IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the base prospectus following this page (the "**Base Prospectus**") published by JSC Development Bank of Kazakhstan ("**DBK**") and you are therefore required to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE BASE PROSPECTUS MAY ONLY BE DISTRIBUTED IN OFFSHORE TRANSACTIONS TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND IN COMPLIANCE WITH, REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITHIN THE UNITED STATES TO QIBs WHO ARE ALSO QPs (EACH, AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES ISSUED WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR, EXCEPT AS PROVIDED IN THE BASE PROSPECTUS, OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO PERSONS THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES ARE BOTH QUALIFIED INSTITUTIONAL BUYERS (EACH, A "**QIB**") WITHIN THE MEANING OF RULE 144A AND QUALIFIED PURCHASERS AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (EACH, A "**QP**"), WHO WILL BE DEEMED TO REPRESENT THAT (A) THEY ARE QPs WHO ARE ALSO QIBs; (B) THEY ARE NOT BROKER DEALERS WHO OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS; (C) THEY ARE NOT PARTICIPANT DIRECTED EMPLOYEE PLANS, SUCH AS A 401(K) PLAN; (D) THEY ARE ACTING FOR THEIR OWN ACCOUNT, OR THE ACCOUNT OF ONE OR MORE QIBs, EACH OF WHICH IS ALSO A QP; (E) THEY ARE NOT FORMED FOR THE PURPOSE OF INVESTING IN THE SECURITIES OF THE ISSUER; (F) EACH ACCOUNT FOR WHICH THEY ARE PURCHASING WILL HOLD AND TRANSFER AT LEAST U.S$200,000 IN PRINCIPAL AMOUNT OF SECURITIES AT ANY TIME; (G) THEY UNDERSTAND THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES; AND (H) THEY WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S.

Confirmation of the Representation: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities, you must be (i) a person other than a U.S. person and be outside the United States; or (ii) a QIB who is also a QP. This Base Prospectus is being sent at your request and by accepting this e-mail and accessing the Base Prospectus, you shall be deemed to have represented to us that either (i) you are not a U.S. person, you are outside the United States, the e-mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and you consent to delivery of the Base Prospectus by electronic transmission; or (ii) you are a QIB who is also a QP and you consent to delivery of the Base Prospectus by electronic transmission. You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a permanent dealer or any affiliate of a permanent dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such permanent dealer or an affiliate on behalf of DBK in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The 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.

This Base Prospectus has been sent to you in an electronic form. Recipients of the Base Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and, consequently, none of the dealers, as named in the Base Prospectus, nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from J.P. Morgan Securities plc, VTB Capital plc and JSC Halyk Finance.

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 13 November 2012 (as may be further supplemented, amended or restated from time-to-time) (the "**Trust Deed**") between 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 1 December 2010. 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 consent(s) of the Committee for the Control and Supervision of the Financial Market and Financial Organisations of the National Bank of Kazakhstan (the "**FMSC**").

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 on 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.

Long-term foreign currency debt of the Issuer has been rated BBB+ (stable outlook) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), BBB- (positive outlook) by Fitch Ratings Limited ("**Fitch**") and Baa3 (stable outlook) by Moody's Investors Service Limited ("**Moody's**"). Each of S&P, Fitch and Moody's is established in the European Economic Area and is registered under Regulation (EU) № 1060/2009, as amended (the "**CRA Regulation**"). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arrangers

J.P. Morgan | VTB Capital | Halyk Finance

Dealers

J.P. Morgan | VTB Capital | Halyk Finance

The date of this Base Prospectus is 13 November 2012.

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, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member state of the European Economic Area) (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 FMSC. 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.

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 standalone 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.

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.

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 2011, which include comparative data as at and for the year ended 31 December 2010, and as at and for the year ended 31 December 2010, which include comparative data as at and for the year ended 31 December 2009 (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 2012 and for the nine months ended 30 September 2012, which include comparative data as at 31 December 2011 and for the nine-month period ended 30 September 2011 (the "**Unaudited Consolidated 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 Consolidated 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 2012. 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 2012 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 2012. Accordingly, investors should not assume that the financial condition and the results presented as at and for the nine months ended 30 September 2012 are an accurate indication of the actual financial condition or results as at and for the financial year ended 31 December 2012 or as at any date or for any period thereafter. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition*".

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;

- "**U.S.$**" or "**U.S. Dollars**" refers to United States Dollars, the lawful currency of the United States of America;

- "**¥**" or ""**Yen**" refers to Japanese Yen, the lawful currency of Japan; and

- "**MYR**" refers to Malaysian Ringgits, the lawful currency of Malaysia.

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 been or could be converted into U.S. Dollars at 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:

Period	**Period end**	**Average**[(1)]	**High**	**Low**
		(KZT/U.S.$1.00)		
Year ended 31 December 2009	148.36	147.50	151.40	120.79
Year ended 31 December 2010	147.40	147.34	148.46	146.41
Year ended 31 December 2011	148.40	146.62	148.40	145.17
Three months ended 31 March 2012	147.77	148.13	148.72	147.51
Six months ended 30 June 2012	149.42	148.17	149.42	147.50
Nine months ended 30 September 2012	149.86	149.67	150.22	148.86

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 13 November 2012, was KZT 150.86 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 FMSC, 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 FMSC, 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 2012 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 FMSC. 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.

TABLE OF CONTENTS

Page

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	J.P. Morgan Securities plc, VTB Capital plc and JSC Halyk Finance.
Dealers	J.P. Morgan Securities plc, VTB Capital plc, JSC Halyk Finance 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	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. 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.
FMSC Consents	No Notes issued by DBK may be issued and placed without prior consent(s) from the FMSC to issue and place such Notes outside Kazakhstan in accordance with the laws of a foreign country (the "**FMSC 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 *pari passu* among themselves and *pari passu* 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, 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 10.2 under "*Terms and Conditions of the Notes*".
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 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 "*Terms and Conditions of the Notes*".
Cross Default	The Notes will have the benefit of a cross default clause as described in Condition 13.3 under "*Terms and Conditions of the Notes*".
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 "*Terms and Conditions of the Notes*") 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 22 under "*Terms 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. Application has also been made for the Notes issued under the Programme to be admitted to the "rated debt securities" category of the official list of the KASE. 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.
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 considers 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

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 the overall industrial development programme. DBK's sole shareholder is JSC Sovereign Wealth Fund "Samruk-Kazyna" ("**Samruk-Kazyna**"), which 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**") and setting DBK's dividend policy. Pursuant to Agreement № 126 dated 7 November 2011 between the Ministry of Industry and New Technologies of Kazakhstan (the "**MINT"**) and Samruk-Kazyna (the "**Trust Management Agreement**"), Samruk-Kazyna has transferred the management of the shares of DBK to the MINT. Under the Trust Management Agreement, the MINT manages Samruk-Kazyna's shareholder rights, save for the right to dispose of shares in DBK, which is reserved to Samruk-Kazyna. Pursuant to the Trust Management Agreement, the MINT sets the structure and terms of appointment for the Board of Directors. As at the date of this Base Prospectus, the Deputy Prime Minister and Minister of Industry and New Technologies is the Chairman of the Board of Directors. The Board of Directors 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. Samruk-Kazyna, as shareholder, appoints the chairman of the Management Board (based on the recommendations of the MINT). As a result there can be no assurance that neither Samruk-Kazyna nor the MINT will not influence DBK's funding or lending policies.

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 as a result 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 risks of bureaucracy and inefficiencies commonly attributed to state-controlled companies. Furthermore, 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. Any such changes could have a material adverse effect on DBK's current strategies and management and on their ability to operate on a commercial basis.

Development Mandate

Pursuant to its development bank mandate, 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 the development goals and policy of the Government 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 declined 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. As a result, DBK may experience higher losses in its loan portfolio or may receive lower profit margins than commercial banks operating in Kazakhstan, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Loan Portfolio Growth

Continuing overall growth in the size of DBK's loan portfolio increases DBK's credit exposure. As a result, DBK will be required to implement continued and improved monitoring 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, which DBK has experienced in the past. For the year ended 31 December 2011, DBK recognised KZT 35,603.6 million in impairment losses, as compared to KZT 19,787.0 million in the year ended 31 December 2010 and KZT 73,414.1 million in the year ended 31 December 2009. For the nine months ended 30 September 2012, DBK recognised a recovery of impairment losses of KZT 1,256.9 million. There can be no assurance that impairment losses will not occur again in the future and that such impairment losses will not further 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 2011, 2010 and 2009—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 markets, 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 of its loan portfolio and maintain its quality 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 certain other banking services at preferential interest rates to certain sectors of the Kazakhstan economy to support the Government's development goals. As a result, DBK's loan portfolio is, from time to time, characterised by a high concentration in one or more particular economic sectors. The largest proportion of DBK's loans to customers was granted in the (i) mining, metallurgy and mineral resources, (ii) agriculture and (iii) oil and gas sectors, accounting for 19.0%, 14.3% and 14.3%, respectively, of total gross loans granted to customers as at 30 September 2012. In addition, as a result of the scale of investment projects funded by DBK, DBK's loan portfolio is, from time-to-time, characterised by a concentration of borrowers. As at 30 September 2012, DBK had two borrowers whose balances exceeded 10% of DBK's equity and outstanding loans to the top ten groups of borrowers comprised 66.2% of DBK's total gross loans to customers. DBK also provides significant levels of financing to other companies within the Samruk-Kazyna group. Such funding accounted for 23.5% of DBK's loan portfolio as at 30 September 2012. It is DBK's stated strategy to continue to focus on providing loans to companies within the Samruk-Kazyna group, which conduct infrastructure activities in Kazakhstan, as well as the other non-commodity sectors in which DBK conducts operations.

The directed nature of DBK's lending activities may, from time-to-time, result in DBK having continuing concentrated exposure to particular industries or economic sectors, particular groups of borrowers and to borrowers whose businesses are not mature and, ultimately, could adversely affect the diversity and quality of DBK's overall loan portfolio. For example, as at 30 September 2012, approximately 20.2% of loans to customers in the agriculture and textile sectors have experienced impairment, which has affected DBK's result of operations. As a result, DBK may experience higher losses in its loan portfolio than would be the case if it had a more diversified portfolio of lending to established and varied businesses, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Non-Performing Loans

A relatively high percentage (40.6%) of gross loans outstanding to customers was classified as non-performing loans ("**NPLs**") (those overdue by more than 90 days) as at 30 September 2012, as compared to 45.7 %, 26.5% and 6.6% of gross loans as at 31 December 2011, 2010 and 2009, respectively. This was primarily as a result of (i) substantial delays in the commissioning of projects due to, among other things, construction delays, and (ii) the lagging effect of the impact of the global financial crisis on DBK's customers, including higher prices for raw materials and reduced access to working capital. In addition, as at 30 September 2012, two groups of loans to customers within DBK's ten largest loans, which were extended in the agriculture and textile sectors, were classified as NPLs and another group of loans extended in the agriculture sector has been restructured, resulting in a loss to DBK. DBK's lending tends to be concentrated in relatively large infrastructure and industrial projects, due to its role as a development bank. As a result, DBK may be more at risk in respect of NPLs than commercial banks. Although management believes that it has made significant progress in restructuring some of its NPLs, there can be no assurance that DBK will successfully restructure all or most of such NPLs and that such restructuring will be adequate. This could reduce recoveries in respect of such NPLs, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Collateral Value

Pursuant to the DBK Law (as defined below), 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. Collateral that may be accepted includes immovable and movable property, legal rights of use and possession property rights, securities, 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. Downturns in the relevant markets or a general deterioration of economic conditions may result in reductions in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on such loans. If collateral values decline, they may not be sufficient to cover uncollectable amounts on DBK's secured loans. A failure to recover the expected value of collateral may expose DBK to losses, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Concentration of Investment Portfolio

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 addition, approximately 96% of DBK's investments are made in Kazakhstan. Accordingly, DBK is exposed to the risks of an adverse event occurring in Kazakhstan. In the event that the Government or DBK's related parties default on their obligations under the respective securities, the yield on treasury bills and bonds issued by the Government and DBK's related parties declines, or there is some other interruption in the market for such securities, there could be a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Long-Term Projects

A key area of DBK's business is the limited recourse financing of large and long-term infrastructure projects. As a result, DBK is exposed to certain risks if such projects are not successful. The macro-economic and political risks inherent in emerging economies and Kazakhstan 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 within the agreed timeframe, or on budget, or that it may fail altogether. There is also the risk that if an event of default occurs under a project financing, the collateral provided may not be sufficient to cover the value of the loans. The occurrence of any of these events could have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Lack of Information and Risk Assessments

Kazakhstan's system for gathering and publishing statistical information relating to its economy, specific economic sectors, and corporate or financial information relating to companies and other economic enterprises, is not as comprehensive as that of 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 credit risk assessment. This could increase the risk of borrower default, decrease the likelihood that DBK would be able to enforce any collateral in respect of the corresponding loan or decrease the likelihood that the relevant collateral has a value commensurate to the loan secured on it. Further, 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.

In 2004, in co-operation with an international credit reference agency, Experian, Kazakhstan's commercial banks established a credit reference bureau in Kazakhstan 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 adequate. DBK continues to have relatively limited information, as compared to lenders in more developed markets, on which to base its lending decisions and could adversely affect the quality of such lending decisions.

Credit Risks

DBK has implemented specific credit risk policies. However, 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 medium to long-term loans in an emerging market such as Kazakhstan. Kazakhstan's economy is substantially influenced by commodity prices and customers operating in industries that are susceptible to commodity price fluctuations may find their financial condition affected by such fluctuations. Consequently, the ability of such customers to service loans extended by DBK fully and on time may be adversely affected.

Concentration of Funding Sources

Pursuant to its development bank mandate, DBK does not generally accept customer deposits and is reliant on external funding sources. In addition to concessional loans made by the Government and Samruk-Kazyna, DBK is dependent upon loans from banks and other financial institutions for its funding. As at 30 September 2012 and 31 December 2011, 2010 and 2009, funding from banks and other financial institutions, as a percentage of DBK's total liabilities, represented 62.9%, 64.8%, 74.9% and 74.1%, respectively. In addition, a significant portion of DBK's funding is derived from debt securities issued. As at 30 September 2012 and 31 December 2011, 2010 and 2009, funding from debt securities issued, as a percentage of DBK's total liabilities, represented 26.2%, 24.3%, 17.0% and 8.8%, respectively. A number of factors, many of which are outside DBK's control, may affect the DBK's ability to obtain such funding in the future, including, *inter alia*, the condition of the Kazakhstan and international banking sectors, the condition of the international capital markets, capital controls that are or may be imposed globally, the willingness of multilateral institutions to fund specific projects, the actual and perceived economic conditions in Kazakhstan and DBK's financial condition. 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 or through new issuances of debt securities. There can also be no assurance that the Government and Samruk-Kazyna will provide adequate support. To the extent that banks and other financial institutions are unwilling or unable to continue to provide sufficient funding to DBK, or DBK is not able to raise such financing through the issuance of debt securities or increased funding by the Government or Samruk-Kazyna, 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 assets reprice more frequently than its liabilities, if interest rates fall, DBK's interest expenses will decrease more slowly 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 order to manage the risk of mismatch in interest rates inherent to DBK's operations, the Government grants low-interest loans to DBK. There can be no assurance that DBK will continue to benefit from such loans in the future. DBK's ability to mitigate interest rate risks is, accordingly, limited and as such, 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 has set limits on the level of exposure to currencies, primarily, the U.S. Dollar, and has entered into forward and swap transactions to hedge some of 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 have a material adverse effect on 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. This could have a negative effect on the ability of such borrowers to fully repay the U.S. Dollar denominated loans extended by DBK on time.

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. Currency exchange rates can be particularly volatile in times of national or global financial instability, such as the recent period of economic turmoil. Accordingly, any future changes in such rates 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 Law on the Development Bank of Kazakhstan dated 25 April 2001, as amended (the "**DBK Law**"), the Law on the Sovereign Wealth Fund dated 1 February 2012, 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 6 May 2009 and approved by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations (the "**FMSA**") (the "**DBK Charter**"), and other relevant laws and regulations. DBK has proposed a number of amendments to the DBK Law, which provide measures to support and facilitate DBK's ability to conduct its business. There can be no assurance, however, that these amendments will be adopted. There can also be no assurance that the current regulatory regime will not change or that the Government will not implement other regulations or policies, including policies, regulations or adopt new or modified legal interpretations of existing regulations or policies 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 of, or interruption to, these systems, or any breach of security could result in failures of, or interruptions to, DBK's risk management and 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 could be unable to service customers' needs in a timely manner. Likewise, a temporary shutdown of DBK's information systems may result in additional expenditure 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 properly implement 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 areas such as risk management and brokerage services. If the shortage of adequately qualified personnel persists, DBK's ability to offer the desired range, volume and quality of services 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.

Development of Relatively New Business Lines

In accordance with DBK's long term corporate development strategy, DBK is planning to expand its activity along its relatively new business lines related to traditional project financing and the financing of projects through public-private partnerships. Such activities could expose DBK to different types of project and counterparty risks, in which DBK has a lack of experience. No assurance can be given that DBK's efforts to expand along such business lines will be successful or 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 business, financial condition, results of operations and prospects.

Risk Factors Relating to Kazakhstan

Emerging Markets

The disruptions experienced in recent years due to the impact of the global financial and economic 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 emerging markets such as Kazakhstan may be particularly susceptible to such disruptions, reductions in the availability of credit and 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) 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 in 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 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.

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 those in the CIS or Central Asian regions which have recently experienced significant political instability (including terrorism), could seriously disrupt DBK's business, which could, in turn, have a material adverse effect on DBK's financial condition, results of operations and prospects.

Kazakhstan's Banking Industry

The global economy and financial system have experienced a period of significant turbulence, uncertainty and disruption since September 2007, which has severely impacted general levels of liquidity and 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 in 2008 and 2009. 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 relied heavily 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. In addition, the banking sector in Kazakhstan has been burdened by high levels of non-performing assets and NPLs across the sector remains high at over 30% of total loans as at 30 May 2012.

The NBK and the Government have taken steps to support the Kazakhstan banking sector. Such steps include the provision of short term liquidity support, the deposit into local commercial banks of temporary excess cash of enterprises wholly or partially owned by the Government or controlled by the NBK and the establishment by the Government of a Distressed Assets Fund to buy non-performing 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.

The Kazakhstan banking system remains under stress with banks seeking to deleverage through partial repayments and debt restructurings. In addition, loan quality in Kazakhstan remains poor and NPLs have not shown significant signs of improvement, notwithstanding signs of improvement in the Kazakhstan economy. In 2010, JSC BTA Bank ("**BTA Bank**"), JSC Alliance Bank ("**Alliance Bank**") and JSC Temirbank ("**Temirbank**") each completed the process of restructuring their debts, although BTA Bank continues to face difficulties. The completion of the restructuring of Alliance Bank, which was announced on 30 March 2010, resulted in the restructuring or cancellation of over U.S.$4.5 billion of Alliance Bank's financial indebtedness; Temirbank's restructuring, which was announced on 30 June 2010, resulted in the restructuring of approximately U.S.$1.5 billion of Temirbank's financial indebtedness and BTA Bank's restructuring, which was completed on 31 August 2010, resulted in the cancellation of approximately U.S.$16.7 billion of BTA Bank's indebtedness. As a result of the global financial crisis and their respective debt restructurings, all three banks currently have the majority of their shares in state ownership. JSC Astana Finance has also been restructured. In January 2012, BTA Bank failed to make an interest payment due to the holders of senior notes issued as part of the restructuring it completed in 2010 and has subsequently agreed terms for a second restructuring to be completed in 2012. The negative impact of the continuing problems in the banking sector may affect the willingness of foreign investors and banks to consider lending to, or investing in, Kazakhstan banks, such as DBK. This reluctance could have an adverse effect on DBK's ability to attract finance from foreign financial institutions. Furthermore, the on-going problems in the banking sector may affect the amount of support that DBK receives from the Government as Government funding may be channelled to other banks in the sector, which may require imminent support. It is also uncertain what impact the on-going problems in the sector may have on investors' perceptions of Kazakhstan. Such problems could have a negative impact on the country's sovereign credit rating or other adverse developments, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

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, under President Nursultan Nazarbayev, has experienced significant changes as it emerged from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a stagnant economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. However, Kazakhstan actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation and it is more advanced in this respect than some other countries of the former Soviet Union. Under President Nazarbayev's leadership, Kazakhstan has moved toward a market-oriented economy, and, as such, was awarded the chairmanship of the Organization for Security and Co-operation in Europe ("**OSCE**") for the calendar year 2010. If the current administration changes its outlook or, in the event of a change in administration, such future administration has a different outlook, the economy in Kazakhstan could be adversely affected. Changes to Kazakhstan's economy, including in property, tax or regulatory regimes or other changes could have a material adverse effect on the DBK's business, financial condition, results of operations and prospects.

Kazakhstan depends on neighbouring countries 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 goods. Should access to 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.

In addition, Kazakhstan could be adversely affected by political unrest in the Central Asia region, such as that experienced by the neighbouring country of Kyrgyzstan in 2010. Additionally, like other countries in Central Asia, Kazakhstan could be adversely affected by terrorism or military or other action taken against sponsors of terrorism in the region.

According to figures compiled by the NSA, the pace of gross domestic product ("**GDP**") growth slowed to 1.2% in 2009. However, in 2010, GDP began to recover, growing by 7.0%, 7.5% in 2011 and 5.6% in the first six months of 2012. According to forecasts prepared by the International Monetary Fund (the "**IMF**"), Kazakhstan's GDP is estimated to be U.S.$194.0 billion in 2012, which represents a reduced growth rate of 5.5% for 2012, as compared to 2011.

Notwithstanding the recent recovery in GDP growth, Kazakhstan has experienced general economic slowdown in recent years, which has resulted 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 of DBK's loans and increasing provisions.

Factors outside Kazakhstan have also had an impact on Kazakhstan's economy, specifically the finance and banking sector. Since the collapse of the banking system in 2008, the banking sector has contracted and undergone restructuring. For example, there has been a significant reduction in the sector's foreign debt due to the write-off of the majority of foreign debts of BTA Bank, Alliance Bank, and Temirbank in 2010, the repayment of foreign debts by other banks and a significant reduction in new foreign debt issued since 2008. As at 31 December 2011, the banking system had net external assets of U.S.$6.8 billion, as compared to net external debt of U.S.$15.7 billion as at 31 December 2008. Furthermore, as at 30 May 2012, over 30% of Kazakhstan banks' loan portfolios were overdue by more than 90 days and the real estate and construction sectors, where the bulk of the problem is concentrated, have not recovered. Although the Government has outlined several new schemes to address the level of impaired loans, there is no guarantee that such schemes will have the desired impact on the banking and real estate sectors, and in turn, the prospects of participants in the Kazakhstan banking sector and their customers, including DBK.

Kazakhstan has maintained a stable credit rating since April 2010. Any downgrade, however, 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, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Exchange Rate Policies

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. The Tenge had generally appreciated in value against the U.S. Dollar over the previous decade until its devaluation by the NBK in February 2009. Since February 2009, the Tenge has generally stabilised.

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 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 could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

In addition, there can be no assurance that the NBK will maintain its managed exchange rate policy. Any change in the NBK's exchange rate policy could have an adverse effect on Kazakhstan's public finances and economy, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Kazakhstan's Currency Control Law

In July 2009, the President of Kazakhstan signed into law various amendments to Kazakhstan's currency control legislation. The amendments empower the President, by special action and under circumstances when the economic stability of Kazakhstan is threatened, to introduce a special currency regime that would (i) require the compulsory sale of foreign currency received by Kazakhstan residents; (ii) require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit in an authorised bank or the NBK; (iii) restrict the use of accounts in foreign banks; (iv) limit the volumes, amounts and currency of settlements under currency transactions; and (v) require a special permit from the NBK for conducting currency transactions. Moreover, the President may impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

In order for Kazakhstan to remain in compliance with its membership obligations under the Charter of the International Monetary Fund, the new currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As at the date of this Base Prospectus, the President has not invoked the provisions of these amendments. Accordingly, it is unclear how any implementation of the new currency regime would ultimately impact DBK. However, significant restrictions on DBK's foreign currency dealings could have a material adverse effect on DBK's business, prospects, financial condition or results of operations.

The Economy's Dependence on Oil Exports, Trade Exports and Commodity Prices

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 could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

Furthermore, 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. The Government established the National Fund of Kazakhstan in 2000 (the "**National Fund of Kazakhstan**") to support the financial markets and the economy of Kazakhstan in the event of any sustained drop in oil revenues. Notwithstanding these efforts, low commodity prices and weak demand in Kazakhstan's export markets, especially in the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which could, in turn, have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

While GDP has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, there can be no assurance that GDP will continue to grow and any slowdown in GDP growth could adversely affect the development of Kazakhstan and, in turn, DBK's business, financial condition, results of operations and prospects.

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 could, in turn, 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 significantly affected by the global financial crisis, 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, are needed in order to stimulate economic growth. 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 Reforms

The Government's privatisation programme is driven by the need for substantial investment in many enterprises. The programme has, however, excluded certain enterprises deemed strategically significant by the Government and there remains a need for substantial investment in many sectors of the Kazakhstan economy, including 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 have a material adverse effect on DBK's business, financial condition, results of operations and prospects.

The Regulatory and Tax Regime and Judicial System

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 sometimes been difficult to predict. 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.

Further, due to numerous ambiguities in Kazakhstan's commercial legislation, in particular in its relatively 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 the uncertainty surrounding judgments rendered under the tax code, introduced with effect from 1 January 2009 (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 more developed legal and tax systems.

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 and subsequent years.

As a result of its special status and role as a development bank, DBK is exempt from NBK regulation relating to provisioning. There is uncertainty as to the allocation of DBK's expenses for provisioning as deductions from DBK's taxable base under this exemption, which, in turn, increases the tax liability of DBK. DBK is currently discussing this matter with the relevant authorities, although there can be no assurance that this will be resolved satisfactorily or in a timely manner.

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 and its customers.

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 the interpretation and application of certain provisions of the 2009 Tax Code is unclear.

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 and hinder the development of Kazakhstan's economy. In addition, DBK has made an application for Notes issued under the Programme to be admitted to the "rated debt securities" category of the official list of the KASE and listed on the KASE. Kazakhstan's existing securities laws and regulations, including official interpretation and application thereof, are relatively new and subject to change. While DBK believes it is complying with all applicable securities laws in listing on the KASE, there can be no assurances that the securities regulators may impose additional or different regulations. As at the date of this Base Prospectus, the consequences of non-compliance with such additional regulations, are unclear. Accordingly, any such consequences could have a material adverse effect on DBK's business, financial condition, results of operations and prospects and the market value of the Notes.

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 has had only one president, Nursultan Nazarbayev, who is 72 years old as at the date of this Base Prospectus. Under President Nazarbayev'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 and the country has been largely free from political violence. In 2007, Kazakhstan's Parliament amended Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of consecutive re-elections. The 2007 amendment permitted President Nazarbayev to seek re-election at the end of his term in 2011. President Nazarbayev was re-elected with 95.5% of the votes for a new five-year term in elections, which took place in April 2011.

Given that Kazakhstan has not had a presidential succession and that there is no clear successor to Mr. Nazarbayev, there can be no assurance that any succession will result in a smooth transfer of office and economic policies. Thus, 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 of instability in Kazakhstan. If a future president is elected with a different political outlook, the business regime in Kazakhstan could change. 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, financial condition, results of operations and prospects.

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 none may 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 FMSC. 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.

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.

Structure of a Particular Issue of Notes

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 in 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.

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.

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.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**"), require withholding of U.S. tax at a rate of 30% on all or a portion of certain payments of principal and interest with respect to debt instruments which are treated as "foreign pass-thru payments" made on or after 1 January 2017 to an investor or any other non-U.S. financial institution through which such payment is made if such investor or other non-U.S. financial institution is not in compliance with FATCA. Under the current rules and guidance concerning entities treated as "exempt beneficial owners", DBK does not believe that any withholding under FATCA will apply to interest, principal or other amounts paid on or with respect to the Notes. Any amendments or modifications to FATCA or future guidance, or a later determination that DBK does not qualify as an exempt beneficial owner under FATCA, could require DBK to withhold U.S. tax on interest, principal or other amounts paid on or with respect to the Notes.

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 2008, the global markets experienced significant financial turmoil that had a ripple effect on other emerging markets. 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.

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 2012 and 31 December 2011. 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 2012		**As at 31 December 2011**	
	(U.S.$ millions)(1)(2)	*(KZT millions)*(2)	*(U.S.$ millions)*(2)(3)	*(KZT millions)*(2)
Long-term debt:(4)				
U.S.$100 million 7.375% notes due 2013	100.0	14,986.0	100.0	14,840.0
U.S.$100 million 6.5% notes due 2020	100.0	14,986.0	100.0	14,840.0
U.S.$150 million 6.00% notes due 2026	97.4	14,598.8	100.1	14,849.8
U.S.$777 million 5.50% notes due 2015	777.0	116,441.2	777.0	115,306.8
U.S.$5.0 million 8.0% notes due 2016	5.0	749.3	5.0	749.3
MYR 240 million 5.50% sukuk due 2017(5)	78.6	11,772.0	—	—
KZT 93,259.3 million notes due 2059	622.3	93,259.3	627.7	93,152.8
€11.1 million loan due 2013(6)	2.1	309.0	4.1	610.6
U.S.$21.4 million loan due 2023	16.6	2,488.5	18.2	2,699.0
U.S.$150 million loan due 2014	83.3	12,488.3	100.0	14,840.0
U.S.$300 million loan due 2015	166.7	24,976.7	233.3	34,626.7
U.S.$130 million loan due 2015	72.2	10,823.2	101.1	15,004.9
U.S.$100 million loan due 2018	84.0	12,588.2	91.0	13,504.4
U.S.$100 million loan due 2018	91.0	13,637.3	96.0	14,246.4
U.S.$100 million loan due 2019	96.0	14,386.6	100.0	14,840.0
U.S.$1.5 billion loan due 2019	1,500.0	224,790.0	1,500.0	222,600.0
€10.2 million loan due 2018(6)	12.3	1,843.3	13.2	1,961.6
U.S.$400 million loan due 2025	400.0	59,944.0	400.0	59,360.0
¥3,441.6 million loan due 2019(7)	41.5	6,227.2	39.0	5,781.2
€30 million loan due 2013(6)	38.8	5,820.6	38.8	5,751.6
U.S.$884 million loan due 2022	230.5	34,546.4	165.4	24,543.5
KZT 4,300 million budget loan due 2018	28.7	4,300.0	29.0	4,300.0
KZT 4,599 million budget loan due 2019	30.7	4,599.0	31.0	4,599.0
KZT 5,080 million budget loan due 2021	33.9	5,080.0	34.2	5,080.0
KZT 10,046.8 million budget loan due 2028	66.9	10,031.8	67.6	10,031.8
KZT 20,000 million loan due 2024	133.5	20,000.0	134.8	20,000.0
KZT 5,000 million loan due 2029	33.4	5,000.0	33.7	5,000.0
KZT 15,000 million loan due 2021	100.1	15,000.0	101.1	15,000.0
Total long-term debt	**5,042.5**	**755,672.7**	**5,041.3**	**748,119.4**
Equity:				
Share capital	1,726.1	258,667.5	1,724.9	255,976.0
Reserve capital	118.2	17,712.3	119.3	17,712.3
Hedging reserve	(1.1)	(163.2)	—	—
Revaluation reserve for available-for-sale financial assets	104.0	15,586.3	20.4	3,030.3
Accumulated losses	(341.3)	(51,152.9)	(442.2)	(65,627.3)
Total equity	**1,605.8**	**240,650.0**	**1,422.4**	**211,091.3**
Total capitalisation and long-term liabilities	**6,648.3**	**996,322.7**	**6,463.7**	**959,210.7**

Notes:

(1) 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 2012, which was KZT 149.86 per U.S.$1.00.

(2) Nominal amount of long-term debt.

(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 2011, which was KZT 148.40 per U.S.$1.00.

(4) Indebtedness is classified as long-term if its remaining maturity is not less than one year as at the reporting date.

(5) As at 30 September 2012, the MYR/KZT exchange rate used was KZT 49.05 per MYR 1.00 and the MYR/U.S.$ exchange rate used was U.S.$0.33 per MYR 1.00.

(6) As at 30 September 2012, the €/U.S.$ exchange rate used was €1.29 per U.S.$1.00 and, as at 31 December 2011, the €/U.S.$ exchange rate used was €1.29 per U.S.$1.00. As at 30 September 2012, the €/KZT exchange rate used was KZT 194.02 per €1.00 and as at 31 December 2011, the €/KZT exchange rate used was KZT 191.72 per €1.00.

(7) As at 30 September 2012, the ¥/KZT exchange rate used was KZT 1.93 per ¥1.00 and. as at 31 December 2011, the ¥/KZT exchange rate used was KZT 1.91 per ¥1.00.

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 2012 and 2011 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Unaudited Consolidated 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 2011, 2010 and 2009 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 30 September			For the year ended 31 December			
	2012		2011	2011		2010	2009
	(U.S.$ millions)[(1)(2)]	*(KZT millions)*[(1)]	*(KZT millions)*[(1)]	*(U.S.$ millions)*[(3)]	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Interest income	298.5	44,734.6	37,794.3	407.0	60,402.7	53,956.1	41,868.9
Interest expense	(178.8)	(26,795.7)	(25,469.8)	(236.3)	(35,068.0)	(29,996.7)	(18,626.0)
Net interest income	**119.7**	**17,938.9**	**12,324.5**	**170.7**	**25,334.7**	**23,959.4**	**23,242.9**
Fee and commission income	1.4	208.8	150.4	1.4	201.0	203.2	181.7
Fee and commission expense	(0.4)	(58.6)	(2,469.9)	(29.9)	(4,433.8)	(86.5)	(142.6)
Net fee and commission income/(expense)	**1.0**	**150.2**	**(2,319.5)**	**(28.5)**	**(4,232.8)**	**116.8**	**39.1**
Net foreign exchange (loss)/gain	(1.9)	(288.5)	1.5	1.6	243.7	395.4	7,667.6
Net realised gain/(loss) on available-for-sale financial assets	8.1	1,218.4	(200.1)	(0.8)	(111.8)	863.7	513.5
Net gain/(loss) on derivative financial instruments	5.2	779.7	(1,144.9)	(14.7)	(2,181.5)	400.0	(3,297.0)
Gain on repurchase of debt securities issued	0.1	15.1	46.0	0.3	46.0	567.5	—
Other (expenses)/income, net	(0.1)	(10.9)	204.7	0.2	30.8	414.6	1,174.1
Operating income	**132.1**	**19,802.9**	**8,912.2**	**128.8**	**19,129.1**	**26,717.3**	**29,340.2**
Recovery of/(charge for) impairment losses	8.4	1,256.9	(29,064.6)	(239.9)	(35,603.6)	(19,787.0)	(73,414.1)
General administrative expenses	(18.7)	(2,804.6)	(2,398.9)	(24.5)	(3,641.1)	(2,842.3)	(2,767.1)
Profit/(loss) before taxes	**121.8**	**18,255.2**	**(22,551.3)**	**(135.6)**	**(20,115.6)**	**4,088.0**	**(46,841.0)**
Income tax (expense)/benefit	(1.2)	(172.6)	2,135.9	21.0	3,113.7	(1,861.9)	7,365.4
Profit/(loss) for the period	**120.7**	**18,082.6**	**(20,415.4)**	**(114.6)**	**(17,001.9)**	**2,226.2**	**(39,475.6)**
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	91.9	13,774.4	(36,575.7)	(227.4)	(33,749.9)	1,557.9	40,713.5
Impairment on available-for-sale financial assets transferred to profit and loss	—	—	—	—	—	—	2,193.1
Net change in fair value of available-for-sale financial assets transferred to profit and loss	(8.1)	(1,218.4)	200.1	0.8	111.8	(953.7)	(313.4)
Net unrealised gain on hedging instruments, net of tax	(1.1)	(163.3)	(244.7)	0.3	44.3	504.8	5,550.5
Net unrealised loss on hedging instruments, net of tax of KZT 74,623 thousand transferred to profit or loss	—	—	—	2.0	298.5	—	—
Other comprehensive income/(loss) for the period	**82.7**	**12,392.8**	**(36,620.3)**	**(224.4)**	**(33,295.3)**	**1,109.0**	**48,143.6**
Total comprehensive income/(loss) for the period	**203.4**	**30,475.3**	**(57,035.7)**	**(338.9)**	**(50,297.2)**	**3,335.1**	**8,668.0**

Notes:

(1) Derived from the Unaudited Consolidated 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 2012, which was KZT 149.86 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 2011, which was KZT 148.40 per U.S.$1.00.

Consolidated Statement of Financial Position

	As at 30 September		As at 31 December			
	2012		2011		2010	2009
	(U.S.$ millions)[(1)(2)]	*(KZT millions)*[(1)]	*(U.S.$ millions)*[(3)]	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Assets						
Cash and cash equivalents	794.5	119,068.0	967.0	143,500.2	198,229.9	293,316.2
Placements with banks and other financial institutions	545.2	81,704.8	157.8	23,416.5	25,030.9	44,481.7
Amounts receivable under reverse repurchase agreements	70.3	10,536.6	285.0	42,301.0	33,194.7	—
Loans to customers[(4)]	1,974.6	295,910.5	1,856.1	275,447.4	320,890.9	201,412.3
Finance lease receivables[(5)]	146.9	22,021.2	153.0	22,704.7	24,565.9	19,276.9
Available-for-sale financial assets						
Held by the Group	2,464.3	369,307.4	2,414.3	358,285.0	335,703.4	268,830.2
Pledged under foreign currency swap	23.5	3,515.3	23.3	3,460.8	2,931.3	—
Pledged under repurchase agreements	7.5	1,120.2	—	—	—	—
Held-to-maturity investments	20.6	3,093.4	19.8	2,934.6	2,707.1	—
Equipment and intangible assets	1.6	234.5	1.6	235.6	190.2	150.7
Advances for finance leases	13.1	1,969.0	4.3	638.5	333.1	484.0
Assets to be transferred under finance lease agreements	19.3	2,888.0	8.3	1,230.2	1,411.8	5,782.2
Other assets	45.3	6,787.7	40.5	6,013.4	6,732.4	7,397.8
Current tax asset	1.1	162.3	1.1	162.4	188.2	532.5
Deferred tax assets	59.3	8,880.4	60.6	8,989.1	6,058.4	8,001.0
Derivative financial instruments	0.7	102.9	4.0	590.3	442.5	—
Total assets	**6,187.8**	**927,302.2**	**5,996.7**	**889,909.9**	**958,610.8**	**849,665.5**
Liabilities						
Current accounts and deposits from customers	23.4	3,502.3	8.5	1,255.6	1706.3	45,181.2
Loans from the Government of the Republic of Kazakhstan	170.0	25,469.9	174.6	25,908.9	24,023.3	30,886.1
Loans from the Parent Company	88.8	13,314.5	86.7	12,868.6	2,420.1	—
Loans from banks and other financial institutions	2,879.8	431,569.7	2,966.3	440,203.2	517,302.0	430,143.2
Government grants	73.3	10,988.3	77.6	11,517.8	11,133.3	9,459.5
Amounts payable under repurchase agreements	6.7	1,004.0	—	—	—	—
Debt securities issued	1,198.7	179,638.2	1,110.9	164,855.3	117,706.9	51,372.4
Subordinated debt	23.0	3,442.4	34.0	5,050.8	4,542.8	2,723.8
Other liabilities	70.4	10,556.5	62.3	9,242.3	4,428.2	2,673.3
Derivative financial instruments	47.8	7,166.4	53.3	7,916.3	7,466.8	8,183.9
Total liabilities	**4,582.0**	**686,652.2**	**4,574.2**	**678,818.6**	**690,729.8**	**580,623.5**
Equity						
Share capital	1,726.1	258,667.5	1,724.9	255,976.0	255,976.0	255,976.0
Reserve capital	118.2	17,712.3	119.3	17,712.3	17,712.3	17,666.7
Hedging reserve	(1.1)	(163.2)	—	—	(342.9)	(847.7)
Revaluation reserve for available-for-sale financial assets	104.0	15,586.3	20.4	3,030.3	36,668.5	36,064.3
Accumulated losses	(341.3)	(51,152.9)	(442.2)	(65,627.3)	(42,132.8)	(39,817.4)
Total equity	**1,605.8**	**240,650.0**	**1,422.4**	**211,091.3**	**267,881.0**	**269,041.9**
Total liabilities and equity	**6,187.8**	**927,302.2**	**5,996.7**	**889,909.9**	**958,610.8**	**849,665.5**

Notes:

(1) Derived from the Unaudited Consolidated 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 2012, which was KZT 149.86 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 2011, which was KZT 148.4 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 2011 and 2010, Note 7 to the Unaudited Consolidated 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 2011 and 2010 and "*Selected Statistical and Other Data*".

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 2012 and 2011 and as at, and for the years ended, 31 December 2011, 2010 and 2009:

	As at and for the nine months ended 30 September		As at and for the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(%, unless otherwise indicated)				
Profitability Ratios[1]					
Return on average total equity	8.0	(8.6)	(7.1)	0.8	(21.6)
Return on average assets[2]	2.0	(2.2)	(1.8)	0.2	(6.4)
Net interest margin[3]	2.0	1.3	2.8	2.7	3.9
Net interest spread[4]	0.9	0.3	1.3	1.2	2.5
Non-interest expense/net interest income plus non-interest income[5][6]	(14.4)	(42.8)	(34.3)	(10.9)	(9.9)
Non-interest expense as a percentage of net interest income[5]	(16.0)	(39.5)	(31.9)	(12.2)	(12.5)
Non-interest expense as a percentage of average total assets[5]	(0.3)	(0.5)	(0.9)	(0.3)	(0.5)
Loan Portfolio Quality (%)					
Allowance for impairment losses/gross loans to customers[7]	29.7	29.5	31.3	22.1	28.3
Balance Sheet Ratios and Capital Adequacy					
Loans to customers-total assets	31.9	30.9	31.0	33.5	23.7
Total equity-total assets	26.0	22.4	23.7	27.9	31.7
Liquid assets-total assets[8]	63.1	62.6	64.2	62.1	71.4
Contingent liabilities-total equity[9]	131.5	133.6	122.5	98.2	36.3
Direct liabilities-total equity[10]	276.4	329.1	311.7	252.0	211.3
Capital adequacy ratio[11]	16.1	15.1	16.4	20.3	26.3
Economic Data[12]					
Period-end exchange rate (*KZT/U.S.$*)	149.9	148.0	148.4	147.4	148.4
Average exchange rate for period (*KZT/U.S.$*)	149.7	146.2	146.6	147.3	147.50
Inflation growth rate (CPI)[13]	3.9	8.6	8.3	7.8	6.2
GDP growth (real)[13]	5.2	7.5	7.5	7.0	1.2

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 for the period divided by average period total assets. Average period total assets are calculated based 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. Interest-bearing assets are comprised of cash and cash equivalents, placements with banks, loans to customers, finance lease receivables, available-for-sale financial assets, held-to-maturity investments and amounts receivable under reverse repurchase agreements. See *"Selected Statistical and Other Data—Average Balance Sheet and Interest Rates"*.

(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. Interest-bearing liabilities are comprised of loans and advances from the Government of the Republic of Kazakhstan, loans from the Parent Company, loans from banks and other financial institutions, current accounts and deposits from customers, debt securities issued, subordinated debt and amounts payable under repurchase agreements. See *"Selected Statistical and Other Data—Average Balance Sheet and Interest Rates"*.

(5) Non-interest expense is comprised of fee and commission expense and general administrative expenses.

(6) Non-interest income is comprised of net gain/(loss) on derivative financial instruments, net gain/(loss) on foreign exchange operations, fee and commission income, net gain/(loss) on disposal of available-for-sale financial assets, gain on repurchase of debt securities issued and other income/(expenses), net.

(7) Loan portfolio quality is calculated using gross loan balances.

(8) Liquid assets comprise investments available-for-sale plus cash and cash equivalents, placements with banks and other financial institutions 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, loans from banks and other financial institutions, current accounts and deposits from customers, debt securities issued, loans from Samruk-Kazyna, subordinated debt, amounts payable under repurchase agreements and derivative financial instruments.

(11) Calculated as a ratio of DBK's consolidated equity capital to its risk-weighted assets, calculated according to Basel II principles.

(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 Kazakhstan". On 18 August 2003, DBK was re-registered as Joint Stock Company "Development Bank of Kazakhstan" in order to comply with the requirements of the Law on Joint Stock Companies adopted on 13 May 2003 (the "**JSC Law**"). A re-registration certificate (№ 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 792 604. 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. Approximately 70% of the projects financed by DBK are greenfield projects. 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 2012, DBK's net profit was KZT 18,082.6 million, as compared to a net loss of KZT 20,415.4 million for the nine months ended 30 September 2011. For the year ended 31 December 2011, DBK's net loss was KZT 17,001.9 million, as compared to a net profit of KZT 2,226.2 million for the year ended 31 December 2010 and a net loss of KZT 39,475.6 million for the year ended 31 December 2009. As at 30 September 2012, DBK had total assets of KZT 927,302.2 million, as compared to total assets of KZT 889,909.9 million as at 31 December 2011, KZT 958,610.8 million as at 31 December 2010 and KZT 849,665.5 million as at 31 December 2009.

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 Consolidated 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 judgments. See Note 2(d) to the 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 and spot transactions. 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 derivates as either:

- 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 probable 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 the ineffective portion recognised in profit or loss; or

- 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.

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. If there are conditions that may require repayment, the grant is recognised as "deferred income" in other liabilities.

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

The primary factors that have affected DBK's results of operations during the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, and that can be expected to affect DBK's results of operations in the future, are: (i) DBK's role as a development bank; (ii) the current economic environment in Kazakhstan; (iii) fluctuations in interest rates; (iv) fluctuations in exchange rates; and (v) taxation.

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 declined 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 effects of the global economic crisis 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, certain positive economic signs have been evident. In 2010 and 2011 the rate of GDP growth was 7.0% and 7.5%, respectively, as compared to 1.2% in 2009, according to statistics published by the NSA. In the first six months of 2012, GDP grew at a rate of 5.6%, as compared to the corresponding period in 2011. As at 30 September 2012, there was a positive trade balance and international reserves, including resources of the National Fund of Kazakhstan, which grew to U.S.$85.5 billion, as a result of increasing commodity prices.

In the first nine months of 2012, according to statistics published by the NSA, output by the industrial sector grew by 0.5%, as compared to the corresponding period in 2011. In particular, production in the retail, transportation and telecommunication sectors increased in the first nine months of 2012 by 14.4%%, 7.1% and 10.6%, respectively, as compared to the corresponding period in 2011. Although the agriculture section decreased by 8.4%, the construction section grew by 2.3%, as compared to the same period in 2011. The Government's forecast for real GDP growth for the full year in 2012 is between 6.0% and 7.0%, and the IMF's forecast is 5.5%. 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.$1.00, due in part to pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) and to prevent a significant decrease of Kazakhstan's gold and currency reserves. The devaluation of the Tenge was also intended to enhance the competitiveness of Kazakhstan exports. After the devaluation of the Tenge, the NBK returned to a managed-float exchange-rate regime and maintained an exchange rate within a specific corridor, which was subsequently broadened in 2010. In February 2011, the NBK established a new "managed floating exchange rate" regime that generally allows the NBK to intervene when necessary to support the Tenge, without any reference to a formal fluctuation corridor or specific parameters. Under this regime, the Tenge/U.S. Dollar exchange rate has been generally stable. On 13 November 2012, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was 150.86. 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 34 to the Audited Annual Financial Statements as at and for the year ended 31 December 2011 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*". Global economic circumstances and related developments in Kazakhstan had an adverse effect on DBK's financial position and results of operations in the past and may continue to do so in the future. See "*—Results of Operations for the nine months ended 30 September 2012 and 2011*" and "*—Results of operations for the years ended 31 December 2011, 2010 and 2009*".

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		
	2012	2011	2011	2010	2009
Nominal GDP (KZT billion)	12,535.9	10,983.8	27,571.9	21,815.5	17,007.6
Real GDP growth rate (% change during the period then ended)	5.6	6.8	7.5	7.0	1.2
Nominal GDP per capita (KZT thousands)	—	—	1,665.1	1,336.4	1,056.8
Population (millions)	16.8	16.6	16.7	16.4	16.2

Source: NSA

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		
	2012	2011	2011	2010	2009
Consumer Prices (%)	3.9	6.2	7.4	7.8	6.2
Producer Prices (%)	1.5	20.5	20.3	12.9	31.0

Sources: NSA, NBK

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. DBK has continued lending at low rates in line with its mission as a development bank and the generally low interest rate climate globally.

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. DBK's intentions to diversify its funding sources by continuing to access the domestic and international capital markets may increase these risks.

DBK is exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. To the extent that DBK's assets may reprice more frequently than its liabilities, if interest rates fall, DBK's interest expense will increase more rapidly than its interest income, which could negatively affect interest margins. As a measure to manage the risk of mismatches in interest rates, which is inherent in DBK's operations, the Government grants loans to DBK with low interest rates to ensure DBK is able to sustain margins in a falling interest rate environment through the interest income generated by such loans. In addition, DBK structures its assets with floating interest rates and its overall balance sheet in such a way that a fixed portion of its interest income from assets with floating rates covers possible fluctuations in interest rate, resulting in an acceptable balance between interest-bearing liabilities and interest-earning assets. In particular, in accordance with DBK's credit policy, DBK passes on interest rate risks to borrowers by on-lending under similar conditions. DBK's interest rate management policies are strengthened by a system of limits and reporting requirements to control and monitor interest rate risk on monthly basis.

Although nearly all of DBK's assets 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.

Fluctuations in Exchange Rates

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. 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.

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 is 20%.

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 shareholder 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.

As a result of its special status under the DBK Law and role as a development bank, DBK is exempt from NBK regulation relating to provisioning. There is uncertainty as to the allocation of DBK's expenses for provisioning as deductions from DBK's taxable base under this exemption, which, in turn, increases the tax liability of DBK. DBK is currently discussing this matter with the relevant authorities.

The state is currently conducting a tax audit of DBK. The results of this tax audit are not yet known.

Results of Operations for the nine months ended 30 September 2012 and 2011

The results of operations for the first nine months of a financial year are not necessarily an accurate indication of the actual financial condition as at the end of, or results of operations for, the full financial year, or as at any future date or for 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 2012 and 2011:

	Nine months ended 30 September[(1)]		**Percentage change**
	2012	**2011**	**2012/2011**
	(KZT millions)		*(%)*
Interest income	44,734.6	37,794.3	18.4
Interest expense	(26,795.7)	(25,469.9)	5.2
Net interest income	**17,938.9**	**12,324.5**	**45.6**

Note:
(1) Derived from the Unaudited Consolidated Interim Financial Statements.

Net interest income increased by KZT 5,614.4 million, or 45.6%, to KZT 17,938.9 million for the nine months ended 30 September 2012, as compared to KZT 12,324.5 million for the nine months ended 30 September 2011.

Interest Income

DBK generates interest income from loans to customers, available-for-sale financial 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 2012 and 2011:

	Nine months ended 30 September(1)		Percentage change
	2012	2011	2012/2011
	(KZT millions)		*(%)*
Available-for-sale financial assets	20,680.2	18,090.3	14.3
Loans to customers	18,607.9	14,482.4	28.5
Placements with banks and other financial institutions	2,185.2	1,488.1	46.8
Amounts receivable under reverse repurchase agreements	1,798.2	2,124.6	(15.4)
Finance lease receivables	1,300.4	1,457.7	(10.8)
Held-to-maturity investments	162.7	151.2	7.6
Total interest income	**44,734.6**	**37,794.3**	**18.4**

Note:
(1) Derived from the Unaudited Consolidated Interim Financial Statements.

Total interest income increased by KZT 6,940.3 million, or 18.4%, to KZT 44,734.6 million for the nine months ended 30 September 2012, as compared to KZT 37,794.3 million for the nine months ended 30 September 2011. This increase was primarily due to the growth in the size of DBK's interest-earning available-for-sale financial assets and the resulting increase in interest accrued, as well as increased income from interest accrued in respect of loans to customers primarily due to the growth in the size of DBK's loan portfolio. 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 2012 and 2011:

	Nine months ended 30 September(1)		Percentage change
	2012	2011	2012/2011
	(KZT millions)		*(%)*
Loans from banks and other financial institutions	(18,710.5)	(18,039.7)	3.7
Debt securities issued	(7,440.6)	(7,006.3)	6.2
Loans from the Parent Company	(421.3)	(158.0)	166.7
Subordinated debt	(162.7)	(151.2)	7.6
Loans from the Government of the Republic of Kazakhstan	(59.5)	(59.5)	(0.0)
Amounts payable under repurchase agreements	(1.1)	(55.1)	(98.0)
Current accounts and deposits from customers	(0.0)	(0.0)	(0.0)
Total interest expense	**(26,795.7)**	**(25,469.9)**	**5.2**

Note:
(1) Derived from the Unaudited Consolidated Interim Financial Statements.

Total interest expense increased by KZT 1,325.8 million, or 5.2%, to KZT 26,795.7 million for the nine months ended 30 September 2012, as compared to KZT 25,469.9 million for the nine months ended 30 September 2011. This increase was primarily due to an increase in interest expense on loans from banks and other financial institutions, which was, in turn, a result of drawing down further funds under a loan with the 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 2012 and 2011:

	Nine months ended 30 September[1]		Percentage change
	2012	2011	2012/2011
	(KZT millions)		*(%)*
Net fee and commission income/(expense)	150.2	(2,319.5)	—
Net foreign exchange (loss)/gain	(288.5)	1.5	—
Net realised gain/(loss) on available-for-sale financial assets	1,218.4	(200.1)	—
Net gain/(loss) on derivative financial instruments	779.7	(1,144.9)	—
Gain on repurchase of debt securities issued	15.1	46.0	(67.2)
Other (expenses)/income, net	(10.9)	204.8	—
Net non-interest income	**1,864.0**	**(3,412.2)**	—

Note:
(1) Derived from the Unaudited Consolidated 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. For the nine months ended 30 September 2012, DBK had net fee and commission income of KZT 150.2 million, as compared to net fee and commission expense of KZT 2,319.5 million for the nine months ended 30 September 2011. The net fee and commission income for the nine months ended 30 September 2012 was primarily due to income of KZT 24.7 million in respect of DBK's foreign exchange fees, as well as income of KZT 28.3 million for services provided in respect of guarantees. The net fee and commission expense for the nine months ended 30 September 2011 was primarily due to the unamortised portion of loan origination fees in the amount of KZT 937.1 million and the prepayment fee in the amount of KZT 1,469.6 million in connection with the prepayment of a U.S.$500 million loan from the Export-Import Bank of China. See Note 26 to the audited annual consolidated financial statements as at and for the year ended 31 December 2011.

DBK generates foreign exchange gains or losses from translation differences and dealings. For the nine months ended 30 September 2012, DBK had a net foreign exchange loss of KZT 288.5 million, as compared to a net foreign exchange gain of KZT 1.5 million for the nine months ended 30 September 2011. The net foreign exchange loss for the nine months ended 30 September 2012 was primarily due to the effect of foreign currency movements on impaired loans.

DBK also generates non-interest income from net realised gains or losses on its available-for-sale financial assets. For the nine months ended 30 September 2012, DBK had a net realised gain on available-for-sale assets of KZT 1,218.4 million, as compared to a net realised loss on available-for-sale assets of KZT 200.1 million for the nine months ended 30 September 2011. The net realised gain on available-for-sale assets for the nine months ended 30 September 2012 was primarily due to the recognition of KZT 900 million upon the revaluation of bonds issued by JSC NC Kazmunaigaz and JSC Kazakhtelecom and held by DBK, as a result of changes in cash flows on these bonds, as well as gains realised on increased trading activity. The net realised loss on available-for-sale assets for the nine months ended 30 September 2011 was primarily due to increased losses as a result of the effect of exchange rate fluctuations in available-for-sale assets sold during the period.

DBK's net gain on derivative financial instruments is principally comprised of unrealised gains derived from the revaluation of derivative financial instruments, as well as realised gains derived from transactions with derivative financial instruments. For the nine months ended 30 September 2012, DBK had a net gain on derivative financial instruments of KZT 779.7 million, as compared to a net loss on derivate financial instruments of KZT 1,144.9 million for the nine months ended 30 September 2011. The net gain on derivative financial instruments for the nine months ended 30 September 2012 was primarily due to unrealised gains derived from the revaluation of derivative financial instruments, as well as an increase in the number of derivative transactions. The net loss on derivative financial instruments for the nine months ended 30 September 2011 was primarily due to losses derived from the revaluation of derivative financial instruments.

In the nine months ended 30 September 2012, DBK repurchased U.S.$2.7 million in aggregate principal amount of its U.S.$150 million 6.0% Notes due 2026, which were issued in March 2006. In the nine months ended 30 September 2011, DBK repurchased an aggregate principal amount of U.S.$6.6 million of the same debt securities. These repurchase transactions were conducted to take advantage of the differences between the then-current yield and the yield at the time of issue. Such differences were recorded as a profit on both occasions. See "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*".

Net other expenses and net other income comprises DBK's expenses or income from DBK's non-banking activities. For the nine months ended 30 September 2012, DBK had net other expenses of KZT 10.9 million, as compared to net other income of KZT 204.8 million for the nine months ended 30 September 2011. The net other expenses for the nine months ended 30 September 2012 were primarily due to amounts paid in respect of fines and penalties relating to fines and penalties incurred by DBK-Leasing and other losses from non-banking activities, as well as the cost of leasing transactions. The net other income for the nine months ended 30 September 2011 was primarily due to lower expenses related to such activities, as well as increased income from DBK's other non-banking activities.

Recovery of/charge for impairment losses

Impairment losses are principally comprised of losses on loans to customers. The following table sets forth the principal components of DBK's impairment losses for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September[1]		Percentage change
	2012	**2011**	**2012/2011**
	(KZT millions)		*(%)*
Loans to customers	1,082.9	(27,421.8)	—
Other assets	186.5	(172.1)	—
Finance lease receivables	23.7	(1,349.7)	—
Assets to be transferred under finance lease agreements	(36.2)	(121.1)	(70.0)
Recovery of /(charge for) impairment losses	**1,256.9**	**(29,064.6)**	**—**

Note:
(1) Derived from the Unaudited Consolidated Interim Financial Statements.

For the nine months ended 30 September 2012, DBK had a recovery of impairment losses of KZT 1,256.9 million, as compared to a charge for impairment losses of KZT 29,064.6 million for the nine months ended 30 September 2011. The recovery of impairment losses for the nine months ended 30 September 2012 was primarily due to recoveries on previously impaired loans to customers, reflecting the improved performance of such loans. The charge for impairment losses for the nine months ended 30 September 2011 was primarily due to impairment losses of KZT 27,421.8 million in respect of loans to customers, which was, in turn, partially a result of the adoption of a more conservative impairment policy to take account of the lagging impact of the global financial crisis in 2011.

General administrative expenses

General administrative expenses are principally comprised of payroll and related 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.

General administrative expenses increased by KZT 405.7 million, or 16.9%, to KZT 2,804.6 million for the nine months ended 30 September 2012, as compared to KZT 2,398.9 million for the nine months ended 30 September 2011. Payroll and related taxes comprise the largest portion of DBK's total general administrative expenses, representing 58.7% of total general administrative expenses for the nine months ended 30 September 2012 and 61.9% of total administrative expenses for the nine months ended 30 September 2011.

