

KASPI.KZ

JOINT STOCK COMPANY

Interim Condensed Consolidated
Financial Information
For the six months ended
30 June 2021 (Unaudited)

Kaspi.kz Joint Stock Company

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Kaspi.kz Joint Stock Company

Statement of Management's Responsibilities For the Preparation and Approval of the Interim Condensed Consolidated Financial Information For the Six months ended 30 June 2021 (Unaudited)

Management of Kaspi.kz JSC is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the interim condensed consolidated financial position of Kaspi.kz Joint Stock Company and its subsidiaries ("the Group") as at 30 June 2021, and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three and six months then ended, changes in equity and cash flows for the six months then ended, in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's interim condensed consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the interim condensed consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining accounting records in compliance with the legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 was authorized for issue on 30 July 2021 by the Chairman of the Management Board, the Chief Financial Officer and the Chief Accountant.

On behalf of the Management:



Mikheil Lomtadze
Chairman of the Management Board



Tengiz Mosidze
Chief Financial Officer





Nailya Ualibekova
Chief Accountant

30 July 2021
Almaty, Kazakhstan

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders of Kaspi.kz Joint Stock Company

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kaspi.kz Joint Stock Company and its subsidiaries ("the Group") as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three and six months then ended, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Deloitte LLP

30 July 2021
Almaty, Kazakhstan

Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement of Profit or Loss For the Three and Six months ended 30 June 2021 (Unaudited)

(in millions of KZT, except for earnings per share which are in KZT)

	Notes	Six Months Ended		Three Months Ended	
		30 June 2021 (unaudited)	30 June 2020 (unaudited)	30 June 2021 (unaudited)	30 June 2020 (unaudited)
REVENUE	4,5,6	397,050	299,096	214,257	139,115
Interest Revenue		185,602	156,684	97,010	79,882
Fees & Commissions		84,886	86,890	44,650	42,998
Seller Fees		56,207	18,137	33,555	7,052
Transaction & Membership Revenue		72,556	37,765	40,550	19,169
Other gains (losses)		(2,201)	(380)	(1,508)	(9,986)
COST OF REVENUE	7	(114,674)	(93,502)	(58,580)	(47,971)
Interest Expenses		(82,775)	(64,380)	(41,893)	(33,294)
Transaction Expenses		(6,802)	(6,987)	(3,815)	(3,546)
Operating Expenses		(25,097)	(22,135)	(12,872)	(11,131)
TOTAL NET REVENUE		282,376	205,594	155,677	91,144
Technology & Product Development		(19,965)	(12,095)	(10,425)	(6,220)
Sales & Marketing		(28,984)	(17,813)	(13,640)	(8,806)
General & Administrative Expenses		(11,026)	(6,722)	(5,497)	(3,299)
Provision Expense	8	(14,703)	(30,095)	(7,294)	(9,604)
OPERATING INCOME		207,698	138,869	118,821	63,215
INCOME TAX	9	(34,634)	(23,290)	(20,440)	(10,569)
NET INCOME		173,064	115,579	98,381	52,646
Attributable to:					
Shareholders of the Company		171,722	114,500	97,631	52,150
Non-controlling Interests		1,342	1,079	750	496
NET INCOME		173,064	115,579	98,381	52,646
Earnings per share					
Basic (KZT)		894	597	508	272
Diluted (KZT)		886	597	504	272

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board


Tengiz Mosidze
Chief Financial Officer




Nailya Ualibekova
Chief Accountant

The notes on pages 8-31 form an integral part of this interim condensed consolidated financial information.

Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement of Other Comprehensive Income For the Three and Six months ended 30 June 2021 (Unaudited)

(in millions of KZT)

	Six Months Ended		Three Months Ended	
	30 June 2021 (unaudited)	30 June 2020 (unaudited)	30 June 2021 (unaudited)	30 June 2020 (unaudited)
NET INCOME	173,064	115,579	98,381	52,646
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income	37	(11)	28	(6)
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Movement in investment revaluation reserve for debt instruments at fair value through other comprehensive income:				
Gains/(losses) arising during the period, net of tax KZT Nil	1,916	(689)	(1,237)	1,706
Expected credit recoveries recognised in profit or loss	56	873	30	862
Reclassification of (losses) included in profit or loss, net of tax KZT Nil	(245)	(276)	(61)	(243)
Other comprehensive gain/(loss) for the period	1,764	(103)	(1,240)	2,319
TOTAL COMPREHENSIVE INCOME	174,828	115,476	97,141	54,965
Attributable to:				
Shareholders of the Company	173,468	114,398	96,558	54,444
Non-controlling Interests	1,360	1,078	583	521
TOTAL COMPREHENSIVE INCOME	174,828	115,476	97,141	54,965

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board


Tengiz Mosidze
Chief Financial Officer




Nailya Ualibekova
Chief Accountant

The notes on pages 8-31 form an integral part of this interim condensed consolidated financial information.

Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement of Financial Position As at 30 June 2021 (Unaudited) (in millions of KZT)

	Notes	30 June 2021 (unaudited)	31 December 2020
ASSETS:			
Cash and cash equivalents	10	202,623	330,409
Mandatory cash balances with National Bank of the Republic of Kazakhstan		31,287	27,659
Due from banks		48,972	44,259
Investment securities and derivatives	11	1,046,762	869,572
Loans to customers	12,16	1,743,461	1,404,554
Property, equipment and intangible assets		73,483	70,016
Other assets		57,228	51,645
Assets classified as held for sale		-	8,628
TOTAL ASSETS		3,203,816	2,806,742
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks		4,000	-
Customer accounts	13,16	2,526,729	2,150,581
Debt securities issued		139,403	139,111
Other liabilities		51,812	41,343
Subordinated debt		78,041	78,009
Liabilities directly associated with the assets classified as held for sale		-	3,038
TOTAL LIABILITIES		2,799,985	2,412,082
EQUITY:			
Share capital	14	97,530	95,825
Additional paid-in-capital		506	506
Revaluation reserve of financial assets		6,917	5,171
Share-based compensation reserve		7,533	8,788
Retained earnings		287,360	280,828
Total equity attributable to Shareholders of the Company		399,846	391,118
Non-controlling interests		3,985	3,542
TOTAL EQUITY		403,831	394,660
TOTAL LIABILITIES AND EQUITY		3,203,816	2,806,742

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board


Tengiz Mosidze
Chief Financial Officer




Nailya Ualibekova
Chief Accountant

The notes on pages 8-31 form an integral part of this interim condensed consolidated financial information.

Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement Of Changes in Equity For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

	Issued capital	Treasury shares paid-in-capital	Additional paid-in-capital	Revaluation reserve of financial assets	Share-Based Compensation reserve	Retained earnings	Total equity attributable to holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2020	130,144	(34,319)	506	472	-	195,232	292,035	3,587	295,622
Net Income	-	-	-	-	-	114,500	114,500	1,079	115,579
Other comprehensive loss	-	-	-	(102)	-	-	(102)	(1)	(103)
Total comprehensive (loss)/income	-	-	-	(102)	-	114,500	114,398	1,078	115,476
Dividends declared	-	-	-	-	-	(79,600)	(79,600)	-	(79,600)
Dividends declared by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(558)	(558)
Balance at 30 June 2020 (unaudited)	130,144	(34,319)	506	370	-	230,132	326,833	4,107	330,940
Balance at 31 December 2020	130,144	(34,319)	506	5,171	8,788	280,828	391,118	3,542	394,660
Net Income	-	-	-	-	-	171,722	171,722	1,342	173,064
Other comprehensive income	-	-	-	1,746	-	-	1,746	18	1,764
Total comprehensive income	-	-	-	1,746	-	171,722	173,468	1,360	174,828
Dividends declared	-	-	-	-	-	(170,662)	(170,662)	-	(170,662)
Dividends declared by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(917)	(917)
Share options accrued	-	-	-	-	5,922	-	5,922	-	5,922
Share options exercised	-	1,705	-	-	(7,177)	5,472	-	-	-
Balance at 30 June 2021 (unaudited)	130,144	(32,614)	506	6,917	7,533	287,360	399,846	3,985	403,831

On behalf of the Management:

Mikheil Lomtadze

Chairman of the Management Board

Tengiz Mosidze

Chief Financial Officer

Nailya Ualibekova

Chief Accountant



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Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement of Cash Flows For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from loans to customers	142,266	130,973
Other interest received	14,385	8,771
Interest paid	(77,045)	(60,061)
Expenses paid on obligatory insurance of individual deposits	(3,610)	(2,597)
Fees & commissions received	84,886	86,890
Seller fees received	56,207	18,137
Transaction & membership revenue received	70,178	33,260
Fee & commissions paid	(7,475)	(22,532)
Other income received	7,160	8,056
Operating expenses paid	(79,097)	(38,178)
Cash flows from operating activities before changes in operating assets and liabilities	207,855	162,719
Changes in operating assets and liabilities (Increase)/decrease in operating assets:		
Mandatory cash balances with NBRK	(3,628)	185
Financial assets at FVTPL	591	5,136
Due from banks	(4,010)	4,101
Loans to customers	(354,334)	27,727
Other assets	(6,576)	(2,605)
Increase/(decrease) in operating liabilities:		
Due to banks	4,000	(3,000)
Customer accounts	376,005	170,713
Financial liabilities at FVTPL	219	(7,967)
Other liabilities	2,537	(410)
Cash inflow from operating activities before income tax	222,658	356,599
Income tax paid	(29,290)	(21,811)
Net cash inflow from operating activities	193,368	334,788
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(8,900)	(9,365)
Proceeds on sale of property and equipment	231	558
Proceeds on disposal of financial assets at FVTOCI	537,243	315,563
Purchase of financial assets at FVTOCI	(684,609)	(526,999)
Proceeds on sale of subsidiary	4,500	-
Net cash outflow from investing activities	(151,535)	(220,243)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(170,662)	-
Dividends paid by subsidiary to non-controlling interests	(915)	(562)
Net cash outflow from financing activities	(171,577)	(562)
Effect of changes in foreign exchange rate on cash and cash equivalents	1,959	8,604
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(127,786)	122,587
CASH AND CASH EQUIVALENTS, beginning of period	330,409	239,140
CASH AND CASH EQUIVALENTS, end of period	202,623	361,727

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board


Tengiz Mosidze
Chief Financial Officer




Nailya Ualibekova
Chief Accountant

The notes on pages 8-31 form an integral part of this interim condensed consolidated financial information.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

1. Corporate information

Overview

Kaspi.kz operates the Kaspi.kz Super App, the gateway to the Kaspi.kz Ecosystem.

