

**JSC Delta Bank**

**EXPLANATORY NOTE**

**TO THE INTERIM FINANCIAL  
STATEMENTS FOR THE THIRD  
QUARTER OF 2014**

## 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 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 30 September 2014, the Bank had 11 branches operating in the Republic of Kazakhstan.

### (b) Shareholders

As of 30 September 2014 and 31 December 2013, the following shareholders owned 5% or more of the issued voting shares of the Bank:

Shareholder	30 September 2014 %	31 December 2013 %
Samzayev Artykbay	24.5	16.8
Sarkulova Kulaysh	9.9	9.9
Saktaganova Galiya	9.8	9.8
Zholdybayeva Zhanar	9.3	9.3
Tulepbekov Zhasulan	9.2	9.2
Balmagambetova Almagul	8.7	8.7
Kravchenko Aigul	8.1	8.1
Tulebayeva Alma	6.1	9.6
Akhmetzhanova Gulimzhan	6.1	6.1
Akinzhanova Ainur	-	6.1
	<b>91.7</b>	<b>93.6</b>
Shareholders owning less than 5%	8.3	6.4
	<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

	30.09.2014 KZT'000	30.09.2013 KZT'000
<b>Interest income</b>		
Loans to customers	18,796,289	15,356,701
Available-for-sale financial assets	1,160,888	661,111
Held-to-maturity investments	28,732	87,882
Placements with banks and other financial institutions	19,780	27,537
Financial instruments at fair value through profit or loss	2,644	8,359
	<b>20,008,333</b>	<b>16,141,590</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(6,627,191)	(6,135,191)
Debt securities issued	(1,840,761)	(649,154)
Due to banks and other financial institutions	(645,829)	(82,774)
Amounts payable under repurchase agreements	(73,130)	(105,250)
	<b>(9,186,911)</b>	<b>(6,972,369)</b>
	<b>10,821,422</b>	<b>9,169,221</b>

## 4 Fee and commission income

	30.09.2014 KZT'000	30.09.2013 KZT'000
Guarantee and letter of credit issuance	470,951	681,327
Transfer operations	100,291	95,446
Cash operations	78,418	89,526
Foreign currency exchange	30,177	21,484
Credit card and account maintenance	23,556	9,203
Other	15,178	11,019
	<b>718,571</b>	<b>908,005</b>

**5 Fee and commission expense**

	30.09.2014 KZT'000	30.09.2013 KZT'000
Transfer operations	23,754	9,652
Brokerage	11,152	11,508
Card services	10,674	8,618
Other	22,024	8,996
	<b>67,604</b>	<b>38,774</b>

**6 Net foreign exchange income**

	30.09.2014 KZT'000	30.09.2013 KZT'000
Dealing, net	444,637	193,880
Translation differences, net	(44,082)	(43,786)
	<b>400,555</b>	<b>150,094</b>

**7 Impairment losses**

	30.09.2014 KZT'000	30.09.2013 KZT'000
Loans to customers	5,225,488	5,758,715
Other assets	(11,917)	6,181
	<b>5,213,571</b>	<b>5,764,896</b>

**8 Operation expenses**

	30.09.2014 KZT'000	30.09.2013 KZT'000
Employee compensation	766,161	691,286
Payroll related taxes	78,157	70,134
<b>Total employee costs</b>	<b>844,318</b>	<b>761,420</b>
Occupancy	320,366	314,328
Depreciation and amortisation	235,585	120,459
Advertising and marketing	84,244	63,242
Taxes other than on income	76,453	90,152
Professional services	34,144	28,041
Security	48,344	40,146
Insurance	32,158	57,357
Communications and information services	30,911	38,453
Transportation	21,132	15,342
Membership fee	32,272	17,941
Travel expenses	16,531	16,445
Cash collection expenses	6,707	5,201
Representative expenses	2,280	2,337
Repairs and maintenance	10,161	26,124
Other	94,817	68,669
	<b>1,890,423</b>	<b>1,665,657</b>

## 9 Cash and cash equivalents

	30.09.2014 KZT'000	31.12.2013 KZT'000
Cash on hand	1,658,735	697,506
Nostro account with the NBRK	2,663,737	7,551,582
Nostro account with other banks		
- rated A	8,273,297	4,653,209
- rated from BBB+ to BBB-	262,186	204,861
- rated from BB+ to BB-	177,120	204,937
- rated below B+	13,364	2,862,724
- not rated	5,522	-
<b>Total cash and cash equivalents</b>	<b>13,053,961</b>	<b>16,174,819</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.

### Concentration of cash and cash equivalents

As of 30 September 2014 the Bank had one bank (31 December 2013: 2 banks), whose balances exceed 10% of equity. The gross value of these balances as of 30 September 2014 is KZT 6,790,886 thousand (31 December 2013: KZT 12,204,791 thousand).

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

	30.09.2014 KZT'000	31.12.2013 KZT'000
<i>Held by the Bank</i>		
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	154,938
<b>Equity instruments</b>		
JSC Kazakhtelecom	20,809	22,390
	<b>20,809</b>	<b>177,328</b>

None of the financial instruments at fair value through profit or loss are past due or impaired.



