

**JSC Delta Bank**

**EXPLANATORY NOTE**

**TO THE INTERIM FINANCIAL  
STATEMENT FOR THE FIRST  
QUARTER OF 2017**

## 1 Background

### (a) Organization 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<sup>th</sup> of 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 at 1<sup>st</sup> of April 2017, the Bank has 11 branches operating in the Republic of Kazakhstan.

Bonds and common shares issued by the Bank are listed on the Kazakhstan Stock Exchange.

### (b) Shareholders

As at 31<sup>st</sup> of March 2017 and 31<sup>st</sup> of December 2016, the following shareholders owned 5% or more of the issued voting shares of the Bank:

Shareholder	31 March	31 December
	2017 %	2016 %
Tleubayev Nurlan	49.64	-
Sarkulova Kulaysh	9.97	9.84
Akhmetzhanova Gulimzhan	9.97	9.84
Dzholdybayeva Zhanar	9.96	9.83
Saktaganova Galiya	9.93	9.79
Balmagambetova Almagul	9.86	9.73
Samzayev Artykbay	-	20.98
Tulepbekov Zhasulan	-	9.85
	<b>99.33</b>	<b>79.86</b>
Shareholders owning less than 5%	0.67	20.14
	<b>100.0</b>	<b>100.0</b>

## 2 Basis of preparation

### (a) Statement of compliance with IFRS

Financial statements attached 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

	31.03.2017 KZT'000	31.03.2016 KZT'000
<b>Interest income</b>		
Loans to customers	12,429,763	11,435,778
Held-to-maturity investments	466,105	573,939
Available-for-sale financial assets	188,727	137,293
Financial instruments at fair value through profit or loss	123,961	123,962
Placements with banks and other financial institutions	3,486	93,356
	<b>13,212,042</b>	<b>12,364,328</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(2,101,454)	(3,404,524)
Due to banks and other financial institutions	(1,466,351)	(1,194,722)
Debt securities issued	(265,050)	(615,439)
Amounts payable under repurchase agreements	(919,355)	(458,836)
Financial instruments at fair value with changes through profit and loss for the period	(148,955)	(129,241)
	<b>(4,901,165)</b>	<b>(5,802,762)</b>
	<b>8,310,877</b>	<b>6,561,566</b>

## 4 Fee and commission income

	31.03.2017 KZT'000	31.03.2016 KZT'000
Issuance of letters of guarantee and letters of credit	169,188	342,343
Transfer operations	26,740	57,272
Cash operations	18,238	36,953

## Explanatory Notes to the Interim Financial Statements for the 1Q 2017

	31.03.2017 KZT'000	31.03.2016 KZT'000
Credit card and account maintenance	10,115	11,754
Foreign currency exchange	3,340	44,447
Other	7,315	7,737
	<b>234,936</b>	<b>500,506</b>

**5 Fee and commission expense**

	31.03.2017 KZT'000	31.03.2016 KZT'000
Card services	20,092	6,755
Guarantee services	11,561	10,041
Transfer operations	8,372	8,620
Brokerage	2,350	1,852
Other	4,313	35,290
	<b>46,688</b>	<b>62,558</b>

**6 Net foreign exchange income**

	31.03.2017 KZT'000	31.03.2016 KZT'000
Dealing, net	(1,154,414)	335,364
Translation differences, net	883,839	34,986
	<b>(270,575)</b>	<b>370,350</b>

**7 Impairment losses**

	31.03.2017 KZT'000	31.03.2016 KZT'000
Loans to customers	(6,476,408)	(4,096,738)
Other assets	(2,567,033)	(581)
	<b>(9,043,441)</b>	<b>(4,097,319)</b>

**8 General administrative expenses**

	31.03.2017 KZT'000	31.03.2016 KZT'000
Employee compensation	349,843	298,995
Payroll related taxes	35,601	29,551
<b>Total employee costs</b>	<b>385,444</b>	<b>328,546</b>
Occupancy	115,128	118,042
Depreciation and amortisation	69,147	50,922
Communications and information services	25,921	24,703
Taxes other than on income	25,674	31,431
Security	18,032	18,369
Advertising and marketing	15,166	32,999
Professional services	9,952	32,310
Transportation	9,466	8,284

