyev.....	Chairman of the Management Board of DBK	2 June 2009
Aydan Karibzhanov.....	Managing Director and member of the management board of Samruk-Kazyna	1 June 2009
Ulf Wokurka (independent director).....	Managing Director and Chief Country Officer of Deutsche Bank AG, Kazakhstan	13 September 2007
Jacek Brzezinski (independent director)	Consultant for corporate clients	10 September 2008
Kay Zwingenberger (independent director).....	Director of Siemens Central Asia and board member of the German Economy Club (DWK)	13 August 2010
Azat Peruashev (independent director).....	Chairman "Atameken Union" National Economic Chamber of Kazakhstan	13 August 2010

Information regarding the members of the Board of Directors is set out below:

Aset Isekeshv is the Chairman of the Board of Directors. He graduated from the Law Faculty of Al-Farabi Kazakh National University and the Higher School of Public Administration and started his professional career at the municipal administration of Almaty and the Strategic Planning Agency of Kazakhstan. From 1999 to 2002, Mr Isekeshv held various managerial positions in the Ministry of Justice, served as the President of the National Legal Service JSC, President of the National Consulting Group and Vice-President of "Ordabasy" JSC. From 2002 to 2008, he was an advisor to the Minister of Economics and Budget Planning, Vice-Minister of Industry and Trade, Deputy Chairman of Samruk-Kazyna and director for marketing financial products at Credit Suisse (Kazakhstan) LLP. From March 2008 to May 2009, he was an aide to the President of Kazakhstan and on 21 May 2009, he was appointed Minister of Industry and Trade of Kazakhstan. Since March 2010, Mr. Isekeshv has been the Deputy Prime Minister and Minister of Industry and New Technology of Kazakhstan.

Kairat Aitekenov graduated from the Almaty Institute of Economics and the National School of Public Administration. From 1993 to 1996, he held a number of executive-level positions in the municipal administration of the Kostanay region. From 1997 to 2002, he worked in the Strategic Planning Agency of Kazakhstan and the Ministry of Natural Resources and Environmental Protection and also served as a head of the Committee on Environmental Protection. From 2003 to 2006, he was Vice-Minister of Economy and Budget Planning and, from 2006 to 2007, was Vice-Minister of Tourism and Sports. Between 2007 and November 2008, he was Deputy Chairman of JSC "Sustainable Development Fund" "Kazyna". Since November 2008, Mr Aitekenov has also been a managing director of and a member of the management board of Samruk-Kazyna.

Gali Iskaliyev graduated from the Western-Kazakhstan Agricultural Institute with a degree in economics and from the International Academy of Business with a degree in management. He was chairman of the board of the Gradient Regional Investment Centre, director of the Business Support Department of the Akimat (regional administration) of the Western-Kazakhstan region, director of a branch of Temirbank and head of the Credit Division of TuranAlem Bank in Uralsk. He has been working for DBK since 2006, occupying the posts of vice-president and managing director. Since June 2009, Mr Iskaliyev has been Chairman of the Management Board of DBK.

Aydan Karibzhanov graduated from Moscow State Institute of International Relations with a degree in international economic relations. He has worked as a consultant at the State Property Committee of the Russian Federation, a consultant to Credit Commercial de France in Kazakhstan, deputy chairman of Global Kazkommertz Investment Bank, general director of Kazkommertz Securities and managing director of JSC National Company KazMunayGas. From 2005 to 2007, he was president of VISOR Investment Solutions. Since June 2009, Mr Karibzhanov has also been a managing director of Samruk-Kazyna and is currently also a member of the management board of Samruk-Kazyna.

Ulf Wokurka studied at the Martin Luther University in Halle (Germany) and, in 1989, he graduated from the Faculty of International Relations at the Moscow State Institute of International Relations. In 1990, he joined Deutsche Bank AG in Frankfurt, Germany, where, from 1992, he worked as a manager servicing corporate clients. From 1993 to 1994, he was the head of the representative offices of Deutsche Bank AG and Morgan Grenfell & Co. Limited in Kazakhstan. From 1996 to 1998, he worked in London as the manager of the group on mineral resources sector financing at Deutsche Bank. In 1998, he was appointed a deputy director of the Project and Export Financing Department in New York and later in Frankfurt. In 1999, he became the director of the Frankfurt Structured Trade and Export Financing Division of Deutsche Bank AG. From 2006 to 2008, he was deputy Chairman and a member of the management board of JSC “Kazakhstan Holding for Management of State Assets” “Samruk”. Since August 2008, Mr Wokurka was the managing director of Metzler Asset Management GmbH, based in Frankfurt from August 2008 to September 2010. In September 2010, he was appointed Managing Director and Chief Country Officer of Deutsche Bank AG in Kazakhstan.

Jacek Brzezinski graduated from the Poznan School of Economics in 1979 with a degree in economics and, in 1989, achieved a doctorate in economics. He also studied at the Diplomatic Academy in Vienna, the Ecole Nationale d'Administration in Paris and the Escuela Diplomatica in Madrid. He started his professional career at the Department for Securities and Investment Banking in Central and Eastern Europe at Creditanstalt-Bankverein, Vienna. From 1994 to 1997, he was head representative of the EBRD in Kazakhstan. From 1997 to 1999, he was a director of the Department for Securities and Investment Banking in Central and Eastern Europe at GiroCredit Ban in Vienna and a director of Bank Austria Creditanstalt Futures AG in Vienna and London. From 2000 to 2006, he was general director at B.P. Invest Consult GmbH (BPIC) in Vienna. He currently works as a consultant for corporate clients.

Kay Zwingenberger graduated from the faculty of International Economic Relations of the Moscow State Institute of International Relations in 1995. In 1992, he joined Siemens AG in Moscow and, in 1995, was appointed as commercial director of marketing. Between 1998 and 2001, Mr Zwingenberger worked at Siemens-Elema (Solna, Sweden), where he served as head of sales in Asia and Eastern Europe in the division of Electromedicine. Between 2001 and 2004, he was head of the medical technology department at “Siemens” in Kiev, Ukraine. From 2004 to 2007, he was head of the medical engineering department of “Siemens” in Moscow, Russia. Since 2007, he has been Director of Siemens Central Asia. Since 2010, Mr. Zwingenberger has been a board member of the German Economy Club (DWK).

Azat Peruashev graduated from A.M. Gorky Ural State University in Sverdlovsk specialising in the theory of socio-political relations, and in 1996, he graduated from the National School of Public Administration of Kazakhstan. He holds a PhD in Political Science. Between 1996 and 1998, he worked as a consultant and as Head Secretary of the Administration of the President of Kazakhstan. Between 1998 and 2005, he held senior positions at JSC “Aluminium of Kazakhstan”. From 1999 to 2006, he was the first secretary of the Central Committee of the Civil Party of Kazakhstan. Since 2006, he has held the position of Chairman of the “Atameken Union” National Economic Chamber of Kazakhstan.

Management Board

In February 2009, a number of changes were made to the DBK Law, including the creation of a new management structure which abolished the previous offices of the President and his Vice Presidents and replaced them with the Management Board. The Management Board is an executive board consisting of seven members of the corporate management of DBK. The Management Board generally manages the day-to-day activities of DBK. Members of the Management Board are appointed for terms of three years by the Board of Directors, after consultation with the Nomination and Remuneration committee.

As at the date of this Base Prospectus, the members of the Management Board are:

<u>Name</u>	<u>Other Positions</u>	<u>Date Appointed</u>
Gali Iskaliyev (Chairman)	Member of the Board of Directors, member of the Nomination and Remuneration Committee	2 June 2009
Nurlan Kussainov	First Deputy Chairman of the Management Board	20 September 2010
Arman Kassenov.....	Deputy Chairman of the ALCO, member of the Credit Committee and Chairman of the Investment Committee	14 July 2009
Mirzhan Karakulov	Member of the ALCO, Chairman of the Credit Committee, member of the Investment Committee and member of the Budget Committee	28 May 2010
Nurali Aliyev	Chairman of the board of directors of JSC Nurbank	2 June 2009
Zhaslan Madiyev	Chairman of the ALCO, member of the Investment Committee, member of the Audit Committee and member of the Strategic Planning Committee.	25 March 2010
Ardak Orumbayev	Managing Director-Member of the Management Board.	5 February 2010

Gali Iskaliyev – See “—Board of Directors”.

Nurlan Kussainov graduated from the Kazakhstan State Management Academy (specialising in international economic relations). He also holds a Masters Degree in Management from Leland Stanford Junior University. From March 2001 to September 2002, he worked for DBK as Director of the Strategic Planning Department. Between September 2002 and May 2004, he acted as advisor to the Minister of Economy and Budget Planning and supervised the team of the Ministry of Industry and Trade that was responsible for the negotiations of Kazakhstan’s accession to the World Trade Organisation. From May 2004 to 2005, he acted as Chairman of the Board of JSC Center of Marketing and Analytical Research in the Ministry of Economics and Budget Planning. Between January 2007 and September 2010, he also acted as Director of Investment Company CNRG Capital, as Director of investment and consulting company Al Falah Investment Management Ltd and as Member of the Board of Directors of Direct Investments Fund Fallah Growth Fund. He was appointed as a member and First Deputy Chairman of the Management Board in September 2010.

Arman Kassenov graduated from the professional training program of the Cambridge Judge Business School (University of Cambridge) and from the Faculty of Economics of Kazakh National University. He also holds a Masters Degree in Finance from the London Business School. From August 2007 to February 2008, he was an Investment Director of TuranAlem Securities and, between September 2004 and September 2006, he held a number of managerial positions in Kazkommertzbank. He has been working for DBK since 2008 and currently supervises the project directorates responsible for credit analysis, structuring and financing of projects. He was appointed to the Management Board in July 2009 and is also Deputy Chairman of the ALCO, member of the Credit Committee and Chairman of the Investment Committee.

Mirzhan Karakulov graduated from Kazakhstan Institute of Management, Economics and Strategic Research, as well as, Vanderbilt University (USA) with a Masters Degree in Economics and is a “Bolashak” International Presidential Program Scholar. Between January 2008 and July 2009, he worked at Samruk-Kazyna and between July 2004 and September 2005 he worked at Halyk Bank. Between September 2005 and July 2006 he worked in DBK’s Risk Management Department. Since July 2009, he has worked as a Director of DBK’s Risk Management Department and currently supervises DBK’s operational activity, budget planning and control and correspondent relationships with other financial institutions. He was appointed to Management Board in May 2010 and is also a member of the ALCO, Chairman of the Credit Committee, member of the Investment Committee and member of the Budget Committee.

Nurali Aliyev graduated from Kazakh National Pedagogical University, from Pepperdine University in the United States, and from the International University in Austria. He also holds an MBA from the International Business School of Imadec University. Between March 2006 and October 2007, he worked as the Acting Chairman of the board of Nurbank JSC and from October 2004 to February 2006, he worked as the President of JSC Sakharniy Tsent. He currently holds the position of Chairman of the board of directors of JSC Nurbank. He has been working for DBK since 2008 and was appointed to the Management Board in June 2009.

Zhaslan Madiyev graduated from the Faculty of International Economics and Finance of Kazakh National University. He holds a Masters Degree in Economics and Finance from Columbia University in New York and is a “Bolashak” International Presidential Program Scholar. Between February 2006 and June 2006, he was head of the Debt Capital Markets division of Alliance Bank and, from December 2007 and August 2008, he worked with Kazyna Fund for

Sustainable Development and with the Administration of the President of the Republic of Kazakhstan. From December 2008 to June 2009, he was Director of Treasury Department of Samruk-Kazyna. From June 2009 to March 2010, he worked as the Deputy Chairman of Kazyna Capital Management where he was in charge of the Treasury, Finance and Administrative departments. He has been working for DBK since March 2010 where he currently is in charge of treasury, fund raising, structured finance, strategy corporate development and corporate governance. He was appointed to the Management Board in March 2010. He is also chairman of the ALCO and is a member of the Investment Committee, the Audit Committee and the Strategic Planning Committee.