## 11 Loans to customers

	30.09.2014 KZT'000	31.12.2013 KZT'000
Loans to corporate customers	228,849,626	161,391,731
Loans to retail customers		
Consumer loans	238,566	427,850
Other retail loans	1,071,178	944,736
Total loans to retail customers	1,309,744	1,372,586
Gross loans to customers	230,159,370	162,764,317
Impairment allowance	(24,449,477)	(19,148,778)
Net loans to customers	205,709,893	143,615,539

## 12 Available-for-sale financial assets

	30.09.2014 KZT'000	31.12.2013 KZT'000
<i>Held by the Bank</i>		
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	38,620,580	16,523,039
	38,620,580	16,523,039
<b>Equity instruments</b>		
JSC Kazakhstan Stock Exchange	2,200	2,200
	2,200	2,200
	38,622,780	16,525,239
<i>Pledged under repurchase agreements</i>		
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	9,662,875
	-	9,662,875
Total pledged under repurchase agreements	38,622,780	26,188,114

### 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 Due to banks and other financial institutions**

	30.09.2014 KZT'000	31.12.2013 KZT'000
Long-term loans received from financial organisations	21,749,266	1,257,257
Term deposits	12,006,420	1,351,182
Short-term loans received from financial organisations	8,676,444	-
Amounts payable under repurchase agreements	-	8,802,879
	<b>42,432,130</b>	<b>11,411,318</b>

**14 Current accounts and deposits from customers**

	30.09.2014 KZT'000	31.12.2013 KZT'000
Current accounts and demand deposits		
- Corporate	17,860,615	13,419,260
- Retail	1,891,135	912,810
Term deposits		
- Corporate	127,804,696	106,487,566
- Retail	8,130,570	6,475,906
	<b>155,687,016</b>	<b>127,295,542</b>

**15 Debt securities issued**

	30.09.2014 KZT'000	31.12.2013 KZT'000
Nominal	29,042,000	29,042,000
Discount	(706,597)	(741,300)
Accrued interest	682,677	558,422
	<b>29,018,080</b>	<b>28,859,122</b>

The summary of bond issues at 30 September 2014 and 31 December 2013 is presented below:

		Carrying amount		
	Maturity	Coupon rate	30.09.2014 KZT'000	31.12.2013 KZT'000
KZT denominated bonds of the first issue *	18.01.2017	9.5%	10,000,131	10,213,366
KZT denominated bonds of the second issue *	27.05.2023	7.5%	19,017,949	18,645,756
			<b>29,018,080</b>	<b>28,859,122</b>

\* Quoted on KASE

## Explanatory Notes to the Interim Financial Statements for the 3Q2014

## 16 Equity

Movement in share capital during nine months ended 30 September 2014 and the year ended 31 December 2013 was as follows:

	30.09.2014	30.09.2014	31.12.2013	31.12.2013
	KZT'000	Number of shares	KZT'000	Number of shares
Share capital at the beginning of the year	15,460,976	9,958,595	15,460,980	9,958,597
Issued at KZT 1,500 per share	4,999,500	3,333,000	-	-
Acquisition of treasury shares	(388)	(282)	(4)	(2)
<b>Share capital at the end of the year</b>	<b>20,460,088</b>	<b>13,291,313</b>	<b>15,460,976</b>	<b>9,958,595</b>

As of 30 September 2014, the authorized, issued and outstanding share capital comprises:

	Authorized shares	Unplaced shares	Treasury shares	Total share capital
<b>Ordinary shares</b>	40,000,000	(26,667,000)	(41,687)	13,291,313

As of 31 December 2013, the authorized, issued and outstanding share capital comprises:

	Authorized shares	Unplaced shares	Treasury shares	Total share capital
<b>Ordinary shares</b>	40,000,000	(30,000,000)	(41,405)	9,958,595

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.

## 17 Book value per 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 30 September 2014 is based on number of outstanding common shares of 13,291,313 (31 December 2013: 9,958,595) and net assets of KZT 31,317,373 thousand (31 December 2013: KZT 21,829,756 thousand) calculated as follows:

	30.09.2014 KZT'000	31.12.2013 KZT'000
Total assets	259,239,232	190,265,795
Intangible assets	(379,323)	(422,746)
Total liabilities	(227,542,536)	(168,013,293)
<b>Net assets</b>	<b>31,317,373</b>	<b>21,829,756</b>

The following table shows the book value per share calculations as of 30 September 2014 and 31 December 2013:

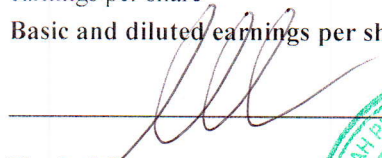
	30.09.2014 KZT'000	31.12.2013 KZT'000
Net assets	31,317,373	21,829,756
Outstanding number of participating shares at the year end	13,291,313	9,958,595
<b>Book value per share, KZT</b>	<b>2,356</b>	<b>2,192</b>



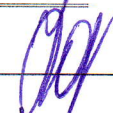
## 18 Earnings per share

The following table shows the profit for the nine months ended 30 September, 2014 and 2013 and share data used in the basic and diluted earnings per share calculations:

	30.09.2014 KZT'000	30.09.2013 KZT'000
Net profit attributable to ordinary shareholders	4,005,094	2,496,034
Weighted average number of ordinary shares for basic earnings per share	12,587,529	9,958,597
Basic and diluted earnings per share, in KZT	318	251

  
Nurbol Samzayev  
Chairman of the Board



  
Galiya Kainarbekova  
Deputy Chairperson - Chief Accountant