Through the Super App users can access Kaspi.kz's Payments, Marketplace and Fintech Platforms. The app is designed so that the growth and development of one service contributes to the growth and development of other services, creating powerful network effects. The popularity of the Super App has helped each platform achieve market leadership.

Highly relevant digital products and services make Kaspi.kz integral to the daily lives of both consumers and merchants in Kazakhstan. The combination of scale with both consumers and merchants, joined by a proprietary payments network makes our business model unique.

Going forward we will maintain a singular focus on expanding our ecosystem by developing innovative digital products. Technologically advanced products will transform the way consumers pay, shop and manage their personal finances, help merchants accelerate their growth as we emerge from the pandemic and allow us to make a significant contribution to Kazakhstan's digital transformation.

Kaspi.kz Segments

The Kaspi.kz Ecosystem is comprised of the following three market leading platforms centered around our customers' everyday needs:

- *Payments Platform* connects our customers, which consist of both consumers and merchants, to facilitate cashless, digital transactions. We offer our customers a proprietary technology platform to both pay and receive payments for goods and services, as well as to transfer and withdraw money. Consumers can transact with merchants and amongst themselves using services including the Kaspi.kz Super App, Kaspi QR Scan to Pay, Kaspi Gold debit card, any bankcard or e-Wallet. Merchants can accept payments from consumers using Kaspi Pay POS Solutions and Kaspi QR Checkout, amongst a wide suite of other products.
- *Marketplace Platform* connects merchants and consumers enabling merchants to increase their sales and consumers to buy a broad selection of products and services offered by a variety of merchants. We help merchants increase their sales by linking them to our technology, Payments Platform, Buy Now Pay Later consumer finance products, marketing and fulfillment. Fulfilment options include in-store pick up, delivery by merchants and delivery powered by Kaspi.kz. In 2020 we launched Kaspi Travel, initially offering domestic and international flight tickets through our Super App and have just recently added domestic rail bookings in line with our plan to buildout a full online travel proposition.

In Azerbaijan, we operate a marketplace platform encompassing the country's leading real estate, new and used cars, new and used goods mobile classified apps.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

- *Fintech Platform* enables customers to manage their personal finances online and access consumer finance and deposit products primarily through the Kaspi.kz Super App. Our Buy Now Pay Later consumer finance products are also strategically integrated around the product and merchant selection on our Marketplace Platform. This allows customers to shop and access financing seamlessly and then pay over time in affordable monthly installments. In 2020 we broadened our Fintech proposition to include working capital and micro finance products for merchants and these new products are scaling rapidly in 2021.

Information about the group of companies

Kaspi.kz Joint Stock Company ("the Company") was incorporated in the Republic of Kazakhstan in 2008. The Company is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market ("the FMRDA"). The registered address of the Company is 154A, Nauryzbai Batyr street, Almaty, 050013, the Republic of Kazakhstan.

The Group's structure has not changed since 31 December 2020, except for sale of its subsidiary IC "Basel" JSC to a third party on 26 January 2021. As at the date of the sale, carrying amount of net assets disposed were KZT 4,498 million and the fair value of consideration received were KZT 4,500 million.

The shareholders' structure was as follows:

	30 June 2021 %	31 December 2020 %
	(unaudited)	
Ultimate shareholders:		
Baring Vostok Funds	29.92	31.07
Vyacheslav Kim	24.13	24.52
Mikheil Lomtadze	23.30	22.92
Public Investors	19.80	18.83
Management	2.85	2.66
Total	100.00	100.00

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

After the majority of the government imposed restrictions in response to the COVID-19 pandemic were lifted, the economic environment in Kazakhstan has begun to recover. The accelerated vaccination program roll-out, as well as adaptation of businesses to new/modified sanitary requirements is likely to support further economic growth. Management of the Group continues to closely monitor the evolving situation and will take the necessary measures to support the sustainability and development of the Group's business in the foreseeable future.

This interim condensed consolidated financial information was approved on 30 July 2021.

2. Basis of presentation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. This interim condensed consolidated financial information has been prepared on the assumption that the Group is a going concern, as the Group has the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources. These considerations include an stress assessment assuming a prolonged negative impact of the COVID-19 pandemic on the Kazakhstan economy and as a result, its impact on the future financial performance of the Group. This interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2020 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition.

The exchange rates at the period-end used by the Group in the preparation of the interim condensed consolidated financial information are as follows:

	30 June 2021	31 December 2020
KZT/USD	427.89	420.91
KZT/EUR	508.85	516.79

3. Significant accounting policies

This interim condensed consolidated financial information has been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The same accounting policies, presentation and methods of computation have been followed in this interim condensed consolidated financial information as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

Application of new and revised International Financial Reporting Standards (IFRSs)

The following amended standards and interpretations became effective for the Group from 1 January 2021, but did not have any significant impact on the Group's interim condensed consolidated financial information for the six months ended 30 June 2021:

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4, and IFRS 16

Interest Rate Benchmark Reform Phase 2

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective.

4. Revenue by Segments

The Group reports its business in three operating segments as described in Note 1 under Kaspi.kz Segments. Revenue by segments is presented below:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
REVENUE	397,050	299,096	214,257	139,115
Marketplace	57,743	19,151	34,454	7,782
Seller fees	56,207	18,137	33,555	7,052
Other gains	1,536	1,014	899	730
Payments	89,686	48,594	49,586	25,819
Transaction and membership revenue	67,872	34,880	38,082	17,853
Interest revenue	21,814	13,714	11,504	7,966
Fintech	249,621	231,351	130,217	105,514
Interest revenue	163,788	142,970	85,506	71,916
Fees & commissions	84,886	86,890	44,650	42,998
Transaction & membership revenue	4,684	2,885	2,468	1,316
Other gains (losses)	(3,737)	(1,394)	(2,407)	(10,716)

Revenue classification and distribution among segments is performed in accordance with the following guidelines:

Marketplace revenue includes seller fees paid by merchants and other partners when a sale is closed within the Marketplace Platform.

