
KASPI.KZ

JOINT STOCK COMPANY

Interim Condensed Consolidated
Financial Information
For the three months ended
31 March 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 Three months ended 31 March 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 31 March 2021, and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three months then ended, changes in equity and cash flows for the three 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 three months ended 31 March 2021 was authorized for issue on 30 April 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 April 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 31 March 2021 and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three months then ended, changes in equity and cash flows for the three 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 April 2021
Almaty, Kazakhstan

Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement of Profit or Loss For the Three months ended 31 March 2021 (Unaudited) (in millions of KZT, except for earnings per share which are in KZT)

	Notes	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
REVENUE	4,5,6	182,793	159,981
Interest revenue		88,592	76,802
Fees & commissions		40,236	43,892
Seller fees		22,652	11,085
Transaction & membership revenue		32,006	18,596
Other (losses)/gains		(693)	9,606
COST OF REVENUE	7	(56,094)	(45,531)
Interest expense		(40,882)	(31,086)
Transaction expenses		(2,987)	(3,441)
Operating expenses		(12,225)	(11,004)
TOTAL NET REVENUE		126,699	114,450
Technology & product development		(9,540)	(5,875)
Sales & marketing		(15,344)	(9,007)
General & administrative expenses		(5,529)	(3,423)
Provision expense	8	(7,409)	(20,491)
OPERATING INCOME		88,877	75,654
Income tax	9	(14,194)	(12,721)
NET INCOME		74,683	62,933
Attributable to:			
Shareholders of the Company		74,091	62,350
Non-controlling interests		592	583
NET INCOME		74,683	62,933
Earnings per share			
Basic (KZT)		386	325
Diluted (KZT)		382	325

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 8-29 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 months ended 31 March 2021 (Unaudited) (in millions of KZT)

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
NET INCOME	74,683	62,933
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 FVTOCI	9	(5)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Movement in investment revaluation reserve for debt instruments at FVTOCI:		
Gains/(losses) arising during the period, net of tax KZT Nil	3,153	(2,395)
Expected credit losses recognised in profit or loss	26	11
Reclassification of gains included in profit or loss, net of tax KZT Nil	(185)	(33)
Other comprehensive gain/(loss) for the period	3,003	(2,422)
TOTAL COMPREHENSIVE INCOME	77,686	60,511
Attributable to:		
Shareholders of the Company	77,062	59,954
Non-controlling Interests	624	557
TOTAL COMPREHENSIVE INCOME	77,686	60,511

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 8-29 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 31 March 2021 (Unaudited) (in millions of KZT)

	Notes	31 March 2021 (unaudited)	31 December 2020
ASSETS:			
Cash and cash equivalents	10	324,845	330,409
Mandatory cash balances with National Bank of the Republic of Kazakhstan		29,524	27,659
Due from banks		46,781	44,259
Investment securities and derivatives	11	850,270	869,572
Loans to customers	12	1,506,762	1,404,554
Property, equipment and intangible assets		70,612	70,016
Other assets		57,806	51,645
Assets classified as held for sale		-	8,628
TOTAL ASSETS		2,886,600	2,806,742
LIABILITIES AND EQUITY			
LIABILITIES:			
Customer accounts	13,16	2,265,061	2,150,581
Debt securities issued		135,932	139,111
Dividends payable		71,261	360
Other liabilities		33,928	40,983
Subordinated debt		76,196	78,009
Liabilities directly associated with the assets classified as held for sale		-	3,038
TOTAL LIABILITIES		2,582,378	2,412,082
EQUITY:			
Share capital	14	97,530	95,825
Additional paid-in-capital		506	506
Revaluation reserve of financial assets		8,142	5,171
Share-based compensation reserve		4,572	8,788
Retained earnings		189,729	280,828
Total equity attributable to Shareholders of the Company		300,479	391,118
Non-controlling interests		3,743	3,542
TOTAL EQUITY		304,222	394,660
TOTAL LIABILITIES AND EQUITY		2,886,600	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 8-29 form an integral part of this interim condensed consolidated financial information.

