



Joint Stock Company Kaspi.kz

(a joint stock company organised under the laws of the Republic of Kazakhstan)

This document comprises a registration document (the “**Registration Document**”) relating to Joint Stock Company “Kaspi.kz” (the “**Company**” and, together with its consolidated subsidiaries, the “**Group**”) and has been prepared in accordance with the Prospectus Regulation Rules (the “**Prospectus Regulation Rules**”) of the UK Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (the “**FSMA**”). This Registration Document has been approved by the FCA, as competent authority under the Prospectus Regulation. The FCA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer that is the subject of this Registration Document.

The Company accepts responsibility for the information contained in this Registration Document and to the best of the Company’s knowledge, the information contained in this Registration Document is in accordance with the facts and this Registration Document contains no omissions likely to affect the import of such information. This Registration Document should be read in its entirety. Please refer to the section of this Registration Document entitled “Risk Factors” for a discussion of certain risks relating to the Company.

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This Registration Document may be combined with a securities note and summary to form a prospectus in accordance with the Prospectus Regulation Rules. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market. However, this Registration Document, where not combined with the securities note and summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise. This Registration Document should be read and construed with any amendment or supplement hereto, and for a particular issue of securities in conjunction with any applicable prospectus for the purposes of the Prospectus Regulation.

This Registration Document speaks only as of the date hereof.

Important Notice

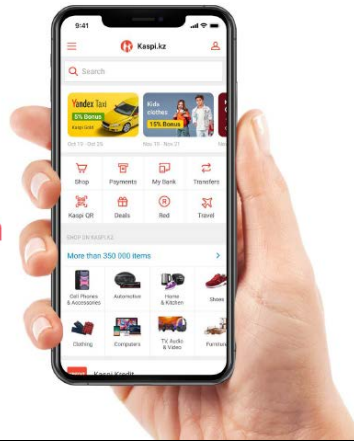
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Any securities referred to in this Registration Document have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “**U.S. Securities Act**”) or with any securities regulatory authority of any state of the United States, and may not be offered or sold in the United States absent registration under the U.S. Securities Act except to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. Any securities referred to in this Registration Document have not been and will not be registered under the applicable securities law of Canada, Australia, South Africa or Japan and, subject to certain exceptions, may not be offered or sold within Canada, Australia, South Africa or Japan or to any national, resident or citizen of Canada, Australia, South Africa or Japan.

The date of this Registration Document is 25 September 2020



Kazakhstan's Mobile App Ecosystem



Our Mission

“ To improve people’s lives by
developing innovative products
and services ”

To Fulfil Our Mission

We drive customer engagement
in Kaspi.kz Ecosystem by
leveraging

- ✓ Seamless customer experience
- ✓ Big data analytics
- ✓ State-of-the-art technology

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RISK FACTORS

The risks highlighted below could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. It should be noted that the risks described below are not the only risks Kaspi.kz faces. The Group has only described the risks it believes to be material. There may be additional risks that the Group currently considers immaterial or of which it is currently unaware, and any of these risks could have the effects set forth above.

The risks below have been classified into the following categories:

- (i) *Risks relating to Kaspi.kz's Business and Industry;*
- (ii) *Risks relating to the Group's Legal, Regulatory and Governance Framework;*
- (iii) *Risks relating to the Group's Strategy; and*
- (iv) *Risks relating to Kazakhstan.*

Risks relating to Kaspi.kz's Business and Industry

Kaspi.kz's business depends on consumers' consumption and income levels

The mass-market online financial services and marketplace industries in Kazakhstan, in which the Group operates, are highly dependent on economic stability and growth, continuing increases in consumers' average disposable income and levels of consumer spending. Demand for the products and services of Kaspi.kz's Ecosystem may decrease if there is a deterioration in the future performance of Kazakhstan's economy or any stagnation or reduction in levels of personal income, individual purchasing power or consumer confidence in Kazakhstan. Consumer spending habits are affected by, among other things, levels of employment, salaries, consumer confidence and perception of economic conditions, inflation, prevailing interest rates, income tax rates, consumer debt levels, housing and utilities costs and consumer aspirations.

During periods of economic stagnation or decline, consumers tend to become more price-sensitive, which is likely to lead to a decrease in demand for Kaspi.kz's products and services. The Kazakhstan economy has faced, and might face in the future, challenges, primarily due to the decline in prices of oil and other commodities which are principal exports and important drivers of its economy, as well as the effects of any downturns in the economies of the country's key trading partners, including Russia or China. These factors have also contributed to the volatility of the tenge. According to the Ministry of National Economy of the Republic of Kazakhstan Committee on Statistics ("MNE"), Kazakhstan's real gross domestic product ("GDP") grew by 4.1% in both 2017 and 2018, and is expected to have continued growing at 4.1% in 2019, according to the Economist Intelligence Unit ("EIU"). The Kazakhstan Government estimated Kazakhstan's GDP to have grown by 4.5% in 2019. According to the IMF's World Economic Outlook Database, Kazakhstan's real GDP was expected to grow at a compound annual growth rate ("CAGR") of 4.1% between 2020-2023. However, in view of the negative impact of the COVID-19, a novel strain of coronavirus ("COVID-19"), pandemic, Kazakhstan's real GDP has most recently been expected to decline by 2.2% in 2020 from 4.5% growth in 2019.

If the state of Kazakhstan's economy was to further deteriorate, including as a consequence of the tightening of lockdown measures or any other negative impact of the COVID-19 pandemic, this could lead to a reduction in levels of personal income, individual purchasing power and/or consumer confidence, weakening consumer spending and savings and increasing insolvencies. As a result, the size of operations within the Kaspi Ecosystem may grow at a slower rate or even decrease, resulting in a slowdown or decrease in all or any sources of revenue (interest, fees and commissions, seller fees and transaction and membership revenue), which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Maintaining the trusted status of Kaspi.kz's Ecosystem and a strong brand is critical to future growth

The Company has built its business on consumer and merchant confidence, based on a strong brand name and reputation for its Ecosystem in Kazakhstan. Any loss of trust in Kaspi.kz's Ecosystem could affect its reputation and brand, and may result in consumers, merchants, brands and other counterparties reducing their activity in Kaspi.kz's Ecosystem, which could in turn adversely affect Kaspi.kz's revenues. Kaspi.kz's ability to maintain its position as an operator of a trusted Ecosystem rests, among other things, on: (i) the quality, breadth, functionality, connectivity, inter-operability, variety and appeal of the products, services, technology and content available through Kaspi.kz's Ecosystem; (ii) the Company's commitment to high levels of service, reliability and integrity; (iii) the effectiveness and security of the procedures the Group has in place to maintain the safety, security and integrity of the data in Kaspi.kz's Ecosystem; (iv) the effectiveness and perceived fairness of the rules governing Kaspi.kz's Ecosystem; and (v) the strength of the protective measures in place in relation to Kaspi.kz's intellectual property rights. As Kaspi.kz relies on third parties for the supply of technological infrastructure, any deterioration in the business of those third parties poses a risk to the Group's operations.

Kaspi.kz's management believes that the brand identity that it has developed through the strength of its Ecosystem and customer focus has significantly contributed to the success of its business. The Company also believes that maintaining and enhancing the Kaspi.kz brand is critical to expanding its consumer base, network of merchants and other business partners. Maintaining and enhancing Kaspi.kz's brand will largely depend on its ability to maintain its status as a technology leader (including by maintaining relationships with third-party suppliers) and a provider of high quality and reliable services.

If the Company fails to maintain and enhance the trusted status of Kaspi.kz's Ecosystem and the strength of its brand, the Group's business, financial condition, results of operations or prospects could be materially adversely affected.

Kaspi.kz is dependent on its senior management personnel

The Group's ability to maintain its competitive position and to implement its business strategy is dependent on the skills and abilities of its senior management team. The Group's business has significantly benefited in the past from the vision and contributions of a number of the Group's key senior managers. In particular, Mr. Mikheil Lomtadze, a lead founder, CEO and one of principal shareholders, has been crucial to the development of the Group's culture and strategic direction. The loss of or diminution in the services of members of the Group's senior management team, or an inability to retain and attract additional senior management personnel, may impair Kaspi.kz's ability to achieve its strategic objectives.

If adoption of online or mobile device payment methods does not continue to increase and consumption patterns do not change as anticipated, Kaspi.kz's ability to expand could be affected

The growth of the Group's business, as well as the development of the mass-market online financial services and marketplace industries in Kazakhstan in which it operates are largely dependent on the development of online and mobile consumption patterns, and wider consumer understanding and continuous acceptance of financial products offered online and of new products and solutions that Kaspi.kz intends to offer, primarily through its Super App. The level of adoption of financial and marketplace services offered through mobile applications and online in Kazakhstan is relatively low compared to those in more developed countries. As part of its strategy, Kaspi.kz focuses on increasing customer engagement in its Super App, which integrates all products and services offered by the Group.

The Group's ability to expand its operations may be affected if the adoption of online or mobile device payment methods does not grow, if online and mobile consumption patterns do not further develop or if Kaspi.kz is unable to attract a significant number of new mobile customers and increase

levels of mobile engagement. This may adversely affect the Group's business, financial condition, results of operations and/or prospects.

Kaspi.kz's ability to keep pace with rapid technological developments to provide innovative services

In addition to Kaspi.kz's own innovations, it relies in part on third parties for the development of, and access to, new technologies. Therefore, any rapid and significant technological developments, including, for example, developments in mobile technologies, authentication, virtual currencies (including distributed ledger technologies), near-field communication and other proximity payment devices such as contactless payments, may result in the emergence of technologies superior to those currently employed by Kaspi.kz, and may render the technologies employed by Kaspi.kz obsolete. Developing and incorporating new technologies into Kaspi.kz's Ecosystem may require substantial expenditure, take considerable time, and/or ultimately may not be successful. If the Company fails to develop and incorporate new technologies or to adapt to technological changes and evolving industry standards in a timely manner, its business, financial condition, results of operations or prospects could be adversely affected.

Kaspi.kz's ability to maintain and improve the network effects of its Ecosystem

Kaspi.kz's ability to maintain a healthy and vibrant Ecosystem that creates strong network effects among consumers, merchants and other participants is critical to the Group's success. The extent to which the Company is able to maintain and strengthen these network effects depends, among other things, on its ability to: (i) offer secure and open platforms for all participants and balance the interests of these participants, including consumers, merchants, service providers and others; (ii) provide tools and services that meet the evolving needs of consumers and merchants; (iii) provide a wide range of high-quality product and service offerings to consumers; (iv) provide merchants with a high level of traffic flow and effective online marketing services; and (v) further enhance the attractiveness of the Ecosystem.

The network effects of the Ecosystem also rest on Kaspi.kz's ability to attract and retain leading retailers as merchants, which can offer a wide selection of goods for consumers at attractive prices. In addition, any changes Kaspi.kz may make to its current operations to enhance and improve its Ecosystem and balance the needs and interests of the various participants in the Ecosystem, or to comply with any regulatory requirements, may be viewed positively from one participant group's perspective, such as consumers, but may have negative effects from another group's perspective, such as merchants. If the Company fails to balance the interests of all participants in its Ecosystem, consumers, merchants and other participants may spend less time on the Group's Platforms and conduct fewer transactions or use alternative platforms, any of which could result in a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Kaspi.kz faces competition in all of its business segments and its market evolves rapidly

The Group faces competition in each separate product and service it offers:

- **Payments:** Kaspi.kz's Payments Platform competes with foreign and domestic payment service providers and with retail banks (both domestic banks and subsidiaries of foreign banks) that look to gain a competitive edge through contracts with merchants.
- **Marketplace:** Kaspi.kz's Marketplace Platform competes with global marketplace platforms, as well as online and offline retailers operating in Kazakhstan. Even though global marketplace platforms currently have limited presence in Kazakhstan, they seek to differentiate themselves mostly by providing a broad selection of listed items.
- **Fintech:** Kaspi.kz's Fintech Platform competes with retail banks (both domestic banks and subsidiaries of foreign banks) that seek to differentiate themselves by

offering retail deposits and consumer loans through their branch networks and points of sale at stores and shopping centres.

Some of Kaspi.kz's competitors may have greater merchant bases, scale and resources, which may provide them with competitive advantages. They may devote greater resources to the development, promotion, sale of products and services in the areas in which Kaspi.kz operates, and they may offer lower prices or more effectively introduce and market their own innovative products and services that may in turn adversely impact Kaspi.kz's growth. Mergers and acquisitions by the Group's competitors may lead to the emergence of even larger competitors with greater resources. Competing services tied to established brands might engender greater confidence in the safety and efficacy of their services relative to those offered by Kaspi.kz. Any initiatives undertaken by the National Bank of Kazakhstan (the "NBK") to enhance the efficiency and decrease the costs of financial services (such as the establishment of a "Suñqar" fast payment system) may also increase competition. The largest merchants that currently sell goods through the Marketplace Platform may decide, for any reason (including commercial considerations), to collectively negotiate the level of fees that Kaspi.kz charges, or they may establish a separate marketplace.

