EXPLANATORY NOTE

to the financial statement of "Astana Banki" JSC

as of January 1, 2018

(in thousands of KZT)

1. Company

"Astana Banki" JSC ("Bank of Astana" JSC, hereinafter referred to as Bank) was founded in the Republic of Kazakhstan as a joint-stock company in 2008. Main activities are as following: attracting deposits, opening and managing accounts of customers, providing credits and guarantees, maintaining cash management services, carrying out transactions with securities and foreign currency.

Activities of the Bank are governed by the National Bank of the Republic of Kazakhstan. Bank has a license #1.1.32 for carrying out bank and other operations as of April 20, 2015. Certificate of State Registration of the legal entity "Astana Finance Bank" JSC #5052-1900-AO was issued by the Ministry of Justice of the Republic of Kazakhstan on May 26, 2008. On March 10, 2015 Bank has re-registered the legal entity under a new name – "Astana Bank" JSC ("Bank of Astana" JSC). "Astana Banki" JSC was awarded with a long-term credit rating degree "B" with forecast "Stable" by an international rating agency "Fitch" as well as with national rating "kzBB-". Legal address of the Bank is as following: 22, microregion Koktem-2, Almaty, Republic of Kazakhstan, 050040.

Bank has eight branches, via which it maintain operations on the territory of the Republic of Kazakhstan. Major portion of the assets and liabilities of the Bank are allocated on the territory of the Republic of Kazakhstan. Bonds and common stocks issued by the Bank are listed by KASE (Kazakhstan Stock Exchange). Moreover starting with December 2017 shares of the Bank are traded on MOEX (Moscow Stock Exchange) market and are included into the quotation list of the third level.

As of December 31, 2017 and as of December 31, 2016 the following shareholders owed the shares issued by the Bank:

Shareholders	**December 31, 2017** **%**	**December 31, 2016** **%**
Tokhtarov O.	52.39	55.21
Kumpeisov D.	-	5.95
"Central securities depositary" JSC (nominal shareholder	8.49	-
"Freedom Finance" JSC	6.02	-
Others	33.10	38.84
	100.00	**100.00**

2. Main principles of the financial statement prepared

Enclosed financial statement has been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as "IFRS", or

"IAS" – International Accounting Standards, up till 2001). Financial reports have been created in compliance with the accounting cost principle (based on actual expenses), except for financial instruments at fair value through profit or loss, financial assets available for sale, land and buildings presented as per their fair value.

Functional currency of the Bank is Kazakhstani tenge (KZT) which, being a national currency of the Republic of Kazakhstan, reflects the economic substance of the majority of operations maintained by the Bank and related circumstances making impact on its activities best of all. Kazakhstani tenge is also the currency in which the data of the subject financial statement is presented. All the data of the subject financial statement is expressed in round numbers which are accurate to the integers in thousands of tenge.

Preparing the financial statement in compliance with the requirements of IFRS makes management obliged to make judgements, to evaluate measures and to accept assumptions which influence application of the accounting policy and amount of the assets and liabilities, as well as of the profits and losses, represented within the financial statement. Actual results may vary from the provided measurements. Measurements and assumptions they are based on are subject to a regular revision. Corrections of measurements are applied within that reporting period during which respective measurements have been revised as well as within any following period which is related to them.

3. Main provisions of the accounting policy

On December 27, 2017 the Board of directors of the Bank has confirmed a new edition of the accounting policy (Protocol #57) in accordance with which the subject financial statement has been prepared.

Foreign currency

During operations with the foreign currency respective functional currency of the Bank is utilized for conversion according to the exchange rate as of the date of the operation taking place. Monetary assets and liabilities expressed in the foreign currency as of the date of the report prepared are converted into the functional currency according to the exchange rate as of this reporting date. Foreign exchange gain or loss on monetary items is the difference between amortized cost of the respective item expressed in the functional currency at the beginning of the reporting period, corrected for the accumulated interest as per effective interest rate and for the payments during the reporting period, and amortized cost of this item expressed in the foreign currency calculated as per the exchange rate valid during the end of the subject reporting period.