Ardak Orumbayev graduated in Internal Affairs from Kargandy University of Economics (specialising in Jurisprudence) and attended the Advanced Leadership Program for Management of Yale University in the United States. Between February 2000 and October 2006, he worked for the Ministry of Justice, in the Agency of the Republic of Kazakhstan for the Regulation of Natural Monopolies. He also worked for the Investment Fund of Kazakhstan, from January 2008 to March 2009, and for the Innovation Fund of Kazakhstan from December 2006 to February 2007. From March 2009 until February 2010, he held managing positions in BTA Bank and Temir Bank. He was appointed to the Management Board in February 2010 and is responsible for supervision of DBK's legal department.

The business address of the members of the Management Board is the registered office of DBK, namely, 10, Orynbor Street, "Kazyna Tower" Building, Yesil District, Astana, Republic of Kazakhstan.

Corporate Governance

DBK's Code of Corporate Governance, which was approved by Samruk-Kazyna on 14 March 2008, is constructed upon the following principles:

- protection of the rights and interests of the sole shareholder;
- efficient management of DBK by the Board of Directors and the executive body (the Management Board);
- efficient control over the financial and economic activities of DBK;
- transparency and accurate disclosure of information;
- compliance with laws and ethical standards;
- social responsibility and the development of partnership relations with interested parties; and
- regulation of corporate conflicts.

Four members of the Board of Directors are independent directors. These directors are appointed by the sole shareholder of DBK.

In addition to the establishment of the committees of the Board of Directors as described below, the Service of the Corporate Secretary of the Board of Directors and the Compliance Control Service has been established by DBK to assist the Board of Directors in ensuring DBK's compliance with corporate governance policies. The Service of the Corporate Secretary was established to assist the Board of Directors in performing its duties and to protect the rights and interests of the sole shareholder. The Compliance Control Service was established to ensure the effective management of compliance risks and has exclusive competence to exercise internal control over the compliance of DBK with the legislation of Kazakhstan, including rulings of the FMSA and the internal regulations and procedures of DBK.

The corporate governance efforts of DBK were recognised by the international financial periodical Euromoney in 2007 which named DBK as "The Leading Bank in Corporate Governance in Emerging Europe". In addition, on 14 January 2010, DBK was assigned a governance, accountability, management, metrics and analysis (GAMMA) score of "GAMMA-5" from Standard & Poor's Governance Services.

The strengths of DBK's corporate governance practices reflect the commitment of Samruk-Kazyna to strengthening the governance practices of its subsidiaries (including DBK).

Board Committees

The Board of Directors has established the following committees:

Audit Committee

The Audit Committee was established to facilitate the monitoring of DBK's financial and economic activities and to ensure that there is an adequate system of internal control and risk management in operation. The Audit Committee is responsible for the promotion and strengthening of DBK's internal and external audit functions.

As at the date of this Base Prospectus, the members of the Audit Committee are Ulf Wokurka (chairman), Jacek Brzezinski, Kay Zwingenberger, Andrew Kuske, Zhaslan Madiyev and Rasul Yerzhanov (secretary).

Risk Management Committee

The role of the Risk Management Committee is to assist the Board of Directors in risk monitoring, risk control and risk analysis. As at the date of this Base Prospectus, the members of the Risk Management Committee are Ulf Wokurka (chairman), Jacek Brzezinski, Kamilla Khairova, Azat Peruashev, Kay Zwingenberger and Aizhan Mendebayeva (secretary).

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established to make recommendations to the Board of Directors regarding human resources management, employee motivation policies and nominations to and remuneration of the Board of Directors.

As at the date of this Base Prospectus, the members of the Nomination and Remuneration Committee are Jacek Brzezinski (chairman), Ulf Wokurka, Gali Iskaliyev and Aygul Abdambayeva (secretary).

Strategic Planning Committee

The role of the Strategic Planning Committee is to make recommendations to the Board of Directors in relation to the development of the priority sectors and strategic aims of DBK. As at the date of this Base Prospectus, the members of the Strategic Planning Committee are Ulf Wokurka (chairman), Jacek Brzezinski, Zhaslan Madiyev, Erkhata Iskaliyev, Bakhytzhana Sarkeyev, Nurmuhambet Abdibekov, Kay Zwingenberger, and Azat Peruashev.

Other Committees and Support Bodies

The Management Board is also assisted by the Project Committee, the Budget Commission and the Methodological Council.

The Project Committee is responsible for the preliminary consideration of issues and making recommendations to the Credit Committee in relation to credit policy, the Budget Commission assists with the timely development and execution of the budget for each financial year and the Methodological Council is primarily tasked with providing recommendations for the improvement and implementation of legal and practical systems relating to the management of DBK's activities.

See also "*Asset and Liability Management—Principal Committees*".

Internal Audit Service

The Internal Audit Service assists the Board of Directors and the Management Board. As at the date of this Base Prospectus, the Internal Audit Service consists of three DBK employees. The Head of the Internal Audit Service and its members are appointed by the Board of Directors with the prior approval of the Audit Committee. The Head of the Internal Audit Service has the right to convene an extraordinary meeting of the Board of Directors of DBK or the Audit Committee on issues within the competence of the Internal Audit Service. The current members of the Internal Audit Service are Rasul Yerzhanov (appointed in June 2008), Altyn Nurkeeva (appointed in February 2006) and Bakhyt Zhusupbekova (appointed in September 2008).

Management Remuneration

Determination of the amounts and terms of remuneration for the Board of Directors of DBK is the responsibility of the sole shareholder of DBK. Remuneration of executive management is based on DBK's financial results and is determined by the

Board of Directors. As at the date of this Base Prospectus, remuneration is set at levels equivalent to that of officials of comparable seniority at the NBK. As at 30 September 2010, there were no outstanding loans or guarantees granted by DBK to any member of the Board of Directors or the Management Board or to any parties related to them.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the Board of Directors and the Management Board of DBK towards DBK and their private interests or other duties.

SHARE CAPITAL, SOLE SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Share Capital

As at 30 September 2010, DBK's outstanding share capital consisted of 2,066,525 ordinary shares all of which are issued and fully paid. Each ordinary share carries one vote. Samruk-Kazyna is the holder of all 2,066,525 shares. DBK's authorised capital was increased in October 2009 by more than KZT 165.0 billion.

In accordance with the DBK Law, any dividend policy must be approved by the sole shareholder and DBK's net income is added to its reserve capital.

Samruk-Kazyna

Samruk-Kazyna is wholly-owned by the Government and is the national managing holding company for substantially all state enterprises. Samruk-Kazyna was created in 2008 pursuant to the Presidential Edict No. 669, dated 13 October 2008, and the Resolution of the Government No. 962, dated 17 October 2008, by way of the merger of JSC "Kazakhstan Holding for Management of State Assets" "Samruk" and JSC "Sustainable Development Fund" "Kazyna" ("**Kazyna**"). Samruk-Kazyna is a joint stock company whose shares are held by the Ministry of Finance's Committee of State Property and Privatisation on behalf of Kazakhstan. Prior to this merger, the entire share capital of DBK was owned by Kazyna and, prior to April 2006, directly by the Government, local agencies of the 14 regions of Kazakhstan and the Cities of Astana and Almaty.

Samruk-Kazyna's primary objective is to manage shares (participatory interests) of legal entities it owns with a goal of maximising long-term value and increasing competitiveness of such legal entities in world markets.

The governance of Samruk-Kazyna's activities is subject to general corporate governance applicable to all joint stock companies in Kazakhstan.

Samruk-Kazyna may not dispose of its shareholding in DBK without the approval of the Government, its sole shareholder.

Samruk-Kazyna's board of directors is appointed by the Government and its members include, among others, the Minister of Economy Development and Trade, the Minister of Finance, the Minister of Oil and Gas, the Minister of Industry and New Technologies, independent directors and the chairman of the management board of Samruk-Kazyna. In addition, the board of directors of Samruk-Kazyna is chaired by the Prime Minister of Kazakhstan.

In instances where state or local budgetary funds have been used, the DBK Law requires DBK to report to the relevant administrative department of the Government or local authority on a monthly basis in relation to the use of such funds. Pursuant to the provisions of the DBK Law, however, any intervention of state organisations or its officials in to DBK's activities are prohibited, unless set forth in legislation.

Related Party transactions

Transactions with the Board of Directors and Management Board

For the nine months ended 30 September 2010, the total remuneration of members of the Board of Directors and the Management Board, including payroll and related taxes, was KZT 215.1 million, as compared to KZT 205.5 million and KZT 217.0 million as at 31 December 2009 and 2008, respectively. Total remuneration of members of the Board of Directors and key management personnel, including payroll and related taxes, was KZT 248.5 million in 2007. Such amounts include non-cash benefits granted to members of the Board of Directors and the Management Board or key management personnel, as the case may be.

Transactions with other related parties

DBK also enters into certain transactions with Samruk-Kazyna, the State and national companies and organisations. See Note 38 to the audited annual consolidated financial statements as at and for the year ended 31 December 2009.

Loans from Samruk-Kazyna and Government grants comprise significant sources of DBK's funding. See "*Selected Statistical and Other Data—Principal Sources of Funding*". In addition, DBK extends financing to state-owned companies and other organisations (other than Samruk-Kazyna). DBK extended an amount of KZT 23,136.3 million in loans to state-owned companies and other organisations at an average interest rate of 9.81%, comprising 11.5% of total loans to customers as at 31 December 2009.

In the event that a member of the Board of Directors has a conflict of interest, as provided for in the Joint Stock Companies Law, in relation to an investment project or other transaction, that member must inform the Board of Directors of the conflict and shall not participate in the vote to approve such transactions. Any vote shall then be passed by a majority of the remaining non-conflicted members. Only if there are insufficient non-conflicted members of the Board of Directors to pass a vote, shall a decision to approve a transaction be taken by a general meeting of DBK's sole shareholder.

THE BANKING SECTOR IN KAZAKHSTAN

Set forth below is certain information regarding Kazakhstan's banking sector. Unless specifically mentioned therein, this information does not apply to DBK due to its special status as a development bank. In particular, pursuant to the DBK Law, DBK is not subject to the prudential requirements of the NBK which only apply to commercial banks in Kazakhstan. As a statutory financial agency, DBK is not subject to withholding tax.

Introduction

Since mid 1994, the Government has adhered to a strict macroeconomic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms, which have sharply reduced inflation and lowered interest rates.

Kazakhstan has a two tier banking system with the central bank of Kazakhstan, the NBK, comprising the first tier and the commercial banks comprising the second tier (with the exception of DBK, which has a special status and belongs to neither tier). Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the FMSA (prior to 2004 this licensing role was carried out by the NBK).

The Government, the NBK and the FMSA have undertaken significant structural reforms in the banking sector, aimed at promoting consolidation in the banking sector and improving the overall stability of the system.

Global financial instability and market dislocation have adversely affected the Kazakhstan banking sector, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks. Statistics published by the FMSA show the considerable asset quality deterioration in 2009, with non performing loans in the banking sector increasing to 36.5%, as at 1 January 2010 from 8.1%, as at 1 January 2009. In 2009, the banking sector overall showed a net loss of KZT 2,834 billion (by way of comparison, the aggregate financial result for the banking sector as at the end of 2008 was a profit of KZT 10.7 billion) and assets of the banking sector also declined in that period. As at 30 June 2010 the share of bad loans in the Kazakhstan banking sector was 25.25%, and the aggregate financial result for the banking sector for the first six months of 2010 was a loss of KZT 267.7 billion.