If the Group's customers move to Kaspi.kz's competitors for any reason, including due to the pricing and/or terms of any such competitors' products, or due to the Group's inability to continue developing and providing its customers with high-quality and up-to-date services or to appropriately co-ordinate its services with market opportunities, it may become less attractive to merchants and other business partners, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Failure to improve or maintain technology infrastructure could affect Kaspi.kz's business

The Company relies on the efficiency of its technology infrastructure to protect the functionality and effectiveness of its software and platforms and in order to meet its business needs or the needs of its customers and partners. The Company frequently upgrades its platforms to provide increased scale, improved performance, additional built-in functionality (including functionality related to security) and additional capacity. Adopting new products, and maintaining and upgrading its technology infrastructure requires a significant investment of both time and resources. Any failure to improve or maintain its technology infrastructure could result in unanticipated system disruptions, slower response times, impaired user experience and delays in reporting accurate operating and financial information. Such issues may be further compounded during periods when user activity is higher than usual on Kaspi.kz's Platforms, or as the Group expands its business. If the Group experiences problems with the functionality and effectiveness of its software or platforms, its business, financial condition, results of operations or prospects could be adversely affected.

Systems failures and resulting interruptions in the availability of services of Kaspi.kz's Ecosystem could affect its business

The Group's operations rely on the uninterrupted operation of its technology platforms and services. Kaspi.kz's systems and those of its service providers and partners may experience service interruptions because of hardware and software defects or malfunctions, human error, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. As a provider of payments solutions, Kaspi.kz is subject to heightened scrutiny by regulators that may require specific business continuity, resilience and disaster recovery plans, and more rigorous testing of such plans which may be costly, time-consuming and may divert resources from other business priorities.

Kaspi.kz has experienced and may experience in the future system failures, denial-of-service attacks, and other events or conditions from time to time that interrupt the availability, or reduce or adversely affect the speed or functionality of its platforms. Any prolonged interruption in the availability or any reduction in the availability, speed or functionality of Kaspi.kz's Ecosystem could adversely affect its business. Frequent or persistent interruptions in Kaspi.kz's services could cause current or potential customers to believe that its infrastructure is unreliable, leading them to switch to competitors or to

avoid or reduce the use of Kaspi.kz's products and services, and could permanently affect the Company's reputation and brand. Moreover, if any system failure or similar event results in any damage to Kaspi.kz's customers or business partners, these customers or partners could seek compensation or contractual penalties from Kaspi.kz for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly to address. Any of these events could adversely affect the Group's business, financial condition, results of operations or prospects.

Kaspi.kz relies on third-party providers, including software and hardware suppliers, delivery services, credit bureaus and debt collection agencies

In carrying out its operations, the Group relies on a variety of third-party services. Kaspi.kz's technology infrastructure and services incorporate software, systems and technologies developed by third parties, as well as hardware purchased or commissioned from third-party suppliers. As the Company's technology infrastructure and services expand and become increasingly complex, the Company faces increased risks relating to the performance and security of its technology, including risks relating to incompatibility of the components produced by third parties, as well as service failures or delays or back-end procedures on hardware and software.

The Group also relies, to a certain extent, on facilities, components and services supplied by third parties, including data centre facilities. For example, Kaspi.kz depends on third parties in connection with its risk management processes; in particular, it relies on external data from credit bureaus in Kazakhstan and the Kazakhstan State Pension Payment Centre (the "**Pension Centre**") to perform credit assessments. As such, any risks related to the interruption of such credit bureaus' or the Pension Centre's operations, the accuracy of the data kept thereby and the availability of such data generally, may impact the Group's consumer finance origination process. Furthermore, as part of its debt collection process, Kaspi.kz outsources certain debt collection functions to third-party debt collection agencies, which collect up to 40% of the Group's NPLs, and any interruption in the operations of such agencies could negatively impact the Group's debt collection efforts or increase the cost of debt collection services. If these third parties cease to provide the facilities or services, experience operational interference or disruptions, breach their agreements with the Group, fail to perform their obligations or meet the Group's expectations, do not renew their licences or otherwise cease to make their services or products available at a reasonable cost or at all, Kaspi.kz's operations could be disrupted or otherwise adversely impacted, which in turn could result in an adverse effect on the Group's business, financial condition, results of operations or prospects.

Kaspi.kz's business is subject to cyberattacks and breaches of security

An increasing number of organisations, including large merchants and businesses, technology companies and financial institutions, such as Kaspi.kz, are subject to attacks on their information security systems, some of which involve sophisticated and highly targeted attacks on their websites and infrastructure.

The methods used to obtain unauthorised, improper or illegal access to information security systems are constantly evolving. Targeted attacks may also be difficult to detect quickly, and are often not recognised until they are launched against a target. Unauthorised parties may attempt to gain access to Kaspi.kz's Ecosystem through various means, including hacking into platforms, or attempting to fraudulently induce (often through spear phishing attacks) employees, customers, partners, vendors or other users of the Group's systems into disclosing user names, passwords, payment card information, or other sensitive information, which may in turn be used to access Kaspi.kz's systems. Kaspi.kz has experienced in the past and may experience in the future cyberattacks and other security breaches (due, among other factors, to human error, malfeasance, system errors or vulnerabilities, or other irregularities) affecting the functionality of its platforms. While Kaspi.kz has systems and processes designed to prevent cyberattacks and security breaches, which systems and processes have been effective in preventing the Group from incurring material financial losses in the past, and whilst the Group expects to continue to expend significant resources to bolster these protections, such measures

cannot provide absolute security, and any security breach could adversely affect the Group's business, financial condition, results of operations or prospects.

Actual or perceived breaches of the Group's security could interrupt its operations, resulting in, amongst other things, its systems or services being unavailable, improper disclosure of data, material damage to the Group's reputation and brand, increased regulatory scrutiny or fines, as well as legal and/or financial exposure. In addition, such events could cause the Group to incur significant remediation costs, leading to loss of customer confidence in, or decreased use of, Kaspi.kz's products and services and the diversion of management's attention from the operation of the Group's business. This could result in significant compensation or contractual penalties payable to consumers or merchants as a result of their claims, and could adversely affect the Group's business, financial condition, results of operations or prospects.

The performance, reliability and security of the telecommunications and internet infrastructure in Kazakhstan

Kaspi.kz's business depends on the performance, reliability and security of the telecommunications and internet infrastructure in Kazakhstan where all of the Group's computer hardware is currently located. Any disruptions in, or failures of, the telecommunications and internet infrastructure in Kazakhstan may adversely affect the quality or availability of Kaspi.kz's Ecosystem. The failure of telecommunications network operators to provide Kaspi.kz with the requisite bandwidth could affect the speed and availability of the Company's Platforms and mobile applications.

Moreover, if the Group's security of domain names is compromised for any reason, Kaspi.kz will be unable to use such domain names in business operations, which in turn could adversely affect the Group's business and brand image. The Company may fail to implement adequate measures of encryption of data transmitted through the networks of the telecommunications and internet operators and such operators, or their business partners may misappropriate Kaspi.kz's data, which could adversely affect the Group's business.

Customer complaints or negative publicity about Kaspi.kz could affect its reputation with customers

Customer complaints or negative publicity about Kaspi.kz could diminish consumer confidence in Kaspi.kz's services and its reputation with customers. The significant growth of Kaspi.kz's business heightens the need for prompt and attentive customer service to resolve irregularities or customer dissatisfaction. The reputation of Kaspi.kz may also be affected by instances of misconduct by Kaspi.kz's employees, as well as the employees' failure to comply with Kaspi.kz's compliance procedures and any applicable legislative requirements. In addition, any significant problems with collection practices employed by external collection agencies, to which Kaspi.kz outsources collections of its non-performing loans and to which Kaspi.kz sells such loans, could also adversely affect the Group's reputation and brand. The Company may fail to take measures to increase the quality of its customer service, which could compromise Kaspi.kz's ability to handle customer complaints in an effective manner. If Kaspi.kz is unable to handle customer complaints effectively, its reputation may suffer and it may lose customers' confidence, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Kaspi.kz's Ecosystem may be used for fraudulent, illegal or improper purposes

Despite measures Kaspi.kz has taken and continues to take, its Ecosystem remains susceptible to potentially illegal or improper uses. These may include use of the Ecosystem (in particular, the Payments or Marketplace Platforms) in connection with fraudulent or counterfeited sales of goods or bank fraud, which are becoming increasingly sophisticated. There can be no assurance that measures implemented by Kaspi.kz, which are aimed at preventing its Ecosystem from being used as a vehicle for money laundering, fraud or other illegal activities, will effectively identify, monitor and manage these risks, and that no incidents of fraud or other illegal activities will occur in the future. Kaspi.kz cannot monitor with absolute certainty the sources of customers' or counterparties' funds or the ways in which they use them. Increases in chargebacks or other liabilities could have a material adverse

effect on the Group's business, financial condition, results of operations or prospects. Furthermore, an increase in fraudulent transactions or publicity relating to chargeback disputes could harm Kaspi.kz's reputation and reduce consumer confidence in the use of its Ecosystem.

Furthermore, Kaspi.kz may be subject to allegations and lawsuits claiming that items listed on its Marketplace are pirated, counterfeit or illegal. The measures adopted by Kaspi.kz to verify the authenticity of products sold on the Marketplace Platform and minimise the risk of any potential infringement of third-party intellectual property rights may not be successful. For example, in order for a merchant to become a participant of the Marketplace, the merchant and Kaspi.kz sign an agreement whereby the merchant accepts the rules of the Platform and represents to Kaspi.kz that any product sold through the Marketplace has been certified for sale by applicable laws. While Kaspi.kz does not act as seller, the Company may become subject to allegations of civil or criminal liability for unlawful activities carried out by third parties through the Marketplace Platform. In the event that alleged counterfeit, infringing or pirated products are listed or sold on the Kaspi Ecosystem, Kaspi.kz could face claims for such listings, sales or alleged infringement or for the failure to act in a timely or effective manner to restrict or limit such sales or infringement. A merchant whose content is removed or services are suspended or terminated, regardless of the Company's compliance with the applicable laws, may dispute the Group's actions and commence an action against Kaspi.kz for damages based on breach of contract or other causes of action and/or may make public complaints or allegations against the Company.

Continued public perception that counterfeit or pirated items are commonplace on the Marketplace Platform, perceived delays in the removal of these items, even if factually incorrect, or an increase in fraudulent transactions in Kaspi.kz's Ecosystem could damage Kaspi.kz's reputation, reduce consumer confidence in the use of the Ecosystem, result in lower list prices for goods sold through the Marketplace Platform and adversely affect the Group's business, financial condition, results of operations or prospects.

Kaspi.kz's corporate culture has contributed to its success, and if it cannot maintain the focus on teamwork and innovation fostered by this environment, Kaspi.kz's business could be adversely affected

Kaspi.kz's management believes that a critical contributing factor to the Group's success has been its corporate culture, which values and fosters teamwork and innovation. If the Company does not maintain the beneficial aspects of its corporate culture as it grows and implements more complex organisation management structures, this would adversely affect the Group's business, financial condition, results of operations or prospects.

Kaspi.kz may face difficulties in recruiting and retaining experienced personnel

Kaspi.kz's ability to continue to attract, retain and motivate qualified and experienced personnel is key in implementing its strategy. Competition in Kazakhstan's financial industry for personnel with relevant expertise is intense due to the relatively small number of available qualified individuals. Further increases in competition may lead to difficulties in recruiting qualified and experienced employees, as well as increased costs of recruitment, or a greater length of time taken to identify and recruit such employees and difficulties in retaining qualified and experienced employees, including increased costs of salaries and bonuses. In order to attract and recruit qualified and experienced employees and to minimise the possibility of their departure to other companies, the Group provides packages of compensation and non-financial incentives that are consistent with the evolving standards in Kazakhstan's labour market. Any failure to retain, manage or recruit qualified personnel in sufficient numbers may impair Kaspi.kz's ability to achieve its strategic objectives.

Kaspi.kz may lack sufficient insurance coverage

Kaspi.kz's insurance does not cover all of the Group's assets and liabilities. Kazakhstan's insurance industry is less developed than that in some more economically developed countries, with some insurance products being unavailable to Kaspi.kz on equivalent terms to those available in such

economically developed countries, including insurance coverage for a business interruption. Kaspi.kz may incur an uninsured loss of assets and face claims which are not covered or are inadequately covered by its insurance policies. Any such losses or claims could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The adoption of new IFRS standards may impact the Group's financial position and results of operation

The Group prepares its consolidated financial statement under IFRS on an annual basis and interim condensed financial statements under IAS 34 "Interim Financial Reporting" on a quarterly basis. The International Accounting Standards Board ("IASB"), an independent body which is responsible for setting new standards and constantly improves the IFRS framework by amending existing standards and issuing new standards.