Taxation

DBK had an income tax expense of KZT 172.6 million for the nine months ended 30 September 2012, as compared to an income tax benefit of KZT 2,135.9 million for the nine months ended 30 September 2011. The income tax expense for the nine months ended 30 September 2012 was primarily due to the KZT 120.8 million deferred tax expense in respect of the origination and reversal of temporary differences, as well as the KZT 28.7 million deferred tax expense in respect of a change in unrecognised deferred tax assets. The income tax benefit for the nine months ended 30 September 2011 was primarily due to the KZT 2,605.9 million deferred tax benefit in respect of the origination and reversal of temporary differences, which was partially offset by the KZT 446.1 million deferred tax expense in respect of a change in unrecognised deferred tax assets and the KZT 23.9 million current tax expense for the period.

A tax audit of DBK is currently in progress. The results of this tax audit are not yet known.

Net loss/profit

For the foregoing reasons, for the nine months ended 30 September 2012, DBK generated a net profit of KZT 18,082.6 million, as compared to a net loss of KZT 20,415.4 million for the nine months ended 30 September 2011.

Other comprehensive income/(loss)

The following table sets forth the principal components of DBK's other comprehensive income for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September		Percentage change
	2012	2011	2012/2011
	(KZT millions)		*(%)*
Net change in fair value of available-for-sale financial assets	13,774.4	(36,575.7)	—
Net change in fair value of available-for-sale financial assets transferred to profit and loss	(1,218.4)	200.1	—
Net unrealised loss on hedging instruments, net of tax	(163.3)	(244.7)	—
Other comprehensive income/(loss) for the period	**12,392.8**	**(36,620.3)**	—

For the nine months ended 30 September 2012, DBK generated other comprehensive income of KZT 12,392.8 million, as compared to other comprehensive loss of KZT 36,620.3 million for the nine months ended 30 September 2011. The other comprehensive income for the nine months ended 30 September 2012 was primarily due to the KZT 13,774.4 million positive net change in fair value of available-for-sale financial assets, which was, in turn, primarily due to the recognition of a gain in fair value of bonds issued by JSC "KazMunayGaz" and JSC "Kazakhtelecom" and held by DBK as a result of favourable market values. The other comprehensive loss for the nine months ended 30 September 2011 was primarily due to the KZT 36,575.7 million negative net change in fair value of available-for-sale financial assets, which was, in turn, primarily due to the recognition of unrealised losses in fair value of bonds issued by JSC KazMunayGaz and JSC Kazakhtelecom and held by DBK, which was a result of a revision in the assumptions regarding discount rates applied in the determination of the fair value of bonds issued by JSC KazMunayGaz and JSC Kazakhtelecom and held by DBK.

Total comprehensive income/(loss)

For the foregoing reasons, for the nine months ended 30 September 2012, DBK generated total comprehensive income of KZT 30,475.3 million, as compared to total comprehensive loss of KZT 57,035.7 million for the nine months ended 30 September 2011.

Results of operations for the years ended 31 December 2011, 2010 and 2009

Net Interest Income

The following table sets forth the principal components of DBK's net interest income for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December			Percentage change	
	2011	2010	2009	2011/2010	2010/2009
		(KZT millions)		*(%)*	
Interest income	60,402.7	53,956.1	41,868.9	11.9	28.9
Interest expense	(35,068.0)	(29,996.7)	(18,626.0)	16.9	61.0
Net interest income	**25,334.7**	**23,959.4**	**23,242.9**	**5.7**	**3.1**

DBK's net interest income increased in 2011 by KZT 1,375.3 million, or 5.7%, to KZT 25,334.7 million for the year ended 31 December 2011 from KZT 23,959.4 million for the year ended 31 December 2010, after having increased in 2010 by KZT 716.5 million, or 3.1%, from KZT 23,242.9 million for the year ended 31 December 2009.

Interest Income

The following table sets forth the principal components of DBK's interest income for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December			Percentage change	
	2011	2010	2009	2011/2010	2010/2009
		(KZT millions)		(%)	
Loans to customers	28,649.5	23,760.6	28,864.8	20.6	(17.7)
Available-for-sale financial assets	24,921.0	20,188.5	6,930.9	23.4	191.3
Amounts receivable under reverse repurchase agreements	2,812.6	81.6	460.7	3,346.8	(82.3)
Placements with banks and other financial institutions	1,923.9	7,846.3	3,974.2	(75.5)	97.4
Finance lease receivables	1,891.5	1,929.5	1,638.3	(2.0)	17.8
Held-to-maturity investments	204.3	149.6	—	36.6	—
Total interest income	**60,402.7**	**53,956.1**	**41,868.9**	**11.9**	**28.9**

Interest income increased in 2011 by KZT 6,446.6 million, or 11.9%, to KZT 60,402.7 million for the year ended 31 December 2011 from KZT 53,956.1 million for the year ended 31 December 2010, after having increased in 2010 by KZT 12,087.2 million, or 28.9%, from KZT 41,868.9 million for the year ended 31 December 2009.

The year-on-year increase in 2011 was primarily due to the year-on-year increase in interest received on loans to customers of 20.6% in 2011, from KZT 23,760.6 million for the year ended 31 December 2010 to KZT 28,649.5 million for the year ended 31 December 2011, primarily reflecting the recognition of interest income on impaired loans, which applied at a discounted rate. The year-on-year increase in 2011 was also due to the year-on-year increase in interest received on available-for-sale financial assets of 23.4% in 2011, from KZT 20,188.5 million for the year ended 31 December 2010 to KZT 24,921.0 million for the year ended 31 December 2011, which largely reflected an increase in the number of high-interest bearing corporate bonds held by DBK, as well as the year-on-year increase in interest received on amounts receivable under reverse repurchase agreements of 3,346.8% in 2011, from KZT 81.6 million for the year ended 31 December 2010 to KZT 2,812.6 million for the year ended 31 December 2011, which was a result of an increase in the volume of amounts receivable under reverse prepurchase agreements, as well as higher interest rates on such amounts. The year-on-year increase in 2011 was partially offset by the 75.5% decrease in interest received on placements with banks and other financial institutions from KZT 7,846.3 million for the year ended 31 December 2010 to KZT 1,923.9 million for the year ended 31 December 2011, which was, in turn, due to the decline in the volume of DBK's placements with banks and other financial institutions in 2011.

The year-on-year increase in 2010 was primarily due to the 191.3% increase in interest received on available for financial assets in 2010 from KZT 6,930.9 million for the year ended 31 December 2009 to KZT 20,188.5 million for the year ended 31 December 2010, which was primarily the result of the growth in the size of DBK's investment portfolio. The year-on-year increase in 2010 was also due to the year-on-year increase in interest received on placements with banks and other financial institutions of 97.4% in 2010, from KZT 3,974.2 million for the year ended 31 December 2009 to KZT 7,846.3 million for the year ended 31 December 2010, which was largely the result of increased placements with banks in 2010, as well as higher interest rates on such placements. The year-on-year increase in 2010 was partially offset by the 17.7% decrease in interest received on loans to customers from KZT 28,864.8 million for the year ended 31 December 2009 to KZT 23,760.6 million for the year ended 31 December 2010, primarily a result of a deterioration in the credit quality of DBK's loan portfolio, as well as lower interest rates on such loans. See "*Risk Factors—Risk factors relating to DBK—Non-Performing Loans*" and "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Analysis of Loans by Credit Quality*".

Interest Expense

The following table sets forth the principal components of DBK's interest expense for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December			Percentage change	
	2011	2010	2009	2011/2010	2010/2009
		(KZT millions)		(%)	
Loans from banks and other financial institutions	(24,959.2)	(26,171.4)	(12,150.2)	(4.6)	115.4
Debt securities issued	(9,449.5)	(3,468.7)	(3,474.0)	172.4	(0.2)
Loans from the Parent Company	(319.8)	(119.7)	(2,628.7)	167.2	(95.4)
Subordinated debt	(204.3)	(149.6)	(30.3)	36.6	393.7
Loans from the Government of the Republic of Kazakhstan	(79.4)	(79.4)	(79.2)	0.0	0.3
Amounts payable under repurchase agreements	(55.8)	(6.8)	(261.2)	720.6	(97.4)
Current accounts and deposits from customers	(0.1)	(1.1)	(2.4)	(90.9)	(54.2)
Total interest expense	**(35,068.0)**	**(29,996.7)**	**(18,626.0)**	**16.9**	**61.0**

For the year ended 31 December 2011, DBK's interest expense increased by KZT 5,071.3 million, or 16.9%, to KZT 35,068.0 million from KZT 29,996.7 million for the year ended 31 December 2010, after having increased in 2010 by KZT 11,370.7 million, or 61.0%, from KZT 18,626.0 million for the year ended 31 December 2009.

The year-on-year increase in interest expense in 2011 was primarily due to the KZT 5,980.8 million, or 172.4%, increase in interest due on debt securities issued, which primarily comprised interest due in respect of DBK's U.S.$777 million 5.50% Notes due 2017. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Debt Securities*". The year-on-year increase in 2011 was partially offset by the KZT 1,212.2 million, or 4.6%, decrease in interest due on loans from banks and other financial institutions primarily due to the prepayment, in January 2011, of a U.S.$500 million loan entered into with the Export-Import Bank of China. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Loans from Banks and Other Financial Institutions—Export-Import Bank of China*".

The year-on-year increase in interest expense in 2010 was also primarily due to the KZT 14,021.2 million, or 115.4%, increase in interest due on loans from banks and other financial institutions, primarily due to new borrowings, including loans entered into with the Export-Import Bank of China and Bank of Tokyo Mitsubishi. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Loans from Banks and Other Financial Institutions*". The year-on-year increase in 2010 was partially offset by the KZT 2,509.0 million, or 95.4%, decrease in interest due on loans from Samruk-Kazyna (the Parent Company), which was, in turn, due to the prepayment by DBK of a loan from Samruk-Kazyna in October 2009. Interest expense on debt securities issued in 2010 and 2009 was essentially equivalent, at KZT 3,468.7 million in 2010 and KZT 3,474.0 million in 2009, reflecting a year-on-year decrease of KZT 5.3 million, or 0.2%.

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 2011, 2010 and 2009:

	Year ended 31 December			Percentage change	
	2011	2010	2009	2011/2010	2010/2009
		(KZT millions)		(%)	
Net fee and commission (expense)/income	(4,232.8)	116.8	39.0	—	199.5
Net foreign exchange gain	243.7	395.4	7,667.6	(38.4)	(94.8)
Net realised (loss)/gain on available-for-sale financial assets	(111.8)	863.7	513.5	—	68.2
Net (loss)/gain on derivative financial instruments	(2,181.5)	400.0	(3,297.0)	—	—
Gain on repurchase of debt securities issued	46.0	567.5	—	(91.9)	—
Net other income	30.8	414.6	1,174.1	(92.6)	(64.7)
Net non-interest (expense)/income	**(6,205.6)**	**2,758.1**	**6,097.2**	**—**	**(54.8)**

Net fee and commission expense was KZT 4,232.8 million for the year ended 31 December 2011, as compared to net fee and commission income of KZT 116.8 million for the year ended 31 December 2010 and net fee and commission income of KZT 39.0 million for the year ended 31 December 2009. The net fee and commission expense in 2011 primarily reflected the KZT 4,433.8 million fee and commission expense paid by DBK in the same year, which was, in turn, comprised of: (i) KZT

2,406.7 million in loan prepayment fees paid in 2011, which were, in turn, due to the prepayment, in January 2011, of a U.S.$500 million loan entered into with the Export-Import Bank of China (see "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Loans from Banks and Other Financial Institutions—Export-Import Bank of China*"); (ii) KZT 1,866.7 million in loan arrangement fees in respect of the undrawn portion of the U.S.$5.0 billion master facility agreement with the Export-Import Bank of China (the "**China Ex-im Bank Facility**"); and (iii) KZT 93.6 million in fees and commission related to DBK's Eurobonds, which became payable in connection with the successful completion of a consent solicitation exercise in November 2011. See "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*".

Net fee and commission income increased by KZT 77.8 million, or 199.5%, to KZT 116.8 million for the year ended 31 December 2010 from KZT 39.0 million for the year ended 31 December 2009. The year-on-year increase in 2010 was primarily due to an increase in fee and commission income from expert commissions on loans not entered into and an increase in fee and commission expense due to securities operations, particularly offset by a decrease in fee and commission expense from the maintenance of current accounts and a decrease in fee and commission income from foreign exchange fees.

Net foreign exchange gain decreased in 2011 by KZT 151.7 million, or 38.4 %, to KZT 243.7 million for the year ended 31 December 2011 from KZT 395.4 million for the year ended 31 December 2010, after having decreased in 2010 by KZT 7,272.2 million, or 94.8%, from KZT 7,667.6 million for the year ended 31 December 2009. The year-on-year decrease in 2011 was primarily due to the decrease in gains relating to dealing transactions. The year-on-year decrease in 2010 was mainly due to decreases in differences in translations with the higher level of differences in translations in 2009 being due to the devaluation of the Tenge in February 2009.

Net realised loss on available-for-sale financial assets was KZT 111.8 million for the year ended 31 December 2011, as compared to a net realised gain on available-for-sale financial assets of KZT 863.7 million in 2010. The net realised loss on available-for-sale financial assets in 2011 was primarily due to the effect of exchange rate fluctuations on available-for-sale financial assets sold in 2011. Net realised gain on available-for-sale financial assets increased by KZT 350.2 million, or 68.2%, to KZT 863.7 million for the year ended 31 December 2010 from KZT 513.5 million for the year ended 31 December 2009. The year-on year increase in 2010 was primarily due to increased trading of available-for-sale financial assets in 2010.

Net loss on derivative financial instruments was KZT 2,181.5 million for the year ended 31 December 2011, as compared to a net gain on derivative financial instruments of KZT 400.0 million for the year ended 31 December 2010. The net loss on derivative financial instruments in 2011 was primarily due to the KZT 2,509.4 million unrealised loss from the revaluation of derivative financial instruments in 2011, which was partially offset by the KZT 332.3 million realised gain on derivative financial instruments. The net gain on derivative financial instruments in 2010 was primarily due to the KZT 295.3 million unrealised gain from revaluation of derivative financial instruments, as well as the KZT 147.1 million realised gain on derivative financial instruments. For the year ended 31 December 2009, net loss on derivative financial instruments was KZT 3,297.0 million, which was primarily due to the KZT 3,034.8 million unrealised loss from revaluation of derivative financial instruments.

Gain on repurchase of debt securities issued decreased by KZT 521.5 million, or 91.9%, to KZT 46.0 million for the year ended 31 December 2011 from KZT 567.5 million for the year ended 31 December 2010. The year-on-year decrease in 2011 was primarily due to a decrease in debt securities repurchased. There was no gain or loss on repurchase of debt securities issued for the year ended 31 December 2009.

Net other income decreased by KZT 383.8 million, or 92.6%, to KZT 30.8 million for the year ended 31 December 2011 from KZT 414.6 million for the year ended 31 December 2010, after having decreased by KZT 759.5 million, or 64.7%, from KZT 1,174.1 million for the year ended 31 December 2009. The year-on-year decrease in 2011 was primarily due to a decrease in income from fines and penalties, as well as a loss from non-banking activities. The year-on-year decrease in 2010 was primarily due to a decrease in income from fines and penalties.

Impairment losses

The following table sets forth the principal components of DBK's impairment losses for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December			Percentage change	
	2011	2010	2009	2011/2010	2010/2009
		(KZT millions)		*(%)*	
Loans to customers	33,338.8	18,834.2	66,853.0	77.0	(71.8)
Finance lease receivables	2,050.1	295.1	857.8	594.8	(65.6)
Assets to be transferred under finance lease agreements	121.1	—	—	—	—
Available-for-sale financial assets	—	—	4,808.0	—	(100.0)
Other assets	93.6	657.7	895.4	(85.8)	(26.5)
Impairment losses	**35,603.6**	**19,787.0**	**73,414.1**	**79.9**	**(73.0)**

Impairment losses increased in 2011 by KZT 15,816.6 million, or 79.9%, to KZT 35,603.6 million for the year ended 31 December 2011 from KZT 19,787.0 million for the year ended 31 December 2010, after having decreased in 2010 by KZT 53,627.1 million, or 73.0%, from KZT 73,414.1 million for the year ended 31 December 2009.

The year-on-year increase in 2011 was primarily due to the KZT 14,504.7 million, or 77.0%, increase in impairment losses on loans to customers due to delays in the commissioning of a number of projects, as well as the lagging effect of the impact of the global financial crisis on DBK's customers, which continued in 2011, including higher prices for raw materials and a lack of working capital, and the KZT 1,755.0 million, or 594.8%, increase in impairment losses on finance lease receivables due to the deterioration in the quality of the leasing portfolio, in the financial condition of a number of lessees and in the liquidity of leased items. In 2011, DBK also recognised KZT 121.1 million in impairment losses on assets to be transferred under finance lease agreements in respect of a project in the textiles sector. No such losses were recognised in 2010 and 2009.

The year-on-year decrease in 2010 was primarily due to the KZT 48,018.8 million, or 71.8%, decrease in impairment losses on loans to customers as a result of a revaluation of the collateral in respect of such loans, the lagging effect of the impact of the global financial crisis on DBK's customer and the extraordinary increase in impairment losses on loans to customers in 2009 to KZT 66,853.0 million. In addition, there was no impairment on available-for-sale financial assets for the year ended 31 December 2010, as compared to impairment loss of KZT 4,808.0 million for the year ended 31 December 2009. See "*Risk Factors—Risks relating to DBK—Non-Performing Loans*", "*Selected Statistical and other Data—Loan Policies and Credit Approval Procedures*", "*Selected Statistical and Other Data—Policies Relating to Collateral*" and "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures —Analysis of Loans by Credit Quality*".

General administrative expenses

The following table sets forth the principal components of DBK's general administrative expenses for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December			Percentage change	
	2011	2010	2009	2011/2010	2010/2009
		(KZT millions)		*(%)*	
Payroll and related taxes	2,052.9	1,903.3	1,832.0	7.9	3.9
Occupancy	313.8	287.1	333.4	9.3	(13.9)
Professional services	307.3	91.2	56.3	237.1	62.0
Taxes other than on income	226.6	124.7	181.6	81.7	(31.3)
Insurance	108.1	17.1	15.9	532.1	7.6
Communication and information services	107.6	106.7	98.7	0.8	8.2
Depreciation and amortisation	98.1	58.9	60.7	66.6	(2.9)
Business travel	84.8	55.9	51.5	51.7	8.6
Training and seminars	71.3	13.4	6.9	434.0	92.7
Advertising and marketing	48.9	20.4	14.9	139.9	36.7
Rating services	40.7	33.7	20.9	20.8	61.3
Repair and maintenance	39.4	45.4	22.9	(13.2)	98.3
Office supplies	28.0	26.0	22.2	7.6	17.4
Conferences	24.5	—	4.0	—	—
Representative expenses	16.8	9.7	7.4	72.9	31.2
Transportation	15.4	16.1	16.9	(4.1)	(5.2)
Security	12.0	11.0	11.1	8.9	(1.2)
Other expenses	44.6	21.7	9.9	105.3	120.7
Total	**3,641.1**	**2,842.3**	**2,767.1**	**28.1**	**2.7**

General administrative expenses increased by KZT 798.8 million, or 28.1%, to KZT 3,641.1 million for the year ended 31 December 2011 from KZT 2,842.3 million for the year ended 31 December 2010, after having increased in 2010 by KZT 75.2 million, or 2.7%, from KZT 2,767.1 million for the year ended 31 December 2009. Payroll and related taxes generally comprise the largest portion of DBK's total general administrative expenses, representing 56.4% of total general administrative expenses for the year ended 31 December 2011, 67.0% for the year ended 31 December 2010 and 66.2% for the year ended 31 December 2009.

Payroll and related taxes increased by KZT 149.6 million, or 7.9%, in 2011 to KZT 2,052.9 million for the year ended 31 December 2011 from KZT 1,903.3 million for the year ended 31 December 2010, after having increased by KZT 71.3 million, or 3.9%, from KZT 1,832.0 million for the year ended 31 December 2009. The year-on-year increases in payroll and related taxes in 2011 and 2010 reflected increases in the number of DBK's staff in each year. While payroll and related taxes increased in absolute terms in 2011, payroll and taxes decreased as a portion of total general administrative expenses from 67.0% for the year ended 31 December 2010 to 56.4% for the year ended 31 December 2011, primarily due to increases in professional services expenses, which accounted for 8.4% of total general administrative expenses for the year ended 31 December 2011, as compared to 3.2% for the year ended 31 December 2010, taxes other than on income, which accounted for 6.2% of total general administrative expenses for the year ended 31 December 2011, as compared to 4.4% for the year ended 31 December 2010 and insurance expenses, which accounted for 3.0% of total general administrative expenses for the year ended 31 December 2011, as compared to 0.6% for the year ended 31 December 2010. The increase in professional services expenses in 2011, as compared to 2010, was primarily due to fees paid in respect of DBK's consent solicitation in respect of its existing Eurobonds. See "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*". The increase in insurance expenses in 2011, as compared to 2010, was primarily due to insurance obtained in respect of the mortgaging of certain of DBK's property. In addition, depreciation and amortisation expenses increased by KZT 39.2 million, or 66.6%, to KZT 98.1 million for the year ended 31 December 2011, as compared to KZT 58.9 million for the year ended 31 December 2010, primarily as a result of expenses incurred in respect of the renovation of certain computer equipment and software.

Taxation

DBK had an income tax benefit of KZT 3,113.7 million for the year ended 31 December 2011, as compared to an income tax expense of KZT 1,861.9 million for the year ended 31 December 2010 and an income tax benefit of KZT 7,365.4 million for the year ended 31 December 2009. DBK's applicable tax rate for current and deferred tax was 20% for each of 2011, 2010 and 2009.

The income tax benefit in 2011 resulted largely from changes in impairment allowances and the income tax expense in 2010 resulted largely from changes in impairment allowances, as well as tax loss carried forward.

The income tax benefit in 2009 resulted largely from the deferral of an income tax expense 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.

Net loss/profit

As a result of all the foregoing, DBK had a net loss of KZT 17,001.9 million for the year ended 31 December 2011, as compared to a net profit of KZT 2,226.2 million for the year ended 31 December 2010 and a net loss of KZT 39,475.6 million for the year ended 31 December 2009.

Other comprehensive income/loss

The following table sets forth the principal components of DBK's other comprehensive income for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December			Percentage change	
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
		(KZT millions)		*(%)*	
Net change in fair value of available-for-sale financial assets	(33,749.9)	1,557.9	40,713.5	—	(96.2)
Impairment on available-for-sale financial assets transferred to profit and loss	—	—	2,193.1	—	—
Net change in fair value of available-for-sale financial assets transferred to profit and loss	111.8	(953.7)	(313.4)	—	204.3
Net unrealised gain on hedging instruments, net of tax	44.3	504.8	5,550.5	(91.2)	(90.9)
Net unrealised loss on hedging instruments, net of tax of KZT 74,623 thousand transferred to profit and loss	298.5	—	—	—	—
Other comprehensive income/(loss) for the year	**(33,295.3)**	**1,109.0**	**48,143.6**	—	**(97.7)**

Other comprehensive loss was KZT 33,295.3 million for the year ended 31 December 2011, as compared to other comprehensive income of KZT 1,109.0 million for the year ended 31 December 2010 and other comprehensive income of KZT 48,143.6 million for the year ended 31 December 2010.

The other comprehensive loss in 2011 was primarily due to the KZT 33,749.9 million negative net change in fair value of available-for-sale financial assets, which was, in turn, primarily due to a revision in the assumptions regarding discount rates applied in the determination of the fair value of bonds issued by JSC KazMunayGaz and JSC Kazakhtelecom held by DBK. This revision was made in response to changes in observable market input and resulted in the recognition of a loss in other comprehensive income of KZT 31,672.1 million. The other comprehensive loss in 2011 was partially offset by the KZT 298.5 million net unrealised loss on hedging instruments in 2011, which was due to the discontinuance of hedge accounting and consequent reclassifications of this loss.

The year-on-year decrease in other comprehensive income in 2010 was primarily due to the KZT 39,155.6 million, or 96.2%, decrease in positive net change in fair value of available-for-sale financial assets, which was, in turn, primarily due to the differences in fair value recognised in 2009 on the consideration paid for bonds issued by JSC KazMunayGaz and JSC Kazakhtelecom, which DBK acquired in October 2009.

Total comprehensive income/(loss)

As a result of all the foregoing, DBK had a total comprehensive loss of KZT 50,297.2 million for the year ended 31 December 2011, as compared to a total comprehensive income of KZT 3,335.1 million for the year ended 31 December 2010 and a total comprehensive income of KZT 8,668.0 million for the year ended 31 December 2009.

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					
	2012			2011		
	Average balance(1)	Average interest rate(2)	Interest Income/ Expense	Average balance(1)	Average interest rate(2)	Interest Income/ Expense
	(KZT millions)	*(%)*	*(KZT millions)*	*(KZT millions)*	*(%)*	*(KZT millions)*
Interest-earning assets						
Cash and cash equivalents	131,284.1	0.13	176.9	193,502.4	0.22	422.0
Placements with banks	52,560.7	3.82	2,008.3	23,716.0	4.50	1,066.1
Loans to customers	285,679.0	6.51	18,607.9	302,370.9	4.79	14,482.4
Finance lease receivables	22,363.0	5.81	1,300.4	24,526,7	5.94	1,457.7
Available-for-sale financial assets	367,844.4	5.62	20,680.2	335,100.2	5.40	18,090.3
Held-to-maturity investments	3,014.0	5.40	162.7	2,794.4	5.41	151.2
Amounts receivable under reverse repurchase agreements	26,418.8	6.81	1,798.2	32,416.8	6.55	2,124.6
Total interest-earning assets	**889,163.9**	**5.03**	**44,734.6**	**914,427.4**	**4.13**	**37,794.3**
Interest-bearing liabilities						
Loans and advances from the Government	25,689.4	2.32	59.5	24,752.1	0.24	59.5
Loans from Samruk-Kazyna	13,091.5	3.22	421.3	7,574.7	2.09	158.0
Loans from banks	435,886.4	4.29	18,710.5	477,396.7	3.78	18,039.7
Customer accounts	2,379.0	—	0.0	2,517.5	—	0.0
Debt securities issued	172,246.8	4.32	7,440.6	141,932.8	4.94	7,006.3
Subordinated debt	4,246.6	3.83	162.7	3,956.4	3.82	151.2
Amounts payable under repurchase agreements	502.0	0.22	1.1	10,216.0	0.54	55.1
Total interest-bearing liabilities	**654,041.7**	**4.10**	**26,795.7**	**668,346.1**	**3.81**	**25.469.8**
Net interest income			17,938.9			12,324.5

Notes:

(1) Average balances are calculated as the arithmetic average of the opening and closing balances for the relevant period.

(2) Average interest rates are calculated as the ratio of interest income/expense to the average balance for the relevant period. Figures are not annualised.

	For the years ended 31 December								
	2011			2010			2009		
	Average balance(1)	Average interest rate(2)	Interest Income/ Expense	Average balance(1)	Average interest rate(2)	Interest Income/ Expense	Average balance(1)	Average interest rate(2)	Interest Income/ Expense
	(KZT millions)	*(%)*	*(KZT millions)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(KZT millions)*	*(%)*	*(KZT millions)*
Interest-earning assets									
Cash and cash equivalents	170,865.1	0.3	510.0	245,773.1	1.48	3,638.9	182,856.8	1.27	2,316.3
Placements with banks and other financial institutions	24,223.7	5.84	1,413.9	34,756.3	12.11	4,207.4	27,451.2	6.04	1,657.9
Loans to customers	298,169.2	9.61	28,649.5	261,151.6	9.10	23,760.6	194,568.7	14.84	28,864.8
Finance lease receivables	23,635.3	8.0	1,891.5	21,921.4	8.80	1,929.5	14,811.1	11.06	1,638.3
Available-for-sale financial assets	350,190.3	7.12	24,921.0	303,732.5	6.65	20,188.5	169,708.8	4.08	6,930.9
Amounts receivable under reverse repurchase agreements	37,747.8	7.45	2,812.6	16,597.4	0.49	81.6	6,492.2	7.1	460.7
Held-to-maturity investments	2,820.9	7.24	204.3	1,353.6	11.06	149.6	—	—	—
Total interest-earning assets	**907,652.3**	**6.65**	**60,402.7**	**885,285.7**	**6.09**	**53,956.1**	**595,888.8**	**7.03**	**41,868.9**
Interest-bearing liabilities									
Loans and advances from the Government	24,966.1	0.32	(79.4)	27,454.7	0.29	(79.4)	32,394.6	0.24	(79.2)
Loans from Samruk-Kazyna	7,644.4	4.18	(319.8)	1,210.1	9.89	(119.7)	25,194.3	10.43	(2,628.7)
Loans from banks	478,752.6	5.21	(24,959.2)	473,722.6	5.52	(26,171.4)	284,089.9	4.28	(12,150.2)
Customer accounts	1,481.0	0.0	0.0	23,443.8	0.0	(1.1)	22,906.6	0.01	(2.4)
Debt securities issued	141,281.1	6.69	(9,449.5)	84,539.7	4.10	(3,468.7)	46,525.2	7.47	(3,474.0)
Subordinated debt	4,796.8	4.26	(204.3)	3,633.4	4.12	(149.6)	1,362.9	2.22	(30.3)
Amounts payable under repurchase agreements	—	—	(55.8)	—	—	(6.8)	2,506.2	10.42	(261.2)
Total interest-bearing liabilities	**658,921.9**	**5.32**	**(35,068.0)**	**614,004.1**	**4.89**	**(29,996.7)**	**414,978.7**	**4.49**	**(18,626.0)**
Net interest income			**25,334.7**			**23,959.4**			**23,242.9**

Notes:

(1) Average balances are calculated as the arithmetic average of the opening and closing balances for the relevant period.

(2) Average interest rates are calculated as the ratio of interest income/expense to the average balance for the relevant period.

The average interest rate on interest-earning assets increased to 5.03% for the nine months ended 30 September 2012 from 4.13% for the nine months ended 30 September 2011, primarily due to lower average balances as a result of an increase in the repayment of loans to customers. The average interest rate on interest-bearing liabilities increased to 4.10% for the nine months ended 30 September 2012 from 3.81% for the nine months ended 30 September 2011, primarily due to the generally higher interest rate environment.

The average interest rate on interest-earning assets increased to 6.65% for the year ended 31 December 2011 from 6.09% for the year ended 31 December 2010, after having decreased from 7.03% for the year ended 31 December 2009. The increase in the average interest rate on interest-earning assets in 2011, as compared to 2010 was primarily due to an increase in the average balances of loans to customers, as well as higher yields in respect of the investment portfolio. The decrease in the average interest rate on interest-earning assets in 2010, as compared to 2009, was primarily due to the reduction of DBK's own lending rates. See "*—Principal Sources of Funding—Borrowings*".

The average interest rate on interest-bearing liabilities increased to 5.32% for the year ended 31 December 2011 from 4.89% for the year ended 31 December 2010 and 4.49% for the year ended 31 December 2009. The increase in the average interest rate on interest-bearing liabilities in 2011, as compared to 2010 and 2009, was primarily due to the generally higher interest rate environment. See "*—Principal Sources of Funding*".

Cash and cash equivalents decreased by KZT 24,432.3 million, or 17.0%, to KZT 119,068.0 million as at 30 September 2012 from KZT 143,500.2 million as at 31 December 2011, due to an increase in DBK's loan portfolio and the corresponding net cash outflow of loans to customers, as well as the repayment of certain loans from banks and other financial institutions. As at 31 December 2011, DBK's cash and cash equivalents decreased by KZT 54,729.6 million, or 27.6%, to KZT 143,500.2 million from KZT 198,229.9 million as at 31 December 2010, due to repayment of certain loans from banks and other financial institutions, after having decreased by KZT 95,086.3 million, or 32.4%, from KZT 293,316.2 million as at 31 December 2009, as a result of an increase in DBK's loan portfolio and the corresponding net cash outflow of loans to customers.

Loan Portfolio

Net total loans to customers increased by KZT 20,463.1 million, or 7.4% to KZT 295,910.5 million as at 30 September 2012 from KZT 275,447.4 million as at 31 December 2011. The increase in DBK's loan portfolio since 31 December 2011 is primarily due to greater levels of lending than repayments received during the period.

Net total loans decreased in 2011 by KZT 45,443.5 million, or 14.2%, from KZT 320,890.9 million as at 31 December 2010 and having increased, in 2010, by KZT 119,478.6 million, or 59.3%, from KZT 201,412.3 million as at 31 December 2009. The decrease in DBK's loan portfolio in 2011 was primarily due to DBK's prepayment of a number of loans in 2011. See "*—Principal Sources of Funding—Borrowings*". The increase in DBK's loan portfolio in 2010 primarily reflected 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 status 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 corporate borrowers accounting for 92.6% of total gross loans to customers as at 30 September 2012, as compared to 93.8 %, 95.7% and 96.1% of gross total loans to customers as at 31 December 2011, 2010 and 2009, respectively.

As at 30 September 2012, 31 December 2011 and 31 December 2010, DBK had two borrowers whose balances exceeded 10% of DBK's equity, as compared to no such borrowers as at 31 December 2009. The loans extended to these borrowers relate to an aluminium smelter project and the construction of the Atyrau Oil refinery. See "*Business—Lending*".

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Mining, metallurgy and mineral resources	79,932.6	19.0	86,306.2	21.5	96,242.7	23.4	35,994.8	12.8
Agriculture	60,203.1	14.3	67,499.2	16.8	52,360.0	12.7	60,953.3	21.7
Oil and gas	60,304.3	14.3	51,026.6	12.7	49,006.3	11.9	2,054.7	0.7
Transportation and warehousing	43,493.2	10.3	33,015.8	8.2	33,167.2	8.0	34,762.2	12.4
Textile	36,973.0	8.8	35,675.5	8.9	34,485.1	8.4	32,189.7	11.5
Energy and electricity distribution	29,461.6	7.0	26,756.8	6.7	36,255.9	8.8	21,391.9	7.6
Construction materials	27,855.0	6.6	26,359.5	6.6	25,342.7	6.2	22,149.6	7.9
Chemical	24,070.9	5.7	20,929.9	5.2	20,389.2	4.9	22,022.1	7.8
Manufacturing	20,394.4	4.8	19,688.1	4.9	18,501.5	4.5	7,757.2	2.8
Paper pulp	13,873.8	3.3	13,520.9	3.4	13,201.0	3.2	13,509.0	4.8
Food processing	9,284.0	2.2	9,409.5	2.3	9,588.8	2.3	10,675.2	3.8
Machinery producing	7,380.9	1.8	7,765.8	1.9	7,782.7	1.9	6,476.4	2.3
Mortgage	569.7	0.1	630.4	0.2	673.9	0.2	311.7	0.1
Telecommunication	386.4	0.1	559.0	0.1	925.6	0.2	1,745.6	0.6
Fishery	323.9	0.1	306.6	0.1	295.0	0.1	296.9	0.1
Electric equipment	149.3	0.0	146.4	0.0	284.4	0.1	494.8	0.2
Recycling	—	—	—	—	—	—	5,743.4	2.0
Other	6,564.1	1.6	1,078.9	0.3	13,553.1	3.3	2,424.2	0.9
Total gross loans	**421,220.2**	**100.0**	**400,675.1**	**100.0**	**412,055.1**	**100.0**	**280,952.7**	**100.0**
Impairment allowance	(125,309.7)	—	(125,227.7)	—	(91,164.2)	—	(79,540.4)	—
Total loans to customers	**295,910.5**	**—**	**275,447.4**	**—**	**320,890.9**	**—**	**201,412.3**	**—**

Since 31 December 2009, loans to customers have been concentrated predominantly in the mining, metallurgy and mineral resources and agriculture industries. See "*Business—Lending*".

As a percentage of total gross loans to customers, as at 30 September 2012, as compared to 31 December 2011, loans to customers in the mining, metallurgy and mineral resources sector decreased from 21.5% to 19.0% of total gross loans to customers primarily due to new loans granted in the petrochemicals, transport and logistics and energy sectors and loans to customers in the agricultural sector decreased from 16.8% to 14.3% of total gross loans to customers, primarily due to DBK's strategy to focus on lending in industrial and manufacturing sectors. See "*Business—Lending*". Loans to customers in the oil and gas sector increased from 12.7% to 14.3% of total gross loans to customers for the same reasons. 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.

Loans to customers in the mining, metallurgy and mineral resources sector accounted for the largest proportion of lending accounting for 19.0% and 21.5% of total gross loans as at 30 September 2012 and 31 December 2011, respectively. As at 30 September 2012, the three largest investment projects and export operations were in the chemicals sector. DBK's participation in such projects accounted for approximately U.S.$2,759.8 million. See "*Business—Investment Projects*".

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. See "*—Loan Policies and Credit Approval Procedures*" for a description of DBK's lending policy.

Loans by Geographic Location

As at 30 September 2012, over 99.9% of total loans to customers were loans to customers in Kazakhstan. For the purposes of the overall development of the territories of Kazakhstan and their involvement in the relation to 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. As at 30 September 2012, approximately 18.0% of outstanding total loans to customers were granted to customers in each of Pavlodar and Atyrau and 11.3% of outstanding total loans to customers were granted to customers in the Akmola region. In addition, as at 30 September 2012, 0.1% of total outstanding loans to customers were loans to customers abroad for the purposes of financing export transactions of Kazakhstan products.

Loans by Currency

The following table sets forth an analysis of DBK's loan portfolio, by currency, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	53,844.5	18.2	41,044.0	14.9	66,017.7	20.6	9,080.6	4.5
U.S. Dollars	232,879.2	78.7	226,491.1	82.2	247,169.1	77.0	189,949.3	94.3
Euros	3,710.2	1.3	3,056.8	1.1	3,570.8	1.1	2,382.4	1.2
Other currencies	5,476.6	1.8	4,855.6	1.8	4,133.3	1.3	—	—
Total net loans to customers	**295,910.5**	**100.0**	**275,447.4**	**100.0**	**320,890.9**	**100.0**	**201,412.3**	**100.0**

DBK lends in Tenge and foreign currencies, principally U.S. Dollars, depending on customer requirements. In general, DBK will only lend in foreign currencies if the customer has revenues in foreign currencies. Loans to customers denominated in Tenge generally carry a higher interest rate than loans in U.S. Dollars.

In recent years, the currency mix of DBK's loans has fluctuated, although U.S. Dollar-denominated loans continue to represent a significant majority of the loan portfolio. These fluctuations may occur when a single large loan is disbursed or repaid. As a percentage of total net loans to customers as at 30 September 2012, as compared to 31 December 2011, loans to customers denominated in Tenge increased from 14.9% to 18.2%, after having decreased from 20.6% as at 31 December 2010 and after having, in turn, increased from 4.5% as at 31 December 2009. As with U.S. Dollar-denominated loans, fluctuations in Tenge-denominated loans may occur when a single large loan is disbursed or repaid.

Loans to customers denominated in U.S. Dollars accounted for the largest proportion of lending accounting for 78.7% of total net loans as at 30 September 2012 and 82.2%, 77.0% and 94.3% of total net loans as at 31 December 2011, 2010 and 2009, respectively.

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012		As at 31 December 2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	153.3	0.1	—	—	1,201.1	0.4	—	—
One month to three months	—	—	28.4	0.0	2,698.6	0.8	587.6	0.3
Three months to one year	4,542.4	1.5	898.5	0.3	9,780.5	3.0	19,093.2	9.5
One year to five years	52,336.8	17.7	41,872.2	15.2	47,638.1	14.8	45,126.9	22.4
More than five years	211,600.0	71.5	198,951.7	72.2	227,241.3	70.8	133,336.1	66.2
Overdue	27,278.0	9.2	33,696.7	12.2	32,331.3	10.1	3,268.6	1.6
Total net loans to customers	**295,910.5**	**100.0**	**275,447.4**	**100.0**	**320,890.9**	**100.0**	**201,412.3**	**100.0**

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 71.5% of total net loans as at 30 September 2012, as compared to 72.2%, 70.8% and 66.2% as at 31 December 2011, 2010 and 2009, respectively. In addition, loans with between one and five years until maturity comprised 17.7% of total net loans to customers as at 30 September 2012, as compared to 15.2%, 14.8% and 22.4% as at 31 December 2011, 2010, and 2009, respectively.

Overdue loans comprised 9.2% of total net loans to customers as at 30 September 2012, as compared to 12.2%, 10.1% and 1.6% as at 31 December 2011, 2010 and 2009, respectively. The increasing trend in overdue loans in 2011 and 2010 was primarily due to the relatively long duration of DBK's process for restructuring loans. Restructuring is usually conditional upon the fulfilment of a number of conditions by the borrower, including injections of additional equity, sourcing working capital and providing additional collateral. Negotiations involved in this restructuring process often take long periods of time depending on the parties involved.

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012		As at 31 December 2011		2010		2009	
	Principal Amount	**№ of Investment Projects**	**Principal Amount**	**№ of Investment Projects**	**Principal Amount**	**№ of Investment Projects**	**Principal Amount**	**№ of Investment Projects**
	(KZT millions)		*(KZT millions)*		*(KZT millions)*		*(KZT millions)*	
Under U.S.$25 million	359.5	30	378.7	33	467.8	39	481.2	40
U.S.$25-50 million	300.3	9	369.7	11	307.1	9	437.1	12
U.S.$50-100 million	532.1	8	696.0	10	854.9	13	690.5	10
U.S.$100-200 million	670.3	5	374.5	3	342.4	3	355.1	3
Over U.S.$200 million	2,907.3	3	1,461.9	2	1,463.1	2	—	0

In accordance with its strategy, DBK intends to increase the minimum level of non-primary sector lending to U.S.$20 million in 2012 and further to U.S.$100 million in 2015. See "*Business—Strategy*".

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 credit instruments, which include, *inter alia*, loans, letters of credit and guarantees.

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. In 2011, following the amendments to the DBK Law, DBK updated its *Guidelines for the Implementation of Investment Projects and Export Operations* in light of DBK's special status and to permit the analysis of strategic investment projects as part of its participation in the Industrialisation Programme. In particular, as a result of these changes, the lending decision-making process has been divided into stages: preliminary review and in-depth project expertise. At the preliminary stage, analysis is undertaken to understand the structure of the project, as well as the project-related risks. In the event that the project is deemed suitable following such preliminary review, DBK will proceed to analyse the project in more detail. The introduction of this preliminary phase allows DBK to eliminate projects prior to conducting a more detailed, and costly, analysis. As many of the projects undertaken by DBK are of strategic importance, DBK has cancelled commission fees relating to the complex, technical and financial analysis of projects. As part of these changes, DBK has also updated its internal decision making procedures and forms used in the lending process.

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 petrochemical products, where the limit is 50% at any given time.

As at the date of this Base Prospectus, DBK is in compliance with the exposure limits set out in the Credit Policy Memorandum.

Pursuant to 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 Financial Department, Project Management Divisions, Asset Restructuring Department, Distressed Loans Department 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 2012, 177 of such credit applications had been approved, representing an aggregate amount of U.S.$13.0 billion. Many of these projects and operations are co-financed with other financial institutions, and DBK's participation in such projects amounted to U.S.$ 7.1 billion.

Loan Classification Policies

Pursuant to amendments to the DBK Law dated 28 December 2011, DBK was granted special status and, as such, is exempted from the reporting requirements of the FMSC in respect of loan classifications and collateral classifications, which are applicable for commercial banks.

DBK classifies its loan portfolio by credit quality in three major groups: standard, doubtful and problem instruments. Such grading reflects the expected recoverability of each credit instrument:

Standard loans are loans for which repayments are made in accordance with the terms of the loan, loans to borrower's which have good cash flow generation prospects or loans that do not otherwise meet the criteria for doubtful loans.

Doubtful loans are loans that meet two or more of the following criteria: (i) the loan is provisioned by 50% or more; (ii) there is a weak collateral structure; (iii) the availability period for the loan has been extended by more than 50% of the initial period, or has been extended on more than three occasions; and (iv) the borrower is delinquent in respect of payments by more than 60 days. Doubtful loans are considered to be reliant on the borrower's cash flow and collateral. If the restructuring of a doubtful loan is unsuccessful, the loan is classified as a problem loan.

Problem loans are generally considered to be reliant on collateral.

As at 30 September 2012, standard loans, doubtful loans and problem loans accounted for approximately 57%, 18% and 26% of total gross loans to customers, respectively.

Loan Provisioning Policy

Based on its special status, DBK is exempt from the FMSC requirements in respect of loan provisioning. Accordingly, pursuant to its internal policies, DBK estimates provisions in accordance with its internal Rules on Estimation of Financial Asset Impairment Losses (in accordance with IFRS). Pursuant to such rules, a loan is considered as impaired based on a number of criteria, including, *inter alia*: (i) loan-term changes; (ii) project delays; and (iii) failures of borrowers or counterparties to fulfil terms of a base contract in respect of the project being financed. If there is objective evidence that an impairment loss on a loan has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, which includes amounts recoverable from guarantees and collateral discounted at the loan's original effective interest rate. DBK's Financial Department, Project Management Divisions, Asset Restructuring Department, Distressed Loans Department, Loan Administration Department and Risk Management Department are responsible for the process in relation to loan loss provisioning. Since February 2012, loan loss provisioning, for IFRS purposes, is estimated on a monthly basis. Although exempt from provisioning regulatory requirements, DBK reports to the NBK in respect of its provisioning levels estimated in accordance with IFRS.

In 2011, DBK re-evaluated its provisioning policy in order to reflect a more conservative approach. As a result of this policy, DBK recognised significantly higher provisioning charges in 2011, which resulted in the recognition of negative net income in 2011.

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 Project Management Divisions, Legal Department, Collateral Appraisal Department, Security Department and Compliance Service undertake thorough analyses of each credit applicant, which includes a project feasibility study, financial analysis and examination of the reputation and experience of the potential borrower. Once this analysis has been completed, the Risk Management Department will prepare its recommendations in relation to the application on the basis of risks relating to the project structure, the borrower and the proposed collateral.

Once the credit instrument has been approved, DBK monitors the following on an ongoing basis: (i) compliance with the intended purpose of the loan, including monitoring the use of proceeds over the tenor of the loan; (ii) the financial standing of borrowers, co-borrowers, guarantors and other related parties on a quarterly basis; (iii) the status of the project site through site due diligence visits on an annual or more frequent basis; (iv) the value and quality of collateral on an at least semi-annual basis; (v) the borrowers, co-borrowers and guarantors credit history and payment behaviour; and (vi) covenant compliance. In addition, DBK maintains and updates a credit file in respect of the loan and borrower on an ongoing basis.

Monitoring reports are produced by the relevant Bank units; Project Management Divisions, Asset Restructuring Department, Distressed Loans Department, Collateral Management Department, Credit Administration Department, Security Department, Legal Department and Risk Management Department. Such reports are based on standard templates approved by the Credit Committee and are subject to periodic reviews to ensure compliance with both DBK's internal requirements and local laws and regulations. DBK also maintains watch tables with information on credit instrument early-warning signs in order to perform ongoing and effective credit control. In addition, DBK has implemented an internal credit rating system that produces internal ratings as part of the lending process. These internal ratings are periodically reviewed on the basis of financial and qualitative data.

Problem loans are handled by the Distressed Loan Department and doubtful loans are handled by 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 Distressed Loan Department. Borrowers whose loans are in the Distressed Loan Department are generally considered to be collateral-reliant. As at 30 September 2012, loans to 30 borrowers loans totalling approximately U.S.$728.5 million were being handled by the Distressed Loan Department.

As at 30 September 2012, there were 16 borrowers (representing five corporate groups with activities in a range of economic sectors) with loans totalling an aggregate principal amount of approximately U.S.$408 million, in the Loan Restructuring Department. Loans in this department are loans that are expected to have cash generation prospects in the future.

Analysis of Loans by Credit Quality

DBK estimates loan loss provisions on a monthly basis, applying the policies described above. *See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Critical Accounting Policies—Impairment—Financial assets carried at amortised cost".*

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.

The following tables set forth information on the credit quality of DBK's loan portfolio as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012[1]			
	Gross loans	**Impairment provisions**	**Net loans**	**Impairment to gross loans**
		(KZT millions)		*(%)*
Loans without individual signs of impairment[2]	196,939.7	(2,263.3)	194,676.5	1.2
Impaired loans, *of which*				
Not past due	25,621.0	(4,942.1)	20,679.0	19.3
Overdue by less than 90 days	27,579.0	(6,978.4)	20,600.5	25.3
Overdue by more than 90 days and less than 360 days	7,058.6	(4,009.9)	3,048.7	56.8
Overdue by more than 360 days	164,021.8	(107,116.1)	56,905.8	65.3
Total impaired loans	**224,280.5**	**(123,046.5)**	**101,234.0**	**54.9**
Total loans	**421,220.2**	**(125,309.7)**	**295,910.5**	**29.8**

Notes:

(1) Derived from the Unaudited Consolidated Interim Financial Statements.

(2) Renegotiated loans are also included in the category of assets without individual signs of impairment, unless the borrower fails to comply with the renegotiated terms.

	As at 31 December 2011			
	Gross loans	**Impairment provisions**	**Net loans**	**Impairment to gross loans**
		(KZT millions)		*(%)*
Loans without individual signs of impairment[1]	184,902.0	(7,396.7)	177,505.3	4.0
Impaired loans, *of which*				
Not past due	28,728.3	(5,236.8)	23,491.5	18.2
Overdue by less than 90 days	4,131.5	(2,197.3)	1,934.2	53.2
Overdue by more than 90 days and less than 360 days	35,325.4	(14,497.3)	20,828.1	41.0
Overdue by more than 360 days	147,587.9	(95,899.6)	51,688.3	65.0
Total impaired loans	**215,773.1**	**(117,831.0)**	**97,942.1**	**54.6**
Total loans	**400,675.1**	**(125,227.7)**	**275,447.4**	**31.3**

Note:

(1) Renegotiated loans are also included in the category of assets without individual signs of impairment, unless the borrower fails to comply with the renegotiated terms. As at 31 December 2011, this included two renegotiated loans of an aggregate amount of KZT 9,549.7 million, which would otherwise be classified as impaired loans.

	As at 31 December 2010			
	Gross loans	Impairment provisions	Net loans	Impairment to gross loans
		(KZT millions)		*(%)*
Loans without individual signs of impairment[(1)]	208,906.6	(6,348.3)	202,558.4	3.0
Impaired loans, *of which*				
Not past due	58,288.3	(12,990.0)	45,298.4	22.3
Overdue by less than 90 days	35,636.5	(21,803.8)	13,832.7	61.2
Overdue by more than 90 days and less than 360 days .	67,287.4	(24, 279.8)	43,007.7	36.1
Overdue by more than 360 days[(2)]	41,936.2	(25,742.4)	16,193.8	61.4
Total impaired loans	**203,148.5**	**(84,816.0)**	**118,332.5**	**41.8**
Total loans	**412,055.1**	**(91,164.2)**	**320,890.9**	**22.1**

Notes:

(1) Renegotiated loans are also included in the category of assets without individual signs of impairment, unless the borrower fails to comply with the renegotiated terms. As at 31 December 2010, this included five renegotiated loans of an aggregate amount of KZT 23,036.3 million, which would otherwise be classified as impaired loans.

(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	Impairment provisions	Net loans	Impairment to gross loans
		(KZT millions)		*(%)*
Loans without individual signs of impairment[(1)]	135,581.1	(7,904.2)	127,677.0	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)**	**73,735.3**	**49.3**
Total loans	**280,952.7**	**(79,540.4)**	**201,412.3**	**28.3**

Note:

(1) Renegotiated loans are also included in the category of assets without individual signs of impairment, unless the borrower fails to comply with the renegotiated terms. As at 31 December 2009, this included two renegotiated loans of an aggregate amount of KZT 1,294.9 million, which would otherwise be classified as impaired loans.

As at 30 September 2012, the ratio of impairment provisions to total gross loans was 29.8%, as compared to 31.3%, 22.1 % and 28.3% as at 31 December 2011, 2010 and 2009, respectively. The decrease in impairment provisions as at 30 September 2012, as compared to 31 December 2011, was primarily due to the continuing dilution of losses incurred in prior periods (as a result of the growth in the loan portfolio) and the refinement of DBK's collective loss assessment model by excluding a sub-portfolio with a lower credit risk.

The year-on-year increase in impairment provisions in 2011 was primarily due to the decrease in the size of DBK's loan portfolio and the increase of impairment losses recognised on loans to customers, which was, in turn, due to delays in the commissioning of a number of projects, as well as the lagging effect of the impact of the global financial crisis on DBK's customers, which continued in 2011**.** The year-on-year increase in impairment provisions in 2010 was also primarily due to the lagging effect of the impact of the global financial crisis on DBK's customers, in particular in the agriculture, construction materials, textile, electricity and metallurgy sectors, which began in 2009 and continued into 2010, as well as the adoption of a more conservative policy adopted by DBK in 2011 to demonstrate the maximum potential losses associated with DBK's investment projects.

DBK classifies loans overdue by more than 90 days as NPLs. As a result of the foregoing, as at 30 September 2012, 40.6% of gross loans to customers were classified as non-performing, as compared to 45.7 %, 26.5% and 6.6% as at 31 December 2011, 2010 and 2009, respectively.

As at 30 September 2012, 29 out of DBK's 55 investment project loans (not including export loans) were classified as non-performing. As at 30 September 2012, the ten largest NPLs accounted for 83.1% of total non-performing loans, as compared to 80.1% and 93.1% as at 31 December 2011 and 2010. As at 30 September 2012, two groups of loans, which were extended in the agriculture and textile sectors, were classified as NPLs and were also within DBK's ten largest loans to customers. According to DBK's long-term strategy, it intends to transfer certain "bad loans" to the Investment Fund of Kazakhstan at nominal value, which will reduce the number of NPLs held in DBK's portfolio. To date, however, DBK has not written-off any NPLs. Accordingly, the level of NPLs represents a cumulative position since the establishment of DBK in 2001.

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 2012 and the years ended 31 December 2011, 2010 and 2009:

	Nine months ended 30 September 2012[(1)]	**Year ended 31 December**		
		2011	**2010**	**2009**
		(KZT millions)		
Balance at the beginning of the year/period	(125,227.7)	(91,164.2)	(79,540.4)	(12,788.7)
Net recovery of/(charge for) the period	1,082.9	(33,338.8)	(18,834.2)	(66,853.0)
Effect of foreign currency movements	(1,186.5)	(599.2)	509.6	(3,197.2)
Recovery of accrued interest previously written off	—	(125.4)	—	—
Write-offs	21.6	—	6,700.8	3,298.4
Balance at the end of the year	**(125,309.7)**	**(125,227.7)**	**(91,164.2)**	**(79,540.4)**

Note:
(1) Derived from the Unaudited Consolidated 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.

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Mixed types of collateral[1] ..	133,953.9	45.3	126,242.3	45.8	142,150.5	44.3	120,384.5	59.8
Motor vehicles and equipment.........................	72,356.7	24.5	64,577.8	23.4	70,257.0	21.9	27,578.1	13.7
Guarantees of other companies..........................	71,486.7	24.2	62,266.3	22.6	62,348.6	19.4	4,203.9	2.1
Guarantees of the Government of the Republic of Kazakhstan.....	7,202.6	2.4	7,348.5	2.7	7,533.2	2.3	7,499.7	3.7
Real estate	4,546.8	1.5	1,958.7	0.7	2,845.4	0.9	6,472.7	3.2
Guarantees of the parent company	3,479.3	1.2	1,309.4	0.5	—	—	—	—
Guarantees of financial institutions.........................	2,884.5	0.9	9,135.9	3.3	26,414.6	8.2	26,727.1	13.3
Cash....................................	—	—	2,608.6	0.9	9,341.7	2.9	8,546.3	4.2
Net total loans to customers	**295,910.5**	**100.0**	**275,447.4**	**100.0**	**320,890.9**	**100.0**	**201,412.3**	**100.0**

Notes:
(1) Mixed types of collateral include, *inter alia*, property complexes, equipment, vehicles, land, guarantees, construction in progress and others.
(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 2012, impaired or overdue loans with an aggregate gross value of KZT 224,280,473 million were secured by collateral with a fair value of KZT 89,429 million. During the nine months ended 30 September 2012, DBK did not acquire any assets by foreclosure on collateral accepted as security for loans.

As at 31 December 2011, impaired or overdue loans with an aggregate gross value of KZT 215,773.1 million were secured by collateral with a fair value of KZT 74,891.1 million. In 2011, DBK did not acquire any assets by foreclosure on collateral accepted as security for loans.

As at 31 December 2010, impaired or overdue loans with an aggregate gross value of KZT 203,148.5 million were secured by collateral with a fair value of KZT 40,016.6 million. In 2010, DBK acquired securities with an initial fair value of KZT 3,422.3 million in securities classified as available-for-sale and KZT 7,128.8 million in cash by foreclosure on collateral accepted as security for loans. A remaining amount of KZT 5,273.6 million was written-off after such foreclosure activities. DBK also wrote-off KZT 1,427.2 million of loans in 2010 as being non-recoverable.

As at 31 December 2009, impaired or overdue loans with an aggregate gross value of KZT 145,371.6 million were secured by collateral with a fair value of KZT 3,611.7 million. In 2009, DBK did not acquire any assets by foreclosure on collateral accepted as security for loans.

As a result of the foregoing, as at 30 September 2012, the coverage ratio of total collateral to total loans was 1.4%, as compared to 1.4% and 1.3% as at 31 December 2011 and 2010, respectively.

Classification of Collateral

Based on amendments to the DBK Law dated 28 December 2011, DBK is exempted from the reporting requirements of the FMSC in respect of collateral classification, which are applicable for commercial banks.

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. In return for such payments, DBK 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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012	As at 31 December		
		2011	2010	2009
		(KZT millions)		
Letters of credit and other commitments related to settlement operations	118,377.5	107,531.0	108,864.5	411.1
Others, of which:				
Finance lease commitments	4,470.3	1,604.6	5,616.2	5,740.3
Loan, credit lines commitments	193,726.5	149,353.9	148,566.3	91,388.5
Total	**316,574.3**	**258,489.5**	**263,047.0**	**97,539.9**

As at 30 September 2012, contingent liabilities and other off-balance sheet commitments increased by KZT 58,084.8 million, or 22.5%, to KZT 316,574.3 million from KZT 258,489.5 million as at 31 December 2011, after having decreased in 2011 by KZT 4,557.5 million, or 1.7% from KZT 263,047.0 million as at 31 December 2010, which, in turn, increased by KZT 165,507.7 million, or 169.7%, from KZT 97,539.9 million as at 31 December 2009.

The increase in the first nine months of 2012 was primarily due to the KZT 44,372.6 million, or 29.7% increase in loans and credit lines commitments, which was primarily due to loans extended to LLP Atyrau refinery plant, JSC Kaztemirtrans, JSC Moynak HES, and RSE Aktau International Sea Commercial Port. The KZT 10,846.5 million, or 10.1%, increase in letters of credit and other commitments also contributed to this increase and reflected the provision of a letter of credit in an amount of U.S.$135 million in respect of the construction of a power block by Karaganda Energocentre.

The year-on-year decrease in 2011 was primarily due to the KZT 4,011.6 million decrease in finance lease commitments as a result of the transfer of leased assets to lessees.

The year-on-year increase in 2010 was primarily due to (i) the KZT 108,453.4 million, or 26,381.3%, increase in letters of credit and other commitments related to settlement operations as a result of the provision in 2010 of a letter of credit in an amount of U.S.$728 million in respect of the construction of the Atyrau Oil Refinery and a letter of credit in the amount of ¥3,337.1 million for the purchase of equipment by Crystall Management; and (ii) the KZT 57,177.8 million, or 62.6%, increase in loan credit line commitments as a result of new loans entered into, including loans granted in respect of the Kazakhstan Electrolysis Factory (U.S.$400 million), Atyrau Oil Refinery (U.S.$322 million), GTPS in Uralsk (U.S.$42 million), Kazakhstan Petrochemical Industries Inc. (U.S.$66.8 million), Chimbulak Development (U.S.$ 57 million), KazTransGaz Aimak (U.S.$23 million), Crystall Management (U.S.$21 million) and Taraz Metallurgy Factory (U.S.$17 million).