The Government has taken a number of steps to support the Kazakhstan banking sector including significant capital injections. The Government's capital injections into the Kazakhstan banking sector are estimated at 6.4%, of Kazakhstan's GDP in 2009, compared, for example, to the United Kingdom and the United States where, according to the IMF, capital injections represented 3.9%, and 2.2%, respectively. The total amount of capital injected into the Kazakhstan banking sector was U.S.\$6,777 million as at 1 September 2010. JSC BTA Bank has been the principal beneficiary of the capital injections, with funds injected to acquire equity amounting to KZT 212.1 billion (or U.S.\$1.4 billion).

For a discussion of various risks associated with the banking sector and banking regulation in Kazakhstan, see "*Risk Factors - Risks Relating to Kazakhstan—Kazakhstan's Banking Sector*".

The NBK and the FMSA

The NBK is the central bank of Kazakhstan and although it is an independent institution, it is subordinate to the President of Kazakhstan. The President has the power, among other things, to appoint (with the approval of the Senate, which is the higher chamber of the Parliament) and remove the NBK's Chairman, to appoint and remove the NBK's Deputy Chairman upon the proposal of the Chairman, to approve the annual report of the NBK, to approve the concept and design of the national currency, and to request information from the NBK. Mr. Grigoriy Marchenko was appointed as Chairman of the NBK in January 2009. The principal governing bodies of the NBK are the Executive Board and the Board of Directors. The Executive Board, the highest governing body of the NBK, consists of nine members, including the Chairman, four other representatives of the NBK, a representative of the President, two representatives of the Government and the chairperson of the FMSA.

Currently, the principal task of the NBK is to ensure price stability in Kazakhstan. The NBK is also empowered to develop and conduct monetary policy, organise banking settlement systems, conduct currency regulation and control, assist in ensuring stability of the financial system and protect the interests of depositors with commercial banks. Following legislative changes in July 2003, the FMSA was formed and, on 1 January 2004, took over responsibility for most of the supervisory and regulatory functions in the financial sector, which were previously performed by the NBK.

The FMSA is an independent institution reporting directly to the President. The principal task of the FMSA is to regulate and supervise Kazakhstan's financial markets and financial institutions, including banks, insurance companies, pension funds and pension asset management companies, as well as professional participants in the securities market. The FMSA is empowered, among other things, to license financial institutions, to approve prudential standards for them, to approve,

jointly with the NBK, the scope of financial reporting for financial institutions and to monitor the activities of, to apply sanctions to (where necessary) and to participate in the liquidation of, financial institutions.

The administration of anti-monopoly legislation in Kazakhstan with respect to the banking sector was transferred from the FMSA to the Competition Agency. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the FMSA. For example, certain transactions with a value exceeding certain thresholds require the prior consent of the Competition Agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the Competition Agency and the FMSA.

Banking Supervision

Capital Adequacy

The FMSA refined its capital adequacy and credit exposure standards in September 2005, when it set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions.

In November 2005, the regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represented a substantial step towards the implementation of the Basel Accord. In particular, these regulations introduced the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks and included rules for calculating risk with respect to derivatives.

As at 1 July 2009, the FMSA required banks to maintain a K1 (Tier 1 capital to total assets) and K1 2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio of 6.0%, compared with the BIS Guidelines' recommendation of 4.0%. The FMSA's K2 (own capital to total assets weighted for risk) capital adequacy ratio requirement is 12.0%, compared with the BIS Guidelines' recommendation of 8.0%. For banks with a bank holding company or a bank parent company among their shareholders and state controlled banks, the FMSA's K1 (Tier 1 capital to total assets) and K1 2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio requirement is reduced to 5.0%, of total assets while the K2 (own capital to total assets weighted for risk ratio) is reduced to 10.0%, of risk weighted assets.

Reserve Requirements

Starting in the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to banks. With effect from 3 March 2009, the minimum level at which second tier banks must maintain reserves has been decreased from 2.0%, to 1.5%, with respect to domestic liabilities and from 3.0%, to 2.5%, with respect to other liabilities.

Deposit Insurance

In December 1999, a self funded domestic deposit insurance scheme, the KDIF, was established and as at 1 September 2010, 34 commercial banks, including subsidiaries of foreign banks, were covered by the scheme (according to the Kazakhstan Deposit Insurance Fund). The insurance coverage is presently limited to personal deposits in any currency up to a maximum amount per customer of KZT 5 million at any given bank. Starting from 1 January 2012, the maximum guaranteed amount is scheduled to be reduced from KZT 5 million to KZT 1 million. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals. It is anticipated that participant banks will be called upon to make further contributions to the scheme as a result of payments made by the scheme to depositors of JSC Valut Transit Bank.

Other Regulations

In addition, in June 2006 the FMSA implemented measures to restrict Kazakhstan banks from having outstanding external short term financings which exceed a bank's regulatory capital. These measures may limit a bank's ability to extend the maturity of certain short term facilities causing it to look to longer term financings or customer deposits to replace such short term facilities. A failure to replace these facilities could lead to an increase in a bank's funding costs, an increase in its liquidity and interest rate risk or both.

To address concerns about currency mismatches and more precisely, to manage banks' liquidity, the FMSA has also tightened requirements regarding open/net currency positions and introduced various limits on currency liquidity.

In December 2006, and with effect from 1 April 2007, the FMSA approved new rules on classification of assets and provisioning. While the principles of classification and provisioning remain largely unchanged, these rules, among others, introduced more stringent requirements regarding the monitoring of credit files, developed a definition of financial

soundness with respect to borrowers, provided for a more differentiated approach to various types of borrowers, loans and security and stipulated the right of the FMSA to demand that a bank increases its provisioning ratios.

Commercial Banks

According to data published by the FMSA, as at 30 September 2010, 30 of the 38 second tier banks (excluding Zhilstroysberbank) had capital of over KZT 5 billion and eight banks had a capital of KZT 2 billion to KZT 5 billion. Since 1 October 2009, any bank whose own capital (i.e. shareholders' equity) falls below KZT 5 billion (or KZT 2 billion for banks registered outside of Astana and Almaty) is required to apply to the FMSA for voluntary reorganisation into an organisation performing only limited banking operations. Starting from 1 July 2011 the minimum requirements for size of own capital are established at KZT 10 billion for banks, including newly created banks, KZT 5 billion for residential construction savings banks and KZT 4 billion for banks registered and carrying out a significant part of their operations outside Astana and Almaty.

According to data published by the FMSA, the total capital of commercial banks increased to KZT 1,229 billion as at 30 September 2010 compared to negative capital of KZT 978 billion as at 1 January 2010 and KZT 1,453 billion as at 1 January 2009. During such period, the total assets of such banks increased to KZT 11,927 billion as at 30 September 2010 from KZT 11,557 billion as at 1 January 2010 (compared to approximately KZT 11,890 billion as at 1 January 2009). The aggregate liabilities decreased to approximately KZT 10,697 billion as at 30 September 2010 from KZT 12,536 billion as at 1 January 2010 but still higher in comparison to KZT 10,437 billion as at 1 January 2009.

Financial Stability and Restructuring Reforms

On 23 October 2008, new legislation relating to the stability of the Kazakhstan financial system was adopted.

Under the new law, in the event of a breach by a bank of capital adequacy or liquidity ratios or two or more breaches by a bank in any twelve month period of any other prudential or other mandatory requirements, the Government may, with the agreement of the FMSA, acquire, either directly or through a national management holding company (which is currently Samruk-Kazyna), the authorised shares of any bank in Kazakhstan to the extent necessary (but not less than 10.0%, of the total amount of issued and outstanding shares of such bank, including those to be acquired by the Government or the national management holding company) to improve such bank's financial condition and ensure compliance with prudential or other mandatory requirements. The new law provides that the management and shareholders of an affected bank do not have the right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body authorised to manage state property or the national management holding company is authorised to appoint no more than 30.0%, of the members of the board of directors and the Management Board of the affected bank.

The Government or the national management holding company must sell the acquired shares within one year of their acquisition to a third party investor or investors by way of direct sale or through the stock exchange. However, this term may be extended if the financial condition of the bank shows no sign of improvement.

On 2 February 2009, the FMSA agreed with the Government on the acquisition of approximately 75.1%, of BTA Bank's shares, which were subsequently acquired by Samruk-Kazyna within the new financial stability measures. In January 2010 Samruk-Kazyna has acquired 100% of share capital of JSC Alliance Bank. As at the date of this Base Prospectus, Samruk-Kazyna owns 81% of the share capital of BTA Bank and 67% of the share capital of Alliance Bank.

The NBK decreased its refinancing rate from 10.5%, to 10.0%, effective from 1 January 2009, and the current refinancing rate is 7.0%. The stated reason for the rate cut was the shortage of liquidity in the market. These measures proved to be insufficient and both JSC BTA Bank and JSC Alliance Bank defaulted on their debt in April 2009. JSC Astana Finance, a diversified financial services company, defaulted and announced a moratorium on the repayment of its debt in May 2009, and other banks face increasing pressure due to the growing number of non performing loans. In response to the pressure faced by major banks in Kazakhstan in 2008 and 2009, Kazakhstan's parliament adopted the Restructuring Law with the twin aims of enabling consensual financial restructurings approved by a majority of creditors and of revising the existing framework for good bank/bad bank reorganisations. The restructuring of JSC Alliance Bank was completed on 23 March 2010, restructuring and/or cancelling over U.S.\$4.5 billion of JSC Alliance Bank's financial indebtedness. The restructuring of JSC BTA Bank was completed on 31 August 2010, cancelling approximately U.S.\$16.7 billion of JSC BTA Bank's financial indebtedness. As at the date of this Base Prospectus, the application of the Restructuring Law has been tested in practice three times, in the restructurings of Alliance Bank and BTA Bank (as referred to above) and Temir Bank.

As at the date of this Base Prospectus, the Kazakhstan banking system remains under stress.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, save for the wording in italics, as supplemented, amended or replaced by the relevant Final Terms, will be endorsed on each Definitive Note and attached to or incorporated by reference into each Global Note. The relevant Final Terms (or relevant provisions thereof) will be endorsed upon or attached to each Global Note and Definitive Note. The Terms and Conditions of the Notes applicable to Global Notes will differ from those which would apply to a Definitive Note to the extent described under “Form of Notes”.

1. INTRODUCTION

JSC Development Bank of Kazakhstan (the “**Issuer**”) has established a Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$2,000,000,000 in aggregate principal amount of notes (the “**Notes**”) outstanding. The Notes are constituted by an amended and restated trust deed (as amended or supplemented or restated from time to time, the “**Trust Deed**”) dated 1 December 2010 between the Issuer and Deutsche Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). The Notes are the subject of an amended and restated agency agreement dated 1 December 2010 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Trustee, Deutsche Bank AG, London Branch as Principal Paying and Transfer Agent (the “**Principal Paying and Transfer Agent**”, which expression includes any successor Principal Paying and Transfer Agent appointed from time to time in connection with the Notes), Deutsche Bank Trust Company Americas as U.S. Paying and Transfer Agent and U.S. Registrar (the “**U.S. Registrar**”) and Deutsche Bank Luxembourg S.A. as Luxembourg Registrar (the “**Luxembourg Registrar**”).

Notes issued under the Programme are issued in series (each, a “**Series**”) and each Series may comprise one or more tranches (each, a “**Tranche**”) of Notes. Each Tranche is the subject of Final Terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended or replaced by Part A of the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying and Transfer Agent, the initial Specified Office of which is set out below.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Trustee and the Paying Agents, the initial Specified Offices of which are set out below.