During the period under review, with effect from 1 January 2018, the Group applied IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). While, apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 did not have a significant impact on the Group's financial position and results of operations, the application of IFRS 9 has affected the Annual Financial Statements. The application of IFRS 9 and the new forward-looking expected credit losses ("ECL") model has resulted in changes to accounting policies for the recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. As IFRS 9 does not require the restatement of financial statements for any comparative periods, the Group has elected not to restate such figures and has recognised the difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 in total equity, as at 1 January 2018, in the amount of KZT10,071 million. Consequently, certain financial information presented as at and for the year ended 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to such information presented as at and for the year ended 31 December 2018. The reconciliation of the carrying amounts of financial assets from their previous measurement categories into new measurement categories, as well as the reconciliation of closing loss allowance and the impact of transition to IFRS 9 on total equity are described in Note 3 (Adoption of IFRS 9 Financial Instruments) to the Annual Financial Statements.

The issue of any new standards that the Company will be required to adopt could lead to changes in its consolidated financial statements and may impact its reported financial position and results of operations.

The outbreak of COVID-19 has had, and may continue to have, a negative impact on the global economy and on our business, operations and results

The outbreak of COVID-19 was recognised as a pandemic by the World Health Organization in March 2020, and has now spread around the world and Kazakhstan in particular. The outbreak, and measures taken to contain or mitigate it, have had dramatic adverse consequences for the global economy, including on demand for goods and services, operations, supply chains and financial markets. As a result of the global pandemic, a significant reduction in oil demand led to a sharp fall of oil prices in March 2020 with further stabilisation of oil price in the second quarter of 2020. The nature and scope of the consequences to date are difficult to evaluate precisely, and their future course is impossible to predict with confidence.

To address the spike of COVID-19 cases in Kazakhstan, the Kazakhstan Government imposed a state of emergency and severe restrictions on movement of the population and on activity of non-essential entities starting from mid-March 2020 for three months. In the first half of May 2020, the state of emergency was ended with consecutive removal of the majority of restrictions. As a result of these temporary lockdown measures, Kazakhstan's annual economic outlook forecasts were revised downwards for 2020. In mid-July 2020, the Government re-imposed for certain restrictions on the activity of some entities associated with a high concentration of population in confined areas due to the continued instances of COVID-19. These restrictions were removed in mid-August 2020, with the

introduction of strict sanitary rules to prevent further cases which remained in effect as at the date of this Registration Document.

The COVID-19 crisis had a number of negative effects on our business in the first half of 2020 affecting our level of operations, consumer buying trends, and consumers' credit solvency. The adverse effect on our business, operations, or financial results of any of the matters described above could be material.

The future impact of the COVID-19 crisis on our business, operations, or financial results is highly uncertain and will depend on numerous evolving factors that we cannot predict, including, but not limited to:

- the duration, scope, and severity of the COVID-19 pandemic;
- disruption of our logistics network;
- disruption or delay of the activity of our merchants;
- a shift in consumer behaviour;
- the impact of travel bans, work-from-home policies, or lockdown orders;
- the temporary or prolonged shutdown of manufacturing facilities or retail stores and decreased retail traffic;
- staffing shortages;
- general economic, financial, and industry conditions, particularly conditions relating to liquidity, financial performance, and related credit issues, which may be amplified by the effects of COVID-19; and
- the long-term effects of COVID-19 on the national and global economy, including on consumer confidence and spending, financial markets and the availability of credit for us, our merchants and our customers.

Any of the above factors could result in a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The current significant shareholders will continue to control Kaspi.kz

For the foreseeable future, the Significant Shareholders will have significant influence over the strategy, management, policies and affairs of Kaspi.kz and over all matters requiring shareholder approval, including the election of directors, the amendment of the charter and significant corporate transactions. While the Company believes that such influence has been, and will continue to be, important in the development, pursuit and implementation of the Group's strategy, management, policies and affairs, there can be no assurance that the interests or views of the Significant Shareholders in relation to the development of the Group's business will coincide with those of other shareholders. If the Significant Shareholders were to act jointly, over the Group and the ability to elect a majority of the Company's directors, appoint management, issue additional shares and approve certain actions requiring the approval of a majority of the Company's shareholders. The ability of other security holders to influence the conduct of the Company will be limited. Potential conflicts may arise if the Significant Shareholders choose not to approve matters which would otherwise be in the interests of the remaining shareholders. Any divergence of interests of the Significant Shareholders and other security holders may adversely affect the Group's reputation and business.

Furthermore, from time to time the press and other non-traditional media may speculate about a wide variety of matters relating to the Group, including the Significant Shareholders. As a result of such reports, events with regard to the Company's shareholders may have an adverse impact on the

Group's reputation and business. For example, in February 2019, Russian federal investigative authorities in Moscow initiated a case against Mr. Michael Calvey (the co-founder and senior partner of Baring Vostok Capital Partners) and three other employees of Baring Vostok Capital Partners, resulting in their pre-trial detention, which continues as at the date of this Registration Document. Baring Vostok Capital Partners strongly denies the accusations against Mr. Michael Calvey and his colleagues, which relate to the performance of their respective roles as directors for a Baring Vostok Capital Partners' portfolio company. If the current allegations are cleared, it is expected that Mr. Michael Calvey will continue to play a key role as a senior partner in the private equity firm. As at the date of this Registration Document, the funds advised by Baring Vostok Capital Partners have no representation on the Board of Directors. While (i) neither Mr. Michael Calvey as an individual nor Baring Vostok Capital Partners as an institutional shareholder was or is engaged in the day-to-day operations of the Group (by way of participating in the operational decision making process or otherwise) and (ii) the pre-trial detention of Mr. Michael Calvey has not affected and is not expected to affect the Group's business and operations, these events have generated adverse press coverage with respect to the Group. Any reports in the media and other public statements of the kind referred to above, irrespective of whether such statements have any basis in fact, may adversely affect the Group's reputation and business.

Risks relating to the Group's legal, regulatory and governance framework

Kaspi.kz operates in a highly regulated environment, and an inability to maintain a banking licence by Kaspi Bank could have a material adverse effect on the Group's business

The Company is a parent entity of a banking group, which primarily comprises JSC "Kaspi Bank" ("Kaspi Bank"), an entity regulated under the laws of Kazakhstan. Kaspi.kz's operations are subject to strict regulation by governmental and state authorities, particularly the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (the "FMRDA") and the NBK. A breach of any regulatory guidelines could expose the Group's regulated subsidiaries to potential liability, including the loss of its banking licence. If the FMRDA was to suspend or revoke the banking licence of Kaspi Bank, this would render the Group unable to perform its consumer lending, deposit taking and other banking operations (including processing the payments of its customers) and/or could lead to the winding-up of its business (whether by way of bankruptcy proceedings or liquidation). See "Regulation".

Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change and new laws or regulations could be adopted. If the existing interpretation of the regulations changes or future regulations were to be imposed on Kaspi.kz, this could have an adverse effect on its business. Certain failures by Kaspi.kz to comply with applicable laws or regulations could result in the withdrawal of Kaspi Bank's banking licence, which would have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Kazakhstan regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities and the regulatory structure governing Kaspi Bank's operations is continuously evolving.

Kaspi Bank's capital position may require the Group to provide capital support, which may have an impact on the Group's profitability and restrict the Company's ability to grow and pay dividends

Kaspi Bank is the principal subsidiary of the Group and one of the core elements of Kaspi.kz's Ecosystem. The NBK's regulations require Kaspi Bank, which has been recognised as a systemically important financial institution with effect from 1 January 2020, to have a minimum total capital adequacy ratio (K2 ratio) of 12.0% and a Tier 1 capital adequacy ratio (K1-2) of 10.5% (including the buffers applicable to Kaspi Bank as a systemically important financial institution), based on Kaspi Bank's financial statements prepared under IFRS. Kaspi Bank is required to report the respective ratios to the NBK on a monthly basis. As at 31 December 2019, Kaspi Bank's total capital adequacy ratio was 14.5% and its Tier 1 capital adequacy ratio was 11.4%, which in each case exceeded the

minimum required by the NBK. As at 1 September 2020, Kaspi Bank's total capital adequacy ratio was 20.1% and its Tier 1 capital adequacy ratio was 16.9%, which in each case exceeded the minimum required by the NBK (including the buffers applicable to Kaspi Bank as a systemically important financial institution). Going forward, the Company plans to maintain Kaspi Bank's Tier 1 and Total Capital ratios at levels above these required by NBK, including the buffers applicable to systemically important financial institutions, and to use the additional portion above this threshold for the purposes of distributing dividends to shareholders, subject to applicable law and commercial considerations (including without limitation, cash requirements and future projects).

In addition, the Basel Committee on Banking Supervision (the “**Basel Committee**”) recommends a minimum risk-based capital adequacy ratio of 8.0% and Tier 1 capital adequacy ratio of 6.5%, calculated in accordance with the Basel III International Regulatory Framework for Banks (December 2010, updated in June 2011) (“**Basel III**”). Kaspi Bank's total capital adequacy ratio, calculated under Basel III, was 23.9% as at 30 June 2020, 22.4% as at 31 December 2019, 23.0% as at 31 December 2018 and 20.9% as at 31 December 2017, in each case higher than the minimum requirement of 8.0%. Kaspi Bank's Tier 1 capital adequacy ratio, calculated under Basel III, was 19.5% as at 30 June 2020, 17.6% as at 31 December 2019, 16.8% as at 31 December 2018 and 13.9% as at 31 December 2017, in each case higher than the minimum requirement of 6.5%. Both ratios, the total capital adequacy ratio and the Tier 1 capital adequacy ratio, exceeded the minimum requirements recommended by Basel III. See “*Regulation—Regulation of Banking Activities—Capital Adequacy, Liquidity Ratios*”.

Since the introduction of the current management in 2006, Kaspi Bank has complied with all applicable capital adequacy requirements. If Kaspi Bank's capital position were to materially deteriorate, Kaspi Bank's ability to fund its operations could be negatively impacted. Further, if Kaspi Bank's capital position were to decline below the minimum levels of capital adequacy as required by statute, its banking licence could be suspended or revoked and it could encounter difficulties in continuing to operate its business, which could materially adversely affect the Group's business, financial condition, results of operations or prospects.

Under Kazakhstan law, the Company is a “bank holding” company by virtue of its indirect ownership of over 25% of the voting shares of Kaspi Bank. As such, the FMRDA may request Kaspi.kz to recapitalise Kaspi Bank in the event of the deterioration of its financial condition, systemic non-compliance with prudential requirements by Kaspi Bank and in some other cases as stipulated by law. Under the Law of the Republic of Kazakhstan No. 2444 “On Banks and Banking Activity in the Republic of Kazakhstan” dated 31 August 1995, as amended (the “**Banking Law**”), if a bank holding company is unable to provide to its bank subsidiary funding, as required by the FMRDA, the FMRDA may apply certain responsive measures as described in “*Regulation—Regulation of Banking Activities—The Powers of the FMRDA and NBK under the Banking Law—Supervisory response measures*”.

In 2016, the NBK increased the required risk-weight for unsecured consumer lending from 100% to 150%. In 2019, the NBK changed the calculation of the risk-weight for unsecured consumer loans originating from 1 January 2020 onwards to account for consumers' aggregate indebtedness (taking into account loans obtained from all banks in Kazakhstan) and their formal payroll. Kaspi.kz estimates that with respect to unsecured consumer loans originated from 1 January 2020 onwards, the majority of new loans will be subject to a risk-weight of 150% or below. If the NBK amends the calculation method of risk-weighted assets in the future in a way which is costly to the Group, Kaspi.kz may have to reduce the rate of growth of its loan portfolio and/or seek to raise additional capital in order to maintain sufficient capital.

If Kaspi Bank requires additional capital in the future, in the event the Company cannot provide it, there is no guarantee that it will be able to obtain it from third parties. If Kaspi Bank is unable to raise further capital to support its growth or if its capital position otherwise declines, Kaspi.kz's ability to implement its business strategy may be materially adversely affected. Kaspi Bank's ability to obtain additional capital may be restricted by a number of factors, including Kaspi Bank's financial

condition, results of operations, any necessary government or regulatory approvals, regulatory changes and/or general market conditions for capital raising activities by financial institutions.

Kaspi.kz faces credit, liquidity and market risks

Credit risk

The Group takes on exposure to credit risk, which is the risk when one party to a financial instrument may cause a financial loss to the other party by failing to discharge an obligation. The Group's exposure to credit risk arises because of its lending activities and other transactions with counterparties that give rise to financial assets.