Non-monetary assets and liabilities expressed in the foreign currency evaluated per their fair value are converted into the functional currency as per the exchange currency rates valid for the date of the fair value measured. Non-monetary assets and liabilities expressed in the foreign currency and reflected per actual expenses are converted into the functional currency as per the exchange currency rate valid for the date of the operation taking place.

Currency difference which appears as a result of the conversion into the foreign currency is reflected within the profit or loss, expect for the types of difference which appear during coтversion of the equity financial instruments available for sale, expect for the cases when this difference appears as a result of devaluation, which leads to the currency difference reflected within the other comprehensive income to be reclassified within the loss or profit; or financial liability reflected as hedging of the net investments into the foreign operations in case hedging is effective; or cash flow corresponding to the requirements of the hedging operations which in case hedging is effective are reflected within the other comprehensive income.

Classification of the financial instruments

Financial instruments measured at fair value through profit or loss are the financial assets or liabilities which:

- are purchased or appear mainly for the purpose of being sold or repurchased in the nearest future;
- are a part of the portfolio of the identifiable financial instruments which are managed collectively and for which there is some guarantee of the profit to be received in the nearest future as per the past experience;
- are derivative (expect for the derivative financial instruments which are the contracts of the financial guarantee or were created and are actually utilized as the instruments of hedging, being effective); or,
- are at the moment of their initial recognition included into the category of the ones measured at fair value through profit or loss. Management defines the category, into which a financial instrument is to be included, at the moment of its initial recognition. Derivative financial instruments and financial instruments which were at the moment of their initial recognition classified as the ones measured at fair value through profit or loss are not reclassified from the category of the financial instruments measured at fair value through profit or loss. In case financial assets are defined as credits or accounts receivable they may be reclassified from the category of the financial instruments measured at fair value through profit or loss or from the category of the assets available for sale in case

company has an intention and capability to hold the subject assets during foreseeable period of the nearest future or up till the moment of their maturity date. Other financial instruments may be reclassified from the category of the financial instruments measured at fair value through profit or loss only in rare cases. These rare cases are unusual one-time events which are hardly expected to happen again in the nearest future.

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

After their initial recognition financial assets including derivative financial instruments which are assets are measured at their fair value without excluding any transaction costs which may occur as a result of sale or any other type of disposal except for:

- credits and accounts receivable which are measured at their amortized cost using the effective interest method;
- investments which are held till their maturity date and measured at their amortized cost with the effective interest method;
- investments into equity financial instruments without any market quotations on the active functioning market, and fair value of which cannot be measured with reasonable certainty. Such instruments are reflected within financial reports at their actual costs.

All the financial liabilities, except for the financial liabilities at their fair value through profit or loss and the financial liabilities which appear when transfer of the financial asset at fair value does not correspond to the stopping criteria of recognition, are measured at their amortized cost.

Recognition of income and expenses in financial reporting

Interest income and expenses are reflected through profit or loss with the effective interest method.

Credit commissions, commissions for credit management and other commissions, considered as an integral part of the total loan yield, as well as respective transactions costs are reflected through future period income and are amortized as interest income within the expected period of the financial instrument validity with the effective interest method used.

Other commissions as well as other income and expenses are reflected when respective service has already been provided.

Payments on operating lease contracts are recognized in profit or loss for the period evenly during the whole period of the lease. Total amount of the received exemptions decreases total amount of the expenses on a lease during the whole period of the lease.

Changes in the accounting policy and in the principles of information disclosure

Confirmed accounting policy corresponds to the accounting policy used during last reporting year, except for the impact made by the following revised standards, as of January 1, 2017, used. Impact of every amendment which may be applied to the bank operations is described below:

Amendments to IAS 7 "Statement of Cash Flows: Disclosure initiative". These amendments require Bank to disclose information which will be useful to evaluate the change of the liabilities as a result of the financial activity, including both the changes determined by cash flows and not determined by them. Amendments are applied prospectively. Entities are not obliged to provide comparative information for the previous periods. Bank is not obliged to additionally disclose any information in its interim short financial information provided, however it is to disclose additional information in its financial statement for the year ended on December 31, 2017.