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 and not speculative 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(e)(viii) and Note 31 to the audited annual consolidated financial statements as at and for the year ended 31 December 2011 and Note 3(e)(viii) and Note 31 to the audited annual consolidated financial statements as at and for the year ended 31 December 2010. See also "*Presentation of Financial and Other Data*".

As at 30 September 2012, the fair value liability of derivative financial instruments decreased by KZT 749.8 million, or 9.5%, to KZT 7,166.4 million from KZT 7,916.3 million as at 31 December 2011. This decrease in the first nine months of 2012 was mainly due to decreased derivative transaction activity over the period as a result of the maturity of a number of derivative instruments in the nine months ended 30 September 2012. As at 30 September 2012, 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 U.S.$3,782.8 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 U.S.$3,290.9 million; and a cross currency swap of MYR 240.0 million 5.5% fixed rate instruments to U.S.$76.1 million 4.95% fixed rate instruments due to mature in August 2017, whose fair value liability was KZT 92.8 million and whose fair value asset was KZT 102.9 million. This cross currency swap transaction related to the swap conducted with The Royal Bank of Scotland plc under which a MYR 240.0 million 5.5% Sukuk bond was exchanged for a U.S.$76.1 million 4.95% fixed rate bond due August 2017. HSBC Bank plc, Halyk Finance and The Royal Bank of Scotland plc acted as co-ordinating joint lead managers and bookrunners AmInvestBank and Kuwait Finance House acted as the joint lead managers of the Sukuk issue.

As at 31 December 2011, the fair value liability of derivative financial instruments increased by KZT 449.4 million, or 6.0% to KZT 7,916.3 million from KZT 7,466.8 million as at 31 December 2010. This increase was mainly due to the increased derivative transaction activity over the period and the positive change in fair value of existing foreign currency swaps due to mature in 2014. See Note 31 of the audited financial statements as at and for the year ended 31 December 2011.

As at 31 December 2010, the fair value liability of derivative financial instruments decreased by KZT 717.1 million, or 8.8%, to KZT 7,466.8 million from KZT 8,183.9 million as at 31 December 2009. This decrease was mainly due to the negative change in the fair value liability of existing foreign currency swaps due to mature in 2014. See Note 31(b) of the audited financial statements as at and for the years ended 31 December 2011 and 2010.

As at 30 September 2012, the fair value asset of derivative financial instruments was KZT 102.9 million, as compared to KZT 590.3 million as at 31 December 2011. This decrease was due to decreased derivative transaction activity. As at 31 December 2011, the fair value asset of derivative financial instruments was KZT 590.3 million, as compared to KZT 442.5 million as at 31 December 2010. This increase was due to increased derivative transaction activity in 2011 as a result of the entry into four non-deliverable forward contracts in 2011. See Note 31 to the audited financial statements as at and for the year ended 31 December 2011. As at 31 December 2010, the fair value asset of derivative financial instruments was KZT 442.5 million, as compared to nil as at 31 December 2009, due to commencement of derivative transaction activity in 2010.

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. As at 30 September 2012, less than 10% of DBK's investment portfolio is invested outside of Kazakhstan. 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. As at 30 September 2012, no portion of DBK's investment portfolio consisted of structured credit products.

In accordance with its Strategy on Investment Portfolio Management, adopted on 14 March 2012, 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.

The Strategy of Investment Portfolio Management sets forth, among others, the following requirements to maintain a diversified investment portfolio. In this respect, short-term investments may comprise between 10% and 100% of DBK's investment portfolio and long-term investments may comprise between 0% and 100% of DBK's investment portfolio. In addition, the currency diversification of DBK's investment portfolio must comply with limits established by the ALCO.

In addition, the requirements of 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:

Instruments in investment portfolio	Maximum exposure
Deposits with the NBK, securities issued by the NBK and securities issued by Kazakhstan[(1)]	100%
Deposits with domestic and foreign commercial banks if counterparty is rated not lower than BBB (S&P and Fitch)	50%
Deposits with domestic and foreign commercial banks if counterparty is rated lower than BBB but not lower than B- (S&P and Fitch)	30%
Sovereign securities of foreign states and bonds of international institutions with credit ratings of not lower than A (S&P and Fitch)	50%
Sovereign securities of foreign states and bonds of international institutions with credit ratings of lower than A but not lower than BBB- (S&P and Fitch)	30%
Securities issued by Samruk-Kazyna	90%
Securities issued by companies within the Samruk-Kazyna group	70%
Corporate bonds or municipal bonds (both domestic and international) if counterparty is rated not lower than BBB- (S&P and Fitch)	50%
Corporate bonds or municipal bonds (both domestic and international) if counterparty is rated lower than BBB- but not lower than B- (S&P and Fitch)	30%
Derivatives (for hedging purposes)	10%
Other derivatives and structured securities	10%
Reverse repo transactions	Transaction dependent

Note:

(1) The minimum amount of the investment portfolio to be invested in deposits with the NBK is 10%. There is no minimum limit for other types of investments.

DBK also intends to develop its own benchmark credit rating to assist with the assessment of investment opportunities and investment portfolio management.

The Strategy of Investment Portfolio Management outlines the role of departments, including the Financial Risks Management Department and the Treasury Department in analysing and monitoring the diversification of DBK's investment portfolio.

Pursuant to the Strategy of Investment Portfolio Management, the ALCO approves limits with respect to sovereign risks, industry risks and counterparty risks in connection with DBK's investment portfolio. The Financial Risks Management Department is responsible for monitoring compliance of the investment portfolio with such limits, based upon information provided by the Treasury Department.

The Treasury Department monitors DBK's investment portfolio on a daily basis and provides data on the composition of the investment portfolio to the CEO, Management Director responsible for overseeing the investment portfolio, the Financial Risks Management Department and other financial departments. The Financial Risks Management Department monitors and assesses the risks associated with DBK's investment portfolio management and provides recommendations to the Treasury Department. The investment portfolio is assessed against a benchmark set forth in DBK's budget. In addition, the Treasury Department provides a report to the Investment Committee on the management of DBK's investment portfolio, which the Investment Committee uses to establish the key parameters of DBK's investment policy for the following quarter.

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 2012, DBK's finance lease receivables decreased by KZT 683.5 million, or 3.0% to KZT 22,021.2 million from KZT 22,704.7 million as at 31 December 2011.

As at 31 December 2011, DBK's finance lease receivables decreased by KZT 1,861.1 million, or 7.6%, to KZT 22,704.7 million from KZT 24,565.9 million as at 31 December 2010, after having increased by KZT 5,289 million, or 27.4%, from KZT 19,276.9 million as at 31 December 2009.

Finance Lease Receivables by Type of Lessee

The following table sets forth the components of DBK's finance lease receivables, by type of lessee, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012		As at 31 December 2011		2010[1]		2009[2]	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Leases to large corporates[3]	23,512.8	93.8	24,664.6	95.7	24,575.4	95.4	13,723.4	67.5
Leases to small-[4] and medium-sized[5] companies..................	1,548.3	6.2	1,103.9	4.3	1,185.1	4.6	6,608.1	32.5
Total gross investment in finance leases	**25,061.2**	**100.0**	**25,768.5**	**100.0**	**25,760.5**	**100.0**	**20,331.6**	**100.0**
Less impairment allowance...................	(3,040.0)	—	(3,063.7)	—	(1,194.5)	—	(1,054.7)	—
Net investment in finance leases............	**22,021.2**	**—**	**22,704.7**	**—**	**24,565.9**	**—**	**19,276.9**	**—**

Notes:

(1) In 2011, DBK revised its classification of certain lessees in relation to "leases to small and medium size companies" and "leases to large corporates"; the table reflects data restated for 2010 in line with the new categories. Net investment in finance leases as at 31 December 2010 reflects a transfer from "leases to small and medium size companies" to "leases to large corporates" in the amount of KZT 5,003.2 million made for consistency of presentation.

(2) In 2010, DBK revised its classification criteria in relation to "leases to small and medium size companies" and "leases to large corporates". Net investment in finance leases as at 31 December 2009 reflects a transfer from "leases to small and medium size companies" to "leases to large corporate" in the amount of KZT 5,893.5 million made for consistency of presentation.

(3) Large corporates are corporate entities with more than 250 employees and average assets in excess of U.S.$3 million.

(4) Small companies are companies with up to 50 employees and average assets of up to U.S.$0.5 million.

(5) 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.

Since 31 December 2009, leases to large corporates have comprised the largest component of DBK's portfolio of finance lease receivables, with such leases accounting for 93.8% of total gross investments in finance leases as at 30 September 2012, as compared to 95.7%, 95.4% and 67.5% as at 31 December 2011, 2010 and 2009, respectively. The increases in leases to large corporates were primarily due to the reclassification of certain lessees, as a result of which certain leases to small-and medium-sized companies were reclassified as "leases to large corporates".

The decrease in net finance leases as at 30 September 2012, as compared to 31 December 2011, was primarily due to the repayment of finance leases by lessees.

The year-on-year decrease in net investment in finance leases in 2011 was primarily due to the increase in impairment allowance, as well as the KZT 81.2 million, or 6.9%, decrease in leases to small and medium-sized companies to KZT 1,103.9 million as at 31 December 2011 from KZT 1,185.1 million as at 31 December 2010, which were partially offset by the KZT 89.2 million, or 0.4%, increase in leases to large corporates to KZT 24,664.6 million as at 31 December 2011 from KZT 24,575.4 million as at 31 December 2010.

The year-on-year increase in finance leases in 2010 was primarily due to the KZT 10,852.0 million, or 79.1%, increase in leases to large corporates to KZT 24,575.4 million as at 31 December 2010 from KZT 13,723.4 million as at 31 December 2009, which was due to the changes to the classification of lessees as described above. The effect of this was partially offset by the KZT 5,423.0 million, or 82.1%, decrease in leases to small and medium-sized companies to KZT 1,185.1 million as at 31 December 2010 from KZT 6,608.1 million as at 31 December 2009.

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Telecommunication and transportation	12,083.0	48.2	12,559.6	48.7	9,745.9	37.8	7,812.0	38.4
Textile	6,189.0	24.7	6,089.5	23.6	7,271.8	28.2	2,732.1	13.4
Construction	1,313.9	5.2	1,461.6	5.7	1,373.6	5.3	1,862.8	9.2
Metallurgy	1,094.7	4.4	1,195.3	4.6	1,490.0	5.8	2,166.7	10.7
Machinery	937.5	3.7	1,124.6	4.4	1,333.3	5.2	1,609.9	7.9
Mineral resources	864.3	3.4	892.8	3.5	1,055.1	4.1	1,322.9	6.5
Electric equipment	654.3	2.6	616.3	2.4	659.7	2.6	618.6	3.0
Agriculture	639.0	2.5	670.4	2.6	909.9	3.5	346.4	1.7
Construction materials	607.2	2.4	609.7	2.4	1,387.7	5.4	1,525.1	7.5
Food processing	417.0	1.7	482.8	1.9	164.2	0.6	244.6	1.2
Manufacturing	193.2	0.8	—	—	—	—	—	—
Paper and pulp	67.2	0.3	66.0	0.3	71.1	0.3	79.7	0.4
Pharmaceutical	—	—	—	—	298.1	1.2	10.7	0.1
Total gross investment in finance leases	**25,061.2**	**100.0**	**25,768.6**	**100.0**	**25,760.4**	**100.0**	**20,331.6**	**100.0**
Less impairment allowance	(3,040.0)	—	(3,063.7)	—	(1,194.5)	—	(1,054.7)	—
Net investment in finance leases	**22,021.2**	**—**	**22,704.9**	**—**	**24,565.9**	**—**	**19,276.9**	**—**

Fluctuations in exposures to customers by economic sector, for the most part, occur in the ordinary course of DBK's business. Since 31 December 2009, investments in finance leases have been concentrated predominantly in the telecommunication and transportation sector accounting for 48.2%, 48.7%, 37.8% and 38.4% of total gross investment in finance leases as at 30 September 2012 and 31 December 2011, 2010 and 2009, respectively. This concentration is primarily due to finance leases extended to railway cargo logistics companies, Eastkomtrans LLP and the Center of Transport Services JSC. As with DBK's loan portfolio, the breakdown of finance lease receivables in the different economic sectors can fluctuate significantly as a result of a single finance lease extended in a given period.

Investments in finance leases in the textile sector have also fluctuated as a percentage of gross investment in finance leases since 31 December 2009, accounting for 24.7%, 23.6%, 28.2% and 13.4% of total gross investment in finance leases as at 30 September 2012 and 31 December 2011, 2010 and 2009, respectively.

Investments in finance leases in the construction sector decreased as a percentage of gross investment in finance leases from 5.7% of total gross investment in finance leases as at 31 December 2011 to 5.2% as at 30 September 2012. In addition, as at 30 September 2012 investments in finance leases in the manufacturing sector accounted for 0.8% of total gross investment in finance leases, as compared to nil as at 31 December 2011, 2010 and 2009.

Finance Lease Receivables by Maturity

The following table sets forth an analysis of DBK's finance lease receivables, by maturity, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	277.6	1.3	373.8	1.6	300.4	1.2	280.4	1.5
One month to three months....	739.4	3.3	911.2	4.0	1,027.0	4.2	1,293.1	6.7
Three months to one year.......	2,699.0	12.3	2,824.7	12.4	3,273.2	13.2	3,026.2	15.7
One year to five years	11,438.2	51.9	10,939.9	48.2	11,274.9	45.9	10,184.9	52.8
More than five years	4,186.6	19.0	3,930.7	17.3	4,599.8	18.7	2,991.4	15.5
Overdue	2,680.4	12.2	3,724.4	16.4	4,090.5	16.7	1,500.9	7.8
Total finance lease receivables	**22,021.2**	**100.0**	**22,704.7**	**100.0**	**24,565.9**	**100.0**	**19,276.9**	**100.0**

As at 30 September 2012, 51.9% of total finance lease receivables had between one and five years remaining until contractual maturity, as compared to 48.2%, 45.9% and 52.8% of total finance lease receivables as at 31 December 2011, 2010 and 2009, respectively, in line with the long-term nature of DBK-Leasing's lease-financing portfolio in line with 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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012			
	Gross finance leases	**Impairment**	**Net finance leases**	**Impairment as a percentage of gross finance leases**
		(KZT millions)		(%)
Leases to large corporates				
Leases for which no impairment has been identified: [1]				
Not overdue	14,055.3	(519.4)	13,536.0	3.7
Overdue by more than 5 days and less than 90 days....	455.1	(16.2)	439.0	3.6
Overdue by more than 90 days and less than 360 days	118.8	(4.3)	114.5	3.6
Overdue by more than 360 days	—	—	—	—
Impaired Leases:				
Not overdue	731.6	(95.0)	636.6	1.3
Overdue by more than 360 days	8152	(2,093.6)	6,058.4	25.7
Total leases to large corporates	**23,512.8**	**(2,728.4)**	**20,784.4**	**11.6**
Leases to small, and medium-sized companies				
Leases for which no impairment has been identified:[1]				
Not over due	606.7	(25.2)	581.6	4.2
Impaired leases				
Overdue by more than 360 days	941.6	(286.4)	655.2	30.4
Total leases to small, and medium-sized companies	**1,548.3**	**(311.6)**	**1,236.8**	**20.1**
Total finance leases	**25,061.2**	**(3,040.0)**	**22,021.2**	**12.1**

Note:

(1) Renegotiated leases are also included in the category of assets without individual signs of impairment, unless the lessee fails to comply with the renegotiated terms.

	As at 31 December 2011			
	Gross finance leases	Impairment	Net finance leases	Impairment as a percentage of gross finance leases
		(KZT millions)		(%)
Leases to large corporates				
Leases for which no impairment has been identified:[1]				
Not overdue	14,235.3	(571.1)	13,664.2	4.01
Overdue by more than 5 days and less than 90 days	958.1	(38.4)	919.7	4.01
Overdue by more than 90 days and less than 360 days	167.4	(6.7)	160.7	4.01
Overdue by more than 360 days	426.6	(17.1)	409.5	4.01
Impaired Leases:				
Overdue by more than 90 days and less than 360 days	616.3	(70.8)	545.5	11.48
Overdue by more than 360 days	8,260.8	(2,058.3)	6,202.5	24.92
Total leases to large corporates	**24,664.6**	**(2,762.5)**	**21,902.1**	**11.20**
Leases to small, and medium-sized companies				
Leases for which no impairment has been identified:[1]				
Not over due	155.6	(6.2)	149.4	4.01
Impaired leases				
Overdue by more than 360 days	948.3	(295.0)	653.2	31.11
Total leases to small, and medium-sized companies	**1,103.9**	**(301.3)**	**802.6**	**27.29**
Total finance leases	**25,768.5**	**(3,063.7)**	**22,704.7**	**11.89**

Note:

(1) Renegotiated leases are also included in the category of assets without individual signs of impairment, unless the lessee fails to comply with the renegotiated terms. As at 31 December 2011, this included renegotiated leases of an aggregate amount of KZT 4,201.6, which would otherwise be classified as impaired finance leases.

	As at 31 December 2010[1]			
	Gross finance leases	Impairment	Net finance leases	Impairment as a percentage of gross finance leases
		(KZT millions)		(%)
Leases to large corporate				
Leases for which no impairment has been identified:[2]				
Not overdue	17,128.7	(384.7)	16,744.0	2.25
Overdue by more than 90 days and less than 360 days	597.9	(13.4)	584.4	2.25
Overdue by more than 360 days	5,029.2	(113.2)	4,916.1	2.25
Impaired Leases:				
Overdue by more than 360 days	1,819.6	(520.8)	1,298.8	28.62
Total leases to large corporates	**24,575.4**	**(1,032.2)**	**23,543.2**	**4.20**
Leases to small, and medium-sized companies				
Leases for which no impairment has been identified:[2]				
Not over due	305.4	(6.9)	298.5	2.25
Impaired leases	594.9	(13.4)	581.5	2.25
Overdue by more than 360 days	284.8	(142.2)	142.7	49.91
Total leases to small, and medium-sized companies	**1,185.1**	**(162.4)**	**1,022.7**	**13.70**
Total finance leases	**25,760.4**	**(1,194.5)**	**24,565.9**	**4.64**

Notes:

(1) In 2011, DBK clarified its classification of certain lessees between “leases to small and medium size companies” and “leases to large corporates”; the table reflects data restated for 2010 in line with the new categories. Net investment in finance leases as at 31 December 2010 reflects a transfer from “leases to small and medium size companies” to “leases to large corporates” in the amount of KZT 5,003.2 million made for consistency of presentation.

(2) Renegotiated leases are also included in the category of assets without individual signs of impairment, unless the lessee fails to comply with the renegotiated terms. As at 31 December 2010, this included renegotiated leases of an aggregate amount of KZT 3,310.9 million, which would otherwise be classified as impaired finance leases.

	As at 31 December 2009[(1)]			
	Gross finance leases	Impairment	Net finance leases	Impairment as a percentage of gross finance leases
		(KZT millions)		(%)
Leases to large corporates				
Leases for which no impairment has been identified:[(2)]				
Standard leases	13,723.4	(362.2)	13,361.3	2.64
Total leases to large corporates	**13,723.3**	**(362.2)**	**13,361.3**	**2.64**
Leases to small- and medium-sized companies				
Leases for which no impairment has been identified:[(2)]				
Standard leases	4,821.7	(282.8)	4,694.5	2.64
Impaired leases				
Overdue by more than 90 days but less than 360 days	680.4	(127.2)	553.3	18.69
Overdue by more than 360 days	1,106.0	(438.1)	667.9	39.61
Total leases to small, and medium-sized companies	**6,608.1**	**(692.5)**	**5,915.6**	**10.48**
Total finance leases	**20,331.6**	**(1,054.7)**	**19,276.9**	**5.19**

Notes:

(1) In 2010, DBK revised its classification criteria between "leases to small and medium size companies" and "leases to large corporates". Net investment in finance leases as at 31 December 2009 reflects a transfer from "leases to small and medium size companies" to "leases to large corporate" in the amount of KZT 5,893.5 million made for consistency of presentation.

(2) Renegotiated leases are also included in the category of assets without individual signs of impairment, unless the lessee fails to comply with the renegotiated terms. As at 31 December 2000, this included renegotiated leases of an aggregate amount of KZT 6,985.2 million, which would otherwise be classified as impaired finance leases.

As at 30 September 2012, impairment as a percentage of total finance leases was 12.1%, as compared to 11.89%, 4.64% and 5.19% as at 31 December 2011, 2010 and 2009, respectively. The increase in impairment as a percentage of gross finance leases as at 30 September 2012 and 31 December 2011 is due to the deterioration in each of DBK's leasing portfolio, in the solvency of lessees and in the liquidity of leased assets.

In 2011, DBK obtained KZT 207.1 million in assets as a result of foreclosure granted in favour of finance leases. DBK did not acquire any assets from foreclosure activity in 2010, 2009 or the nine months ended 30 September 2012. As at 30 September 2012, DBK had three lessees whose balances each exceeded 10% of finance lease receivables, as compared to three lessees, two lessees and two lessees as at 31 December 2011, 2010 and 2009, respectively.

Available-for-sale Financial 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(e)(i) to the Financial Statements. DBK's portfolio of available-for-sale financial 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 the Ministry of Finance of Kazakhstan. 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 financial assets held by DBK increased by KZT 11,022.4 million, or 3.1%, to KZT 369,307.4 million as at 30 September 2012, as compared to KZT 358,285.0 million as at 31 December 2011 after having increased by KZT 22,581.6 million, or 6.7%, in 2011, from KZT 335,703.4 million as at 31 December 2010, after having increased by KZT 66,873.2 million, or 24.9%, from KZT 268,830.2 million as at 31 December 2009. The increase as at 30 September 2012, as compared to 31 December 2011, was primarily due to the increase in bonds of Kazakh banks held by DBK in the nine months ended 30 September 2012 by KZT 11,568.7 million, or 14.4%, to KZT 91,849.9 million as at 30 September 2012, from KZT 80,281.2 million as at 31 December 2011, which was primarily as a result of the purchase by DBK of KZT 6,808.4 million in bonds issued by JSC Halyk Bank and KZT 1,350.7 million in bonds issued by JSC Kazkommertsbank, as well as the KZT 6,479.7 million, or 3.4%, increase in corporate bonds acquired by DBK during the same period. This increase was partially offset by the KZT 8,542.5 million, or 27.2%, decrease in treasury bills of the Ministry of Finance of Kazakhstan held by DBK to KZT 22,817.8 million as at 30 September 2012 from KZT 31,360.3 million as at 31 December 2011 primarily as a result of the maturity of certain treasury bills previously held by DBK.

The year-on-year increase in 2011 was primarily due to the increase in bonds of Kazakh banks acquired by DBK in 2011 by KZT 43,603.5 million, or 118.9%, to KZT 80,281.2 million as at 31 December 2011, from KZT 36,677.7 million as at

31 December 2010 primarily as a result of DBK's purchase of KZT 11,625 million bonds issued by Bank Center Credit, KZT 8,726 million bonds issued by ATF Bank and KZT 28,923 million bonds issued by Halyk Bank, as well as the increase in bonds of Samruk Kazyna acquired by DBK in 2011 by KZT 14,918.4 million, or 52.7%, to KZT 43,200.7 million as at 31 December 2011, from KZT 28,282.3 million as at 31 December 2010, primarily as a result of DBK's purchase of KZT 18,000 million bonds issued by Samruk-Kazyna. The year-on-year increase in available-for-sale financial assets held by DBK in 2010 was due to the increased amount of treasury bills of the Ministry of Finance of the Republic of Kazakhstan, bonds of Kazakhstan banks, and bonds of Samruk-Kazyna held by DBK due to the purchase by DBK of KZT 9,015.5 million in bonds issued by JSC Halyk bank, KZT 6,225.6 million in bonds issued by Eurasian Development Bank and KZT 4,366.8 billion in bonds issued by Bank Centercredit, as well as the purchase by DBK of an additional KZT 24,060 million in bonds of Samruk Kazyna in 2010. See also "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Results of Operations for the years ended 31 December 2011, 2010 and 2009—Other comprehensive income/loss*".

Available-for-sale financial assets pledged under foreign currency swap instruments increased by KZT 54.5 million, or 1.6%, to KZT 3,515.3 million as at 30 September 2012, as compared to KZT 3,460.8 million as at 31 December 2011 after having increased by KZT 529.5 million, or 18.1%, in 2011, from KZT 2,931.3 million as at 31 December 2010. Available-for-sale financial assets pledged under foreign currency swap instruments were nil as at 31 December 2009. The increase as at 30 September 2012, as compared to 30 September 2011, was primarily due to the increase in U.S. treasury bills pledged under foreign currency swaps as at 30 September 2012, as compared to as at 31 December 2011. The increase in 2011 was due to the increase in U.S. treasury bills pledged under foreign currency swaps as at 31 December 2011, as compared to as at 31 December 2010, as a result of the replacement of deposits pledged under foreign currency swap instruments by U.S. treasury bills.

Available-for-sale financial assets pledged under repurchase agreements were KZT 1,120.2 million as at 30 September 2012, as compared to nil as at 31 December 2011, 31 December 2010 and 31 December 2009. The available-for-sale financial assets pledged under repurchase agreements as at 30 September 2012 were comprised of treasury bills of the Ministry of Finance of Kazakhstan.

Available-for-Sale Financial Assets by Type

The following table sets forth the composition of DBK's investment portfolio of available-for-sale financial assets, by type, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012[1]		As at 31 December 2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Held by the Group								
Debt Instruments								
Corporate bonds	192,745.1	52.2	186,265.4	52.0	211,788.2	63.1	206,215.0	76.7
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan....	22,817.8	6.2	31,360.3	8.8	43,120.4	12.8	38,630.9	14.4
Bonds of Kazakh banks......	91,849.9	24.9	80,281.2	22.4	36,677.7	10.9	16,130.4	6.0
Bonds of Kazakh credit institutions, other than banks	8,802.2	2.4	9,112.2	2.5	9,341.0	2.8	4,360.0	1.6
Bonds of the Sovereign Wealth Fund «Samruk-Kazyna» JSC.....	43,723.0	11.8	43,200.7	12.1	28,282.3	8.4	1,817.0	0.7
Bonds of OECD[2] Banks....	8,186.2	2.2	7,070.9	2.0	5,981.7	1.8	1,676.9	0.6
Recovery Notes of Kazakh Banks...............................	428.6	0.1	236.4	0.1	428.6	0.1	—	—
Treasury Bills of the Treasury Department of the United States..............	754.6	0.2	758.0	0.2	83.5	0.0	—	—
Total..................................	**369,307.4**	**100.0**	**358,285.0**	**100.0**	**335,703.4**	**100.0**	**268,830.2**	**100.0**
Pledged under foreign currency swap								
Debt Instruments								
Treasury Bills of the Treasury Department of the United States of America...........................	3,515.3	100.0	3,460.8	100.0	2,931.3	100.0	—	—
Total..................................	**3,515.3**	**100.0**	**3,460.8**	**100.0**	**2,931.3**	100.0	—	—
Pledged under repurchase agreements								
Debt Instruments								
Treasury Bills of the Ministry of Finance of the Republic of Kazakhstan....	1,120.2	100.0	—	—	—	—	—	—
Total..................................	**1,120.2**	**100.0**	—	—	—	—	—	—

Notes:

(1) Derived from the Unaudited Consolidated Interim Financial Statements.

(2) OECD means the Organisation for Economic Co-operation and Development.

Available-for-Sale Financial Assets by Maturity

The following table sets forth an analysis of DBK's investment portfolio of available-for-sale financial assets, by maturity, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012		As at 31 December 2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	583.2	0.2	1,024.1	0.3	822.4	0.2	—	—
One month to three months....	1,845.9	0.5	—	—	4,303.5	1.3	8,040.7	3.0
Three months to one year.......	13,192.0	3.5	12,349.3	3.4	5,820.2	1.7	22,768.2	8.5
One year to five years	99,495.1	26.6	81,348.4	22.5	58,665.2	17.3	23,102.9	8.6
More than five years	258,826.8	69.2	267,024.0	73.8	269,023.4	79.4	214,459.4	79.8
Overdue	—-	—	—	—	—	—	458.9	0.2
Total available –for-sale assets	**373,943.0**	**100.0**	**361,745.9**	**100.0**	**338,634.7**	**100.0**	**268,830.2**	**100.0**

As at 30 September 2012, 69.2% of total available-for-sale financial assets had more than five years remaining until contractual maturity, as compared to 73.8%, 79.4% and 79.8% of total available-for-sale financial assets as at 31 December 2011, 2010 and 2009, respectively.

In addition, 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.

In order to match the maturities of its assets to its liabilities, DBK has increasingly rebalanced its available-for-sale financial assets portfolio in favour of longer-term securities. Since 2009, DBK has acquired Tenge-denominated bonds issued by Samruk-Kazyna with a term of 50 years. In 2011, the nominal value of bonds of Samruk-Kazyna acquired by DBK amounted to KZT 2,084.4 million. In 2010, the nominal value of bonds of Samruk-Kazyna acquired by DBK amounted to KZT 37,926.1 million. In 2009, the nominal value of bonds of Samruk-Kazyna acquired by DBK amounted to KZT 53,142.4 million. As at 30 September 2012, DBK held bonds of Samruk-Kazyna with a book value of KZT 3,093.4 million, which are classified as held-to-maturity investments.

Available-for-Sale Financial Assets by Currency

The following table sets forth an analysis of DBK's available-for-sale financial assets, by currency, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	117,388.9	31.4	128,887.0	35.6	116,941.9	34.5	57,490.4	21.4
U.S. Dollars	256,554.1	68.6	232,858.9	64.4	215,711.1	63.7	211,212.5	78.6
Other currencies	—	—	—	—	5,981.7	1.8	127.3	0.0
Total available-for-sale financial assets	**373,943.0**	**100.0**	**361,745.9**	**100.0**	**338,634.7**	**100.0**	**268,830.2**	**100.0**

As at 30 September 2012, 68.6% of DBK's available-for-sale financial assets was denominated in U.S. Dollars, as compared to 64.4%, 63.7% and 78.6% as at 31 December 2011, 2010 and 2009, respectively. As at 30 September 2012, 31.4% of DBK's available-for-sale financial assets was denominated in Tenge, as compared to 35.6%, 34.5% and 21.4% as at 31 December 2011, 2010 and 2009, respectively.

Analysis of Available-for-Sale Financial assets by Credit Quality

The following table sets forth information on the credit quality of DBK's available-for-sale financial assets as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Rated AAA	4,269.9	1.1	4,218.8	1.2	3,014.8	0.9	—	—
Rated A- to A+	8,186.2	2.2	7,070.9	2.0	5,981.7	1.8	1,676.9	0.6
Rated BBB- to BBB+	210,062.3	56.2	221,970.3	61.4	235,575.4	69.6	39,189.2	14.6
Rated from BB- to BB+	100,293.8	26.8	89,736.9	24.8	52,357.4	15.5	214,556.6	79.8
Rated from B- to B+	49,708.3	13.3	34,721.0	9.6	38,203.6	11.3	8,612.8	3.2
Rated C	—	—	236.4	0.1	—	—	—	—
Rated RD	428.6	0.1	—	—	—	—	—	—
Rated D	—	—	—	—	—	—	1,945.8	0.7
Not rated	993.9	0.3	3,791.5	1.0	3,501.8	1.0	2,848.9	1.1
Total available-for-sale financial assets	**373,943.0**	**100.0**	**361,745.9**	**100.0**	**338,634.7**	**100.0**	**268,830.2**	**100.0**

Note:
(1) Ratings as reported by Reuters.

In 2010, DBK wrote-off KZT 4,731.5 million of impairment allowances in respect of defaulted bonds of BTA Bank and Alliance Bank, which were replaced with other securities upon completion of their respective restructuring programmes. See Note 18 to the audited annual consolidated financial statements as at and for the years ended 31 December 2011 and 2010.

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September 2012[1]		**As at 31 December**					
			2011		**2010**		**2009**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Current accounts and deposits from customers	3,502.3	0.5	1,255.6	0.2	1,706.3	0.3	45,181.2	7.9
Loans from the Government of the Republic of Kazakhstan	25,469.9	3.8	25,908.9	3.9	24,023.3	3.5	30,886.1	5.4
Loans from the Parent Company	13,314.5	2.0	12,868.6	1.9	2,420.1	0.4	—	—
Loans from banks and other financial institutions	431,569.7	64.5	440,203.2	66.5	517,302.0	76.2	430,143.2	75.5
Government grants	10,988.3	1.6	11,517.8	1.7	11,133.3	1.6	9,459.5	1.7
Amounts payable under repurchase agreements	1,004.0	0.2	—	—	—	—	—	—
Debt securities issued	179,638.2	26.9	164,855.3	24.9	117,706.9	17.3	51,372.4	9.0
Subordinated debt	3,442.4	0.5	5,050.8	0.8	4,542.8	0.7	2,723.8	0.5
Total	**668,929.3**	**100.0**	**661,660.2**	**100.0**	**678,834.7**	**100.0**	**569,766.2**	**100.0**

Note:
(1) Derived from the Unaudited Consolidated 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 held negotiations for the conclusion of framework agreements with Japan Bank for International Cooperation, China Export-Import Bank, Deutsche Bank, Korea Export-Import Bank, Oesterreichische Kontrollbank Aktiengesellschaft, Vnesheconombank, BNP Paribas, Malaysia Export-Import Bank, HSBC Amanah Malaysia Berhad, Bank for Investment and Development of Vietnam, Export Credit Bank of Turkey, COFACE, Bank of Tokyo Mitsubishi UFJ, China Export & Credit Insurance Corporation, European Investment Bank, Dresdner Bank A.G., Sanpaolo IMI Bank, ABN AMRO Bank, ING Bank N.V., and AKA Bank and ISDA Master Agreements with a number of international banks.

Borrowings

The principal source of funding for DBK is loans from banks and other financial institutions, which accounted for 62.9%, 64.8%, 74.9% and 74.1% of DBK's total liabilities as at 30 September 2012, 31 December 2011, 2010 and 2009, 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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		As at 31 December					
	2012		2011		2010		2009	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Loans with fixed interest rates								
Loans from OECD banks	61,442.3	14.2	78,511.3	17.8	97,264.9	18.8	89,831.2	20.9
Loans from non-OECD banks	307,710.0	71.3	298,627.3	67.8	69,347.4	13.4	9,028.4	2.1
Total loans with fixed interest rates	**369,152.3**	**85.5**	**377,138.6**	**85.7**	**166,612.2**	**32.2**	**98,859.6**	**23.0**
Loans with floating interest rates								
Loans from OECD banks	4,362.0	1.0	4,675.3	1.1	19,247.2	3.7	23,997.5	5.6
Loans from non-OECD banks and other financial institutions	76,078.1	17.6	67,715.7	15.4	295,162.6	57.1	269,320.3	62.6
Syndicated loan facility	—	—	—	—	44,506.0	8.6	44,851.7	10.4
Total loans with floating interest rates	**80,441.1**	**18.6**	**72,391.0**	**16.4**	**358,915.7**	**69.4**	**338,169.5**	**78.6**
Less unamortised portion of borrowing costs	(18,022.7)	(4.1)	(9,326.3)	(2.1)	(8,225.9)	(1.6)	(6,885.9)	(1.6)
Net total loans from banks and other financial institutions	**431,569.7**	**100.0**	**440,203.2**	**100.0**	**517,302.0**	**100.0**	**430,143.2**	**100.0**

As at 30 September 2012, loans from banks and other financial institutions decreased by KZT 8,633.5 million, or 2.0%, to KZT 431,569.7 million from KZT 440,203.2 million as at 31 December 2011, primarily reflecting the repayment of a U.S.$112.2 million loan from Credit Suisse, the repayment of a U.S.$16.0 million loan from the China Development Bank, as well as a general reduction in principal outstanding across the portfolio of loans from banks and other financial institutions. This decrease was partially offset by a U.S.$65.1 million increase in the principal amount of the loan granted to DBK by the Export-Import Bank of China.

As at 31 December 2011, loans from banks and other financial institutions decreased by KZT 77,098.8 million, or 14.9%, to KZT 440,203.2 million from KZT 517,302.0 million as at 31 December 2010, primarily due to the prepayment of a U.S.$500.0 million loan from the Export-Import Bank of China, the repayment of the U.S.$300.0 million syndicated loan facility agreement from HSBC Bank plc, ING Bank N.V. and Sumitomo Mitsui Banking Corporation Europe Limited, the repayment of a U.S.$1,000.0 million loan from Bayerische Landesbank, repayments of principal amounts of U.S.$128.9 million on loans from Credit Suisse International and the repayments of principal amount of U.S.$13.0 million on loans from China Development Bank.

As at 31 December 2010, loans from banks and other financial institutions increased by KZT 87,158.8 million, or 20.3%, to KZT 517,302.0 million as at 31 December 2010 as compared to KZT 430,143.2 million as at 31 December 2009. The year-on-year increase in 2010 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.

<u>Export-Import Bank of China</u>

On 1 August 2009, DBK entered into the China Ex-im Bank Facility, 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.$5.0 billion. The 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 China Ex-im Bank Facility agreement contains certain covenants, which, *inter alia*, prohibit DBK from creating security over its indebtedness in an amount 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. Samruk-Kazyna has provided a guarantee in respect of monies borrowed by DBK under the China Ex-im Bank Facility.

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 was entered into for a period of ten years and principal and interest under this individual credit agreement initially payable semi-annually. On 20 January 2011, DBK prepaid a portion of the amounts outstanding under this individual credit agreement. In addition, on 9 June 2011, DBK and the Export-Import Bank of China entered into an amendment to the China Ex-im Bank Facility, which permitted DBK to draw down again, as a second tranche, the prepaid portion, subject to entering into a supplemental agreement. This amendment also modified the terms of the individual credit agreement and, as a result, since 21 July 2011, interest applies at a fixed rate of 5.8% per annum (rather than a floating rate) and is payable semi-annually. Principal payments will not begin until January 2017 and will then be repaid over three years in semi-annual instalments.

On 11 June 2011, DBK entered into the supplemental loan agreement described above for the amount of U.S.$500 million, which is provided on the same basis as the amended agreement described above. As at 30 September 2012, the principal amount outstanding under the unrestricted portion of the China Ex-im Bank Facility was U.S.$1.5 billion.

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.

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.$230.5 million had been drawn as at 30 September 2012. This loan was granted for the purpose of providing financing for the reconstruction of the Atyrau Refinery. This individual credit agreement matures on 21 July 2022. Principal and interest under this individual credit agreement is paid semi-annually. As at 30 September 2012, the principal amount outstanding under the restricted portion of the China Ex-im Bank Facility was U.S.$230.5 million.

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 Pavlodar. As at 30 September 2012, the principal amount outstanding under this loan was U.S.$400 million. See "*Business—Lending—Investment Projects—Metallurgy Sector*".

On 22 February 2011, DBK entered into a further individual credit agreement with the Export-Import Bank of China for the amount of U.S.$1.4 billion. No amounts have been drawn down under this individual credit agreement. This loan was granted for the purpose of financing the construction of an integrated petrochemical project. The individual credit agreement will mature 15 years from the effective date of the agreement. Interest under this individual credit agreement will be paid semi-annually. Principal under this individual credit agreement will be paid semi-annually after five years from the date on which funds are drawn down. The credit agreement is subject to the same covenants as provided in the China Ex-im Bank Facility.

Credit Suisse International

On 19 November, 2007, DBK entered into a loan agreement 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. In 2011, DBK prepaid U.S.$128 million of the principal amount of these three loans in accordance with the prepayment schedule of the loan agreements. As at 30 September 2012, the aggregate principal amount outstanding under these three loans was U.S.$322.2 million.

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. As at 30 September 2012, the aggregate principal amount outstanding under this framework agreement was €9.5 million.

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. As at 30 September 2012, the aggregate principal amount outstanding under these three loans was U.S.$271.0 million.

Bayern LB

On 20 February 2008, DBK entered into a loan with Bayern LB for the amount of U.S.$100 million. This loan matured and was fully repaid, in accordance with its terms, on 20 March 2011.

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 matured and was fully repaid, in accordance with its terms, on 18 February 2011.

AKA Bank

On 1 December 2005, DBK entered into a loan with AKA Bank for the amount of EUR 11.1 million. This loan matures on 2 July 2013. Under the loan agreement, interest is paid semi-annually at a rate of 3.57% p.a. The loan contains covenants relating to actual and potential insolvency events. Repayment of the principal amount of the loan began on 2 January 2007 and as at 30 September 2012, the outstanding principal amount under this loan was EUR 1.6 million.

Japan Bank for International Co-operation

On 28 December 2009**,** DBK entered into a loan with the Japan Bank for International Cooperation for the amount of ¥2,748.2 million. This loan matures on 21 December 2019**.** Under the loan agreement, interest and principal is paid semi-annually. The loan contains covenants requiring DBK, *inter alia*, not to dispose of more than 10% of its assets and to maintain a net worth of not less than KZT 41.7 billion. As at 30 September 2012, the aggregate principal amount outstanding under this loan was ¥3,226.5 million.

Bank of Tokyo Mitsubishi

On 23 September 2010, DBK entered into a loan with the Bank of Tokyo Mitsubishi for the amount of €30.0 million. This loan matures on 23 September 2013. Under this loan agreement, interest is paid semi-annually and principal is to be repaid in full at maturity. The loan contains covenants requiring DBK, *inter alia*, to comply with applicable FMSA capital adequacy ratios, to maintain a debt to equity ratio of 4.5:1 and not to dispose of more than 10% of its assets. As at 30 September 2012, the aggregate principal amount outstanding under this loan was €30 million.

State Corporation "Bank for Development and Foreign Economic Affairs" (Vnesheconombank)

On 22 September 2008, DBK entered into the Agreement of General Terms of Opening a Credit Line with Vnesheconombank (the "**Credit Line Agreement**") for the amount of U.S.$300 million to finance international joint venture projects between Kazakhstan companies and Russian companies contemplating the supply of products to Kazakhstan. No amounts have been drawn down under this Credit Line Agreement. Pursuant to the Credit Line Agreement, funds must be drawn down within 60 months of 22 September 2008.

On 14 June 2011, DBK entered into a supplemental agreement to the Credit Line Agreement, which introduced changes to the Credit Line Agreement, including the possibility to draw down funds in U.S. Dollars and Russian Roubles. The Credit Line Agreement, as supplemented, includes covenants requiring DBK to inform the lender of events of default, potential events of default and other events affecting DBK's ability to fulfil its obligations under the Credit Line Agreement, as well as any overdue indebtedness over a certain level. The Credit Line Agreement also includes an event of default in the event that DBK is subject to corporate reorganisation without the prior consent of the lender.

Export-Import Bank of Korea

On 1 June 2011, DBK entered into a credit facility with the Export-Import Bank of Korea for the provision of long-term interbank export loans, which is intended to expand opportunities for financing DBK's clients and co-operation with leading companies in the Republic of Korea, for an amount of U.S.$30 million. The credit facility contains covenants requiring DBK to maintain its corporate existence, maintain governmental and other approvals, perform its obligations under the credit facility and existing agreements and inform the Export-Import Bank of Korea of events of default, potential events of default and other events affecting DBK's ability to fulfil its obligations under the credit facility. No amounts have been drawn down under this agreement. Pursuant to the facility, funds must be drawn down within two years of the date of the agreement.

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 sector 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 2012, the principal amount outstanding under this loan was KZT 20.0 billion.

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September	**As at 31 December**		
	2012	**2011**	**2010**	**2009**
	(KZT millions)			
One month to three months	—	—	59,292.3	—
Three months to one year .	6,104.0	—	—	6,125.9
One year to five years.......	47,610.8	70,761.0	89,821.4	82,764.2
More than five years.........	377,854.9	369,442.2	368,188.4	341,253.1
Loans from banks and other financial institutions.....................	**431,569.7**	**440,203.2**	**517,302.0**	**430,143.2**

As at 30 September 2012, 87.6% of total loans from banks and other financial institutions had over five years remaining until contractual maturity, as compared to 83.9%, 71.2% and 79.3% of total loans from banks and other financial institutions as at 31 December 2011, 2010 and 2009, respectively, as a result of the entry into additional long-term loans with the Export-Import Bank of China, as well as the repayment of certain loans on maturity, in accordance with their respective terms. 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 2012, as compared to 31 December 2011, was primarily due to the scheduled maturity of the loan entered into with AKA Bank, on 2 July 2013. See "*—AKA Bank*".

Government Loans

Pursuant to the DBK Law, DBK may, from time-to-time, borrow certain funds from the Government in line with its role 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 30 September 2012 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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
	(KZT millions)			
Loans from the Government of the Republic of Kazakhstan[1]	24,055.8	24,023.3	24,023.3	24,038.3
Advances for project finance[2]	1,414.1	1,885.5	—	6,847.8
Total Government loans..........................	**25,469.9**	**25,908.9**	**24,023.3**	**30,886.1**

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. This loan is required to be repaid on an amortisation basis between 2011 and 2023.

Loans and advances from the Government decreased by KZT 438.9 million, or 1.7%, to KZT 25,469.9 million as at 30 September 2012 from KZT 25,908.9 million as at 31 December 2011, after having increased in 2011 by KZT 1,885.6 million, or 7.8%, from KZT 24,023.3 million as at 31 December 2010, but decreased in 2010 by KZT 6,862.8 million, or 22.2%, from KZT 30,886.1 million as at 31 December 2009.

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 2012, 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 2012, 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 2012, 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 loan, bearing interest at a concessional annual rate of 0.5%. As at 30 September 2012, the total outstanding principal amount under the loan was KZT 10,032 million, as a result of the capitalisation of accrued interest on the loan in 2009. Interest on this loan is paid semi-annually and principal is to be repaid annually from December 2015 to maturity in December 2029. Each of these four credit agreements contains a cross-default covenant.

Government Loans by Maturity

The following table sets forth an analysis of DBK's loans from the Government, by maturity, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
	(KZT millions)			
On Demand	1,414.1	1,885.5	—	—
Three months to one year	—	—	—	6,847.8
More than five years.............	24,055.8	24,023.3	24,023.3	24,038.3
Total Government loans......	**25,469.9**	**25,908.9**	**24,023.3**	**30,886.1**

As at 30 September 2012, 94.4% of total loans from the Government had over five years remaining until contractual maturity, as compared to 92.7%, 100.0 % and 77.8% of total loans from the Government as at 31 December 2011, 2010 and 2009, respectively. The average tenor of loans from the Government, in general, reflects the fact that DBK has been participating in long-term projects.

As at 31 December 2011, on demand loans accounted for KZT 1,885.5 million, or 7.3%, of total loans from the Government. These loans related to loans granted in respect of DBK's function acting as an agent of the Government to service Government-guaranteed state and municipal budget investment projects (programmes).

Loans from Samruk-Kazyna

Loans from Samruk-Kazyna increased by KZT 445.9 million, or 3.5%, to KZT 13,314.5 million as at 30 September 2012 from KZT 12,868.6 million as at 31 December 2011, after having increased by KZT 10,448.5 million, or 431.7%, from KZT 2,420.1 million as at 31 December 2010. Loans from Samruk-Kazyna were nil as at 31 December 2009.

On 5 April 2010, DBK obtained a KZT 5,000.0 million loan from Samruk-Kazyna, bearing interest at an annual rate of 0.2%. This loan is due to mature on 6 April 2029. This loan was provided to finance the restructuring of certain borrowers. As at 30 September 2012, the total outstanding principal amount under the loan was KZT 5,000.0 million. This loan contains a cross-default covenant.

On 15 August 2011, DBK obtained a KZT 15,000.0 million loan from Samruk-Kazyna, bearing interest at an annual rate of 0.2%. This loan is due to mature on 20 June 2021. This loan was provided to finance the restructuring of finance lease receivables by DBK in connection with the Government programme "Productivity 2020", which aims to increase the competiveness of industrial companies in the priority sectors of the economy through the implementation of measures to increase labour productivity.

See Note 25 to the audited annual consolidated financial statements as at and for the year ended 31 December 2011 and Note 25 to the audited annual consolidated financial statements as at and for year ended 31 December 2010.

Government Grants

As at 30 September 2012, Government grants decreased by KZT 529.5 million, or 4.6%, to KZT 10,988.3 million from KZT 11,517.8 million as at 31 December 2011, after having increased by KZT 384.5 million, or 3.5%, from KZT 11,133.3 million as at 31 December 2010, after having increased by KZT 1,673.8 million, or 17.7%, from KZT 9,459.5 million as at 31 December 2009.

As at 30 September 2012, 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. Government grants are required to be repaid. See "*Management's Discussion and Analysis of Results of Operation and Financial Condition—Critical Accounting Policies—Government grants*", Note 27 to the audited annual consolidated financial statements as at and for the year ended 31 December 2011 and Note 27 to the audited annual consolidated financial statements as at and for the year ended 31 December 2010.

Debt Securities

As at 30 September 2012, debt securities issued increased by KZT 14,783.0 million, or 9.0%, to KZT 179,638.2 million from KZT 164,855.3 million as at 31 December 2011, after having increased by KZT 47,148.4 million, or 40.1%, from KZT 117,706.9 million as at 31 December 2010, which, in turn, had increased by KZT 66,334.5 million, or 129.1%, from KZT 51,372.4 million as at 31 December 2009.

The increases since 31 December 2009 reflect additional issuances of debt securities, as well as 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, as at the date of this Base Prospectus, has completed six issuances under the Programme, 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 ("**Series 1**");
- U.S.$100 million 7.375% Notes due November 2013, in November 2003 ("**Series 2**");
- U.S.$100 million 6.5% Notes due 2020, in May 2005 ("**Series 3**");

- U.S.$150 million 6.0% Notes due 2026, in March 2006 ("**Series 4**");
- U.S.$500 million 5.5% Notes due 2015, in December 2010 ("**Series 5**"); and
- U.S.$277 million 5.5% Notes due 2015, in February 2011 (which were consolidated to form a single series with Series 5).

The Series 1, Series 2, Series 3 and Series 4 Eurobonds were and (with the exception of the Series 1 Eurobonds which have been repaid) are listed on the Luxembourg Stock Exchange and on the KASE. The Series 5 Eurobonds are listed on the London Stock Exchange and on the KASE.

In 2010, DBK repurchased an aggregate principal amount of U.S.$43.3 million of the Series 4 Eurobonds. In 2011, DBK repurchased an aggregate principal amount of U.S.$6.6 million of the Series 4 Eurobonds. To date in 2012, DBK has purchased an aggregate principal amount of U.S.$2.7 million of the Series 4 Eurobonds. All repurchased Eurobonds have been cancelled.

In November 2011, DBK successfully completed a consent solicitation to amend by extraordinary resolutions of Noteholders certain covenants in its Series 2, Series 3 and Series 4 Eurobonds to harmonise the covenants of the Series 2, Series 3 and Series 4 Eurobonds with the Series 5 Eurobonds.

The outstanding series of Eurobonds contain covenants requiring DBK, *inter alia*, to: (i) not create, incur, assume or permit to arise or subsist any security interest (subject to certain exceptions); (ii) comply with the DBK Law and the Credit Policy Memorandum; (ii) comply with the regulations and requirements of the NBK; and (iv) 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 more than once a year, in an amount exceeding 50% of DBK's profit or where an event of default or potential event of default exists under the Eurobonds.

In February 2011, DBK-Leasing issued U.S.$5.0 million 8.0% non-secured coupon notes due February 2016, which are listed on the KASE.

In August 2012, DBK established a programme for the issuance of Sukuk bonds and completed the issuance of MYR 240 million 5.5% Sukuk due 2017.

Subordinated Debt

As at 30 September 2012, subordinated debt issued decreased by KZT 1,608.4 million, or 31.8%, to KZT 3,442.4 million from KZT 5,050.8 million as at 31 December 2011, mainly due to changes in accrued interest as at the reporting date, after having increased by KZT 508.0 million, or 11.2%, from KZT 4,542.8 million as at 31 December 2010 and by KZT 1,819.0 million, or 66.8%, from KZT 2,723.8 million as at 31 December 2009.

In 2011, DBK issued additional subordinated debt to Samruk-Kazyna in an aggregate principal amount of KZT 2,084.4 million, after having issued an aggregate principal amount of KZT 37,926.1 million in 2010. DBK issued additional subordinated bonds to Samruk-Kazyna in 2009 in the amount of KZT 53,142.4 million and has issued additional subordinated debt to Samruk-Kazyna in the amount of KZT 106.5 million in the nine months ended 30 September 2012.

Throughout the period under review, subordinated debt has been comprised of subordinated bonds payable to Samruk-Kazyna. As at 30 September 2012, these bonds had a nominal value of KZT 93,259.3 million, 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 4.99% per annum, which DBK may unconditionally and unilaterally waive with no further obligation. The proceeds of the issue of the subordinated bonds were used to fund projects for the construction of an aluminium smelter plant, modernisation of the Chimbulak Ski Resort, construction of the Atyrau Oil refinery and construction of the Borovoe tourist resort. 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 0.5%, 0.2%, 0.2 % and 7.8% of total liabilities as at 30 September 2012, 31 December 2011, 2010 and 2009, respectively. See "*—Principal Sources of Funding*".

Total current accounts and deposits from customers increased by 2,246.6 million, or 178.9%, to KZT 3,502.3 million as at 30 September 2012 from KZT 1,255.6 million as at 31 December 2011, after having decreased in 2011 by KZT 450.7 million, or 26.4%, from KZT 1,760.3 million as at 31 December 2010, which, in turn, decreased in 2010 by KZT 43,474.9 million, or 96.2%, from KZT 45,181.2 million as at 31 December 2009.

Total current accounts and deposits from customers increased in the first nine months of 2012 primarily due to an increase in advances received as collateral on liabilities, which was, in turn, primarily due to collateral received in respect of an investment project conducted by VTS LLP.

The year-on-year decrease in 2011 was primarily due to the KZT 539.1 million, or 39.5%, decrease in advances received as collateral on liabilities of customers to KZT 827.0 million as at 31 December 2011 from KZT 1,366.1 million as at 31 December 2010, as a result of a decrease in collateral in respect of the Aktau Sea Port investment project, as a result of use of collateral to repay certain principal and accrued interest on a loan granted to Aktau Sea Port. See "*—Policies relating to Collateral*".

The year-on-year decrease in 2010 was due to the KZT 43,841.9 million, or 99.2%, decrease in current accounts and demand deposits to KZT 340.2 million as at 31 December 2010, from KZT 44, 182.1 million as at 31 December 2009, primarily as a result of the transfer of the entire balance of KZT 43,784.2 million from Samruk-Kazyna's account with DBK, which was opened in December 2009 in connection with the conclusion of an agreement with the China Development Bank, to Samruk-Kazyna's account with the NBK.

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		**As at 31 December**					
	2012		**2011**		**2010**		**2009**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	89.9	2.6	83.0	6.6	40.8	2.4	61.0	0.1
U.S. Dollars	3,411.0	97.4	1,170.2	93.2	1,627.6	95.4	45,119.4	99.9
Euros	1.4	0.0	1.4	0.1	34.1	2.0	0.0	0.0
Other currencies	—	—	1.0	0.1	3.8	0.2	0.8	0.0
Total current accounts and deposits from customers	**3,502.3**	**100.0**	**1,255.6**	**100.0**	**1,706.3**	**100.0**	**45,181.2**	**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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September		**As at 31 December**					
	2012		**2011**		**2010**		**2009**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
On demand	1,155.8	33.0	428.6	34.1	340.2	19.9	312.2	0.7
Less than one month	—	—	—	—	—	—	43,869.9	97.1
Three months to one year	1,694.3	48.4	—	—	—	—	—	—
One year to five years	19.3	0.5	50.1	4.0	52.6	3.1	—	—
More than five years	632.9	18.1	776.9	61.9	1,313.5	77.0	999.1	2.2
Total current accounts and deposits from customers	**3,502.3**	**100.0**	**1,255.6**	**100.0**	**1,706.3**	**100.0**	**45,181.2**	**100.0**

As at 30 September 2012, DBK's balance of current accounts and deposits from customers was principally comprised of current accounts and deposits from customers with a maturity of three months to one year, which accounted for 48.4% of total current accounts and deposits from customers.

As at 31 December 2011 and 31 December 2010, DBK's balance of current accounts and deposits from customers was principally comprised of current accounts and deposits from customers with a maturity of more than five years, which accounted for 61.9% and 77.0% of total current accounts and deposits from customers, respectively.

As at 31 December 2009, DBK's balance of current accounts and deposits from customers was principally comprised of current accounts and deposits from customers with a maturity of less than one month, which accounted for 97.1% of total current accounts and deposits from customers. This was due to the opening of an account at DBK for Samruk-Kazyna in connection with the conclusion of an agreement with the China Development Bank in December 2009. The balance of this account was transferred to Samruk-Kazyna's account with the NBK in January 2010.

Equity and Capital Adequacy Ratios

As at 30 September 2012, DBK has share capital of KZT 258,667.5 million, consisting of 2,069,520 ordinary shares all of which are fully paid. According to the DBK Charter, the net income of DBK is used to form reserve capital to cover any losses from DBK's activities.

As at 30 September 2012, DBK's total equity had increased by KZT 29,558.7 million, or 14.0%, to KZT 240,650.0 million, as compared to KZT 211,091.3 million as at 31 December 2011, primarily due to an increase in share capital as a result of new shares issued in the nine months ended 30 September 2012, an increase in the revaluation reserve for available-for-sale financial assets and lower levels of accumulated losses as at 30 September 2012, as compared to 31 December 2011. As at 31 December 2011, DBK's total equity had decreased by KZT 56,789.7 million, or 21.2%, to KZT 211,091.3 million, as compared to KZT 267,881.0 million as at 31 December 2010, primarily due to an increase in accumulated losses and a decrease in the revaluation reserve for available-for-sale financial assets. The decrease in the revaluation reserve in 2011 was primarily due to the loss of KZT 31,672.2 million in other comprehensive income, which was recognised as a result of the revaluation of DBK's available-for-sale financial assets to incorporate changes to the discount rate used to determine the fair value of certain bonds held by DBK. As at 31 December 2010, DBK's total equity decreased by KZT 1,160.9 million, or 0.4%, to KZT 267,881.0 million, as compared to KZT 269,041.9 million as at 31 December 2009, primarily due to the payment of other distributions (including the discretionary coupon on subordinated bonds issued to Samruk Kazyna), which were partially offset by the increase in retained earnings.

DBK's capital adequacy ratio is calculated as the ratio of DBK's consolidated equity capital to its risk-weighted assets, calculated in accordance with Basel II principles. As at the date of this Base Prospectus, DBK is not subject to the NBK's rules on capital adequacy ratios. As at 30 September 2012, DBK had a capital adequacy ratio of 16.1%, as compared to 16.4%, 20.3% and 26.3% as at 31 December 2011, 2010 and 2009, respectively. Despite deteriorating asset quality, DBK has not experienced noticeable declines in its capital adequacy ratio over the last twelve months DBK believes, however, that it has sufficient capital adequacy to withstand any credit losses, which may reasonably be expected to arise in the foreseeable future. DBK has drafted proposals to amend the DBK Law, which provides for additional measures, including additional support from Samruk-Kazyna, to facilitate DBK's ability to conduct its business and to maintain a capital adequacy ratio above a limit to be agreed with Samruk-Kazyna. There can be no assurance, however, that these proposed amendments will be adopted. See "*Risk Factors—Risk factors related to DBK—Regulation*".

Return on Average Assets and Return on Average Equity

DBK had a positive annualised return on average total assets of 2.7% for the nine months ended 30 September 2012, as compared to a negative annualised return on average assets of 2.9% for the nine months ended 30 September 2011. The positive annualised return for the nine months ended 30 September 2012 was primarily due to the recovery of impairment and high net interest income and operational income. DBK had a positive annualised return on average equity of 10.7% for the nine months ended 30 September 2012, as compared to a negative annualised return on average equity of 11.5% for the nine months ended 30 September 2011. The positive annualised return for the nine months ended 30 September 2012 was primarily due to the recovery of impairment and high net interest income and operational income.