The scoring techniques and checks used by the Group to evaluate the creditworthiness of applicants for its loan products may not always present a complete and accurate picture of each customer's financial condition or be able to accurately evaluate the impact of various changes. Such changes may include changes in the macroeconomic environment, which could significantly and quickly alter a customer's financial profile. For example, Kaspi.kz's proprietary and highly adaptable scoring model and its regular access to data from credit bureaus, which allows it to assess the credit quality of its potential and current customers, cannot always accurately ascertain what the current indebtedness of any particular current or potential customer may be. Additionally, Kaspi.kz has no tools to prevent its customers from taking an additional loan from other financial institutions or otherwise taking steps that heighten the risk that a customer may default on a loan from the Group. As a result, Kaspi.kz may not always be able to correctly evaluate the current financial condition of each prospective customer and accurately determine the ability of its customers to repay their loans, which will result in increased loan losses.

There can be no guarantee that the Company's risk management strategies will protect the Group from increased levels of cost of risk and NPLs, particularly when confronted with risks that Kaspi.kz did not identify or anticipate from its existing portfolio. There can be no assurance that the Group's current level of loan recovery will be maintained in the future and any failure to accurately assess the credit risk of potential borrowers or acceptance of a higher degree of credit risk in the course of lending operations may result in a deterioration of the Group's loan portfolio and a corresponding increase in loan impairments, which would have a material adverse effect on the Group's business, financial conditions, results of operations or prospects.

In addition, the vast majority of the Group's loan portfolio is unsecured. While Kaspi.kz has no significant industry or single concentrations in its loan portfolio, in the event of defaults by a significant number of borrowers due to, for example, an economic downturn, Kaspi.kz may be unable to recover a significant proportion of the balance of such loans, which may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Liquidity risk

The Company is exposed to liquidity risk arising out of the mismatches between the maturities of the Group's assets and liabilities, which may result in Kaspi.kz being unable to meet its obligations in a timely manner. The Group is exposed to daily calls on its available cash resources from current accounts, maturing deposits and loan draw downs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Company calculates and monitors liquidity ratios on a daily basis in accordance with the NBK's requirements.

Kaspi.kz meets a significant portion of its funding requirements using customer accounts (primarily deposits from retail customers), which gradually increased from KZT979.6 billion as at 31 December 2017 to KZT1,814.8 billion as at 30 June 2020. Over the past several years, Kaspi.kz has focused on retail customers, which has resulted in (i) the decrease of the share of corporate customers as a percentage of the Group's customer accounts from 10.2% (or KZT100,099 million) as at 31 December 2017 to 5.3% (or KZT95,503 million) as at 30 June 2020; and (ii) the decrease of customer

accounts due to top-20 customers as a percentage of the Group's customer accounts from 10.6% (or KZT103,651 million) as at 31 December 2017 to 5.4% (or KZT98,701 million) as at 30 June 2020. Any unexpected and significant withdrawal of deposits may impact the ability of Kaspi.kz to meet its funding requirements. The other portion of funding is primarily provided through the placement of local bonds (debt securities issued), which amounted to 6.5% of total liabilities as at 30 June 2020. Any deterioration in the Group's credit ratings could undermine confidence in the Group and limit its access to capital markets, which could require the Company to seek alternative, more expensive sources of funding.

Furthermore, Kaspi.kz's customers may be susceptible to the deliberate spread of rumours or false information about the Group's financial condition and state of its business. In the past, there have been several occasions on which misleading information regarding the instability of certain Kazakhstan banks, including Kaspi Bank, was circulated on the internet. For example, in February 2014, retail customers were alarmed by rumours and temporary instability in Kazakhstan's financial sector as a result of a significant devaluation of the tenge, which resulted in deposit withdrawals in Kaspi Bank. While this particular event had no material adverse effect on the Group, any dissemination of false information or rumours and resulting significant withdrawals of deposits may have a material adverse effect on the stability of the Group's deposit base and may cause significant outflow of deposits.

Therefore, should any sources of short and, in particular, long-term funding become unexpectedly unavailable, or if maturity mismatches between Kaspi.kz's assets and liabilities occur, or if the Company is required to increase the interest rates on deposits to attract funding, particularly in light of a shortage of liquidity due to unfavourable economic conditions, this may result in liquidity gaps that the Company may not be able to cover without incurring additional expenses, if at all. Any inability to meet its liquidity needs in these circumstances could lead to a material adverse effect on the development of the Group's business or operations in the longer term.

Market risks

The Group has exposure to interest rate risk resulting from movements in interest rates that affect income, expense or the value of financial instruments. For example, instruments on both the asset and liability side may exhibit different sensitivities to changes in interest rates, including changes in long-term and short-term interest rates relative to one another. While the Group monitors interest rate fluctuations and its asset-liability tenors in order to mitigate such interest rate risk, any significant interest rate movement on either domestic and/or international markets may have a material adverse effect on the Group's business and results of operations.

The assets and liabilities of the Group are denominated in several currencies, with the majority of assets (loans to customers) and liabilities (customer accounts) denominated in tenge, although a portion of deposits are denominated in foreign currencies, principally U.S. Dollars. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. In order to manage foreign currency risk, Kaspi.kz's treasury function controls open foreign currency positions on a daily basis and uses derivative instruments to reduce the risk exposure. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. All derivative financial instruments are classified as held for trading, measured at fair value through profit or loss, and not designated for hedge accounting. Any significant volatility in the money market or material exchange rate fluctuations may have a material adverse effect on Kaspi.kz's business and results of operations.

Kaspi.kz's securities portfolio (which predominantly comprises Kazakhstan government debt securities, representing 84.2% of total investment securities and derivatives as at 30 June 2020) is subject to fluctuations in the value of financial instruments caused by changes in market prices, whether caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Interest rate and price movements on both domestic and international markets

may (including as a result of any downgrade in Kazakhstan's sovereign credit ratings) affect the value of Kaspi.kz's securities portfolio, which in turn may have a material adverse effect on the Group's business and results of operations.

Kaspi.kz's measures to prevent money laundering and financing of illicit activity may not be completely effective

Kazakhstan financial institutions, such as Kaspi.kz, are obliged to monitor certain transactions entered into by their clients by conducting due diligence, as set out under the applicable laws, with respect both to the clients and the relevant transactions. If it is not possible to conduct such due diligence, the financial institution must prevent their clients from entering into any such transaction. Kazakhstan law requires any suspicious transaction to be reported to an authorised state body immediately, and, in any case, before such suspicious transaction is processed.

Kaspi.kz has implemented measures aimed at preventing its Ecosystem from being used as a vehicle for money laundering, including "know your client" policies and the adoption of anti-money laundering and compliance procedures in all its branches and banking outlets. The Group's responsibility unit seeks to prevent money laundering and terrorist financing by performing, amongst other things, the following functions: (i) identifying both transactions subject to financial monitoring and suspicious transactions and reporting such transactions to the authorised state body; (ii) developing and improving policies, rules and other internal documents aimed at preventing the laundering of proceeds of crime and the financing of illicit activity (including terrorism); (iii) developing risk assessment criteria to assess customers of the Group from a money laundering perspective; (iv) implementing anti-money laundering training sessions for its employees and discussing the Group's anti-money laundering procedures with employees; (v) participating in the preparation of a database of information aimed at preventing the Group from engaging in transactions related to the financing of terrorism, in accordance with a list of terrorists and terrorist organisations provided to the Company by the relevant authorities; and (vi) maintaining an electronic database containing a list of suspicious customers of the Group. Currently, the Group complies with its existing policies, rules of internal control and with the requirements of all applicable laws.

There can be no assurance that attempts to launder money or finance illicit activity through Kaspi.kz will not be made or that anti-money laundering measures implemented by Kaspi.kz will always be effective. If Kaspi.kz were associated with money laundering, even if this is solely due to the failure of its anti-money laundering measures, or if it were unable to comply with all of the relevant laws and internal policies regarding financial assistance or money laundering, it could be subject to significant fines, as well as harm to its reputation, and its business, financial condition, results of operations or prospects may be materially and adversely affected.

Failure to maintain and protect customer and employee information

Kaspi.kz collects and processes personal data (including names, addresses, ages, bank details and other personal data) from its customers, business contacts and employees as part of the operation of its business and it must comply with data protection and privacy laws and industry standards in Kazakhstan. Those laws and standards impose certain requirements on Kaspi.kz in respect of the collection, use, processing (including accumulation, modification, distribution, depersonalisation, blocking and destruction of personal data) and storage of such personal data. Failure to operate effective data controls in respect of the collection, use, processing and storage of such personal data, as prescribed by applicable law, could potentially lead to administrative fines, financial costs, reputational damage and undermine trust in Kaspi.kz's Ecosystem and brand (see "*Maintaining the trusted status of Kaspi.kz's Ecosystem and a strong brand is critical to future growth*"), any of which could adversely affect the Group's business, financial condition, results of operations or prospects.

The Law of the Republic of Kazakhstan "On Personal Data and the Protection Thereof" No. 94-V ZRK, dated 21 May 2013 (as amended) (the "**Personal Data Law**") is a special legislative act that established a framework for the protection of personal data. Prior to the adoption of this law, Kazakhstan did not have any specific laws regulating the protection of personal data. Therefore, there

is currently no widely-established or consistent judicial practice in respect of personal data protection matters. Existing laws and regulations on personal data protection may be amended, the manner in which such laws and regulations are enforced or interpreted may change and new laws or regulations on personal data protection may be adopted, including in order to further regulate or restrict the use of personal data. If the existing interpretation of the laws and regulations were to change or future regulations were imposed, it could have an adverse effect on the Group's business.

Risks relating to the Group's Strategy

Kaspi.kz may fail to effectively manage the growth of its business and operations

Kaspi.kz's business has grown rapidly and significantly in recent years, and the implementation of its strategy is expected to increase the size of its overall business in the long term. During 2014-2019, the Group has evolved from a banking services provider to the largest Payments, Marketplace and Fintech Ecosystem. The Group's loans to customers (net of allowance for impairment losses) gradually increased from KZT891.3 billion as at 31 December 2017 to KZT1,228.0 billion as at 30 June 2020. The total number of the Group's MAU increased from 1.1 million as at 31 December 2017 to 7.8 million as at 30 June 2020. Kaspi.kz's GMV increased from KZT265.5 billion in 2017 to KZT627.5 billion in 2019, and comprised KZT271.1 billion in the six months ended 30 June 2020 (as compared to KZT241.8 billion in the six months ended 30 June 2019). Kaspi.kz's RTPV increased from KZT369.5 billion in 2017 to KZT3,447.7 billion in 2019, and amounted to KZT2,407.8 billion in the six months ended 30 June 2020 (compared to KZT1,338.2 in the six months ended 30 June 2019).

Because of the significant growth in Kaspi.kz's operations, the Group's exposure to business risks has increased. This growth will continue to require improved monitoring and control procedures with respect to Kaspi.kz's operations, as well as continued investment in its financial and information management systems, recruitment and training of employees, marketing, the monitoring of the consistency of customer service and increased operational costs. In addition, overall growth in the Group's business requires greater allocation of management resources away from day-to-day operations. Furthermore, the growth in Kaspi.kz's business may create significant operational challenges, including the ability of the Company's information technology systems to adequately handle the rate of growth of operations, the ability to design, implement and follow appropriate risk management procedures in respect of a much larger volume of operations, an increased variety of offered products and the ability to properly monitor the Group's financial performance. Failure by Kaspi.kz to manage its growth while at the same time maintaining adequate focus on its existing operating segments may have a material adverse effect on its business, financial condition, results of operations or prospects.

Kaspi.kz may face risks in relation to its planned expansion to some countries of Central Asia and the Caucasus and any related acquisitions

As part of its strategy, in mid-term the Group plans to expand its operations into certain countries in Central Asia and the Caucasus such as Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. In particular, in September 2019, the Group expanded its addressable market from 18.6 million people in Kazakhstan to 28.7 million people by entering Azerbaijan through the acquisition of three leading marketplace platforms (Turbo.az (a car marketplace), Tap.az (a used and new items marketplace) and Bina.az (a real estate marketplace)) (see "*Business—Our Principal Business Activities —Marketplace Platform—Azerbaijan Marketplace Platforms*"). Similarly to Kazakhstan, the abovementioned countries are emerging markets subject to greater political, economic, social and legal risks than more developed countries. In many respects, the inherent risks in transacting business in these countries are similar to, or even more significant than, those in Kazakhstan, particularly the risks set out under "*Risks relating to Kazakhstan*" below.

