

**JSC Delta Bank**

**EXPLANATORY NOTE**

**TO THE INTERIM FINANCIAL  
STATEMENTS FOR THE FIRST  
QUARTER OF 2016**

# 1 Background

## (a) Organisation and operations

JSC Delta Bank (the “Bank”) is a joint stock company, which was incorporated in the Republic of Kazakhstan in 1993.

The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the “NBRK”). The Bank operates under banking licence №213, dated of 24 October 2007.

The principal activities of the Bank are commercial/banking activity, lending and issuing guarantees, cash and settlements operations with securities and foreign exchange.

The Bank is the member of the Kazakhstan Deposit Insurance Fund (the “KDIF”).

The Bank’s registered office is: 73A, Tole bi street, Almaty, Republic of Kazakhstan.

As of 31 of March 2016, the Bank had 11 branches operating in the Republic of Kazakhstan.

## (b) Shareholders

As of 31 of March 2016 and 31 of December 2015, the following shareholders owned 5% or more of the issued voting shares of the Bank:

Shareholder	31 March	31 December
	2016	2015
	%	%
Samzayev Artykbay	24.5	24.5
Balmagambetova Almagul	9.7	9.7
Tulepbekov Zhasulan	9.4	9.4
Dzholdybayeva Zhanar	9.3	9.3
Sarkulova Kulaysh	9.2	9.2
Saktaganova Galiya	8.9	8.9
Suleimenov Aidos	5.7	5.7
LLP "Agroopttorg-07"	5.6	5.6
Akhmetzhanova Gulimzhan	5.5	5.5
Kravchenko Aigul	5.4	5.4
	<b>93.2</b>	<b>93.2</b>
Shareholders owning less than 5%	<b>6.8</b>	<b>6.8</b>
	<b>100.0</b>	<b>100.0</b>

## 2 Basis of preparation

### (a) Statement of compliance

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

### (b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value and land, buildings and vehicles are at revalued amounts.

### (c) Functional and presentation currency

The functional currency of the Bank 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 them.

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

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

## 3 Net interest income

	31.03.2016 KZT'000	31.03.2015 KZT'000
<b>Interest income</b>		
Loans to customers	11,435,778	8,194,172
Held-to-maturity investments	573,939	-
Available-for-sale financial assets	137,293	538,723
Financial instruments at fair value through profit or loss	123,962	-
Placements with banks and other financial institutions	93,356	2,378
	<b>12,364,328</b>	<b>8,735,273</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(3,404,524)	(2,313,677)
Due to banks and other financial institutions	(1,194,722)	(608,702)
Debt securities issued	(615,439)	(613,333)
Amounts payable under repurchase agreements	(458,836)	(658,741)
Financial instruments at fair value with changes through profit and loss for the period	(129,241)	(13,221)
	<b>(5,802,762)</b>	<b>(4,207,674)</b>
	<b>6,561,566</b>	<b>4,527,599</b>

## 4 Fee and commission income

	31.03.2016 KZT'000	31.03.2015 KZT'000
Guarantee and letter of credit issuance	342,343	88,138
Transfer operations	57,272	40,671
Cash operations	36,953	28,796
Foreign currency exchange	44,447	16,514
Credit card and account maintenance	11,754	9,694
Other	7,737	6,760

## Explanatory Notes to the Interim Financial Statements for the 1Q2016

31.03.2016	31.03.2015
KZT'000	KZT'000
500,506	190,573

**5 Fee and commission expense**

	31.03.2016	31.03.2015
	KZT'000	KZT'000
Guarantee services	10,041	11,247
Transfer operations	8,620	8,010
Card services	6,755	3,207
Brokerage	1,852	1,888
Other	35,290	3,965
	<b>62,558</b>	<b>28,317</b>

**6 Net foreign exchange income**

	31.03.2016	31.03.2015
	KZT'000	KZT'000
Dealing, net	335,364	128,443
Translation differences, net	34,986	(6,738)
	<b>370,350</b>	<b>121,705</b>

**7 Impairment losses**

	31.03.2016	31.03.2015
	KZT'000	KZT'000
Loans to customers	4,096,738	2,305,741
Other assets	581	2,275
	<b>(4,097,319)</b>	<b>(2,308,016)</b>

**8 Operation expenses**

	31.03.2016	31.03.2015
	KZT'000	KZT'000
Employee compensation	298,995	285,605
Payroll related taxes	29,551	28,642
<b>Total employee costs</b>	<b>328,546</b>	<b>314,247</b>
Occupancy	118,042	107,790
Depreciation and amortisation	50,922	64,721
Advertising and marketing	32,999	31,867
Taxes other than on income	31,431	27,343
Professional services	32,310	24,256
Communications and information services	24,703	12,643
Security	18,369	17,544
Insurance	10,918	10,608
Transportation	8,284	7,187
Membership fee	4,846	3,115
Travel expenses	4,302	3,688