It also includes revenue from delivery service, marketing services, Kaspi Travel and the Company's subsidiary Digital Classifieds in the Republic of Azerbaijan.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

Payments revenue includes transaction fees originated from processing payments for regular household needs, payments for purchases both online and in-store, other debit card transactions, online money wire transfers both inside the country and globally, and transactions by SME and corporate customers. It also includes membership and annual fees paid by individual customers, SME and corporate customers for engagement in Kaspi Ecosystem. The Payments Platform segment also derives treasury revenue from cash balances.

Fintech revenue includes interest income from originating financing to customers through the Kaspi.kz Super App or to finance purchases on the Marketplace Platform, third party merchant sites and third-party mobile apps.

It also includes banking fees and commissions, membership and other fees paid by customers, income/(loss) from foreign exchange revaluation, securities, interbank and derivatives, and fees/commissions from other banking services.

5. Segment Reporting

The Group reports its business in three operating segments as described in Note 1 to the interim condensed consolidated financial information of the Group.

The following tables present the summary of each segments revenue, net revenue and net income:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
REVENUE	397,050	299,096	214,257	139,115
Marketplace	57,743	19,151	34,454	7,782
Payments	89,686	48,594	49,586	25,819
Fintech	249,621	231,351	130,217	105,514
NET REVENUE	282,376	205,594	155,677	91,144
Marketplace	53,731	17,437	32,284	6,642
Payments	80,518	39,573	44,559	21,409
Fintech	148,127	148,584	78,834	63,093
NET INCOME	173,064	115,579	98,381	52,646
Marketplace	36,831	10,213	22,718	3,425
Payments	50,925	23,885	28,969	13,078
Fintech	85,308	81,481	46,694	36,143

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

Expenses associated with share-based compensation are recognized across the segments. The following table presents the summary of share-based compensation expense by segments:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
SHARE-BASED COMPENSATION	8,451	-	4,271	-
Marketplace	758	-	385	-
Payments	1,939	-	984	-
Fintech	5,754	-	2,902	-

Operating segments are reported in a manner consistent with internal reports, which are reviewed and used by management and board of directors (who are identified as Chief Operating Decision Makers, "CODM").

6. Revenue

Revenue includes interest revenue, fees, commissions, seller fees, transaction & membership revenue and other losses.

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
REVENUE	397,050	299,096	214,257	139,115
Interest revenue	185,602	156,684	97,010	79,882
Fees & commissions	84,886	86,890	44,650	42,998
Seller fees	56,207	18,137	33,555	7,052
Transaction & membership revenue	72,556	37,765	40,550	19,169
Other gains (losses)	(2,201)	(380)	(1,508)	(9,986)

Interest revenue includes interest originated on loans to customers, securities and deposits placed with banks.

Fees & commissions revenue mainly includes banking service fees and commissions, which are paid by customers on a monthly basis.

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Seller fees includes fees paid by merchants from shopping transaction originated on the Marketplace Platform. The Group earns seller fees when transactions are completed and are generally determined as a percentage based on the value of merchandise and services being sold by merchants. Seller fees also include revenue from delivery and marketing services paid by Marketplace merchants.

The Group earns Transaction and membership revenues when processing payments and engaging customers in the Kaspi Ecosystem. This includes transaction fees paid by merchants when the Group enables various payment and purchase transactions. It also includes membership fees paid by customers and merchants for accessing various Kaspi Ecosystem services.

Other gains (losses) are mainly due to net gains (losses) on foreign exchange operations and financial assets and liabilities at fair value through profit or loss. For the six months ended 30 June 2021 and 2020, the net loss on foreign exchange operations were KZT (1,291) million and KZT (6,171) million, respectively. For the six months ended 30 June 2021 and 2020, the net gain (loss) on financial assets and liabilities at fair value through profit or loss were KZT (2,956) million and KZT 8,369 million, respectively. It also includes revenue from Kaspi Travel and revenue from Digital Classifieds in the Republic of Azerbaijan.

For the three months ended 30 June 2021 and 2020, the net gain (loss) on foreign exchange operations were KZT (492) million and KZT 16,886 million, respectively. For the three months ended 30 June 2021 and 2020, the net loss on financial assets and liabilities at fair value through profit or loss were KZT (1,928) million and KZT (25,994) million, respectively.

7. Cost of revenue

Cost of revenue includes interest expense, transaction expenses and operating expenses which are directly attributable for the Group's everyday operating activities.

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
COST OF REVENUE	(114,674)	(93,502)	(58,580)	(47,971)
Interest expense	(82,775)	(64,380)	(41,893)	(33,294)
Transaction expenses	(6,802)	(6,987)	(3,815)	(3,546)
Operating expenses	(25,097)	(22,135)	(12,872)	(11,131)

Interest expenses include interest expenses on customer accounts, mandatory insurance of retails deposits and interest expense on debt securities, including subordinated debt.

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Transaction expenses are mainly composed of the costs associated with accepting, processing and otherwise enabling payment transactions. Those costs include fees paid to payment processors, payment networks and various service providers.