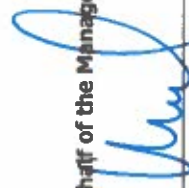
Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement Of Changes in Equity For the Three months ended 31 March 2021 (Unaudited)

(in millions of KZT)

	Issued capital	Treasury shares paid-in-capital	Additional capital	Revaluation reserve of financial assets	Share-Based Compensation reserve	Retained earnings	Total equity attributable to holders of the parent equity	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	-	-	-	-	-	62,350	62,350	583	62,933
Other comprehensive loss	-	-	-	(2,396)	-	-	(2,396)	(26)	(2,422)
Total comprehensive income	-	-	-	(2,396)	-	62,350	59,954	557	60,511
Dividends declared by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(558)	(558)
Balance at 31 March 2020	130,144	(34,319)	506	(1,924)	-	257,582	351,989	3,586	355,575
Balance at 31 December 2020	130,144	(34,319)	506	5,171	8,788	280,828	391,118	3,542	394,660
Net Income	-	-	-	-	-	74,091	74,091	592	74,683
Other comprehensive income	-	-	-	2,971	-	-	2,971	32	3,003
Total comprehensive income	-	-	-	2,971	-	74,091	77,062	624	77,686
Dividends declared	-	-	-	-	-	(170,662)	(170,662)	-	(170,662)
Dividends declared by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(423)	(423)
Share options accrued	-	-	-	-	2,961	-	2,961	-	2,961
Share options exercised	-	1,705	-	-	(7,177)	5,472	-	-	-
Balance at 31 March 2021	130,144	(32,614)	506	8,142	4,572	189,729	300,479	3,743	304,222

On behalf of the Management:



Mikheil Lomtadze
Chairman of the Management Board




Tengiz Mositdze
Chief Financial Officer



Nailiya Ualibekova
Chief Accountant

The notes on pages 8-29 form an integral part of this interim condensed consolidated financial information.

Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement of Cash Flows For the Three months ended 31 March 2021 (Unaudited) (in millions of KZT)

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	75,015	67,901
Interest paid	(43,370)	(34,186)
Expenses paid on obligatory insurance of individual deposits	(1,693)	(1,237)
Fees & commissions received	40,236	43,892
Seller fees received	22,652	11,085
Transaction & membership revenue received	30,728	16,465
Fees & commissions paid	(3,243)	(3,464)
Other income received	3,569	4,889
Operating expenses paid	(42,123)	(25,025)
Cash flows from operating activities before changes in operating assets and liabilities	81,771	80,320
Changes in operating assets and liabilities (Increase)/decrease in operating assets:		
Mandatory cash balances with NBRK	(1,865)	(623)
Financial assets at FVTPL	1,952	4,138
Due from banks	(2,003)	(73)
Loans to customers	(111,421)	(14,211)
Other assets	(3,638)	(5,487)
Increase/(decrease) in operating liabilities:		
Due to banks	-	(3,000)
Customer accounts	113,878	(53,298)
Financial liabilities at FVTPL	(742)	(8,838)
Other liabilities	(7,301)	(1,139)
Cash inflow/(outflow) from operating activities before income tax	70,631	(2,211)
Income tax paid	(13,755)	(11,228)
Net cash inflow/(outflow) from operating activities	56,876	(13,439)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(3,633)	(4,116)
Proceeds on sale of property and equipment	14	100
Proceeds on disposal of financial assets at FVTOCI	418,239	191,703
Purchase of financial assets at FVTOCI	(382,879)	(134,226)
Proceeds on sale of subsidiary	4,500	-
Net cash inflow from investing activities	36,241	53,461
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(100,000)	-
Dividends paid by subsidiary to non-controlling interests	(184)	(200)
Net cash outflow from financing activities	(100,184)	(200)
Effect of changes in foreign exchange rate on cash and cash equivalents	1,503	26,126
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,564)	65,948
CASH AND CASH EQUIVALENTS, beginning of period	330,409	239,140
CASH AND CASH EQUIVALENTS, end of period	324,845	305,088

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 8-29 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 Three months ended 31 March 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 but intend to develop a full online travel proposition as the market recovers.