Amendments to IAS 12 "Recognition of deferred tax assets for unrealized losses". Amendments contain the following explanation: entities need to evaluate if the tax legislation limits the sources of the taxable income, from which deductions can be made, apart from deducted temporary differences. Moreover, amendments explain how an entity may evaluate its future taxable income and foresee refund of some assets in the amount exceeding their book value. Entities are obliged to apply the subject amendments retrospectively. However at initial application an entity may acknowledge change of its own capital as of the start of the earliest comparative period within undistributed profit (or within another component of the capital if required) as of the start of the period without allocation of the changes among undistributed profit and other components of its own capital. Entities applying this approach must disclose this fact. The subject amendment does not in any way impact financial position and the results of the Bank's activity as the Bank does not have any deductable temporary differences or assets to which these amendments apply.

New and revised IFRS, issued however still subject to come into effect

Bank did not apply the following IFRS which are new or revised, or issued however did not yet come into effect:

New IFRS 17 "Insurance contracts" standard was issued in May 2017, it is to replace IFRS 4 "Insurance contracts" as of January 1, 2021. IFRS 17 demands to measure all

the insurance liabilities at their current exercise value and also requires them to provide more integrated approach to the measurement and representation of all the insurance contracts. These requirements are expected to ensure insurance will be consistent and based upon principles of accounting contracts. It is not possible to evaluate the impact of application of IFRS 17 before a detailed analysis is conducted by the management.

IFRS 9 "Financial instruments", published in July 2014, replaces current IAS 39 "Financial instruments: Recognition and Measurement" and includes revised manual for classification and measurement of the financial assets, including new model of the expected credit losses in order to evaluate depreciation and new general requirements on hedge accounting. IFRS 9 contains three main measurement categories of the financial assets: measured at their amortized cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL). According to IFRS 9 classification of the financial assets is mainly defined on the basis of the business-model, under the umbrella of which financial asset is managed, and the characteristics stipulated by the cash flow contract.

The standard eliminates the following categories of the financial assets available in IAS 39: financial assets which are hold till their maturity, credits and accounts receivable and financial assets available for sale. According to IFRS 9 derivative instruments included into the master contract which is a financial asset as a part of this standard are not to be separated from the master contract. Instead the hybrid contract is to be measured as a whole in order to get classified. Equity instruments are measured at their fair value.

IFRS 9 keeps existing requirements of IAS 39 related to classification of the financial liabilities to a large extent. At the same time according to IAS 39 all the changes of fair value of the financial liabilities classified as the ones measured at fair value through profit or loss are recognized in profit or loss while according to IFRS 9 all these changes in a general case are recognized as per the following schemes:

- quantity reflecting the change of fair value of the financial liability, determined by a change of the credit risk of such liability, is recognized in other comprehensive income;
- remaining quantity of the change of fair value of the financial liability is recognized in profit or loss.

Bank has not applied any standards, amendments or explanations, which were issued, however did not yet come into effect, ahead of schedule.

4. Net interest income

	December 31, 2017 (not audited)	December 31, 2016 (audited)
Interest income		
Credits given to customers	26,777,723	21,040,555
Cash and cash equivalents	5,365,713	5,203,722
Credits and advanced payments given to banks and other financial institutes	1,846,594	562,716
Financial assets available for sale	141,002	173,852
	34,131,032	**26,980,845**
Interest expenses		
Current accounts and customer deposits	(16,974,592)	(15,292,663)
Accounts and deposits of banks and other financial institutes	(2,136,863)	(4,011,340)
Subordinated bonds and issued debt securities	0	(614,209)
Accounts payable of repo transactions	(14,536)	(3,383)
	(19,125,991)	**(19,921,595)**
	15,005,041	**7,059,250**