Operating expenses include costs incurred to operate retail network, 24-hour call support and communication with customers, product packaging and delivery, loan origination and risk assessment, customer deposit acquisition and other expenses which can be attributed to the Group's operating activities related to the origination and delivery of the products and services.

Employee benefits, depreciation and amortisation expenses and operating lease expenses are presented as follows:

	Six months ended 30 June 2021 (unaudited)			Six months ended 30 June 2020 (unaudited)		
	Employee benefits	Depreciation & amortisation	Operating lease	Employee benefits	Depreciation & amortisation	Operating lease
Cost of revenue	(8,527)	(387)	(586)	(8,847)	(292)	(674)
Sales & marketing	(182)	-	-	(167)	-	(2)
Technology & product development	(8,617)	(4,480)	(825)	(5,488)	(2,946)	(791)
General & administrative expenses	(9,508)	(927)	(1,029)	(2,976)	(1,038)	(971)
Total	(26,834)	(5,794)	(2,440)	(17,478)	(4,276)	(2,438)

	Three months ended 30 June 2021 (unaudited)			Three months ended 30 June 2020 (unaudited)		
	Employee benefits	Depreciation & amortisation	Operating lease	Employee benefits	Depreciation & amortisation	Operating lease
Cost of revenue	(4,214)	(196)	(288)	(4,507)	(148)	(331)
Sales & marketing	(94)	-	-	(90)	-	(1)
Technology & product development	(4,678)	(2,294)	(405)	(2,884)	(1,489)	(383)
General & administrative expenses	(4,729)	(437)	(516)	(1,366)	(524)	(466)
Total	(13,715)	(2,927)	(1,209)	(8,847)	(2,161)	(1,181)

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The following table presents the summary of expenses associated with share-based compensation:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
SHARE-BASED COMPENSATION	8,451	-	4,271	-
Share options	5,922	-	2,961	-
Phantom shares	2,529	-	1,310	-

Expenses associated with share-based compensation are recognized across the functions in which the compensation recipients are employed. The following table sets forth an analysis of share-based compensation expense by function for the periods indicated:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
SHARE-BASED COMPENSATION	8,451	-	4,271	-
Cost of revenue	368	-	191	-
Technology & product development	3,693	-	1,875	-
General & administrative expenses	4,390	-	2,205	-

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For the Six months ended 30 June 2021 (Unaudited)
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8. Provision expense

The movements in loss allowance for the six months ended 30 June 2021 were as follows:

	Loans to customers			Due from banks			Financial assets at fair value through other comprehensive income			Cash and cash equivalents			Other assets			Contin-gencies	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
Loss allowance for ECL as at 31 December 2020	40,062	7,674	74,153	26	374	-	2,564	3	2,058	28	126,942						
Changes in provisions																	
-Transfer to Stage 1	5,225	(909)	(4,316)	-	-	-	-	-	-	-	-	-	-	-	-	-	
-Transfer to Stage 2	(401)	1,363	(962)	-	-	-	-	-	-	-	-	-	-	-	-	-	
-Transfer to Stage 3	(2,017)	(5,543)	7,560	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net changes, resulting from changes in credit risk parameters	(10,377)	4,885	12,374	(12)	(19)	-	70	(1)	809	(10)	7,719						
New assets issued or acquired	29,918	-	-	-	13	-	-	-	-	-	29,931						
Repaid assets (except for write-off)	(12,901)	(1,018)	(9,021)	-	(7)	-	-	-	-	-	(22,947)						
Write-off, net of recoveries	-	-	(17,055)	-	-	-	-	-	(6)	-	(17,061)						
Foreign exchange difference	-	-	3	-	-	-	-	-	1	-	4						
As at 30 June 2021 (unaudited)	49,509	6,452	62,736	14	361	-	2,634	2	2,862	18	124,588						

Net changes, resulting from changes in credit risk parameters include decrease of provisions due to partial repayment of loans.

As at 30 June 2021, the allowance for expected credit losses on financial assets at fair value through other comprehensive income of KZT 2,995 million (31 December 2020: KZT 2,938 million) is included in the 'Revaluation reserve of financial assets' within equity.

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Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

The movements in loss allowance for the six months ended 30 June 2020 were as follows:

	Loans to customers			Due from banks Stage 1	Financial assets at fair value through other comprehensive income		Cash and cash equivalents		Other assets Stage 3	Contin-gencies Stage 1	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 1	Stage 1			
Loss allowance for ECL as at 31 December 2019	31,983	5,235	70,195	22	304	789	9	2,378	51	110,966	
Changes in provisions											
-Transfer to Stage 1	3,068	(519)	(2,549)	-	-	-	-	-	-	-	
-Transfer to Stage 2	(557)	1,218	(661)	-	-	-	-	-	-	-	
-Transfer to Stage 3	(1,364)	(3,495)	4,859	-	-	-	-	-	-	-	
Net changes, resulting from changes in credit risk parameters	4,703	6,400	8,961	(12)	(17)	854	(6)	245	29	21,157	
New assets issued or acquired	18,728	-	-	-	39	-	-	-	-	18,767	
Repaid assets (except for write-off)	(7,614)	(446)	(1,766)	-	(3)	-	-	-	-	(9,829)	
Write-off, net of recoveries	-	-	(10,989)	-	-	-	-	(7)	-	(10,996)	
Foreign exchange difference	-	-	57	3	-	-	-	2	-	62	
As at 30 June 2020 (unaudited)	48,947	8,393	68,107	13	323	1,643	3	2,618	80	130,127	