Moreover, these countries are new operating environments for the Group, which are geographically distant from the Group's Kazakhstan operations and are subject to different regulatory regimes. Laws and corporate practices vary across the countries of Central Asia and the Caucasus and are generally

not as well developed as in Western jurisdictions or in Kazakhstan. Thus, the Group may have to incur additional costs and allocate extra resources to ensure that its business in the respective countries is in compliance with applicable local laws and regulations, international business practices, and the Group's internal policies. Any failure to ensure such compliance, or any substantial expenses that the Group might have to incur to ensure such compliance, may have a material adverse effect on Kaspi.kz's business, financial condition, results of operations or prospects, and may result in the Group's failure to implement its international expansion strategy.

Furthermore, the successful integration of entities acquired pursuant to the Group's expansion strategy into the Group's operations may prove to be difficult for a variety of reasons, including contrasting cultures or management styles, poor records or internal controls, difficulty in establishing immediate control over cash flows and any delay in transition plans. As a result, any potential future acquisitions or joint ventures pose risks to the Group's existing operations, including additional demands being placed on the Group's senior management (which is also responsible for managing the Group's existing operations), increased overall operating complexity of the Group's business, requiring additional personnel and other resources, increased cash expenditure to integrate any acquired entities and the need to attract and retain a sufficient number of qualified management and other personnel.

Risks relating to Kazakhstan

The Group is largely dependent on the economic and political conditions prevailing in Kazakhstan

All of the Group's operations are conducted, and all of its assets are located in Kazakhstan. Kazakhstan became an independent sovereign state in 1991 upon the dissolution of the Soviet Union. Since then, Kazakhstan has experienced significant change as it has transformed from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a recessionary economy characterised by high inflation, instability of the local currency and rapid changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation and is more advanced in this respect than some other countries of the former Soviet Union. However, as with any transition economy, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims.

Kazakhstan depends on neighbouring states for access to world markets for a number of its major exports, including oil, natural gas, steel, copper, ferroalloys, iron ore, aluminium, coal, lead, zinc and wheat. Thus, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in regional markets may negatively impact Kazakhstan's economy, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Pursuant to amendments adopted in May 2007, the Kazakhstan Constitution introduced the concept of the "first president" and established that the first president (Mr. Nursultan Nazarbayev, who was in office from 16 December 1991 to 19 March 2019) enjoys a number of privileges and may run in an unlimited number of elections. In 2017, the Kazakhstan Constitution was further amended to provide for the distribution of powers among the President, the Parliament and the Government. In 2018, the Law "On the Security Council of the Republic of Kazakhstan" changed the status of the Security Council of Kazakhstan from a consultative and advisory body under the President of Kazakhstan, to a constitutional body. Mr. Nazarbayev, as the first President of Kazakhstan, heads the Security Council. The first President of Kazakhstan is entitled to act as the head of the Security Council for the term of his life. However, it is currently unclear how in practice the Security Council will interact with the Government and other state bodies, and whether Kazakhstan law will create any conflicting authorities, which may have a material adverse effect on the socio-political situation in, and/or the economy of, Kazakhstan and, in turn, the Group's business, financial condition, results of operations or prospects.

Under President Nazarbayev, who resigned as the President on 19 March 2019, Kazakhstan enjoyed greater stability and prosperity than many other countries of the former Soviet Union. However, there can be no assurance that such results will be maintained or that any new administration will be able to achieve similar or better results. Following the resignation of Mr. Nazarbayev, on 20 March 2019 Mr. Tokayev as the Head of the Senate of Kazakhstan, took office as the President of Kazakhstan in accordance with the presidential line of succession. On 9 June 2019, Mr. Tokayev was elected to the office of the President of Kazakhstan through early presidential elections. Should the new President of Kazakhstan fail to have sufficient support or the ability to govern effectively, Kazakhstan's political situation and economy could become unstable. If any future administration has a different political outlook than that of Mr. Nazarbayev, the business environment in Kazakhstan could change. Any amendments to laws affecting, among others, the property, tax or regulatory framework could have a material adverse effect on the Group's business, financial condition, results of operations or prospects and the investment climate in Kazakhstan.

Kazakhstan is heavily dependent upon export trade and commodity prices

As Kazakhstan produces and exports large quantities of commodity products (primarily oil and gas), its economy is particularly vulnerable to fluctuations in the prices of such commodities on the international markets. While the Government has been promoting economic reform to diversify the economy, Kazakhstan's revenue continues to depend on the prices of export commodities. Weak demand in its export markets and low commodity prices, especially within the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which may in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The decline in world prices for oil and other commodities in 2014 and subsequent devaluation of the tenge against the U.S. Dollar in 2015 affected the public finances and resulted in a revision of the budget of Kazakhstan. There can be no assurance that further revisions of the state budget will not be required in light of continuing oil price volatility, which could adversely affect the development of Kazakhstan and, in turn, the Group's business, financial condition, results of operations or prospects.

Any force majeure events, including the occurrence of natural disasters or outbreaks of contagious diseases, such as the recent outbreak of the 2019 novel coronavirus (COVID-19) in China, could affect the volume of international business activity and trade, resulting in a decreased demand for oil and other commodities, which may impact the macroeconomic environment globally, including in Kazakhstan. Furthermore, outbreaks of a health epidemic or a contagious disease, such as the 2019 novel coronavirus, could generally result in a widespread health crisis and restrict the level of business activity in the affected areas. There can be no guarantee that the further spread of the 2019 novel coronavirus or the possible outbreak of any other epidemic, nor that the measures taken by the Kazakhstan government or the governments of other countries in response to any such outbreak, will not seriously interrupt the Group's operations or those of its merchants and consumers, which could in turn have a material and adverse effect on the Group's business, financial condition or results of operations.

An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or a weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which, in turn, could indirectly have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Instability of the Kazakhstan banking sector

The global financial and economic crisis of 2008-2009 significantly affected the Kazakhstan banking system which continues to remain under stress with banks seeking to deleverage through partial repayments and debt restructurings. A number of distressed asset takeovers and mergers have occurred in the Kazakhstan banking sector. In addition, in the past several years the NBK (effective from 1 January 2020, the NBK's powers in respect of issuing and revoking licences of banks have been transferred to the FMRDA) revoked the licences of a number of banks of varying size. While,

along with the NBK's and subsequently the FMRDA's measures to support the liquidity of financial institutions, such restructurings, consolidations and revocation of licences have contributed to the general stability of the Kazakhstan banking industry, the sector continues to operate in a challenging environment where further defaults or debt restructurings cannot be ruled out.

A failure or default of any financial institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could prevent the Group from raising new or additional funds in the capital markets and could also significantly reduce depositors' confidence in the banking industry in general and in Kaspi.kz in particular. The commercial soundness of many financial institutions may be interconnected as a result of their credit, trading, clearing or other relationships and, accordingly, such concerns or defaults could also lead to significant liquidity problems, losses or defaults by other institutions. This risk is sometimes referred to as "systemic risk" or "contagion risk" and may adversely affect financial institutions with whom Kaspi.kz interacts on a daily basis. This could, in turn, have a material adverse effect on the Group's ability to raise new funds and have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

During periods of instability in the financial markets, the Government and the NBK have historically implemented measures to support the liquidity and solvency of Kazakhstan banks and to increase the availability of credit to businesses, which have been seen as critical for restoring investor confidence and for supporting the economy. However, there can be no assurance that the Government, the FMRDA and the NBK will continue to implement such measures or, even if taken, that such measures will succeed in materially improving the liquidity position and financial condition of the affected financial institutions in the future or that such measures will not be implemented selectively. Continued instability in the Kazakhstan financial sector and reduced investor confidence caused by any factor including the downturn of the global economy or volatility of the financial markets, could be materially adverse to the Group's business, financial condition and results of operations or prospects.

Sustained periods of high inflation could adversely affect Kaspi.kz's business

Kaspi.kz's operations are located in Kazakhstan and a majority of the Group's costs are incurred in Kazakhstan. Since the majority of the Group's expenses are denominated in tenge, inflationary pressures in Kazakhstan are a significant factor affecting the Group's expenses. According to the NBK, annual consumer price inflation for 2017, 2018 and 2019 was 7.1%, 5.3% and 5.4%, respectively. A return to high and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and the erosion of consumer confidence, all of which could have a material adverse effect on the Group's business, financial condition, and results of operations or prospects.

Exchange rate fluctuations could have an adverse impact on the Group

Since the NBK's adoption of a floating rate exchange policy for the tenge in 1999, the currency has fluctuated significantly, particularly during the periods of volatility on the global financial and commodity markets. As at 30 June 2020, the official KZT/U.S.\$ exchange rate reported by the NBK was KZT403.83 per U.S.\$1.00, as compared to KZT332.33 per U.S.\$1.00, KZT384.2 per U.S.\$1.00 and KZT381.18 per U.S.\$1.00 as at 31 December 2017, 2018 and 2019, respectively.

As at 31 December 2017, 2018 and 2019 and as at 30 June 2020, 29.3%, 22.8%, 21.6% and 19.0% of Kaspi.kz's total financial liabilities, respectively, was made up of borrowings denominated in currencies other than the tenge. Whilst the Group has a corresponding proportion of assets in foreign currencies, any significant devaluation of the tenge against the U.S. Dollar or other foreign currencies will increase Kaspi.kz's interest expense. Any such devaluation of the tenge against the U.S. Dollar or other foreign currencies could negatively affect the Group in a number of ways, including, among others, by causing a further outflow of tenge deposits and increasing Kaspi.kz's actual interest expense on its foreign currency denominated liabilities. Any of these developments may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Sanctions imposed on Russia could have an indirect adverse impact on Kazakhstan's economy and the Group

In connection with the conflicts in Ukraine and Syria, as well as alleged interference in the 2016 U.S. Presidential elections, the U.S. and the EU (and other nations, such as Canada, Switzerland, Australia and Japan) imposed sanctions on certain Russian persons and entities. A number of Russian government officials, entrepreneurs, banks and companies, as well as companies owned or controlled by such persons or entities, or certain entities that provide assistance with any prohibited actions taken by such entities or persons, have been subject to blocking sanctions. The sanctions have imposed a freeze on all of the assets of any such blocked persons and broadly prohibited transactions or other dealings (including the provision of services) for the benefit of the sanctioned persons, in each case involving U.S. persons or legal entities or any direct or indirect action within the United States (including the clearing of U.S. Dollar payments through the U.S. financial system).

Furthermore, the U.S. and EU have imposed sectoral sanctions on entities operating in certain sectors of the Russian economy, in particular in the financial, oil and gas, defence and related materials sectors. With respect to the financial sector, under these sectoral sanctions the EU and U.S. imposed prohibitions on transactions by EU and U.S. persons or within the EU or U.S. with respect to transacting in, providing financing for, or otherwise dealing in debt with a prescribed maturity or equity, if that debt or equity is issued on or after prescribed dates by, or on behalf of, or for the benefit of named persons, their property, or their interests in property.

The sanctions imposed to date have had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, causing extensive capital outflows from Russia and impairing the ability of Russian issuers to access the international capital markets.

While Kazakhstan maintains strong independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine, Kazakhstan has significant economic and political relations with Russia. The establishment and continued operation of the Eurasian Economic Union is expected to continue to strengthen Kazakhstan's economic relations with Russia.

A material worsening of Kazakhstan's close economic or political relations with Russia, the existing sanctions imposed on Russia and/or any future sanctions, could have a material adverse effect on Kazakhstan's economy.

As well as many other financial institutions, the Group, in the ordinary course of business, transacts with Subsidiary Bank Sberbank of Russia JSC (the Kazakhstan subsidiary of Sberbank of Russia) and Subsidiary JSC VTB Bank (Kazakhstan) (the Kazakhstan subsidiary of VTB Bank), which are the Group's counterparties on the interbank and foreign exchange markets, and Sberbank of Russia and VTB Bank (Europe) SE, which are correspondent bank counterparties, and which are subject to sectoral sanctions. All transactions with clients and counterparties are reviewed for sanctions compliance purposes by the compliance function of each entity of the Group and the authorised personnel. The vast majority of transactions with the abovementioned entities are Rouble and Euro transfers, with the remaining transactions comprising other banking operations, and all of them are permissible pursuant to applicable sanctions regimes. Other than the abovementioned entities operating in the financial sector, the Group does not transact with any sanctioned entities in any other sectors.

As of the date of this Registration Document, none of the Group's customers are subject to the U.S. or EU sanctions. The Company has no reason to believe that the Kazakhstan financial sector may be specifically targeted by the U.S. or EU sanctions. If, however, sanctions targeting the entire Russian banking sector are imposed, the Group's ability to transact with Russian banks may be affected. Depending on the circumstances, the Company may decide to either discontinue operations with Russian banks or replace such counterparties.