## Explanatory Notes to the Interim Financial Statements for the 1Q 2017

	31.03.2017 KZT'000	31.03.2016 KZT'000
Membership fee	7,368	4,846
Travel expenses	4,512	4,302
Insurance	1,879	10,918
Cash collection expenses	1,559	2,003
Repairs and maintenance	680	1,461
Representative expenses	132	481
Other	56,078	30,016
	<b>746,138</b>	<b>699,633</b>

## 9 Cash and cash equivalents

	31.03.2017 KZT'000	31.12.2016 KZT'000
<b>Cash on hand</b>	<b>2,137,710</b>	<b>1,854,179</b>
<b>Nostro account with the NBRK</b>	<b>2,214,613</b>	<b>1,878,141</b>
<b>Nostro account with other banks</b>		
- rated A	540,104	1,613,050
- rated from BBB+ to BBB-	89,899	330,527
- rated from BB+ to BB-	412,522	289,312
- rated B+ and lower	56,588	59,483
- not rated	65,178	68,144
<b>Total cash and cash equivalents</b>	<b>1,164,291</b>	<b>2,360,516</b>
<b>Total cash</b>	<b>5,516,614</b>	<b>6,092,836</b>

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.



## 10 Financial instruments at fair value through profit or loss for the period

	31.03.2017 KZT'000	31.12.2016 KZT'000
<b>Held by the Bank</b>		
<b>ASSETS</b>		
<b>Equity instruments</b>		
Corporate shares	25,886	21,443
<b>Derivatives</b>		
Cross-currency interest rate swap	4,619,494	6,294,711
	<b>4,645,380</b>	<b>6,316,154</b>
<b>LIABILITIES</b>		
<b>Derivatives</b>		
Cross-currency interest rate swap	4,390,382	5,612,077
	<b>4,390,382</b>	<b>5,612,077</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

	31.03.2017 KZT'000	31.12.2016 KZT'000
<b>Loans to corporate customers</b>	<b>406,652,362</b>	<b>410,187,961</b>
<b>Loans to retail customers</b>		
Consumer loans	139,732	519,830
Other retail loans	1,125,179	1,206,625
<b>Total loans to retail customers</b>	<b>1,264,911</b>	<b>1,726,455</b>
<b>Gross loans to customers before deduction of provision for impairment</b>	<b>407,917,273</b>	<b>411,914,416</b>
Provision for impairment	(74,218,396)	(68,655,333)
<b>Net loans to customers after deduction of provision for impairment</b>	<b>333,698,877</b>	<b>343,259,083</b>

## 12 Available-for-sale financial assets

	31.03.2017 KZT'000	31.12.2016 KZT'000
<b>Debt instruments</b>		
Bonds of Sovereign Wealth Fund Samruk-Kazyna JSC	6,119,450	6,285,304
Discount notes of the National Bank of the Republic of Kazakhstan	-	3,449,274
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,606,750	1,682,415
	<u>7,726,200</u>	<u>11,416,993</u>
<b>Equity instruments</b>		
JSC Kazakhstan Stock Exchange	2,200	2,200
	<u>2,200</u>	<u>2,200</u>
<b>Total</b>	<u>7,728,400</u>	<u>11,419,193</u>
<b>Including encumbered as collateral under repurchase agreement transactions</b>		
<b>Debt instruments</b>		
Bonds of the Ministry of finance of the Republic of Kazakhstan	1,606,739	2,900,912
Bonds of Sovereign Welth Fund Samruk-Kazyna JSC	6,073,689	1,583,983
	<u>7,680,428</u>	<u>4,484,895</u>

### 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

	31.03.2017 KZT'000	31.12.2016 KZT'000
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	29,817,923	29,530,883
	<u>29,817,923</u>	<u>29,530,883</u>
<i>Including encumbered as collateral under repurchase agreements</i>		
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	29,599,654	21,004,679
	<u>29,599,654</u>	<u>21,004,679</u>

## 14 Due to banks and other financial institutions

	31.03.2017 KZT'000	31.12.2016 KZT'000
Long-term loans received from the government-owned financial organisations	74,629,245	85,032,922
Short-term loans from NBRK	45,974,920	-