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9. Income tax

The Group provides for taxes for the current period based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan and the Republic of Azerbaijan, where the Company and its subsidiaries operate and which may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax-free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Deferred income tax liabilities comprise:

	30 June 2021 (unaudited)	31 December 2020
Vacation reserve, accrued bonuses and share-based compensation	961	1,155
Property, equipment and intangible assets	(3,153)	(3,485)
Other	10	11
Net deferred tax liability	(2,182)	(2,319)

Relationships between tax expenses and accounting profit are explained as follows:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)
Net income before income tax	207,698	138,869	118,821	63,215
Tax at the statutory tax rate of 20%	41,540	27,774	23,764	12,643
Non-taxable income	(7,633)	(4,879)	(3,701)	(2,310)
Non-deductible expense	727	395	377	236
Income tax expense	34,634	23,290	20,440	10,569
Current income tax expense	34,771	22,992	21,067	10,528
Deferred tax expense	(137)	298	(627)	41
Income tax expense	34,634	23,290	20,440	10,569

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Non-taxable income was represented by interest income on governmental and other qualified securities in accordance with the tax legislation. Corporate income tax rate is 20% in Kazakhstan and Azerbaijan.

	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Net deferred tax liability:		
As at 1 January	(2,319)	(2,373)
Change in deferred income tax balances recognized in consolidated profit or loss	137	(298)
At the end of the period	(2,182)	(2,671)

10. Cash and cash equivalents

	30 June 2021 (unaudited)	31 December 2020
Cash on hand	119,483	149,366
Current accounts with other banks	22,538	38,725
Short-term deposits with other banks	59,921	117,907
Reverse repurchase agreements	681	24,411
Total cash and cash equivalents	202,623	330,409

The fair value of collateral of reverse repurchase agreements, which were classified as cash and cash equivalents, are KZT 681 million and KZT 29,931 million, respectively.

11. Investment securities and derivatives

	30 June 2021 (unaudited)	31 December 2020
Total financial assets at FVTOCI	1,046,584	865,847
Total financial assets at FVTPL	178	3,725
Total investment securities and derivatives	1,046,762	869,572

	30 June 2021 (unaudited)	31 December 2020
Debt securities	1,046,277	865,577
Equity investments	307	270
Total financial assets at FVTOCI	1,046,584	865,847

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Sovereign debt securities of KZT 791,638 million and KZT 659,132 million, respectively, were included in debt securities.

	A- and higher	BBB+ to BBB-	BB+ to B-	CCC+ and lower	Total
Investment securities and derivatives as at 30 June 2021 (unaudited)	1,222	1,035,927	7,917	1,696	1,046,762
Investment securities and derivatives as at 31 December 2020	3,368	850,128	14,766	1,310	869,572

As at 30 June 2021, investment securities and derivatives of the Group of KZT 1,045,066 million and KZT 1,696 million are classified in Stage 1 and Stage 3 (2020: KZT 864,267 million and KZT 1,310 million), respectively according to IFRS 9.

Financial assets at fair value through profit or loss comprise:

	30 June 2021 (unaudited)	31 December 2020
Financial assets at fair value through profit or loss:		
Derivative financial instruments	178	3,725
Total financial assets at fair value through profit or loss	178	3,725

As at 30 June 2021, financial assets at FVTPL included swap and spot instruments were KZT 120 million with a notional amount of KZT 30,586 million and forwards were KZT 58 million with a notional amount of KZT 127,901 million. Financial liabilities at FVTPL included swap and spot instruments were KZT Nil million with a notional amount of KZT 30,566 million and forwards were KZT 3,212 million with a notional amount of KZT 137,324 million.

As at 31 December 2020, financial assets at FVTPL included swap and spot instruments were KZT 19 million with a notional amount of KZT 10,514 million and forwards were KZT 3,706 million with a notional amount of KZT 139,193 million. Financial liabilities at FVTPL included swap and spot instruments were KZT 3 million with a notional amount of KZT 10,488 million and forwards were KZT 2,990 million with a notional amount of KZT 142,428 million.

As at 30 June 2021 and 31 December 2020, restricted deposits included in due from banks with investment credit ratings (higher than 'BBB-') in favor of international payments systems were KZT 30,097 million and KZT 29,046 million, respectively and in favor of non-deliverable forwards of KZT 17,668 million and KZT 14,017 million, respectively.

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12. Loans to customers

	30 June 2021 (unaudited)	31 December 2020
Gross loans to customers	1,862,158	1,526,443
Less: allowance for impairment losses (Note 8)	(118,697)	(121,889)
Total loans to customers	1,743,461	1,404,554

All loans to customers issued by the Group were allocated to Fintech segment for internal segment reporting purposes.

Movements in allowances for impairment losses on loans to customers for the six months ended 30 June 2021 and 2020 are disclosed in Note 8.

As at 30 June 2021 and 31 December 2020, accrued interest of KZT 21,399 million and KZT 19,331 million, respectively, was included in loans to customers.

Loans with principal or accrued interest in arrears for more than 90 days are classified as "Non-performing loans" ("NPL"). Allowance for impairment to gross NPLs reflects the Group's ability to absorb potential losses from non-performing loans. Considering the ratio represents impairment loan loss allowances for the specific pool as a percentage of NPLs, the ratio can be more than 100%. With the adoption of IFRS 9, these loans were classified in stage 3.