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 Three months ended 31 March 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 plan to scale further in this area 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 amounted to KZT 4,498 million and the fair value of consideration received amounted to KZT 4,500 million.

As at 31 March 2021 and 31 December 2020, the shareholders' structure was as follows:

	31 March 2021	31 December 2020
	%	%
Ultimate shareholders:		
Baring Vostok Funds	30.67	31.07
Vyacheslav Kim	24.13	24.52
Mikheil Lomtadze	23.30	22.92
Public Investors	19.05	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.

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Three months ended 31 March 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 April 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 a 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:

	31 March 2021	31 December 2020
KZT/USD	424.89	420.91
KZT/EUR	498.31	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 Three months ended 31 March 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 three months ended 31 March 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 for the three months ended 31 March 2021 and 2020 is presented below:

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
REVENUE	182,793	159,981
Marketplace	23,289	11,369
Seller fees	22,652	11,085
Other gains	637	284
Payments	40,100	22,775
Transaction and membership revenue	29,790	17,027
Interest revenue	10,310	5,748
Fintech	119,404	125,837
Interest revenue	78,282	71,054
Fees & commissions	40,236	43,892
Transaction & membership revenue	2,216	1,569
Other (losses)/gains	(1,330)	9,322

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, revenue from Kaspi Travel and revenue from 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 Three months ended 31 March 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 within the Kaspi Ecosystem, 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 financing customers which is mainly originated online through the Mobile 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 for the three months ended 31 March 2021 and 2020:

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
REVENUE	182,793	159,981
Marketplace	23,289	11,369
Payments	40,100	22,775
Fintech	119,404	125,837
NET REVENUE	126,699	114,450
Marketplace	21,447	10,795
Payments	35,959	18,164
Fintech	69,293	85,491
NET INCOME	74,683	62,933
Marketplace	14,113	6,788
Payments	21,956	10,807
Fintech	38,614	45,338

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Three months ended 31 March 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 for the three months ended 31 March 2021 and 2020:

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
SHARE-BASED COMPENSATION	4,180	-
Marketplace	373	-
Payments	955	-
FinTech	2,852	-

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 gains/(losses).

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
REVENUE	182,793	159,981
Interest revenue	88,592	76,802
Fees & commissions	40,236	43,892
Seller fees	22,652	11,085
Transaction & membership revenue	32,006	18,596
Other (losses)/gains	(693)	9,606

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.

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.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Three months ended 31 March 2021 (Unaudited) (in millions of KZT)

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 (losses)/gains are mainly due to net (losses)/gains on foreign exchange operations and financial assets and liabilities at fair value through profit or loss. For the three months ended 31 March 2021 and 2020, the net loss on foreign exchange operations amounted to KZT (799) million and KZT (23,057) million, respectively. For the three months ended 31 March 2021 and 2020, the net (loss)/gain on financial assets and liabilities at fair value through profit or loss amounted to KZT (1,028) million and KZT 34,363 million, respectively. It also includes revenue from delivery service, revenue from Kaspi Travel and revenue from Digital Classifieds in the Republic of Azerbaijan.

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.

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
COST OF REVENUE	(56,094)	(45,531)
Interest expense	(40,882)	(31,086)
Transaction expenses	(2,987)	(3,441)
Operating expenses	(12,225)	(11,004)

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

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.

Kaspi.kz Joint Stock Company

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Employee benefits, depreciation and amortisation expenses and operating lease expenses for the three months ended 31 March 2021 and 2020 are presented as follows:

	Three months ended 31 March 2021 (unaudited)			Three months ended 31 March 2020 (unaudited)		
	Employee benefits	Deprecia- tion & amortisa- tion	Operating lease	Employee benefits	Deprecia- tion & amortisa- tion	Operating lease
Cost of revenue	(4,313)	(191)	(298)	(4,340)	(144)	(343)
Sales & marketing	(88)	-	-	(77)	-	(1)
Technology & product development	(3,939)	(2,186)	(420)	(2,604)	(1,457)	(408)
General & administrative expenses	(4,779)	(490)	(513)	(1,610)	(514)	(505)
Total	(13,119)	(2,867)	(1,231)	(8,631)	(2,115)	(1,257)