## Explanatory Notes to the Interim Financial Statements for the 1Q 2017

	31.03.2017 KZT'000	31.12.2016 KZT'000
Accounts payable under repurchase agreements	32,558,848	22,598,000
Short-term deposits received from the government-owned financial organisations	18,904,324	20,085,907
Short-term deposits from commercial banks of Kazakhstan	10,875,651	13,176,831
Short-term loans received from other financial organisations	4,476,635	4,949,063
Other	-	23
	<b>187,419,623</b>	<b>145,842,746</b>

**15 Current accounts and deposits from customers**

	31.03.2017 KZT'000	31.12.2016 KZT'000
Current accounts and demand deposits		
- Corporate	27,645,170	26,006,495
- Retail	495,402	441,834
Term deposits		
- Corporate	98,404,067	129,392,197
- Retail	677,442	799,950
	<b>127,222,081</b>	<b>156,640,476</b>

**16 Debt securities issued**

	31.03.2017 KZT'000	31.12.2016 KZT'000
Nominal	-	29,037,710
Discount	-	(468,660)
Accrued interest	-	554,248
	<b>-</b>	<b>29,123,298</b>

The summary of bond issues as of 31<sup>st</sup> of March 2017 and 31<sup>st</sup> of December 2016 is presented below:

			Carrying amount	
	Maturity	Coupon rate	31.03.2017 KZT'000	31.12.2016 KZT'000
KZT denominated bonds of the first issue *	18.01.2017	9.5%	-	10,305,402
KZT denominated bonds of the second issue *	27.05.2023	7.5%	-	18,817,896
			<b>-</b>	<b>29,123,298</b>

\* Quoted on KASE



## 17 Equity

During three months finished on 31<sup>st</sup> of March 2017 and a year finished on 31<sup>st</sup> of December 2016 there have been issued the following ordinary stock:

	31.03.2017	31.03.2017	31.12.2016	31.12.2016
	KZT'000	Number of shares	KZT'000	Number of shares
Share capital at the beginning of the year	35,484,761	23,307,741	30,459,970	19,957,893
Issued at KZT 1,500 per share	-	-	5,025,000	3,350,000
Acquisition of treasury shares	(456,465)	(310,098)	(209)	(152)
<b>Share capital at the end of the year</b>	<b>35,028,296</b>	<b>22,997,643</b>	<b>35,484,761</b>	<b>23,307,741</b>

As of 31<sup>st</sup> of March 2017, the authorized, issued and outstanding share capital comprises:

	Authorized shares	Unplaced shares	Treasury shares	Total share capital
Ordinary shares	40,000,000	(16,650,333)	(352,024)	22,997,643

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

	Authorized shares	Unplaced shares	Treasury shares	Total share capital
Ordinary shares	40,000,000	(16,650,333)	(41,926)	23,307,741

The holders of common 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<sup>st</sup> of March 2017 is based on number of outstanding common shares of 22,997,643 (31<sup>st</sup> of December 2016: 23,307,741) and net assets of KZT 54,800,324 thousand (31<sup>st</sup> of December 2016: KZT 56,686,195 thousand) calculated as follows:

	31.03.2017 KZT'000	31.12.2016 KZT'000
Total assets	390,518,580	409,440,007
Intangible assets	(366,462)	(394,512)
Total liabilities	(335,351,794)	(352,359,300)
<b>Net assets</b>	<b>54,800,324</b>	<b>56,686,195</b>

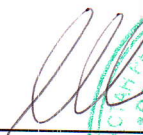
The following table shows the book value per share calculations as of 31<sup>st</sup> of March 2017 and 31<sup>st</sup> of December 2016:

	31.03.2017 KZT'000	31.12.2016 KZT'000
Net assets	54,800,324	56,686,195
Outstanding number of participating shares at the year end	22,997,643	23,307,741
Book value per share, KZT	2,383	2,432

## 19 Earnings per share

The following table shows the profit for three months ended on 31<sup>st</sup> of March 2017 and a year ended on 31<sup>st</sup> of December 2016 and number of shares used for the basic and diluted earnings per share calculations:

	31.03.2017 KZT'000	31.03.2016 KZT'000
Net profit attributable to ordinary shareholders	(1,293,581)	2,138,028
Weighted average number of ordinary shares for basic earnings per share	23,181,979	19,957,893
Basic and diluted (loss)/profit per share, in KZT	(56)	107

  
Nurbol Samzayev  
Chairman of the Management Board



  
Galiya Kainarbekova  
Deputy Chairperson - Chief accountant