2. INTERPRETATION

2.1. In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Business Day**” means:

(a) in the case of Euros, a TARGET Settlement Day;

(b) in the case of a Specified Currency other than Euros, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or

- (c) in the case of a Specified Currency or one or more Business Centre(s) specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres so specified;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of Months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
- (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Principal Paying and Transfer Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and such other amount(s) as may be specified in the relevant Final Terms;

“**Clearstream, Luxembourg**” means Clearstream Banking *société anonyme*

“**Day Count Fraction**” means (subject as provided in Condition 7), in respect of the calculation of an amount of interest for any Interest Period:

- (a) if “Actual/365 or “Actual/Actual (ISDA)” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non leap year divided by 365);
- (b) if “Actual/365” (Fixed)” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if “Actual/360” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

- (d) if “30/360”, “360/360” or “Bond Basis” is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)); and
- (e) if “30E/360” or “Eurobond Basis” is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month);

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**Euroclear**” means Euroclear Bank SA/NV;

“**Euro Exchange Date**” means the date on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Trustee and the Noteholders that replacement Notes denominated in Euros are available for exchange;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Indebtedness**” means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

“**Indebtedness for Borrowed Money**” means, any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a “with recourse” basis) having the commercial effect of a borrowing;

“**Indebtedness Guarantee**” means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“ISDA Definitions” means the 2000 ISDA Definitions (as supplemented by the Annex to the 2000 ISDA Definitions and as further amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms)) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.);

“Issue Date” has the meaning given in the relevant Final Terms;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Margin” has the meaning given in the relevant Final Terms;

“Material Subsidiary” means, at any given time, any Subsidiary of the Issuer whose gross assets or gross revenues represent at least 5.0%, of the consolidated gross assets, or, as the case may be, consolidated gross revenues of the Issuer and its consolidated Subsidiaries (in each case, determined by reference to the Issuer’s most recent consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as published at the time by the International Accounting Standards Board or its successor) or any other Subsidiary to which is transferred either (a) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary or (b) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had the transfer occurred on or before either (i) the date of the said most recent audited financial statements of the Issuer or (ii) if management accounts or other unaudited financial statements of the Issuer prepared in accordance with IFRS are available for any period subsequent to the said most recent audited financial statements, such accounts or financial statements and, for these purposes:

- (a) the gross assets and gross revenues of a Subsidiary shall be determined by reference to its then most recent audited financial statements prepared in accordance with IFRS (or, if none, its then most recent management accounts or other financial statements prepared in accordance with IFRS); and
- (b) the consolidated gross assets and consolidated gross revenues of the Issuer and its consolidated Subsidiaries shall be determined by reference to its then most recent audited consolidated financial statements prepared in accordance with IFRS (or, if none, its then most recent consolidated management accounts or other unaudited consolidated financial statements prepared in accordance with IFRS);

“Maturity Date” has the meaning given in the relevant Final Terms;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

“Optional Redemption Amount (Call)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Optional Redemption Amount (Put)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms or, following the occurrence of a Put Event, the sixtieth day after notice thereof is given by the Issuer pursuant to Condition 11.6;

“**Participating Member State**” means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (a) if the currency of payment is Euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not Euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre and which, if the currency of payment is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively;

“**Permitted Security Interest**” means any Security Interest:

- (a) granted in favour of the Issuer by any Subsidiary to secure Indebtedness for Borrowed Money owed by such entity to the Issuer;
- (b) which arises pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;
- (c) being liens or rights of set off arising by operation of law and in the ordinary course of business, including, without limitation, any rights of set off with respect to demand or time deposits maintained with financial institutions and bankers’ liens with respect to property of the Issuer held by financial institutions;
- (d) arising in the ordinary course of the Issuer’s or a Subsidiary’s business and (i) which are necessary in order to enable the Issuer or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Issuer’s or such Subsidiary’s business or (ii) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Issuer’s or such Subsidiary’s customers;
- (e) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease;
- (f) arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Subsidiary), in connection with (i) contracts entered into substantially simultaneously for sales and purchases at market prices of securities, (ii) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or precious metals or (iii) the Issuer’s foreign exchange dealings or other proprietary trading activities including, without limitation in the case of (i), (ii) and (iii), Repos,;

- (g) granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (h) any netting or set-off arrangement entered into by the Issuer in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (i) on the property, income or assets of the Issuer or any Subsidiary securing Indebtedness, provided that the aggregate amount of Indebtedness so secured pursuant to this clause (i) at any one time shall not exceed an amount in any currency or currencies equivalent to 15% of the Issuer's total assets, determined by reference to the Issuer's most recent audited consolidated IFRS financial statements; and
- (j) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the Issue Date of the Notes or permitted by any of the above exceptions, provided that the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

“**Permitted Shareholder**” has the meaning given in Condition 11.6;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to Euros, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“**Put Event**” has the meaning given in Condition 11.6;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and the relevant Final Terms;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“**Reference Banks**” has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“**Reference Price**” has the meaning given in the relevant Final Terms; “**Reference Rate**” has the meaning given in the relevant Final Terms;

“**Registrar**” means the U.S. Registrar or the Luxembourg Registrar, as the case may be;

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying and Transfer Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the relevant Final Terms;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, the Reuters Markets 3000 Money Rates Service and Telerate) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Final Terms;

“**Repo**” means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for purposes of this definition, the term “securities” means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any private or public company, any government or agency or instrumentality thereof or any supernational, international or multilateral organisation;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Security Interest**” means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person;

“**Specified Currency**” has the meaning given in the relevant Final Terms; “**Specified Denomination(s)**” has the meaning given in the relevant Final Terms; “**Specified Interest Payment Date**” has the meaning given in the relevant Final Terms; “**Specified Office**” has the meaning given in the Trust Deed; “**Specified Period**” has the meaning given in the relevant Final Terms;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at a given time, any other Person (the “**second Person**”) (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50.0%, of the capital, voting stock or other right of ownership and “**Control**,” as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise;

“**TARGET System**” means the Trans European Automated Real Time Gross Settlement Express Transfer System 2 or any successor thereto;

“**TARGET Settlement Day**” means any day on which the TARGET System is open; and

“**Treaty**” means the Treaty establishing the European Communities, as amended; and “**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

- 2.2. Terms defined in the Trust Deed or the Agency Agreement shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein.

2.3. In these Conditions:

- (a) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 9, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (b) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 and any other amount in the nature of interest payable pursuant to these Conditions;
- (c) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed; and
- (d) if an expression is stated in Condition 2.1 to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes.

3. **FORM, DENOMINATION AND TITLE**

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms or integral multiples thereof, without interest coupons, provided that:

- (a) the Specified Denomination(s) shall not be less than € 100,000 or its equivalent in another currency,
- (b) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the person in whose name a Note is registered, “**holder**” shall be read accordingly and capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

4. **TRANSFERS OF NOTES**

- 4.1. One or more Notes may be transferred, in whole or in part in the authorised denominations set out in the applicable Final Terms and subject to the minimum transfer amounts specified therein, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the Transfer Agent may reasonably require, including for the purposes of establishing title to the relevant Note, and the identity of the person making the request. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- 4.2. In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Notes, a new Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Notes shall be issued in respect of those Notes of that holding that have the same terms. New Notes shall only be issued against surrender of the existing Notes to the Registrar or any Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Note representing the enlarged holding shall only be issued against surrender of the Note representing the existing holding.

- 4.3. Each new Note to be issued pursuant to Conditions 4.1 or 4.2 shall be available for delivery within five business days of receipt of the form of transfer or Put Option Notice and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Option Notice or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Option Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and such insurance as it may specify. In this Condition 4.3, “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- 4.4. Transfer of Notes on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and security as the Registrar or the relevant Transfer Agent may require).
- 4.5. No Noteholder may require the transfer of a Note to be registered:
- (a) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount or interest amount in respect of, that Note;
 - (b) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 11.3; or
 - (c) after any such Note has been called for redemption, including partial redemption.
- 4.6. As specified in the Agency Agreement, if, at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB and a QP is not a QIB and a QP, the Issuer may (i) require such beneficial owner to sell its Notes, or may sell such Notes on behalf of such beneficial owner, to a non U.S. person who purchases in an offshore transaction pursuant to Regulation S or to a person who is a QIB who is also a QP and who is otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) require the beneficial owner to sell such Notes, or may sell such Notes on behalf of such beneficial owner at a price equal to the lesser of the purchase price paid by the beneficial owner for such Notes, 100% of the principal amount thereof and (z) the fair market value thereof. The Issuer also has the right to refuse to honour a transfer of an interest in a Note to a U.S. person who is not a QIB and a QP.

5. STATUS

The Notes constitute direct, general and unconditional obligations of the Issuer, which will at all times rank *pari passu* among themselves and *pari passu* in right of payment with all other present and future unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6. NEGATIVE PLEDGE AND COVENANTS

- 6.1. So long as any Note remains outstanding the Issuer shall not, and shall not permit any Material Subsidiary to create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of such Indebtedness for Borrowed Money unless, at the same time or prior thereto, the Issuer’s obligations under the Trust Deed and the Notes are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders or as the Trustee in its discretion shall deem to be not materially less beneficial to the Noteholders.
- 6.2. So long as any Note remains outstanding, the Issuer shall ensure that it is fully in compliance with the Law on Development Bank of Kazakhstan of 25 April 2001, as amended (the “**DBK Law**”), and the Memorandum on Credit Policy of the Issuer referred to in the DBK Law, as amended from time-to-time, (the “**Credit Policy Memorandum**”).

- 6.3. So long as any Note remains outstanding, the Issuer shall, and shall ensure that each of its Subsidiaries shall, at all times comply with all regulations and requirements of the National Bank of Kazakhstan and applicable to it in any jurisdiction where the Issuer or the relevant Subsidiary does business, including any prudential ratios and any regulations and requirements in relation to its equity capital or capital adequacy.
- 6.4. So long as any Note remains outstanding, the Issuer shall not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital:
- (a) at any time when there exists an Event of Default (as defined in Condition 14) or an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default; or
 - (b) when no such Event of Default or event exists:
 - (i) more frequently than once during any calendar year; and
 - (ii) in an aggregate amount exceeding 50% of the Issuer's profit for the period in respect of which the dividends are being paid or the distribution is being made, determined in accordance with IFRS, for which purpose, the amount of the Issuer's profit shall be determined by reference to its audited consolidated annual financial statements for the period in respect of which the dividend is being paid or the distribution is being made.

Notwithstanding anything to the contrary herein, the limitation contained in this Condition 6.4(b) shall not apply to the payment of (x) any dividends in respect of any preferred share capital of the Issuer which may be outstanding from time to time or (y) any dividends in respect of any shares of the Issuer which are paid through the issuance of additional common shares, preferred shares, rights, warrants or other similar entitlements to common or preferred shares.