DBK had a negative return on average total assets of 1.8% for the year ended 31 December 2011, as compared to a positive return of 0.2% for the year ended 31 December 2010 and a negative return of 6.4% for the year ended 31 December 2009. The negative return on average total assets in 2011 was due to the net loss in 2011, which resulted from the increase in impairment allowances on loans to customers. The positive return on average assets in 2010 was due to increased levels of operational income. Pre-provision return levels on average assets were 2.0% for the year ended 31 December 2011, as compared to 2.4% and 5.5% for the years ended 31 December 2010 and 2009, respectively.

DBK had a negative return on average equity of 7.1% for the year ended 31 December 2011, as compared to a positive return of 0.8% for the year ended 31 December 2010 and a negative return of 21.6% for the year ended 31 December 2009. The negative return on average equity for the year ended 31 December 2011 was principally due to increased levels of commission expenses and impairment allowances. The positive return on average equity for the year ended 31 December 2010 was principally due to increased levels of operational income.

DBK calculates its return on average assets as the ratio of net profit/(loss) for the period to the average of the opening and closing asset balances for the period. DBK calculates its return on average equity as the ratio of net profit/(loss) for the period to the average of the opening and closing equity balances for the period. DBK calculates its pre-provision return levels on average assets as the ratio of net profit/(loss) for the period less recovery of/(charge for) impairment losses to the average of the opening and closing asset balances for the period.

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 any 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 to assist 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 Policy 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 FMSC, the Basel II (International Convergence of Capital Measurement and Capital Standards) Convention ("**Basel II**") and the recommendations of Samruk-Kazyna.

DBK's risk management policies aim to identify, analyse and manage the risks faced by DBK, to set limits and controls on risks (including concentration, industry and country limits) and to monitor compliance with those limits and risk levels more generally. Risk management policies and procedures are reviewed regularly in order to reflect changes in market conditions, products and services offered by DBK, as well as to reflect best practice standards.

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 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 (Chairman of the ALCO, Deputy CEO), Mirzhan Karakulov (Deputy CEO), Murat Alkenov (Managing Director), Zere Seidimbek (Managing Director—Head of the risk management department), Botagoz Choibekova (Director—Debt and Structured Finance), Dauren Ibraimov (Head of Treasury), Saule Mamekova (Head of Finance Department—Senior Accountant), Aigul Aitbekova (Head of Legal Support Division) and Aray Iskakova (Secretary).

The ALCO assists the Management Board by considering and initially approving 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 Policies and Credit Approval Procedures*".

The members of the Credit Committee are: Marat Aitenov (Chairman, Deputy CEO), Dauletkhan Kilybayev (Deputy CEO), Mirzhan Karakulov (Deputy CEO), Murat Alkenov (Managing Director), Zere Seydimbek (Managing Director, Head of the Risk Management Department), Nurken Dosmukhambetov (Director of the Law Department) and Gulmira Isabayeva (Director of the Credit Administration Department). Adilbek Tamabayev is the secretary of the Credit Committee.

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 March 2012, 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: Mirzhan Karakulov (Deputy CEO), Zhaslan Madiyev (Deputy CEO), Murat Alkenov (Managing Director), Dauren Ibraimov (Head, Treasury), Adilbek Talkybek (Head of Division, Financial Risk Management), Renat Bekturov (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. 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 2012	As at 31 December 2011
		(%)	
Total debt(1)/equity	Not to exceed 600.0	2.7	3.1
Liquid assets(2)/total assets	Not less than 20.0	0.6	0.6

Notes:

(1) Total debt comprises short-term debt plus long-term debt, in turn, comprised of loans from the Government of the Republic of Kazakhstan, loans from the Parent Company, loans from banks and other financial institutions, debt securities issued and subordinated 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 34(d) to the audited annual consolidated financial statements as at and for the year ended 31 December 2011 and Note 34(d) to the audited annual consolidated financial statements as at and for the year ended 31 December 2010.

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 2012								
	On demand	**Less than 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No Maturity**	**Overdue**	**Total**
					(KZT millions)				
Total assets	119,277.2	9,742.0	11,500.9	84,482.6	185,532.0	489,204.5	237.3	27,325.7	927,302.2
Total liabilities....	2,704.1	1,171.9	1,205.3	9,414.6	206,626.5	465,529.8	—	—	686,652.2
Maturity gap	**116,573.1**	**8,570.1**	**10,295.6**	**75,068.0**	**(21,094.5)**	**23,674.7**	**237.3**	**27,325.7**	**240,650.0**
Cumulative gap...	116,573.1	125,143.2	135,438.8	210,506.8	189,412.3	213,087.0	213,324.3	240,650.0	—

	As at 31 December 2011								
	On demand	**Less than 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No Maturity**	**Overdue**	**Total**
					(KZT millions)				
Total assets	136,690.8	8,451.3	2,445.0	61,736.6	159,019.1	483,841.5	238.4	37,487.2	889,909.9
Total liabilities.........	2,672.0	603.9	216.4	2,081.9	213,795.0	459,449.3	—	—	678,818.6
Maturity gap	**134,018.8**	**7,847.4**	**2,228.6**	**59,654.7**	**(54,775.9)**	**24,392.2**	**238.4**	**37, 487.2**	**211,091.3**
Cumulative gap........	134,018.8	141,866.2	144,094.8	203,749.5	148,973.6	173,365.8	173,604.2	211,091.4	—

	As at 31 December 2010								
	On demand	**Less than 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No Maturity**	**Overdue**	**Total**
					(KZT millions)				
Total assets	86,265.7	118,263.5	10,890.9	43,832.9	152,019.9	510,674.8	193.0	36,470.1	958,610.8
Total liabilities.........	596.9	543.1	59,824.3	2,144.5	184,986.0	442,634.9	—	—	690,729.8
Maturity gap	**85,668.8**	**117,720.3**	**(48,933.3)**	**41,688.4**	**(32,966.1)**	**68,039.8**	**193.0**	**36,470.1**	**267,881.0**
Cumulative gap........	85,668.8	203,389.1	154,455.8	196,144.2	163,178.1	231,217.9	231,410.9	267,881.0	—

	As at 31 December 2009								
	On demand	**Less than 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No Maturity**	**Overdue**	**Total**
				(KZT millions)					
Total assets	203,089.9	96,623.4	15,377.9	87,058.5	83,346.5	358,787.9	152.9	5,228.4	849,665.5
Total liabilities.........	364.3	44,372.7	690.8	14,397.7	105,725.5	415,072.6	—	—	580,623.5
Maturity gap	**202,725.6**	**52,250.7**	**14,687.1**	**72,660.8**	**(22,379.0)**	**(56,284.6)**	**152.9**	**5,228.4**	**269,041.9**
Cumulative gap........	202,725.6	254,976.3	269,663.4	342,324.2	319,945.2	263,660.6	263,813.5	269,041.9	—

For further information on DBK's management of maturity gaps, see Note 34(e) to the audited annual consolidated financial statements as at and for the year ended 31 December 2011 and Note 34(e) to the audited annual consolidated financial statements as at and for the year ended 31 December 2010.

Interest Rate Risk

DBK experiences interest rate risk when the fair value or future cash flows 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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September	**As at 31 December**		
	2012	**2011**	**2010**	**2009**
		(KZT millions)		
Tenge cumulative gap	199,978.3	200,515.8	321,604.7	293,135.7
U.S. Dollar cumulative gap	72,624.6	17,745.9	60,943.6	14,025.4
Euro cumulative gap	(3,493.1)	(3,885.9)	(2,438.9)	1,700.5
Other currencies	(12,414.1)	(861,3)	5,468.0	136.8
Total up to one year gap position	212,087.7	193,749.7	196,494.6	381,922.2

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 risk, see Note 34(b)(i) to and Note 34(b)(i) to the audited annual consolidated financial statements as at and for the years ended 31 December 2011 and 31 December 2010, 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 financial 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 and ALCO 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—Loan Policies and Credit Approval Procedures—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 Risk Management 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 34(b)(ii) and Note 34(b)(ii) to the audited annual consolidated financial statements as at and for the years ended 31 December 2011 and 31 December 2010, respectively.

The following table sets forth a breakdown of DBK's assets and liabilities, by currency, as at 30 September 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
Assets		(KZT millions)		
Foreign currency-denominated assets				
U.S. Dollars	646,538.0	597,421.4	558,055.8	485,625.5
Euros	4,468.5	4,440.3	5,868.6	3,293.2
Other currencies	5,609.3	4,879.6	10,344.3	136.9
Tenge-denominated assets	270,686.4	283,168.7	384,342.1	360,609.8
Liabilities				
Foreign currency-denominated liabilities				
U.S. Dollars	583,658.4	587,414.9	623,527.2	524,277.0
Euros	8,232.1	8,597.3	8,752.2	2,282.4
Other currencies	17,914.1	5,745.4	4,884.4	3.5
Tenge-denominated liabilities	76,847.6	77,061.0	53,566.0	54,060.7

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 2012 and 31 December 2011, 2010 and 2009:

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
Net long (short) currency position (*KZT millions*)	46,811.2	4,983.6	(62,895.1)	(37,507.2)
Net currency position as a percentage of total equity (%)	19.5	2.4	(23.5)	(13.9)
Net currency position as a percentage of foreign currency liabilities (%)	7.7	0.8	(9.9)	(7.1)

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, all of which are monitored on a regular basis. See Note 34(b) to the audited annual consolidated financial statements as at and for the year ended 31 December 2011 and Note 34(b) to the audited annual consolidated financial statements as at and for the year ended 31 December 2010.

Operational Risk

Operational risk is the risk of losses resulting from 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 internally-approved methodology. See "*Risk Factors—Risk Factors Relating to DBK—State Ownership*".

Legal Risk

Legal risk arises from the probability of losses resulting from 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, Anti-Corruption and Anti-Bribery 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 (both prior to establishing business relations with DBK and at the time of entering into transactions); (ii) evaluation of a client's business to determine whether a customer may be involved in money-laundering or terrorism financing; (iii) implementing additional monitoring and due diligence requirements in respect of activities identified as potentially high risk; (iv) 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 the highest standard, DBK provides on-going anti-money laundering training to all relevant employees.

In addition to mandatory statutory requirements in respect of anti-corruption and anti-bribery as set out in Law № 267-I dated 2 July 1998, DBK has adopted CEO and Management Board resolutions in respect of anti-corruption measures applicable to DBK.

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 Kazakhstan". On 18 August 2003, DBK was re-registered as Joint Stock Company "Development Bank of Kazakhstan" in order to comply with the requirements of the JSC Law. A re-registration certificate (№ 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 792 604. 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. As at the date of this Base Prospectus, approximately 70% of the projects financed by DBK are greenfield projects. 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 2012, DBK's net profit was KZT 18,082.6 million, as compared to a net loss of KZT 20,415.4 million for the nine months ended 30 September 2011. For the year ended 31 December 2011, DBK's net loss was KZT 17,001.9 million, as compared to a net profit of KZT 2,226.2 million for the year ended 31 December 2010 and a net loss of KZT 39,475.6 million for the year ended 31 December 2009. As at 30 September 2012, DBK had total assets of KZT 927,302.2 million, as compared to total assets of KZT 889,909.9 million as at 31 December 2011, KZT 958,610.8 million as at 31 December 2010 and KZT 849,665.5 million as at 31 December 2009.

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 the NBK 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.

Pursuant to the DBK Law, DBK has been granted a special status and is not considered to be a second-tier bank. While DBK is regulated by the NBK, DBK is not subject to the same regulation imposed on the rest of the banking sector. For example, DBK is exempt from regulation relating to prudential requirements, provisioning, composition of management, loan classification, collateral classification and risk management and internal control systems, which are applicable to commercial banks in Kazakhstan.

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. As a development bank, which is indirectly wholly-owned by the Government, DBK has access to subsidised funding from the state budget and, as a result of its financial agency status, can attract funds from the state budget without providing security.

- **Special Status in the Banking Sector**

  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. In addition, pursuant to amendments to the DBK law in 2011, DBK has been granted special status and, as such, is exempted from the reporting requirements of the FMSC in respect of loan classification, as well as certain prudential regulation and minimum reserve requirements, which are applicable for commercial banks. This gives DBK greater flexibility in this area.

- **Strong Shareholder Support and High Capitalisation**

  DBK is relatively well-capitalised with a capital adequacy ratio of 16.1% as at 30 September 2012. In addition, Samruk-Kazyna demonstrated its support for DBK through the provision of a U.S.$1.1 billion capital injection in October 2009 and U.S.$18.1 million capital injection in April 2012. DBK also benefits from a number of concessional loans from Samruk-Kazyna, which are granted to DBK on preferential terms. See "*Selected Statistical and Other Data –Principal Sources of Funding—Borrowings—Loans from Samruk-Kazyna*". 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 effects of the global financial crisis.

DBK is subject to the common policies applicable across the Samruk-Kazyna group, for example in respect of corporate governance, human resources and procurement. As a result of its role as a development bank, however, DBK is exempt from a number of Samruk-Kazyna policies, including minimum dividend payout ratio requirements and external debt management policies.

DBK has drafted proposals to amend the DBK Law, which provides for additional measures, including additional support from Samruk-Kazyna, to facilitate DBK's ability to conduct its business. There can be no assurance, however, that these proposed amendments will be adopted.

- **Credit Ratings**

  DBK has one of the highest credit ratings among corporate entities in Kazakhstan, matching or near to the sovereign ratings of Kazakhstan published by S&P (DBK and sovereign both assigned a rating of BBB+), Fitch (DBK assigned a rating of BBB-, as compared to a sovereign rating of BBB), and Moody's (DBK assigned a rating of Baa3, as compared to a sovereign rating of Baa2). A credit rating is not a recommendation by the rating organisation or any other person to buy, sell or hold securities, may be subject to revisions or withdrawal at any time by the assigning rating organisation 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.

Strategy

DBK's long-term strategy for the period 2012-2022 (the "**Long Term Strategy**") was approved by the Board of Directors on 11 September 2012. In accordance with Samruk-Kazyna guidelines, from 2011, DBK's Board of Directors approves medium-term five-year development plan, which will be updated by the Board of Directors at least annually and, if necessary, on a quarterly basis. DBK's development plan for 2011-2015 was approved by the Board of Directors on 13 December 2010 and was most recently updated by the Board of Directors in September 2012. Samruk-Kazyna was consulted on the establishment of the Long Term Strategy and has participated in, and is expected to continue 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. In June 2012, DBK completed a rebranding exercise designed to strengthen its corporate identity.

The Long Term Strategy sets out the principal directions and objectives for the implementation of DBK's objective 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.

According to the Long Term Strategy, DBK is required to maintain certain ratios, which serve as criteria of DBK's financial stability. The Long Term Strategy sets out a leverage ratio of 3.5:1 and a capital adequacy ratio of 14.0%, which DBK must maintain. In the event that DBK's leverage or capital adequacy ratios approach certain limits, the Long Term Strategy provides for DBK's measures to be taken to increase DBK's charter capital.

DBK's Long Term Strategy focuses 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 such as under the Industrialisation Programme), as well as continuing trade finance activities. Pursuant to the Long Term Strategy, 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. In accordance with its development bank mandate, DBK does not expect to pay dividends in the medium-term.

The components of the Long Term Strategy are: (i) lending; (ii) funding base and liquidity; and (iii) business processes, corporate development and management.

- **Lending**

  DBK is increasing its lending to non-primary industries (*i.e.* manufacturing industries, including engineering, chemical and petrochemical and metallurgy industries and infrastructure industries, including production, energy, transport and communication industries) and infrastructure in Kazakhstan through the financing of Industrial Programme projects. As part of such activities, DBK intends to increase the minimum level of non-primary sector lending from U.S.$20 million in 2012, to U.S.$50 million in 2014 and U.S.$100 million in 2015, depending on market conditions. DBK also intends to co-operate with potential investors and regional authorities in order to promote such lending. DBK intends to implement project financing and public-private partnership projects in order to promote the efficient implementation of investment projects, to reduce the financial burden of such projects on the state budget and to attract foreign investors. DBK also intends to ensure the quality of its loan portfolio by: (i) transferring certain "bad loans" to the Investment Fund of Kazakhstan at nominal value; (ii) conducting further restructuring activities; (iii) seeking borrowers with higher-quality financial positions; and (iv) improving DBK's processes for the appraisal of project quality and evaluation of credit risk. In addition, DBK intends to provide financial support for foreign direct investment through the introduction of measures to support exports, such as letters of credit, and lending and guaranteeing support to export operations.

- **Funding Base and Liquidity**

  In order to maintain a strong funding base, DBK intends to implement measures aimed at ensuring that it has the lowest cost of borrowing among financial institutions in Kazakhstan (aside from budgetary financing) by aiming to maintain DBK's credit rating at or near the sovereign rating and financing major projects as a member of a syndicate with other financial institutions. DBK intends to raise long-term funding (with maturities between five and fifteen years in order to match the average duration of DBK's investment projects) and low-interest funding in order to support growth in DBK's loan portfolio. DBK also intends to diversify the currency of its funding, of which, approximately 75% is currently denominated in U.S. Dollars. In addition, DBK intends to introduce measures to ensure the effective management of DBK's liquidity and capital resources by moving towards a more aggressive investments liquidity and capital resources management policy and to encourage increased levels of shareholder support to protect this policy.

- **Business processes, corporate development and management**

  DBK intends to build upon and improve its current corporate governance model in order to promote transparency and efficiency. In this respect DBK will implement measures to improve the independence of the Board of Directors and limit instances of political interference in DBK's activities, including by increasing the number of independent directors on the Board of Directors. In addition, DBK plans to create a clear and organised business structure by revising DBK's tariff policy and introducing long-term motivational programmes for DBK's management, aimed at encouraging a balance between the promotion of responsibility for long-term performance and management remuneration. As part of these efforts, and in order to compete with other banks in attracting and retaining highly qualified staff, DBK is also planning to strengthen its human resources by improving its personnel policies.

Participation in Government Programmes

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

- the Programme for Accelerated Industrial and Innovation Development of Kazakhstan, which covers the years 2010-2014 (the "**Industrialisation Programme**");

- the "Business Road Map" 2020 programme;

- the Government's anti-crisis programme; and

- the "Productivity 2020" Programme.

Industrialisation Programme

The Industrialisation Programme was approved by Presidential Decree № 958, dated 19 March 2010, and sets out expected investments of over U.S.$43 billion during the period 2010 to 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. All of DBK's investment projects meet the requirements of the Industrialization Programme and DBK is participating in the financing of 26 projects from among the list of 707 industrial projects identified by the Government to be implemented as part of the Industrialisation Programme. This list includes 39 of the largest projects identified as the "Republican Industrialisation Map" projects. DBK is involved in financing four projects, representing approximately 23% of the total value of the "Republican Industrialisation Map" projects.

"Business Road Map 2020" Programme

The "Business Road Map 2020" programme was approved by Resolution № 301 of the Government on 13 April 2010. This programme aims to: (i) ensure sustainable and balanced growth of regional businesses in the non-energy sectors of the Kazakhstan economy; (ii) preserve existing, and create new, permanent jobs by supporting new business initiatives; (iii) improve the Kazakhstan business sector generally; and (iv) support export-oriented industries. Projects under the "Business Road Map 2020" programme are financed by DBK at subsidised rates, for which DBK is compensated out of the State budget up to its standard rates. As at the date of this Base Prospectus, DBK is involved in financing eight projects under the "Business Road Map 2020" Programme.

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 2012, DBK has refinanced 18 investment projects of domestic commercial banks totalling U.S.$291.8 million in respect of strategically-important sectors of the Kazakhstan economy, such as transportation, communication, metallurgy and manufacturing of construction materials. Projects 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.

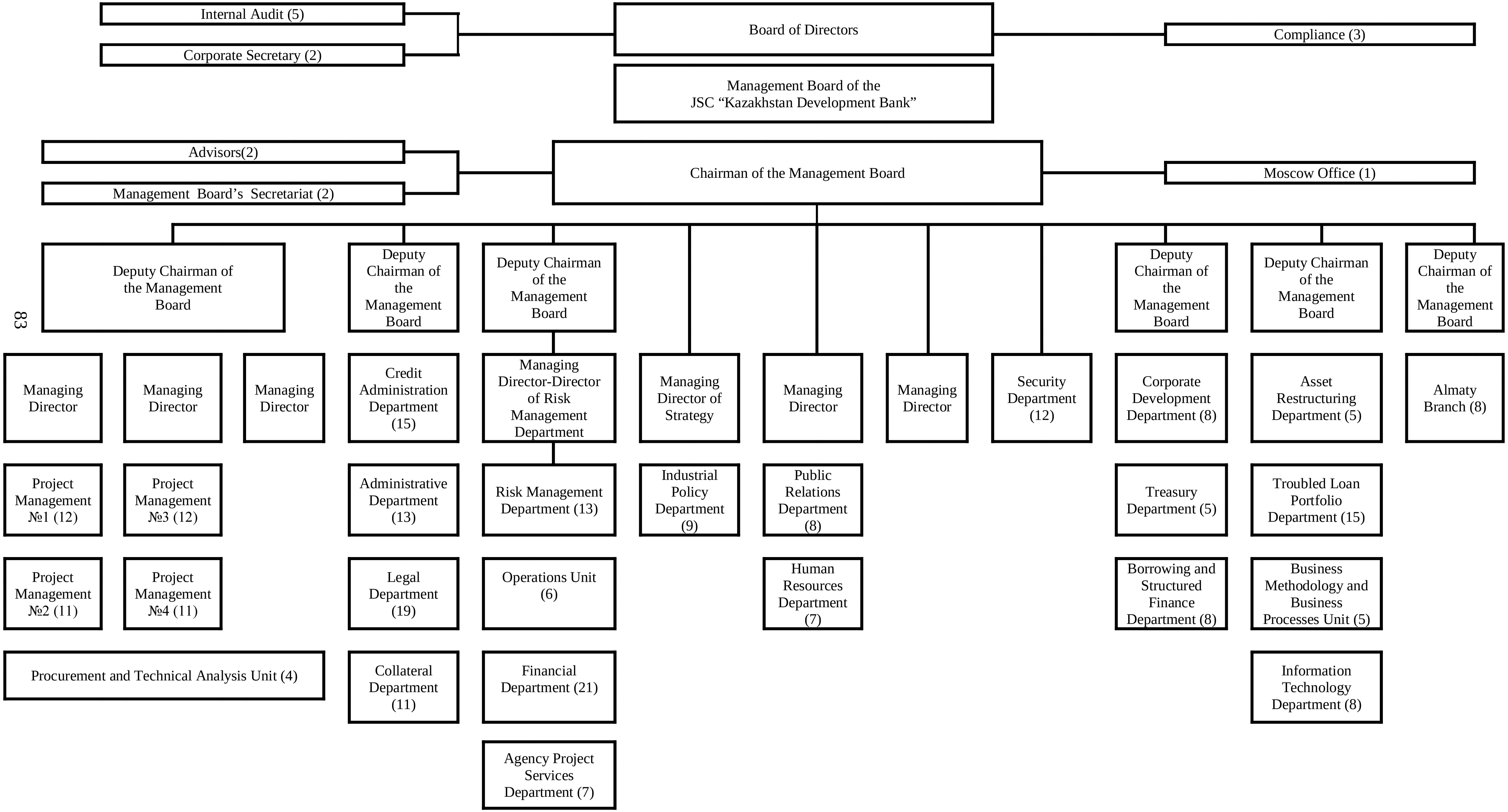
In addition, under this programme, DBK received a loan of KZT 20.0 billion from the Distressed Assets Fund on 23 November 2009, which was granted to encourage the refinancing of previously-disbursed loans within the manufacturing sector at lower interest rates.

"Productivity 2020" Programme

The "Productivity 2020" Programme was approved by Government Decree № 254, dated 14 March 2011 and has been developed within the framework of the Industrial Programme. The "Productivity 2020" Programme aims to increase the competitiveness of industrial companies in priority sectors of the economy through increased labour productivity. The "Productivity 2020" Programme is split into two phases, the first phase, which runs from 2011 to 2014, and the second phase, which runs from 2015 to 2020, and sets out a number of targets to be achieved by 2020 through the development of management and technology in the industrial sector, the modernisation of existing manufacturing and the creation of new manufacturing opportunities. By 2015, it is intended that: (i) labour productivity in processing companies participating in the "Productivity 2020" Programme will have increased by 1.5 times; (ii) the average capacity of the "Productivity 2020" Programme participants will have increased by up to 70%; and (iii) 15 such participants will have introduced technology management systems. By 2020, it is intended that: (i) labour productivity in processing companies participating in the "Productivity 2020" Programme will have doubled; and (ii) the average capacity of "Productivity 2020" Programme participants will have increased by up to 80%. In addition, pursuant to the "Productivity 2020" Programme, DBK-Leasing will offer long-term leasing to Programme participants. The Government has allocated KZT 15 billion in support of DBK-Leasing's activities in the "Productivity 2020" Programme, which was granted to reduce the cost of funding finance leases.

Structure of DBK

DBK's head office is in Astana. As at 30 September 2012, DBK had representative offices in Almaty 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.



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. DBK's short-term lending strategy is to focus on providing direct financing to projects involving companies within the Samruk-Kazyna group.

Much of DBK's lending is co-financed by other banks or lending institutions, predominantly financial institutions such as the China Export-Import Bank. As at 30 September 2012, DBK has approved 177 investment projects and export-related projects worth a total of U.S.$13.0 billion, of which DBK's participation was U.S.$7.1 billion. As at 30 September 2012, DBK's outstanding and disbursed loans to customers in respect of investment projects and export related projects amounted to U.S.$6.3 billion. As at 30 September 2012, DBK had 55 investment projects and 25 export transactions in its lending portfolio.

To date in 2012, five projects for an aggregate amount of U.S.$4,539.7 million (of which DBK's participation was U.S.$2,136.4 million) have been approved in the petrochemicals, transport and logistics, metallurgy and energy sectors.

Investment Projects

DBK offers medium-term and long-term loan financing, including co-financing and refinancing of investment projects in priority areas, including metallurgy, transportation and logistics, electrical power, gas, steam and water sector, petrochemicals and chemicals, construction and other manufacturing industries. The minimum level of funding granted for investment project loans is U.S.$5 million. As at 30 September 2012, the total amount of investment project loans in which DBK participated was U.S.$11.5 billion (of which DBK's participation was U.S.$6.24 billion), with investments in the chemicals and petrochemicals, mining and metallurgy and transport and logistics sectors comprising the largest proportion of such investment projects (26.9%, 21.3% and 12.7%, respectively). Details of the principal sectors in which DBK is participating, as at 30 September 2012, are set out below.

- **Transport and Logistics Sector**

  As at 30 September 2012, DBK was participating in a number of investment projects in the transport and logistics sector, totalling approximately U.S.$996 million, of which DBK's participation was approximately U.S.$554.4 million.

  As at 30 September 2012, DBK was participating in four major projects in this sector: (i) the U.S.$2782.7 million expansion of the Aktau Sea International Commercial Port in the Manghystau Region (DBK's participation was U.S.$133.2 million); (ii) the U.S.$57.1 million railway transportation project (DBK's participation was U.S.$52.7 million); (iii) the U.S.$123.9 million construction of transportation and logistics centres in Almaty and Astana (DBK's participation was U.S.$96.1 million); and (iv) the U.S.$401.9 million project of KazTemirTrans, a subsidiary of Kazakhstan Temir Zholy, to procure 2,000 wagon units (DBK's participation was U.S.$188.2 million).

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

  As at 30 September 2012, DBK was participating in a number of investment projects in the electric power, gas, steam and water sector, totalling approximately U.S.$522.3 million, of which DBK's participation was approximately U.S.$263.7 million.

  As at 30 September 2012, DBK was participating in two major projects in this sector: (i) the U.S.$360.9 million project to construct the Moynak hydroelectric power plant in the Almaty region (DBK's participation was U.S.$68.3 million); and (ii) the U.S.$129.2 million gas-turbine power station project in Akshabulak field (DBK's participation was U.S.$107.6 million).

- **Tourism Sector**

  As at 30 September 2012, DBK was participating in one investment project in the tourism sector, the U.S.$87.9 million construction of the Burabay Lakes Resort Hotel in the Akmola region (DBK's participation was approximately U.S.$49.1 million).

- **Metallurgy Sector**

  As at 30 September 2012, DBK was participating in a number of investment projects in the metallurgy sector, totalling approximately U.S.$ 1,223.9 million, of which DBK's participation was approximately U.S.$497.1 million.

  As at 30 September 2012, DBK was participating the U.S.$1,018.3 million aluminium smelter construction project in Pavlodar with an expected capacity of up to 250 thousand tonnes per year (DBK's participation was U.S.$400 million).

- **Construction Sector (Production of Construction Material)**

  As at 30 September 2012, DBK was participating in a number of investment projects in the production of construction materials sector totalling approximately U.S.$245.1 million, of which DBK's participation was approximately U.S.$170.9 million.

  As at 30 September 2012, DBK was participating in the U.S.$130.0 million construction of a cement plant in East Kazakhstan (DBK's participation was U.S.$90.0 million).

- **Petrochemical Industry and Chemicals Sector**

  As at 30 September 2012, DBK was participating in a number of investment projects in the chemicals sector, totalling approximately U.S.$3,603.7, of which DBK's participation was approximately U.S.$2,675.1 million as at 30 September 2012.

  As at 30 September 2012, DBK was participating in three major projects in these sectors: (i) the U.S.$90.2 million chlorine production plant project (DBK's participation was U.S.$65.7 million); (ii) the U.S.$2,013.6 million project to construct the first integrated gas chemical complex in Atyrau region (DBK's participation was U.S.$1,447.3 million) and (iii) the U.S.$1,124.4 million project to construct an oil refinery in Atyrau (DBK's participation was U.S.$1,063.0 million).

- **Agricultural Sector**

  As at 30 September 2012, DBK was participating in a number of investment projects in the agricultural sector, totalling approximately U.S.$353.7 million, of which DBK's participation is approximately U.S.$168.8 million.

- **Miscellaneous**

  As at 30 September 2012, DBK was also participating in a number of investment projects in other Government priority sectors, such as machinery, information technology, waste utilisation, textile and pharmaceuticals, totalling approximately U.S.$ 606.5 million, of which DBK's participation is approximately U.S.$389.4 million.

As at 30 September 2012, loans granted in the agricultural and textile sectors accounted for approximately 45% of DBK's total NPLs. In line with DBK's investment strategy and its commitment to the Industrialisation Programme, DBK does not intend to invest heavily in these sectors in the future.

Export Financing

DBK provides export financing for operations worth more than U.S.$1 million to both producers of Kazakhstan goods and to foreign buyers of exported goods. The provision of financing of exports of Kazakhstan commodity producers promotes the development of Kazakhstan's export potential. As at 30 September 2012, DBK had approved 84 export-related transactions worth a total amount of U.S.$ 1,458.2 million, of which DBK's participation was U.S.$835.9 million. The total amount of outstanding loans in relation to export transactions as at 30 September 2012 was U.S.$ 308.0 million.

DBK-Leasing

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. As at 30 September 2012, DBK-Leasing had share capital of 213,831 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.

DBK-Leasing, which is wholly-owned by DBK and 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. All of DBK's lease financing operations are carried out through DBK-Leasing. As at 30 September 2012, DBK-Leasing had a total leasing portfolio of approximately U.S.$171.1 million and has, since its establishment, approved 57 projects for an aggregate amount of approximately U.S.$586.6 million (of which DBK's participation was U.S.$327.6 million). The main sectors in which DBK-Leasing has approved financing are the manufacturing and transportation and warehousing sectors. See "*Selected Statistical and Other Data—Finance Lease Receivables*".

DBK funds 100% of DBK-Leasing's activities 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 to 30% down payment is required and there is a smaller collateral requirement than is required for all other forms of finance requested of customers.

As at 30 September 2012, based on its internal research, DBK-Leasing had an approximate 12.1% share of the finance leasing market in Kazakhstan. The Chairman of the management board of DBK-Leasing is Kunanbayev Yerden Ashirbekovich. 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. DBK also provides consultancy and structuring advice, as well as project expert assessment and valuation services in its capacity as agent. 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 2012, DBK was acting as the paying agent for 14 investment projects, including three Government loans and 11 Government guaranteed loans, in an aggregate amount of approximately U.S.$674.7 million. As at 30 September 2012, DBK's total fees for agency services were KZT 13.1 million.

Investment Banking Services

Pursuant to the DBK Law, DBK is permitted to provide investment banking services together with direct financing. As at the date of this Base Prospectus, however, DBK does not intend to provide investment banking 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 held the Interbank Consortium chairmanship for the second time for the 2010 to 2011 period (having previously held this position in 2007 to 2008). In November 2011, the InterBank Consortium of the Shanghai Co-operation Organisation Development Strategy (2012-2016) was approved, which provides for further co-operation among members in project financing, exchange of expertise, training and seminars. DBK has also been appointed as a national coordinator and operator for the Islamic Corporation for Private Sector Development and has discussed potential cooperation between the two organisations.

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., The Bank of New York Mellon, Commerzbank AG, Sberbank of the Russian Federation and JPMorgan Chase & Co.

Competition

DBK's activities are governed by the DBK Law and are, for the most part, subject to distinct regulation by the NBK. Pursuant to the DBK Law, DBK's primary lending activities include both medium-term (for five or more years) and long-term (from 10 to 20 years) financings, whereas Kazakhstan's commercial banks generally provide short- to medium-term financing for up to three years. In addition, DBK does not participate in retail banking activities and does not accept deposits from customers who are not borrowers of DBK or customers of DBK under an agency agreement. As a result of all of these factors, 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.

DBK co-operates with a number of international development organisations and financial organisations. See "—*International Banking*". In addition, DBK co-operates with domestic development institutions in matters relating to NPLs, the promotion of export activities and the implementation of the Industrialisation Programme. DBK does not consider itself to be a competitor to such institutions.

Employees

As at 30 September 2012, DBK had 258 full-time employees, as compared to 267 full-time employees as at 31 December 2011. DBK is in the process of reducing the number of its full-time employees, in line with the policy adopted by Samruk-Kazyna in respect of its group in 2012. 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, secondee 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 with a view to ensuring 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 56 million for training expenses in 2012 and KZT 91 million in 2013. To date in 2012, 163 employees of DBK have received training at various seminars and courses at a total cost of KZT 46 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. While, historically, DBK's information and technology systems were not always well-funded, DBK is committed to further upgrading and maintaining these systems and it has budgeted KZT 374.3 million for this purpose in 2012 and KZT 383.3 million for this purpose in 2013. As at the date of this Base Prospectus, KZT 233.8 million has been spent to date in 2012 for this purpose.

In 2011, KPMG conducted a comprehensive audit of DBK's information technology and security systems. As a result of this audit, DBK has strengthened its internal procedures to ensure that important information is backed-up on a daily basis for and stored within DBK, while other information is backed-up on a weekly basis. Only information technology and information security personnel have access to DBK's servers and back-up information. DBK has also developed a disaster recovery plan, which is updated by the information technology department at regular intervals, although DBK does not have an off-site back-up system. DBK is in the process of negotiating with service providers to establish an off-site back-up system.

Credit ratings

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

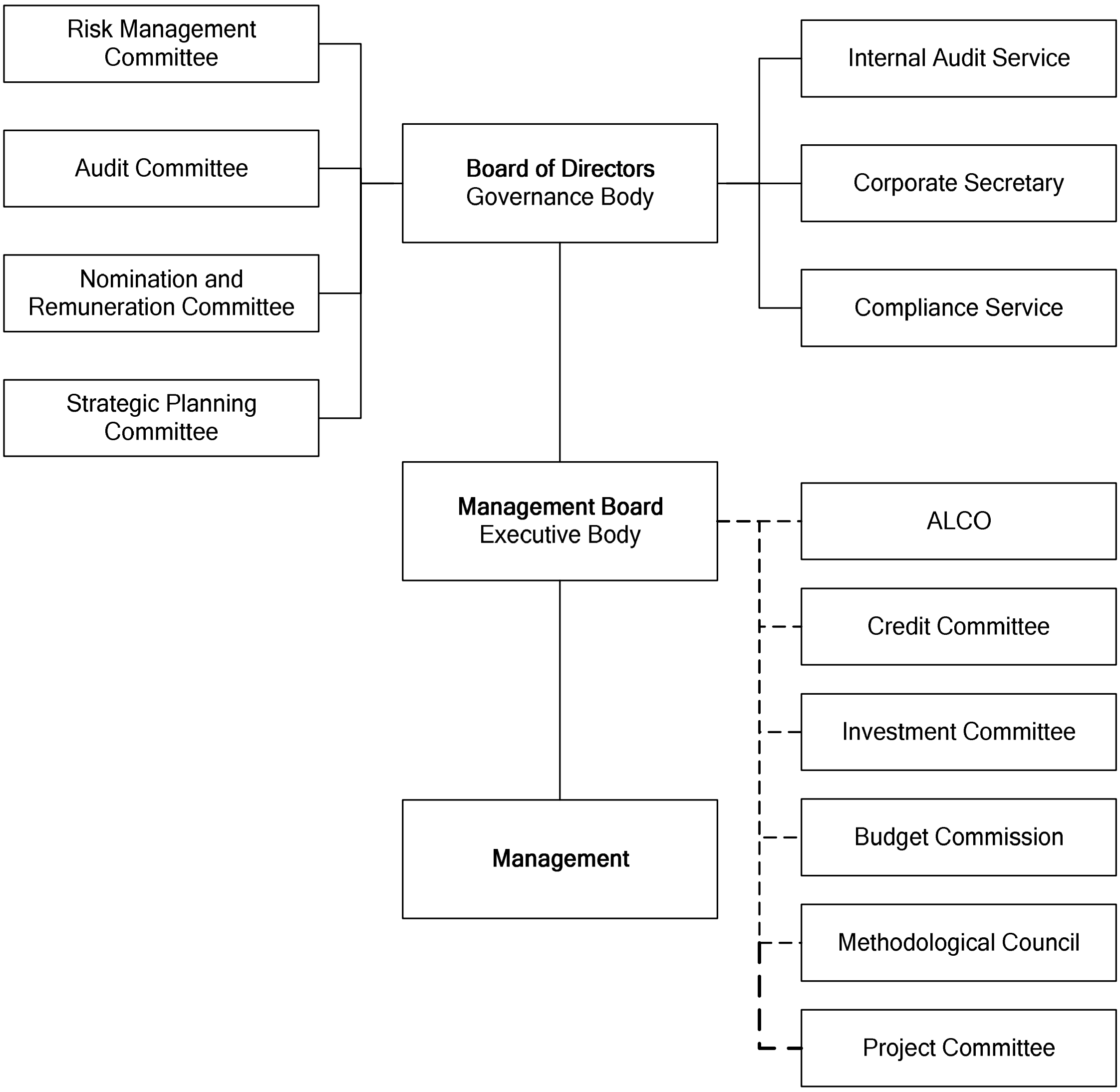
Rating Agency	Tenor	Rating	Outlook
S&P	Foreign Long Term Rating	BBB+	Stable
	Foreign Short Term Rating	A-2	—
	Local Long Term Rating	BBB+	Stable
	Local Short Term Rating	A-2	—
Moody's	Foreign Long Term Issuer Rating	Baa3	Stable
Fitch	Long Term Issuer Default Rating	BBB-	Positive
	Short Term Issuer Default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

In November 2011, S&P raised DBK's foreign long term rating from BBB to BBB+ and its foreign short term rating from A-3 to A-2.

A credit rating is not a recommendation by the rating organisation 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 organisation 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. Pursuant to a Presidential Edict dated 10 August 2011 and the Trust Management Agreement, Samruk-Kazyna transferred the management of the shares of DBK to the MINT. Under the Trust Management Agreement, the MINT manages Samruk-Kazyna's shareholder rights and obligations in accordance with the JSC Law, save for the right to dispose of shares in DBK. Among other matters, Samruk-Kazyna, as shareholder, appoints the chairman of the Management Board (based on the recommendations of the MINT) and sets DBK's dividend policy. See "*Share Capital, Sole Shareholder and Related Party Transactions—Share Capital*";

- the Board of Directors, which is responsible for the general management of DBK and the approval of its strategic and operational plans. The structure and terms of appointment to the Board of Directors are determined by the MINT acting under the Trust Management Agreement;

- 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 seven 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. The Board of Directors carries out its activities in accordance with the JSC Law and other applicable legislation. In accordance with the DBK Law and the DBK Charter, the members of the Board of Directors are elected by Samruk-Kazyna. Pursuant to the Trust Management Agreement, this function is exercised by the MINT. In addition, two members of the Board of Directors are nominated based on recommendations from the Government. 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:

Name	Other Positions	Date Appointed
Aset Issekeshev (Chairman)	Deputy Prime Minister and Minister of Industry and New Technologies of Kazakhstan	21 May 2009
Kuandyk Bishimbayev...........................	Deputy CEO of Samruk-Kazyna	13 March 2012
Nurlan Kussainov	CEO of DBK	4 April 2011
Aidar Ryskulov......................................	Director of Financial Assets Management of Samruk-Kazyna	16 October 2012
Ulf Wokurka (independent director)......	Managing Director of Deutsche Bank AG, Frankfurt 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)	President and CEO of Siemens in Central Asia	13 August 2010

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

Aset Issekeshev 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 Issekeshev 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. Issekeshev has held the position of Minister of Industry and New Technologies of Kazakhstan. Between March 2010 and January 2012, Mr. Issekesehev served as Deputy Prime Minister of Kazakhstan. In September 2012, Mr. Issekeshev was re-appointed as the Deputy Prime Minister of Kazakhstan. Mr. Issekeshev was appointed to the Board of Directors in May 2009.

Kuandyk Bishimbayev graduated from the School of Management and Business at Georgetown University with an MBA degree, from the Kazakh State Management Academy with a major in International Economic Relations and from Taraz State University with a major in Legal Studies. Mr. Bishimbayev started his professional career as a senior analyst at DBK. From 2002 to 2003, Mr. Bishimbayev was the Head of Division at the Department of Budget Policy and the Planning and Strategic Planning Department of the Ministry of Economy and Budget Planning of Kazakhstan. Between 2003 and 2005, Mr. Bishimbayev held various executive positions at the National Innovation Fund, Centre for Marketing and Analytic Research, "Ordabasy" Corporation. In 2005, he was appointed as an advisor to the Minister of Economy and Budget Planning and, in 2006, an advisor to the Prime-Minister of Kazakhstan. In 2007, Mr. Bishimbayev was appointed as the Vice-Minister of Industry and Trade of Kazakhstan and, in 2008, as the Head of the Social and Economic Monitoring Division at the Presidential Administration, as well as aide of the President of Kazakhstan. In March 2010, Mr. Bishimbayev was appointed as the Vice-Minister of Economic Development and Trade of Kazakhstan. Since May 2011, Mr. Bishimbayev has been the Deputy CEO of Samruk-Kazyna. Mr. Bishimbayev was appointed to the Board of Directors in May 2012.

Nurlan Kussainov graduated from the Kazakhstan State Management Academy with a degree in International Economic Relations. He also holds a Masters Degree in Management from Leland Stanford Junior University. From June 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 Ministry of Industry and Trade team that was responsible for the negotiations of Kazakhstan's accession to the World Trade Organisation. From May 2004 to 2006, he acted as Chairman of the Board of JSC Center of Marketing and Analytical Research in the Ministry of Economy and Budget Planning. Between January 2007 and September 2010, he acted as Director of Investment Company CNRG Capital, as Director of Al Falah Investment Management Ltd and as Member of the Board of Directors of Direct Investments Fund Fallah Growth Fund. He was appointed as First Deputy CEO of DBK in September 2010. In March 2011, he was appointed as acting CEO of DBK and, in April 2011, he was appointed as CEO of DBK and Chairman of the Management Board. Mr. Kussainov was appointed to the Board of Directors in April 2011.

Aidar Ryskulov graduated from the Economic Faculty of the Karaganda State University in 2002 and also has a degree from Karaganda Economics University "Kazpotrebsyuz". In June 2003, he joined the Astana branch of ATF Bank where he worked as a specialist in SME lending. Between June 2006 and October 2006, he was a senior loan officer in the business clients unit of Bank Center Credit's Astana branch. In October 2006, Mr. Ryskulov was appointed Head of Sales for medium-sized businesses in JSC Halyk Bank's Aktau branch. From March 2009 to March 2012, he held the positions of Deputy Director of the Credit Department; Deputy Director of Investment Projects Department, Senior Manager of the Project Analysis Department and Head of the Project Analysis Department of JSC National Management Holding "KazAgro". In March 2012, Mr. Ryskulov was appointed as Director of Financial Assets Management at Samruk-Kazyna, a position he continues to hold as at the date of this Base Prospectus. Mr. Ryskulov was appointed to the Board of Directors in October 2012.

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 of Deutsche Bank AG in Frankfurt and Chief Country Officer of Deutsche Bank AG in Kazakhstan, positions which he continues to hold as at the date of this Base Prospectus. Mr. Wokurka was appointed to the Board of Directors as an independent director in September 2007.

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. Mr. Brzezinski currently acts as a consultant for corporate clients and is also an independent director on the Board of Directors of Tsesna Bank (Kazakhstan) and the Board of Directors of BTA Bank. Mr. Brzezinski was appointed to the Board of Directors as an independent director in September 2008.

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 the 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 Electromedicine division. 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). Mr. Zwingenberger was appointed to the Board of Directors as an independent director in August 2010.

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:

Name	Positions	Date Appointed
Nurlan Kussainov (Chairman)	CEO	20 September 2010, appointed as CEO 9 April 2011
Marat Aitenov..	Chairman of the Credit Committee.	29 April 2011
Mirzhan Karakulov................................	Member of the ALCO, member of the Credit Committee, member of the Investment Committee and member of the Budget Commission	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
Dauletkhan Kilybayev	Member of the Credit Committee	18 April 2011
Nurlan Niyetbayev.................................	Member of the Budget Commission, Chairman of Disciplinary Committee	1 March 2012

Nurlan Kussainov—See *"—Board of Directors"*.

Marat Aitenov graduated from Miras University with a degree in Law and from Moscow State University with a qualification in Economics and Entrepreneurship. Between October 2000 and November 2000, Mr. Aitenov worked at "Asyk-Ata-Gas" LLP and between November 2000 and May 2003, he worked for the Ministry of Justice of Kazakhstan. Between May 2003 and May 2005, Mr, Aitennov worked at the Ministry of Economy and Budget Planning of Kazakhstan. Between July 2005 and February 2006, Mr Aitenov worked for the JSC Center for Marketing and Analytical Research and between February and March 2006, he worked at the Republican State Enterprise Institute of Economic Research. In 2006, he was appointed Managing Director—Member of the Board of JSC National Innovation Fund and, in 2007, he was appointed Managing Director of JSC Sustainable Development Fund "Kazyna". Between January 2008 and April 2011, Mr. Aitenov worked as Executive Director—Director of the Legal Department of Samruk-Kazyna. Since April 2011, Mr. Aitenov has worked as Deputy CEO at DBK and has been a member of the Management Board. Mr. Aitenov is also chairman of the Credit Committee.

Mirzhan Karakulov graduated from the Kazakhstan Institute of Management, Economics and Strategic Research, as well as, Vanderbilt University (USA) with a Masters Degree in Economics. Mr. Karakulov is also a scholar of the Presidential "Bolashak" Scholarship Program. Between July 2004 and September 2005, Mr. Karakulov worked at JSC Halyk Bank. Between September 2005 and July 2006 he worked in DBK's Risk Management Department and between January 2008 and July 2009, he worked at Samruk-Kazyna. 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 the 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 Commission.

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 October 2004 and February 2006, Mr. Aliyev worked as the President of JSC Sakharniy Tsentr. Between March 2006 and October 2007, he worked as the acting Chairman of the board of JSC Nurbank. He currently holds the position of Chairman of the board of directors of JSC Nurbank. He has been working for DBK since 2008 and is Deputy CEO in charge of the Almaty branch. Mr Aliyev was appointed to the Management Board in June 2009.

Zhaslan Madiyev graduated from the Faculty of International Economics and Finance at the Al-Farabi Kazakh National University. He holds a Masters Degree in Economics and Finance from Columbia University in New York and is a scholar of the Presidential "Bolashak" Scholarship Program. 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 is currently in charge of the 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.

Kilybayev Dauletkhan graduated from Vanderbilt University (USA) with a Masters in Business Administration and also has a Master of Finance degree from the Academy of Finance under the Administration of the Russian Federation in Moscow. Mr. Kilybayev has over ten years experience in the financial sector. Between April 2008 and February 2011, Mr. Kilybayev worked as a Vice-President at Credit Suisse and as a Deputy Manager at Renaissance Capital. He has been working for DBK since February 2012 as Managing Director responsible for the Project Management Divisions. He was appointed to the Management Board in April 2011. Mr, Kilybayev is also a member of the Credit Committee.

Nurlan Niyetbayev graduated from the Kazakh Economic University. Between 2001 and 2006, Mr. Nietbayev was the Managing Director and Vice-President of DBK. From 2007 until 2008, he was Deputy Chairman of the Board of the Damu Entrepreneurship Development Fund. From February 2008 until October 2010, Mr. Nietbayev worked as the Director of the Project Group of the Eurasian Development Bank. From March 2010 to March 2012, he was President of Grantum, a savings pension fund. Since March 2012, Mr. Niyetbayev has worked at DBK as Deputy CEO responsible for the Risk Management Department, the Finance Department and the Operations Unit. Mr. Niyetbayev was appointed to the Management Board in March 2012. He is also a member of the Budget Commission and Chairman of the Disciplinary Committee.

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.

Three members of the Board of Directors are independent directors, which is greater than the minimum proportion of independent directors required by the JSC Law. 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 the exclusive right 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 19 January 2010, DBK was assigned a governance, accountability, management, metrics and analysis (GAMMA) score of "GAMMA-5" from Standard & Poor's Governance Services. This score was raised to GAMMA-5+ in March 2011 as a result of the increase in the number of independent directors on DBK's Board of Directors, as well as DBK's approval of its long-term development strategy in 2010.

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, independent director), Jacek Brzezinski (independent director), Kay Zwingenberger (independent director), Zhaslan Madiyev and Bakhyt Zhussupbekova (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, independent director), Jacek Brzezinski (independent director), Kay Zwingenberger (independent director), Kamilla Khairova and Aray Iskakova (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, independent director), Ulf Wokurka (independent director), Nurlan Kussainov, Kay Zwingenberger (independent director) and Botagoz Yermekova (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, Kay Zwingenberger, Zhaslan Madiyev, Saule Kazybayeva, Daulet Bekbergenov and Berik Mamykov.

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 five 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 ambit of the Internal Audit Service. The current members of the Internal Audit Service are Alexandr Zaikin (Head of the Internal Audit Service, appointed in March 2012), Altyn Nurkeeva (appointed in February 2006), Bakhyt Zhusupbekova (appointed in September 2008), Assel Tangisheva (appointed in December 2010) and Ermek Kulmanbetov (appointed in March 2011).

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 those of officials of comparable seniority at the NBK. As at 30 September 2012, 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. See "*Share Capital, Sole Shareholder and Related Party Transactions—Related Party Transactions—Transactions with the Board of Directors and Management Board*".

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 2012, DBK's outstanding share capital consisted of 1,819,519 ordinary shares with a nominal value of KZT 50,000 and 247,006 ordinary shares with a nominal value of KZT 668,000, all of which are issued and fully paid. Each ordinary share carries one vote. Samruk-Kazyna is the holder of all shares.

Pursuant to a Presidential Edict dated 10 August 2011 and the Trust Management Agreement, Samruk-Kazyna transferred the management of its shares to the MINT. The transfer of management of DBK's shares was completed in order to permit better co-ordination of activities between DBK and the MINT, which is the body directly responsible for the Industrialisation Programme. Pursuant to the Trust Management Agreement, the MINT exercises all rights and is responsible for all obligations of Samruk-Kazyna in respect of its shareholding in DBK, except that it may not dispose of shares in DBK without Samruk-Kazyna's consent. The MINT determines the terms of appointment and number of members of the Board of Directors and provides recommendations to Samruk-Kazyna in respect of the appointment of the Chairman of the Management Board.

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 Economic Development and Trade, the Minister of Finance, the Minister of Oil and Gas, three 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 2012, the total remuneration of members of the Board of Directors and the Management Board, including payroll and related taxes, was KZT 213.0 million, as compared to KZT 285.6 million, KZT 286.2 million and KZT 266.6 million as at 31 December 2011, 2010 and 2009, respectively. Such amounts include non-cash benefits granted to members of the Board of Directors and the Management Board, as the case may be.

Transactions with other related parties

DBK also enters into certain transactions with Samruk-Kazyna, members of the Samruk-Kazyna group and other State and national companies and organisations, which are deemed to be related parties to DBK. See Note 39 to the audited annual consolidated financial statements as at and for the year ended 31 December 2011.

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, other subsidiaries of Samruk-Kazyna and other organisations (other than Samruk-Kazyna). DBK extended an amount of KZT 83,483.9 million in loans to state-owned companies, other organisations and other subsidiaries of Samruk-Kazyna at an average interest rate of 6.7%, comprising 30.3% of total loans to customers as at 31 December 2011.

Transactions between DBK and Samruk-Kazyna or members of the Samruk-Kazyna group are approved by a decision of the Management Board. This decision is adopted if 75% of the Management Board vote in favour. In addition, the Board of Directors may also, in its discretion, approve transactions to be entered into with Samruk-Kazyna or members of the Samruk-Kazyna group.

The JSC Law provides that in the event that a member of the Board of Directors has a conflict of interest in relation to an investment project or other transaction, such 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 result of DBK's status as financial agency, payments of interest on the Notes and gains realised on the disposal, sale, exchange and transfer of Notes are not subject to taxation in Kazakhstan.

Introduction

Kazakhstan has a two tier banking system with 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 NBK. From 2004 until April 2011, these functions were carried out by the FMSA and, prior to 2004, and since April 2011, these functions are carried out by the NBK.

The Government, the NBK, the FMSA and subsequently the FMSC 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 NPLs (over-due by more than 90 days) 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 overall banking sector had a profit of KZT 10.7 billion in 2008) and assets of the banking sector also declined in that period. According to statistics published by the FMSC, NPLs in the banking sector had decreased to 32.3% as at 1 May 2012, although this reflected a slight increase from 31.0% as at 1 December 2011. As at 1 May 2012, the banking sector registered a net loss of KZT 888.4 billion, as well as a general decline in assets. As at 1 May 2012, the share of bad loans in the Kazakhstan banking sector was 32.9% for all banks and the overall banking sector had a profit of KZT 1,243.7 billion for the four months ended 30 April 2012.

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. 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 Industry*".

The NBK and the FMSC

The NBK is the central bank of Kazakhstan and the state authority performing regulation, control and supervision of financial market and financial organisation in Kazakhstan. Although it is an independent institution, it is subordinate to the President of Kazakhstan. The President of Kazakhstan has the power, among other things, to appoint 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 of the 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, five other representatives of the NBK (including the Chairman of the FMSC), a representative of the President of Kazakhstan and two representatives of the Government of Kazakhstan.

The NBK is responsible for most of the supervisory and regulatory functions in the financial sector. These functions were performed by the FMSA from 2004 until April 2011, when they were transferred to the NBK on the basis of a presidential decree. Since April 2011, the NBK's functions in respect of the supervision and regulation of the financial sector have been performed by the FMSC, which is a sub-division of the NBK.

The FMSC is headed by a chairman, who is appointed by the Chairman of the NBK and reports to the Chairman and the Executive Board of the NBK. In August 2011, Mr. Kuat Kozhakhmetov, former deputy chairman of the FMSA, was appointed as the Chairman of the FMSC. The FMSC has the authority to regulate and supervise Kazakhstan's banking and insurance sectors, as well as the activities of accumulated pension funds, investment funds, credit bureaus and the securities market in Kazakhstan. In this respect, the FMSC: (i) grants licenses to financial institutions; (ii) approves prudential standards applying to financial institutions; (iii) approves financial reporting requirements for financial institutions; (iv) monitors the activities of such institutions; (v) applies necessary sanctions; and (iv) participates in the liquidation of financial institutions.

In addition, in April 2011, the NBK was granted responsibility for regulation of operations of the Almaty Regional Financial Center ("**RFCA**"), which was previously performed by the Agency for Regulation of the Operations of the Almaty Regional Financial Center (the "**ARO RFCA**").

The Agency of the Republic of Kazakhstan for Competition Protection administers anti-monopoly legislation in Kazakhstan with respect to the banking sector. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the FMSC. 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 FMSC.

Almaty Regional Financial Center

The RFCA was established in June 2006, for the purpose of developing Kazakhstan's securities market, integrating it into the international capital markets and attracting investments in Kazakhstan's economy. The RFCA is governed by regulations regarding the relations between its participants and relations between foreign and local participants. The NBK controls and supervises the activities of the RFCA, as well as registering its participants. Prior to April 2011, these functions were performed by the ARO RFCA. The inaugural trade on this special trade platform of the KASE functioning at the RFCA took place on 27 February 2007. On November 2009, the special trade platform was merged into the main trading platform of the KASE. As at the date of this Base Prospectus, 25 companies are registered as RFCA participants.

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.

The FMSC requires banks to maintain a Kl 1 (Tier 1 capital to total assets) and Kl 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 Kl 1 (Tier 1 capital to total assets) and Kl 2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio requirement is 5.0%, of total assets while the K2 (own capital to total assets weighted for risk ratio) is 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 was decreased from 2.0% to 1.5% with respect to domestic liabilities and from 3.0% to 2.5% with respect to other liabilities. With effect from 31 May 2011, the minimum level at which second tier banks must maintain reserves was increased from 1.5% to 2.5% with respect to domestic liabilities and from 2.5% to 4.5% with respect to other liabilities.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established and, as at 1 September 2012, 35 banks were covered by the scheme. The insurance coverage is presently limited to personal term deposits in any currency and current accounts up to a maximum amount per customer of KZT 5 million at any given bank (following an increase in this amount from KZT 1 million effective 1 January 2012). Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Other Regulations

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 the FMSA approved the rules on classification of assets and provisioning which took effect on 1 April 2007. 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 FMSC to demand that a bank increases its provisioning ratios.

Commercial Banks

According to data published by the FMSC, as at 1 September 2012, there were 38 commercial banks in Kazakhstan, excluding DBK and the NBK and 34 of the 38 second-tier banks (excluding Zhilstroysberbank) had capital of over KZT 5,000 million and three banks had capital of KZT 2,000 million to KZT 5,000 million, BTA Bank had negative capital as at 1 September 2012 and is currently undergoing restructuring. Since 1 October 2009, any bank whose capital (shareholders' equity) falls below KZT 5,000 million (or KZT 2,000 million for banks registered outside of Astana and Almaty and complying with certain other conditions) was required to apply to the FMSC for reorganisation into a credit partnership. Starting from 1 July 2011 the minimum requirements for size of 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 (and complying with certain other conditions).

The total capital of commercial banks increased to KZT 1,723.1 billion as at 1 August 2012 compared to capital of KZT 1,652.2 billion as at 1 January 2012 and KZT 1,832.5 billion as at 1 January 2011. During such period, the total assets of such banks increased to KZT 13,335 billion as at 1 August 2012 from KZT 12,817 billion as at 1 January 2012 (compared to approximately KZT 12,038 billion as at 1 January 2011). The aggregate liabilities increased to approximately KZT 12,915 billion as at 1 August 2012 from KZT 11,514 billion as at 1 January 2012 and KZT 10,715 billion as at 1 January 2011. The aggregate net profit amounted to KZT 102 billion for the first eight months of 2012 compared to KZT 48 billion for the corresponding period in 2011.

The NBK decreased its refinancing rate from 7.5% in 2011 to 5.5% effective from 6 August 2012. The stated reason for the rate cut was the shortage of liquidity in the market and a decrease in inflation.