The following table presents the summary of expenses associated with share-based compensation for the three months ended 31 March 2021 and 2020:

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
SHARE-BASED COMPENSATION	4,180	-
Share options	2,961	-
Phantom shares	1,219	-

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:

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
SHARE-BASED COMPENSATION	4,180	-
Cost of revenue	177	-
Technology & product development	1,818	-
General & administrative expenses	2,185	-

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8. Provision expense

The movements in loss allowance for the three months ended 31 March 2021 were as follows:

	Loans to customers			Due from banks	Financial assets at fair value through other comprehensive income			Cash and cash equivalents			Total
	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	2,138	(946)	(1,192)	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(677)	1,105	(428)	-	-	-	-	-	-	-	-
-Transfer to Stage 3	(1,438)	(5,597)	7,035	-	-	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(6,755)	4,594	7,658	(7)	8	-	-	(1)	-	-	5,497
New assets issued or acquired	16,111	-	-	-	15	-	9	-	94	35	16,264
Repaid assets (except for write-off)	(6,513)	(661)	(7,172)	-	(6)	-	-	-	-	-	(14,352)
Write-off, net of recoveries	-	-	(7,080)	-	-	-	-	-	-	-	(7,080)
As at 31 March 2021 (unaudited)	42,928	6,169	72,974	19	391	-	2,573	2	2,152	63	127,271

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

As at 31 March 2021, the allowance for expected credit losses on financial assets at fair value through other comprehensive income of KZT 2,964 million (31 December 2020: KZT 2,938 million) is included in the 'Revaluation reserve of financial assets' within equity.

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The movements in loss allowance for the three months ended 31 March 2020 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 1	Stage 2	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
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	2,483	(548)	(1,935)	-	-	-	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(570)	918	(348)	-	-	-	-	-	-	-	-	-	-	-
-Transfer to Stage 3	(1,670)	(3,980)	5,650	-	-	-	-	-	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	3,943	5,122	3,243	(10)	(7)	15	-	131	19	12,456				
New assets issued or acquired	14,474	-	-	-	3	-	-	26	-	14,503				
Repaid assets (except for write-off)	(4,915)	(329)	(1,224)	-	-	-	-	-	-	(6,468)				
Write-off, net of recoveries	-	-	(7,356)	-	-	-	-	-	-	(7,356)				
Foreign exchange difference	-	-	177	5	-	-	-	6	-	188				
As at 31 March 2020 (unaudited)	45,728	6,418	68,402	17	300	804	9	2,541	70	124,289				

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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 as at 31 March 2021 and 31 December 2020 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Deferred income tax liabilities as at 31 March 2021 and 31 December 2020 comprise:

	31 March 2021 (unaudited)	31 December 2020
Vacation reserve, accrued bonuses and share-based compensation	580	1,155
Property, equipment and intangible assets	(3,402)	(3,485)
Other	13	11
Net deferred tax liability	(2,809)	(2,319)

Relationships between tax expenses and accounting profit for the three months ended 31 March 2021 and 2020 are explained as follows:

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
Net income before income tax	88,877	75,654
Tax at the statutory tax rate of 20%	17,775	15,131
Non-taxable income	(3,931)	(2,569)
Non-deductible expense	350	159
Income tax expense	14,194	12,721
Current income tax expense	13,704	12,464
Deferred tax expense	490	257
Income tax expense	14,194	12,721

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During the three months ended 31 March 2021 and 2020, 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 in 2021 and 2020 years.

	31 March 2021 (unaudited)	31 March 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	(490)	(257)
At the end of the period	(2,809)	(2,630)

10. Cash and cash equivalents

	31 March 2021 (unaudited)	31 December 2020
Cash on hand	119,829	149,366
Current accounts with other banks	40,195	38,725
Short-term deposits with other banks	148,712	117,907
Reverse repurchase agreements	16,109	24,411
Total cash and cash equivalents	324,845	330,409

As at 31 March 2021 and 31 December 2020, the fair value of collateral of reverse repurchase agreements, which were classified as cash and cash equivalents, amounted to KZT 28,956 million and KZT 29,931 million, respectively.