Kazakhstan's legislative and regulatory framework is evolving

Whilst a large volume of legislation was enacted several decades ago, the legal framework in Kazakhstan is still evolving in comparison to countries with more established market economies.

The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces. For example, there have been instances of improper payments being made to public officials. Therefore, court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

Whilst Kazakhstan has an established legal framework specifically dedicated to consumer lending, major amendments to the consumer lending regulations, any shifts in existing court practice or the regulator's interpretation of the laws (including with respect to the pricing of loan products, in particular, any change to the caps on interest rates charged by financial institutions on consumer loan products, which stood at 56% as at the date of this Registration Document) could have a material adverse effect on Kaspi.kz's business.

The NBK announced that in August 2019 it commenced an asset quality review with respect to the 14 largest banks in Kazakhstan, including Kaspi Bank. The asset quality review is a comprehensive assessment which is aimed at ensuring that banks are adequately capitalised and can withstand possible financial instability. The procedure is based on the principles and methodology of the European Central Bank, which were adjusted to account for Kazakhstan regulations and the business processes of local banks. The NBK has decided to undertake the review to reach three principal objectives: (i) transparency (to enhance the quality of information available on the conditions of banks), (ii) repair (to identify weaknesses and implement necessary enhancement actions) and (iii) confidence (to assure investors and customers that the relevant banks are fundamentally sound and trustworthy). The NBK finalised the review in December 2019. Kaspi.kz received the results of the asset quality review in respect of Kaspi Bank in February 2020. Based on the results of the review, the Group's management believes that the review has not had, and is not expected to have any material negative impact on Kaspi Bank's net income, capital, or compliance with prudential capital adequacy ratios.

Furthermore, the NBK and the Government of Kazakhstan have recently introduced a number of legislative developments relating to the regulation of Kazakhstan's banking sector, in particular: (i) in the fourth quarter of 2019, changes to the methodology of the calculation of risk-weighted assets for unsecured consumer lending; (ii) effective from 1 January 2020, new rules for identifying systemically important financial institutions in Kazakhstan; (iii) in November 2019, new limits on providing loans to individuals with an income below a certain threshold; and (iv) in December 2019, a prohibition on the accrual of penalties and commissions after a 90-day period of non-payment on unsecured retail loans was introduced. In addition, starting from December 2020, foreign banks will be able to open branches directly in Kazakhstan under the framework of agreements setting out the terms of Kazakhstan's entry into the World Trade Organisation ("WTO"). See "*Regulation—Regulation of Banking Activities*". As at the date of this Registration Document, these amendments have not adversely affected the Company's business and/or operations.

The continuous development of Kazakhstan's regulatory environment may result in the reduced predictability of its regulatory landscape, which may result in inconsistent interpretations due to the lack of court precedents or guidance from the regulators. Any of these factors could be significant and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Kaspi.kz may have difficulties in obtaining effective redress in court proceedings

The Kazakhstan judicial system is not immune from economic and political influences. The judicial system is often understaffed and underfunded. Judges are generally inexperienced in corporate law matters. Not all Kazakhstan legislation and court decisions are readily available to the public or

organised in an accessible manner. The Kazakhstan judicial system can be slow and court orders are not always enforced or followed by law enforcement agencies. All of these shortcomings may affect the ability of the Group or holders of the Company's securities to obtain effective legal redress in Kazakhstan courts. In addition, the press has reported that court claims and government prosecutions are often used to further political aims supported by the courts. The Group may be subject to such political claims and may not receive a fair hearing. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Risks Relating to Taxation

Kazakhstan's taxation system is subject to frequent change

Kazakhstan's taxation system is continually evolving and is subject to frequent and, at times, ambiguous changes, which could have an adverse effect on the Group. Additionally, the Tax Code has been in force for a short period relative to the tax laws and regulations in more developed market economies and, therefore, risks of tax assessments within its jurisdiction are more probable than in nations with more developed tax systems. The Group's operations are principally conducted and most of the Group's assets are located in Kazakhstan and, therefore, the shortcomings of the Kazakhstan tax system could adversely affect the Group.

Historically, the system of tax collection in Kazakhstan has been difficult and unpredictable resulting in continual changes to the tax legislation, which have sometimes occurred on short notice and have been applied retroactively. Such changes to the Kazakhstan tax legislation may apply not only to the provisions that establish the rules of tax administration, but also to other provisions such as tax base and tax rate determination. Furthermore, the Kazakhstan tax legislation is subject to amendments on a regular basis. These changes produce tax uncertainties which may result in adverse tax implications for the Group.

Varying interpretations of tax regulations exist both among and within government bodies. Such inconsistent interpretations increase the level of uncertainty and, therefore, tax risks, and could potentially lead to the inconsistent enforcement of these laws and regulations. Official explanations and court decisions are often unclear and contradictory, whilst tax disputes could result in significant litigation costs for the Group. For example, clarifications of the tax authorities on particular Tax Code clauses are not legally binding on either taxpayers or the tax authorities themselves, and may not be taken into account during the settlement of tax disputes. In addition, the responsibility of the tax authorities for providing interpretations of articles of the Tax Code is not established by law. Thus, the tax authorities are allowed to change their position regarding the application of a particular article. Additionally, judges considering court cases related to the resolution of tax disputes sometimes issue decisions that may not be considered as definite. The creation of an investment court in 2016 for the resolution of investment disputes, including tax disputes relating to investments, did not lead to a significant improvement in the quality of tax litigation or in the resolution of tax disputes.

As a consequence of the complexities surrounding legal interpretations and the taxation mechanisms, the shortcomings of legal institutions, as well as gaps and contradictions that exist in the tax legislation, there are frequently different interpretations of the tax legislation by taxpayers and the tax authorities. During settlements of tax disputes, the tax authorities and courts often issue decisions in favour of the state budget. Therefore, taxation in Kazakhstan is often unclear or inconsistent, and may result in unexpected tax assessments and liabilities that could lead to a material adverse effect on, *inter alia*, the Group's business, financial condition, results of operations or prospects.

References to IFRS in the Tax Code could result in adverse tax assessment for the Group

A significant part of the Tax Code contains direct links to IFRS, which makes IFRS an important and considerable factor within the Kazakhstan tax system. Therefore, since IFRS is built on "substance over form" principle, the application of certain principles and methods of IFRS is a matter of professional judgment, which may result in tax disputes between the Group and the tax authorities.

During tax audits, the tax authorities sometimes interpret IFRS in a way that could differ from professional judgment of financial reporting specialists and / or auditors. In addition, the tax authorities issue letters where they give their own interpretation of IFRS, which does not take into account all aspects of application of standards.

The complicated nature of IFRS judicial-making and application of IFRS in the Kazakhstan taxation system entails a risk of ambiguous interpretation and practical application of IFRS provisions by taxpayers and the tax authorities, and may, therefore, lead to additional and, potentially, material, tax assessments on the Group that could have a material adverse effect on, *inter alia*, the Group's business, financial condition, results of operations or prospects.

RESPONSIBILITY STATEMENT

The Company accepts responsibility for the information contained in this Registration Document and, to the best of the Company's knowledge, the information contained in this Registration Document is in accordance with the facts and this Registration Document makes no omission likely to affect the import of such information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Registration Document contains forward-looking statements which reflect the Group's views with respect to its results of operations, financial condition, business strategy and its plans and objectives for future operations.

These forward-looking statements relate to the Group and the industries in which it operates. Statements that include the words “expect”, “intend”, “propose”, “plan”, “believe”, “estimate”, “project”, “anticipate”, “envisage”, “will”, “target”, “aim”, “may”, “might”, “should”, “would”, “could”, “continue” and similar statements of a future or forward-looking nature, or in each case their negative or other variations, or discussions of strategies, plans, objectives, goals, future events or intentions identify forward-looking statements.

These forward-looking statements all include matters that are not historical facts. They appear in a number of places throughout this Registration Document and include statements regarding the Group's intentions, beliefs or current expectations concerning, amongst other things, its results of operations, financial condition, liquidity, prospects, growth, strategy and dividend policy and those of the industry in which the Group operates.

All forward-looking statements included in this Registration Document address matters that involve risks and uncertainties and other important factors beyond the Group's control that could cause the Group's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group operates and will operate in the future. Forward-looking statements are not guarantees of future performance. These factors include but are not limited to those listed under the heading “*Risk Factors*”. The following include some but not all of the factors that could cause actual results or events to differ materially from the anticipated results or events:

- overall economic and business conditions;
- demand for the Company's services;
- competition in the industry in which the Company operates;
- changes in regulation and policies regarding the telecommunications sector in Kazakhstan;
- changes in tax law, including changes in tax rates;
- interest rate fluctuations and conditions in the capital markets;
- exchange rate fluctuations;
- economic and political conditions in Kazakhstan; and
- the Company's success at managing the risks associated with the aforementioned factors.

Any forward-looking statements in this Registration Document reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial condition, growth strategy and liquidity.

Any forward-looking statements speak only as at the date of this Registration Document. The Group undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise, unless required to do so by applicable law, regulation or the Prospectus Regulation Rules. All subsequent written and oral forward-looking statements attributable to the Group, and those acting on behalf of the Group, are expressly qualified in their entirety by this section.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The financial information set out in this Registration Document with respect to the Group has, except where expressly stated otherwise, and subject to rounding, been derived from the Group's consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The consolidated financial information of the Group set out in this Registration Document as at and for the six months ended 30 June 2020 and 2019 has been derived from the unaudited interim condensed consolidated financial information of the Group as at and for the six months ended 30 June 2020 and 2019 (the “**Interim Financial Statements**”). The consolidated financial information of the Group set out in this Registration Document as at and for the years ended 31 December 2017, 2018 and 2019 has been derived from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2017, 2018 and 2019 (the “**Annual Financial Statements**” and together with the Interim Financial Statements, the “**Financial Statements**”). The Financial Statements, together with the related report on review and independent auditor's report, are set forth on pages F-2 to F-105 in this Registration Document.

Certain financial information set out in this Registration Document with respect to the Group's reportable segments under IFRS 8: Payments, Marketplace and Fintech Platforms (other than consolidated financial information in relation to the segments set out in Notes 4 and 5 to the Annual Financial Statements) has been derived from the Company's management accounting records which were prepared in accordance with IFRS, on the same basis as historical consolidated financial information derived from the Financial Statements.

New Accounting Standards

With effect from 1 January 2018, the Company adopted IFRS 9 and recorded a cumulative adjustment to total equity at that date of KZT10,071 million (as disclosed in Note 3 to the Financial Statements). With effect from 1 January 2018, the Company adopted IFRS 15 which, apart from providing more extensive disclosures for the Group's revenue transactions, did not have a significant impact on the Group's financial position and results of operations. The consolidated financial statements as at and for the year ended 31 December 2017 have not been restated to reflect the changes from the application of IFRS 9. The respective comparative numbers as at and for the year ended 31 December 2017 were prepared on the basis of IAS 18, Revenue and IAS 39, Financial Instruments: Recognition and Measurement, which were the accounting standards in effect at that time. Therefore, due to the adoption of the new accounting standards, certain financial information derived from the consolidated financial statements as at and for the year ended 31 December 2018 are not directly comparable with the respective financial information from the consolidated financial statements as at and for the year ended 31 December 2017. See “*Risk Factors—Risks relating to Kaspi.kz's Business and Industry—The adoption of new IFRS standards may impact the Group's financial position and results of operation*”.

Independent Auditors

The Interim Financial Statements have been reviewed in accordance with International Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* by Deloitte, LLP (“**Deloitte**”), independent auditors, who have expressed an unqualified report on review of the Interim Financial Statements, as stated in the relevant report appearing herein. The Annual Financial Statements have been audited in accordance with International Standards on Auditing by Deloitte, independent auditors, who have expressed an unqualified audit opinion on the Annual Financial Statements, as stated in the relevant report appearing herein. The address of Deloitte is 36 Al Farabi Ave., Almaty, 050059, Republic of Kazakhstan. Deloitte operates under a state licence on auditing in the Republic of Kazakhstan, Number 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan

dated 13 September 2006. Deloitte is a member of the Chamber of Auditors of the Republic of Kazakhstan.

Presentation of Segment Information

In this Registration Document, the Company presents certain financial and operating information by segments. Reportable segments are reported in a manner consistent with the internal reporting provided to the management of the Company.

In line with the Company's management and internal reporting structures, the Company's management changed the composition of reportable segments and identified three reportable segments (the Payments Platform, the Marketplace Platform and the Fintech Platform (each as defined below)) that are reportable under IFRS. In the first half of 2019, the management decided to combine the Consumer Financial Services Platform and the e-Finance Platform, which had previously existed and been reported, into one Fintech Platform. The reason for the combination was that the migration from offline to online and mobile operations has been developing rapidly resulting in the majority of transactions executed through online touchpoints (website and Super App). As a result of changes in reportable segments, the historical comparative information for 2017 and 2018 has been revised to conform to the current presentation.