Foreign Capital in the Banking Sector

The liberalisation of the economy in Kazakhstan in recent years has resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment or by participating in the banking and financial services sector. Foreign banks are prohibited from opening branches in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to provide banking services in Kazakhstan.

A number of foreign banks have opened representative offices in Kazakhstan, including Bank of Tokyo-Mitsubishi UFJ Ltd, Commerzbank AG, Deutsche Bank AG, ING Bank N.V., JP Morgan Chase Bank, N.A., Landesbank Berlin AG, Société Générale, Standard Chartered Bank and UBS AG. In addition, as at 1 September 2012, there were 19 banks with foreign participation operating in Kazakhstan, including RBS Kazakhstan, ATF Bank, Citibank Kazakhstan and HSBC Bank Kazakhstan. Under applicable legislation, a bank with foreign participation is defined as a bank with more than one-third foreign ownership. Banks with less than one-third direct or indirect foreign ownership are considered domestic banks.

Financial Stability and Restructuring Reforms

Financial Stability Laws

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 FMSC, acquire, either directly or through a national management holding company (which is currently Samruk-Kazyna and JSC National Management Holding KazAgro (the "**National Management Holding Company**")), 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 main objectives of the new financial system stability law are to improve early detection mechanisms for risks in the financial system, provide powers to the Government to acquire shares in commercial banks that face financial problems and improve the overall condition of financial institutions in Kazakhstan. The law also consolidates authority to oversee second-tier Kazakhstan banks and provides additional mechanisms for supervising commitments made by banks and other financial institutions.

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 March 2009, Samruk-Kazyna made a deposit of KZT 24,000 million with Alliance Bank to support its financial stabilisation and further capitalisation.

On 31 December 2009, Samruk-Kazyna purchased 100% of the outstanding common and preferred shares of Alliance Bank. After the restructuring of the debts of Alliance Bank, Samruk-Kazyna holds 67% of the outstanding common shares and 67% of the outstanding preferred shares of Alliance Bank. These measures proved to be insufficient and both BTA Bank and Alliance Bank defaulted on their debt in April 2009.

The Restructuring Law in Kazakhstan

In July 2009, Kazakhstan's Parliament adopted Law № 185-IV (the "**Restructuring Law**"). Prior to the adoption of this law, there was no law in Kazakhstan which allowed for creditor claims to be restructured on a basis involving less than 100% consent of the affected creditors. Accordingly, creditors who did not wish to participate in a restructuring had the ability to offset their claims against a bank's assets or bring litigation in any jurisdiction where such assets were located.

In May 2009, JSC Astana Finance, a diversified financial services company, defaulted and announced a moratorium on the repayment of its debt. In November 2009, Temirbank defaulted and announced a moratorium on the repayment of its debts, and other banks face increasing pressure due to the growing number of NPLs. 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 Alliance Bank was completed on 23 March 2010, restructuring and/or cancelling over U.S.$4.5 billion of Alliance Bank's financial indebtedness. The restructuring of BTA Bank was completed on 31 August 2010, cancelling approximately U.S.$16.7 billion of 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 Temirbank.

The NBK's Powers under the DBK Law

Under the Banking Law, the NBK may apply a number of compulsory restrictive measures to DBK if it finds DBK to be in breach of Kazakhstan laws relating to its operations, accounting practices and financial reporting requirements (including in respect of the application of IFRS). In this respect, Article 28 of the DBK Law allows the NBK to apply the following compulsory measures to DBK:

- issuance of mandatory written instructions to DBK to eliminate identified deficiencies;
- requiring DBK to execute a written undertaking to correct the identified deficiencies; and
- entry into an agreement with DBK setting out measures to be taken by DBK to remedy any identified breaches.

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 13 November 2012 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 13 November 2012 (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 10.6;

"**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 10.6;

"**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 10.6;

"**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**" means one of the following benchmark rates (as specified in the relevant Final Terms);

(a) LIBOR; or

(b) EURIBOR;

"**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 (TARGET) 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, "**Noteholde**r" 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 10.3; 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:

(a) send to the Trustee and to the Principal Paying and Transfer Agent one copy 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 6.4(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 6.4(a)(ii) is accompanied by a review report of the Auditors;

(iii) each set of financial statements delivered pursuant to Condition 6.4(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 6.4 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 6.4(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 6.4(a), and in any event within five Business Days of sending such information, make such information available on the Issuer's website.

6.5. 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 11. 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 PROVISIONS

8.1. This Condition 8 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions.

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.

(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 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.

8.5. 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.

8.6. 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.

8.7. 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 19. 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.

8.8. 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. REDEMPTION AND PURCHASE

10.1. 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 11.

10.2. 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 are specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if the Floating Rate 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 19 (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 12 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 10.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 10.2.

10.3. 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).

10.4. If the Notes are to be redeemed in part only on any date in accordance with Condition 10.3, 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 10.3 on which the Notes are then listed, and the notice to Noteholders referred to in Condition 10.3 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 10.4.

10.5. 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 10.5, 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 10.5, 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 10.5, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

10.6. Whether or not the Put Option is specified under Condition 10.5, the Issuer shall, at the option of the holder of any Note, exercisable as set out in Condition 10.5, 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 10.6.

Notwithstanding any other provision of this Condition 10.6 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 10.6. Upon the occurrence of a Put Event, the Issuer shall promptly give notice thereof to the Noteholders in accordance with Condition 19 with a copy to the Trustee.

10.7. The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10.1 to 10.6.

10.8. 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 10.8 or, if none is so specified, a Day Count Fraction of 30E/360.

10.9. The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

10.10. All Notes which are redeemed pursuant to Conditions 10.1 to 10.6 or purchased pursuant to Condition 10.9 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.

11. **PAYMENTS**

11.1. 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.

11.2. Payments of interest shall, subject to Condition 11.4, 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.

11.3. 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 12. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4. 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.

12. **TAXATION**

12.1. 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.

12.2. 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.

Notwithstanding anything to the contrary in this Condition 12, none of DBK, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction (i) imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), and the regulations promulgated thereunder ("**FATCA**"), the laws of Kazakhstan implementing FATCA, or any agreement between DBK and the United States or any authority thereof entered into for FATCA purposes, or (ii) imposed on or with respect to any "dividend equivalent" payment made pursuant to section 871 or 881 of the Code.

13. 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 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:

13.1. 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

13.2. 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 13) 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

13.3. (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

13.4. (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 13.4 in relation to a Material Subsidiary, the event is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

13.5. 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

13.6. 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

13.7. 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

13.8. (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 13.8, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders;

13.9. (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 13.9, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

13.10. 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).

14. 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.

15. 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.

16. AGENTS

16.1. 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.

16.2. 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.

17. MEETINGS OF NOTEHOLDERS; MODIFICATION; WAIVER AND ENFORCEMENT

17.1. 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.

17.2. 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.

17.3. 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.

17.4. 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.

17.5. 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.

18. FURTHER ISSUES AND CONSOLIDATION

18.1. 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.

18.2. 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 22) on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 19, 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.

19. 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).

20. 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.

21. 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.

22. REDENOMINATION

22.1. This Condition 22 is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

22.2. 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.

22.3. 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:

(i) 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 22) shall remain in full force and effect; and

(ii) 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.

22.4. Following redenomination of the Notes pursuant to this Condition 22, 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.

22.5. 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.

23. GOVERNING LAW, JURISDICTION AND ARBITRATION

23.1. 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.

23.2. Subject to Condition 23.3, 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 LCIA (formerly the London Court of International Arbitration) (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.

23.3. 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 23.2, 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 23.4. Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s)

23.4. In the event that the Trustee serves a written notice of election in respect of any Dispute(s) pursuant to Condition 23.3, 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.

23.5. 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.

23.6. For the purpose of Conditions 23.3, 23.4 and 23.5, 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.

23.7. 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.

23.8. 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.

23.9. 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.

24. 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 13 November 2012 [and the supplemental Prospectus dated [•]] which [together] constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended by Directive 2010/73/EU (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.

1.	Issuer:	JSC Development Bank of Kazakhstan
2.	[(i)] Series Number:	[•]
	[(ii)] Tranche Number:	[•]
[(iii)] Date on which the Notes will be consolidated and form a single Series:		The Notes will be consolidated and form a single series with [•] on [the Issue Date][Not Applicable]
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 [•]]
6.	(i) Specified Denomination(s):	[•]
	(ii) Calculation Amount:	[•]
7.	[(i)] Issue Date:	[•]
	[(ii)] Interest Commencement Date:	[•]
8.	Maturity Date:	[•]
9.	Interest Basis:	[[•]% Fixed Rate]
		[•] +/- [•]% Floating Rate]
		[Zero Coupon]
		(further particulars specified below at paragraphs 13 to 15)
10.	Redemption/Payment Basis:	[Redemption at par]

11. Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below at paragraphs 16 to 19)]
12. Date [Board] approval for issuance of Notes obtained:	[•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions:	[Applicable/Not Applicable]
(i) Rate[(s)] of Interest:	[•]% per annum [payable [annually/ semi-annually/quarterly/monthly/] in arrear on each Interest Payment Date]
(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with Business Day Convention/ not adjusted]
(iii) 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/lSDA]
(vi) Determination Date(s):	[•] in each year [Not Applicable]
14. Floating Rate Note Provisions:	[Applicable/Not Applicable]
(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]
(v) Business Centre(s):	[Not Applicable/[•]]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(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:	[[•] month LIBOR/EURIBOR]
— 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:	[•]
15.	Zero Coupon Note Provisions:	[Applicable/Not Applicable]
	(i) [Amortisation/Accrual] Yield:	[•]% per annum
	(ii) Reference Price:	[•]

PROVISIONS RELATING TO REDEMPTION

16.	Call Option:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note:	[•] 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
17.	Put Options:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note:	[[•] per Calculation Amount/[•] per Note of [•] specified denomination]
18.	Final Redemption Amount of each Note:	[•]
19.	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:	[Not Applicable/[•] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20.	Form of Notes:	[Registered Global Notes exchangeable for Definitive Notes in the limited circumstances specified in the Global Note.]

21.	Financial Centre(s):	[Not Applicable/[•].]

THIRD PARTY INFORMATION

[*(Relevant third party information)* has been extracted from [•]. 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 [•], 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.]
(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: [•]]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

"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. 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.]

5. 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 SA/NV and Clearstream Banking, société anonyme, or DTC and the relevant identification number(s):	[Not Applicable/[•]]
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 depositary 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 11.2, 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 depositary 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 depositary 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 depositary 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 depositary 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 depositary 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 depositary 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 l 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 22, 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. This summary 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, any State thereof, or 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 has a valid election in effect 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 each 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 by using one of two methods. Under the first method, such holder will determine the amount of income accrued based on the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, that part of the accrual period within the taxable year. If the U.S. Holder elects the second method, such holder would determine the amount of income accrued on the basis of the spot rate of exchange on the last day of the accrual period, and in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if the U.S. Holder receives a payment of interest within five business days of the last day of the accrual period or taxable year, such holder may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that it actually receives the interest payment If such U.S. Holder elects the second method, that method will apply to all debt instruments that such holder holds at the beginning of the first taxable year to which the election applies and to all debt instruments that such holder subsequently acquires. A U.S. Holder may not revoke this election without the consent of the Internal Revenue Service. 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. Such gain or loss will be U.S. source ordinary gain or loss.

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 calculated using a constant yield to maturity method. A U.S. Holder can calculate the amount of OID that it must include in income by adding 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.

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 to maturity 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.

Floating Rate Notes are subject to special OID rules

A Floating Rate Note will have a variable rate that is a "qualified floating rate" if: (i) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which such Floating Rate Note is denominated, or (ii) the rate is equal to such a rate multiplied by either a fixed multiple that is greater than 0.65 but not more than 1.35, or a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, and, in each case, the value of the rate on any date during the term of such Floating Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day. If such Floating Rate Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of such Floating Rate Note, the qualified floating rates together constitute a single qualified floating rate. A Floating Rate Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of such Floating Rate Note or are not reasonably expected to significantly affect the yield on such Floating Rate Note.

A Floating Rate Note will have a variable rate that is a single "objective rate" if: (i) the rate is not a qualified floating rate, (ii) the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the Issuer or a related party, and (iii) the value of the rate on any date during the term of such Floating Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day. A Floating Rate Note will not have an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of such Floating Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the term of such Floating Rate Note. An objective rate described above is a qualified inverse floating rate if the rate is equal to a fixed rate minus a qualified floating rate, and the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

In general, if a Floating Rate Note provides for stated interest (payable unconditionally at least annually) at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on such Floating Rate Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for such Floating Rate Note.

If a Floating Rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a U.S. Holder generally must determine the interest and OID accruals on such Floating Rate Note by (i) determining a fixed rate substitute for each variable rate provided under such Floating Rate Note, (ii) constructing the equivalent fixed rate debt instrument (using the fixed rate substitution described above), (iii) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and (iv) adjusting for actual variable rates during the applicable accrual period. When a U.S. Holder determines the fixed rate substitute for each variable rate provided under a Floating Rate Note, it generally will use the value of each variable rate as of the issue date of such Floating Rate Note or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on such Floating Rate Note.

If a Floating Rate Note provides for stated interest at either one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than a single fixed rate for an initial period, a U.S. Holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, a Floating Rate Note will be treated, for purposes of the first three steps of the determination, as if such Floating Rate Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of such Floating Rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-Term Notes

In general, if a U.S. Holder is an individual or other cash basis holder of a Short-term Note, it is not required to accrue OID, as specially defined below for the purposes of this paragraph, for U.S. federal income tax purposes unless it elects to do so (although it is possible that it may be required to include any stated interest in income as it receives it). If a U.S. Holder is an accrual basis taxpayer (or a cash basis taxpayer who so elects), it will be required to accrued OID on Short-term Notes on either a straight-line basis or under the constant yield to maturity method, based on daily compounding. If a U.S. Holder is not required and does not elect to include OID in income currently, any gain it realises on the sale, exchange, retirement or other disposition of its Short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless it makes an election to accrue OID under the constant yield to maturity method, through the date of sale, exchange, retirement or other disposition. However, if a U.S. Holder is not required and does not elect to accrue OID on its Short-term Notes, it will be required to defer deductions for interest on borrowings allocable to its Short-term Notes in an amount not exceeding the deferred income until the deferred income is realised. When a U.S. Holder determines the amount of OID subject to these rules, it must include all interest payments on its Short-term Note, including stated interest, in the Short-term Note's stated redemption price at maturity.

Contingent Notes

Certain of the Notes may provide for contingent payments ("**Contingent Notes**"). Special rules govern the treatment of Contingent Notes. These rules generally require a U.S. Holder to treat all interest as OID and to accrue OID at a rate equal to the comparable yield on a non-contingent fixed rate debt instrument of the Issuer with similar terms and conditions and a projected payment schedule that provides such comparable yield. The amount of OID will then be allocated on a ratable basis to each day in the period that the U.S. Holder holds the Contingent Note. The OID would be ordinary income from sources outside of the United States.

If the actual payments made on a Contingent Note in a year differ from the projected contingent payments, U.S. Holders will recognise additional interest income or ordinary loss (after offsetting and reducing OID for such periods). U.S. Holders therefore might be required to recognise income greater or less than the interest and other cash payments on the Contingent Notes.

The OID rules do not treat Notes as having OID by reason of the contingent U.S. dollar values of payments on Notes denominated in a single currency other than U.S. Dollars. U.S. Holders of Contingent Notes denominated in a single currency other than U.S. Dollars generally are required to accrue interest at a comparable yield in units of foreign currency and translate OID into U.S. Dollars in accordance with the rules for accrual basis taxpayers. Special rules apply to the conversions of adjustments.

Gain on the sale, exchange, retirement or other disposition of a Contingent Note generally will be treated as ordinary income from sources outside of the United States. Loss will be treated as ordinary loss to the extent of prior net interest inclusions and capital loss to the extent of any excess. Loss generally would be treated as U.S. source.

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, exchange, retirement or other disposition 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). Such gain or loss will be U.S. source ordinary gain or loss.

Notes Purchased at a Premium

A U.S. Holder that has a tax basis in a Note that is greater than its principal amount generally may elect to amortize the premium over the remaining term of the Note. If a U.S. Holder makes this election, it will reduce the amount required to be included in income each year with respect to interest on the Note by the amount of amortizable bond premium allocable to that year, and the U.S. Holder 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 loss) measured by the difference between the spot rates at the 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 excludible 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 Internal Revenue Service. 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.

Market Discount

A U.S. Holder that purchases a Note (other than a Short-term Note) for an amount that is less than its stated redemption price at maturity (or, in the case of a Note issued with OID, its adjusted issue price), the amount of the difference will be treated as market discount, unless this difference is less than a specified de minimis amount. A U.S. Holder must treat any gain it recognizes on the maturity or disposition of a market discount Note as ordinary income to the extent of the accrued market discount on such Note. Alternatively, such U.S. Holder may elect to include market discount in income currently over the life of such Note. If a U.S. Holder makes this election, it will apply to all debt instruments with market discount that a U.S. Holder acquires on or after the first day of the first taxable year to which the election applies. A U.S. Holder may not revoke this election without the consent of the Internal Revenue Service. If a U.S. Holder owns a market discount Note and does not make this election, it will generally be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or disposition of such Note. A U.S. Holder will accrue market discount on a market discount Note on a straight-line basis unless it elects to accrue market discount using a constant yield to maturity method. If such U.S. Holder makes this election, it will apply only to the Note with respect to which it is made and such U.S. Holder may not revoke it.

Sale, Exchange or Retirement or Other Disposition

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. Subject to the discussion above under "*Market Discount*," A U.S. Holder generally will recognise gain or loss on the sale, exchange, retirement or other disposition of a Note equal to the difference between the amounts realised on the sale, exchange, retirement or other disposition (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. Additionally, special rules apply to gains or losses on Contingent Notes as described above. The amount realized on a sale, exchange, retirement or other disposition for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale, exchange, retirement or other disposition 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, exchange, retirement or other disposition of a Note (other than gain or loss that is attributable to accrued but unpaid stated interest or OID (which will be taxed as described above in "*Interest*"), or to changes in exchange rates (which will be taxed as described below in "*Sale, Exchange, Retirement or Other Disposition of Foreign Currency*") 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 realised by a U.S. Holder on the sale, exchange, retirement or other disposition of a Note generally will be U.S. source income or loss. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their tax advisers as to the foreign tax credit implications of such sale, exchange, retirement or other disposition of Notes

Sale, Exchange, Retirement or Other Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale, exchange, retirement or other disposition 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, exchange, retirement 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.

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 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.

Foreign Asset Reporting

Certain United States persons that own "specified foreign financial assets," including securities issued by any foreign person either directly or indirectly or through certain foreign financial institutions are subject to tax reporting obligations, if the aggregate value of all of those assets exceeds U.S. $50,000 on the last day of the taxable year or U.S. $75,000 at any time during the taxable year. The new reporting requirement applies to individuals and, if specified by the Internal Revenue Service, domestic entities formed or available of for the purposes of holding, directly or indirectly, specified foreign financial assets. The Notes may be treated as specified foreign financial assets, and investors may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to an investor subject to the new reporting requirement that fails to file information reports. Each prospective investor that is a United States person should consult its own tax advisor regarding the new information reporting obligation.

Medicare Tax

For taxable years beginning after December 31, 2012, certain U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to an additional 3.8% Medicare tax on some or all of such U.S. Holder's "net investment income." Net investment income generally includes interest on, and gain from the disposition of, the Notes unless such interest income or gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders should consult their own tax advisors regarding the effect this new legislation may have, if any, on their acquisition, ownership or disposition of 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, including withholding 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*" and "*Foreign Account Tax Compliance Act*", 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

For non-corporate U.S. holders, information reporting requirements will apply to payments of principal and interest on the Notes, in each case, if such payments are made within the United States or paid by or through a custodian, nominee or other agent that is a United States Controlled Person, as defined below. Backup withholding will apply to such payments for a non-corporate U.S. holder that (i) fails to provide an accurate taxpayer identification number, (ii) in the case of interest payments, fails to certify that such holder is not subject to backup withholding, or (iii) is notified by the IRS that such holder has failed to report all interest and dividends required to be shown on United States federal income tax returns.

For non-U.S. holders, backup withholding and information reporting generally will not apply to payments of principal and interest on the Notes (assuming that any gain or income with respect to the Guaranteed Notes is otherwise exempt from United States federal income tax), but such holders may be required to comply with certification and identification procedures or otherwise establish an exemption. If non-U.S. holders are paid proceeds of a sale or redemption of Notes effected at the United States office of a broker, such holders generally will be subject to the information reporting and backup withholding rules described in the preceding sentence. In addition, the information reporting rules will apply to payments of proceeds of a sale effected at a foreign office of a broker that is a United States Controlled Person, unless the broker has documentary evidence that such holder is not a United States person (and has no actual knowledge or reason to know to the contrary) or the holder otherwise establishes an exemption.

A "United States Controlled Person" is: (i) a United States person; (ii) a controlled foreign corporation for United States federal income tax purposes; (iii) a foreign person 50% or more of whose gross income is derived for United States federal income tax purposes from a United States trade or business for a specified three-year period; or (iv) a foreign partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in a United States trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder of Notes generally will be allowed as a refund or a credit against such holder's United States federal income tax liability as long as such holder provides the required information to the IRS.

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. Even if the conditions specified in one or more 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 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 depositaries.

(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 RESALES 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 11 (*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 11 (*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 13 (*Events of Default*).

SUBSCRIPTION AND SALE

*Notes may be sold from time to time by DBK to any one or more of J.P. Morgan Securities plc, VTB Capital plc, JSC Halyk Finance and any other 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 13 November 2012, (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.

Other Relationships

Certain of the Arrangers, Dealers and their respective affiliates have provided from time-to-time in the past, and may provide in the future, investment banking, transaction banking, commercial lending, consulting and financial advisory services to DBK for which they have received, and may receive in the future, customary advisory and transaction fees and expense reimbursement.

On 5 November 2012, VTB Capital plc launched an offer to purchase up to U.S.$500,000,000 aggregate principal amount of DBK's existing Series 5 Eurobonds on the terms set out in the offer to purchase memorandum dated 5 November 2012. All of the Arrangers and Dealers have been appointed as dealer managers in connection with such offer to purchase pursuant to the terms of a dealer manager agreement dated 5 November 2012, which includes (among other things) an agreement by DBK to pay the dealer managers certain fees and expenses in connection with their role as dealer managers and to indemnify VTB Capital plc, as offeror, and the dealer managers for certain losses incurred pursuant to the offer to purchase or transactions related thereto.

In addition, DBK has entered into an exchange settlement agreement with VTB Capital plc pursuant to which DBK intends to exchange those of its Series 5 Eurobonds tendered by holders of such notes purchased by VTB Capital plc under the offer to purchase for new Notes to be issued under the Programme.

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 15 November 2012.

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 FMSC 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 a resolution passed by DBK's Board of Directors on 15 October 2012, as amended by a resolution of DBK's Board of Directors passed on 25 October 2012. 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

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which DBK is aware), during the 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past, a significant effect on the financial position or profitability of DBK or 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 2011, 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 2012.

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 unqualified opinions thereon. See also "*Presentation of Financial and Other Information*".

KMPG have reviewed the Unaudited Consolidated 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 Consolidated 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.

INDEX TO FINANCIAL STATEMENTS

Development Bank
of Kazakhstan

Development Bank of Kazakhstan JSC

Unaudited Consolidated Interim Condensed Financial Statements

for the nine-month period ended
30 September 2012

Contents

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E-mail: company@kpmg.kz

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Board of Directors and the Management Board of Development Bank of Kazakhstan JSC

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Development Bank of Kazakhstan JSC and its subsidiary as at 30 September 2012, and the related consolidated interim condensed statements of comprehensive income for the three- and the nine-month periods ended 30 September 2012 and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2012, and notes to the interim financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2012 and for the three and nine-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matter

The corresponding figures for the three- and nine–month periods ended 30 September 2011 are not reviewed.

Irmatov R. I.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No МФ-0000053 of 6 January 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

30 October 2012

		Unaudited Nine-month period ended		Unaudited Three-month period ended	
	Note	30 September 2012 '000 KZT	30 September 2011 '000 KZT	30 September 2012 '000 KZT	30 September 2011 '000 KZT
Interest income	4	44,734,562	37,794,335	14,325,686	11,808,600
Interest expense	4	(26,795,707)	(25,469,883)	(9,127,130)	(9,110,778)
Net interest income		**17,938,855**	**12,324,452**	**5,198,556**	**2,697,822**
Fee and commission income		208,777	150,364	111,509	46,739
Fee and commission expense		(58,595)	(2,469,859)	(26,851)	(26,959)
Net fee and commission income/(expense)		**150,182**	**(2,319,495)**	**84,658**	**19,780**
Net foreign exchange (loss)/gain		(288,464)	1,535	(465,728)	(1,067,834)
Net realised gain/(loss) on available-for-sale financial assets		1,218,382	(200,135)	1,374,134	1
Net gain/(loss) on derivative financial instruments		779,736	(1,144,908)	945,771	(286,300)
Gain on repurchase of debt securities issued		15,131	46,017	-	-
Other (expenses)/income, net		(10,890)	204,788	103,233	185,939
Operating income		**19,802,932**	**8,912,254**	**7,240,624**	**1,549,408**
Recovery of/(charge for) impairment losses	5	1,256,861	(29,064,612)	(42,397)	(7,950,298)
General administrative expenses		(2,804,599)	(2,398,907)	(932,706)	(805,181)
Profit/(loss) before taxes		**18,255,194**	**(22,551,265)**	**6,265,521**	**(7,206,071)**
Income tax (expense)/benefit	6	(172,637)	2,135,863	231,908	(171,856)
Profit/(loss) for the period		**18,082,557**	**(20,415,402)**	**6,497,429**	**(7,377,927)**
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		13,774,418	(36,575,730)	2,797,224	(15,527,506)
Net change in fair value of available-for-sale financial assets transferred to profit and loss		(1,218,382)	200,135	(1,374,134)	188,885
Net unrealised loss on hedging instruments, net of tax		(163,251)	(244,669)	(163,251)	(289,048)
Other comprehensive income/(loss) for the period		**12,392,785**	**(36,620,264)**	**1,259,839**	**(15,627,669)**
Total comprehensive income/(loss) for the period		**30,475,342**	**(57,035,666)**	**7,757,268**	**(23,005,596)**

The consolidated interim condensed financial statements as set out on pages 5 to 19 were approved by the Management Board on 30 October 2012 and were signed on its behalf by:

Kussainov Nurlan Zhetpisovich
Chairman of the Management Board

Mamekova Saule Mamyrovna
Chief Accountant

The consolidated interim condensed statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 11 to 19.

	Note	Unaudited 30 September 2012 '000 KZT	31 December 2011 '000 KZT
ASSETS			
Cash and cash equivalents		119,067,979	143,500,233
Placements with banks and other financial institutions		81,704,833	23,416,538
Amounts receivable under reverse repurchase agreements		10,536,610	42,300,979
Loans to customers	7	295,910,475	275,447,425
Finance lease receivables		22,021,194	22,704,741
Available-for-sale financial assets			
- Held by the Group	8	369,307,430	358,285,039
- Pledged under foreign currency swap	8	3,515,299	3,460,811
- Pledged under repurchase agreements	8	1,120,224	-
Held-to-maturity investments		3,093,399	2,934,619
Equipment and intangible assets		234,459	235,572
Advances for finance leases		1,969,012	638,486
Assets to be transferred under finance lease agreements		2,887,989	1,230,219
Other assets		6,787,666	6,013,445
Current tax asset		162,265	162,418
Deferred tax assets		8,880,434	8,989,106
Derivative financial instruments	9	102,884	590,271
Total assets		**927,302,152**	**889,909,902**
LIABILITIES			
Current accounts and deposits from customers		3,502,266	1,255,592
Loans from the Government of the Republic of Kazakhstan		25,469,896	25,908,867
Loan from the Parent Company		13,314,489	12,868,576
Loans from banks and other financial institutions		431,569,661	440,203,216
Government grants		10,988,260	11,517,777
Amounts payable under repurchase agreements		1,004,043	-
Debt securities issued	10	179,638,213	164,855,253
Subordinated debt	11	3,442,423	5,050,819
Other liabilities		10,556,471	9,242,252
Derivative financial instruments	9	7,166,429	7,916,263
Total liabilities		**686,652,151**	**678,818,615**
EQUITY			
Share capital	12	258,667,510	255,975,958
Reserve capital		17,712,311	17,712,311
Hedging reserve		(163,251)	-
Revaluation reserve for available-for-sale financial assets		15,586,322	3,030,286
Accumulated losses		(51,152,891)	(65,627,268)
Total equity		**240,650,001**	**211,091,287**
Total liabilities and equity		**927,302,152**	**889,909,902**

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 11 to 19.

	Unaudited Nine-month period ended 30 September 2012 '000 KZT	Unaudited Nine-month period ended 30 September 2011 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	41,870,938	36,441,383
Interest payments	(27,616,425)	(27,081,603)
Fee and commission receipts	275,508	229,018
Fee and commission payments	(67,599)	(1,346,383)
Net (payments)/receipts from foreign exchange	(69,571)	224,654
Net receipts from derivative financial instruments	208,912	225,789
Other (payments)/receipts, net	(12,248)	143,151
General and administrative payments	(2,549,783)	(1,888,352)
	12,039,732	**6,947,657**
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	(58,053,495)	2,010,256
Amounts receivable under reverse repurchase agreements	29,996,250	3,188,004
Loans to customers	(10,477,963)	12,831,967
Finance lease receivables	1,769,692	(2,472,258)
Advances for finance leases	(2,253,334)	96,823
Assets to be transferred under finance lease agreements	-	(60,540)
Derivative financial instruments	7,785	37,150
Other assets	(801,675)	221,835
Increase/(decrease) in operating liabilities		
Loans from the Government of the Republic of Kazakhstan	(471,435)	1,425,058
Loans from the Parent Company	-	15,000,000
Loans from banks and other financial institutions	(9,951,925)	(78,427,766)
Current accounts and deposits from customers	2,280,806	1,641,581
Amounts payable under repurchase agreements	1,004,000	20,377,000
Other liabilities	672,501	(1,106,237)
Net cash used in operating activities before taxes paid	**(34,239,061)**	**(18,289,470)**
Income tax paid	(22,576)	(23,920)
Cash flows used in operating activities	**(34,261,637)**	**(18,313,390)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment and intangible assets	(70,738)	(105,584)
Disposal of equipment and intangible assets	-	6,538
Acquisition of held-to-maturity investments	(106,495)	(2,084,395)
Acquisition of available-for-sale financial assets	(34,207,714)	(77,201,719)
Disposal and redemption of available-for-sale financial assets	35,035,515	46,457,278
Cash flows from/(used in) investing activities	**650,568**	**(32,927,882)**

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 11 to 19.

	Unaudited Nine-month period ended 30 September 2012 '000 KZT	Unaudited Nine-month period ended 30 September 2011 '000 KZT
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued	2,691,552	-
Proceeds from subordinated debt issued	106,495	2,084,395
Other distributions (Note 11)	(5,384,679)	(6,220,846)
Proceeds from debt securities issued	11,384,105	46,696,592
Repurchase of debt securities issued	(367,835)	(911,701)
Cash flows from financing activities	**8,429,638**	**41,648,440**
Net decrease in cash and cash equivalents	**(25,181,431)**	**(9,592,832)**
Effects of exchange rate changes on cash and cash equivalents	749,177	137,722
Cash and cash equivalents at the beginning of the period	143,500,233	198,229,869
Cash and cash equivalents at the end of the period	**119,067,979**	**188,774,759**

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 11 to 19.

	Share capital '000 KZT	Reserve capital '000 KZT	Hedging reserve '000 KZT	Revaluation reserve for available-for-sale financial assets '000 KZT	Accumulated losses '000 KZT	Total equity '000 KZT
Balance at 1 January 2011	**255,975,958**	**17,712,311**	**(342,869)**	**36,668,457**	**(42,132,841)**	**267,881,016**
Loss for the period (unaudited)	-	-	-	-	(20,415,402)	(20,415,402)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets (unaudited)	-	-	-	(36,575,730)	-	(36,575,730)
Net change in fair value of available-for-sale financial assets transferred to profit or loss (unaudited)	-	-	-	200,135	-	200,135
Net unrealised loss on hedging instruments, net of tax of KZT 61,167 thousand (unaudited)	-	-	(244,669)	-	-	(244,669)
Total other comprehensive loss (unaudited)	-	-	(244,669)	(36,375,595)	-	(36,620,264)
Total comprehensive loss for the period (unaudited)	**-**	**-**	**(244,669)**	**(36,375,595)**	**(20,415,402)**	**(57,035,666)**
Transactions with owners, recorded directly in equity						
Other distributions (unaudited)	-	-	-	-	(4,864,651)	(4,864,651)
Total transaction with owners (unaudited)	**-**	**-**	**-**	**-**	**(4,864,651)**	**(4,864,651)**
Balance at 30 September 2011 (unaudited)	**255,975,958**	**17,712,311**	**(587,538)**	**292,862**	**(67,412,894)**	**205,980,699**

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 11 to 19.

	Share capital '000 KZT	Reserve capital '000 KZT	Hedging reserve '000 KZT	Revaluation reserve for available-for-sale financial assets '000 KZT	Accumulated losses '000 KZT	Total equity '000 KZT
Balance at 1 January 2012	**255,975,958**	**17,712,311**	-	**3,030,286**	**(65,627,268)**	**211,091,287**
Profit for the period (unaudited)	-	-	-	-	18,082,557	18,082,557
Other comprehensive income						
Net change in fair value of available-for-sale financial assets (unaudited)	-	-	-	13,774,418	-	13,774,418
Net change in fair value of available-for-sale financial assets transferred to profit or loss (unaudited)	-	-	-	(1,218,382)	-	(1,218,382)
Net unrealised loss on hedging instruments, net of tax of KZT 40,813 thousand (unaudited)	-	-	(163,251)	-	-	(163,251)
Total other comprehensive income (unaudited)	-	-	(163,251)	12,556,036	-	12,392,785
Total comprehensive income for the period (unaudited)	-	-	**(163,251)**	**12,556,036**	**18,082,557**	**30,475,342**
Transactions with owners, recorded directly in equity						
Shares issued (Note 12) (unaudited)	2,691,552	-	-	-	-	2,691,552
Other distributions (Note 11) (unaudited)	-	-	-	-	(3,608,180)	(3,608,180)
Total transactions with owners (unaudited)	**2,691,552**	-	-	-	**(3,608,180)**	**(916,628)**
Balance at 30 September 2012 (unaudited)	**258,667,510**	**17,712,311**	**(163,251)**	**15,586,322**	**(51,152,891)**	**240,650,001**

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 11 to 19.

1 Background

(a) Principal activities

These consolidated interim condensed financial statements include the financial statements of the Development Bank of Kazakhstan JSC (the "Bank") and its subsidiary, DBK Leasing JSC (together referred to as the "Group").

Development Bank of Kazakhstan JSC was established in the Republic of Kazakhstan as a joint-stock company under the laws of the Republic of Kazakhstan as defined in the Civil Code of the Republic of Kazakhstan. The Bank was established in 2001 in accordance with the Law of the Republic of Kazakhstan "On the Development Bank of Kazakhstan" # 178-II dated 25 April 2001 (the "Law"). The Bank operates according to the Law, the Statutes of the Development Bank of Kazakhstan and the Memorandum on the crediting policy, approved by the decision of the Sovereign Wealth Fund "Samruk-Kazyna" JSC #63/09 dated 18 June 2009.

The Bank is the national development institution. The main purpose of the Bank is to improve and increase the efficiency of state investment activity, promote the development of production infrastructure and processing industry and assist in attraction of external and internal investment to the national economy.

The Bank's registered office is: 10, Orynbor Street, "Kazyna Tower" Building, Yesil district, Astana, Republic of Kazakhstan.

The Bank is the parent company of a wholly owned subsidiary, DBK Leasing JSC. DBK Leasing JSC (the "Subsidiary") was established on 6 September 2005 in accordance with legislation of the Republic of Kazakhstan. The principal activity of the Subsidiary is financial lease operations.

Eurobonds issued by the Bank are listed on London Stock Exchange, Luxemburg Stock Exchange and Kazakhstan Stock Exchange.

(b) Shareholders

As at 30 September 2012 the sole shareholder of the Bank was Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Parent Company"). In accordance with the Decree of the President of the Republic of Kazakhstan signed on 10 August 2011 the entire amount of ordinary shares of the Bank were transferred into the trust management by the Ministry of Industry and New Technologies of the Republic of Kazakhstan. The ultimate controlling party is the Government of the Republic of Kazakhstan.

(c) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Kazakhstan. The consolidated interim condensed financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

(b) Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Group is the Kazakhstan Tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to it.

The KZT is the Group's presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in KZT has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 6 "Income tax (expense)/benefit", Note 7 "Loans to customers" and Note 9 "Derivative financial instruments".

3 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2011.

4 Interest income and expense

	Unaudited Nine-month period ended		Unaudited Three-month period ended	
	30 September 2012 '000 KZT	30 September 2011 '000 KZT	30 September 2012 '000 KZT	30 September 2011 '000 KZT
Interest income				
Available-for-sale financial assets	20,680,188	18,090,359	6,758,954	6,270,747
Loans to customers	18,607,900	14,482,381	5,756,601	3,961,169
Placements with banks and other financial institutions	2,185,218	1,488,123	936,964	532,535
Amounts receivable under reverse repurchase agreements	1,798,167	2,124,581	346,404	561,430
Finance lease receivables	1,300,419	1,457,667	471,372	431,133
Held-to-maturity investments	162,670	151,224	55,391	51,586
	44,734,562	**37,794,335**	**14,325,686**	**11,808,600**
Interest expense				
Loans from banks and other financial institutions	(18,710,497)	(18,039,719)	(6,359,132)	(6,524,714)
Debt securities issued	(7,440,602)	(7,006,296)	(2,558,834)	(2,412,456)
Loans from the Parent Company	(421,259)	(157,959)	(132,811)	(73,789)
Subordinated debt	(162,670)	(151,224)	(55,391)	(51,586)
Loans from the Government of the Republic of Kazakhstan	(59,534)	(59,534)	(19,845)	(19,845)
Amounts payable under repurchase agreements	(1,117)	(55,136)	(1,117)	(28,388)
Current accounts and deposits from customers	(28)	(15)	-	-
	(26,795,707)	**(25,469,883)**	**(9,127,130)**	**(9,110,778)**

5 Recovery of/(charge for) impairment losses

	Unaudited Nine-month period ended		Unaudited Three-month period ended	
	30 September 2012 '000 KZT	30 September 2011 '000 KZT	30 September 2012 '000 KZT	30 September 2011 '000 KZT
Recovery of/(charge for) impairment losses				
Loans to customers	1,082,908	(27,421,818)	69,683	(8,121,822)
Other assets	186,471	(172,050)	8,355	19,686
Finance lease receivables	23,744	(1,349,689)	(120,435)	151,838
Assets to be transferred under finance lease agreements	(36,262)	(121,055)	-	-
	1,256,861	**(29,064,612)**	**(42,397)**	**(7,950,298)**

6 Income tax (expense)/benefit

	Unaudited Nine-month period ended		Unaudited Three-month period ended	
	30 September 2012 '000 KZT	30 September 2011 '000 KZT	30 September 2012 '000 KZT	30 September 2011 '000 KZT
Current tax expense				
Current period	(22,576)	(23,920)	(8,274)	(6,903)
Underprovided in prior years	(576)	-	(423)	-
	(23,152)	**(23,920)**	**(8,697)**	**(6,903)**
Deferred tax (expense)/benefit				
Origination and reversal of temporary differences	(120,829)	2,605,895	262,309	5,527
Change in unrecognised deferred tax assets	(28,656)	(446,112)	(21,704)	(170,480)
	(149,485)	**2,159,783**	**240,605**	**(164,953)**
Total income tax (expense)/benefit in the consolidated interim condensed statement of comprehensive income	**(172,637)**	**2,135,863**	**231,908**	**(171,856)**

The Group's applicable tax rate for current and deferred tax is 20% (31 December 2011: 20%).

Reconciliation of effective tax rate:

	Unaudited Nine-month period ended 30 September 2012 '000 KZT	%	Unaudited Nine-month period ended 30 September 2011 '000 KZT	%	Unaudited Three-month period ended 30 September 2012 '000 KZT	%	Unaudited Three-month period ended 30 September 2011 '000 KZT	%
Profit/(loss) before taxes	**18,255,194**	**100**	**(22,551,265)**	**100**	**6,265,521**	**100**	**(7,206,071)**	**100**
Income tax (expense)/benefit at the applicable tax rate	(3,651,039)	(20)	4,510,253	(20)	(1,253,105)	(20)	1,441,214	(20)
Non-deductible impairment losses	(617,323)	(3)	(1,786,991)	8	(27,775)	-	(1,670,601)	23
Non-taxable income on securities	4,162,530	23	-	-	1,477,105	24	-	-
Other non-deductible expense	(14,997)	-	(117,367)	1	66,084	1	234,914	(3)
Income tax withheld at source	(22,576)	-	(23,920)	-	(8,274)	-	(6,903)	-
Underprovided in prior years	(576)	-	-	-	(423)	-	-	-
Change in unrecognised deferred tax assets	(28,656)	-	(446,112)	2	(21,704)	-	(170,480)	2
	(172,637)	**(1)**	**2,135,863**	**(9)**	**231,908**	**4**	**(171,856)**	**2**

6 Income tax (expense)/benefit, continued

Non-taxable income on securities is primarily comprised of interest income on certain securities which can be utilised to decrease the amount of taxable income. During the nine-month period ended 30 September 2011 the Group did not have taxable income against which such interest income could have been utilised.

Recognised deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 30 September 2012 and 31 December 2011. These deferred tax assets have been recognised in these consolidated interim condensed financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

7 Loans to customers

	Unaudited 30 September 2012 '000 KZT	31 December 2011 '000 KZT
Loans to large corporates	390,259,365	375,899,260
Mortgage loans	569,698	630,400
Interest accrued	30,391,145	24,145,486
Total loans to customers	**421,220,208**	**400,675,146**
Impairment allowance	(125,309,733)	(125,227,721)
Net loans to customers	**295,910,475**	**275,447,425**

Movements in the loan impairment allowance for the nine-month periods ended 30 September 2012 and 2011 are as follows:

	Unaudited 30 September 2012 '000 KZT	Unaudited 30 September 2011 '000 KZT
Balance at the beginning of the period	(125,227,721)	(91,164,246)
Net recovery/(charge) for the period	1,082,908	(27,421,818)
Effect of foreign currency movements	(1,186,539)	(449,185)
Write-offs	21,619	-
Balance at the end of the period	**(125,309,733)**	**(119,035,249)**

7 Loans to customers, continued

Credit quality of loan portfolio

The following table provides information on the credit quality of the loan portfolio at 30 September 2012:

	Unaudited Gross loans '000 KZT	Unaudited Impairment '000 KZT	Unaudited Net loans '000 KZT	Unaudited Impairment to gross loans %
Loans without individual signs of impairment	196,939,735	(2,263,269)	194,676,466	1.15
Impaired loans:				
- not past due	25,621,036	(4,942,083)	20,678,953	19.29
- overdue less than 90 days	27,578,981	(6,978,444)	20,600,537	25.30
- overdue more than 90 days and less than 360 days	7,058,619	(4,009,878)	3,048,741	56.81
- overdue more than 360 days	164,021,837	(107,116,059)	56,905,778	65.31
Total impaired loans	**224,280,473**	**(123,046,464)**	**101,234,009**	**54.86**
Total loans	**421,220,208**	**(125,309,733)**	**295,910,475**	**29.75**

The following table provides information on the credit quality of the loan portfolio at 31 December 2011:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Loans without individual signs of impairment	184,901,998	(7,396,695)	177,505,303	4.00
Impaired loans:				
- not past due	28,728,333	(5,236,833)	23,491,500	18.23
- overdue less than 90 days	4,131,470	(2,197,271)	1,934,199	53.18
- overdue more than 90 days and less than 360 days	35,325,431	(14,497,310)	20,828,121	41.04
- overdue more than 360 days	147,587,914	(95,899,612)	51,688,302	64.98
Total impaired loans	**215,773,148**	**(117,831,026)**	**97,942,122**	**54.61**
Total loans	**400,675,146**	**(125,227,721)**	**275,447,425**	**31.25**

In determining the impairment allowance for loans to legal entities, management made the following key assumptions:

- historic annual loss rate adjusted to reflect the effects of current conditions of 1.15% (31 December 2011: 4.00%). The loss rate decreased during the nine-month period ended 30 September 2012 due to continuing dilution of losses incurred in prior periods and due to refinement of the collective loss assessment model by disaggregating sub-portfolio with a lower credit risk.
- a discount of between 20% and 70% to the originally appraised value if the property pledged is sold.
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

7 Loans to customers, continued

Credit quality of loan portfolio, continued

Changes in these estimates could affect the loan impairment allowance. If the net present value of the estimated cash flows differs by one percent, the loan impairment provision on loans to customers as of 30 September 2012 would be KZT 2,959,105 thousand (31 December 2011: KZT 2,754,474 thousand) lower or higher.

As at 30 September 2012, included in the loan portfolio is one renegotiated loan that would otherwise be past due or impaired of KZT 7,857,309 thousand (31 December 2011: two loans of KZT 9,549,669 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

Significant credit exposures

As at 30 September 2012, the Group had two borrowers whose balances exceeded 10% of equity. The gross value of these loans as at 30 September 2012 was KZT 117,479,485 thousand (31 December 2011: KZT 108,248,541 thousand).

8 Available-for-sale financial assets

	Unaudited 30 September 2012 '000 KZT	31 December 2011 '000 KZT
Held by the Group		
Debt instruments		
Corporate bonds	192,745,129	186,265,455
Bonds of Kazakh banks	91,849,870	80,281,155
Bonds of the Sovereign Wealth Fund "Samruk-Kazyna" JSC	43,722,982	43,200,679
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	22,817,806	31,360,325
Bonds of Kazakh credit institutions, other than banks	8,802,243	9,112,176
Bonds of OECD banks	8,186,183	7,070,881
Treasury bills of the Treasury Department of the United States of America	754,610	757,993
Recovery notes of Kazakh banks	428,607	236,375
	369,307,430	**358,285,039**
Pledged under foreign currency swap		
Debt instruments		
Treasury bills of the Treasury Department of the United States of America	3,515,299	3,460,811
	3,515,299	**3,460,811**
Pledged under repurchase agreements		
Debt instruments		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,120,224	-
	1,120,224	**-**

During the nine-month period ended 30 September 2012, the Group recognised a gain on bonds of National Company "Kazmunaigaz" JSC and "Kazakhtelecom" JSC of KZT 9,960,516 thousand in other comprehensive income as part of revaluation reserve for available-for-sale financial assets, as a result of changes in the observable market inputs used in estimation of the discount rates in determination of fair value.

9 Derivative financial instruments

Significant foreign currency transactions

The Group had the following derivative financial instruments:

Type of instrument	Notional amount	Maturity	Payments made by the Group	Payments received by the Group	Fair value Asset	Fair value Liability
30 September 2012						
Foreign currency swap	USD 160,000,000	16/02/14	USD 160,000,000 at maturity	KZT'000 20,644,800 at maturity	-	(3,782,763)
Foreign currency swap	USD 122,349,103	27/06/14	USD 122,349,103 at maturity	KZT'000 15,557,912 at maturity	-	(3,290,890)
Cross-currency interest rate swap (hedging instrument)	MYR 240,000,000	03/08/17	Fixed 4.95% p.a. and USD 76,093,449 at maturity	Fixed 5.5% p.a. and MYR 240,000,000 at maturity	102,884	(92,776)
					102,884	**(7,166,429)**

The Group had the following derivative financial instruments:

Type of instrument	Notional amount	Maturity	Payments made by Group	Payments received by Group	Fair value Asset	Fair value Liability
31 December 2011						
Foreign currency swap	USD 160,000,000	16/02/14	USD 160,000,000 at maturity	KZT'000 20,644,800 at maturity	-	(3,988,012)
Foreign currency swap	USD 122,349,103	27/06/14	USD 122,349,103 at maturity	KZT'000 15,557,912 at maturity	-	(3,357,706)
Non-deliverable foreign currency forward	USD 100,000,000	31/05/12	USD 100,000,000 at maturity	KZT'000 14,435,000 at maturity	-	(286,999)
Non-deliverable foreign currency forward	USD 50,000,000	07/06/12	USD 50,000,000 at maturity	KZT'000 7,221,000 at maturity	-	(283,546)
Non-deliverable foreign currency forward	USD 100,000,000	31/05/12	KZT'000 14,415,000 at maturity	USD 100,000,000 at maturity	293,410	-
Non-deliverable foreign currency forward	USD 50,000,000	07/06/12	KZT'000 7,211,000 at maturity	USD 50,000,000 at maturity	296,861	-
					590,271	**(7,916,263)**

The entire carrying amount of the hedging derivative financial instrument as at 30 September 2012 comprises fair value of a cross-currency interest rate swap to exchange MYR 240,000 thousand for USD 76,093 thousand on 3 August 2012 and make a reverse exchange on 3 August 2017. The Group pays an interest of 4.95% p.a. in USD and receives an interest of 5.5% p.a. in MYR semi-annually during the duration of the swap.

9 Derivative financial instruments, continued

Significant foreign currency transactions, continued

For hedging purposes this swap agreement was split by the Group into two synthetic sub-swap agreements that were designed as cash flow hedges of the foreign exchange rate risk associated with the future cash outflows on MYR 240,000 thousand Islamic medium term notes "Sukuk Al-Murabahah" (Note 10) and the foreign exchange rate risk associated with the portion of exposure from future cash inflows from USD denominated debt instrument in the portfolio of available-for-sale assets.

10 Debt securities issued

On 3 August 2012, the Group issued MYR 240,000 thousand (KZT 11,524,800 thousand) Islamic medium term notes "Sukuk Al-Murabahah" which bear an interest rate of 5.5% p.a. and mature in August 2017. These notes as issued by the Group meet the definition of a financial liability and are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

11 Subordinated debt

The entire amount of the subordinated debt is represented by subordinated bonds issued to the Parent Company. The bonds are denominated in KZT, mature in September 2059 and bear a fixed interest rate of 0.01% per annum. In addition, the bonds have a discretionary coupon of 4.99% per annum, based on a notional amount of KZT 93,259,334 thousand as at 30 September 2012 (31 December 2011: KZT 93,152,839 thousand), which the Group can unilaterally and unconditionally waive with no further obligation.

The discretionary coupon for the nine–month period ended 30 September 2012 of KZT 3,608,180 thousand was recognised as "other distributions" in equity as the management expects not to waive the discretionary coupon, and the amount of other distributions paid was KZT 5,384,679 thousand.

As at 30 September 2012, included in the amount of subordinated debt is accrued discretionary coupon of KZT 349,723 thousand (31 December 2011: KZT 2,119,227 thousand).

12 Share capital

During the nine-month period ended 30 September 2012, the Bank issued 2,994 ordinary shares with a nominal value of KZT 668,000 each and 1 ordinary share with a nominal value of KZT 691,560,619. All ordinary shares were issued at their nominal value.

13 Risk management

Management of risk is fundamental to the business of the Group and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, which includes interest rate, currency and price risk, credit risk and liquidity risk.

As at 30 September 2012, the most significant changes in relation to market, credit and liqudity risks since 31 December 2011 were the change in the credit risk of loans to customers discussed in Note 7.

14 Analysis by segment

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Group's assets are concentrated in the Republic of Kazakhstan, and the Group's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman, only receives and reviews the information on the Group as a whole.

DEVELOPMENT BANK OF KAZAKHSTAN

Development Bank of Kazakhstan JSC

Consolidated Financial Statements

for the year ended 31 December 2011

Contents

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Independent Auditors' Report

To the Board of Directors of Development Bank of Kazakhstan JSC

We have audited the accompanying consolidated financial statements of Development Bank of Kazakhstan JSC and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Nigay A.N.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No 536 of 10 January 2003

Alun Bowen
Managing Partner

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

28 February 2012

	Note	2011 KZT'000	2010 KZT'000
Interest income	4	60,402,700	53,956,104
Interest expense	4	(35,068,000)	(29,996,707)
Net interest income		**25,334,700**	**23,959,397**
Fee and commission income	5	200,983	203,208
Fee and commission expense	6	(4,433,777)	(86,454)
Net fee and commission (expense)/income		**(4,232,794)**	**116,754**
Net foreign exchange gain	7	243,652	395,413
Net realised (loss)/gain on available-for-sale financial assets		(111,753)	863,707
Net (loss)/gain on derivative financial instruments	8	(2,181,458)	399,973
Gain on repurchase of debt securities issued		46,007	567,491
Other income, net	9	30,764	414,572
Operating income		**19,129,118**	**26,717,307**
Impairment losses	10	(35,603,607)	(19,787,009)
General administrative expenses	11	(3,641,092)	(2,842,274)
(Loss)/profit before income tax		**(20,115,581)**	**4,088,024**
Income tax benefit/(expense)	12	3,113,650	(1,861,866)
(Loss)/profit for the year		**(17,001,931)**	**2,226,158**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	18	(33,749,924)	1,557,863
Net change in fair value of available-for-sale financial assets transferred to profit or loss		111,753	(953,736)
Net unrealised gain on hedging instruments, net of tax of KZT 11,094 thousand (31 December 2010: KZT 94,098 thousand)		44,379	504,832
Net unrealised loss on hedging instruments, net of tax of KZT 74,623 thousand transferred to profit or loss	31(b)	298,490	-
Other comprehensive (loss)/income for the year		**(33,295,302)**	**1,108,959**
Total comprehensive (loss)/income for the year		**(50,297,233)**	**3,335,117**

The consolidated financial statements as set out on pages 5 to 73 were approved by the Management Board of the Bank on 28 February 2012 and were signed on its behalf by:

Kussainov Nurlan Zhetpisovich
Chairman of the Management Board

Mamekova Saule Mamyrovna
Chief Accountant

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	Note	2011 KZT'000	2010 KZT'000
ASSETS			
Cash and cash equivalents	13	143,500,233	198,229,869
Placements with banks and other financial institutions	14	23,416,538	25,030,901
Amounts receivable under reverse repurchase agreements	15	42,300,979	33,194,707
Loans to customers	16	275,447,425	320,890,895
Finance lease receivables	17	22,704,741	24,565,877
Available-for-sale financial assets			
- Held by the Group	18	358,285,039	335,703,432
- Pledged under foreign currency swap	18	3,460,811	2,931,290
Held-to-maturity investments	19	2,934,619	2,707,099
Equipment and intangible assets	20	235,572	190,157
Advances for finance leases		638,486	333,124
Assets to be transferred under finance lease agreements		1,230,219	1,411,789
Other assets	21	6,013,445	6,732,447
Current tax asset		162,418	188,248
Deferred tax assets	22	8,989,106	6,058,441
Derivative financial instruments	31	590,271	442,500
Total assets		**889,909,902**	**958,610,776**
LIABILITIES			
Current accounts and deposits from customers	23	1,255,592	1,706,272
Loans from the Government of the Republic of Kazakhstan	24	25,908,867	24,023,328
Loans from the Parent Company	25	12,868,576	2,420,070
Loans from banks and other financial institutions	26	440,203,216	517,302,044
Government grants	27	11,517,777	11,133,326
Debt securities issued	28	164,855,253	117,706,938
Subordinated debt	29	5,050,819	4,542,761
Other liabilities	30	9,242,252	4,428,201
Derivative financial instruments	31	7,916,263	7,466,820
Total liabilities		**678,818,615**	**690,729,760**
EQUITY			
Share capital	32	255,975,958	255,975,958
Reserve capital	33	17,712,311	17,712,311
Hedging reserve		-	(342,869)
Revaluation reserve for available-for-sale financial assets		3,030,286	36,668,457
Accumulated losses		(65,627,268)	(42,132,841)
Total equity		**211,091,287**	**267,881,016**
Total liabilities and equity		**889,909,902**	**958,610,776**
Commitments and Contingencies	36, 38		

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	2011 KZT'000	2010 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	44,601,521	33,467,933
Interest payments	(33,012,393)	(23,295,685)
Fee and commission receipts	932,683	205,670
Fee and commission payments	(2,099,866)	(97,160)
Net receipts from foreign exchange	165,223	389,191
Net receipts for derivative financial instruments	332,291	147,073
Other receipts, net	41,373	331,391
Other general administrative payments	(3,427,093)	(2,572,825)
	7,533,739	**8,575,588**
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	1,200,774	19,399,107
Amounts receivable under reverse repurchase agreements	(6,786,996)	(33,184,254)
Loans to customers	25,284,262	(128,630,607)
Finance lease receivables	(1,670,419)	(976,275)
Advances for finance leases	(305,362)	150,827
Assets to be transferred under finance lease agreements	(83,974)	(52,305)
Derivative financial instruments	37,090	(1,883)
Other assets	(2,022,807)	2,308,339
Increase/(decrease) in operating liabilities		
Loans from the Government of the Republic of Kazakhstan	1,885,539	(6,862,759)
Loans from the Parent Company	15,000,000	5,000,000
Loans from banks and other financial institutions	(81,314,268)	81,910,334
Current accounts and deposits from customers	(401,852)	(42,990,907)
Other liabilities	293,340	(259,994)
Net cash used in operating activities before taxes paid	**(41,350,934)**	**(95,614,789)**
Income tax paid	(28,126)	(71,021)
Cash flows used in operating activities	**(41,379,060)**	**(95,685,810)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	2011 KZT'000	2010 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment and intangible assets	(145,733)	(98,324)
Disposal of equipment and intangible assets	2,196	2,070
Acquisition of held-to-maturity investments	(2,084,395)	-
Acquisition of available-for-sale financial assets	(94,900,314)	(180,139,967)
Disposal and redemption of available-for-sale financial assets	41,292,124	79,451,937
Cash flows used in investing activities	**(55,836,122)**	**(100,784,284)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subordinated debt issued	2,084,395	37,926,074
Other distributions	(6,220,845)	(3,565,885)
Proceeds from debt securities issued	46,696,592	72,836,537
Repurchase of debt securities issued	(914,743)	(5,740,750)
Cash flows from financing activities	**41,645,399**	**101,455,976**
Net decrease in cash and cash equivalents	**(55,569,783)**	**(95,014,118)**
Effect of changes in exchange rates on cash and cash equivalents	840,147	(72,227)
Cash and cash equivalents at the beginning of the year	198,229,869	293,316,214
Cash and cash equivalents at the end of the year (Note 13)	**143,500,233**	**198,229,869**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	Share capital KZT'000	Reserve capital KZT'000	Hedging reserve KZT'000	Revaluation reserve for available-for-sale financial assets KZT'000	Accumulated losses KZT'000	Total equity KZT'000
Balance at 1 January 2010	**255,975,958**	**17,666,734**	**(847,701)**	**36,064,330**	**(39,817,384)**	**269,041,937**
Total comprehensive income						
Profit for the year	-	-	-	-	2,226,158	2,226,158
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	1,557,863	-	1,557,863
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(953,736)	-	(953,736)
Net unrealised gain on hedging instruments, net of tax of KZT 94,098 thousand	-	-	504,832	-	-	504,832
Total other comprehensive income	-	-	504,832	604,127	-	1,108,959
Total comprehensive income for the year	**-**	**-**	**504,832**	**604,127**	**2,226,158**	**3,335,117**
Transactions with owners, recorded directly in equity						
Other distributions (Note 29)	-	-	-	-	(4,496,038)	(4,496,038)
Transfer to reserve capital	-	45,577	-	-	(45,577)	-
Total transactions with owners	**-**	**45,577**	**-**	**-**	**(4,541,615)**	**(4,496,038)**
Balance at 31 December 2010	**255,975,958**	**17,712,311**	**(342,869)**	**36,668,457**	**(42,132,841)**	**267,881,016**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	Share capital KZT'000	**Reserve capital KZT'000**	**Hedging reserve KZT'000**	**Revaluation reserve for available-for-sale financial assets KZT'000**	**Accumulated losses KZT'000**	**Total equity KZT'000**
Balance at 1 January 2011	**255,975,958**	**17,712,311**	**(342,869)**	**36,668,457**	**(42,132,841)**	**267,881,016**
Total comprehensive income						
Loss for the year	-	-	-	-	(17,001,931)	(17,001,931)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	(33,749,924)	-	(33,749,924)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	111,753	-	111,753
Net unrealised gain on hedging instruments, net of tax of KZT 11,094 thousand	-	-	44,379	-	-	44,379
Net unrealised loss on hedging instruments, net of tax of KZT 74,623 thousand transferred to profit or loss	-	-	298,490	-	-	298,490
Total other comprehensive income	-	-	342,869	(33,638,171)	-	(33,295,302)
Total comprehensive loss for the year	**-**	**-**	**342,869**	**(33,638,171)**	**(17,001,931)**	**(50,297,233)**
Transactions with owners, recorded directly in equity						
Other distributions (Note 29)	-	-	-	-	(6,492,496)	(6,492,496)
Total transactions with owners	**-**	**-**	**-**	**-**	**(6,492,496)**	**(6,492,496)**
Balance at 31 December 2011	**255,975,958**	**17,712,311**	**-**	**3,030,286**	**(65,627,268)**	**211,091,287**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

1 Background

(a) Principal activities

These consolidated financial statements include the financial statements of Development Bank of Kazakhstan JSC (the "Bank") and its subsidiary, DBK Leasing JSC (together referred to as the "Group").

