

**JSC Delta Bank**

**EXPLANATORY NOTE**

**TO THE INTERIM FINANCIAL  
STATEMENTS FOR THE FIRST  
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 31 March 2014, the Bank had 11 branches operating in the Republic of Kazakhstan.

## (b) Shareholders

As of 31 March 2014 and 31 December 2012, the following shareholders owned 5% or more of the issued voting shares of the Bank:

Shareholder	31 March	31 December
	2014	2013
	%	%
Samzayev Artykbay	24.5	16.8
Sarkulova Kulaysh	9.9	9.9
Saktaganova Galiya	9.8	9.8
Tulebayeva Alma	6.1	9.6
Zholdybayeva Zhanar	9.3	9.3
Tulepbekov Zhasulan	9.2	9.2
Balmagambetova Almagul	8.7	8.7
Kravchenko Aigul	8.1	8.1
Akhmetzhanova Gulimzhan	6.1	6.1
Akinzhanova Ainur	-	6.1
Alimkulov Aziz		
	<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

	31.03.2014 KZT'000	31.03.2013 KZT'000
<b>Interest income</b>		
Loans to customers	5,839,846	4,449,663
Available-for-sale financial assets	335,457	171,477
Held-to-maturity investments	28,732	29,117
Placements with banks and other financial institutions	11,918	9,554
Financial instruments at fair value through profit or loss	2,644	2,686
	<b>6,218,597</b>	<b>4,662,497</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(2,157,013)	(1,848,100)
Debt securities issued	(613,069)	(92,272)
Due to banks and other financial institutions	(62,499)	(23,285)
Amounts payable under repurchase agreements	(54,605)	(2,422)
	<b>(2,887,186)</b>	<b>(1,966,079)</b>
	<b>3,331,411</b>	<b>2,696,418</b>

## 4 Fee and commission income

	31.03.2014 KZT'000	31.03.2013 KZT'000
Guarantee and letter of credit issuance	235,505	223,796
Transfer operations	22,430	28,744
Cash operations	19,117	26,465
Foreign currency exchange	7,541	7,493
Credit card and account maintenance	6,488	2,795
Other	4,330	3,805
	<b>295,411</b>	<b>293,098</b>

## 5 Fee and commission expense

	31.03.2014 KZT'000	31.03.2013 KZT'000
Brokerage	4,265	2,730
Transfer operations	3,297	3,461
Card services	2,451	2,260
Other	6,372	2,962
	<b>16,385</b>	<b>11,413</b>

## 6 Net foreign exchange income

	31.03.2014 KZT'000	31.03.2013 KZT'000
Dealing, net	266,678	42,395
Translation differences, net	(36,675)	(17,590)
	<b>230,003</b>	<b>24,805</b>

## 7 Impairment losses

	31.03.2014 KZT'000	31.03.2013 KZT'000
Loans to customers	1,704,590	1,868,312
Other assets	926	(4)
	<b>1,705,516</b>	<b>1,868,308</b>

## 8 Operation expenses

	31.03.2014 KZT'000	31.03.2013 KZT'000
Employee compensation	257,695	217,429
Payroll related taxes	26,224	21,999
<b>Total employee costs</b>	<b>283,919</b>	<b>239,428</b>
Occupancy	107,720	104,800
Depreciation and amortisation	74,758	29,336
Advertising and marketing	22,473	14,108
Taxes other than on income	22,432	18,031
Professional services	19,493	16,129
Security	16,047	13,487
Insurance	9,663	18,902
Communications and information services	9,128	12,770
Transportation	6,853	5,147
Membership fee	3,935	2,256
Travel expenses	2,492	1,408
Cash collection expenses	2,107	1,392
Representative expenses	785	938
Repairs and maintenance	169	308
Other	23,430	22,321
	<b>605,404</b>	<b>500,761</b>



## 9 Cash and cash equivalents

	31.03.2014 KZT'000	31.12.2013 KZT'000
Cash on hand	907,051	697,506
Nostro account with the NBRK	10,814,045	7,551,582
Nostro account with other banks		
- rated A	1,384,132	4,653,209
- rated from BBB+ to BBB-	349,663	204,861
- rated from BB+ to BB-	39,951	204,937
- rated below B+	1,009,827	2,862,724
<b>Total cash and cash equivalents</b>	<b>14,504,669</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 31 March 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 31 March 2014 is KZT 10,814,045 thousand (31 December 2013: KZT 12,204,791 thousand).

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

	31.03.2014 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	18,512	22,390
	<b>18,512</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

	31.03.2014 KZT'000	31.12.2013 KZT'000
<b>Loans to corporate customers</b>	<b>194,170,078</b>	<b>161,391,731</b>
<b>Loans to retail customers</b>		
Consumer loans	320,508	427,850
Other retail loans	947,129	944,736
<b>Total loans to retail customers</b>	<b>1,267,637</b>	<b>1,372,586</b>
<b>Gross loans to customers</b>	<b>195,437,715</b>	<b>162,764,317</b>
Impairment allowance	(20,928,836)	(19,148,778)
<b>Net loans to customers</b>	<b>174,508,879</b>	<b>143,615,539</b>

## 12 Available-for-sale financial assets

	31.03.2014 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	26,050,777	16,523,039
	<u>26,050,777</u>	<u>16,523,039</u>
<b>Equity instruments</b>		
JSC Kazakhstan Stock Exchange	2,200	2,200
	<u>2,200</u>	<u>2,200</u>
	<u>26,052,977</u>	<u>16,525,239</u>
<i>Pledged under repurchase agreements</i>		
<b>Debt instruments</b>		
Treasury bills of the Ministry of Finance of the Republic of	-	9,662,875
<b>Total pledged under repurchase agreements</b>	<u>-</u>	<u>9,662,875</u>
	<u>26,052,977</u>	<u>26,188,114</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 Other assets