Throughout this Registration Document (unless stated otherwise), the following definitions are used:

- **“Consumer Loans”** means, for the purposes of industry review and analysis of the Company's market position, consumer finance loans issued to retail customers (excluding mortgage loans);
- **“Ecosystem”** or **“Kaspi Ecosystem”** means the Platforms;
- **“Group”, “Kaspi.kz”** or **“we”** means the Company and its consolidated subsidiaries;
- **“Payments”** or **“Payments Platform”** means the segment which allows our consumers to pay for regular household needs, as well as to make online and in-store purchases, and enables seamless online P2P payments within and outside our Ecosystem in Kazakhstan, between our consumers and globally to any Mastercard or Visa card. Through the Payments Platform, we generate transaction fees from merchants and consumers, annual fees from consumers, as well as interest revenue from interest-free cash balances (current accounts);
- **“Marketplace”** or **“Marketplace Platform”** means the segment which enables consumers to buy a broad selection of products and services from a variety of merchants. Our Marketplace is positioned as the starting point and destination for consumer shopping journeys via our Super App, website and in-store. Consumers come to our Marketplace to buy a broad selection of products and services from various merchants with seamless shopping experience. We believe that our Marketplace Platform appeals to buyers who value ease of use, a large selection of the most popular products and competitive pricing. Fulfilment options include in-store pick-up, delivery by merchant and delivery powered by Kaspi.kz. Through the Marketplace Platform, we generate seller fees from merchants;
- **“Fintech”** or **“Fintech Platform”** means the segment which enables consumers to manage their personal finance online and access consumer finance and deposit products and services mainly through the Kaspi.kz Super App. Our consumer finance products are also strategically designed around the product and merchant selection on our Marketplace Platform, which means that consumers are able to select goods and merchants first, and then seamlessly access available solutions to finance their purchases. We generate interest, fee revenue and membership fees from consumers who are members of the Kaspi Red Shopping Club; and

- “**Platforms**” means collectively the Payments Platform, the Marketplace Platform and the Fintech Platform.

Average Balance Sheet and Interest Rate Data

This Registration Document includes information on the average balances of interest-earning assets and interest-bearing liabilities of the Group, as well as the average yield received on interest income or average rate paid on interest expense for such assets and liabilities. For the purposes of this Registration Document, the average is calculated on the basis of unaudited monthly closing balances throughout each relevant period. Calculation of these average balances on a weekly or daily basis could result in materially different average results. Readers of this Registration Document are cautioned that the average balances and related data presented in this Registration Document are based on materially less frequent average methods than those used by other banks in the United States, Western Europe and other jurisdictions in connection with similar offers of securities.

The average yields/rates disclosed in this Registration Document are calculated by dividing aggregate interest income or expense for the relevant line item by the average balance for the same item for the applicable period. Average yields/rates are distinct from the effective yields/rates presented in the consolidated financial statements of the Group. The effective yield/rate method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic yield/rate (effective yield/rate) on the carrying amount. The effective yield/rate is the yield/rate that discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument. The effective yield/rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the entire expected life of the instrument. The present value calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective yield/rate.

Kaspi.kz presents information on effective yields/rates because IFRS requires these yields/rates to be used in the preparation of its consolidated financial statements. Operationally, Kaspi.kz uses this information, as well as average yields/rates as both are considered useful business tools.

The average yields/rates measures are not defined under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the Financial Statements.

Non-IFRS Measures

This Registration Document includes certain financial measures that are not measures of performance specifically defined by IFRS. The Company has included these measures because it believes that they enhance readers’ understanding of the Group’s financial performance. Further, the Company uses the non-IFRS measures disclosed in this Registration Document in the Group’s business operations to, among other things, evaluate the performance of operations, develop budgets and measure performance against those budgets. The Company also believes that these non-IFRS measures are commonly reported by comparable businesses and used to compare the performance of businesses.

The non-IFRS measures disclosed in this Registration Document are unaudited supplementary measures of the Group’s performance and liquidity that are not required by, or presented in accordance with, IFRS. These measures are not defined by IFRS and the Company’s use and definition of these metrics may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology. These non-IFRS measures have limitations and should not be considered in isolation, or as substitutes for financial information as reported under IFRS. Accordingly, undue reliance should not be placed on the non-IFRS measures presented in this Registration Document. For definition of each of the non-IFRS measures, see “*Selected Consolidated Financial and Other Information – Non-IFRS Measures*”.

Currency

Throughout this Registration Document, unless stated otherwise, the following definitions are used:

- “**EUR**” or “**euro**” means the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended;
- “**RUB**” or “**rouble**” means the lawful currency for the time being of the Russian Federation;
- “**KZT**” or “**tenge**” means the lawful currency for the time being of the Republic of Kazakhstan; and
- “**U.S.\$**”, “**U.S. Dollar**” or “**dollar**” means the lawful currency for the time being of the United States.

Exchange Rate Information

The tenge is the functional and presentation currency of the Group.

The following table sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the tenge and the dollar, based on the official exchange rate quoted by the NBK. Fluctuations in exchange rates between the tenge and the dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of the Financial Statements and those used in relation to the other information presented in this Registration Document.

Year/Period	Exchange Rate			Period End
	High	Low	Average ⁽¹⁾	
	KZT/U.S.\$			
2017	345.00	310.40	326.08	332.33
2018	384.20	318.31	344.71	384.20
2019	390.13	373.56	382.75	381.18
First half of 2020	448.52	375.87	403.84	403.83
January 2020.....	382.59	375.91	378.71	378.80
February 2020.....	381.10	375.87	377.81	381.10
March 2020.....	448.50	379.45	415.30	448.01
April 2020.....	448.52	425.51	433.58	429.41
May 2020.....	425.41	411.54	418.56	411.54
June 2020.....	411.54	397.31	402.37	403.83
July 2020	418.00	403.93	411.41	418.00
August 2020.....	420.11	417.87	418.67	420.11
September 2020 (through 25 September 2020).....	426.46	418.29	423.06	426.19

Source: www.nationalbank.kz

Note:

- (1) The average rates are calculated as the average of the daily exchange rates on each calendar day (which rate is announced by the NBK for each such day).

The tenge is generally not convertible outside Kazakhstan. A market exists within Kazakhstan for the conversion of tenge into other currencies, but the limited availability of other currencies may inflate their value relative to the tenge. No representation is made that the tenge or dollar amounts referred to herein could have been or could be converted into tenge or dollar, as the case may be, at these rates, at any particular rate or at all.

Certain financial information of the Group as at and for the year ended 31 December 2019 and as at and for the six months ended 30 June 2020 has been translated from the tenge into the dollar. These translations are solely for convenience of the reader and were calculated at the rate of (i) with regard to the numbers of the Group’s consolidated statement of profit and loss and the Group’s consolidated statement of cash flows, KZT382.75 per U.S.\$1.00, which is the average exchange rate for 2019, and

KZT403.84, which is the average exchange rate for the six months ended 30 June 2020; and (ii) with regard to the numbers of the Group's consolidated statement of financial position, KZT381.18 per U.S.\$1.00, which is the official exchange rate quoted by the NBK on 31 December 2019, and KZT403.83 per U.S.\$1.00, which is the official exchange rate quoted by the NBK on 30 June 2020.

References

In this Registration Document, all references to “**United States**” and “**U.S.**” are to the United States of America, its territories, its possessions and all areas subject to its jurisdiction, all references to “**U.K.**” are to the United Kingdom and all references to “**European Union**” and “**E.U.**” are to the European Union, being a political and economic union of 28 member states that are located primarily in Europe, and all such member states as at the date of this Registration Document. All references to “**CIS**” are to the countries that formerly comprised the Union of Soviet Socialist Republics and that are now members of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan. All references to “**Central Asia and the Caucasus**” are to the region comprising Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Rounding

Some numerical figures included in this Registration Document have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them. Unless otherwise specified, all percentages have been rounded to the nearest one-tenth of one per cent.

Information Derived from Third Parties

The Company has derived certain information and statistics in this Registration Document, including certain information and statistics concerning the Kazakhstan banking, payment and retail industries, the Kazakhstan economy in general and related subjects from external sources, the NBK, the MNE, the Kazakhstan Deposit Insurance Fund, the World Bank, the IMF, Euromonitor International Ltd (“**Euromonitor**”) (Economies and Consumers, Consumer Finance 2019 edition, Retailing 2019 edition (Retailing data in retail value RSP incl. VAT, current terms unless otherwise specified)), EIU, SimilarWeb, CustomerGuru, Cable.co.uk, TNS Gallup and the People's Bank of China. Such information is contained in this Registration Document under the headings “*Presentation of Financial and Other Information*”, “*Risk Factors*”, “*Industry Overview*”, “*Business*” and “*Operating and Financial Review*”. Where third-party information, data or statistics are set out, they have been accurately reproduced, and, as far as the Company is aware and is able to ascertain from relevant available information published by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading.

Certain information regarding market size, market data, market share, market position, growth rates and other industry data pertaining to the Group and its business contained in this document consist of Group estimates based on data compiled by professional organisations and on data from other external sources, including the NBK, the MNE, the Kazakhstan Deposit Insurance Fund, the World Bank, the IMF, EIU, SimilarWeb, CustomerGuru, Cable.co.uk, TNS Gallup, the People's Bank of China and Euromonitor.

Industry publications and market research generally state that the information they contain has been obtained from sources the Company believe to be reliable but that the accuracy and completeness of such information is not guaranteed and any estimates or projections they contain are based on a number of significant assumptions. In some cases, there is no readily available external information (whether from trade and business organisations and associations, government bodies or other organisations) to validate market related analyses and estimates, requiring the Group to rely on internally developed estimates. The Group does not intend, and does not assume any obligation, to update industry or market data set forth in this document. Because market behaviour, preferences and trends are subject to change, readers of this Registration Document should be aware that market and

industry information in this Registration Document and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations. Further, consumer finance estimates were prepared based upon data, forecasts, and information obtained prior to the COVID-19 pandemic and do not take into account, nor make any revisions, to assess the impact that this event may have on the current or future sales of these product categories.

It should be kept in mind that the Company has not independently verified information obtained from third-party sources, including from industry and Kazakhstan governmental bodies. Furthermore, measures of the financial or operating performance of the Group's competitors used in evaluating the Group's comparative position may have been calculated in a different manner to the corresponding measures employed by the Group.

DIVIDEND POLICY

The Company intends to pay dividends annually of at least 50% of net income, calculated under IFRS.

Pursuant to the Company's Charter, dividends are declared and paid in accordance with the Company's Charter and the resolution of the Company's General Meeting of Shareholders. The dividends are paid from the Company's net profit, determined on the basis of audited or reviewed financial statements for the respective period. The declaration and payment of dividends requires the approval of the Company's General Meeting of Shareholders.

Any decision to declare and pay dividends is subject to relevant restrictions set out in any applicable laws, such as the prohibition on payment of dividends for companies with negative equity capital, companies which are insolvent, or companies whose equity capital would become negative or which would become insolvent as a result of paying dividends.

The Company's ability to pay dividends depends significantly on the extent to which it receives distributions from its subsidiaries, including Kaspi Bank. Kaspi Bank's capital adequacy level may decrease organically with the growth of the business, or as a result of deterioration of the loan portfolio and profitability or the payment of dividends. Under Kazakhstan law, if a bank has an insufficient capital conservation buffer, it will be partially or fully prohibited from declaring or paying dividends. While historically Kaspi Bank has maintained its capital conservation buffer at a level that enables it to pay dividends, any deterioration in Kaspi Bank's capital position could in turn affect the Company's capacity to make distributions to its shareholders. See *"Risk Factors—Risks relating to Kaspi.kz's Business and Industry—Kaspi Bank's capital position may require the Group to provide capital support, which may have an impact on the Group's profitability and restrict the Company's ability to grow and pay dividends"*.

Any payment of dividends based on quarterly or half-year results shall be made pursuant to the decision of the General Meeting of Shareholders. Any decision on the payment of dividends on common shares based on full-year results shall be adopted by the annual General Meeting of Shareholders.

The Company declared dividends in the total amount of KZT15,162 million in 2017. The Company did not pay dividends in 2018, however it purchased treasury shares in the total amount of KZT75,287 million. In 2019 and in the first half of 2020, the Company declared dividends in the total amounts of KZT97,697 million and of KZT79,600 million, respectively.

On 23 September 2020, the Company's shareholders approved dividends in the amount of KZT102,743 million, which are expected to be paid in full by the end of September 2020.

CAPITALISATION

The following table sets forth the Group's consolidated capitalisation as at 30 June 2020, derived from the Financial Statements included elsewhere in this Registration Document. This information should be read in conjunction with "Selected Consolidated Financial and Other Information", "Operating and Financial Overview" and the Financial Statements included elsewhere in this Registration Document.