Development Bank of Kazakhstan JSC was established in the Republic of Kazakhstan as a joint-stock company in 2001 in accordance with the Law of the Republic of Kazakhstan "On the Development Bank of Kazakhstan" # 178-II dated 25 April 2001 as amended as at the date of preparation of these consolidated financial statements (the "Law"). The Bank operates according to the Law, the Charter of the Development Bank of Kazakhstan and the Memorandum on the crediting policy, approved by the decision of the Sovereign Wealth Fund "Samruk-Kazyna" JSC #63/09 dated 18 June 2009 amended as at the date of the consolidated financial statements.

The Bank is a national development institution. The main purpose of the Bank is to improve and increase the efficiency of state investment activity, promote the development of production infrastructure and processing industry and assistance in attraction of external and internal investments to the national economy.

The Bank's registered office is: 10, Orynbor Street, "Kazyna Tower" Building, Yesil district, Astana, Republic of Kazakhstan.

The Bank is the parent company of a wholly owned consolidated subsidiary, DBK Leasing JSC. DBK Leasing JSC (the "Subsidiary") was established on 6 September 2005 in accordance with legislation of the Republic of Kazakhstan. The principal activity of the Subsidiary is financial lease operations.

Eurobonds issued by the Bank are listed on London Stock Exchange, Luxembourg Stock Exchange and Kazakhstan Stock Exchange (the "KASE").

The Bank is a member of Association of Development Financing Institutions in Asia and the Pacific ("ADFIAP") and SCO Interbank Consortium.

(b) Shareholders

As at 31 December 2011 and 2010 the sole shareholder of the Bank was Sovereign Wealth Fund "Samruk-Kazyna" JSC, the "Parent Company". In accordance with the Decree of the President of the Republic of Kazakhstan signed on 10 August 2011 the entire amount of ordinary shares of the Bank were transferred into the trust management by the Ministry of Industry and New Technologies of the Republic of Kazakhstan. The ultimate controlling party is the Government of the Republic of Kazakhstan. Related party transactions are detailed in Note 39.

(c) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Kazakhstan. The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that available-for-sale financial assets and financial instruments at fair value through profit or loss and derivatives designated as hedging instruments are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Group is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to it.

The KZT is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 12 "Income tax benefit/(expense)", Note 16 "Loans to customers", Note 17 "Finance lease receivables" and Note 31 "Derivative financial instruments".

(e) Changes in accounting policies and presentation

With effect from 1 January 2011, the Group retrospectively applied the revised version of IAS 24 (issued in 2009) *Related Party Disclosures*. This change has not had a significant impact on the related party disclosures.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, except as explained in Note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan (the "NBRK") and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Placements with banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of an allowance for impairment losses, if any.

(e) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

3 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative 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.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method and,
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value on transactions with the Parent Company at origination is credited or charged to equity. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(iv) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iv) Fair value measurement principles, continued

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(vi) Derecognition, continued

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

(vii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(viii) Derivative financial instruments

Derivative financial instruments include swap, forward, futures and spot transactions.

According to existing policy of the Group, some 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.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

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. The Group 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 a 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;

3 Significant accounting policies, continued

(e) Financial instruments, continued

(viii) Derivative financial instruments, continued

- 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 probable 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 the 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.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Leases

The Group's lease transactions are classified as either financing or operating leases at inception in accordance with IAS 17 _Leases._

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The indicators for finance lease classification are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset or,
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The Group as a lessor initially measures finance leases at an amount equal to the net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

3 Significant accounting policies, continued

(g) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value. The cost of foreclosed assets is based on the specific identification principle, and recorded at net book value of the underlying lease base at foreclosure date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Equipment

(i) Owned assets

Items of equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Computers and equipment	3 to 5 years;
Vehicles	6 to 7 years;
Furniture and other equipment	1 to 10 years.

(i) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are from one to five years.

(j) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (“loans and receivables”). The Group 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 the Group on terms that the Group 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 the group.

3 Significant accounting policies, continued

(j) Impairment, continued

(i) Financial assets carried at amortised cost, continued

The Group 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 the Group 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, the Group 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. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and can not be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial 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.

3 Significant accounting policies, continued

(j) Impairment, continued

(iii) Available-for-sale financial assets, continued

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.

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised as a "deferred income" in other liabilities.

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 determined as described in Note 3(e) (iii) and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

(l) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3 Significant accounting policies, continued

(m) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments and letters of credit.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except for the following:

- loan commitments that the Group designates as financial liabilities at fair value through profit or loss;
- if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- commitments to provide a loan at a below-market interest rate.

(n) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax assets 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.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3 Significant accounting policies, continued

(p) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Finance lease organisation fees, lease servicing fees and other fees that are considered to be integral to the overall profitability of a finance lease, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(q) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2011, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008).

3 Significant accounting policies, continued

(r) New standards and interpretations not yet adopted, continued

When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.
- Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets* introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognised in their entirety or where the assets are derecognised in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designated to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. The amendment is effective for annual periods beginning on or after 1 July 2011.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2012. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2011 KZT'000	2010 KZT'000
Interest income		
Loans to customers	28,649,486	23,760,605
Available-for-sale financial assets	24,920,974	20,188,491
Amounts receivable under reverse repurchase agreements	2,812,573	81,641
Placements with banks and other financial institutions	1,923,942	7,846,258
Finance lease receivables	1,891,467	1,929,471
Held-to-maturity investments	204,258	149,638
	60,402,700	**53,956,104**
Interest expense		
Loans from banks and other financial institutions	(24,959,236)	(26,171,415)
Debt securities issued	(9,449,463)	(3,468,664)
Loans from the Parent Company	(319,772)	(119,685)
Subordinated debt	(204,258)	(149,638)
Loans from the Government of the Republic of Kazakhstan	(79,378)	(79,447)
Amounts payable under repurchase agreements	(55,834)	(6,770)
Current accounts and deposits from customers	(59)	(1,088)
	(35,068,000)	**(29,996,707)**

Included within various line items under interest income for the year ended 31 December 2011 is a total of KZT 13,159,441 thousand (2010: KZT 10,217,342 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2011 KZT'000	2010 KZT'000
Expert commission on loans not entered to	150,902	129,644
Foreign exchange fees	20,564	39,333
Transfer services	3,581	12,896
Commission on finance lease	7,686	7,163
Letters of credit	1,721	1,825
Other	16,529	12,347
	200,983	**203,208**

6 Fee and commission expense

	2011 KZT'000	2010 KZT'000
Loan prepayment fees	2,406,692	-
Undrawn loan arrangement fee	1,866,659	-
Fees and commissions related to eurobonds	93,594	465
Securities operations	46,481	53,871
Custodial services	9,485	9,248
Credit card maintenance	5,124	4,852
Maintenance of current accounts	4,890	16,252
Transfer services	666	1,249
Other	186	517
	4,433,777	**86,454**

Loan prepayment fees relate to the prepayment of a USD 500,000 thousand loan from the Export-Import Bank of China (Note 26) and comprise the unamortised portion of loan origination fees equivalent to KZT 937,092 thousand and a prepayment fee of 2% of the principal equivalent to KZT 1,469,600 thousand.

Undrawn loan arrangement fee relates to the undrawn part of a USD 5,000,000 thousand credit facility provided by the Export-Import Bank of China (Note 21).

7 Net foreign exchange gain

	2011 KZT'000	2010 KZT'000
Dealing, net	130,666	365,927
Translation differences, net	112,986	29,486
	243,652	**395,413**

8 Net (loss)/gain on derivative financial instruments

	2011 KZT'000	2010 KZT'000
Realised gain on derivative financial instruments	332,291	147,073
Unrealised loss from inefficiency of cash flow hedge	(4,371)	(42,362)
Unrealised (loss)/gain from revaluation of derivative financial instruments	(2,509,378)	295,262
	(2,181,458)	**399,973**

9 Other income, net

	2011 KZT'000	2010 KZT'000
Fines and penalties	93,128	393,091
Income from decrease in value added tax rate	-	8,900
Other expense	(12,969)	(8,223)
Other (loss)/income from non-banking activity	(49,395)	20,804
	30,764	**414,572**

10 Impairment losses

	2011 KZT'000	2010 KZT'000
Loans to customers (Note 16)	33,338,809	18,834,236
Finance lease receivables (Note 17)	2,050,135	295,088
Assets to be transferred under finance lease agreements	121,055	-
Other assets (Note 21)	93,608	657,685
	35,603,607	**19,787,009**

11 General administrative expenses

	2011 KZT'000	2010 KZT'000
Payroll and related taxes	2,052,887	1,903,250
Occupancy	313,849	287,096
Professional services	307,346	91,163
Taxes other than on income	226,616	124,693
Insurance	108,134	17,107
Communication and information services	107,601	106,725
Depreciation and amortisation	98,124	58,915
Business travel	84,828	55,890
Training and seminars	71,266	13,345
Advertising and marketing	48,943	20,402
Rating services	40,744	33,730
Repair and maintenance	39,390	45,393
Office supplies	27,988	26,021
Conferences	24,526	-
Representative expenses	16,842	9,741
Transportation	15,411	16,072
Security	11,969	10,988
Other	44,628	21,743
	3,641,092	**2,842,274**

12 Income tax benefit/(expense)

	2011 KZT'000	2010 KZT'000
Current tax expense		
Current year	(28,126)	(71,021)
Over provided in prior years	125,394	57,590
	97,268	**(13,431)**
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	3,512,596	(1,720,508)
Change in unrecognised deferred tax assets	(496,214)	(127,927)
	3,016,382	**(1,848,435)**
Total income tax benefit/(expense)	**3,113,650**	**(1,861,866)**

The Group's applicable tax rate for current and deferred tax is 20% (2010: 20%).

12 Income tax benefit/(expense), continued

Reconciliation of effective tax rate:

	2011 KZT'000	%	2010 KZT'000	%
(Loss)/profit before income tax	**(20,115,581)**	**100**	**4,088,024**	**100**
Income tax at the applicable tax rate	4,023,116	(20)	(817,605)	20
Non-taxable income on securities	2,288,199	(11)	-	-
(Other non-deductible expense)/non-taxable income	(706,694)	4	275,477	(7)
Effect of change in rate applicable to deferred taxes	-	-	860,292	(21)
Income tax withheld at source	(28,126)	-	(71,021)	2
Over provided in prior years	125,394	(1)	57,590	(1)
Non-deductile impairment losses	(2,125,809)	11	(2,038,672)	50
Change in unrecognised deferred tax assets	(462,430)	2	(127,927)	3
	3,113,650	**(15)**	**(1,861,866)**	**46**

Non-deductible impairment losses arose in respect of loans to related parties and securities that will not be deductible for tax purposes in the future.

13 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows comprise the following:

	2011 KZT'000	2010 KZT'000
Demand deposits		
National Bank of the Republic of Kazakhstan		
Rated BBB+	847,162	-
Rated BBB	-	97,946,556
Other banks		
Rated from AA- to AA+	-	16,225,090
Rated from A- to A+	-	22,225,595
Rated from B- to B+	500,167	47,567,461
Total demand deposits	**1,347,329**	**183,964,702**
Cash at current bank accounts		
National Bank of the Republic of Kazakhstan		
Rated BBB+	75,268,514	-
Rated BBB	-	8,191,536
Other banks		
Rated from AA- to AA+	58,973,530	2,864,211
Rated from A- to A+	1,345,138	716,213
Rated from BBB- to BBB+	646,624	221,311
Rated from BB- to BB+	8,384	-
Rated from B- to B+	5,910,666	2,271,488
Total cash at current bank accounts	**142,152,856**	**14,264,759**
Cash on hand	48	408
	143,500,233	**198,229,869**

None of cash equivalents are impaired or past due.

Concentration of cash and cash equivalents

As at 31 December 2011 the Group had two banks (31 December 2010: two banks), whose balances exceeded 10% of equity. The gross value of these balances as of 31 December 2011and 2010 was KZT 127,709,119 thousand and KZT 150,404,686 thousand, respectively.

14 Placements with banks and other financial institutions

	2011 KZT'000	2010 KZT'000
Not impaired or past due		
Loans and deposits		
Rated from AA- to AA+	112,004	297,733
Rated from B- to B+	23,304,534	24,733,168
	23,416,538	**25,030,901**

As at 31 December 2011 placements with banks included a deposit of KZT 112,004 thousand, which served as a margin deposit on a foreign currency swap with Morgan Stanley (31 December 2010: KZT 297,733 thousand).

15 Amounts receivable under reverse repurchase agreements

In December 2010 the Group concluded reverse repurchase agreements with Alliance Bank JSC in the amount of KZT 29,996,250 thousand maturing in July 2012 and on the "automatic repo" market on the KASE in the amount of KZT 1,450,000, which matured in January 2011.

In October 2011 the Group concluded additional reverse repurchase agreements with Alliance Bank JSC in the amount of KZT 9,975,000 thousand maturing in April 2013.

As at 31 December 2011, included in amounts receivable under reverse repurchase agreements is accrued interest income of KZT 2,329,729 thousand (31 December 2010: KZT 10,453 thousand).

Collateral

As at 31 December 2011 and 2010 amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2011 KZT'000	2010 KZT'000
Bonds of the Sovereign Wealth Fund "Samruk-Kazyna" JSC	37,392,720	28,745,003
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	3,480,304
	37,392,720	**32,225,307**

16 Loans to customers

	2011 KZT'000	2010 KZT'000
Loans to large corporates	375,899,260	394,412,955
Mortgage loans	630,400	673,905
Interest accrued	24,145,486	16,968,281
Gross loans to customers	**400,675,146**	**412,055,141**
Impairment allowance	(125,227,721)	(91,164,246)
Net loans to customers	**275,447,425**	**320,890,895**

Movements in the loan impairment allowance for the year ended 31 December 2011 and 2010 are as follows:

	2011 KZT'000	2010 KZT'000
Balance at the beginning of the year	(91,164,246)	(79,540,418)
Net charge for the year	(33,338,809)	(18,834,236)
Effect of foreign currency movements	(599,223)	509,583
Recovery of accrued interest previously written-off	(125,443)	-
Write-offs	-	6,700,825
Balance at the end of the year	**(125,227,721)**	**(91,164,246)**

The following table provides information on the credit quality of the loan portfolio at 31 December 2011:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Loans without individual signs of impairment	184,901,998	(7,396,695)	177,505,303	4.00
Impaired loans:				
- not past due	28,728,333	(5,236,833)	23,491,500	18.23
- overdue less than 90 days	4,131,470	(2,197,271)	1,934,199	53.18
- overdue more than 90 days and less than 360 days	35,325,431	(14,497,310)	20,828,121	41.04
overdue more than 360 days	147,587,914	(95,899,612)	51,688,302	64.98
Total impaired loans	215,773,148	(117,831,026)	97,942,122	54.61
Total loans	**400,675,146**	**(125,227,721)**	**275,447,425**	**31.25**

16 Loans to customers, continued

(a) Credit quality of loan portfolio

The following table provides information on the credit quality of the loan portfolio at 31 December 2010:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Loans without individual signs of impairment	208,906,622	(6,348,264)	202,558,358	3.04
Impaired loans:				
- not past due	58,288,337	(12,989,951)	45,298,386	22.29
- overdue less than 90 days	35,636,521	(21,803,839)	13,832,682	61.18
- overdue more than 90 days and less than 360 days	67,287,448	(24,279,753)	43,007,695	36.08
- overdue more than 360 days	41,936,213	(25,742,439)	16,193,774	61.38
Total impaired loans	203,148,519	(84,815,982)	118,332,537	41.75
Total loans	**412,055,141**	**(91,164,246)**	**320,890,895**	**22.12**

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

– overdue payments under the loan agreement;

– significant difficulties in the financial conditions of the borrower;

– deterioration in business environment, negative changes in the borrower's markets.

The Group estimates loan impairment for loans to large corporates based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to large corporates, management made the following key assumptions:

– historic annual loss rate adjusted to reflect the effects of current conditions of 4.00%;

– a discount of between 20% and 70% to the originally appraised value if the property pledged is sold;

– a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment allowance. If the net present value of the estimated cash flows differs by one percent, the loan impairment provision on loans to customers as of 31 December 2011 would be KZT 2,754,474 thousand (31 December 2010: KZT 3,208,909 thousand) lower or higher.

As at 31 December 2011 included in the loan portfolio are two renegotiated loans that would otherwise be past due or impaired of KZT 9,549,669 thousand (31 December 2011: five loans of KZT 23,036,253 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

16 Loans to customers, continued

(a) Credit quality of loan portfolio, continued

Analysis of collateral

The following table provides an analysis of the commercial loan portfolio, net of impairment, by types of collateral:

	31 December 2011 KZT'000	%	31 December 2010 KZT'000	%
Mixed types of collateral	126,242,306	46	142,150,507	45
Motor vehicles and equipment	64,577,804	23	70,256,951	22
Guarantees of other companies	62,266,307	23	62,348,621	19
Guarantees of financial institutions	9,135,947	3	26,414,550	8
Guarantees of the Government of the Republic of Kazakhstan	7,348,452	3	7,533,187	2
Cash	2,608,560	1	9,341,651	3
Real estate	1,958,677	1	2,845,428	1
Guarantees of the Parent company	1,309,372	-	-	-
Total	**275,447,425**	**100**	**320,890,895**	**100**

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. Mixed types of collateral include property complexes, equipment, vehicles, land, guarantees, construction in progress, and other.

Loans to corporate customers that are past due or impaired

Impaired or overdue loans to corporate customers are secured by collateral with a fair value of KZT 74,891,113 thousand (2010: KZT 40,016,647 thousand), excluding the effect of overcollateralisation.

Loans to corporate customers that are neither past due nor impaired

As at 31 December 2011 the fair value of cash balances, serving as collateral for loans to corporate customers, is KZT 2,968,000 thousand (2010: nil).

For remaining loans to corporate customers with a net carrying amount of KZT 175,908,487 thousand (2010: KZT 201,919,599 thousand), which are neither past due nor impaired, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

As at 31 December 2011, for loans to corporate customers that are neither past due nor impaired with a carrying amount of KZT 92,900,002 thousand (2010: KZT 95,592,408 thousand) management estimates that the fair value of collateral is at least equal to their carrying amounts.

Collateral obtained

During the year ended 31 December 2011 the Group did not obtain any assets by taking control of collateral accepted as security for loans.

During the year ended 31 December 2010 the Group performed collection activities in relation to certain impaired loans, as a result of which, the Group received securities that were classified as available-for-sale with an initial fair value of KZT 3,422,345 thousand and cash of KZT 7,128,769 thousand by exercising guarantees of financial institutions in relation to certain loans past due. The remaining amount after collection activities in the amount of KZT 5,273,626 thousand was written-off as uncollectible. In addition to these loans the Group also wrote off loans of KZT 1,427,199 thousand determined as non-recoverable.

16 Loans to customers, continued

(b) Industry and geographical analysis of the loan portfolio

Loans to customers are issued primarily to customers located within the Republic of Kazakhstan and the Russian Federation, who operate in the following economic sectors:

	2011 KZT'000	2010 KZT'000
Mining, metallurgy and mineral resources	86,306,230	96,242,661
Agriculture	67,499,209	52,359,990
Oil and gas	51,026,583	49,006,284
Textile	35,675,480	34,485,127
Transportation and warehousing	33,015,847	33,167,233
Energy and electricity distribution	26,756,753	36,255,912
Construction materials	26,359,473	25,342,668
Chemical	20,929,904	20,389,255
Manufacturing	19,688,108	18,501,516
Paper-pulp	13,520,883	13,200,958
Food processing	9,409,527	9,588,780
Machinery-producing	7,765,793	7,782,737
Mortgage	630,400	673,905
Telecommunication	559,011	925,643
Fishery	306,568	295,000
Electric equipment	146,454	284,383
Other	1,078,923	13,553,089
	400,675,146	**412,055,141**
Impairment allowance	(125,227,721)	(91,164,246)
Total loans to customers	**275,447,425**	**320,890,895**

(c) Significant credit exposures

As at 31 December 2011 and 2010 the Group had two borrowers whose balances exceeded 10% of equity. The gross value of these loans as of 31 December 2011 was KZT 108,248,541 thousand (31 December 2010: KZT 105,868,724 thousand).

(d) Loan maturities

The maturity of the Group's loan portfolio is presented in Note 34, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio.

17 Finance lease receivables

The components of net investments in finance lease as at 31 December 2011 and 2010 are as follows:

	2011 '000 KZT	2010 '000 KZT
Within one year	11,373,816	10,622,229
More than one year, but less than five years	15,215,622	14,777,275
More than five years	4,666,446	5,132,758
Minimum lease payments	**31,255,884**	**30,532,262**
Less unearned finance income		
Less than one year	(1,496,893)	(1,207,267)
From one to five years	(3,472,710)	(3,133,657)
More than five years	(517,800)	(430,918)
Less unearned finance income, total	**(5,487,403)**	**(4,771,842)**
Less impairment allowance	(3,063,740)	(1,194,543)
Net investment in finance lease	**22,704,741**	**24,565,877**

	2011 KZT'000	2010 KZT'000
Leases to large corporates	24,664,557	24,575,361
Leases to small and medium size companies	1,103,924	1,185,059
Less impairment allowance	(3,063,740)	(1,194,543)
Net investment in finance lease	**22,704,741**	**24,565,877**

In 2011 the Group clarified classification of certain lessees between "leases to small and medium size companies" and "leases to large corporate" categories based on updated information. Net investment in finance lease as at 31 December 2010 reflects a transfer from "leases to small and medium size companies" to "leases to large corporate" in the amount of KZT 5,003,213 thousand made for consistency of presentation.

Movements in the lease impairment allowance for the years ended 31 December 2011 and 2010 are as follows:

	2011 KZT'000	2010 KZT'000
Balance at the beginning of the year	(1,194,543)	(1,054,685)
Net charge for the year	(2,050,135)	(295,088)
Transfer to other assets	159,081	-
Write-offs for the year	21,857	155,230
Balance at the end of the year	**(3,063,740)**	**(1,194,543)**

Embedded derivative

The repayment of investment in finance leases of KZT 23,304,265 thousand (2010: KZT 22,874,662 thousand) is in part linked to any appreciation in the rate of the USD or EUR against the KZT. If these foreign currencies appreciate, the amount receivable is increased by the respective index. If these foreign currencies depreciate, the amount receivable is not adjusted below the original outstanding amount in KZT.

These embedded derivatives recorded at fair value in the financial statements. The estimated amount of the embedded derivative, which is included in finance lease receivables as at 31 December 2011 is KZT 2,204,756 thousand (31 December 2010: KZT 4,025,336 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model (Note 41).

17 Finance lease receivables, continued

Embedded derivative, continued

The management uses the following assumptions for valuation of the embedded derivative:

- risk-free rates are estimated using yield curves for respective currencies and ranged from 0.47% to 1.09% for USD, from 1.40% to 1.46% for EUR, and from 2.17% to 3.09% for KZT;
- volatility in the model is defined based on the historical one-year observations of fluctuations in actual foreign exchange rates;
- no transaction cost is included in the model.

If the spreads between KZT and USD (or EUR as appropriate) risk-free rates narrowed by 0.5% across all the contracts the fair value of derivative would have decreased by KZT 74,120 thousand. Increase of volatility by 50% would result in increase of the fair value of derivative by KZT 13,966 thousand.

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2011:

	Gross finance leases KZT’000	Impairment KZT’000	Net finance leases KZT’000	Impairment as a percentage of gross finance lease %
Leases to large corporates				
Leases for which no impairment has been identified:				
- not overdue	14,235,293	(571,107)	13,664,186	4.01
-overdue more than 5 days and less than 90 days	958,090	(38,438)	919,652	4.01
- overdue more than 90 days and less than 360 days	167,447	(6,718)	160,729	4.01
- overdue more than 360 days	426,649	(17,117)	409,532	4.01
Impaired leases:				
- overdue more than 90 days and less than 360 days	616,262	(70,750)	545,512	11.48
- overdue more than 360 days	8,260,816	(2,058,325)	6,202,491	24.92
Total leases to large corporate customers	**24,664,557**	**(2,762,455)**	**21,902,102**	**11.20**
Leases to small and medium size companies				
Leases for which no impairment has been identified:				
- not overdue	155,636	(6,244)	149,392	4.01
Impaired leases:				
- overdue more than 360 days	948,288	(295,041)	653,247	31.11
Total leases to small and medium size companies	**1,103,924**	**(301,285)**	**802,639**	**27.29**
Total finance leases	**25,768,481**	**(3,063,740)**	**22,704,741**	**11.89**

17 Finance lease receivables, continued

Credit quality of finance lease portfolio, continued

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2010:

	Gross finance leases KZT'000	Impairment KZT'000	Net finance leases KZT'000	Impairment as a percentage of gross finance lease %
Leases to large corporates				
Leases for which no impairment has been identified:				
- not overdue	17,128,677	(384,720)	16,743,957	2.25
- overdue more than 90 days and less than 360 days	597,854	(13,452)	584,402	2.25
- overdue more than 360 days	5,029,240	(113,158)	4,916,082	2.25
Impaired leases:				
- overdue more than 360 days	1,819,590	(520,832)	1,298,758	28.62
Total leases to large corporate customers	**24,575,361**	**(1,032,162)**	**23,543,199**	**4.20**
Leases to small and medium size companies				
Leases for which no impairment has been identified:				
- not overdue	305,380	(6,874)	298,506	2.25
- overdue more than 90 days and less than 360 days	594,865	(13,355)	581,510	2.25
Impaired leases:				
- overdue more than 360 days	284,814	(142,152)	142,662	49.91
Total leases to small and medium size companies	**1,185,059**	**(162,381)**	**1,022,678**	**13.70**
Total finance leases	**25,760,420**	**(1,194,543)**	**24,565,877**	**4.64**

The Group has estimated impairment for finance leases based on an analysis of the future cash flows for impaired lease receivables and based on current economic conditions for portfolios of finance leases for which no indications of impairment has been identified.

In determining the collective impairment allowance for finance lease receivables, the management has assumed an annual loss rate of 4.01% and 2.25% for 2011 and 2010, respectively, which is based on historic loss experience adjusted for current economic conditions.

Changes in these estimates could affect the lease impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment provision on finance leases as at 31 December 2011 would be KZT 227,047 thousand lower/higher (31 December 2010: KZT 245,659 thousand).

During the year ended 31 December 2011 the Group renegotiated leases that would otherwise be past due or impaired of KZT 4,201,588 thousand (31 December 2010: KZT 3,310,859 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

17 Finance lease receivables, continued

Analysis of collateral

The following table provides the analysis of financial lease portfolio, net of impairment, by types of collateral as at 31 December 2011 and 2010:

	2011		2010	
	'000 KZT	% of loan portfolio	'000 KZT	% of loan portfolio
Transport vehicles and equipment	12,944,698	57	13,732,723	56
Mixed type of collateral	9,760,043	43	10,833,154	44
	22,704,741	**100**	**24,565,877**	**100**

Financial leases that are past due or impaired

Impaired or overdue financial leases are secured by collateral with a fair value of KZT 8,819,786 thousand (2010: KZT 14,386,734 thousand), excluding the effect of overcollateralisation.

Financial leases that are neither past due nor impaired

For remaining leases with a net carrying amount of KZT 13,813,578 thousand (2010: KZT 17,042,463 thousand), which are neither past due nor impaired, the fair value of collateral was estimated at the inception of the leases and was not adjusted for subsequent changes to the reporting date. The recoverability of these leases is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

Collateral obtained

During the year ended 31 December 2011 the Group obtained assets with the carrying amount of KZT 207,092 thousands by taking control of collateral securing leases (2010: nil).

18 Available-for-sale financial assets

	2011 KZT'000	2010 KZT'000
Held by the Group		
Debt instruments		
Corporate bonds	186,265,455	211,788,248
Bonds of Kazakh banks	80,281,155	36,677,694
Bonds of the Sovereign Wealth Fund "Samruk-Kazyna" JSC	43,200,679	28,282,315
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	31,360,325	43,120,388
Bonds of Kazakh credit institutions, other than banks	9,112,176	9,340,988
Bonds of OECD banks	7,070,881	5,981,680
Treasury bills of the Treasury Department of the United States	757,993	83,487
Recovery notes of Kazakh banks	236,375	428,632
	358,285,039	**335,703,432**
Pledged under foreign currency swap		
Debt instruments		
Treasury bills of the Treasury Department of the United States	3,460,811	2,931,290
	3,460,811	**2,931,290**

18 Available-for-sale financial assets, continued

The following table presents information on the credit quality of available-for-sale financial assets:

	2011 KZT'000	2010 KZT'000
Rated AAA	4,218,804	3,014,777
Rated A- to A+	7,070,881	5,981,680
Rated BBB- to BBB+	221,970,260	235,575,397
Rated from BB- to BB+	89,736,948	52,357,384
Rated from B- to B+	34,721,041	38,203,640
Rated C	236,375	-
Not rated	3,791,541	3,501,844
	361,745,850	**338,634,722**

During the year ended 31 December 2011 the Group has revised assumptions regarding discount rates applied in determination of fair value of bonds of National Company "Kazmunaigaz" JSC and Kazakhtelecom JSC following changes in appropriate observable market inputs. As a result a loss of KZT 31,672,142 thousand has been recognised in other comprehensive income as part of revaluation reserve for available-for-sale financial assets.

On 18 April 2011 the Group purchased bonds of the Parent Company with a nominal value of KZT 18,000,000 thousand. These bonds are denominated in KZT, pay a coupon of 5.89% p.a. and mature in September 2017. These bonds were purchased at 100.39 per cent of par.

Reclassifications out of available-for-sale financial assets

With effect from October 2010, the Group reclassified bonds of the Parent Company classified as available-for-sale to held-to-maturity investments following the lapse of the tainting period. For reclassified available-for-sale financial assets that would have met the definition of held-to-maturity investments, the Group has the intention and ability to hold them for foreseeable future or until maturity. As at the date of reclassification, fair value of those assets amounted to KZT 2,175,533 thousand.

Unquoted debt and equity securities

As at 31 December 2011 included in available-for-sale financial assets are unquoted debt securities with a fair value of KZT 174,721,623 thousand (31 December 2010: KZT 210,790,358 thousand).

Analysis of movements in the impairment allowance

	2011 KZT'000	2010 KZT'000
Balance at the beginning of the year	-	(4,731,504)
Write-offs	-	4,731,504
Balance at the end of the year	**-**	**-**

During the year ended 31 December 2010 the Group wrote-off impairment allowances in relation to defaulted bonds of BTA Bank JSC, which were disposed of or replaced with ordinary shares, bonds and recovery notes upon the completion of its restructuring program, and Alliance Bank JSC, which were replaced with bonds upon the completion of its restructuring program.

19 Held-to-maturity investments

	2011 KZT'000	2010 KZT'000
Bonds of the Sovereign Wealth Fund "Samruk-Kazyna" JSC		
Rated BBB+	2,934,619	-
Rated BBB	-	2,707,099
	2,934,619	**2,707,099**

During the year ended 31 December 2011 the Group purchased bonds of the Parent Company for their nominal value of KZT 2,084,395 thousand. The bonds have a term of 50 years, are denominated in KZT and pay a coupon of 0.01% p.a. At initial recognition the bonds were measured at fair value of KZT 32,149 thousand by applying an appropriate market interest rate. The receipt occurred simultaneously with the issue of subordinated securities for the same consideration under terms discussed in Note 29.

During the year ended 31 December 2010 the Group received bonds of the Parent Company with a nominal value of KZT 37,926,074 thousand. The bonds have a term of 50 years, are denominated in KZT and pay a coupon of 0.01% p.a. At initial recognition the bonds were measured at fair value of KZT 745,577 thousand by applying an appropriate market interest rate. The receipt occurred simultaneously with issue of subordinated securities for the same consideration under terms discussed in Note 29.

20 Equipment and intangible assets

KZT'000	Computers and equipment	Vehicles	Intangible assets	Other	Total
Cost					
At 1 January 2010	126,231	61,804	219,784	126,894	534,713
Additions	16,522	20,828	50,400	10,574	98,324
Disposals	(4,821)	(10,511)	-	(158)	(15,490)
At 31 December 2010	137,932	72,121	270,184	137,310	617,547
Additions	78,726	5,535	43,401	18,071	145,733
Disposals	(15,174)	(5,798)	(8,844)	(15,246)	(45,062)
Transfer	2,615	-	-	(2,615)	-
At 31 December 2011	**204,099**	**71,858**	**304,741**	**137,520**	**718,218**
Depreciation/amortisation					
At 1 January 2010	(102,925)	(40,597)	(168,577)	(71,866)	(383,965)
Depreciation and amortisation charge	(12,223)	(7,231)	(24,151)	(15,310)	(58,915)
Disposals	4,821	10,511	-	158	15,490
At 31 December 2010	(110,327)	(37,317)	(192,728)	(87,018)	(427,390)
Depreciation and amortisation charge	(30,915)	(9,017)	(44,337)	(13,855)	(98,124)
Disposals	15,167	5,798	8,725	13,178	42,868
Transfer	(2,094)	-	-	2,094	-
At 31 December 2011	**(128,169)**	**(40,536)**	**(228,340)**	**(85,601)**	**(482,646)**
Net book value					
At 1 January 2010	23,306	21,207	51,207	55,028	150,748
At 31 December 2010	27,605	34,804	77,456	50,292	190,157
At 31 December 2011	**75,930**	**31,322**	**76,401**	**51,919**	**235,572**

21 Other assets

	2011 KZT'000	2010 KZT'000
Loan arrangement fee prepaid	5,001,288	4,883,763
Fines and penalties accrued	899,082	896,768
Accrued commission income	560,893	1,306,056
Foreclosed assets	361,450	31,678
Prepayments	162,073	87,031
Taxes recoverable other than income tax	150,140	268,274
Materials and supplies	27,412	27,290
Trade and other receivables	16,903	85,758
Equity investments	2,809	2,806
Other	13,572	2,198
	7,195,622	**7,591,622**
Impairment allowance	(1,182,177)	(859,175)
	6,013,445	**6,732,447**

Loan arrangement fee prepaid is a paid commitment charge attributable to the undrawn part of a credit facility provided by the Export-Import Bank of China (Note 26), deferred pending recognition as an adjustment to the effective interest rate of the loan at receipt. During the year ended 31 December 2011 the Group accrued an additional commitment fee of KZT 1,984,184 thousand and identified that the drawdown of a certain portion of the undrawn part of this facility is not probable and recognised KZT 1,866,659 thousand in "fee and commission expense" (Note 6).

Included in other assets are non-quoted ordinary equity shares of KASE, which are carried at cost of KZT 2,200 thousand (2010: KZT 2,200 thousand), and the global depository receipts on ordinary shares of Alliance Bank JSC with a carrying value of KZT 609 thousand (2010: KZT 606 thousand), the fair value of which cannot be reliably determined. There is no market for this investment and there have not been any recent transactions that provide evidence of the current fair value.

Analysis of movements in the impairment allowance

	2011 KZT'000	2010 KZT'000
Balance at the beginning of the year	(859,175)	(806,128)
Net charge for the year	(93,608)	(657,685)
Transfer from finance lease receivables	(159,081)	-
Recovery of other assets previously written-off	(108,120)	-
Write-offs	37,807	604,638
Balance at the end of the year	**(1,182,177)**	**(859,175)**

As at 31 December 2011, included in other assets are overdue receivables of KZT 66,142 thousand (2010: KZT 48,401 thousand), of which, KZT 13,420 thousand (2010: KZT 2,444 thousand) are overdue for less than 90 days, KZT 13,180 thousand (2010: KZT 9,402 thousand) are overdue for more than 90 days but less than 360 days and KZT 39,542 thousand (2010: KZT 36,555 thousand) are overdue for more than 360 days.

22 Deferred tax assets

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2011 and 2010. These deferred tax assets have been recognised in these consolidated financial statements except for temporary differences of KZT 748,241 thousand (2010: KZT 285,811 thousand) relating to the Subsidiary that have not been recognised due to uncertainties concerning their realisation. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

These deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2019 and 2020.

Movement in temporary differences during the years ended 31 December 2011 and 2010 are presented as follows:

KZT'000	Balance 1 January 2011	Recognised in income	Recognised in equity	Balance 31 December 2011
Equipment and intangible assets	9,585	1,168	-	10,753
Loans to customers	(14,237,818)	3,084,140	-	(11,153,678)
Other assets	169,903	34,781	-	204,684
Placements with banks	-	(147,565)	-	(147,565)
Accrued interest written-off	492,957	-	-	492,957
Loans from banks and other financial institutions	(2,149,154)	102,966	-	(2,046,188)
Government grants	2,226,665	76,890	-	2,303,555
Loans from the Parent Company	(516,458)	(910,482)	-	(1,426,940)
Debt securities issued	(41,268)	8,926	-	(32,342)
Derivative financial instruments	(94,235)	1,648,184	(85,717)	1,468,232
Tax loss carry-forwards	20,034,607	(1,771,116)	-	18,263,491
Other liabilities	163,657	888,490	-	1,052,147
Net deferred tax assets	**6,058,441**	**3,016,382**	**(85,717)**	**8,989,106**

22 Deferred tax assets, continued

KZT'000	Balance 1 January 2010	Recognised in income	Recognised in equity	Balance 31 December 2010
Equipment and intangible assets	9,316	269	-	9,585
Loans to customers	(2,963,877)	(11,273,941)	-	(14,237,818)
Other assets	-	169,903	-	169,903
Accrued interest written-off	-	492,957	-	492,957
Loans from banks and other financial institutions	(1,972,330)	(176,824)	-	(2,149,154)
Government grants	1,891,899	334,766	-	2,226,665
Loans from the Parent Company	-	(516,458)	-	(516,458)
Debt securities issued	(48,267)	6,999	-	(41,268)
Derivative financial instruments	179,815	(179,952)	(94,098)	(94,235)
Tax loss carry-forwards	10,729,739	9,304,868	-	20,034,607
Other liabilities	174,679	(11,022)	-	163,657
Net deferred tax assets	**8,000,974**	**(1,848,435)**	**(94,098)**	**6,058,441**

23 Current accounts and deposits from customers

	2011 KZT'000	2010 KZT'000
Current accounts and demand deposits	428,617	340,209
Advances received as collateral on liabilities of customers	826,975	1,366,063
	1,255,592	**1,706,272**

The Group carries out functions of an agent of an authorised government body servicing state and municipal budget investment projects (programs) financed on a repayable basis and projects financed on behalf of loans, which are guaranteed by the government and included in the list of priority investment projects approved by the Government of the Republic of Kazakhstan.

24 Loans from the Government of the Republic of Kazakhstan

	2011 KZT'000	2010 KZT'000
Loans from the Government of the Republic of Kazakhstan	24,023,328	24,023,328
Advances for project finance	1,885,539	-
	25,908,867	**24,023,328**

As at 31 December 2011 and 2010 the loans from the Government of the Republic of Kazakhstan comprised long-term loans granted from the state budget that were received as part of a Government program to support certain industries, including textile, gas processing and chemicals. The funds were used to provide loans to these entities at below market rates. Although these loans carry lower-than-market interest rate, upon initial recognition they were recognised at their nominal amount, as it was allowed under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

24 Loans from the Government of the Republic of Kazakhstan, continued

As at 31 December 2011 advances for project finance represent an unutilised part of the loan from the Ministry of Finance of the Republic of Kazakhstan intended for financing of Joint Kazakhstan-Russian Entity "Baiterek" JSC for construction of an air space complex. The loan will be repaid in equal parts from 2011 until 2023. The Group acts as an agent and is not liable for any misuse of the loan by the borrower or any other risks related to the loan.

As of 31 December 2011, included in loans from the Government of the Republic of Kazakhstan is accrued interest expense of KZT 12,522 thousand (31 December 2010: KZT 12,522 thousand).

25 Loans from the Parent Company

As at 31 December 2011 the loans from the Parent Company were represented by two long-term loans granted by Sovereign Wealth Fund "Samruk-Kazyna" JSC.

The loan of KZT 5,000,000 thousand was granted in April 2010 with an interest rate of 0.2% per annum and maturity in November 2029. The loan was provided to finance restructuring of certain borrowers. At initial recognition the loan was recognised at fair value measured by applying a relevant market interest rate. The difference of KZT 2,694,615 thousand between the fair value and the consideration received was recognised as a government grant (Note 27).

The loan of KZT 15,000,000 thousand was granted in August 2011 with an interest rate of 0.2% per annum and maturity in June 2021. The loan was provided to finance restructuring of finance lease receivables by the Group in accordance with the Government Program "Productivity 2020". At initial recognition the loan was recognised at fair value measured by applying a relevant market interest rate. The difference of KZT 4,855,135 thousand between the fair value and the consideration received was recognised as a "deferred income" in other liabilities (Note 30) as there are conditions that may require repayment of the portion of loan not issued to and utilised by the Group.

26 Loans from banks and other financial institutions

	2011 KZT'000	**2010 KZT'000**
Loans with fixed interest rate		
Loans from OECD banks	78,511,325	97,264,859
Loans from non-OECD banks	298,627,275	69,347,355
Total loans with fixed interest rate	**377,138,600**	**166,612,214**
Loans with floating interest rate		
Loans from OECD banks	4,675,296	19,247,202
Loans from non-OECD banks and other financial institutions	67,715,654	295,162,566
Syndicated loan facility	-	44,505,976
Total loans with floating interest rate	**72,390,950**	**358,915,744**
Less unamortised portion of borrowing costs	(9,326,334)	(8,225,914)
	440,203,216	**517,302,044**

26 Loans from banks and other financial institutions, continued

On 20 January 2011 the Group prepaid a loan of USD 500,000 thousand from the Export-Import Bank of China. Upon the prepayment, the Group recognised the unamortised portion of loan origination fees related to this loan equivalent to KZT 937,092 thousand and a prepayment fee of 2% of the principal equivalent to KZT 1,469,600 thousand in “fee and commission expense” (Note 6).

On 21 July 2011 the contract terms of USD 1,000,000 thousand loan facility from the Export-Import Bank of China were modified as follows. Interest rate was modified from a floating rate of six-months LIBOR plus 5.5% p.a. to a fixed rate of 5.8% p.a. The grace period until commencement of redemption of principal was prolonged from January 2012 to January 2017. All costs incurred to modify the original term of the remaining facility have been adjusted in the carrying value of the loan and are amortised over the remaining term of the modified loan.

On 21 June 2011 the Group received a loan of USD 500,000 thousand from the Export-Import Bank of China. The loan bears an interest rate of 5.8% p.a. and matures in July 2019. The principal is repayable in three years starting from January 2017.

During the year ended 31 December 2011 the Group repaid a syndicated loan facility of USD 300,000 thousand from HSBC Bank Plc., ING Bank N.V. and Sumitomo Mitsui Banking Corporation Europe Limited, a loan of USD 100,000 thousand from Bayerische Landesbank and principal amount of USD 128,888 thousand on loans from Credit Suisse and USD 13,000 thousand on loans from China Development Bank.

During the year ended 31 December 2010 the Group received two loans from the Export-Import Bank of China of USD 400,000 thousand and USD 156,000 thousand. The Group also received loans from the Japan Bank for International Cooperation and the Bank of Tokyo Mitsubishi of JPY 2,748,200 thousand and EUR 30,000 thousand, respectively. As at 31 December 2011 these loans bear interest rates ranging from 3% p.a. to 3.55% p.a. and mature between September 2013 and May 2025.

As at 31 December 2011, included in loans from banks and other financial institutions is accrued interest expense of KZT 9,244,471 thousand (31 December 2010: KZT 10,266,417 thousand).

27 Government grants

The Group recorded as government grants the benefits provided by means of a low interest rate on the loan from Fund of Distressed Assets JSC of KZT 11,035,227 thousand and on the loan from the Parent Company of KZT 2,694,615 thousand (Note 25).

Subsequent to initial recognition the Group allocates to profit or loss an amount corresponding to the debt relief provided to the borrowers. During the year ended 31 December 2011 the amount of government grants transferred from profit or loss was KZT 384,451 thousand (31 December 2010: the amount of government grants transferred to profit or loss was KZT 1,020,786 thousand) and is included in “interest expenses”.

28 Debt securities issued

	2011 KZT’000	2010 KZT’000
Debt securities with fixed interest rate		
Eurobonds denominated in USD	159,836,594	118,983,235
Bonds denominated in KZT	4,987,880	-
	164,824,474	**118,983,235**
Unamortised discount, net	(761,123)	(1,860,272)
	164,063,351	**117,122,963**
Accrued interest	791,902	583,975
	164,855,253	**117,706,938**

28 Debt securities issued, continued

On 8 February 2011 the Group issued non-secured coupon bonds bearing fixed rate of 8% per annum with a nominal value of KZT 5,000,000 thousand on KASE. The bonds mature in February 2016.

On 1 February 2011 the Group issued USD 277,000 thousand medium-term notes for an amount equivalent to KZT 41,593,783 thousand, which bear a coupon rate of 5.5% p.a. and mature in December 2015.

On 20 December 2010 the Group issued USD 500,000 thousand medium-term notes for an amount equivalent to KZT 72,836,537 thousand, which bear a coupon rate of 5.5% p. a. and mature in December 2015.

The aforementioned two USD issues form a single series.

29 Subordinated debt

	2011 KZT'000	2010 KZT'000
Subordinated debt with fixed coupon		
Nominal in KZT	93,152,839	91,068,444
	93,152,839	**91,068,444**
Unamortised discount, net	(90,221,247)	(88,363,971)
	2,931,592	**2,704,473**
Accrued interest	2,119,227	1,838,288
	5,050,819	**4,542,761**

The entire amount of the subordinated debt is represented by subordinated bonds issued to the Parent Company. The bonds are denominated in KZT, mature in September 2059 and bear a fixed interest rate of 0.01% per annum. In addition, the bonds have a discretionary coupon of 6.99% per annum which the Group can unilaterally and unconditionally waive with no further obligation. The discretionary coupon for the year ended 31 December 2011 of KZT 6,492,496 thousand (31 December 2010: KZT 4,496,038 thousand) was recognised as "other distributions" in equity.

During the year ended 31 December 2011 the Group issued additional subordinated bonds to the Parent Company with a nominal value of KZT 2,084,395 thousand. At initial recognition these bonds were measured at fair value of KZT 32,149 thousand applying an appropriate market interest rates ranging between 8.65% and 9.60% p.a.

During the year ended 31 December 2010 the Group issued additional subordinated bonds with the same characteristics as above to the Parent Company with a nominal value of KZT 37,926,074 thousand. At initial recognition these bonds were measured at fair value of KZT 745,577 thousand by applying an appropriate market interest rates ranging between 7.00% and 9.17% p.a.

In case of bankruptcy, the repayment of the subordinated debt will be made after repayment in full of all other liabilities of the Group.

30 Other liabilities

	2011 KZT'000	2010 KZT'000
Deferred income	4,859,566	10,855
Prepayments	2,022,553	1,129,148
Payables to employees	706,975	774,570
Advances received for finance lease	593,623	807,078
Accrued commission expenses	501,962	970,481
Advances on letters of credit	214,064	408,005
Payables to suppliers	105,805	100,769
Vacation reserve	87,410	89,003
Tax liabilities other than income tax	41,509	31,050
Other accrued expenses and accounts payable	108,785	107,242
	9,242,252	**4,428,201**

In August 2011 the Group recorded as deferred income the benefits provided by means of a low interest rate on the loan from the Parent Company of KZT 4,855,135 thousand (Note 25) to be allocated further to the Bank's Subsidiary and utilises in restructuring of finance lease receivables.

31 Derivative financial instruments

The Group had the following derivative financial instruments as at 31 December 2011 and 2010. Embedded derivatives are described in Note 17.

	Notional amount	Maturity	Payments made by Group	Payments received by Group	Fair value Asset	Fair value Liability
31 December 2011						
Foreign currency swap	USD 160,000,000	16/02/14	USD 160,000,000 at maturity	KZT'000 20,644,800 at maturity	-	(3,988,012)
Foreign currency swap	USD 122,349,103	27/06/14	USD 122,349,103 at maturity	KZT'000 15,557,912 at maturity	-	(3,357,706)
Non-deliverable foreign currency forward	USD 100,000,000	31/05/12	USD 100,000,000 at maturity	KZT'000 14,435,000 at maturity	-	(286,999)
Non-deliverable foreign currency forward	USD 50,000,000	07/06/12	USD 50,000,000 at maturity	KZT'000 7,221,000 at maturity	-	(283,546)
Non-deliverable foreign currency forward	USD 100,000,000	31/05/12	KZT'000 14,415,000 at maturity	USD 100,000,000 at maturity	293,410	-
Non-deliverable foreign currency forward	USD 50,000,000	07/06/12	KZT'000 7,211,000 at maturity	USD 50,000,000 at maturity	296,861	-
					590,271	**(7,916,263)**

Type of instrument	Notional amount	Maturity	Payments made by Group	Payments received by Group	Fair value Asset	Fair value Liability
31 December 2010						
Foreign currency swap	USD 160,000,000	16/02/14	USD 160,000,000 at maturity	KZT'000 20,644,800 at maturity	-	(3,862,600)
Foreign currency swap	USD 122,349,103	27/06/14	USD 122,349,103 at maturity	KZT'000 15,557,912 at maturity	-	(3,199,220)
Non-deliverable foreign currency forward	USD 150,000,000	10/01/11	USD 150,000,000 at maturity	KZT'000 21,690,000 at maturity	-	(405,000)
Non-deliverable foreign currency forward	KZT'000 21,652,500	10/01/11	KZT'000 21,652,500 at maturity	USD 150,000,000 at maturity	442,500	-
					442,500	**(7,466,820)**

31 Derivative financial instruments, continued

(a) Group's approach to derivative transactions

The Group may enter into swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions for hedging purposes. A swap involves the exchange by the Group with another party of their respective commitments to pay or receive cash flows, e.g. an exchange of floating rate payments for fixed-rate payments.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Group's exposure to long or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the Group's swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Group's investments.

The Group's ability to realise a profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Group. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Group will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of a counterparty's insolvency.

(b) Significant foreign currency transactions

On 16 February 2007 the Group entered into a foreign currency swap agreement to exchange KZT for USD 160,000,000 and exchange back on 16 February 2014, the transaction closure date. On 22 June 2007 the Group entered into another foreign currency swap agreement to exchange KZT for USD 122,349,103 and exchange back USD on 27 June 2014, the transaction closure date.

Those swap agreements were designed as cash flow hedges principally to minimise the exchange rate risk associated with the future cash inflows from loans to customers in US dollars financed out of tenge funds borrowed by the Group. The length of the swap agreements was chosen as seven years since the average duration of a pool of loans being hedged was seven years.

The designated hedged risk is the forward exchange rate risk and, therefore, the changes in fair value of the swaps was recorded initially in the hedging reserve to the extent the hedge is effective. During the year ended 31 December 2010 a spot element of the foreign currency swaps was recognised in profit or loss as "unrealised gain/(loss) from revaluation of derivative financial instruments" of KZT 271,055 thousand. For cash flow hedging relationships, the initial and ongoing prospective effectiveness is assessed by comparing movements in the fair value of a hypothetical derivative with movements in the fair value of the hedging foreign currency swaps (the "hypothetical derivative method"). Prospective effectiveness is measured on a cumulative basis i.e. over the entire life of the hedge relationship. The hypothetical derivative method assumes there will be one forecasted cash inflow based on the weighted average duration of the pool of loans to be received on the date of maturity of the hedging instruments, whereas the actual cash inflows from the loans are expected during 2013 and 2014. Retrospective effectiveness is assessed by comparing the movements in the fair value of the cash flows of hypothetical derivative and actual movements in the fair value of the foreign currency swaps over the life to date of the hedging relationship.

During the year ended 31 December 2011 the hedging relationship was identified to be no longer effective as a result of the significant change in the cash flow profile of the pool of loans being hedged. Hedge accounting was discontinued prospectively from the last date when the hedge was proven to be effective. As a result a cumulative loss of KZT 298,490 thousand, net of tax of KZT 74,623 thousand, previously recognised in other comprehensive income was reclassified to profit or loss as "unrealised gain/(loss) from revaluation of derivative financial instruments".

31 Derivative financial instruments, continued

(b) Significant foreign currency transactions, continued

During 2011 management revised the assumptions used to value the foreign currency swaps following the changes in underlying market conditions. In determining the fair value of the swaps management assumed that the following rates are appropriate for the Group: 2.87% in KZT and 0.70% in USD (2010: 3.82% and 2.00%, respectively).

During the year ended 31 December 2011 the Group entered into a number of non-deliverable foreign currency forward agreements. These forward agreements are designated at fair value through profit or loss and were primarily designed as arbitrage transactions.

32 Share capital

(a) Issued capital

As at 31 December 2011 and 2010 the authorised, issued and outstanding share capital comprised 1,819,519 ordinary shares with a nominal value of KZT 50,000 and 247,006 ordinary shares with a nominal value of KZT 668,000.

(b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation of the Republic of Kazakhstan. No dividends were declared during the years ended 31 December 2011 and 2010.

33 Reserve capital

Reserve capital is formed in accordance with the Bank's charter out of the net profit for the year following the approval of the consolidated financial statements at the shareholder's general meeting.

34 Risk management

Management of risk is fundamental to the business of the Group and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, which includes price, interest rate and currency risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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 Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of the Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit and Investment Committees and Assets and Liabilities management committee.

34 Risk management, continued

(a) Risk management policies and procedures, continued

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis.

The management of interest rates risk, component of market risk, by monitoring interest rate gap is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2011							
ASSETS							
Cash and cash equivalents	143,500,233	-	-	-	-	-	143,500,233
Placements with banks and other financial institutions	507,333	-	8,193,646	14,715,559	-	-	23,416,538
Amounts receivable under reverse repurchase agreements	-	-	32,209,117	10,091,862	-	-	42,300,979
Loans to customers	30,568,519	9,431,092	712,398	41,872,161	159,166,588	33,696,667	275,447,425
Finance lease receivables	1,285,022	-	2,824,745	10,939,864	3,930,690	3,724,420	22,704,741
Available-for-sale financial assets	193,149,400	13,081,046	9,536,372	69,490,705	76,488,327	-	361,745,850
Held-to-maturity investments	-	-	-	-	2,934,619	-	2,934,619
	369,010,507	**22,512,138**	**53,476,278**	**147,110,151**	**242,520,224**	**37,421,087**	**872,050,385**
LIABILITIES							
Current accounts and deposits from customers	428,613	-	-	50,065	776,914	-	1,255,592
Loans from the Government of the Republic of Kazakhstan	1,885,539	-	-	-	24,023,328	-	25,908,867
Loans from the Parent Company	-	-	-	-	12,868,576	-	12,868,576
Loans from banks and other financial institutions	25,838,393	44,517,208	-	70,761,044	299,086,571	-	440,203,216
Debt securities issued	157,395	-	-	135,367,763	29,330,095	-	164,855,253
Subordinated debt	-	-	-	-	5,050,819	-	5,050,819
	28,309,940	**44,517,208**	**-**	**206,178,872**	**371,136,303**	**-**	**650,142,323**
	340,700,567	**(22,005,070)**	**53,476,278**	**(59,068,721)**	**(128,616,079)**	**37,421,087**	**221,908,062**

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2010							
ASSETS							
Cash and cash equivalents	198,229,869	-	-	-	-	-	198,229,869
Placements with banks and other financial institutions	9,982,112	-	10,668,889	4,379,900	-	-	25,030,901
Amounts receivable under reverse repurchase agreements	3,189,127	-	-	30,005,580	-	-	33,194,707
Loans to customers	33,516,511	9,962,682	9,026,357	47,638,136	188,415,952	32,331,257	320,890,895
Finance lease receivables	1,327,462	1,029,441	2,243,806	11,274,931	4,599,772	4,090,465	24,565,877
Available-for-sale financial assets	220,130,108	15,674,123	11,303,504	38,839,420	52,687,567	-	338,634,722
Held-to-maturity investments	-	-	-	-	2,707,099	-	2,707,099
	466,375,189	**26,666,246**	**33,242,556**	**132,137,967**	**248,410,390**	**36,421,722**	**943,254,070**
LIABILITIES							
Current accounts and deposits from customers	340,168	-	-	52,577	1,313,527	-	1,706,272
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	24,023,328	-	24,023,328
Loans from the Parent Company	-	-	-	-	2,420,070	-	2,420,070
Loans from banks and other financial institutions	98,192,366	30,947,678	-	89,821,371	298,340,629	-	517,302,044
Debt securities issued	-	-	-	87,632,671	30,074,267	-	117,706,938
Subordinated debt	-	-	-	-	4,542,761	-	4,542,761
	98,532,534	**30,947,678**	**-**	**177,506,619**	**360,714,582**	**-**	**667,701,413**
	367,842,655	**(4,281,432)**	**33,242,556**	**(45,368,652)**	**(112,304,192)**	**36,421,722**	**275,552,657**

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2011 and 2010. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2011 Average effective interest rate			2010 Average effective interest rate		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	0.76%	0.03%	0.02%	1.48%	0.93%	0.69%
Placements with banks and other financial institutions	6.57%	-	-	8.37%	6.86%	-
Amounts receivable under reverse repo agreements	7.13%	-	-	6.85%	-	-
Available-for-sale financial assets	6.71%	8.51%	-	6.78%	9.16%	5.90%
Held-to-maturity investments	7.35%	-	-	7.33%	-	-
Loans to customers	8.20%	8.63%	7.11%	8.46%	9.46%	6.76%
Finance lease receivables	10.03%	-	-	9.22%	-	-
Interest bearing liabilities						
Current accounts and deposits from customers	-	0.01%	-	-	0.02%	-
Loans from the Government of the Republic of Kazakhstan	0.33%	-	-	0.33%	-	-
Loans from the Parent Company	4.95%	-	-	7.00%	-	-
Loans from banks and other financial institutions	7.00%	5.36%	3.40%	7.00%	5.12%	3.38%
Debt securities issued	7.50%	6.04%	-	-	6.15%	-
Subordinated debt	7.35%	-	-	7.33%	-	-

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Cash flow interest rate sensitivity analysis

An analysis of sensitivity of profit or loss for the year and equity to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2011 and 2010 is as follows:

	2011		2010	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel increase	1,271,209	1,271,209	1,323,421	1,323,421
100 bp parallel decrease	(1,271,209)	(1,271,209)	(1,323,421)	(1,323,421)

The above analysis assumes all available-for-sale financial assets are held one year from the statement of financial position date.