The following tables set forth the Group's outstanding NPLs as compared to the total allowance for impairment losses on total loans to customers:

	Gross NPLs	Total allowance for impairment losses	Total allowance for impairment to losses gross NPLs
Non-performing loans	110,142	118,697	108%
Total non-performing loans to customers as at 30 June 2021 (unaudited)	110,142	118,697	108%

	Gross NPLs	Total allowance for impairment losses	Total allowance for impairment to losses gross NPLs
Non-performing loans	120,894	121,889	101%
Total non-performing loans to customers as at 31 December 2020	120,894	121,889	101%

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Provision expense on loans to customers:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Provision expense on loans to customers:		
Loans to customers	(13,860)	(28,966)
Total provision expenses on loans to customers	(13,860)	(28,966)

Provision expense for the six months ended 30 June 2020 contains increase in provision expense related to deterioration of macroeconomic forecasts due to start of COVID-19 global pandemic.

As at 30 June 2021 and 31 December 2020, the Group did not have outstanding loans which individually exceeded 10% of the Group's equity.

The gross carrying amount and related loss allowance on loans to customers by stage were as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers				
Gross carrying amount	1,717,476	16,832	127,850	1,862,158
Loss allowance	(49,509)	(6,452)	(62,736)	(118,697)
Carrying amount as at 30 June 2021 (unaudited)	1,667,967	10,380	65,114	1,743,461

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers				
Gross carrying amount	1,351,855	20,500	154,088	1,526,443
Loss allowance	(40,062)	(7,674)	(74,153)	(121,889)
Carrying amount as at 31 December 2020	1,311,793	12,826	79,935	1,404,554

As at 30 June 2021 and 31 December 2020, commitments on loans and unused credit lines represented by revocable loan commitments were KZT 110,913 million and KZT 91,920 million, respectively.

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13. Customer accounts

	30 June 2021 (unaudited)	31 December 2020
Individuals		
Time deposits	1,929,131	1,634,409
Current accounts	475,550	403,851
Total due to individuals	2,404,681	2,038,260
Corporate customers		
Time deposits	40,219	41,032
Current accounts	81,829	71,289
Total due to corporate customers	122,048	112,321
Total customer accounts	2,526,729	2,150,581

As at 30 June 2021 and 31 December 2020, accrued interest of KZT 14,145 million and KZT 12,265 million, respectively, was included in customer accounts.

As at 30 June 2021 and 31 December 2020, customer accounts of KZT 14,970 million and KZT 16,080 million, respectively, were held as security against loans, letters of credit, guarantees issued by the Group and other transactions related to contingent liabilities.

As at 30 June 2021 and 31 December 2020, customer accounts of KZT 77,498 million (3.07%) and KZT 76,576 million (3.56%), respectively, were due to the top twenty customers.

14. Share capital

The table below provides a reconciliation of the change in the number of authorized shares, shares issued and fully paid, treasury shares and shares outstanding:

	Authorised shares	Issued and fully paid shares	Treasury shares	Shares outstanding
Ordinary shares				
1 January 2020	216,742,000	199,500,000	7,695,000	191,805,000
Movement	-	-	-	-
31 December 2020	216,742,000	199,500,000	7,695,000	191,805,000
Movement	-	-	(382,223)	382,223
30 June 2021	216,742,000	000	7,312,777	17,223

In March 2021, share options in the quantity of 382,223 shares were exercised from treasury shares under the share-based compensation plan.

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The following table summarizes the details of the share options outstanding:

	30 June 2021 (shares)	31 December 2020 (shares)
Outstanding at the beginning of the period	1,911,115	-
Granted	-	1,911,115
Forfeited	-	-
Exercised	(382,223)	-
Expired	-	-
Outstanding at the end of the period	1,528,892	1,911,115

The table below provides a reconciliation of the change in outstanding share capital fully paid:

	Ordinary shares	Total
Balance at 1 January 2020	95,825	95,825
Movement	-	-
31 December 2020	95,825	95,825
Movement	1,705	1,705
30 June 2021	97,530	97,530

The following tables represent dividends declared:

	Dividends declared	Dividend per share
March 2021	170,662	KZT 888
Total as at 30 June 2021	170,662	
	Dividends declared	Dividend per share
June 2020	76,563	KZT 399
Total as at 30 June 2020	76,563	

15. Fair value of financial instruments

a. Fair value of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

b. Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

Financial assets/financial liabilities	Fair value as at 30 June 2021 (unaudited)	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key input(s)
Non-derivative financial assets at FVTOCI (Note 11)	486,942	406,772	Level 1	Quoted prices in an active market.
Non-derivative financial assets at FVTOCI (Note 11)	559,608	459,041	Level 2	Quoted prices in markets that are not active.
Unlisted Equity investments classified as financial assets at FVTOCI (Note 11)	34	34	Level 3	Adjusted net assets based on most recent published financial statements of unlisted companies with discount for marketability and liquidity. Discount ratios varies from 10% to 30%.
Derivative financial assets (Note 11)	178	3,725	Level 2	DCF method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial liabilities (Note 11)	3,212	2,993	Level 2	DCF method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

As at 30 June 2021, the fair value of the investment securities in Level 2 includes short-term and long-term sovereign debt securities of KZT 369,787 million and KZT 73,183 million, respectively. As at 31 December 2020, the fair value of the investment securities in Level 2 includes short-term and long-term sovereign debt securities of KZT 303,024 million and KZT 67,347 million, respectively. Those investment securities are by nature and for regulatory purposes treated as high quality liquid assets, but are classified as Level 2 due to insufficient trading on active market.