5. Commission income

	December 31, 2017 (not audited)	December 31, 2016 (audited)
Issue of guarantees and letters of credit	1,492,987	1,430,067
Cash operations	257,901	192,119
Payment operations	218,790	166,323
Foreign currency operations	132,846	131,640
Arrangement fee	168	228
Other	1,718,862	162,239
	3,821,554	**2,082,616**

6. Commission expenses

	December 31, 2017 (not audited)	December 31, 2016 (audited)
Credit operations	636,639	358,072
Transfer operations	126,219	63,930
Brokerage operations	-	9,520
Agency services	592,362	-
Custody activity expenses	323,435	-
Services for card accounts	567,527	-
Other	241,024	42,897
	(2,487,206)	**(474,419)**

7. Foreign currency operations net income

	December 31, 2017 (not audited)	December 31, 2016 (audited)
Spot operations net income	784,600	418,257
Net loss from revaluation of the financial assets and liabilities	(275,323)	(223,379)
	509,277	**194,878**

8. Impairment loss

	December 31, 2017 (not audited)	December 31, 2016 (audited)
Credits given to customers	(5,047,257)	(118,058)
Other assets	(1,823,754)	(361,290)
Credits and advanced payments given to banks and other financial institutes	(1,611)	4,421
	(6,872,622)	**(474,927)**

9. Other operating net income

	December 31, 2017 (not audited)	December 31, 2016 (audited)
Other operating income		
Fines and penalties	6,524,092	242,245
Other	412,061	36,803
	6,936,153	**279,048**
Other operating income		
Services of debt collection agencies	(10,160)	(201,487)
Subscriptions and information services	(7,875)	(178,432)
Disposal of inventory	(364,893)	(116,174)
Corporate events	(6,455)	(105,777)
"Cash back" option expenses	(431,820)	(104,997)
Legal and consultancy services	(1,148,171)	-
Services of rating agencies	(7,349)	(36,069)
Measurement services	(252,944)	-
Fines and penalties	(167,501)	(19,837)
Charity	(2,000)	(275)
Other	(813,763)	(230,176)
	(3,212,931)	**(993,224)**
	3,723,222	**(714,176)**

10. Other general administrative expenses

	December 31, 2017 (not audited)	December 31, 2016 (audited)
Professional services	2,768,700	1,147,680
Operating rent expenses	869,472	821,977
Depreciation and amortization	901,490	562,954
Advertising and marketing	1,058,740	337,209
Taxes apart from income tax	998,299	317,159
Telecommunications and information services	277,268	146,757
Business travel expenses	169,931	110,389
Insurance	358,613	81,577
Security	108,485	79,686
Transport expenses	105,222	79,523
Utility and cleaning expenses	-	79,461
Repairs and maintenance services	69,211	50,891
Cash-in-transit services	57,573	39,056
Representation expenses	14,241	10,477
Trainings	-	6,474
Other	692,236	408,126
	8,449,481	**4,279,396**

11.Cash and cash equivalents

Cash and cash equivalents include banknotes and coins in cash, unrestricted cash (accounts of "Nostro" type and the like) in NBRK and other banks. Cash and cash equivalents include the following items:

	January 1, 2018 (not audited)	January 1, 2017 (audited)
Money	7,810,079	4,420,104
Correspondent accounts	38,598,663	129,965,516
Reverse REPO operations with securities	19,222,366	4,695,032
Total	**65,631,108**	**139,080,652**

12. Financial instruments measured at fair cost through profit or loss

	January 1, 2018 (not audited)	January 1, 2017 (audited)
Debt and other fixed-income financial instruments		
- Bonds of the Ministry of Finance of the Republic of Kazakhstan	518,347	-
Equity instruments		

- Shares of Insurance Company "Standard" JSC	4,083,935	-
- Shares of "Kcell" JSC	3,343,002	-
Total of financial instruments measured at fair cost through profit or loss	**7,945,284**	**-**