## Explanatory Notes to the Interim Financial Statements for the 1Q2016

	31.03.2016 KZT'000	31.03.2015 KZT'000
Cash collection expenses	2,003	1,940
Repairs and maintenance	1,461	186
Representative expenses	481	1,005
Other	30,016	22,187
	<b>699,633</b>	<b>650,327</b>

## 9 Cash and cash equivalents

	31.03.2016 KZT'000	31.12.2015 KZT'000
<b>Cash on hand</b>	<b>2,700,229</b>	<b>1,232,120</b>
<b>Nostro account with the NBRK</b>	<b>15,029,673</b>	<b>1,837,657</b>
<b>Nostro account with other banks</b>		
- rated AA-	2,344,203	1,883,394
- rated from BBB- to BBB+	647,595	2,480,054
- rated from BB- to BB+	794,508	536,930
- rated below B- to B+	32,125	1,553,982
- not rated	90,235	285,472
<b>Total Nostro accounts with other banks</b>	<b>3,908,666</b>	<b>6,739,832</b>
<b>Cash equivalents</b>		
- Term deposits with other banks rated B-	3,789,395	3,747,133
- Reverse repurchase agreements	-	1,000,000
<b>Total cash equivalents</b>	<b>3,789,395</b>	<b>4,747,133</b>
<b>Total cash and cash equivalents</b>	<b>25,427,963</b>	<b>14,556,742</b>

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale. None of cash and cash equivalents are impaired or past due.

As of 31 of March 2016 the Bank keeps nostro account at one bank (it was absent in 2015) placing amount which is over than 10% of capital. Aggregate volume of remaining balance at the above mention counterparty is 15,029,673 thousand tenge as of 31 of March 2016.

## 10 Financial instruments at fair value through profit or loss

	31.03.2016 KZT'000	31.12.2015 KZT'000
<b>Held by the Bank</b>		
<b>ASSETS</b>		
<b>Equity investments</b>		
Corporate shares	13,744	13,771
<b>Derivatives</b>		
Cross-currency interest rate swap	6,559,242	4,981,077
	<b>6,572,986</b>	<b>4,994,848</b>
<b>LIABILITIES</b>		
<b>Derivatives</b>		
Cross-currency interest rate swap	6,603,247	4,750,620
	<b>6,603,247</b>	<b>4,750,620</b>

Financial instruments at fair value with movements in value are reflected within profit or loss, and it is not overdue or impaired.

## 11 Loans to customers

	31.03.2016 KZT'000	31.12.2015 KZT'000
<b>Loans to corporate customers</b>	<b>394,320,183</b>	<b>370,726,140</b>
<b>Loans to retail customers</b>		
Other retail loans	1,275,646	1,277,688
Consumer loans	725,629	1,038,349
<b>Total loans to retail customers</b>	<b>2,001,275</b>	<b>2,316,037</b>
<b>Gross loans to customers</b>	<b>396,321,458</b>	<b>373,042,177</b>
Impairment allowance	(47,461,211)	(43,508,185)
<b>Net loans to customers</b>	<b>348,860,247</b>	<b>329,533,992</b>

## 12 Available-for-sale financial assets

	31.03.2016 KZT'000	31.12.2015 KZT'000
<i>Held by the Bank</i>		
<b>Debt instruments</b>		
Bonds of Sovereign Wealth Fund Samruk-Kazyna JSC	6,024,248	5,966,757
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,664,234	1,613,347
	<b>7,688,482</b>	<b>7,580,104</b>
<b>Equity instruments</b>		
JSC Kazakhstan Stock Exchange	2,200	2,200
	<b>2,200</b>	<b>2,200</b>
	<b>7,690,682</b>	<b>7,582,304</b>

### Investments without a determinable fair value

Available-for-sale investments stated at cost comprise non-quoted ordinary equity shares of JSC Kazakhstan Stock Exchange of KZT 2,200 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.