	31.03.2014 KZT'000	31.12.2013 KZT'000
Accounts receivable recovered from off-balance	286,409	277,101
Other accounts receivable	74,963	3,132
Commission accrued	53,322	47,893
Settlements for professional services	37,050	37,050
Accounts receivable from sale of portfolio of doubtful loans	-	380,634
Impairment allowance	(289,464)	(279,365)
<b>Total other financial assets</b>	<u>162,280</u>	<u>466,445</u>
Non-current assets held-for-sale	40,234	40,234
Prepayments	103,797	28,353
Current tax asset	17,821	17,082
Materials and supplies	22,137	22,005
<b>Total other non-financial assets</b>	<u>183,989</u>	<u>107,674</u>
<b>Total other assets</b>	<u>346,269</u>	<u>574,119</u>

## 14 Due to banks and other financial institutions

	31.03.2014 KZT'000	31.12.2013 KZT'000
Amounts payable under repurchase agreements	-	8,802,879
Long-term loans received from financial organisations	2,237,474	1,257,257
Term deposits	3,340,751	1,351,182
	<b>5,578,225</b>	<b>11,411,318</b>

## 15 Current accounts and deposits from customers

	31.03.2014 KZT'000	31.12.2013 KZT'000
Current accounts and demand deposits		
- Corporate	18,904,181	13,419,260
- Retail	548,906	912,810
Term deposits		
- Corporate	128,777,488	106,487,566
- Retail	7,447,598	6,475,906
	<b>155,678,173</b>	<b>127,295,542</b>

## 16 Debt securities issued

	31.03.2014 KZT'000	31.12.2013 KZT'000
Nominal	29,042,000	29,042,000
Discount	(722,213)	(741,300)
Accrued interest	682,677	558,422
	<b>29,002,464</b>	<b>28,859,122</b>

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

			Carrying amount	
	Maturity	Coupon rate	31.03.2014 KZT'000	31.12.2013 KZT'000
KZT denominated bonds of the first issue *	18.01.2017	9.5%	9,985,510	10,213,366
KZT denominated bonds of the second issue *	27.05.2023	7.5%	19,016,954	18,645,756
			<b>29,002,464</b>	<b>28,859,122</b>

\* Quoted on KASE

During the year ended 31 December 2013, the Bank finished placement of debt securities under its first debenture issue by placing bonds with the nominal value of KZT 6,889,000 thousand, which bear a fixed coupon rate of 9.5% p.a. and mature in January 2017. Additionally, the Bank placed bonds under its second debenture issue with the nominal value of KZT 19,153,000 thousand, which bear a fixed coupon rate of 7.5% p.a. and mature in May 2023.



## 17 Other liabilities

	31.03.2014 KZT'000	31.12.2013 KZT'000
Commission accrued	1,408	2,108
Other	76,805	39,806
<b>Total other financial liabilities</b>	<b>78,213</b>	<b>41,914</b>
Taxes payable other than income tax	148,320	224,633
Vacation reserve	39,788	50,429
Other	132,989	130,335
<b>Total other non-financial liabilities</b>	<b>321,097</b>	<b>405,397</b>
<b>Total other liabilities</b>	<b>399,310</b>	<b>447,311</b>

## 18 Equity

Movement in share capital during three months ended 31 March 2014 and the year ended 31 December 2013 was as follows:

	31.03.2014 KZT'000	31.03.2014 Number of shares	31.12.2013 KZT'000	31.12.2013 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	-	-	(4)	(2)
<b>Share capital at the end of the year</b>	<b>20,460,476</b>	<b>13,291,595</b>	<b>15,460,976</b>	<b>9,958,595</b>

As of 31 March 2014, the authorized, issued and outstanding share capital comprises:

	Authorized shares	Unplaced shares	Treasury shares	Total share capital
Ordinary shares	40,000,000	(26,667,000)	(41,405)	13,291,595

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

	Authorized shares	Unplaced shares	Treasury shares	Total share capital
Ordinary shares	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.

## 19 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 31 March 2014 is based on number of outstanding common shares of 13,291,595 (31 December 2013: 9,958,595) and net assets of KZT 28,051,744 thousand (31 December 2013: KZT 21,829,756 thousand) calculated as follows:



	31.03.2014 KZT'000	31.12.2013 KZT'000
Total assets	219,105,852	190,265,795
Intangible assets	(395,936)	(422,746)
Total liabilities	(190,658,172)	(168,013,293)
<b>Net assets</b>	<b>28,051,744</b>	<b>21,829,756</b>


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

	31.03.2014 KZT'000	31.12.2013 KZT'000
Net assets	28,051,744	21,829,756
Outstanding number of participating shares at the year end	13,291,595	9,958,595
<b>Book value per share, KZT</b>	<b>2,110</b>	<b>2,192</b>

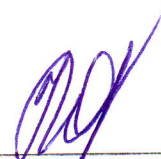
## 20 Earnings per share

The following table shows the profit for the three months ended 31 March, 2014 and 2013 and share data used in the basic and diluted earnings per share calculations:

	31.03.2014 KZT'000	31.03.2013 KZT'000
Net profit attributable to ordinary shareholders	1,220,479	552,687
Weighted average number of ordinary shares for basic earnings per share	11,711,297	9,958,597
<b>Basic and diluted earnings per share, in KZT</b>	<b>104</b>	<b>55</b>

  
Nurbol Samzayev  
Chairman of the Board



  
Galiya Kainarbekova  
Deputy Chairperson - Chief Accountant