- 6.5. So long as any Note remains outstanding, the Issuer shall:
- (a) send to the Trustee and to the Principal Paying and Transfer Agent two copies of:
 - (i) the consolidated annual financial statements of the Issuer as soon as practicable after their date of publication and in any event not more than 120 days after the end of each financial year of the Issuer;
 - (ii) the consolidated interim condensed financial statements of the Issuer as soon as practicable after their date of publication and in any event not more than 90 days after the end of the first half of each financial year of the Issuer; and
 - (iii) every balance sheet, profit and loss account, report or other notice, statement or circular issued (or which under any legal or contractual obligation should be issued) to the members or holders of debentures or creditors (or any of them as a class) of the Issuer, as the case may be, in their capacity as such at the time of the actual (or legally or contractually required) issue or publication thereof,and procure that the same are made available for inspection by Noteholders at the specified offices of the Principal Paying and Transfer Agent as soon as practicable thereafter;
 - (b) ensure that:
 - (i) each set of annual financial statements delivered by it pursuant to Condition 6.5(a)(i) is accompanied by an audit report of the Auditors;
 - (ii) each set of half yearly interim financial statements delivered by it pursuant to Condition 6.5(a)(ii) is accompanied by a review report of the Auditors;
 - (iii) each set of financial statements delivered pursuant to Condition 6.5(a)(i) or (ii) is prepared in accordance with IFRS, consistently applied, and certified for and on behalf of the Issuer as presenting fairly, in all material respects, its financial condition as at the end of the period to which those financial statements relate and its results of operations for such period; and

- (iv) all information sent to the Trustee and to the Principal Paying and Transfer Agent and made available on the Issuer's website pursuant to Condition 6.5 is in the English language or accompanied by a certified translation thereof;
 - (c) send to the Trustee, together with each set of audited financial statements delivered by it pursuant to Condition 6.5(a)(i), a separate opinion satisfactory to the Trustee from the Auditors as to the adequacy of the Issuer's financial procedures, accounting systems and management information and cost control systems; and
 - (d) promptly upon sending any information to the Trustee and to the Principal Paying and Transfer Agent pursuant to Condition 6.5(a), and in any event within five Business Days of sending such information, make such information available on the Issuer's website.
- 6.6. So long as any Notes are outstanding and are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish upon the request of a Noteholder or a beneficial owner of an interest therein to such Noteholder or the beneficial owner or to a prospective purchaser of Notes designated by such Noteholder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

7. **FIXED RATE NOTE PROVISIONS**

- 7.1. This Condition 7 is applicable to the Notes only if the relevant Final Terms specifies the Fixed Rate Note Provisions as being applicable.
- 7.2. The Notes bear interest on the outstanding principal amount from the Interest Commencement Date at the rate(s) per annum equal to Rate(s) of Interest payable in arrear on each Interest Payment Date in each year and on the Maturity Date if that does not fall on Interest Payment Date, subject as provided in Condition 12. Unless otherwise specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.
- 7.3. If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. In these Conditions "**sub unit**" means, with respect of any currency other than the Euro, the lowest amount of such currency that is available as legal tender in the country of such currency, and with respect to Euros means one cent.
- 7.4. For the purposes of these Conditions, "**Day Count Fraction**" means:
- (a) if "Actual/Actual (ICMA)" is specified in the relevant Final Terms:

- (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

For the purposes of Condition 7.4(a), "**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30 day months) divided by 360.

8. FLOATING RATE NOTE AND INDEX LINKED INTEREST NOTE PROVISIONS

8.1. This Condition 8 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions or the Index Linked Interest Note Provisions as being applicable.

8.2. The Notes bear interest on the outstanding principal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (a) the Specified Interest Payment Date(s) (each, an “Interest Payment Date”) in each year specified in the relevant Final Terms; or
- (b) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls in the number of months or other period specified as the Specified Period in the relevant Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Conditions, mean the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.3. The Rate of Interest payable from time to time in respect of the Notes shall be determined in the manner specified in the relevant Final Terms.

(a) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 am (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes shall be determined as provided in the applicable Final Terms.

- (b) Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- 8.4. If the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- 8.5. If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- 8.6. The Calculation Agent will, as soon as reasonably practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for the relevant Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.
- 8.7. If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as reasonably practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- 8.8. The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and quotation system (if any) by which the Notes have than been admitted to listing, trading and quotation as soon as reasonably practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 20. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- 8.9. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions for such purposes.

9. ZERO COUPON NOTE PROVISIONS

9.1. This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2. If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. DUAL CURRENCY NOTE PROVISIONS

10.1. This Condition 10 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

10.2. If any payment falls to be determined by reference to an exchange rate, the amount payable shall be determined in the manner specified in the relevant Final Terms.

11. REDEMPTION AND PURCHASE

11.1. Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12.

11.2. The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (a) at any time (if neither the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
- (b) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 20 (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:
 - (i) the Issuer satisfies the Trustee immediately before the giving of notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 13 as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than:
 - (A) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
 - (B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 11.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 11.2.

- 11.3. If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- 11.4. If the Notes are to be redeemed in part only on any date in accordance with Condition 11.3, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying and Transfer Agent in its sole discretion approves and in such manner as the Trustee in its sole discretion considers appropriate, subject to compliance with the requirements, as certified to the Trustee and Principal Paying and Transfer Agent by the Issuer, of applicable law and the rules of each listing authority, stock exchange and quotation system (if any) on which the Notes have then been admitted to listing, trading and quotation, and the notice to Noteholders referred to in Condition 11.3 on which the Notes are then listed, and the notice to Noteholders referred to in Condition 11.3 shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified. Neither the Trustee nor the Principal Paying Agent shall be liable for any selection made by it under this Condition 11.4.
- 11.5. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11.5, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11.5, may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 11.5, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- 11.6. Whether or not the Put Option is specified under Condition 11.5, the Issuer shall, at the option of the holder of any Note, exercisable as set out in Condition 11.5, redeem such Note on the applicable Optional Redemption Date (Put) at 101% of its principal amount together with interest (if any) accrued to but excluding such date, if:
 - (a) the Republic of Kazakhstan or its regional authorities cease to own, whether directly or indirectly, through JSC Sovereign Wealth Fund "Samruk-Kazyna" or another entity wholly owned by the Republic of Kazakhstan or its regional authorities (each, a "Permitted Shareholder"), 100.0% of the paid up share capital of the Issuer; or
 - (b) the Issuer ceases to be a "financial agency" as defined in Kazakhstan's Law "On Securities Market" or loses its status as a "financial agency" by virtue of the resolution of the Management Board of the National Bank of Kazakhstan "On Prudential Requirements for the Financial Agency and the Procedure for the Loss of the Status of the Financial Agency",

(each of the foregoing a "Put Event");

provided, however, that if any of the foregoing events results from any Permitted Shareholder selling, transferring or otherwise disposing of part of its shareholding to one or more supranational entities established by treaty, each having a credit rating assigned by at least one statistical rating organisation generally recognised by banks, securities houses and investors in the European financial markets of AAA or its equivalent (at the time of such sale, transfer or disposal), such event shall not constitute a Put Event under this Condition 11.6.

Notwithstanding any other provision of this Condition 11.6 to the contrary, if at any time the Republic of Kazakhstan ceases, whether directly or indirectly through a Permitted Shareholder owned by it, to own 51.0% or more of the paid up share capital of the Issuer, such circumstance shall constitute a Put Event under this Condition 11.6. Upon the occurrence of a Put Event, the Issuer shall promptly give notice thereof to the Noteholders in accordance with Condition 20 with a copy to the Trustee.

- 11.7. The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 11.1 to 11.6.
- 11.8. Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (a) the Reference Price; and
 - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 11.8 or, if none is so specified, a Day Count Fraction of 30E/360.

- 11.9. The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.
- 11.10. All Notes which are redeemed pursuant to Conditions 11.1 to 11.6 or purchased pursuant to Condition 11.9 by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold. All Notes so cancelled shall be forwarded to the Principal Paying and Transfer Agent.

12. PAYMENTS

- 12.1. Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Transfer Agent or of the Registrar by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euros, any other account to which Euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- 12.2. Payments of interest shall, subject to Condition 12.4, be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.
- 12.3. All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- 12.4. If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

13. TAXATION

- 13.1. All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:
- (a) by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Kazakhstan other than the mere holding of such Note; or
 - (b) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or
 - (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union.
- 13.2. If the Issuer becomes subject at any time to any taxing jurisdiction other than Kazakhstan, references in these Conditions to Kazakhstan shall be construed as references to Kazakhstan and such other jurisdiction.

14. EVENTS OF DEFAULT

- The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured to its satisfaction) shall, give notice to the Issuer that the Notes are due and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an “**Event of Default**”) occurs and is continuing:
- 14.1. the Issuer fails to pay any of the principal of any of the Notes when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or Additional Amounts on any of the Notes and such default in respect of interest or Additional Amounts continues for a period of seven days; or
 - 14.2. the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 14) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer by the Trustee; or
 - 14.3. (a) any Indebtedness for Borrowed Money of the Issuer or any Material Subsidiary (i) becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (b) any Indebtedness Guarantee given by the Issuer or any Material Subsidiary in respect of Indebtedness for Borrowed Money of any other Person is not honoured when due and called, provided that the aggregate principal amount of such Indebtedness for Borrowed Money exceeds U.S.\$20,000,000 (or its equivalent in other currencies (as determined by the Trustee)); or
 - 14.4. (a) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Material Subsidiary or all or (in the opinion of

- the Trustee) substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (b) the Issuer or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or any Material Subsidiary, as the case may be, or in respect of its property or (in the opinion of the Trustee) substantially all thereof, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer or any Material Subsidiary commences proceedings with a view to the general adjustment of its Indebtedness and, in any case as is specified in this Condition 14.4 in relation to a Material Subsidiary, the event is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or
- 14.5. the Issuer makes or threatens to make any substantial change in the principal nature of its business as presently conducted which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or
- 14.6. the Issuer fails to take any action as is required of it under the DBK Law, the Credit Policy Memorandum or any applicable regulations in Kazakhstan or otherwise to maintain in effect its corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer; or
- 14.7. the Issuer fails to comply in any (in the opinion of the Trustee) material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or
- 14.8. (a) the validity of the Notes, the Trust Deed or the Agency Agreement is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes, the Trust Deed or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (b) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement or (c) all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid or (d) the DBK Law is repealed and, following the occurrence of any of the events specified in this Condition 14.8, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders;
- 14.9. (a) all or any substantial part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (b) the Issuer or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues and, following the occurrence of any of the events specified in this Condition 14.9, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or
- 14.10. the Republic of Kazakhstan takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an agreement or composition with or for the benefit of its creditors or a moratorium is declared in respect of the payment of any class of obligations of the Republic of Kazakhstan (such payment being due in a currency other than the lawful currency for the time being of the Republic of Kazakhstan).
15. **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

16. **REPLACEMENT OF NOTES**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders (and, if the Notes are then admitted to listing, trading or quotation by any listing authority, stock exchange or quotation by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority stock exchange or quotation system), subject to all applicable laws and listing authority stock exchange or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

17. **AGENTS**

17.1. In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and, in certain circumstances, the Trustee. The Paying Agents do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

17.2. The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer, with the prior written approval of the Trustee, reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor Principal Paying and Transfer Agent or Calculation Agent and additional or successor paying agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Principal Paying and Transfer Agent;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (c) if and for so long as the Notes are admitted to listing, trading or quotation, by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange or quotation system; and
- (d) the Issuer shall maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. **MEETINGS OF NOTEHOLDERS; MODIFICATION; WAIVER AND ENFORCEMENT**

18.1. The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such

a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- 18.2. The Trustee may agree, without the consent of the Noteholders, to (a) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, (b) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and (c) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that such modification, waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- 18.3. At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes (whether by arbitration or by litigation), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one fifth in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.
- 18.4. The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances and to be paid its costs and expenses in priority to claims of the Noteholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.
- 18.5. In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

19. **FURTHER ISSUES AND CONSOLIDATION**

- 19.1. The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides.
- 19.2. The Issuer may, with the prior approval of the Trustee and the Principal Paying and Transfer Agent (which shall not be unreasonably withheld), from time to time on any Interest Payment Date occurring on or after the Redenomination Date (as defined in Condition 23) on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 20, without the consent of the Noteholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in Euros, provided such other Notes have been redenominated in Euros (if not originally denominated in Euros) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

20. **NOTICES**

Notices to the Noteholders shall be valid if published in a leading daily newspaper of general circulation in Europe and so long as the Notes are listed on any stock exchange, in a leading daily newspaper with general circulation in the city or cities where the stock exchange(s) on which the Notes are listed (which in the case of the London Stock Exchange, is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

21. **CURRENCY INDEMNITY**

If any sum due from the Issuer in respect of the Notes or any order, award or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the

purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying and Transfer Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, award judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005%, being rounded up to 0.00001%), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **REDENOMINATION**