## 13 Held-to-maturity investments

	31.03.2016 KZT'000	31.12.2015 KZT'000
<i>Held by the Bank</i>		
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	28,669,536	34,619,394
	<b>28,669,536</b>	<b>34,619,394</b>
<i>Pledged under repurchase agreements</i>		
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	6,314,747	-
	<b>6,314,747</b>	<b>-</b>
	<b>34,984,283</b>	<b>34,619,394</b>

## 14 Due to banks and other financial institutions

	31.03.2016 KZT'000	31.12.2015 KZT'000
Long-term loans received from the government-owned financial organisations	89,298,230	93,997,890
Short-term deposits from commercial banks of Kazakhstan	29,272,852	29,402,906
Short-term loans received from other financial organisations	8,511,763	7,310,958
Amounts payable under repurchase agreements	5,000,001	-
Short-term deposits received from the government-owned financial organisations	2,007,556	2,007,778
Short-term loans received from other financial organisations	1,340,543	-

31.03.2016 KZT'000	31.12.2015 KZT'000
135,501,945	132,719,532

## 15 Current accounts and deposits from customers

	31.03.2016 KZT'000	31.12.2015 KZT'000
Current accounts and demand deposits		
- Corporate	44,383,779	25,185,215
- Retail	1,142,368	1,040,497
Term deposits		
- Corporate	153,103,910	146,285,042
- Retail	9,809,067	9,936,880
	<b>208,439,124</b>	<b>182,447,634</b>

## 16 Debt securities issued

	31.03.2016 KZT'000	31.12.2015 KZT'000
Nominal	29,037,710	29,042,000
Discount	(536,028)	(557,478)
Accrued interest	678,687	554,432
	<b>29,180,369</b>	<b>29,038,954</b>

The summary of bond issues as of 31 of March 2016 and 31 of December 2015 is presented below:

			Carrying amount	
	Maturity	Coupon rate	31.03.2016 KZT'000	31.12.2015 KZT'000
KZT denominated bonds of the first issue *	18.01.2017	9.5%	10,043,911	10,274,589
KZT denominated bonds of the second issue *	27.05.2023	7.5%	19,136,458	18,764,365
			<b>29,180,369</b>	<b>29,038,954</b>

\* Quoted on KASE

## 17 Equity

Movement in share capital during nine months ended on 31 of March 2016 and the year ended 31 of December 2015 was as follows (ordinary stock):

	31.03.2016 KZT'000	31.03.2016 Number of shares	31.12.2015 KZT'000	31.12.2015 Number of shares
Share capital at the beginning of the year	30,459,970	19,957,893	20,460,088	13,291,313
Issued at KZT 1,500 per share	-	-	10,000,001	6,666,667



## Explanatory Notes to the Interim Financial Statements for the 1Q2016

Acquisition of treasury shares	-	-	(119)	(87)
<b>Share capital at the end of the year</b>	<b>30,459,970</b>	<b>19,957,893</b>	<b>30,459,970</b>	<b>19,957,893</b>

As of 31 of March 2016, the authorized, issued and outstanding share capital comprises:

	<b>Authorized shares</b>	<b>Unplaced shares</b>	<b>Treasury shares</b>	<b>Total share capital</b>
<b>Ordinary shares</b>	40,000,000	(20,000,333)	(41,774)	19,957,893

As of 31 December 2015, the authorized, issued and outstanding share capital comprises:

	<b>Authorized shares</b>	<b>Unplaced shares</b>	<b>Treasury shares</b>	<b>Total share capital</b>
<b>Ordinary shares</b>	40,000,000	(20,000,333)	(41,774)	19,957,893

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

## 18 Book value per one share

Under the listing rules of the Kazakh Stock Exchange the Bank is required to present book value per share in its statement of financial position. The calculation of book value per share as of 31 of March 2016 is based on number of outstanding common shares of 19,957,893 (31 of December 2015: 19,957,893) and net assets of KZT 50,309,812 thousand (31 December 2015: KZT 47,967,717 thousand) calculated as follows:

	<b>31.03.2016 KZT'000</b>	<b>31.12.2015 KZT'000</b>
Total assets	435,028,061	398,030,513
Intangible assets	(382,236)	(377,894)
Total liabilities	(384,336,013)	(349,684,902)
<b>Net assets</b>	<b>50,309,812</b>	<b>47,967,717</b>

The following table shows the book value per share calculations as of 31 of March 2016 and 31 of December 2015:

	<b>31.03.2016 KZT'000</b>	<b>31.12.2015 KZT'000</b>
Net assets	50,309,812	47,967,717
Outstanding number of participating shares at the year end	19,957,893	19,957,893
<b>Book value per share, KZT</b>	<b>2,521</b>	<b>2,403</b>


## 19 Earnings per share

The following table shows the profit for the twelve months ended 31 of March, 2016 and 2015 and share data used in the basic and diluted earnings per share calculations:

	31.03.2016 KZT'000	31.03.2015 KZT'000
Net profit attributable to ordinary shareholders	2,138,028	1,618,183
Weighted average number of ordinary shares for basic earnings per share	19,957,893	13,291,301
Basic and diluted earnings per share, in KZT	107	122

  
 Nurbol Samzayev  
 Chairman of the Management Board



  
 Galiya Kainarbekova  
 Deputy Chairperson - Chief accountant