Fair value interest rate sensitivity analysis

An analysis of sensitivity of profit or loss for the year and equity as a result of changes in fair value of financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2011 and 2010 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2011		2010	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel increase	-	(11,912,568)	-	(12,844,675)
100 bp parallel decrease	-	12,548,364	-	13,153,540

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency structure of assets and liabilities at 31 December 2011:

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	8,053,125	134,039,701	1,383,450	23,957	143,500,233
Placements with banks and other financial institutions	23,304,534	112,004	-	-	23,416,538
Amounts receivable under reverse repurchase agreements	42,300,979	-	-	-	42,300,979
Loans to customers	41,043,960	226,491,111	3,056,804	4,855,550	275,447,425
Finance lease receivables*	22,704,741	-	-	-	22,704,741
Available-for-sale financial assets	128,886,982	232,858,868	-	-	361,745,850
Held-to-maturity investments	2,934,619	-	-	-	2,934,619
Equipment and intangible assets	235,572	-	-	-	235,572
Advances for finance leases	638,486	-	-	-	638,486
Assets to be transferred under finance lease agreements	1,230,219	-	-	-	1,230,219
Other assets	2,683,942	3,329,446	-	57	6,013,445
Current tax asset	162,418	-	-	-	162,418
Deferred tax assets	8,989,106	-	-	-	8,989,106
Derivative financial instruments	-	590,271	-	-	590,271
Total assets	**283,168,683**	**597,421,401**	**4,440,254**	**4,879,564**	**889,909,902**
Liabilities					
Current accounts and deposits from customers	82,991	1,170,223	1,374	1,004	1,255,592
Loans from the Government of the Republic of Kazakhstan	25,908,867	-	-	-	25,908,867
Loans from the Parent Company	12,868,576	-	-	-	12,868,576
Loans from banks and other financial institutions	10,015,244	416,121,023	8,326,104	5,740,845	440,203,216
Government grants	11,517,777	-	-	-	11,517,777
Debt securities issued	5,220,518	159,634,735	-	-	164,855,253
Subordinated debt	5,050,819	-	-	-	5,050,819
Other liabilities	6,396,252	2,572,647	269,789	3,564	9,242,252
Derrivative financial instruments	-	7,916,263	-	-	7,916,263
Total liabilities	**77,061,044**	**587,414,891**	**8,597,267**	**5,745,413**	**678,818,615**
Net on balance sheet positions as at 31 December 2011	**206,107,639**	**10,006,510**	**(4,157,013)**	**(865,849)**	**211,091,287**
Notional amount of derivative liabilities as at 31 December 2011	36,232,712	(41,900,607)	-	-	(5,667,895)
Net on and off balance sheet position positions as at 31 December 2011	**242,340,351**	**(31,894,097)**	**(4,157,013)**	**(865,849)**	**205,423,392**

***** These assets contain embedded derivatives which become effective if the USD or EUR appreciates against KZT.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency structure of assets and liabilities at 31 December 2010:

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	111,702,900	84,007,092	2,290,696	229,181	198,229,869
Placements with banks and other financial institutions	16,394,993	8,635,908	-	-	25,030,901
Amounts receivable under reverse repurchase agreements	33,194,707	-	-	-	33,194,707
Loans to customers	66,017,737	247,169,138	3,570,754	4,133,266	320,890,895
Finance lease receivables*	24,565,877	-	-	-	24,565,877
Available-for-sale financial assets	116,941,933	215,711,109	-	5,981,680	338,634,722
Held-to-maturity investments	2,707,099	-	-	-	2,707,099
Equipment and intangible assets	190,157	-	-	-	190,157
Advances for finance leases	333,124	-	-	-	333,124
Assets to be transferred under finance lease agreements	1,411,789	-	-	-	1,411,789
Other assets	4,635,126	2,090,043	7,107	171	6,732,447
Current tax asset	188,248	-	-	-	188,248
Deferred tax assets	6,058,441	-	-	-	6,058,441
Derivative financial instruments	-	442,500	-	-	442,500
Total assets	**384,342,131**	**558,055,790**	**5,868,557**	**10,344,298**	**958,610,776**
Liabilities					
Current accounts and deposits from customers	40,832	1,627,560	34,114	3,766	1,706,272
Loans from the Government of the Republic of Kazakhstan	24,023,328	-	-	-	24,023,328
Loans from the Parent Company	2,420,070	-	-	-	2,420,070
Loans from banks and other financial institutions	9,545,938	494,579,653	8,300,315	4,876,138	517,302,044
Government grants	11,133,326	-	-	-	11,133,326
Debt securities issued	-	117,706,938	-	-	117,706,938
Subordinated debt	4,542,761	-	-	-	4,542,761
Other liabilities	1,859,774	2,146,183	417,782	4,462	4,428,201
Derrivative financial instruments	-	7,466,820	-	-	7,466,820
Total liabilities	**53,566,029**	**623,527,154**	**8,752,211**	**4,884,366**	**690,729,760**
Net on balance sheet positions as at 31 December 2010	**330,776,102**	**(65,471,364)**	**(2,883,654)**	**5,459,932**	**267,881,016**
Notional amount of derivative liabilities as at 31 December 2010	36,240,212	(41,646,493)	-	-	(5,406,281)
Net on and off balance sheet position positions as at 31 December 2010	**367,016,314**	**(107,117,857)**	**(2,883,654)**	**5,459,932**	**262,474,735**

* These assets contain embedded derivatives which become effective if the USD or EUR appreciates against KZT.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

An analysis of sensitivity of profit or loss for the year and equity to changes in the foreign currency exchange rates based on positions, and embeded derivatives, existing as at 31 December 2011 and 2010 and a simplified scenario of a 5% change in USD, Euro and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2011		2010	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
5% appreciation of USD against KZT	(1,275,764)	(1,275,764)	(4,284,714)	(4,284,714)
5% depreciation of USD against KZT	1,275,764	1,275,764	4,284,714	4,284,714
5% appreciation of EUR against KZT	(166,281)	(166,281)	(115,346)	(115,346)
5% depreciation of EUR against KZT	166,281	166,281	115,346	115,346
5% appreciation of Other currencies against KZT	(34,634)	(34,634)	218,397	218,397
5% depreciation of Other currencies against KZT	34,634	34,634	(218,397)	(218,397)

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance position and off balance position exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. Loans to customers, finance lease receivables, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements, available-for-sale financial assets and accounts receivable are subject to credit risk. The Group's exposure is monitored on an ongoing basis.

The Group continuously monitors the performance of individual credit exposures, and regularly reassesses the creditworthiness of its customers. The review is based on the most recent financial statements and other information submitted by the borrower or otherwise obtained by the Group.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk at the reporting date is as follows:

	2011 KZT'000	2010 KZT'000
ASSETS		
Cash and cash equivalents	143,500,233	198,229,869
Placements with banks and other financial institutions	23,416,538	25,030,901
Amounts receivable under reverse repurchase agreements	42,300,979	33,194,707
Loans to customers	275,447,425	320,890,895
Finance lease receivables	22,704,741	24,565,877
Available-for-sale financial assets	361,745,850	338,634,722
Held-to-maturity investments	2,934,619	2,707,099
Other assets	6,013,445	6,732,447
Derivative financial instruments	590,271	442,500
Total maximum exposure	**878,654,101**	**950,429,017**

34 Risk management, continued

(c) Credit risk, continued

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 36.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The Risk Department mitigates this risk by analysing liquidity gaps and maturity on an ongoing basis.

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2011. Unrecognised commitments are discussed in the Note 36.

	On demand and less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 6 months KZT'000	6 months to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Book value KZT'000
Non-derivative liabilities							
Current accounts and deposits from customers	428,613	-	-	-	826,979	1,255,592	1,255,592
Loans from the Government of the Republic of Kazakhstan	1,887,838	10,160	2,150	64,769	24,753,269	26,718,186	25,908,867
Loans from the Parent Company	-		20,000	20,000	20,350,000	20,390,000	12,868,576
Loans from banks and other financial institutions	7,880,380	9,089,738	6,974,952	24,254,338	533,670,862	581,870,270	440,203,216
Debt securities issued	-	645,009	4,200,536	4,845,545	205,604,134	215,295,224	164,855,253
Subordinated debt	-	2,328,821	-	2,328,821	312,450,146	317,107,788	5,050,819
Other liabilities	961,777	59,025	676,214	835,155	6,710,081	9,242,252	9,242,252
Derivative financial instruments							
Inflow	-	-	(30,000)	-	(36,202,712)	(36,232,712)	(590,271)
Outflow	-	-	-	-	41,900,607	41,900,607	7,916,263
Total liabilities	**11,158,608**	**12,132,753**	**11,843,852**	**32,348,628**	**1,110,063,366**	**1,177,547,207**	**666,710,567**
Loan and credit line commitments	**150,958,476**	**-**	**-**	**-**	**-**	**150,958,476**	**150,958,476**

34 Risk management, continued

(d) Liquidity risk, continued

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2010. Unrecognised commitments are discussed in the Note 36.

	On demand and less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 6 months KZT'000	6 months to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Book value KZT'000
Non-derivative liabilities							
Current accounts and deposits from customers	340,168	-	-	-	1,366,104	1,706,272	1,706,272
Loans from the Government of the Republic of Kazakhstan	2,300	10,160	2,150	64,769	24,726,552	24,805,931	24,023,328
Loans from the Parent	-	-	5,000	5,000	5,105,000	5,115,000	2,420,070
Loans from banks and other financial institutions	82,440,356	69,029,778	4,664,356	20,812,202	476,330,912	653,277,604	517,302,044
Debt securities issued	-	471,997	3,051,480	3,523,477	171,174,045	178,220,999	117,706,938
Subordinated debt	-	3,990,244	-	3,187,396	401,520,769	408,698,409	4,542,761
Other liabilities	403,100	531,953	692,818	1,457,723	1,342,607	4,428,201	4,428,201
Derivative financial instruments							
Inflow	(37,500)	-	-	-	(36,202,712)	(36,240,212)	(442,500)
Outflow	-	-	-	-	41,646,493	41,646,493	7,466,820
Total liabilities	**83,148,424**	**74,034,132**	**8,415,804**	**29,050,567**	**1,087,009,770**	**1,281,658,697**	**679,153,934**
Loan and credit line commitments	**154,182,507**	**-**	**-**	**-**	**-**	**154,182,507**	**154,182,507**

F - 79

34 Risk management, continued

(e) Maturity

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2011.

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	136,466,756	7,033,477	-	-	-	-	-	-	143,500,233
Placements with banks and other financial institutions	-	7,333	500,000	8,193,646	14,715,559	-	-	-	23,416,538
Amounts receivable under reverse repurchase agreements	-	-	-	32,209,117	10,091,862	-	-	-	42,300,979
Loans to customers	-	-	28,409	898,472	41,872,160	198,951,717	-	33,696,667	275,447,425
Finance lease receivables	-	373,810	911,212	2,824,745	10,939,864	3,930,690	-	3,724,420	22,704,741
Available-for-sale financial assets	-	1,024,107	-	12,349,327	81,348,386	267,024,030	-	-	361,745,850
Held-to-maturity investments	-	-	-	-	-	2,934,619	-	-	2,934,619
Equipment and intangible assets	-	-	-	-	-	-	235,572	-	235,572
Advances for finance leases	-	149	55,090	581,816	1,431	-	-	-	638,486
Assets to be transferred under finance lease	-	-	536,412	693,807	-	-	-	-	1,230,219
Other assets	61,663	12,394	413,855	3,395,422	49,825	2,011,335	2,809	66,142	6,013,445
Current tax asset	162,418	-	-	-	-	-	-	-	162,418
Deferred tax assets	-	-	-	-	-	8,989,106	-	-	8,989,106
Derivative financial instruments	-	-	-	590,271	-	-	-	-	590,271
Total assets	**136,690,837**	**8,451,270**	**2,444,978**	**61,736,623**	**159,019,087**	**483,841,497**	**238,381**	**37,487,229**	**889,909,902**

34 Risk management, continued

(e) Maturity, continued

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	428,613	-	-	-	50,065	776,914	-	-	1,255,592
Loans from the Government of the Republic of Kazakhstan	1,885,539	-	-	-	-	24,023,328	-	-	25,908,867
Loans from banks and other financial institutions	-	-	-	-	70,761,043	369,442,173	-	-	440,203,216
Loans from the Parent	-	-	-	-	-	12,868,576	-	-	12,868,576
Government grants	-	-	-	-	-	11,517,777	-	-	11,517,777
Debt securities issued	-	-	157,395	-	135,367,763	29,330,095	-	-	164,855,253
Subordinated debt	-	-	-	-	-	5,050,819	-	-	5,050,819
Other liabilities	357,893	603,884	59,025	1,511,369	270,421	6,439,660	-	-	9,242,252
Derivative financial instruments	-	-	-	570,546	7,345,717	-	-	-	7,916,263
Total liabilities	**2,672,045**	**603,884**	**216,420**	**2,081,915**	**213,795,009**	**459,449,342**	**-**	**-**	**678,818,615**
Net position as at 31 December 2011	**134,018,792**	**7,847,386**	**2,228,558**	**59,654,708**	**(54,775,922)**	**24,392,155**	**238,381**	**37,487,229**	**211,091,287**

34 Risk management, continued

(e) Maturity, continued

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2010.

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	85,932,716	112,297,153	-	-	-	-	-	-	198,229,869
Placements with banks and other financial institutions	-	-	1,643,938	19,007,063	4,379,900	-	-	-	25,030,901
Amounts receivable under reverse repurchase agreements	-	3,189,127	-	-	30,005,580	-	-	-	33,194,707
Loans to customers	-	1,201,137	2,698,639	9,780,454	47,638,135	227,241,273	-	32,331,257	320,890,895
Finance lease receivables	-	300,418	1,027,044	3,273,247	11,274,931	4,599,772	-	4,090,465	24,565,877
Available-for-sale financial assets	-	822,356	4,303,520	5,820,236	58,665,170	269,023,440	-	-	338,634,722
Held-to-maturity investments	-	-	-	-	-	2,707,099	-	-	2,707,099
Equipment and intangible assets	-	-	-	-	-	-	190,157	-	190,157
Advances for finance leases	-	378	2,392	330,354	-	-	-	-	333,124
Assets to be transferred under finance lease agreements	-	-	144,489	1,267,300	-	-	-	-	1,411,789
Other assets	144,720	10,417	1,070,926	4,354,262	56,208	1,044,745	2,806	48,363	6,732,447
Current tax asset	188,248	-	-	-	-	-	-	-	188,248
Deferred tax assets	-	-	-	-	-	6,058,441	-	-	6,058,441
Derivative financial instruments	-	442,500	-	-	-	-	-	-	442,500
Total assets	**86,265,684**	**118,263,486**	**10,890,948**	**43,832,916**	**152,019,924**	**510,674,770**	**192,963**	**36,470,085**	**958,610,776**

34 Risk management, continued

(e) Maturity, continued

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	340,168	-	-	-	52,577	1,313,527	-	-	1,706,272
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	-	24,023,328	-	-	24,023,328
Loans from banks and other financial institutions	-	-	59,292,311	-	89,821,372	368,188,361	-	-	517,302,044
Loans from the Parent	-	-	-	-	-	2,420,070	-	-	2,420,070
Government grants	-	-	-	-	-	11,133,326	-	-	11,133,326
Debt securities issued	-	-	-	-	87,632,671	30,074,267	-	-	117,706,938
Subordinated debt	-	-	-	-	-	4,542,761	-	-	4,542,761
Other liabilities	256,713	138,141	531,954	2,144,486	417,601	939,306	-	-	4,428,201
Derivative financial instruments	-	405,000	-	-	7,061,820	-	-	-	7,466,820
Total liabilities	**596,881**	**543,141**	**59,824,265**	**2,144,486**	**184,986,041**	**442,634,946**	**-**	**-**	**690,729,760**
Net position as at 31 December 2010	**85,668,803**	**117,720,345**	**(48,933,317)**	**41,688,430**	**(32,966,117)**	**68,039,824**	**192,963**	**36,470,085**	**267,881,016**

35 Capital management

The Group defines capital as its total equity measured in accordance with IFRS.

In accordance with amendments introduced into the Law "On the securities market", as at 31 December 2011 the Bank was not subject to capital requirements set by the National Bank of the Republic of Kazakhstan.

The Group is subject to minimum capital and maximum debt-to-equity ratio requirements established by covenants under certain liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements during the years ended 31 December 2011 and 2010.

36 Commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities and are cancellable on certain conditions. The Group plans to fund these commitments with the issue of debt securities, loans from the Parent Company and a number of foreign counterparties in 2011.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognised at the statement of financial position date if counterparties failed completely to perform as contracted.

	2011 KZT'000	2010 KZT'000
Contracted amount		
Loan, credit line and finance lease commitments	150,958,476	154,182,507
Letters of credit and other commitments related to settlement operations	107,530,998	108,864,530

The Group uses the same credit control and management policies in undertaking unrecognised commitments as it does for recognised operations.

Included in letters of credit and other commitments related to settlement operations is the amount of KZT 106,642,054 thousand related to a single borrower, which, if aggregated with current amount of loans in the amount of KZT 48,900,743 thousand, will comprise a significant credit exposure.

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

37 Operating leases

Leases as lessee

As at 31 December 2011 and 2010 the Group did not have significant non-cancelable operating lease rentals payable.

During the current year KZT 313,849 thousand was recognised as an expense in profit or loss in respect of operating leases (2010: KZT 287,096 thousand).

38 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

In the ordinary course of business the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations.

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

39 Related party transactions

(a) Control relationships

The Bank's sole shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC. The party with ultimate control over the Group is the Government of the Republic of Kazakhstan.

Publicly available financial statements are produced by the Group's Parent Company, however, no publicly available financial statements are produced by the Group's ultimate controlling party.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in payroll and related taxes (refer Note 11):

	2011 KZT'000	2010 KZT'000
Members of the Board of Directors and the Management Board	285,624	286,156

The above amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

(c) Transactions with other related parties

Other related parties comprise the State, national companies and organisations, including the National Bank of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan, Fund of Distressed Assets JSC and companies where the Group has significant influence.

The outstanding balances and the related average contractual interest rates as at 31 December 2011 and 2010 and related profit or loss amounts of transactions for the years ended 31 December 2011 and 2010 with other related parties are as follows.

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2011	The Parent Company		Other subsidiaries of the Parent Company		Associates of the Parent Company		Other state companies and organisations		Total
	KZT'000	Average interest rate, %	KZT'000	Average interest rate,%	KZT'000	Average interest rate,%	KZT'000	Average interest rate, %	KZT'000
Statement of Financial Position									
ASSETS									
Cash and cash equivalents	-	-	-	-	8,384	-	76,115,676	0.56	76,124,060
Loans to customers	-	-	60,727,393	7.29	-	-	22,756,546	5.16	83,483,939
Finance lease receivables	-	-	2,627,179	9.70	-	-	-	-	2,627,179
Amounts receivable under reverse repurchase agreements	-	-	42,300,979	7.13	-	-	-	-	42,300,979
Available-for-sale financial assets	43,200,679	6.24	182,152,631	8.70	31,769,042	7.83	40,472,501	6.56	297,594,853
Held-to-maturity investments	2,934,619	0.01	-	-	-	-		-	2,934,619
Other assets	-	-	451,882		78		43,931	-	495,891
Current tax asset	-	-	-	-	-	-	162,418	-	162,418
Deferred tax assets	-	-	-	-	-	-	8,989,106	-	8,989,106
LIABILITIES									
Current accounts and deposits from customers	-	-	345,196		-	-	786,678		1,131,874
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	-	-	25,908,867	0.33	25,908,867
Loans from banks and other financial institutions	-	-	-	-	-	-	10,015,245	1.00	10,015,245
Government grants	2,241,201		-	-	-	-	9,276,576		11,517,777
Loan from the Parent Company	12,868,576	0.20	-	-	-	-	-	-	12,868,576
Subordinated debt	5,050,819	0.01	-	-	-	-	-	-	5,050,819
Other liabilities	4,513,419	-	2,160,142	-	-	-	3	-	6,673,564

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2011	The Parent Company	Other subsidiaries of the Parent Company	Associates of the Parent Company	Other state companies and organisations	Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
Profit/(loss)					
Interest income	2,538,509	24,353,390	966,442	3,263,894	31,122,235
Interest expense	(527,481)	(59)	-	(748,685)	(1,276,225)
Fee and commission income	-	31,038	-	12,392	43,430
Fee and commission expense	-	-	(2,907)	(2)	(2,909)
Net realised gain on available-for-sale financial assets	5,394	97,939	112,846	56,649	272,828
Net gain on derivative financial instruments	-	1,731	-	-	1,731
Income on purchase/sale of foreign currency	39,218	1,293,093	-	-	1,332,311
Impairment losses	-	(576,967)	-	(1,522,323)	(2,099,290)
General administrative expenses	(165,167)	(89,549)	(456)	(226,616)	(481,788)
Other (expenses)/income	-	(24,086)	-	6,134	(17,952)
Income tax benefit	-	-	-	3,113,650	3,113,650

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2010	The Parent Company		Other subsidiaries of the Parent Company		Associates of the Parent Company		Other state companies and organisations		Total
	KZT'000	Average interest rate, %	KZT'000	Average interest rate,%	KZT'000	Average interest rate,%	KZT'000	Average interest rate, %	KZT'000
Statement of Financial Position									
ASSETS									
Cash and cash equivalents	-	-	-	-	44,266,594	1.50	106,138,092	1.00	150,404,686
Loans to customers	-	-	67,953,878	8.29	-	-	25,476,872	9.17	93,430,750
Finance lease receivables	-	-	2,967,414	9.83	-	-	-	-	2,967,414
Amounts receivable under reverse repurchase agreements	-	-	30,005,580	7.50	-	-	-	-	30,005,580
Available-for-sale financial assets	28,282,315	5.93	210,270,581	7.28	5,242,826	7.34	52,461,372	7.49	296,257,094
Held-to-maturity investments	2,707,099	0.01	-	-	-	-	-	-	2,707,099
Other assets	-	-	1,105,293	-	-	-	522,271	-	1,627,564
Current tax asset	-	-	-	-	-	-	188,248	-	188,248
Deferred tax assets	-	-	-	-	-	-	6,058,441	-	6,058,441
LIABILITIES									
Current accounts and deposits from customers	-	-	316,802	-	-	-	1,339,957	-	1,656,759
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	-	-	24,023,328	0.28	24,023,328
Loans from banks and other financial institutions	-	-	-	-	-	-	9,545,939	1.00	9,545,939
Government grants	1,807,306	-	-	-	-		9,326,020	-	11,133,326
Loan from Parent Company	2,420,070	0.20	-	-	-	-	-	-	2,420,070
Subordinated debt	4,542,761	0.10	-	-	-	-	-	-	4,542,761
Other liabilities	-	-	934,331	-	-	-	27,375	-	961,706

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2010	The Parent Company	Other subsidiaries of the Parent Company	Associates of the Parent Company	Other state companies and organisations	Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
Profit/(loss)					
Interest income	581,049	19,498,918	2,477,946	3,961,469	26,519,382
Interest expense	(4,765,359)	(1,088)	-	(530,780)	(5,297,227)
Fee and commission income	828	49,217	-	63,241	113,286
Fee and commission expense	-	-	(3,037)	(8)	(3,045)
Net realised gain on available-for-sale financial assets	535	171,260	-	317,951	489,746
Net loss on derivative financial instruments	-	(65,794)	-	-	(65,794)
Income/(loss) on purchase/sale of foreign currency	54,997	107,270	-	(131,777)	30,490
Impairment losses	-	(1,412)	-	(155,599)	(157,011)
General administrative expenses	(198,200)	(18,606)	-	-	(216,806)
Other income	-	35,854	-	-	35,854
Income tax expense	-	-	-	(1,790,845)	(1,790,845)

40 Analysis by segment

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 Segment Reporting. The Group's assets are concentrated in the Republic of Kazakhstan, and revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman, only receives and reviews the information on the Group as a whole.

41 Fair value of financial instruments

(a) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(e) (viii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The estimated fair values of all financial instruments except for loans to customers, finance lease receivables, held-to-maturity investments, loans from the Government of the Republic of Kazakhstan, loans from Parent Company, debt securities issued and subordinated debt approximates their carrying values.

	2011 KZT'000 Fair value	2011 KZT'000 Carrying value	2010 KZT'000 Fair value	2010 KZT'000 Carrying value
ASSETS				
Loans to customers	265,489,674	275,447,425	310,917,155	320,890,895
Finance lease receivables	20,139,689	22,704,741	22,787,922	24,565,877
Held-to-maturity investments	2,567,457	2,934,619	1,633,373	2,707,099
LIABILITIES				
Loans from the Government of the Republic of Kazakhstan	18,173,251	25,908,867	13,496,310	24,023,328
Loans from Parent Company	12,829,093	12,868,576	2,420,070	2,420,070
Debt securities issued	162,760,946	164,855,253	119,327,101	117,706,938
Subordinated debt	4,686,684	5,050,819	3,499,035	4,542,761

(b) Valuation of financial instruments

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered as less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist and Black-Scholes option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting in an arm's length.

41 Fair value of financial instruments, continued

(b) Valuation of financial instruments, continued

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Instruments involving significant unobservable inputs are presented by certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments measured at fair value as at 31 December 2011, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Available-for-sale financial assets	18	4,966,429	308,962,328	47,817,093	361,745,850
Embedded derivative	17	-	-	2,204,756	2,204,756
Derivative financial instruments	31	-	590,271	-	590,271
		4,966,429	**309,552,599**	**50,021,849**	**364,540,877**
Liabilities					
Derivative financial instruments	31	-	7,916,263	-	7,916,263
		-	**7,916,263**	**-**	**7,916,263**

The table below analyses financial instruments measured at fair value as at 31 December 2010, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Available-for-sale financial assets	18	3,745,986	279,827,113	55,061,623	338,634,722
Embedded derivative	17	-	-	4,025,336	4,025,336
Derivative financial instruments	31	-	442,500	-	442,500
		3,745,986	**280,269,613**	**59,086,959**	**343,102,558**
Liabilities					
Derivative financial instruments	31	-	7,466,820	-	7,466,820
		-	**7,466,820**	**-**	**7,466,820**

41 Fair value of financial instruments, continued

(b) Valuation of financial instruments, continued

The available-for-sale financial assets with fair values determined using valuation techniques that use observable inputs were classified into Level 2. Observable inputs included transaction prices in markets that are active for similar, but not identical, instruments and transaction prices in markets that are not active for identical instruments. Although all the instruments are listed on KASE, management believes that the market for these identical instruments is not active.

The Group applies discounted cash flow methodology in respect of valuation of impaired available-for-sale financial assets and available-for-sale financial assets for which fair values cannot be determined based on observable market inputs.

For impaired debt securities cash flow projections were based on publicly available information on expected post-restructuring payoff schedule for each respective type of security. Assumptions on discount rates were made based on issuers' credit risk premiums implied by market quotes of the issues on which the trades were not suspended.

Certain available-for-sale financial assets that do not have observable market prices and cannot be valued based on observable market inputs were also valued applying discounted cash flow methodology. Cash flow projections for these securities were derived from contractual payment schedules. Assumptions regarding discount rates were made based on quoted prices in active markets of similar instruments of an issuer with adjacent credit rating adjusted to the difference in credit ratings.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2011:

	Available-for-sale financial assets	Embedded derivative
Balance as at 1 January	**55,061,623**	**4,025,336**
Total gains or losses:		
in profit or loss	4,185,103	(1,453,315)
in other comprehensive income	(7,194,933)	-
Settlements	(4,234,700)	(367,265)
Balance at 31 December	**47,817,093**	**2,204,756**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2010:

	Available-for-sale financial assets	Embedded derivative
Balance as at 1 January	**57,201,199**	**4,331,208**
Total gains or losses:		
in profit or loss	4,247,170	81,563
in other comprehensive income	(1,416,104)	-
Settlements	(3,024,818)	(387,435)
Disposed of	(1,945,824)	-
Balance at 31 December	**55,061,623**	**4,025,336**

41 Fair value of financial instruments, continued

(b) Valuation of financial instruments, continued

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2011:

KZT'000	Effect on profit or loss		Effect on other comprehensive income	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Available-for-sale financial assets				
- Debt and other fixed income instruments	-	-	3,902,508	(3,635,504)
Total	**-**	**-**	**3,902,508**	**(3,635,504)**

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2010:

KZT'000	Effect on profit or loss		Effect on other comprehensive income	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Available-for-sale financial assets				
- Debt and other fixed income instruments	-	-	2,016,969	(1,903,041)
Total	**-**	**-**	**2,016,969**	**(1,903,041)**

The favourable and unfavourable effects of using reasonably possible alternative assumptions are calculated by recalibrating the model values. Key inputs and assumptions used to calculate favourable and unfavourable changes include changing the estimated discount rate by 100 basis points.

Development Bank of Kazakhstan JSC

Consolidated Financial Statements

for the year ended 31 December 2010

Contents

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Independent Auditors' Report

To the Board of Directors of Development Bank of Kazakhstan JSC

We have audited the accompanying consolidated financial statements of Development Bank of Kazakhstan JSC (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Abibullayeva E.Sh.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.0000288
of 11 November 1996

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

1 March 2011

	Note	2010 KZT'000	2009 KZT'000
Interest income	4	53,956,104	41,868,939
Interest expense	4	(29,996,707)	(18,626,030)
Net interest income		**23,959,397**	**23,242,909**
Fee and commission income	5	203,208	181,683
Fee and commission expense	6	(86,454)	(142,642)
Net fee and commission income		**116,754**	**39,041**
Net foreign exchange gain	7	395,413	7,667,621
Net realised gain on available-for-sale assets		863,707	513,524
Net gain/(loss) on derivative financial instruments	8	399,973	(3,297,045)
Gain on repurchase of debt securities issued		567,491	-
Other income, net	9	414,572	1,174,115
Operating income		**26,717,307**	**29,340,165**
Impairment losses	10	(19,787,009)	(73,414,097)
General administrative expenses	11	(2,842,274)	(2,767,114)
Profit/(loss) before taxes		**4,088,024**	**(46,841,046)**
Income tax (expense)/benefit	12	(1,861,866)	7,365,391
Profit/(loss) for the year		**2,226,158**	**(39,475,655)**
Other comprehensive income			
Net change in fair value of available-for-sale assets		1,557,863	40,713,458
Impairment on available-for-sale assets transferred to profit or loss		-	2,193,109
Net change in fair value of available-for-sale assets transferred to profit or loss		(953,736)	(313,395)
Net unrealised gain on hedging instruments, net of tax of KZT 94,098 thousand (31 December 2009: KZT 939,660 thousand)		504,832	5,550,476
Other comprehensive income for the year		**1,108,959**	**48,143,648**
Total comprehensive income for the year		**3,335,117**	**8,667,993**

The consolidated financial statements as set out on pages 5 to 73 were approved by the Management Board on 1 March 2011 and were signed on its behalf by:

Kussainov Nurlan Zhetpisovich
Acting Chairman of the Management Board

Mamekova Saule Mamyrovna
Chief Accountant

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	Note	2010 KZT'000	2009 KZT'000
ASSETS			
Cash and cash equivalents	13	198,229,869	293,316,214
Placements with banks and other financial institutions	14	25,030,901	44,481,676
Amounts receivable under reverse repurchase agreements	15	33,194,707	-
Loans to customers	16	320,890,895	201,412,285
Finance lease receivables	17	24,565,877	19,276,889
Available-for-sale assets			
- Held by the Group	18	335,703,432	268,830,210
- Pledged under foreign currency swap	18	2,931,290	-
Held-to-maturity investments	19	2,707,099	-
Equipment and intangible assets	20	190,157	150,748
Advances for finance leases		333,124	483,951
Assets to be transferred under finance lease agreements		1,411,789	5,782,190
Other assets	21	6,732,447	7,397,839
Current tax asset		188,248	532,481
Deferred tax assets	22	6,058,441	8,000,974
Derivative financial instruments	31	442,500	-
Total assets		**958,610,776**	**849,665,457**
LIABILITIES			
Current accounts and deposits from customers	23	1,706,272	45,181,216
Loans from the Government of the Republic of Kazakhstan	24	24,023,328	30,886,093
Loans from the Parent Company	25	2,420,070	-
Loans from banks and other financial institutions	26	517,302,044	430,143,235
Government grants	27	11,133,326	9,459,497
Debt securities issued	28	117,706,938	51,372,403
Subordinated debt	29	4,542,761	2,723,830
Other liabilities	30	4,428,201	2,673,340
Derivative financial instruments	31	7,466,820	8,183,906
Total liabilities		**690,729,760**	**580,623,520**
EQUITY			
Share capital	32	255,975,958	255,975,958
Reserve capital	33	17,712,311	17,666,734
Hedging reserve		(342,869)	(847,701)
Revaluation reserve for available-for-sale assets		36,668,457	36,064,330
Accumulated losses		(42,132,841)	(39,817,384)
Total equity		**267,881,016**	**269,041,937**
Total liabilities and equity		**958,610,776**	**849,665,457**
Commitments and Contingencies	36, 38		

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	2010 KZT'000	2009 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	33,467,933	34,375,446
Interest payments	(23,295,685)	(16,385,875)
Fee and commission receipts	205,670	194,195
Fee and commission payments	(97,160)	(98,076)
Net receipts from foreign exchange	389,191	304,031
Net receipts/(payments) for derivative financial instruments	147,073	(393,317)
Other income receipts, net	331,391	239,269
Other general administrative payments	(2,572,825)	(2,986,618)
	8,575,588	**15,249,055**
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	19,399,107	(31,491,858)
Amounts receivable under reverse repurchase agreements	(33,184,254)	12,956,695
Loans to customers	(128,630,607)	(34,225,516)
Finance lease receivables	(976,275)	(5,142,277)
Advances for finance leases	150,827	3,560,827
Assets to be transferred under finance lease agreements	(52,305)	491,112
Derivative financial instruments	(1,883)	-
Other assets	2,308,339	(723,059)
Increase/(decrease) in operating liabilities		
Loans from the Government of the Republic of Kazakhstan	(6,862,759)	(3,020,259)
Loans from the Parent Company	5,000,000	(50,000,000)
Loans from banks and other financial institutions	81,910,334	264,448,200
Current accounts and deposits from customers	(42,990,907)	44,106,246
Amounts payable under repurchase agreements	-	(5,001,448)
Other liabilities	(259,994)	(1,831,031)
Net cash (used in)/ from operating activities before taxes paid	**(95,614,789)**	**209,376,687**
Income tax paid	(71,021)	(286,311)
Cash flows (used in)/from operating activities	**(95,685,810)**	**209,090,376**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	2010 KZT'000	2009 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment and intangible assets	(98,324)	(36,231)
Disposal of equipment and intangible assets	2,070	125
Acquisition of available-for-sale assets	(180,139,967)	(249,218,680)
Disposal and redemption of available-for-sale assets	79,451,937	39,157,303
Cash flows used in investing activities	**(100,784,284)**	**(210,097,483)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	165,000,008
Subordinated debt received	37,926,074	53,142,370
Other distributions	(3,565,885)	-
Proceeds from debt securities issued	72,836,537	-
Repurchase of debt securities issued	(5,740,750)	-
Cash flows from financing activities	**101,455,976**	**218,142,378**
Net (decrease)/increase in cash and cash equivalents	**(95,014,118)**	**217,135,271**
Effect of changes in exchange rates on cash and cash equivalents	(72,227)	3,783,479
Cash and cash equivalents at the beginning of the year	293,316,214	72,397,464
Cash and cash equivalents at the end of the year (Note 13)	**198,229,869**	**293,316,214**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 75.

	Share capital KZT'000	Reserve capital KZT'000	General reserve KZT'000	Hedging reserve KZT'000	Revaluation reserve for available-for-sale assets KZT'000	Accumulated losses KZT'000	Total equity KZT'000
Balance at 1 January 2009	**90,975,950**	**15,143,459**	**45,578**	**(6,398,177)**	**(6,528,842)**	**3,042,806**	**96,280,774**
Total comprehensive income							
Loss for the year	-	-	-	-	-	(39,475,655)	(39,475,655)
Other comprehensive income							
Net change in fair value of available-for-sale assets	-	-	-	-	40,713,458	-	40,713,458
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	-	(313,395)	-	(313,395)
Impairment on available-for-sale assets transferred to profit or loss	-	-	-	-	2,193,109	-	2,193,109
Net unrealised gain on hedging instruments, net of tax of KZT 939,660 thousand	-	-	-	5,550,476	-	-	5,550,476
Total other comprehensive income	-	-	-	5,550,476	42,593,172	-	48,143,648
Total comprehensive income for the year	-	-	-	**5,550,476**	**42,593,172**	**(39,475,655)**	**8,667,993**
Shares issued	165,000,008	-	-	-	-	-	165,000,008
Other distributions (Note 29)	-	-	-	-	-	(906,838)	(906,838)
Transfer to reserve capital	-	2,523,275	-	-	-	(2,523,275)	-
Transfer from general reserve	-	-	(45,578)	-	-	45,578	-
Balance at 31 December 2009	**255,975,958**	**17,666,734**	-	**(847,701)**	**36,064,330**	**(39,817,384)**	**269,041,937**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

	Share capital KZT'000	Reserve capital KZT'000	Hedging reserve KZT'000	Revaluation reserve for available-for-sale assets KZT'000	Accumulated losses KZT'000	Total equity KZT'000
Balance at 1 January 2010	**255,975,958**	**17,666,734**	**(847,701)**	**36,064,330**	**(39,817,384)**	**269,041,937**
Total comprehensive income						
Profit for the year	-	-	-	-	2,226,158	2,226,158
Other comprehensive income						
Net change in fair value of available-for-sale assets	-	-	-	1,557,863	-	1,557,863
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	(953,736)	-	(953,736)
Net unrealised gain on hedging instruments, net of tax of KZT 94,098 thousand	-	-	504,832	-	-	504,832
Total other comprehensive income	-	-	504,832	604,127	-	1,108,959
Total comprehensive income for the year	-	-	**504,832**	**604,127**	**2,226,158**	**3,335,117**
Other distributions (Note 29)	-	-	-	-	(4,496,038)	(4,496,038)
Transfer to reserve capital	-	45,577	-	-	(45,577)	-
Balance at 31 December 2010	**255,975,958**	**17,712,311**	**(342,869)**	**36,668,457**	**(42,132,841)**	**267,881,016**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 73.

1 Background

(a) Principal activities

These consolidated financial statements include the financial statements of Development Bank of Kazakhstan JSC (the "Bank") and its subsidiary, DBK Leasing JSC (together referred to as the "Group").

Development Bank of Kazakhstan JSC was established in the Republic of Kazakhstan as a joint-stock company in 2001 in accordance with the Law of the Republic of Kazakhstan "On the Development Bank of Kazakhstan" # 178-II dated 25 April 2001 as amended as at the date of preparation of these consolidated financial statements (the "Law"). The Bank operates according to the Law, the Statutes of the Development Bank of Kazakhstan and the Memorandum on the crediting policy, approved by the decision of the Sovereign Wealth Fund "Samruk-Kazyna" JSC #63/09 dated 18 June 2009 amended as at the date of the consolidated financial statements.

The Bank is the national development institution. The main purpose of the Bank is improvement and increase in efficiency of state investment activity, development of production infrastructure and processing industry, assistance in attraction of external and internal investments to the national economy.

The Bank's registered office is: 10, Orynbor Street, "Kazyna Tower" Building, Yesil district, Astana, Republic of Kazakhstan.

The Bank is the parent company of a wholly owned consolidated subsidiary, DBK Leasing JSC. DBK Leasing JSC (the "Subsidiary") was established on 6 September 2005 in accordance with legislation of the Republic of Kazakhstan. The principal activity of the Subsidiary is financial lease operations.

Eurobonds issued by the Bank are listed on London Stock Exchange, Luxemburg Stock Exchange and Kazakhstan Stock Exchange (the "KASE").

The Bank is a member of Association of Development Financing Institutions in Asia and the Pacific ("ADFIAP") and SCO Interbank Consortium.

(b) Shareholders

As at 31 December 2010 and 2009 the sole shareholder of the Bank was Sovereign Wealth Fund "Samruk-Kazyna" JSC, the "Parent Company". The ultimate controlling party is the Government of the Republic of Kazakhstan. Related party transactions are detailed in Note 39.

(c) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Kazakhstan. These consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that available-for-sale assets and financial instruments at fair value through profit or loss and derivatives designated as hedging instruments are stated at fair value.

(c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("KZT"). Management has determined the Group's functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Group. The KZT is also the presentation currency of the Group for the purposes of these consolidated financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and actions, the actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the Note 16 "Loans to customers", Note 17 "Finance lease receivables" and Note 31 "Derivative financial instruments".

3 Significant accounting policies

The following significant accounting policies are consistently applied in the preparation of the consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3 Significant accounting policies, continued

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate rulling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan (the "NBRK") and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

(d) Placements with banks and other financial institutions

In the normal course of business, the Group maintains advances, deposits for various periods of time with other banks and repo transactions. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses, if any.

(e) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale or
- meet the definition of loans and receivables.

Available-for-sale 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.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iii) Measurement, continued

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments which are measured at amortised cost using the effective interest method and,
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value on transactions with the Parent Company at origination is credited or charged to equity. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(iv) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iv) Fair value measurement principles, continued

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(vi) Derecognition, continued

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

(vii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(viii) Derivative financial instruments

Derivative financial instruments include swap, forward, futures and spot transactions.

According to existing policy of the Group, 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. The Group 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 a 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 probable 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 the ineffective portion recognised in profit or loss.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(viii) Derivative financial instruments, continued

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.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Leases

Lease transactions are classified as either financing or operating leases at inception in accordance with IAS 17 *Leases*.

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The indicators for finance lease classification are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised
- the lease term is for the major part of the economic life of the asset even if title is not transferred
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset or
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The Group as a lessor initially measures finance leases at an amount equal to net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

(g) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value. The cost of foreclosed assets is based on the specific identification principle, and recorded at net book value of the underlying lease base at foreclosure date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3 Significant accounting policies, continued

(h) Equipment

(i) Owned assets

Items of equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Computers and equipment	3 to 5 years
Vehicles	6 to 7 years
Furniture and other equipment	1 to 10 years

(i) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 1 to 5 years.

(j) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables ("loans and receivables"). The Group 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 the Group on terms that the Group 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 the group.

The Group 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 the Group 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.

3 Significant accounting policies, continued

(j) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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, the Group 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. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and can not be reversed.

(iii) 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.

3 Significant accounting policies, continued

(j) Impairment, continued

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached 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 determined as discussed in the Note 3(e)(iii) and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

(l) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(m) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments and letters of credit.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

3 Significant accounting policies, continued

(m) Credit related commitments, continued

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except for the followings:

- loan commitments that the Group designates as financial liabilities at fair value through profit or loss

- if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments

- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument

- commitments to provide a loan at a below-market interest rate.

(n) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(p) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

3 Significant accounting policies, continued

(p) Income and expense recognition, continued

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Finance lease organisation fees, lease servicing fees and other fees that are considered to be integral to the overall profitability of a finance lease, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

(q) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2010, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

- IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- Revised IAS 24 *Related Party Disclosures* (2009) (effective for annual periods beginning on or after 1 January 2011) introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively.
- Amendment to IAS 39 Financial Instruments: *Recognition and Measurement – Eligible Hedged Items* clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.
- *Improvements to IFRSs 2010* resulting from the International Accounting Standards Board's third annual improvements project are to be dealt with on a standard-by-standard basis. The effective date of each amendment is included in the IFRSs affected.

4 Net interest income

	2010 KZT'000	2009 KZT'000
Interest income		
Loans to customers	23,760,605	28,864,827
Available-for-sale assets	20,188,491	6,930,888
Placements with banks and other financial institutions	7,846,258	3,974,225
Finance lease receivables	1,929,471	1,638,322
Held-to-maturity investments	149,638	-
Amounts receivable under reverse repurchase agreements	81,641	460,677
	53,956,104	**41,868,939**
Interest expense		
Loans from banks and other financial institutions	26,171,415	12,150,231
Debt securities issued	3,468,664	3,474,014
Subordinated debt	149,638	30,268
Loans from the Parent Company	119,685	2,628,730
Loans from the Government of the Republic of Kazakhstan	79,447	79,238
Amounts payable under repurchase agreements	6,770	261,185
Current accounts and deposits from customers	1,088	2,364
	29,996,707	**18,626,030**

Included within various line items under interest income for the year ended 31 December 2010 is a total of KZT 10,217,342 thousand (2009: KZT 13,090,190 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2010 KZT'000	2009 KZT'000
Expert commission on loans not entered to	129,644	24,930
Foreign exchange fees	39,333	60,779
Transfer services	12,896	13,429
Commission on finance lease	7,163	4,651
Letters of credit	1,825	70,081
Other	12,347	7,813
	203,208	**181,683**

6 Fee and commission expense

	2010 KZT'000	2009 KZT'000
Securities operations	53,871	25,381
Maintenance of current accounts	16,252	76,415
Custodial services	9,248	9,192
Credit card maintenance	4,852	4,988
Transfer services	1,249	935
Fees and commissions related to cancelled eurobonds issuance	465	554
Other	517	25,177
	86,454	**142,642**

7 Net foreign exchange gain

	2010 KZT'000	2009 KZT'000
Dealing, net	365,927	304,031
Translation differences, net	29,486	7,363,590
	395,413	**7,667,621**

8 Net gain/(loss) on derivative financial instruments

	2010 KZT'000	2009 KZT'000
Unrealised gain/(loss) from revaluation of derivative financial instruments	295,262	(3,034,766)
Realised gain/(loss) on derivative financial instruments	147,073	(392,129)
Unrealised (loss)/gain from inefficiency of cash flow hedge	(42,362)	129,850
	399,973	**(3,297,045)**

9 Other income, net

	2010 KZT'000	2009 KZT'000
Fines and penalties	393,091	1,088,956
Other income from non-banking activity	20,804	71,322
Income from decrease in value added tax rate	8,900	21,814
Other expense	(8,223)	(7,977)
	414,572	**1,174,115**

10 Impairment losses

	2010 KZT'000	2009 KZT'000
Impairment losses		
Loans to customers	18,834,236	66,852,966
Finance lease receivables	295,088	857,763
Available-for-sale assets	-	4,807,960
Other assets	657,685	895,408
	19,787,009	**73,414,097**

11 General administrative expenses

	2010 KZT'000	2009 KZT'000
Payroll and related taxes	1,914,009	1,832,016
Occupancy	287,096	333,423
Taxes other than on income	124,693	181,608
Communication and information services	106,725	98,666
Professional services	80,404	56,268
Depreciation and amortisation	58,915	60,655
Business travel	55,890	51,456
Repair and maintenance	45,393	22,889
Rating services	33,730	20,908
Office supplies	26,021	22,173
Advertising and marketing	20,402	14,920
Insurance	17,107	15,904
Transportation	16,072	16,945
Training and seminars	13,345	6,925
Security	10,988	11,123
Representative expenses	9,741	7,424
Conferences	-	3,958
Other	21,743	9,853
	2,842,274	**2,767,114**

12 Income tax (expense)/benefit

	2010 KZT'000	2009 KZT'000
Current tax expense		
Current year	(71,021)	(89,898)
Over/(under) provided in prior years	57,590	(34,190)
	(13,431)	**(124,088)**
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	(1,848,435)	7,489,479
	(1,848,435)	**7,489,479**
Total income tax (expense)/benefit in profit or loss	**(1,861,866)**	**7,365,391**

The Group's applicable tax rate for current tax is 20% (2009: 20%).

12 Income tax (expense)/benefit, continued

Reconciliation of effective tax rate:

	2010 KZT'000	%	2009 KZT'000	%
Profit/(loss) before tax	**4,088,024**	**100**	**(46,841,046)**	**100**
Income tax at the applicable tax rate	(817,605)	(20)	9,368,209	(20)
Other non-taxable income	147,550	4	1,145,361	(3)
Effect of change in rate applicable to deferred taxes	860,292	21	(834,605)	2
Income tax withheld at source	(71,021)	(2)	(251,110)	1
Over/(under) provided in prior years	57,590	1	(34,190)	-
Non-deductile impairment losses	(2,038,672)	(50)	(2,028,274)	4
	(1,861,866)	**(46)**	**7,365,391**	**16**

Non-deductible impairment losses arose in respect of loans to related parties and securities that will not be deductible for tax purposes in the future.

13 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flow comprise the following:

	2010 KZT'000	2009 KZT'000
Demand deposits		
National Bank of the Republic of Kazakhstan		
Rated BBB	97,946,556	201,660,683
Other banks		
Rated from AA- to AA+	16,225,090	-
Rated from A- to A+	22,225,595	-
Rated from BB- to BB+	-	4,239,126
Rated from B- to B+	47,567,461	-
Total demand deposits	**183,964,702**	**205,899,809**
Cash at current bank accounts		
National Bank of the Republic of Kazakhstan		
Rated BBB	8,191,536	505,746
Other banks		
Rated from AA- to AA+	2,864,211	44,990,432
Rated from A- to A+	716,213	667,172
Rated from BBB- to BBB+	221,311	2,429
Rated from BB- to BB+	-	1,544,889
Rated from B- to B+	2,271,488	39,705,631
Total cash at current bank accounts	**14,264,759**	**87,416,299**
Cash on hand	408	106
	198,229,869	**293,316,214**

Concentration of cash and cash equivalents

As at 31 December 2010 the Group had two banks (31 December 2009: three banks), whose balances exceeded 10% of total equity. The gross value of these balances as of 31 December 2010 and 2009 were KZT 150,404,686 thousand and KZT 286,351,389 thousand, respectively.

14 Placements with banks and other financial institutions

	2010 KZT'000	2009 KZT'000
Not impaired or past due		
Loans and deposits		
Rated from AA- to AA+	297,733	4,257,419
Rated from BBB- to BBB+	-	30,004,075
Rated from B- to B+	24,733,168	10,220,182
	25,030,901	**44,481,676**

As at 31 December 2010 placements with banks included a deposit of KZT 297,733 thousand, which serves as a margin deposit on a foreign currency swap with Morgan Stanley (31 December 2009: KZT 4,257,419 thousand).

15 Amounts receivable under reverse repurchase agreements

In December 2010 the Group concluded reverse repurchase agreements with Alliance Bank JSC in the amount of KZT 29,996,250 thousand and on the "automatic repo" market on the KASE in the amount of 3,188,004 thousand.

As at 31 December 2010, included in amounts receivable under reverse repurchase agreements is accrued interest income of KZT 10,453 thousand.

Collateral

As at 31 December 2010 and 2009 amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2010 KZT'000	2009 KZT'000
Bonds of the Sovereign Wealth Fund "Samruk-Kazyna" JSC	28,745,003	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,480,304	-
	32,225,307	-

16 Loans to customers

	2010 KZT'000	2009 KZT'000
Loans to large corporates	394,412,955	269,966,942
Mortgage loans	673,905	311,660
Interest accrued	16,968,281	10,674,101
Gross loans to customers	**412,055,141**	**280,952,703**
Impairment allowance	(91,164,246)	(79,540,418)
Net loans to customers	**320,890,895**	**201,412,285**

Movements in the loan impairment allowance for the year ended 31 December 2010 and 2009 are as follows:

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	(79,540,418)	(12,788,694)
Net charge for the year	(18,834,236)	(66,852,966)
Effect of foreign currency movements	509,583	(3,197,174)
Write-offs	6,700,825	3,298,416
Balance at the end of the year	**(91,164,246)**	**(79,540,418)**

The following table provides information on the credit quality of the loan portfolio at 31 December 2010:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Loans without individual signs of impairment	208,906,622	(6,348,264)	202,558,358	3.04
Impaired loans:				
- not past due	58,288,337	(12,989,951)	45,298,386	22.29
- overdue less than 90 days	35,636,521	(21,803,839)	13,832,682	61.18
- overdue more than 90 days and less than 360 days	67,287,448	(24,279,753)	43,007,695	36.08
- overdue more than 360 days	41,936,213	(25,742,439)	16,193,774	61.38
Total impaired loans	203,148,519	(84,815,982)	118,332,537	41.75
Total loans	**412,055,141**	**(91,164,246)**	**320,890,895**	**22.12**

16 Loans to customers, continued

(a) Credit quality of loan portfolio

The following table provides information on the credit quality of the loan portfolio as at 31 December 2009:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Loans without individual signs of impairment	135,581,133	(7,904,165)	127,676,968	5.83
Impaired loans:				
- not past due	94,013,100	(40,589,015)	53,424,085	43.17
- overdue less than 90 days	32,706,490	(15,954,121)	16,752,369	48.78
- overdue more than 90 days and less than 360 days	18,651,980	(15,093,117)	3,558,863	80.92
Total impaired loans	145,371,570	(71,636,253)	73,735,317	49.28
Total loans	**280,952,703**	**(79,540,418)**	**201,412,285**	**28.31**

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, negative changes in the borrower's markets.

The Group estimates loan impairment for loans to large corporates based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to large corporates, management made the following key assumptions:

- historic annual loss rate of 3.04%
- a discount of between 20% and 70% to the originally appraised value if the property pledged is sold
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment allowance. If the net present value of the estimated cash flows differs by one percent, the loan impairment provision on loans to customers as of 31 December 2010 would be KZT 3,208,909 thousand (31 December 2009: KZT 2,014,123 thousand) lower or higher.

As at 31 December 2010 included in the loan portfolio are 5 renegotiated loans that would otherwise be past due or impaired for the total amount of KZT 23,036,253 thousand (31 December 2009: 2 loans for the total amount of KZT 1,294,933 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above unless the borrower is not able to meet the restructured terms.

16 Loans to customers, continued

(a) Credit quality of loan portfolio

Analysis of collateral

The following table provides an analysis of the commercial loan portfolio, net of impairment, by types of collateral:

	31 December 2010 KZT'000	%	31 December 2009 KZT'000	%
Mixed types of collateral	208,936,055	66	165,775,886	82
Motor vehicles and equipment	91,943,258	29	34,158,886	17
Guarantees of other companies	62,537,866	19	4,464,810	2
Guarantees of financial institutions	27,193,738	8	49,344,654	24
Cash	9,855,652	3	9,076,703	5
Guarantees of the Government of the Republic of Kazakhstan	7,711,457	2	7,965,136	4
Real estate	3,782,686	1	10,166,628	5
No collateral	94,429	-	-	-
Less impairment allowance	(91,164,246)	(28)	(79,540,418)	(39)
Total	**320,890,895**	**100**	**201,412,285**	**100**

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. Mixed types of collateral include property complexes, equipment, vehicles, land, guarantees, construction in progress, and other.

As at 31 December 2010 and 2009 in determining of recoverability of impaired or overdue loans with gross value of KZT 203,148,519 thousand and KZT 145,371,571 thousand the Group uses collateral values of KZT 40,016,647 thousand and KZT 3,611,691 thousand, respectively.

The Group performed collection activities in relation to certain impaired loans, as a result of which, during the year ended 31 December 2010 the Group received securities that were classified as available-for-sale with an initial fair value of KZT 3,422,345 thousand and cash in the amount of KZT 7,128,769 thousand by exercising guarantees of financial institutions in relation to certain loans past due. The remaining amount after collection activities in the amount of KZT 5,273,626 thousand was written-off as uncollectible. In addition to these loans the Group also wrote off loans of KZT 1,427,199 thousand determined as non-recoverable.

During the year ended 31 December 2009 the Group did not obtain any assets by taking control of collateral accepted as security for loans.

16 Loans to customers, continued

(b) Industry and geographical analysis of the loan portfolio

Loans to customers are issued primarily to customers located within the Republic of Kazakhstan and the Russian Federation, who operate in the following economic sectors:

	2010 KZT'000	2009 KZT'000
Mining, metallurgy and mineral resources	96,242,661	35,994,821
Agriculture	52,359,990	60,953,272
Oil and gas	49,006,284	2,054,706
Energy and electricity distribution	36,255,912	21,391,892
Textile	34,485,127	32,189,740
Transportation and warehousing	33,167,233	34,762,155
Construction materials	25,342,668	22,149,605
Chemical	20,389,255	22,022,083
Manufacturing	18,501,516	7,757,227
Paper-pulp	13,200,958	13,508,951
Food processing	9,588,780	10,675,187
Machinery-producing	7,782,737	6,476,362
Telecommunication	925,643	1,745,635
Mortgage	673,905	311,660
Fishery	295,000	296,920
Electric equipment	284,383	494,806
Recycling	-	5,743,435
Other	13,553,089	2,424,246
	412,055,141	**280,952,703**
Impairment allowance	(91,164,246)	(79,540,418)
Total loans to customers	**320,890,895**	**201,412,285**

(c) Significant credit exposures

As at 31 December 2010 the Group had two borrowers, whose balances exceeded 10% of total equity. The gross value of these loans as of 31 December 2010 was KZT 105,868,724 thousand (31 December 2009: nil).

(d) Loan maturities

The maturity of the Group's loan portfolio is presented in Note 34, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio.

17 Finance lease receivables

The components of net investments in finance lease as at 31 December 2010 and 2009 are as follows:

	2010 KZT'000	2009 KZT'000
Within one year	10,622,229	7,805,375
More than one year, but less than five years	14,777,275	13,065,186
More than five years	5,132,758	3,494,034
Minimum lease payments	**30,532,262**	**24,364,595**
Less unearned finance income	(4,771,842)	(4,033,021)
Less impairment allowance	(1,194,543)	(1,054,685)
Net investment in finance lease	**24,565,877**	**19,276,889**

	2010 KZT'000	2009 KZT'000
Leases to large corporates	19,572,148	13,723,445
Leases to small and medium size companies	6,188,272	6,608,129
Less impairment allowance	(1,194,543)	(1,054,685)
Net investment in finance lease	**24,565,877**	**19,276,889**

In 2010 the Group revised its classification criteria between "leases to small and medium size companies" and "leases to large corporates". Net investment in finance lease as at 31 December 2009 reflects a transfer from "leases to small and medium size companies" to "leases to large corporates" in the amount of KZT 5,893,450 thousand made for consistency of presentation.

Movements in the lease impairment allowance for the years ended 31 December 2010 and 2009 are as follows:

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	(1,054,685)	(196,922)
Net charge for the year	(295,088)	(857,763)
Write-offs	155,230	-
Balance at the end of the year	**(1,194,543)**	**(1,054,685)**

Embedded derivative

The repayment of investment in finance leases of KZT 22,874,662 thousand (2009: KZT 17,854,124 thousand) is in part linked to any appreciation in the rate of the USD or EUR against the KZT. If these foreign currencies appreciate, the amount receivable is increased by the respective index. If these foreign currencies depreciate, the amount receivable is not adjusted below the original outstanding amount in KZT.

These embedded derivatives are recorded at fair value in the consolidated financial statements. The estimated fair value of the embedded derivative, which is included in finance lease receivables as at 31 December 2010, is KZT 4,025,336 thousand (31 December 2009: KZT 4,331,209 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model (Note 41).

17 Finance lease receivables, continued

Management uses the following assumptions for valuation of the embedded derivative:

- risk-free rates are estimated using yield curves for respective currencies and ranged from 0.23% to 2.07% for USD, from 1.20% to 1.80% for EUR, and from 1.33% to 4.48% for KZT
- volatility in the model is defined based on the historical one-year observations of fluctuations in actual foreign exchange rates
- no transaction cost is included in the model
- all leases are perfectly divisible.

If the spreads between KZT and USD (or EUR as appropriate) risk-free rates narrowed by 0.5% across all the contracts the fair value of derivative would decrease by KZT 222,079 thousand. An increase in volatility by 50% would result in an increase of the fair value of the derivative by KZT 46,607 thousand.