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c. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, management of the Group considers that the carrying amount of financial assets and financial liabilities recognised in the interim condensed consolidated financial information approximate their fair values.

	30 June 2021 (unaudited)		Fair value hierarchy
	Carrying amount	Fair value	
Due from banks	48,972	48,937	Level 2
Loans to customers	1,743,461	1,782,467	Level 3
Due to banks	4,000	4,124	Level 2
Customer accounts	2,526,729	2,516,279	Level 2
Debt securities issued	139,403	137,003	Level 2
Subordinated debt	78,041	77,669	Level 2

	31 December 2020		Fair value hierarchy
	Carrying amount	Fair value	
Due from banks	44,259	44,203	Level 2
Loans to customers	1,404,554	1,482,035	Level 3
Customer accounts	2,150,581	2,109,827	Level 2
Debt securities issued	139,111	138,924	Level 2
Subordinated debt	78,009	77,506	Level 2

Due from banks

The estimated fair value of term due from banks is determined by discounting the contractual cash flows using interest rates currently offered for due from banks with similar terms.

Loans to customers

Loans to individual customers are made at fixed rates. The fair value of fixed rate loans has been estimated by reference to market rates available at the reporting date for loans with a similar maturity profile.

Due to banks

The estimated fair value of due to banks is determined by discounting the contractual cash flows using interest rates currently offered for due to banks with similar terms.

Customer accounts

The estimated fair value of term deposits is determined by discounting contractual cash flows using interest rates currently offered for deposits with similar terms. For current accounts, the Group considers fair value to equal carrying value, which is equivalent to the amount payable on the balance sheet date.

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Debt securities issued, subordinated debt

Debt securities issued and subordinated debt are valued using quoted prices.

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.

16. Transactions with related parties

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties:

	As at 30 June 2021 (unaudited)		As at 31 December 2020	
	Transactions with related parties	Total category as per financial statements captions	Transactions with related parties	Total category as per financial statements captions
Interim condensed consolidated statement of financial position				
Loans to customers	3,823	1,862,158	4,098	1,526,443
- other related parties	3,823		4,098	
Allowance for losses on loans to customers	(16)	(118,697)	(1)	(121,889)
- other related parties	(16)		(1)	
Customer accounts	19,442	2,526,729	8,349	2,150,581
- key management personnel of the Group	8,017		1,235	
- other related parties	11,425		7,114	

Compensation to directors and other members of key management is presented as follows:

	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Transactions with related parties	Total category as per financial statements captions	Transactions with related parties	Total category as per financial statements captions
Compensation to key management personnel:				
Employee benefits	(430)	(26,834)	(393)	(17,478)
Share-based compensation	(5,691)	(8,451)	-	-

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Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited)

(in millions of KZT)

During the six months ended 30 June 2021 and 2020, interest income from transactions with other related parties were KZT 187 million and KZT Nil, respectively. During the six months ended 30 June 2021 and 2020, interest expense from transactions with key management personnel were KZT 17 million and KZT 6 million, respectively, and other related parties were KZT 66 million and KZT 53 million, respectively. During the six months ended 30 June 2021 and 2020, transaction costs attributable to origination of loans to customers and paid to other related parties on an arm's length basis, were KZT 6,180 million and KZT 4,174 million, respectively.

17. Regulatory matters

The management of JSC Kaspi Bank (subsidiary of the Company) monitor capital adequacy ratio based on requirements of standardized approach of Basel Committee of Banking Supervision "Basel III: A global regulatory framework for more resilient banks and banking systems" (December 2010, updated in June 2011). As at 30 June 2021, the management of JSC Kaspi Bank implemented updated requirements stated in Basel III: Finalising post-crisis reforms (December 2017). The new methodology introduces a unified standardized approach for estimation of risk weighted assets for the operational risk, replacing previously in force standardized and advanced measurement approaches.

The capital adequacy ratios calculated on the basis of JSC Kaspi Bank's consolidated financial statements under Basel III with updated RWA methodology are presented in the following table:

	30 June 2021 (unaudited) (as per updated approach)	31 December 2020 (unaudited) (as per updated approach)	31 December 2020 (as per previous approach)
Capital adequacy ratios:			
Tier 1 capital	15.2%	15.9%	14.7%
Total capital	18.2%	20.4%	18.8%

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Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six months ended 30 June 2021 (Unaudited) (in millions of KZT)

Kaspi Bank JSC complies with NBRK's capital requirements. The following table presents Kaspi Bank's JSC capital adequacy ratios in accordance with the NBRK requirements:

	30 June 2021 (unaudited)	31 December 2020
Capital adequacy ratios:		
Tier 1 capital (k1.2)	11.2%	11.3%
Total capital (k.2)	13.2%	14.3%

18. Subsequent events

In July 2021, the Board of Directors of the Company proposed dividends in the amount of KZT 415 per one share for the total amount of KZT 79,758 million, subject to Shareholder approval.

In July 2021, the Group entered into an agreement to acquire 100% of the Portmone Group, payment company in Ukraine from an unrelated third party. As at the date of approval of this interim condensed consolidated financial information, completion of the acquisition is expected in the 4th quarter 2021 and is subject to receipt of the required regulatory approvals.