23.1. This Condition 23 is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

23.2. If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Trustee, the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

23.3. Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(a) the Notes shall be deemed to be redenominated into Euros in the denomination of Euros 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into Euros at the rate for conversion of such currency into Euros established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee and the Principal Paying and Transfer Agent that the then market practice in respect of the re denomination into Euros 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange or quotation system (if any) by which the Notes have then been admitted to listing, trading or quotation and the Paying Agents of such deemed amendments;

(b) if Notes have been issued in definitive form:

(iii) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 23) shall remain in full force and effect; and

(iv) new Notes denominated in Euros will be issued in exchange for Notes denominated in the Specified Currency in such manner as the Principal Paying and Transfer Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

- (c) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euros, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euros by cheque drawn on, or by credit or transfer to a Euros account (or any other account to which Euros may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.
- 23.4. Following redenomination of the Notes pursuant to this Condition 23, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes held by the relevant holder.
- 23.5. If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.
24. **GOVERNING LAW, JURISDICTION AND ARBITRATION**
- 24.1. The Trust Deed and the Notes, and any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes, are governed by, and shall be construed in accordance with, English law.
- 24.2. Subject to Condition 24.3, the Issuer has agreed in the Trust Deed for the benefit of the Noteholders that that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed or the Notes (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) (a “**Dispute**”), shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration (“**LCIA**”) (the “**Rules**”) as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, each of whom shall be a lawyer experienced in international finance transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly one arbitrator; and a third arbitrator, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, provided that if the third arbitrator has not been nominated within the time limits specified by the Rules, such third arbitrator shall be appointed by the LCIA court. Any arbitrator, including the Chairman, may be of the same nationality as any of the parties to the Trust Deed. Any requirement in the Rules to take account of the nationality of a person considered for appointment as an arbitrator shall be disapplied and a person shall be nominated or appointed as an arbitrator (including as Chairman) without regard to her or his nationality. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.
- 24.3. The Issuer has agreed in the Trust Deed that at any time before the Trustee has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 24.2, the Trustee, at its sole option, may elect by notice in writing to the Issuer that such Dispute(s) shall instead be heard by the courts of England or by any other court of competent jurisdiction, as more particularly described in Condition 24.4. Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s)
- 24.4. In the event that the Trustee serves a written notice of election in respect of any Dispute(s) pursuant to Condition 24.3, the Issuer has agreed in the Trust Deed for the benefit of the Trustee and the Noteholders that the courts of England shall have jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 24.5. The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Trustee to bring any suit, action or proceedings (the “**Proceedings**”) for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.
- 24.6. For the purpose of Conditions 24.3, 24.4 and 24.5, the Issuer has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.
- 24.7. The Issuer has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V

7EX, England or, if different, its registered office for the time being or at any address of the Issuer or in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such Person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer or and delivered to the Issuer or to the Specified Office of the Principal Paying and Transfer Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying and Transfer Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

24.8. The Issuer has consented generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

24.9. In relation to any Proceedings and to the enforcement of any judgment, order or award (whether or not given or made in those Proceedings), to the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer has irrevocably consented to the enforcement of any judgment or award, agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

25. **RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

Final Terms dated [•]

JSC DEVELOPMENT BANK OF KAZAKHSTAN

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.\$2,000,000,000 Medium Term Note Programme

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated 1 December 2010 [and the supplemental Prospectus dated [•]] which [together] constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Prospectus] [is] [are] available for viewing during normal business hours at Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, England and www.londonstockexchange.com/rns and copies may be obtained from Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, England.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: JSC Development Bank of Kazakhstan
2. [(i)] Series Number: [•]
[(ii)] Tranche Number: [•]
[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount of Notes:
[(i)] Series: [•]
[(ii)] Tranche: [•]
5. Issue Price: [•]%, of the Aggregate Nominal Amount [plus accrued interest from [insert date (if applicable)]]
6. (i) Specified Denomination(s): [•] *(Subject as provided below in respect of Notes of which the issue proceeds are to be accepted in the United Kingdom the Specified Denomination must be a minimum denomination of €100,000 (or its equivalent in other currencies).)*

[Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of s. 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of €100,000 (or its equivalent in other currencies).]

- (ii) Calculation Amount: [•]
7. [(i)] Issue Date: [•]
- [(ii)] Interest Commencement Date: [•]
8. Maturity Date: *[Specify date, or (for Floating Rate Notes) Interest Payment Date falling on or nearest to the relevant month and year]*
9. Interest Basis: [[•]% Fixed Rate]
- [Specify reference rate] +/- [•]% Floating Rate]
- [Zero Coupon]
- [Index-Linked Interest]
- [Other (specify)]
- (further particulars specified below)
10. Redemption/Payment Basis:¹ [Redemption at par]
- [Index-Linked Redemption]
- [Dual Currency]
- [Partly Paid]
- [Instalment]
- [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
12. Put/Call Options: [Investor Put]
- [Issuer Call]
- [(further particulars specified below)]
13. (i) Status of the Notes: [Senior/[Dated/Perpetual]/Subordinated]
- (ii) Date [Board] approval for issuance of Notes obtained: [•] *(N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes)*
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

¹ *If the Final Redemption Amount is less than 100 %, of the nominal value of the Notes the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•]% per annum [payable [annually/
semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*]/ not adjusted]
- (ii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360/Actual/Actual(ICMA/ISDA)/other]
- (vi) Determination Date(s): [•] in each year *(insert regular Interest Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).*
- [Not Applicable/give details]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:
16. Floating Rate Note Provisions: [Applicable/Not Applicable]
(if not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [•]
- (ii) Specified Interest Payment Dates: [•]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*]
- (v) Business Centre(s): [•]
- (vi) Manner in which the Rate(s) of Interest is/ are to be determined: [Screen Rate Determination/ISDA Determination/ other *(give details)*]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying and Transfer Agent]): [•]
- (viii) Screen Rate Determination: [•]
- Reference Rate: [•]
- Interest Determination Date(s): [•]
- Relevant Screen Page: [•]

- (ix) ISDA Determination: [•]
 - Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
 - (x) Margin(s): [+/-][•]% per annum
 - (xi) Minimum Rate of Interest: [•]% per annum
 - (xii) Maximum Rate of Interest: [•]% per annum
 - (xiii) Day Count Fraction: [•]
 - (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
17. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [•]% per annum
 - (ii) Reference Price: [•]
 - (iii) Any other formula/basis of determining amount payable: [•]
18. Index-Linked Interest Note Provisions/other variable-linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [Give or annex details]
 - (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [•]
 - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]
 - (iv) Determination Date(s): [•]
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
 - (vi) Interest or calculation period(s): [•]
 - (vii) Specified Interest Payment Dates: [•]

- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
- (ix) Business Centre(s): [•]
- (x) Minimum Rate/Amount of Interest: [•]% per annum
- (xi) Maximum Rate/Amount of Interest: [•]% per annum
- (xii) Day Count Fraction: [•]
19. Dual Currency Note Provisions: [Applicable/Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the [Agent]): [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

20. Call Option: [Applicable/Not Applicable]
- (if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [] [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount/[•] per Note of [•] specified denomination]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period:² [•]
21. Put Options: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*

² *If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Trustee.*

- (i) Optional Redemption Date(s): [•] [•]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount/[•] per Note of [•] specified denomination]
 - (iii) Notice period:³ [•]
22. Final Redemption Amount of each Note: [•] per Calculation Amount

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the [Agent]): [•]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
- (iv) Determination Date(s): [•]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Payment Date: [•]
- (vii) Minimum Final Redemption Amount: [•] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [•] per Calculation Amount

23. Early Redemption Amount:

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/ or the method of calculating the same (if required or if different from that set out in the Conditions): [•]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [specify amount of the Regulation S/Rule 144A Global Notes]

Registered Global Notes exchangeable for Definitive Notes in the limited circumstances specified in the Global Note.

³ If the final Redemption Amount is less than 100 %, of the nominal value the Notes will be derivatives securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.

25. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details.]
(Note that this item relates to the date and place of payment, and not Interest Period end dates, to which items 15(ii), 16(v) and 18(ix) relates)
 (Note that this item relates to the place of payment, and not Interest Period end dates, to which item 17(iii) relates)
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on such late payment: [Not Applicable/give details]
27. Details relating to Instalment Notes: amount of each instalment date on which each payment is to be made: [Not Applicable/give details]
- Instalment Amount(s): [Not Applicable/give details]
- Instalment Date(s): [Not Applicable/give details]
28. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 23 apply]
29. Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
30. Other final terms: [Not Applicable/give details]
- [When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive]*

DISTRIBUTION

31. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give names]
32. If non-syndicated, name of Dealer: [Not Applicable/give names]
33. U.S. Selling Restrictions: [Reg. S Compliance Category 2]
34. Additional selling restrictions: [Not Applicable/give details]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of JSC Development Bank of Kazakhstan.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms, *[(Relevant third party information) has been extracted from [(specify source)]].* The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *[(specify source)]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:
Duly authorised

PART B—OTHER INFORMATION

1. LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] with effect from [•].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

- (ii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [•]]

[Moody's: [•]]

[[Fitch: [•]]

[[Other]: [•]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the Issue has been specifically rated, that rating.)

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [Subscription and Sale], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

[4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer: [•] (*See General Information — Use of Proceeds wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)

- [(ii) Estimated net proceeds: [•] after deduction of management and underwriting commissions and fees and expenses of the Lead Managers' and the Issuer's legal advisers.

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii) Estimated total expenses: [•] including fees and expenses of the Lead Managers' and the Issuer's legal advisers (but excluding the management and underwriting commissions).

[Include breakdown of expenses.]

[(If the Notes are derivative securities for which Annex XII of the Prospectus Directive applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

[5. Fixed Rate Notes only—YIELD

Indication of yield: [•]
[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

[6. Index-Linked or other variable-linked Notes only—PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.] For Notes constituting derivative securities, include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Regulation.

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

[7. Dual Currency Notes only—PERFORMANCE OF RATE(S) OF EXCHANGE]

Need to include details of where past and future performance and volatility of we relevant rate[s] can be obtained.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

8. OPERATIONAL INFORMATION

ISIN Code (Reg S Notes): [•]

ISIN Code (Rule 144A Notes): [•]

Common Code (Reg S Notes): [•]

Common Code (Rule 144A Notes): [•]

Rule 144A Notes CUSIP number: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, or DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent[s]: [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

SUMMARY OF THE PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The Global Notes

Each Series of Notes will be evidenced on issue by, in the case of Regulation S Notes, a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg and, in the case of Rule 144A Notes, a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See “— *Book Entry Procedures for the Global Notes*”. By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying and Transfer Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying and Transfer Agent shall notify each such relevant Dealer when all relevant Dealers have so certified, (the “**distribution compliance period**”), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See “*Transfer Restrictions*”. Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See “— *Book Entry Procedures for the Global Notes*”. By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a U.S. person, it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest only in accordance with the procedures and restrictions contained in the Agency Agreement. See “*Transfer Restrictions*”.

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement and, with respect to a Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under “*Transfer Restrictions*”.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in that Regulation S Global Note and become an interest in the corresponding Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in that Rule 144A Global Note and become an interest in that Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the “**Definitive Notes**”). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions:

- *Payments*. Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying and Transfer Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying and Transfer Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.
- *Record Date*. Condition 12.2, which defines “Record Date”, shall be amended in relation to Global Notes to the effect that Record Date shall mean the close of business on the Payment Business Date immediately preceding the relevant Interest Payment Date.