13. Financial assets available for sale

	January 1, 2018 (not audited)	January 1, 2017 (audited)
Debt and other fixed-income financial instruments		
- Bonds of the Ministry of Finance of the Republic of Kazakhstan	203,315	474,010
- Bonds of "National Savings Bank of Kazakhstan" JSC ("Halyk Bank")	-	1,254,309
- Bonds of "Freedom Finance" JSC	-	979,175
- Bonds of "SAT&Company" JSC	273,475	-
Equity instruments		
- Shares of "Qazaq Banki" JSC	150,000	167,250
Total of financial assets available for sale	**626,790**	**2,874,744**

14. Other assets

	January 1, 2018 (not audited)	January 1, 2017 (audited)
Accounts receivable from the loans sold	15,673,222	7,323,439
Other accounts receivable	1,606,613	1,414,007
Charged commission expenses	291,014	12,889
Total other financial assets	**17,570,849**	**8,750,335**
Retained assets	33,371,780	7,506,152
Accounts receivable from the guarantees	13,620,254	5,668,442
Capital expenditure	1,579,366	3,732,699
Advanced payments	1,694,847	618,300
Pre-paid taxes apart from income tax	246,854	289,530
Materials and payments to suppliers	210,324	169,840
Overpayment of the corporate tax	-	99,135
Advance payments given to the employees	188,412	97,985
Other	2,032,063	187,447
Impairment loss allowance	(2,521,578)	(698,919)
Total other non-financial assets	50,422,322	17,670,611
Total other assets	**67,993,171**	**26,420,946**

15. Accounts and deposits of the banks and other financial institutes

	January 1, 2018 (not audited)	January 1, 2017 (audited)
Credits	17,167,554	25,088,365
Fixed deposits	2,930,295	6,011,565
	20,097,849	**31,099,930**

16. Current accounts and deposits of the customers

	January 1, 2018 (not audited)	January 1, 2017 (audited)
Current accounts and demand deposits		
- Retail customers	31,367,845	11,294,929
- Corporate clients	125,471,296	130,142,781
Fixed deposits		
- Retail customers	39,760,641	32,718,441
- Corporate clients	68,211,063	121,426,306
	264,810,845	**295,582,457**

17. Other liabilities

	January 1, 2018 (not audited)	January 1, 2017 (audited)
Guarantees and letters of credit	7,400	1,409,651
Accounts payable for the employees	-	3,137
Charged operating expenses	34,258	306,232
Other banking creditors	381,771	265,676
Total other financial liabilities	**423,429**	**1,984,696**
Advanced payments for banking operations	177,954	177,094
Unused vacation payments allowance	116,009	88,943
Accounts payable for other taxes	342,290	144,377
Other non-financial liabilities	3,528,399	79,392
Total other non-financial liabilities	**4,164,652**	**489,806**
Total other liabilities	**4,588,081**	**2,474,502**

18. Share capital

Issued share capital

As of December 31, 2017 authorized share capital of the Bank included 100,000,000 shares (32,000,000 common stocks in 2016), while authorized share capital, fully issued and paid off, included 36,081,627 common stocks (29,733,800 common stocks in 2016). Shares do not have a nominal value.

19. Calculating book value of one common stock

thousands of KZT

BVcs	Book value of one common stock	**1 301.74**
NAV	**Net asset value for common stocks as of date of calculation**	**46 969 093**
TA	Assets of the share issuer as per report on finance position of the share issuer as of the date of calculation	340 086 811
IA	Non-material assets as per report on financial position of the share issuer as of the date of calculation	1 624 382
TL	Liabilities as per report on financial position of the share issuer as of the date of calculation	291 493 336
PS	"Authorized capital, preferred stocks" as per report on financial position of the share issuer as of the date of calculation	-
NOcs	**Number of common stocks as of the date of calculation**	**36 081 627**

- Date of calculation is considered to be the last day of the period which is covered by the report on financial position of the share issuer

Owners of the common stocks have the right to receive dividends as soon as they are declared, as well as they have the right of one vote per stock during yearly and general meetings of the shareholders of the Bank.

Chairman of the Board
"Astana Banki" JSC — I.Y.Maylibayev

Chief Accountant
"Astana Banki" JSC — S.K.Kurmanbayeva