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2010:

	Gross finance leases KZT'000	Impairment KZT'000	Net finance leases KZT'000	Impairment as a percentage of gross finance lease %
Leases to large corporates				
Leases for which no impairment has been identified:				
- Standard leases	19,572,148	(439,794)	19,132,354	2.25
Total leases to large corporate customers	**19,572,148**	**(439,794)**	**19,132,354**	**2.25**
Leases to small and medium size companies				
Leases for which no impairment has been identified:				
- Standard leases	4,083,868	(91,766)	3,992,102	2.25
Impaired leases:				
- overdue more than 360 days	2,104,404	(662,983)	1,441,421	31.50
Total leases to small and medium size companies	**6,188,272**	**(754,749)**	**5,433,523**	**12.20**
Total finance leases	**25,760,420**	**(1,194,543)**	**24,565,877**	**4.64**

17 Finance lease receivables, continued

Credit quality of finance lease portfolio, continued

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2009:

	Gross finance leases KZT'000	Impairment KZT'000	Net finance leases KZT'000	Impairment as a percentage of gross finance lease %
Leases to large corporates				
Leases for which no impairment has been identified:				
- Standard leases	13,723,445	(362,154)	13,361,291	2.64
Total leases to large corporate customers	**13,723,445**	**(362,154)**	**13,361,291**	**2.64**
Leases to small and medium size companies				
Leases for which no impairment has been identified:				
- Standard leases	4,821,708	(127,242)	4,694,466	2.64
Impaired leases:				
- overdue more than 90 days but less than 360 days	680,421	(127,141)	553,280	18.69
- overdue by more than 360 days	1,106,000	(438,148)	667,852	39.62
Total leases to small and medium size companies	**6,608,129**	**(692,531)**	**5,915,598**	**10.48**
Total finance leases	**20,331,574**	**(1,054,685)**	**19,276,889**	**5.19**

The Group estimates impairment for finance leases based on an analysis of the future cash flows for impaired lease receivables and based on current economic conditions for portfolios of finance leases for which no indications of impairment has been identified. In determining the impairment allowance for individually significant finance lease receivables, management assumed a discount of between 10% and 40% to the appraised value, reflecting current physical condition of the leased equipment, availability of market demand and estimated time for foreclosure and sale.

As at 31 December 2010 and 2009 the entire recoverable amount of impaired finance lease receivables is estimated based on expected collateral realisation values.

In determining the collective impairment allowance for finance lease receivables, management has assumed an annual loss rate of 2.25% and 2.64% for 2010 and 2009, respectively, which is based on historic loss experience adjusted for current economic conditions.

Changes in these estimates could affect the lease impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment provision on finance leases as at 31 December 2010 would be KZT 245,659 thousand lower/higher (31 December 2009: KZT 192,769 thousand).

During the year ended 31 December 2010 the Group renegotiated leases that would otherwise be past due or impaired of KZT 3,310,859 thousand (31 December 2009: KZT 6,985,154 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated leases are included in the category of leases for which no impairment has been identified in the tables above unless the leasee is not able to meet the renegotiated terms.

17 Finance lease receivables, continued

Industry and geographical analysis of the lease portfolio

Finance leases are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	2010 KZT'000	2009 KZT'000
Telecommunication and transportation	9,745,863	7,812,049
Textile	7,271,790	2,732,126
Metallurgy	1,490,019	2,166,706
Construction materials	1,387,671	1,525,135
Construction	1,373,628	1,862,810
Machinery	1,333,279	1,609,907
Mineral resources	1,055,088	1,322,898
Agriculture	909,899	346,373
Electric equipment	659,701	618,610
Pharmaceutical	298,148	10,682
Food processing	164,238	244,578
Paper and pulp	71,096	79,700
	25,760,420	**20,331,574**
Impairment allowance	(1,194,543)	(1,054,685)
	24,565,877	**19,276,889**

Lease maturities

The maturity of the lease portfolio is presented in Note 34, which shows the remaining period from the reporting date, to the contractual maturity of the finance lease receivables in the lease portfolio.

18 Available-for-sale assets

	2010 KZT'000	2009 KZT'000
Held by the Group		
Debt instruments		
Corporate bonds	211,788,248	206,215,043
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	43,120,388	38,630,894
Bonds of Kazakh banks	36,677,694	16,130,389
Bonds of the Sovereign Wealth Fund "Samruk-Kazyna" JSC	28,282,315	1,816,992
Bonds of Kazakh credit institutions, other than banks	9,340,988	4,359,967
Bonds of OECD banks	5,981,680	1,676,925
Recovery notes of Kazakh banks	428,632	-
Treasury bills of the Treasury Department of the United States	83,487	-
	335,703,432	**268,830,210**
Pledged under foreign currency swap		
Debt instruments		
Treasury bills of the Treasury Department of the United States	2,931,290	-
	2,931,290	-

18 Available-for-sale assets, continued

The following table presents information on the credit quality of available-for-sale assets:

	2010 KZT'000	2009 KZT'000
Rated AAA	3,014,777	-
Rated A- to A+	5,981,680	1,676,925
Rated BBB	235,575,397	39,189,155
Rated from BB- to BB+	52,357,384	214,556,603
Rated from B- to B+	38,203,640	8,612,834
Rated D (default)	-	1,945,823
Not rated	3,501,844	2,848,870
	338,634,722	**268,830,210**

In October 2009 the Group acquired bonds of National Company "Kazmunaigaz" JSC and Kazakhtelecom JSC for a total cash consideration of KZT 165,500,000 thousand. The bonds bear coupon rate of six-months LIBOR plus 8.5% p.a and 9.0% p.a, respectively. Both bonds mature in 2019, are denominated in KZT and are indexed to changes in USD/KZT rates and are redeemable in 16 equal semi-annual instalments following a two years grace period.

At the date of transaction, the bonds were recognised at the amount of consideration paid, although there was other evidence of fair value, determined by using discounted cash flow techniques, which exceeded the amount of consideration paid by KZT 36,951,283, as not all the variables used in the discounted cash flow model were observable in the market. This difference was not considered as being implicit shareholder contribution. This amount was recognised in other comprehensive income as part of revaluation reserve for available-for-sale assets.

During the year ended 31 December 2009 the Group received bonds of the Parent company with a nominal value of of KZT 53,142,370 thousand. The bonds have a tenor of 50 years, are denominated in KZT and pay a coupon of 0.01% p.a. At initial recognition the bonds were measured at fair value of KZT 1,815,695 thousand applying appropriate market interest rate. The acquisition occurred simultaneously with sale of subordinated securities for the same consideration under terms discussed in Note 29.

Reclassifications out of available-for-sale assets

With effect from October 2010, the Group reclassified bonds of the Parent Company classified as available-for-sale to held-to-maturity investments following the lapse of tainting period. For reclassified available-for-sale assets that would have met the definition of held-to-maturity investments, the Group has the intention and ability to hold them for foreseeable future or until maturity. As at the date of reclassification, fair value of those assets amounted to KZT 2,175,533 thousand.

Non-quoted debt and equity securities

As at 31 Decmber 2010 included in available-for-sale assets are non-quoted debt securities with a fair value of KZT 210,790,358 thousand (31 December 2009: 204,421,724 thousand).

Analysis of movements in the impairment allowance:

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	(4,731,504)	-
Net charge	-	(4,807,960)
Write-offs	4,731,504	76,456
Balance at the end of the year	**-**	**(4,731,504)**

The entire amount of impairment loss in 2009 relates to defaulted bonds of Alliance Bank JSC and BTA Bank JSC.

18 Available-for-sale assets, continued

During the year ended 31 December 2009 the Group identified objective evidence of impairment in respect of these investments. As a result cumulative loss of KZT 2,193,109 thousand previously recognised in other comprehensive income was reclassified to profit or loss. Subsequent further declines in the fair value of these investments were recognised in profit or loss.

During the year ended 31 December 2010 the Group wrote-off impairment allowances in relation to defaulted bonds of BTA Bank JSC, which were disposed of or replaced with ordinary shares, bonds and recovery notes upon the completion of its restructuring program, and Alliance Bank JSC, which were replaced with bonds upon the completion of its restructuring program.

19 Held-to-maturity investments

	2010 KZT'000	2009 KZT'000
Bonds of the Sovereign Wealth Fund "Samruk-Kazyna" JSC		
Rated BBB	2,707,099	-
	2,707,099	**-**

During the year ended 31 December 2010 the Group received bonds of the Parent Company with a nominal value of KZT 37,926,074 thousands. The bonds have a tenor of 50 years, are denominated in KZT and pay a coupon of 0.01% p.a. At initial recognition the bonds were measured at fair value of KZT 745,577 thousand by applying an appropriate market interest rate. The receipt occurred simultaneously with issue of subordinated securities for the same consideration under terms discussed in Note 29.

20 Equipment and intangible assets

KZT'000	Computers and equipment	Vehicles	Intangible assets	Other	Total
Cost					
At 1 January 2009	127,183	61,804	207,772	121,834	518,593
Additions	8,634	-	18,891	8,706	36,231
Disposals	(9,595)	-	(6,879)	(3,637)	(20,111)
Transfer	9	-	-	(9)	-
At 31 December 2009	126,231	61,804	219,784	126,894	534,713
Additions	16,522	20,828	50,400	10,574	98,324
Disposals	(4,821)	(10,511)	-	(158)	(15,490)
At 31 December 2010	**137,932**	**72,121**	**270,184**	**137,310**	**617,547**
Depreciation/amortisation					
At 1 January 2009	(94,523)	(35,189)	(154,330)	(59,254)	(343,296)
Depreciation and amortisation charge	(17,964)	(5,408)	(21,126)	(16,157)	(60,655)
Disposals	9,562	-	6,879	3,545	19,986
At 31 December 2009	(102,925)	(40,597)	(168,577)	(71,866)	(383,965)
Depreciation and amortisation charge	(12,223)	(7,231)	(24,151)	(15,310)	(58,915)
Disposals	4,821	10,511	-	158	15,490
At 31 December 2010	**(110,327)**	**(37,317)**	**(192,728)**	**(87,018)**	**(427,390)**
Net book value					
At 1 January 2009	32,660	26,615	53,442	62,580	175,297
At 31 December 2009	23,306	21,207	51,207	55,028	150,748
At 31 December 2010	**27,605**	**34,804**	**77,456**	**50,292**	**190,157**

21 Other assets

	2010 KZT'000	2009 KZT'000
Loan arrangement fee prepaid	4,883,763	5,285,847
Accrued commission income	1,306,056	393,613
Fines and penalties accrued	896,768	756,326
Taxes recoverable other than income tax	268,274	478,484
Prepayments	87,031	65,902
Trade and other receivables	85,758	26,500
Foreclosed assets	31,678	507,943
Materials and supplies	27,290	23,651
Equity investments	2,806	2,200
Custom duty prepaid	850	18,099
Apartments to be transferred to employees	-	645,402
Other	1,348	-
	7,591,622	**8,203,967**
Impairment allowance	(859,175)	(806,128)
	6,732,447	**7,397,839**

Loan arrangement fee is represented by a paid commitment charge attributable to undrawn part of credit facility provided by the Export-Import Bank of China (Note 26) deferred pending recognition as an adjustment to the effective interest rate of the loan at receipt.

Included in other assets are non-quoted ordinary equity shares of Kazakhstan Stock Exchange JSC, which are carried at cost of KZT 2,200 thousand (2009: KZT 2,200 thousand) and the global depository receipts on ordinary shares of Alliance Bank JSC with a carrying value of KZT 606 thousand (2009: nil), the fair value of which cannot be reliably determined. There is no market for this investment and there have not been any recent transactions that provide evidence of the current fair value.

Analysis of movements in the impairment allowance

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	(806,128)	(107,928)
Net charge for the year	(657,685)	(895,408)
Write-offs	604,638	197,208
Balance at the end of the year	**(859,175)**	**(806,128)**

As at 31 December 2010, included in other assets are receivables overdue for less than 90 days of KZT 48,401 thousand (31 December 2009: KZT 85,140 thousand).

22 Deferred tax asset

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax asset as at 31 December 2010 and 2009. These deferred tax assets have been recognised in these consolidated financial statements except for temporary differences of KZT 9,498 thousand (2009: KZT 8,988 thousand) relating to the subsidiary that have not been recognised due to uncertainties concerning their realisation. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

These deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2019.

The Group's applicable tax rate in 2010 is the income tax rate of 20% for Kazakhstan companies (2009: 20%). In 2009 the Government announced that the income tax rates for Kazakhstan companies were 20% in 2009-2012, 17.5% in 2013 and 15% in later years. These rates were used in the calculation of deferred tax assets and liabilities as at 31 December 2009. In November 2010 the Government cancelled the reduction and announced that the income tax rate will remain at 20%. The 20% tax rate has been used in the calculation of deferred tax assets and liabilities as at 31 December 2010.

Movement in temporary differences during the years ended 31 December 2010 and 2009 are presented as follows:

KZT'000	Balance 1 January 2010	Recognised in income	Recognised in equity	Balance 31 December 2010
Equipment and intangible assets	9,316	269	-	9,585
Loans to customers	(2,963,877)	(11,273,941)	-	(14,237,818)
Other assets	-	169,903	-	169,903
Accrued interest written-off	-	492,957	-	492,957
Loans from banks and other financial institutions	(1,972,330)	(176,824)	-	(2,149,154)
Government grants	1,891,899	334,766	-	2,226,665
Loans from the Parent Company	-	(516,458)	-	(516,458)
Debt securities issued	(48,267)	6,999	-	(41,268)
Derivative financial instruments	179,815	(179,952)	(94,098)	(94,235)
Tax loss carry-forwards	10,729,739	9,304,868	-	20,034,607
Other liabilities	174,679	(11,022)	-	163,657
Net deferred tax assets	**8,000,974**	**(1,848,435)**	**(94,098)**	**6,058,441**

22 Deferred tax asset, continued

KZT'000	Balance 1 January 2009	Recognised in income	Recognised in equity	Balance 31 December 2009
Equipment and intangible assets	14,059	(4,743)	-	9,316
Loans to customers	-	(2,963,877)	-	(2,963,877)
Loans from banks and other financial institutions	191,349	(2,163,679)	-	(1,972,330)
Government grants	-	1,891,899	-	1,891,899
Debt securities issued	(52,519)	4,252	-	(48,267)
Derivative financial instruments	1,119,817	(342)	(939,660)	179,815
Tax loss carry-forwards	-	10,729,739	-	10,729,739
Other liabilities	178,449	(3,770)	-	174,679
Net deferred tax assets	**1,451,155**	**7,489,479**	**(939,660)**	**8,000,974**

23 Current accounts and deposits from customers

	2010 KZT'000	2009 KZT'000
Current accounts and demand deposits	340,209	44,182,114
Advances received as collateral on liabilities of customers	1,366,063	999,102
	1,706,272	**45,181,216**

On 29 December 2009 the Group opened an account for the Parent Company in the amount of KZT 43,784,231 thousand (295,499,970 USD), that relates to an agreement dated 22 June 2009 concluded between China Development Bank, the Parent Company and the Bank. On 11 January 2010 the entire balance was transferred to the Parent Company's account in the National Bank of the Republic of Kazakhstan.

The Group carries out functions of an agent of an authorised government body servicing state and municipal budget investment projects (programs) financed on a repayable basis and projects financed on behalf of loans, which are guaranteed by the government and included in the list of priority investment projects approved by the Government of the Republic of Kazakhstan.

24 Loans from the Government of the Republic Kazakhstan

	2010 KZT'000	2009 KZT'000
Loans from the Government of the Republic of Kazakhstan	24,023,328	24,038,334
Advances for project finance	-	6,847,759
	24,023,328	**30,886,093**

As at 31 December 2010 and 2009 the loans from the Government of the Republic of Kazakhstan consisted long-term loans granted from the state budget that were received as part of a Government program to support certain industries, including textile, gas processing and chemicals. The funds were used to provide loans to these entities at below market rates. Although these loans carry lower-than-market interest rate, upon initial recognition they were recognised at their nominal amount, as is allowed under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

24 Loans from the Government of the Republic Kazakhstan, continued

As at 31 December 2009 advances for project finance represent an unutilised part of the loan from the budget intended for financing of the Joint Kazakhstan-Russian Entity "Baiterek" JSC for construction of an air space complex. The loan will be repaid in equal parts from 2010 until 2023. The Group acts as an agent and is not liable for any misuse of the loan by the borrower or any other risks related to the loan.

As at 31 December 2010, included in loans from the Government of the Republic of Kazakhstan is accrued interest expense of KZT 12,522 thousand (31 December 2009: KZT 12,528 thousand).

25 Loans from the Parent Company

As at 31 December 2010 the loan from the Parent Company was represented by long-term loan of KZT 5,000,000 thousand granted by Sovereign Wealth Fund "Samruk-Kazyna" JSC in April 2010 with an interest rate of 0.2% per annum and maturing in November 2029. The loan was provided to finance restructuring of certain borrowers. At initial recognition the loan was recognised at fair value measured by applying a relevant market interest rate. The difference of KZT 2,694,615 thousand between the fair value and the consideration received was recognised as a government grant (Note 27).

In September 2009 the Group has early repaid the loan in amount of KZT 50,000,000 thousand.

26 Loans from banks and other financial institutions

	2010 KZT'000	2009 KZT'000
Loans with fixed interest rate		
Loans from OECD banks	97,264,859	89,831,178
Loans from non-OECD banks	69,347,355	9,028,391
Total loans with fixed interest rate	**166,612,214**	**98,859,569**
Loans with floating interest rate		
Loans from OECD banks	19,247,202	23,997,465
Loans from non-OECD banks and other financial institutions	295,162,566	269,320,296
Syndicated loan facility	44,505,976	44,851,737
Total loans with floating interest rate	**358,915,744**	**338,169,498**
Less unamortised portion of borrowing costs	(8,225,914)	(6,885,832)
	517,302,044	**430,143,235**

During the year ended 31 December 2010 the Group received two loans from the Export-Import Bank of China in the amounts of USD 400,000 thousand and USD 156,000 thousand. The Group also received loans from the Japan Bank for International Cooperation and the Bank of Tokyo Mitsubishi in the amounts of JPY 2,748,200 thousand and EUR 30,000 thousand, respectively. As at 31 December 2010 these loans bear interest rates ranging from 3% to 3.55% and mature between September 2013 and May 2025.

26 Loans from banks and other financial institutions, continued

In August 2009 the Group signed a Master facility agreement with the Export-Import Bank of China for USD 5,000,000 thousand. Out of this amount, USD 1,500,000 thousand (equivalent to KZT 226,255,051 thousand) was drawn in October-December 2009. This amount is repayable in eight years following two years of grace period and bears an interest rate of six months Libor + 5.5% p.a.

In November 2009 the Group received a loan of KZT 20,000,000 thousand from Fund of Distressed Assets JSC, a state-owned company, with a tenor of 15 years and interest rate of 1% p.a. The loan was provided to finance restructuring of loans of troubled borrowers under certain conditions. At initial recognition the loan was recognised at fair value measured by applying an interest rate of 7% p.a.. The difference of KZT 11,035,227 thousand between the fair value and the consideration received was recognised as a government grant (Note 27).

As of 31 December 2010, included in loans from banks and other financial institutions is accrued interest expense of KZT 10,266,417 thousand (31 December 2009: KZT 4,848,006 thousand).

27 Government grants

The Group recorded as government grants the benefits provided by means of a low interest rate on the loan from Fund of Distressed Assets JSC in the amount of KZT 11,035,227 thousand (Note 26) and on the loan from the Parent Company in the amount of KZT 2,694,615 thousand (Note 25).

Subsequent to initial recognition the Group allocates to profit or loss an amount corresponding to the debt relief provided to the borrowers. During the year ended 31 December 2010 the amount of government grants transferred to profit or loss was KZT 1,020,786 thousand (31 December 2009: KZT 1,575,730 thousand) and is included in "interest expense".

28 Debt securities issued

	2010 KZT'000	2009 KZT'000
Debt securities with fixed interest rate		
Eurobonds denominated in USD	118,983,235	51,961,000
	118,983,235	**51,961,000**
Unamortised discount, net	(1,860,272)	(1,166,972)
	117,122,963	**50,794,028**
Accrued interest	583,975	578,375
	117,706,938	**51,372,403**

On 20 December 2010 the Group issued USD 500,000 thousand medium-term notes, which bear a coupon rate of 5.5% p. a. and mature in December 2015.

29 Subordinated debt

	2010 KZT'000	2009 KZT'000
Subordinated debt with fixed coupon		
Nominal in KZT	91,068,444	53,142,370
	91,068,444	**53,142,370**
Unamortised discount, net	(88,363,971)	(51,326,675)
	2,704,473	**1,815,695**
Accrued interest	1,838,288	908,135
	4,542,761	**2,723,830**

29 Subordinated debt, continued

The entire amount of the subordinated debt is represented by subordinated bonds issued to the Parent Company. The bonds are denominated in KZT, mature in September 2059 and bear a fixed interest rate of 0.01% per annum. In addition, the bonds have a discretionary coupon of 6.99% per annum which the Group can unilaterally and unconditionally waive with no further obligation. The discretionary coupon for the year ended 31 December 2010 of KZT 4,496,038 thousand (31 December 2009: KZT 906,838 thousand) was recognised as "other distributions" in equity.

During the year ended 31 December 2010 the Group issued additional subordinated bonds with the same characteristics as above to the Parent Company with a nominal value of KZT 37,926,074 thousand. At initial recognition these bonds were measured at fair value of KZT 745,577 thousand by applying an appropriate market interest rates ranging between 7.00% and 9.17% p.a. In case of bankruptcy, the repayment of the subordinated debt will be made after repayment in full of all other liabilities of the Group.

30 Other liabilities

	2010 KZT'000	2009 KZT'000
Prepayments	1,129,148	52,927
Accrued commission expenses	970,481	48,638
Advances received for finance lease	807,078	892,977
Payables to employees	774,570	833,801
Advances on letters of credit	408,005	411,115
Payables to suppliers	100,769	293,682
Vacation reserve	89,003	79,611
Tax liabilities other than income tax	31,050	20,172
Deferred income	10,855	7,616
Other accrued expenses and accounts payable	107,242	32,801
	4,428,201	**2,673,340**

31 Derivative financial instruments

The Group had the following derivative financial instruments as at 31 December 2010 and 2009. Embedded derivatives are described in Note 17.

Type of instrument	Notional amount	Maturity	Payments made by Group	Payments received by Group	Fair value Asset	Fair value Liability
31 December 2010						
Foreign currency swap	USD 160,000,000	16/02/14	USD 160,000,000 at maturity	KZT'000 20,644,800 at maturity	-	(3,862,600)
Foreign currency swap	USD 122,349,103	27/06/14	USD 122,349,103 at maturity	KZT'000 15,557,912 at maturity	-	(3,199,220)
Non-deliverable foreign currency forward	USD 150,000,000	10/01/11	USD 150,000,000 at maturity	KZT'000 21,690,000 at maturity	-	(405,000)
Non-deliverable foreign currency forward	KZT'000 21,652,500	10/01/11	KZT'000 21,652,500 at maturity	USD 150,000,000 at maturity	442,500	-
					442,500	**(7,466,820)**

Type of instrument	Notional amount	Maturity	Payments made by Group	Payments received by Group	Fair value Liability KZT'000
31 December 2009					
Amortising interest rate swap	USD 472,027	31/07/10	Fixed 3.987% in USD	6 month LIBOR in USD	(786)
Foreign currency swap	USD 160,000,000	16/02/14	USD 160,000,000 at maturity	KZT'000 20,644,800 at maturity	(4,547,518)
Foreign currency swap	USD 122,349,103	27/06/14	USD 122,349,103 at maturity	KZT'000 15,557,912 at maturity	(3,635,602)
					(8,183,906)

31 Derivative financial instruments, continued

(a) Group's approach to derivative transactions

The Group may enter into swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions for hedging purposes. A swap involves the exchange by the Group with another party of their respective commitments to pay or receive cash flows, e.g. an exchange of floating rate payments for fixed-rate payments.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Group's exposure to long- or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the Group's swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Group's investments.

The Group's ability to realise a profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Group. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Group will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of a counterparty's insolvency.

(b) Significant foreign currency transactions

On 16 February 2007 the Group entered into a foreign currency swap agreement to exchange KZT for USD 160,000,000 and exchange back on 16 February 2014, the transaction closure date. On 22 June 2007 the Group entered into another foreign currency swap agreement to exchange KZT for USD 122,349,103 and exchange back USD on 27 June 2014, the transaction closure date.

Those swap agreements were designed as cash flow hedges principally to minimise the exchange rate risk associated with the future cash inflows from loans to customers in US dollars financed out of tenge funds borrowed by the Group. The length of the swap agreements was chosen as seven years since the average duration of a pool of loans being hedged was seven years.

The designated hedged risk is the forward exchange rate risk and, therefore, the changes in fair value of the swaps was recorded initially in the hedging reserve to the extent the hedge is effective. During the year ended 31 December 2010 a spot element of the foreign currency swaps has been recognised in profit or loss in the amount of KZT 271,055 thousand (31 December 2009: KZT 7,812,600 thousand). For cash flow hedging relationships, the initial and ongoing prospective effectiveness is assessed by comparing movements in the fair value of a hypothetical derivative with movements in the fair value of the hedging foreign currency swaps (the "hypothetical derivative method"). Prospective effectiveness is measured on a cumulative basis i.e. over the entire life of the hedge relationship. The hypothetical derivative method assumes there will be one forecasted cash inflow based on the weighted average duration of the pool of loans to be received on the date of maturity of the hedging instruments, whereas the actual cash inflows from the loans are expected during 2013 and 2014. Retrospective effectiveness is assessed by comparing the movements in the fair value of the cash flows of hypothetical derivative and actual movements in the fair value of the foreign currency swaps over the life to date of the hedging relationship.

During 2010 management revised the assumptions used to value the foreign currency swaps following the changes in underlying market conditions. In determining the fair value of the swaps management assumed the following rates appropriate for the Group: 3.82% in KZT and 2.00% in USD (2009: 5.05% and 2.6%, respectively).

31 Derivative financial instruments, continued

(c) Hedge accounting of significant transactions

On 9 October 2007 the Group applied cash flow hedge accounting to its two significant foreign currency swap agreements. Management relied on prospective effectiveness testing prepared prior to implementing hedge accounting as required by IAS 39 *Financial Instruments: Recognition and Measurement*. The prospective effectiveness testing that was performed has been re-documented on 26 August 2008, as the original documentation was not retained. The affect of cash flow hedge accounting is to record any fair value gains or losses on the designated derivative financial instruments in a hedging reserve within equity. These gains or losses are subsequently recycled to the statement of comprehensive income as the transactions occur.

32 Share capital

(a) Issued capital

As at 31 December 2010 the authorised, issued and outstanding share capital comprised 1,819,519 ordinary shares with a nominal value of KZT 50,000 and 247,006 ordinary shares with a nominal value of KZT 668,000.

(b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation of the Republic of Kazakhstan. No dividends were declared during the year ended 31 December 2010 and 2009.

33 Reserve capital

Reserve capital is formed in accordance with the Bank's charter out of the net profit for the year following the approval of the consolidated financial statements at the shareholder's general meeting.

34 Risk management

Management of risk is fundamental to the business of the Group and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, which includes price, interest rate and currency risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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.

34 Risk management, continued

(a) Risk management policies and procedures, continued

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit and Investment Committees and Assets and Liabilities management committee.

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis.

The management of interest rates risk, component of market risk, by monitoring interest rate gap is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2010							
ASSETS							
Cash and cash equivalents	198,229,869	-	-	-	-	-	198,229,869
Placements with banks and other financial institutions	9,982,112	-	10,668,889	4,379,900	-	-	25,030,901
Amounts receivable under reverse repurchase agreements	3,189,127	-	-	30,005,580	-	-	33,194,707
Loans to customers	33,516,511	9,962,682	9,026,357	47,638,136	188,415,952	32,331,257	320,890,895
Finance lease receivables	1,327,462	1,029,441	2,243,806	11,274,931	4,599,772	4,090,465	24,565,877
Available-for-sale assets	220,130,108	15,674,123	11,303,504	38,839,420	52,687,567	-	338,634,722
Held-to-maturity investments	-	-	-	-	2,707,099	-	2,707,099
	466,375,189	**26,666,246**	**33,242,556**	**132,137,967**	**248,410,390**	**36,421,722**	**943,254,070**
LIABILITIES							
Current accounts and deposits from customers	340,168	-	-	52,577	1,313,527	-	1,706,272
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	24,023,328	-	24,023,328
Loans from the Parent Company	-	-	-	-	2,420,070	-	2,420,070
Loans from banks and other financial institutions	98,192,366	30,947,678	-	89,821,371	298,340,629	-	517,302,044
Debt securities issued	-	-	-	87,632,671	30,074,267	-	117,706,938
Subordinated debt	-	-	-	-	4,542,761	-	4,542,761
	98,532,534	**30,947,678**	**-**	**177,506,619**	**360,714,582**	**-**	**667,701,413**
	367,842,655	**(4,281,432)**	**33,242,556**	**(45,368,652)**	**(112,304,192)**	**36,421,722**	**275,552,657**

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2009							
ASSETS							
Cash and cash equivalents	293,316,214	-	-	-	-	-	293,316,214
Placements with banks and other financial institutions	-	-	40,224,257	4,257,419	-	-	44,481,676
Loans to customers	8,087,263	11,821,827	14,838,457	45,126,855	118,269,285	3,268,598	201,412,285
Finance lease receivables	1,573,459	-	3,026,183	10,184,948	2,991,391	1,500,908	19,276,889
Available-for-sale assets	218,696,312	6,956,780	20,232,483	16,045,722	6,440,027	458,886	268,830,210
	521,673,248	**18,778,607**	**78,321,380**	**75,614,944**	**127,700,703**	**5,228,392**	**827,317,274**
LIABILITIES							
Current accounts and deposits from customers	44,182,078	-	-	-	999,138	-	45,181,216
Loans from the Government of the Republic of Kazakhstan	-	-	6,847,759	-	24,038,334	-	30,886,093
Loans from banks and other financial institutions	83,112,024	29,750,833	96,081	23,299,190	293,885,107	-	430,143,235
Debt securities issued	-	-	-	14,773,729	36,598,674	-	51,372,403
Subordinated debt	-	-	-	-	2,723,830	-	2,723,830
	127,294,102	**29,750,833**	**6,943,840**	**38,072,919**	**358,245,083**	**-**	**560,306,777**
	394,379,146	**(10,972,226)**	**71,377,540**	**37,542,025**	**(230,544,380)**	**5,228,392**	**267,010,497**

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2010 and 2009. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2010 Average effective interest rate			2009 Average effective interest rate		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	1.48%	0.93%	0.69%	2.51%	2.00%	1.01%
Placements with banks and other financial institutions	8.37%	6.86%	-	11.00%	6.71%	-
Amounts receivable under reverse repo agreements	6.85%	-	-	-	-	-
Available-for-sale assets	6.78%	9.16%	5.90%	6.45%	7.32%	7.28%
Held-to-maturity investments	7.00%	-	-	-	-	-
Loans to customers	8.46%	9.46%	6.76%	6.96%	10.91%	8.27%
Finance lease receivables	9.22%	-	-	8.47%	-	-
Interest bearing liabilities						
Current accounts and deposits from customers	-	0.02%	-	-	0.65%	-
Loans from the Government of the Republic of Kazakhstan	0.33%	-	-	0.33%	-	-
Loans from the Parent company	7.00%	-	-	-	-	-
Loans from banks and other financial institutions	7.00%	5.12%	3.38%	7.00%	5.48%	3.67%
Dent securities issued	-	5.92%	-	-	6.78%	-
Suboridnated debt	7.00%	-	-	7.00%	-	-

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Cash flow interest rate sensitivity analysis

An analysis of sensitivity of profit or loss for the year and equity to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2010 and 2009 is as follows:

	2010		2009	
KZT'000	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	1,323,421	1,323,421	992,350	992,350
100 bp parallel decrease	(1,323,421)	(1,323,421)	(992,350)	(992,350)

Fair value interest rate sensitivity analysis

An analysis of sensitivity of profit or loss for the year and equity as a result of changes in fair value of financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2010		2009	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	-	(12,844,675)	-	(9,769,564)
100 bp parallel decrease	-	13,153,540	-	10,683,839

The above analysis assumes all available for sale assets are held one year from the statement of financial position date.

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency structure of assets and liabilities at 31 December 2010:

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	111,702,900	84,007,092	2,290,696	229,181	198,229,869
Placements with banks and other financial institutions	16,394,993	8,635,908	-	-	25,030,901
Amounts receivable under reverse repurchase agreements	33,194,707	-	-	-	33,194,707
Loans to customers	66,017,737	247,169,138	3,570,754	4,133,266	320,890,895
Finance lease receivables*	24,565,877	-	-	-	24,565,877
Available-for-sale assets	116,941,933	215,711,109	-	5,981,680	338,634,722
Held-to-maturity investments	2,707,099	-	-	-	2,707,099
Equipment and intangible assets	190,157	-	-	-	190,157
Advances for finance leases	333,124	-	-	-	333,124
Assets to be transferred under finance lease agreements	1,411,789	-	-	-	1,411,789
Other assets	4,635,126	2,090,043	7,107	171	6,732,447
Current tax asset	188,248	-	-	-	188,248
Deferred tax assets	6,058,441	-	-	-	6,058,441
Derivative financial instruments	-	442,500	-	-	442,500
Total assets	**384,342,131**	**558,055,790**	**5,868,557**	**10,344,298**	**958,610,776**
Liabilities					
Current accounts and deposits from customers	40,832	1,627,560	34,114	3,766	1,706,272
Loans from the Government of the Republic of Kazakhstan	24,023,328	-	-	-	24,023,328
Loans from banks and other financial institutions	9,545,938	494,579,653	8,300,315	4,876,138	517,302,044
Loans from the Parent Company	2,420,070	-	-	-	2,420,070
Government grants	11,133,326	-	-	-	11,133,326
Debt securities issued	-	117,706,938	-	-	117,706,938
Subordinated debt	4,542,761	-	-	-	4,542,761
Other liabilities	1,859,774	2,146,183	417,782	4,462	4,428,201
Derrivative financial instruments	-	7,466,820	-	-	7,466,820
Total liabilities	**53,566,029**	**623,527,154**	**8,752,211**	**4,884,366**	**690,729,760**
Net on balance sheet positions as at 31 December 2010	**330,776,102**	**(65,471,364)**	**(2,883,654)**	**5,459,932**	**267,881,016**
Notional amount of derivative liabilities as at 31 December 2010	36,240,212	(41,646,493)	-	-	(5,406,281)
Net on and off balance sheet position positions as at 31 December 2010	**367,016,314**	**(107,117,857)**	**(2,883,654)**	**5,459,932**	**262,474,735**

* These assets contain embedded derivatives which become effective if the USD or EUR appreciates against KZT.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency structure of assets and liabilities at 31 December 2009:

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	247,395,932	45,001,641	909,097	9,544	293,316,214
Placements with banks and other financial institutions	5,723,514	38,758,162	-	-	44,481,676
Loans to customers	9,080,587	189,949,318	2,382,380	-	201,412,285
Finance lease receivables *	19,276,889	-	-	-	19,276,889
Available-for-sale assets	57,490,399	211,212,520	-	127,291	268,830,210
Equipment and intangible assets	150,748	-	-	-	150,748
Advances for finance leases	483,951	-	-	-	483,951
Assets to be transferred under finance lease agreements	5,782,190	-	-	-	5,782,190
Other assets	6,692,153	703,882	1,718	86	7,397,839
Current tax asset	532,481				532,481
Deferred tax asset	8,000,974	-	-	-	8,000,974
Total assets	**360,609,818**	**485,625,523**	**3,293,195**	**136,921**	**849,665,457**
Liabilities					
Current accounts and deposits from customers	61,046	45,119,379	4	787	45,181,216
Loans from the Government of the Republic of Kazakhstan	30,886,093	-	-	-	30,886,093
Loans from banks and other financial institutions	9,028,391	419,523,816	1,591,028	-	430,143,235
Government grants	9,459,497	-	-	-	9,459,497
Debt securities issued	-	51,372,403	-	-	51,372,403
Subordinated debt	2,723,830	-	-	-	2,723,830
Other liabilities	1,901,860	77,477	691,336	2,667	2,673,340
Derrivative financial instruments	-	8,183,906	-	-	8,183,906
Total liabilities	**54,060,717**	**524,276,981**	**2,282,368**	**3,454**	**580,623,520**
Net on balance sheet positions as at 31 December 2009	**306,549,101**	**(38,651,458)**	**1,010,827**	**133,467**	**269,041,937**
Notional amount of derivative liabilities as at 31 December 2009	36,202,712	(41,968,371)	-	-	(5,765,659)
Net on and off balance sheet position positions as at 31 December 2009	**342,751,813**	**(80,619,829)**	**1,010,827**	**133,467**	**263,276,278**

*These assets contain embedded derivatives which become effective if the USD or EUR appreciates against KZT.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

An analysis of sensitivity of profit or loss for the year and equity to changes in the foreign currency exchange rates based on positions, and embeded derivatives, existing as at 31 December 2010 and 2009 and a simplified scenario of a 5% change in USD, Euro and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2010		2009	
	Profit or loss	Equity	Profit or loss	Equity
5% appreciation of USD against KZT	(4,284,714)	(4,284,714)	(3,224,793)	(3,224,793)
5% depreciation of USD against KZT	4,284,714	4,284,714	3,224,793	3,224,793
5% appreciation of EUR against KZT	(115,346)	(115,346)	100,523	100,523
5% depreciation of EUR against KZT	115,346	115,346	(100,523)	(100,523)
5% appreciation of Other currencies against KZT	218,397	218,397	5,430	5,430
5% depreciation of Other currencies against KZT	(218,397)	(218,397)	(5,430)	(5,430)

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance position and off balance position exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. Loans to customers, finance lease receivable, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements, available-for-sale assets and accounts receivable are subject to credit risk. The Group's exposure is monitored on an ongoing basis.

34 Risk management, continued

(c) Credit risk, continued

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognized contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk at the reporting date is as follows:

	2010 KZT'000	2009 KZT'000
ASSETS		
Cash and cash equivalents	198,229,869	293,316,214
Placements with banks and other financial institutions	25,030,901	44,481,676
Amounts receivable under reverse repurchase agreements	33,194,707	-
Loans to customers	320,890,895	201,412,285
Finance lease receivable	24,565,877	19,276,889
Available-for-sale assets	338,634,722	268,830,210
Held-to-maturity investments	2,707,099	-
Other assets	6,732,447	7,397,839
Derivative financial instruments	442,500	-
Total maximum exposure	**950,429,017**	**834,715,113**

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 36.

34 Risk management, continued

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The Risk Department mitigates this risk by analysing liquidity gaps and maturity on an ongoing basis.

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2010. Unrecognised commitments are discussed in the Note 36.

	On demand and less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 6 months KZT'000	6 months to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Book value KZT'000
Non-derivative liabilities							
Current accounts and deposits from customers	340,168	-	-	-	1,366,104	1,706,272	1,706,272
Loans from the Government of the Republic of Kazakhstan	2,300	10,160	2,150	64,769	24,726,552	24,805,931	24,023,328
Loans from the Parent	-	-	5,000	5,000	5,105,000	5,115,000	2,420,070
Loans from banks and other financial institutions	82,440,356	69,029,778	4,664,356	20,812,202	476,330,912	653,277,604	517,302,044
Debt securities issued	-	471,997	3,051,480	3,523,477	171,174,045	178,220,999	117,706,938
Subordinated debt	-	3,990,244	-	3,187,396	401,520,769	408,698,409	4,542,761
Other liabilities	403,100	531,953	692,818	1,457,723	1,342,607	4,428,201	4,428,201
Derivative financial instruments							
– Inflow	(37,500)	-	-	-	(36,202,712)	(36,240,212)	(442,500)
– Outflow	-	-	-	-	41,646,493	41,646,493	7,466,820
Total liabilities	**83,148,424**	**74,034,132**	**8,415,804**	**29,050,567**	**1,087,009,770**	**1,281,658,697**	**679,153,934**
Loan and credit line commitments	**154,182,507**	-	-	-	-	**154,182,507**	**154,182,507**

34 Risk management, continued

(d) Liquidity risk, continued

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2009. Unrecognised commitments are discussed in the Note 36.

	On demand and less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 6 months KZT'000	6 months to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Book value KZT'000
Non-derivative liabilities							
Current accounts and deposits from customers	44,182,078	-	-	-	999,138	45,181,216	45,181,216
Loans from the Government of the Republic of Kazakhstan	2,300	10,160	2,150	64,844	31,775,684	31,855,138	30,886,093
Loans from banks and other financial institutions	2,897,102	3,186,536	1,808,046	24,421,254	576,076,653	608,389,591	430,143,235
Debt securities issued	-	668,070	1,030,015	1,698,085	85,123,698	88,519,868	51,372,403
Subordinated debt	-	-	1,325	2,657	53,402,768	53,406,750	2,723,830
Other liabilities	535,561	690,827	308,445	1,114,822	23,685	2,673,340	2,673,340
Derivative financial instruments							
– Inflow	-	-	-	-	(36,202,712)	(36,202,712)	-
– Outflow	916	-	-	786	41,968,371	41,970,073	8,183,906
Total liabilities	**47,617,957**	**4,555,593**	**3,149,981**	**27,302,448**	**753,167,285**	**835,793,264**	**571,164,023**
Loan and credit line commitments	**97,128,823**	-	-	-	-	**97,128,823**	**97,128,823**

34 Risk management, continued

(e) Maturity

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2010.

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	85,932,716	112,297,153	-	-	-	-	-	-	198,229,869
Placements with banks and other financial institutions	-	-	1,643,938	19,007,063	4,379,900	-	-	-	25,030,901
Amounts receivable under reverse repurchase agreements	-	3,189,127	-	-	30,005,580	-	-	-	33,194,707
Loans to customers	-	1,201,137	2,698,639	9,780,454	47,638,135	227,241,273	-	32,331,257	320,890,895
Finance lease receivables	-	300,418	1,027,044	3,273,247	11,274,931	4,599,772	-	4,090,465	24,565,877
Available-for-sale assets	-	822,356	4,303,520	5,820,236	58,665,170	269,023,440	-	-	338,634,722
Held-to-maturity investments	-	-	-	-	-	2,707,099	-	-	2,707,099
Equipment and intangible assets	-	-	-	-	-	-	190,157	-	190,157
Advances for finance leases	-	378	2,392	330,354	-	-	-	-	333,124
Assets to be transferred under finance lease	-	-	144,489	1,267,300	-	-	-	-	1,411,789
Other assets	144,720	10,417	1,070,926	4,354,262	56,208	1,044,745	2,806	48,363	6,732,447
Current tax asset	188,248	-	-	-	-	-	-	-	188,248
Deferred tax asset	-	-	-	-	-	6,058,441	-	-	6,058,441
Derivative financial instruments	-	442,500	-	-	-	-	-	-	442,500
Total assets	**86,265,684**	**118,263,486**	**10,890,948**	**43,832,916**	**152,019,924**	**510,674,770**	**192,963**	**36,470,085**	**958,610,776**

34 Risk management, continued

(e) Maturity, continued

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	340,168	-	-	-	52,577	1,313,527	-	-	1,706,272
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	-	24,023,328	-	-	24,023,328
Loans from banks and other financial institutions	-	-	59,292,311	-	89,821,372	368,188,361	-	-	517,302,044
Loans from the Parent	-	-	-	-	-	2,420,070	-	-	2,420,070
Government grants	-	-	-	-	-	11,133,326	-	-	11,133,326
Debt securities issued	-	-	-	-	87,632,671	30,074,267	-	-	117,706,938
Subordinated debt	-	-	-	-	-	4,542,761	-	-	4,542,761
Other liabilities	256,713	138,141	531,954	2,144,486	417,601	939,306	-	-	4,428,201
Derivative financial instruments	-	405,000	-	-	7,061,820	-	-	-	7,466,820
Total liabilities	**596,881**	**543,141**	**59,824,265**	**2,144,486**	**184,986,041**	**442,634,946**	**-**	**-**	**690,729,760**
Net position as at 31 December 2010	**85,668,803**	**117,720,345**	**(48,933,317)**	**41,688,430**	**(32,966,117)**	**68,039,824**	**192,963**	**36,470,085**	**267,881,016**

34 Risk management, continued

(e) Maturity, continued

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2009.

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	197,035,757	96,280,457	-	-	-	-	-	-	293,316,214
Placements with banks and other financial institutions	-	-	-	40,224,257	4,257,419	-	-	-	44,481,676
Loans to customers	-	-	587,551	19,093,170	45,126,855	133,336,111	-	3,268,598	201,412,285
Finance lease receivables	-	280,374	1,293,084	3,026,183	10,184,948	2,991,392	-	1,500,908	19,276,889
Available-for-sale assets	-	-	8,040,725	22,768,213	23,102,938	214,459,448	-	458,886	268,830,210
Equipment and intangible assets	-	-	-	-	-	-	150,748	-	150,748
Advances for finance leases	-	621	478,465	4,865	-	-	-	-	483,951
Assets to be transferred under finance lease	-	-	4,822,839	959,351	-	-	-	-	5,782,190
Other assets	5,521,639	61,904	155,258	982,483	674,355	-	2,200	-	7,397,839
Current tax asset	532,481	-	-	-	-	-	-	-	532,481
Deferred tax asset	-	-	-	-	-	8,000,974	-	-	8,000,974
Total assets	**203,089,877**	**96,623,356**	**15,377,922**	**87,058,522**	**83,346,515**	**358,787,925**	**152,948**	**5,228,392**	**849,665,457**

34 Risk management, continued

(e) Maturity, continued

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	312,152	43,869,926	-	-	-	999,138	-	-	45,181,216
Loans from the Government of the Republic of Kazakhstan	-	-	-	6,847,759	-	24,038,334	-	-	30,886,093
Loans from banks and other financial institutions	-	-	-	6,125,926	82,764,212	341,253,097	-	-	430,143,235
Government grants	-	-	-	-	-	9,459,497	-	-	9,459,497
Debt securities issued	-	-	-	-	14,773,729	36,598,674	-	-	51,372,403
Subordinated debt	-	-	-	-	-	2,723,830	-	-	2,723,830
Other liabilities	52,150	501,770	690,827	1,423,267	5,326	-	-	-	2,673,340
Derivative financial instruments	-	916	-	786	8,182,204	-	-	-	8,183,906
Total liabilities	**364,302**	**44,372,612**	**690,827**	**14,397,738**	**105,725,471**	**415,072,570**	**-**	**-**	**580,623,520**
Net position as at 31 December 2009	**202,725,575**	**52,250,744**	**14,687,095**	**72,660,784**	**(22,378,956)**	**(56,284,645)**	**152,948**	**5,228,392**	**269,041,937**

35 Capital management

The National Bank of Republic of Kazakhstan sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation of Republic of Kazakhstan as capital for credit institutions. Under the current capital requirements set by the National Bank of Republic of Kazakhstan the Bank has to maintain a statutory capital ratio (ratio of capital to total assets and commitments, less equity investments) above the prescribed minimum level. As at 31 December 2010, this minimum level is 8%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2010 and 2009.

The following table shows the composition of statutory capital ratio calculated in accordance with the requirements of the National Bank of the Republic of Kazakhstan, as at 31 December:

	2010 KZT'000	2009 KZT'000
Share capital	255,975,958	255,975,958
Unconsolidated reserve capital	17,712,311	17,666,734
Unconsolidated statutory (accumulated losses)/retained earnings (unaudited) of previous years	(67,846,671)	45,578
Unconsolidated equity investments	(8,002,806)	(8,002,200)
Total statutory capital (unaudited)	**197,838,792**	**265,686,070**
Total unconsolidated statutoty assets (unaudited)	871,463,805	812,715,394
Total unconsolidated statutory commitments (unaudited)	594,148,727	268,770,617
Less unconsolidated equity investments	(8,002,806)	(8,002,200)
	1,457,609,726	**1,073,483,811**
Statutory capital ratio (unaudited)	**13.6%**	**24.7%**

36 Commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities and are cancellable on certain conditions. The Group plans to fund these commitments with issue of debt securities, loans from the Parent Company and a number of foreign counterparties in 2010.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognised at the statement of financial position date if counterparties failed completely to perform as contracted.

	2010 KZT'000	2009 KZT'000
Contracted amount		
Loan, credit line and finance lease commitments	154,182,507	97,128,823
Letters of credit and other commitments related to settlement operations	108,864,530	411,115

36 Commitments, continued

The Group uses the same credit control and management policies in undertaking unrecognised commitments as it does for recognised operations.

Included in letters of credit and other commitments related to settlement operations is the amount of KZT 107,380,000 thousand related to a single borrower, which, if aggregated with current amount of loans in the amount of KZT 46,959,518 thousand, will comprise a significant credit exposure.

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

37 Operating leases

Leases as lessee

As at 31 December 2010 and 2009 the Group did not have significant non-cancelable operating lease rentals payable.

During the current year KZT 287,096 thousand was recognised as an expense in profit or loss in respect of operating leases (2009: KZT 333,423 thousand).

38 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

In the ordinary course of business the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Group.

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

39 Related party transactions

(a) Control relationships

The Bank's sole shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC. The party with ultimate control over the Group is the Government of the Republic of Kazakhstan.

Publicly available financial statements are produced by the Group's Parent, however, no publicly available financial statements are produced by the Group's ultimate controlling party.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in payroll and related taxes (refer Note 11):

	2010 KZT'000	2009 KZT'000
Members of the Board of Directors and the Management Board	286,156	266,612

The above amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

(c) Transactions with other related parties

Other related parties comprise the State, national companies and organizations, including the National Bank of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan and Fund of Distressed Assets JSC.

The outstanding balances and the related average interest rates as at 31 December 2010 and 31 December 2009 and related profit or loss amounts of transactions for the years ended 31 December 2010 and 31 December 2009 with other related parties are as follows.

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2010	The Parent Company		Other subsidiaries of the Parent Company		Associates of the Parent Company		Other state companies and organisations		Total
	KZT'000	Average interest rate, %	KZT'000	Average interest rate,%	KZT'000	Average interest rate,%	KZT'000	Average interest rate, %	KZT'000
Statement of Financial Position									
ASSETS									
Cash and cash equivalents	-	-	-	-	44,266,594	1.50%	106,138,092	1.00%	150,404,686
Loans to customers	-	-	67,953,878	8.29%	-	-	25,476,872	9.17%	93,430,750
Finance lease receivables	-	-	2,967,414	9.83%	-	-	-	-	2,967,414
Amounts receivable under reverse repurchase agreements	-	-	30,005,580	7.50%	-	-	-	-	30,005,580
Available-for-sale assets	28,282,315	5.93%	210,270,581	7.28%	5,242,826	7.34%	52,461,372	7.49%	296,257,094
Held-to-maturity investments	2,707,099	0.01%	-	-	-	-	-	-	2,707,099
Other assets	-	-	1,105,293	-	-	-	522,271	-	1,627,564
Current tax asset	-	-	-	-	-	-	188,248	-	188,248
Deferred tax asset	-	-	-	-	-	-	6,058,441	-	6,058,441
LIABILITIES									
Current accounts and deposits from customers	-	-	316,802	-	-	-	1,339,957	-	1,656,759
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	-	-	24,023,328	0.28%	24,023,328
Loans from banks and other financial institutions	-	-	-	-	-	-	9,545,939	1.00%	9,545,939
Government grants	1,807,306	-	-	-	-		9,326,020	-	11,133,326
Loan from parent company	2,420,070	0.20%	-	-	-	-	-	-	2,420,070
Subordinated debt	4,542,761	0.10%	-	-	-	-	-	-	4,542,761
Other liabilities	-	-	934,331	-	-	-	27,375	-	961,706

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2010	The Parent Company	Other subsidiaries of the Parent Company	Associates of the Parent Company	Other state companies and organisations	Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
Profit /(loss)					
Interest income	581,049	19,498,918	2,477,946	3,961,469	26,519,382
Interest expense	(4,765,359)	(1,088)	-	(530,780)	(5,297,227)
Fee and commission income	828	49,217	-	63,241	113,286
Fee and commission expense	-	-	(3,037)	(8)	(3,045)
Net realised gain on available-for-sale assets	535	171,260	-	317,951	489,746
Net loss on derivative financial instruments	-	(65,794)	-	-	(65,794)
Income/(loss) on purchase/sale of foreign currency	54,997	107,270	-	(131,777)	30,490
Impairment losses	-	(1,412)	-	(155,599)	(157,011)
General administrative expenses	(198,200)	(18,606)	-	-	(216,806)
Other income	-	35,854	-	-	35,854
Income tax expense	-	-	-	(1,790,845)	(1,790,845)

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2009	The Parent Company		Other subsidiaries of the Parent Company		Associates of the Parent Company		Other state companies and organisations		Total
Statement of Financial Position	**KZT'000**	**Average interest rate, %**	**KZT'000**	**Average interest rate,%**	**KZT'000**	**Average interest rate,%**	**KZT'000**	**Average interest rate, %**	**KZT'000**
ASSETS									
Cash and cash equivalents	-	-	-	-	2,012,315	7.00%	202,166,429	0.50%	204,178,744
Loans to customers	-	-	20,458,433	8.03%	-	-	15,580,646	9.10%	36,039,079
Finance lease receivables	-	-	3,434,182	9.84%	-	-	-	-	3,434,182
Available-for-sale assets	1,816,992	0.01%	207,128,989	8.60%	1,879,045	10.00%	42,990,861	6.12%	253,815,887
Other assets	-	-	14,082	-	-	-	882,105	-	896,187
Current tax asset	-	-	-	-	-	-	532,481	-	532,481
Deferred tax asset	-	-	-	-	-	-	8,000,974	-	8,000,974
LIABILITIES									
Current accounts and deposits from customers	43,869,926	-	305,400	-	-	-	991,129	-	45,166,455
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	-	-	30,886,094	0.28%	30,886,094
Loans from banks and other financial institutions	-	-	-	-	-	-	9,028,391	1.00%	9,028,391
Government grants	-	-	-	-	-	-	9,459,497		9,459,497
Subordinated debt	2,723,830	0.01%	-	-	-	-	-	-	2,723,830
Other liabilities	-	-	503	-	-	-	16,610	-	17,113

39 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2009	The Parent Company	Other subsidiaries of the Parent Company	Associates of the Parent Company	Other state companies and organisations	Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
Profit /(loss)					
Interest income	30,268	4,913,038	290,937	3,647,098	8,881,341
Interest expense	(2,658,998)	(2,364)	(3,611)	(933,580)	(3,598,553)
Fee and commission income	-	26,822	-	85,759	112,581
Fee and commission expense	-	-	(1,163)	-	(1,163)
Net gain on available-for-sale assets	-	259,405 -	7	191,695	451,107
Net gain on derivative financial instruments	-	1,053,297	-	-	1,053,297
Impairment losses	-	(4,400,267)	-	(2,873,848)	(7,274,115)
Other income	-	15,437	-	-	15,437
General administrative expenses	(229,797)	(14,689)	(3,252)	-	(247,738)
Income tax benefit	-	-	-	7,365,391	7,365,391

40 Analysis by segment

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 Segment Reporting. The Group's assets are concentrated in the Republic of Kazakhstan, and revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman, only receives and reviews the information on the Group as a whole.

41 Fair value of financial instruments

(a) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(e) (viii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The estimated fair values of all financial instruments except for held-to-maturity investments, loans from the Government of the Republic of Kazakhstan and debt securities issued approximates their carrying values.

	2010 KZT'000 Fair value	2010 KZT'000 Carrying value	2009 KZT'000 Fair value	2009 KZT'000 Carrying value
ASSETS				
Finance lease receivables	22,787,922	24,565,877	18,221,342	19,276,890
Held-to-maturity investments	1,633,373	2,707,099	-	-
LIABILITIES				
Loans from the Government of the Republic of Kazakhstan	20,258,093	24,023,328	26,789,816	30,886,093
Debt securities issued	119,327,101	117,706,938	48,659,725	51,372,403

(b) Valuation of financial instruments

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered as less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

41 Fair value of financial instruments, continued

(b) Valuation of financial instruments, continued

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist and Black-Schoules option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting in an arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Instruments involving significant unobservable inputs are presented by certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments measured at fair value as at 31 December 2010, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Available-for-sale assets	18	3,745,986	279,827,113	55,061,623	338,634,722
Embedded derivative	17	-	-	4,025,336	4,025,336
Derivative financial instruments	31	-	442,500	-	442,500
		3,745,986	**280,269,613**	**59,086,959**	**343,102,558**
Liabilities					
Derivative financial instruments	31	-	7,466,820	-	7,466,820
		-	**7,466,820**	**-**	**7,466,820**

41 Fair value of financial instruments, continued

(b) Valuation of financial instruments, continued

The table below analyses financial instruments measured at fair value as at 31 December 2009, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Available-for-sale assets	18	1,676,925	209,952,086	57,201,199	268,830,210
Embedded derivative	17	-	-	4,331,208	4,331,208
		1,676,925	**209,952,086**	**61,532,407**	**273,161,418**
Liabilities					
Derivative financial instruments	31	-	8,183,906	-	8,183,906
		-	**8,183,906**	**-**	**8,183,906**

The available-for-sale assets with fair values determined using valuation techniques that use observable inputs were classified into Level 2. Observable inputs included transaction prices in markets that are active for similar, but not identical, instruments and transaction prices in markets that are not active for identical instruments. Although all the instruments are listed in Kazakhstan stock exchange, management believes that the market for these identical instruments is not active.

The Group applies discounted cash flow methodology in respect of valuation of impaired available-for-sale assets and available-for-sale assets for which fair values cannot be determined based on observable market inputs.

For impaired debt securities cash flow projections were based on publicly available information on expected post-restructuring payoff schedule for each respective type of security. Assumptions on discount rates were made based on issuers' credit risk premiums implied by market quotes of the issues on which the trades were not suspended.

Certain available-for-sale assets that do not have observable market prices and cannot be valued based on observable market inputs were also valued applying discounted cash flow methodology. Cash flow projections for these securities were derived from contractual payment schedules. Assumptions regarding discount rates were made based on quoted prices in active markets of similar instruments of an issuer with adjacent credit rating adjusted to the difference in credit ratings.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2010:

	Available-for-sale assets	Embedded derivative
Balance as at 1 January	**57,201,199**	**4,331,208**
Total gains or losses:		
in profit or loss	4,247,170	81,563
in other comprehensive income	(1,416,104)	-
Settlements	(3,024,818)	(387,435)
Disposed of	(1,945,824)	-
Balance at 31 December	**55,061,623**	**4,025,336**

41 Fair value of financial instruments, continued

(b) Valuation of financial instruments, continued

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2009:

	Available-for-sale assets	Embedded derivative
Balance as at 1 January	-	**29,108**
Total gains or losses:		
in profit or loss	(4,705,380)	4,703,570
in other comprehensive income	9,729,252	-
Purchases	45,500,000	-
Settlements	-	(401,470)
Transfer from Level 2	6,677,327	-
Balance at 31 December	**57,201,199**	**4,331,208**

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2010:

KZT'000	**Effect on profit or loss**		**Effect on other comprehensive income**	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Available-for-sale assets				
- Debt and other fixed income instruments	-	-	2,016,969	(1,903,041)
Total	-	-	**2,016,969**	**(1,903,041)**

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2009:

KZT'000	**Effect on profit or loss**		**Effect on other comprehensive income**	
	Favourable	**Unfavourable**	**Favourable**	**Unfavourable**
Available-for-sale assets				
- Debt and other fixed income instruments	-	-	2,360,541	(2,216,305)
Total	-	-	**2,360,541**	**(2,216,305)**

The favourable and unfavourable effects of using reasonably possible alternative assumptions are calculated by recalibrating the model values. Key inputs and assumptions used to calculate favourable and unfavourable changes include changing the estimated discount rate by 100 basis points.

42 Events after the reporting date

On 20 January 2011 the Group prepaid the loan received from the Export-Import Bank of China in the amount of USD 500,000 thousand.

On 1 February 2011 the Group issued USD 277,000 thousand medium-term notes, which bear a coupon rate of 5.5% p. a. and mature in December 2015.

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