11. Investment securities and derivatives

	31 March 2021 (unaudited)	31 December 2020
Total financial assets at FVTOCI	849,513	865,847
Total financial assets at FVTPL	757	3,725
Total investment securities and derivatives	850,270	869,572

	31 March 2021 (unaudited)	31 December 2020
Debt securities	849,235	865,577
Equity investments	278	270
Total financial assets at FVTOCI	849,513	865,847

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As at 31 March 2021 and 31 December 2020, sovereign debt securities of KZT 607,276 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 31 March 2021 (unaudited)	1,430	841,413	6,048	1,379	850,270
Investment securities and derivatives as at 31 December 2020	3,368	850,128	14,766	1,310	869,572

As at 31 March 2021, investment securities and derivatives of the Group in the amount of KZT 848,891 million and KZT 1,379 million are classified in Stage 1 and Stage 3 (2020: KZT 472,597 million and KZT 1,984 million), respectively according to IFRS 9.

Financial assets at fair value through profit or loss comprise:

	31 March 2021 (unaudited)	31 December 2020
Financial assets at fair value through profit or loss:		
Derivative financial instruments	757	3,725
Total financial assets at fair value through profit or loss	757	3,725

As at 31 March 2021, financial assets at FVTPL included swap and spot instruments in the amount of KZT 199 million with a notional amount of KZT 24,342 million and forwards in the amount of KZT 558 million with a notional amount of KZT 117,876 million. Financial liabilities at FVTPL included swap and spot instruments in the amount of KZT Nil million with a notional amount of KZT 24,365 million and forwards in the amount of KZT 2,251 million with a notional amount of KZT 126,264 million.

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

As at 31 March 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 amounted to KZT 31,759 million and KZT 29,046 million, respectively and in favor of non-deliverable forwards amounted to KZT 13,781 million and KZT 14,017 million, respectively.

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12. Loans to customers

	31 March 2021 (unaudited)	31 December 2020
Gross loans to customers	1,628,833	1,526,443
Less: allowance for impairment losses (Note 8)	(122,071)	(121,889)
Total loans to customers	1,506,762	1,404,554

As at 31 March 2021 and 31 December 2020, 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 three months ended 31 March 2021 and 2020 are disclosed in Note 8.

As at 31 March 2021 and 31 December 2020, accrued interest of KZT 20,279 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 as at the dates indicated:

	Gross NPLs	Total allowance for impairment losses	Total allowance for impairment to losses gross NPLs
Non-performing loans	118,229	122,071	103%
Total non-performing loans to customers as at 31 March 2021 (unaudited)	118,229	122,071	103%

	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 for the three months ended 31 March 2021 and 2020:

	Three months ended 31 March 2021 (unaudited)	Three months ended 31 March 2020 (unaudited)
Provision expense on loans to customers:		
Loans to customers	(7,262)	(20,314)
Total provision expenses on loans to customers	(7,262)	(20,314)

Provision expense for the three months ended 31 March 2020 contains increase in provision expense related to deterioration of macroeconomic forecasts due to start of COVID-19 global pandemic.

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

As at 31 March 2021 and 31 December 2020, 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	1,464,412	16,843	147,578	1,628,833
Loss allowance	(42,928)	(6,169)	(72,974)	(122,071)
Carrying amount as at 31 March 2021 (unaudited)	1,421,484	10,674	74,604	1,506,762
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 31 March 2021 and 31 December 2020, commitments on loans and unused credit lines represented by revocable loan commitments amounted to KZT 99,472 million and KZT 91,920 million, respectively.

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13. Customer accounts

	31 March 2021 (unaudited)	31 December 2020
Individuals		
Time deposits	1,782,155	1,634,409
Current accounts	362,558	403,851
Total due to individuals	2,144,713	2,038,260
Corporate customers		
Time deposits	39,313	41,032
Current accounts	81,035	71,289
Total due to corporate customers	120,348	112,321
Total customer accounts	2,265,061	2,150,581

As at 31 March 2021 and 31 December 2020, accrued interest of KZT 13,109 million and KZT 12,265 million, respectively, was included in customer accounts.