- *Notices.* So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes provided that for so long as the Notes are listed on the Regulated Market and the rules of the Regulated Market so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*).
- *Meetings.* The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.
- *Trustee's Powers.* In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.
- *Cancellation.* Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.
- *Redemption at the Option of the Issuer.* Any Call Option provided for in the Terms and Conditions of the Notes shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.
- *Redemption at the Option of Noteholders.* Any Put Option provided for in the Terms and Conditions of the Notes may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar or any Transfer Agent at its specified office.

Exchange for Definitive Notes

Exchange

Registration of title to Notes initially represented by a Rule 144A Global Note in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary and the Registrar has received a notice from the registered holder of a Rule 144A Global Note requesting an exchange of a specified amount of the Rule 144A Global Note for Definitive Notes.

Registration of title to Notes initially represented by a Regulation S Global Note in a name other than the nominee of a common depositary for Euroclear and Clearstream, Luxembourg will only be permitted if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder (i.e., the nominee of the common depositary) of the relevant Regulation S Global Note requesting an exchange of the Regulation S Global Note for Definitive Notes.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

“Exchange Date” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity and/or security as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and, in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Book Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See “— *Book Entry Ownership*” and “— *Settlement and Transfer of Notes*”.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**” and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic

computerised book entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*Exchange for Definitive Notes*”, DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have a CUSIP number, unless otherwise agreed, and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or accountholders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will in turn be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within a clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading Between DTC Participants

Secondary market sales of book entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement system in same day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the relevant closing date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

Redenomination

If the Notes are redenominated pursuant to Condition 23, then following redenomination:

- if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in denominations in excess of €100,000 as determined by the Principal Paying and Transfer Agent and such other denominations as the Principal Paying and Transfer Agent shall determine and notify to the Noteholders; and
- the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest €0.01.

TAXATION

The following is a general description of certain material tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

United States Federal Income Taxation

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note, as appropriate. This summary only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organisations, dealers or traders in securities or currencies, holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar, or certain U.S. expatriates or former U.S. residents. Moreover, this summary does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial issue price.

This summary is based on the Internal Revenue Code of 1986, as amended, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Final Terms.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is: (i) a citizen or resident of the United States; (ii) a corporation or partnership organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to its consequences.

A Non-U.S. Holder is a beneficial owner of Notes other than a U.S. Holder.

You should consult your own tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Notes.

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the promotion or marketing of the Notes. This description is limited to the U.S. federal tax issues described herein. It is possible that additional issues may exist that could affect the U.S. federal tax treatment of the Notes, or the matter that is the subject of the description noted herein, and this description does not consider or provide any conclusions with respect to any such additional issues. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

U.S. Holders

Interest

Except as set forth below, interest paid on a Note, whether payable in U.S. Dollars or a currency, composite currency or basket of currencies other than U.S. Dollars (a “**foreign currency**”), including any additional amounts, will be includible in a U.S. Holder’s gross income as ordinary interest income in accordance with the U.S. Holder’s usual method of tax accounting. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute passive category income, or, in the case of certain U.S. Holders, general category income.

Foreign Currency Denominated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period or, at the U.S. Holder’s election, at the spot rate of exchange on the last day of the accrual period or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date of payment is received differs from the rate applicable to an accrual of that interest.

Additional rules for Notes that are denominated in more than one currency or that have one or more non-currency contingencies and are denominated in either one foreign currency or more than one currency are described below under Dual Currency Notes.

Original Issue Discount

U.S. Holders of Notes issued with OID (“**Original Issue Discount Notes**”), including Zero Coupon Notes, will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notice will be given in the relevant Final Terms when DBK determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the application of the Treasury Regulations addressing OID to, or address the U.S. federal income tax consequences of, an investment in contingent payment debt instruments. In the event DBK issues contingent payment debt instruments the relevant Final Terms will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described under Foreign Currency Discount Notes below.

For U.S. federal income tax purposes, a Note (including a Zero Coupon Note), other than a Note with a term of one year or less (a “**Short-term Note**”), will be treated as issued as an Original Issue Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is more than a de minimis amount (0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The “issue price” of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler) for money. The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant Final Terms if a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with de minimis OID, the U.S. Holder generally must include such de minimis OID in income as stated principal payments on the Notes are made in proportion to the stated principal amount of the Note. Any amount of de minimis OID that has been included in income will be treated as capital gain.

Certain of the Notes may be redeemed prior to their maturity at our option and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisers with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note (“**accrued OID**”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. The “accrual period” for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

Floating Rate Notes are subject to special OID rules

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant Final Terms and should consult their own tax advisers regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. U.S. Holders should consult their own tax advisers about this election.

Short-Term Notes

In the case of Short-term Notes, under the OID regulations, all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short-term Note are not required to include accrued discount in their income currently unless they elect to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the Short-term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder’s interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Foreign Currency Discount Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under Payments of Interest. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss to the extent of the difference between the U.S. dollar value of the accrued OID (determined in the same manner as for accrued interest) and the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received). For these purposes, all receipts on a Note will be viewed:

- first, as the receipt of any stated interest payments called for under the terms of the Note,
- second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and
- third, as the receipt of principal.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a “premium” and will not be required to include any OID, if any, in income. A U.S. Holder generally may elect to amortize the premium over the remaining term of the Note on a constant yield method as an offset to qualified stated interest when includible in income under the U.S. Holder’s regular accounting method. A U.S. Holder who elects to amortize bond premium must reduce such holder’s tax basis in the note by the amount of the premium used to offset qualified stated interest. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency, and amortizable bond premium will reduce interest income in units of the foreign currency. At the time amortized bond premium offsets interest income a U.S. Holder may recognise, exchange gain or loss (taxable as ordinary income or loss) measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Special rules limit the amortization of premium in the case of convertible debt. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Sale, Exchange or Retirement

A U.S. Holder’s tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder’s income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amounts realised on the sale or retirement (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale.

Gain or loss recognised on the sale or retirement of a Note (other than gain or loss that is attributable to OID, or to changes in exchange rates, which will be treated as ordinary income or loss) will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss. Moreover, any loss realised by a U.S. Holder on such sale or retirement may be allocable to foreign source income by reference to the source of interest income on the Notes. Prospective investors should consult their tax advisers as to the foreign tax credit implications of such sale or retirement of Notes.

Sale, Exchange or Retirement of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. Dollars) will be ordinary income or loss.

Dual Currency Notes

U.S. Holders of Notes that are denominated in more than one currency or that have one or more non-currency contingencies and are denominated in either one foreign currency or more than one currency will be subject to special tax accounting rules applicable to “Multi-Currency Debt Securities.” A Holder generally would be required to apply the “noncontingent bond method” in the Multi-Currency Debt Security’s denomination currency, which for this purpose would be the Multi-Currency Debt Security’s predominant currency as determined by DBK. A description of the principal U.S. federal income tax considerations relevant to holders of Dual Currency Notes, including specification of the predominant currency, will be set forth, if required, in the relevant Final Terms.

Index Notes and Notes with Contingent Payments

The tax consequences to a holder of an Index Linked Redemption Note, Index Linked Interest Note or a Note with contingent payments will depend on factors including the specific index or indices used to determine payments on such Note and the amount and time of any noncontingent payments on such Note. A description of the principal U.S. federal income tax considerations relevant to holders of such Note will be set forth, if required, in the relevant Final Terms.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to holders of high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that DBK, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set forth, if required, in the relevant Final Terms.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Notes.

New legislation

For taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisers regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under “*U.S. Backup Withholding Tax and Information Reporting*,” payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under “*U.S. Backup Withholding Tax and Information Reporting*,” any gain realised by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain noncorporate holders of Notes that are United States persons. Information reporting generally will apply to payments of principal of, and interest on, an obligation, and to proceeds from the sale or redemption of, an obligation made within the United States, or by a U.S. payor or U.S. middleman, to a holder (other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons). The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a United States person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a Note that is not a United States person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28% through 2010 and is scheduled to increase to 31% for 2011 and thereafter.

In the case of payments to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or foreign partnership that qualifies as a withholding foreign trust or a withholding foreign partnership within the meaning of the U.S. Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

Kazakhstan Taxation

Kazakhstan Taxation

Payments of principal on the Notes are not subject to Kazakhstan taxation. Due to the Issuer's status as a Financial Agency, payments of interest on the Notes and gains realised on disposal, sale, exchange or transfer of the Notes are not subject to taxation in Kazakhstan.

There are no stamp duties or registration or other taxes payable in Kazakhstan in connection with the transfer of any Notes.

EU Directive on the Taxation of Savings Income (Directive 2003/48/EC)

Under EC Council Directive (2003/48/EC) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Also, a number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transition withholding) in relation to payments made by a "paying agent" within its jurisdiction to or for an individual in a Member State.

Investors should note that the European Commission has proposed amendments (COM (2008) 727) to the EU Savings Directive. These proposed amendments, if implemented, would extend the scope of the EU Savings Directive so as to treat a wider range of income as similar to interest and to bring payments made through a wider range of collective investment undertakings wherever established (including partnerships) within the scope of the EU Savings Directive. The timing of the implementation of these proposed amendments is not yet known nor is its possible application.

Certain ERISA Considerations

Subject to the following discussion, the Notes may be acquired by pension, profit-sharing or other employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) and entities deemed to hold the plan assets of the foregoing (each a “**Benefit Plan**”). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Benefit Plan. A violation of these “prohibited transaction” rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

The acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Guarantor, the Trustee, the Dealers, the Registrar or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption (“**PTCE**”) 96-23, regarding transactions effected by “in-house asset managers;” PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” In addition to the class exemptions listed above, the Pension Protection Act of 2006 provides a statutory exemption under Section 408(b)(17) of ERISA and Section 4975(f)(20) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), provided that there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisers regarding the applicability of any such exemption and the impact of ERISA, the Code and other applicable law relating to the potential consequences of the acquisition and holding of Notes based on their specific circumstances.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans are not subject to ERISA requirements, however such plans may be subject to federal, state, local or non-U.S. laws, regulations or rules that are substantially similar to the prohibited transaction restrictions of Section 406 of ERISA or Section 4975 of the Code.

By acquiring a Note or any interest therein, each purchaser and transferee will be deemed to represent, warrant and covenant that either (i) it is not, and is not acquiring the Note or any interest therein with the assets of (and so long as it holds such Note or any interest therein will not be and will not be acting on behalf of), a Benefit Plan or any other plan subject to a law, regulation or rule that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (ii) the acquisition, holding and disposition of the Note or any interest therein is permitted by ERISA, the Code and other applicable law (to the extent applicable) and will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any such other substantially similar applicable law.