As at 31 March 2021 and 31 December 2020, customer accounts of KZT 13,836 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 31 March 2021 and 31 December 2020, customer accounts of KZT 93,473 million (4.13%) 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 as at 31 March 2021 and 31 December 2020:

	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
31 March 2021	216,742,000	199,500,000	7,312,777	192,187,223

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 as at 31 March 2021 and 31 December 2020:

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

The table below provides a reconciliation of the change in outstanding share capital fully paid as at 31 March 2021 and 31 December 2020:

	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
31 March 2021	97,530	97,530

The following tables represent dividends declared during the three months ended 31 March 2021:

	Dividends declared	Dividend per share
March 2021	170,662	KZT 888
Total as at 31 March 2021	170,662	

As at 31 March 2021, the Company's dividends payable amounted to KZT 70,662 million. The outstanding amount has been repaid in full in April 2021.

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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Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 March 2021 (unaudited)	31 December 2020		
Non-derivative financial assets at FVTOCI (Note 11)	497,518	406,772	Level 1	Quoted prices in an active market.
Non-derivative financial assets at FVTOCI (Note 11)	351,961	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)	757	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)	2,251	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 31 March 2021, the fair value of the investment securities in Level 2 includes short-term and long-term sovereign debt securities of KZT 176,226 million and KZT 48,516 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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(in millions of KZT)

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.

	31 March 2021 (unaudited)		
	Carrying amount	Fair value	Fair value hierarchy
Due from banks	46,781	46,800	Level 2
Loans to customers	1,506,762	1,532,636	Level 3
Customer accounts	2,265,061	2,236,656	Level 2
Debt securities issued	135,932	135,798	Level 2
Subordinated debt	76,196	75,849	Level 2

	31 December 2020		
	Carrying amount	Fair value	Fair value hierarchy
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 as at 31 March 2021 and 31 December 2020 with related parties:

	As at 31 March 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	3,943	1,628,833	4,098	1,526,443
- other related parties	3,943		4,098	
Allowance for losses on loans to customers	(1)	(122,071)	(1)	(121,889)
- other related parties	(1)		(1)	
Customer accounts	20,676	2,265,061	8,349	2,150,581
- key management personnel of the Group	10,399		1,235	
- other related parties	10,277		7,114	
Dividends payable	71,261	71,261	360	360

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

	Three months ended 31 March 2021 (unaudited)		Three months ended 31 March 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	(162)	(13,119)	(198)	(8,631)
Share-based compensation	(2,845)	(4,180)	-	-

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(in millions of KZT)

During the three months ended 31 March 2021 and 2020, interest income from transactions with other related parties amounted to KZT 95 million and KZT Nil, respectively. During the three months ended 31 March 2021 and 2020, interest expense from transactions with key management personnel amounted to KZT 11 million and KZT 2 million, respectively, and other related parties amounted to KZT 27 million and KZT 26 million, respectively. During the three months ended 31 March 2021 and 2020, transaction costs attributable to origination of loans to customers and paid to other related parties on an arm's length basis, amounted KZT 4,706 million and KZT 3,395 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). The capital adequacy ratios calculated on the basis of JSC Kaspi Bank's consolidated financial statements under Basel III are presented in the following table:

	31 March 2021 (unaudited)	31 December 2020
Capital adequacy ratios:		
Tier 1 capital	13.6%	14.7%
Total capital	17.1%	18.8%

As at 31 March 2021 and 31 December 2020, Kaspi Bank JSC had complied with NBRK's capital requirements. The following table presents Kaspi Bank's JSC capital adequacy ratios in accordance with the NBRK requirements:

	31 March 2021 (unaudited)	31 December 2020
Capital adequacy ratios:		
Tier 1 capital (k1.2)	11.3%	11.3%
Total capital (k.2)	14.0%	14.3%

18. Subsequent events

The management is not aware of any material events subsequent to the reporting date.