A plan fiduciary considering the purchase of Notes should consult its legal advisers regarding whether the assets of the Issuer would be considered plan assets, the possibility of exemptive relief from the prohibited transaction rules and other issues and their potential consequences.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of a beneficial interest in a Rule 144A Note, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a QIB that is also a QP, (b) not a broker dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (c) not a participant directed employee plan, such as a 401(k) plan, (d) acquiring such interest for its own account or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes and (f) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
- (2) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the relevant Rule 144A Note in a principal amount that is not less than U.S.\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that DBK may receive a list of participants holding positions in its securities from one or more book entry depositories.
- (3) It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs each of which is also a QP, each of which is purchasing not less than U.S.\$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (4) It understands that DBK has the power to compel any beneficial owner of Rule 144A Notes that is a U.S. person and is not a QIB and a QP to sell its interest in the Rule 144A Notes or may sell such interest on behalf of such owner. DBK has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP.
- (5) It understands that its purchase and holding of the Rule 144A Notes or any interest therein constitutes a representation and warranty by it that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein that (a) (i) it is not, and is not acquiring such Notes or any interest therein with assets of (and for so long as it holds such Note or any interest therein will not be and will not be acting on behalf of), a pension, profit sharing or other employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and entities deemed to hold the plan assets of the foregoing (each a “Benefit Plan”) or any other plan subject to a law, regulation or rule that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (ii) the acquisition, holding and disposition of the Note or any interest therein will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any such other substantially similar applicable law, and (b) it will not sell or otherwise transfer any such Note or interest therein to any person without first obtaining these same foregoing representations and warranties from that person.
- (6) It understands that the Rule 144A Notes (and any individual Note Certificates issued in respect thereof), unless otherwise agreed between DBK and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A “QIB”) AND A QUALIFIED PURCHASER (“QUALIFIED PURCHASER”) WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE “INVESTMENT COMPANY ACT”), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH ALSO A QUALIFIED PURCHASER AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$200,000 PRINCIPAL AMOUNT OF NOTES WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER

TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT OR (2) TO NON U.S. PERSONS WITHIN THE MEANING OF REGULATION S IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO DBK, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QUALIFIED PURCHASER; (2) IT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QUALIFIED PURCHASER; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN DBK OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS RULE 144A NOTES, WILL HOLD AND TRANSFER AT LEAST U.S.\$200,000 IN PRINCIPAL AMOUNT OF RULE 144A NOTES; (7) IT UNDERSTANDS THAT DBK MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES. THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QUALIFIED PURCHASER, DBK MAY (A) SELL ITS INTEREST IN THIS NOTE TO A PERSON (I) WHO IS A QIB WHO IS ALSO A QUALIFIED PURCHASER AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) TO A NON U.S. PERSON PURCHASING THIS NOTE IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO DBK OR AN AFFILIATE OF DBK OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO DBK AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF AND (Z) THE FAIR MARKET VALUE THEREOF. DBK HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND A QUALIFIED PURCHASER. DBK HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN THAT AT THE TIME OF SUCH PURCHASE AND THROUGHOUT THE PERIOD IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN THAT (1) (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF, AN **EMPLOYEE BENEFIT PLAN** (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”)), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, (“**CODE**”), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S AND/OR PLAN’S INVESTMENT IN SUCH ENTITY OR ANY OTHER PLAN SUBJECT TO A LAW, REGULATION OR RULE THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN WILL NOT GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SUCH OTHER SUBSTANTIALLY SIMILAR APPLICABLE LAW, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR ANY INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING FROM THAT PERSON THE SAME REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

DBK MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH HOLDER IS A QIB AND A QUALIFIED PURCHASER.

- (7) It acknowledges that DBK, the Registrar, the Dealers and their affiliates and others will rely upon the trust and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify DBK and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.
- (8) It understands that Rule 144A Notes will be evidenced by Rule 144A Global Note. Before any interest in Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (9) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States and each subsequent purchaser of Regulation S Notes in resales, throughout the period that it holds such Note, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of DBK or a person acting on behalf of such an affiliate.
- (2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIB each of which is also a QP, each of which is purchasing not less than U.S.\$200,000 in principal amount of the Rule 144A Notes or (b) to a non U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that Regulation S Notes will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (4) It acknowledges that DBK, the Registrar, the Dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify DBK and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.
- (5) It understands that its purchase and holding of the Regulation S Notes or any interest therein constitutes a representation and warranty by it that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein that (a)(i) it is not, and is not acquiring such Notes or any interest therein with assets of (and for so long as it holds such Note or any interest therein will not be and will not be acting on behalf of), a Benefit Plan or any other plan subject to a law, regulation or rule that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (ii) the acquisition, holding and disposition of the Note or any interest therein will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any such other substantially similar applicable law, and (b) it will not sell or otherwise transfer any such Note or interest therein to any person without first obtaining these same foregoing representations and warranties from that person.

FORM OF THE NOTES

The Notes of each Series will be in registered form, without interest coupons attached. The Notes will be issued either outside the United States in reliance on Regulation S or both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

The Regulation S Notes of each Tranche will initially be represented by a Regulation S Global Note. Prior to expiry of the distribution compliance period (as defined in “*Summary of the Provisions Relating to the Notes in Global Form*”) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 4 (*Transfers of Notes*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs that are also QPs. The Rule 144A Notes of any Tranche will initially be represented by a Rule 144A Global Note.

Global Notes will either be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg or be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Notes shall, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 12 (*Payments*)) as the registered holder of the Global Notes. None of DBK, any Principal Paying and Transfer Agent, the Trustee or the Registrar shall have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Notes in definitive form shall, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 12 (*Payments*)) immediately preceding the due date for payment in the manner provided in that Condition.

TRANSFER OF INTERESTS

Interests in a Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Notes are also subject to the restrictions on transfer set forth herein and will bear a legend regarding such restrictions. See “*Transfer Restrictions*”.

GENERAL

Pursuant to the Agency Agreement (as defined in “*Terms and Conditions of the Notes*”), the Principal Paying and Transfer Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 14 (*Events of Default*).

SUBSCRIPTION AND SALE

Notes may be sold from time to time by DBK to any one or more of Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and J.P. Morgan Securities Ltd., JSC Subsidiary Organization of Halyk Bank of Kazakhstan “Halyk Finance” and any other Dealer or Kazakhstan Dealer (as the case may be) appointed under the terms of the Programme Agreement (as defined below). The arrangements under which Notes may from time to time be agreed to be sold by DBK to, and purchased by, Dealers are set out in an amended and restated programme agreement dated 1 December 2010, (as from time to time supplemented, amended or restated (the “**Programme Agreement**”)) and made between DBK and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by DBK in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has agreed that it will not offer, sell or deliver any Notes, (a) as part of their distribution at any time, or (b) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying and Transfer Agent or DBK by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying and Transfer Agent or DBK shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this and the preceding paragraph have the meanings given to them by Regulation S under the Securities Act. The Programme Agreement provides that the Dealers may directly or through their respective U.S. broker dealer affiliates only, arrange for the offer and resale of Notes within the United States only to QIBs that are QPs in reliance on Rule 144A. See “*Taxation — United States Federal Income Taxation*”.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Dealer has represented and agreed that:

- (a) in relation to any Notes which have a maturity of less than a year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by DBK;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to DBK; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Kazakhstan

Each Dealer has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan except in compliance with the laws of Kazakhstan.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (as amended), (the “**Financial Instruments and Exchange Law**”) and, accordingly, each Dealer has undertaken and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of and otherwise in compliance with the Financial Instruments and Exchange Law and any other applicable laws and regulations and ministerial guidelines of Japan.

General

These selling restrictions may be modified by the agreement of DBK and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms and neither DBK nor any other Dealer shall have responsibility therefor.

GENERAL INFORMATION

Listing and Trading

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted for listing on the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of the Global Note(s) representing the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or about 1 December 2010.

However, Notes may be issued pursuant to the Programme which will not be listed on the London Stock Exchange or any other stock exchange outside of Kazakhstan or which will be listed on such stock exchange as DBK and the relevant Dealer(s) may agree. DBK shall apply for Notes issued under the Programme to be listed on the KASE.

In addition, unless otherwise agreed with the Relevant Dealer(s) and provided for in the Final Terms, DBK will use its reasonable endeavours to cause all Notes issued under the Programme to be submitted to the “rated debt securities” category of the official list of the KASE. No Notes issued by DBK may be issued or placed without prior FMSA Consents.

Authorisations

The establishment of the Programme was authorised by a duly convened meeting of the shareholders’ of DBK held on 2 September 2002. The increase of the programme size was authorised by a resolution of DBK’s sole shareholder on 23 October 2007. The issuance of Notes under the updated Programme was authorised by DBK’s Board of Directors on 12 October 2010. DBK has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and in particular, each Tranche will require a specific authorisation by DBK’s Board of Directors.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and/or DTC. The appropriate common code and the International Securities Identification Number and/or (where applicable) the CUSIP number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Use of Proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by DBK for general corporate purposes, for the funding of various investment projects and trade finance in Kazakhstan and for the refinancing of existing debt. Commissions, fees and expenses may be deducted from the gross proceeds of each Tranche of Notes, as set out in the applicable Final Terms.

Litigation

Neither DBK nor its subsidiary is involved in any governmental, litigation or arbitration proceedings (including any such proceedings which are pending or threatened) of which DBK is aware, which may have, or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of DBK and its subsidiary, taken as a whole.

No Material Adverse or Significant Change

There has been no material adverse change in the prospects of DBK and its subsidiary, taken as a whole, since 31 December 2009, nor has there been any significant change in the financial or trading position of DBK and its subsidiary, taken as a whole, since 30 September 2010.

No Material Contracts

Neither DBK nor its subsidiary has entered into any material contracts outside the ordinary course of its business which could result in it being under an obligation or entitlement that is material to their ability to make payments under the Notes.

Independent Auditors

The independent auditors of DBK are KPMG Audit LLC (“**KPMG**”), acting as auditors under State License No. 0000021, dated 6 December 2006 issued by the Ministry of Finance of Kazakhstan. KPMG is a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan. KPMG audited the Audited Annual Financial Statements, which were prepared in accordance with IFRS, and have issued qualified opinions thereon. See pages F-83 and F-84 of the financial statements as at and for the years ended 31 December 2008 and F-21 and F-22 of the financial statements as at and for the years ended 31 December 2009 for full details of the qualification. See also “*Presentation of Financial and Other Information*”.

KMPG have reviewed the Unaudited Interim Financial Statements and issued a report thereon without qualification.

As the Notes have not been and will not be registered under the Securities Act, KPMG has not filed and would not be required to file a consent under the Securities Act.

Documents Available for Inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Principal Paying and Transfer Agent namely:

- (a) the constitutional documents of DBK;
- (b) the Audited Annual Financial Statements including, in each case, the audit opinion relating to such Audited Annual Financial Statements;
- (c) the Unaudited Interim Financial Statements including the review report relating thereto;
- (d) the Agency Agreement;
- (e) the Trust Deed (which contains the forms of the Notes in global and definitive form);
- (f) the Procedures Memorandum;
- (g) a copy of this Base Prospectus together with any supplements to this Base Prospectus or any further base prospectus;
- (h) any Final Terms relating to Notes which are listed on any stock exchange (in the case of any Notes which are not listed on any stock exchange outside of Kazakhstan, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders or otherwise in accordance with the rules of the KASE); and
- (i) the DBK Law.

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REGISTERED OFFICE OF DBK

JSC Development Bank of Kazakhstan
10, Orynbor Street
“Kazyna Tower” Building
Yesil District
Astana
Republic of Kazakhstan

ARRANGERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

DEALERS

Citigroup Global Markets
Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London
Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

JSC Subsidiary Organization
of Halyk Bank of Kazakhstan
“Halyk Finance”
Block 3B (“3B”), 6th Floor,
Nurly Tau B/C
19 Al-Farabi Av.
Almaty 050013
Kazakhstan

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

PRINCIPAL PAYING AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

U.S. PAYING AND TRANSFER AGENT AND U.S. REGISTRAR

Deutsche Bank Trust Company Americas
60 Wall Street
New York NY10005
U.S.A.

LUXEMBOURG REGISTRAR

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-115 Luxembourg

LEGAL ADVISERS

To DBK as to English and U.S. law:

Dewey & LeBoeuf
No. 1 Minster Court
Mincing Lane
London EC3R 7YL
United Kingdom

To DBK as to Kazakhstan law:

Dewey & LeBoeuf
Prospekt Dostyk, 38
Ken Dala Business Center, 5th Floor
Almaty 050010
Kazakhstan

To the Dealers as to English and US law:

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

To the Dealers as to Kazakhstan law:

White & Case Kazakhstan LLC
117/6 Dostyk Avenue
Almaty 050009
Kazakhstan

To the Trustee as to English law:

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

AUDITORS TO DBK

KPMG Audit LLC
Kotem Business Centre
180 Dostyk Avenue
Almaty 050051
Kazakhstan