	As at 30 June 2020 KZT million
Long-term debt and customer accounts⁽¹⁾:	
Customer accounts.....	243,907
Debt securities issued.....	133,214
Subordinated debt.....	74,181
Total long-term debt and customer accounts	451,302
Share capital	95,825
Additional paid-in capital	506
Revaluation reserve of financial assets	370
Retained earnings.....	230,132
Total equity attributable to Shareholders of the Company.....	326,833
Non-controlling interests	4,107
Total equity	330,940
Total capitalisation⁽²⁾	782,242

(1) Long-term debt and customer accounts represent liabilities that fall due after more than one year from 30 June 2020 and are not secured.

(2) Total capitalisation is the sum of total long-term debt and customer accounts, and total equity.

Except as described below, there have been no material changes in the consolidated capitalisation of the Group since 30 June 2020.

On 23 September 2020, the Company's shareholders approved dividends in the amount of KZT102,743 million, which are expected to be paid in full by the end of September 2020.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables contain selected historical consolidated financial and operating information as at and for the six months ended 30 June 2019 and 2020, and for the years ended 31 December 2017, 2018 and 2019 for each of the Payments, Marketplace and Fintech Platforms, and for the Group. The Company has derived this information, without adjustments, from: (i) the Interim Financial Statements (with respect to the Group's consolidated financial information as at and for the six months ended 30 June 2019 and 2020); (ii) the Annual Financial Statements (with respect to the Group's consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019), and (iii) the Company's management accounting records (with respect to consolidated financial information for each of the Payments, Marketplace and Fintech Platforms) which were prepared in accordance with IFRS, on the same basis as historical consolidated financial information derived from the Financial Statements. This section should be read in conjunction with the Financial Statements included in this Registration Document, as well as "Presentation of Financial and Other Information" and "Operating and Financial Review".

Results of Operations (Payments Platform)

	Year ended 31 December				Six months ended 30 June		
	2017	2018	2019	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million		U.S.\$ million ⁽²⁾
REVENUE	9,571	26,471	66,393	173	25,330	48,594	120
Transaction & Membership Revenue	5,529	17,876	49,454	129	18,492	34,880	86
Interest Revenue	4,042	8,595	16,939	44	6,838	13,714	34
COST OF REVENUE	(3,892)	(8,367)	(16,043)	(42)	(7,277)	(9,021)	(22)
Transaction Expenses	(2,017)	(4,636)	(10,373)	(27)	(4,552)	(5,709)	(14)
Operating Expenses	(1,875)	(3,731)	(5,670)	(15)	(2,725)	(3,312)	(8)
TOTAL NET REVENUE	5,679	18,103	50,350	132	18,053	39,573	98
Technology & Product Development.....	(2,051)	(4,167)	(6,831)	(18)	(3,107)	(4,381)	(11)
Sales & Marketing	(1,302)	(4,926)	(8,347)	(22)	(3,496)	(5,770)	(14)
General & Administrative Expenses	(708)	(818)	(1,321)	(3)	(545)	(735)	(2)
OPERATING INCOME .	1,618	8,192	33,851	88	10,905	28,687	71
Income tax	(257)	(1,461)	(5,974)	(16)	(1,745)	(4,802)	(12)
NET INCOME	1,360	6,731	27,877	73	9,160	23,885	59
Net Income Margin (Payments) (%) ⁽³⁾	14.2%	25.4%	42.0%	-	36.2%	49.2%	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(3) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

Results of Operations (Marketplace Platform)

	Year ended 31 December				Six months ended 30 June		
	2017	2018	2019	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million		U.S.\$ million ⁽²⁾
REVENUE	12,174	25,020	45,002	118	15,761	19,151	47
Seller Fees.....	12,174	25,020	44,701	117	15,761	18,137	45
Other gains and losses.....	-	-	301	1	-	1,014	3
COST OF REVENUE	(858)	(1,219)	(2,402)	(6)	(810)	(1,714)	(4)

	Year ended 31 December				Six months ended 30 June		
	2017	2018	2019	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million		U.S.\$ million ⁽²⁾
Transaction Expenses	(101)	(123)	(202)	(1)	(76)	(112)	0
Operating Expenses	(757)	(1,096)	(2,200)	(6)	(734)	(1,602)	(4)
TOTAL NET REVENUE	11,316	23,801	42,600	111	14,951	17,437	43
Technology & Product Development.....	(2,490)	(2,654)	(3,284)	(9)	(1,526)	(1,980)	(5)
Sales & Marketing	(1,669)	(3,150)	(4,585)	(12)	(1,729)	(2,910)	(7)
General & Administrative Expenses	(252)	(277)	(463)	(1)	(183)	(300)	(1)
OPERATING INCOME .	6,904	17,721	34,268	90	11,513	12,247	30
Income tax	(1,098)	(3,160)	(6,095)	(16)	(1,845)	(2,034)	(5)
NET INCOME	5,806	14,560	28,173	74	9,668	10,213	25
Net Income Margin (Marketplace) (%) ⁽³⁾	47.7%	58.2%	62.6%	-	61.3%	53.3%	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(3) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

Results of Operations (Fintech Platform)

	Year ended 31 December				Six months ended 30 June		
	2017	2018	2019	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million		U.S.\$ million ⁽²⁾
REVENUE	254,008	323,840	402,519	1,052	185,771	231,351	573
Interest Revenue	153,929	186,471	245,396	641	111,725	142,970	354
Fees & Commissions	106,841	140,259	163,876	428	77,986	86,890	215
Transaction & Membership Revenue	219	1,379	4,212	11	1,678	2,885	7
Other gains (losses).....	(6,981)	(4,269)	(10,965)	(29)	(5,618)	(1,394)	(3)
COST OF REVENUE	(125,297)	(135,095)	(155,741)	(407)	(77,237)	(82,767)	(205)
Interest Expense.....	(97,126)	(102,685)	(118,505)	(310)	(58,841)	(64,380)	(159)
Transaction Expenses	(1,171)	(1,950)	(3,550)	(9)	(1,585)	(1,166)	(3)
Operating Expenses	(27,000)	(30,461)	(33,686)	(88)	(16,811)	(17,221)	(43)
TOTAL NET REVENUE	128,712	188,745	246,778	645	108,534	148,584	368
Technology & Product Development.....	(8,924)	(8,901)	(10,219)	(27)	(4,820)	(5,734)	(14)
Sales & Marketing	(4,287)	(9,091)	(15,558)	(41)	(6,269)	(9,133)	(23)
General & Administrative Expenses	(11,501)	(8,850)	(11,475)	(30)	(4,975)	(5,687)	(14)
Provision Expense	(27,743)	(52,579)	(38,505)	(101)	(23,212)	(30,095)	(75)
OPERATING INCOME .	76,257	109,325	171,021	447	69,258	97,935	243
Income tax	(12,129)	(19,497)	(29,948)	(78)	(11,085)	(16,454)	(41)
NET INCOME	64,128	89,828	141,073	369	58,173	81,481	202
Net Income Margin (Fintech) (%) ⁽³⁾	25.2%	27.7%	35.0%	-	31.3%	35.2%	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(3) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

Selected Consolidated Statement of Profit or Loss (the Group)

	Year ended 31 December				Six months ended 30 June		
	2017	2018	2019	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million		U.S.\$ million ⁽²⁾
REVENUE	275,753	375,331	513,914	1,343	226,862	299,096	741
Interest Revenue	157,971	195,066	262,335	685	118,563	156,684	388
Fees & Commissions	106,841	140,259	163,876	428	77,986	86,890	215
Seller Fees.....	12,174	25,020	44,701	117	15,761	18,137	45
Transaction & Membership Revenue	5,748	19,255	53,666	140	20,170	37,765	94
Other gains (losses).....	(6,981)	(4,269)	(10,664)	(28)	(5,618)	(380)	(1)
COST OF REVENUE	(130,046)	(144,682)	(174,186)	(455)	(85,324)	(93,502)	(232)
Interest Expense.....	(97,126)	(102,685)	(118,505)	(310)	(58,841)	(64,380)	(159)
Transaction Expenses	(3,288)	(6,709)	(14,125)	(37)	(6,213)	(6,987)	(17)
Operating Expenses	(29,632)	(35,288)	(41,556)	(109)	(20,270)	(22,135)	(55)
TOTAL NET REVENUE ...	145,707	230,649	339,728	888	141,538	205,594	509
Technology & Product Development.....	(13,465)	(15,721)	(20,334)	(53)	(9,453)	(12,095)	(30)
Sales & Marketing	(7,258)	(17,167)	(28,490)	(74)	(11,494)	(17,813)	(44)
General & Administrative Expenses	(12,462)	(9,945)	(13,259)	(35)	(5,703)	(6,722)	(17)
Provision Expense	(27,743)	(52,579)	(38,505)	(101)	(23,212)	(30,095)	(75)
OPERATING INCOME	84,779	135,237	239,140	625	91,676	138,869	344
Income tax	(13,485)	(24,118)	(42,017)	(110)	(14,675)	(23,290)	(58)
NET INCOME	71,294	111,119	197,123	515	77,001	115,579	286
Net Income Margin (Group) (%) ⁽³⁾	25.9%	29.6%	38.4%	-	33.9%	38.6%	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(3) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

Selected Consolidated Statement of Financial Position (the Group)

	As at 31 December				As at 30 June	
	2017	2018	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million	USD million ⁽²⁾
ASSETS						
Cash and cash equivalents	304,839	168,471	239,140	627	361,727	896
Mandatory cash balances with the National Bank of the Republic of Kazakhstan.....	10,870	17,215	25,243	66	25,057	62
Due from banks.....	8,334	22,872	43,484	114	41,453	103
Investment securities and derivatives..	212,535	366,631	474,581	1,245	701,168	1,736
Loans to customers	891,323	1,067,002	1,292,104	3,390	1,227,990	3,041
Property, equipment and intangible assets.....	32,175	36,688	60,985	160	66,163	164
Other assets.....	12,766	20,773	52,044	137	59,543	147
Total assets	1,472,842	1,699,652	2,187,581	5,739	2,483,101	6,149
LIABILITIES AND EQUITY						
LIABILITIES						
Due to banks	63,200	49	3,000	8	-	-
Customer accounts.....	979,639	1,232,920	1,626,973	4,268	1,814,757	4,494

	As at 31 December				As at 30 June	
	2017	2018	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million	USD million ⁽²⁾
Debt securities issued.....	111,335	138,094	138,574	364	138,835	344
Insurance reserves.....	4,947	4,615	3,608	9	3,273	8
Other liabilities.....	29,290	20,453	42,018	110	117,504	291
Subordinated debt.....	93,579	89,603	77,786	204	77,792	193
Total liabilities.....	1,281,990	1,485,734	1,891,959	4,963	2,152,161	5,329
EQUITY						
Share capital	130,144	54,857	95,825	251	95,825	237
Additional paid-in capital	506	506	506	1	506	1
Revaluation reserve of financial assets	3,275	3,307	472	1	370	1
Retained earnings.....	47,207	142,822	195,232	512	230,132	570
Total equity attributable to shareholders of the Company	181,132	201,492	292,035	766	326,833	809
Non-controlling interests	9,720	12,426	3,587	9	4,107	10
Total equity	190,852	213,918	295,622	776	330,940	820
TOTAL LIABILITIES AND EQUITY	1,472,842	1,699,652	2,187,581	5,739	2,483,101	6,149

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 31 December 2019, comprising KZT381.18.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 30 June 2020, comprising KZT403.84.

Selected Consolidated Statement of Cash Flow (the Group)

	Year ended 31 December				Six months ended 30 June		
	2017	2018	2019	2019	2019	2020	2020
	KZT million			U.S.\$ million ⁽¹⁾	KZT million		USD million ⁽²⁾
Net cash inflow (outflow) from operating activities	141,589	35,657	296,347	774	147,906	334,788	829
Net cash (outflow) inflow from investing activities.....	26,248	(129,286)	(112,855)	(295)	(70,394)	(220,243)	(545)
Net cash outflow from financing activities.....	(20,434)	(57,079)	(112,240)	(293)	(33,177)	(562)	(1)
Net (decrease)/increase in cash and cash equivalents	147,450	(136,368)	70,669	185	43,464	122,587	304
Effect of changes in foreign exchange rate on cash and cash equivalents	47	14,340	(583)	(2)	(871)	8,604	21
Cash and cash equivalents, beginning of period.....	157,389	304,839	168,471	440	168,471	239,140	592
Cash and cash equivalents, end of period.....	304,839	168,471	239,140	625	211,935	361,727	896

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Non-IFRS Measures

	As at or year ended 31 December			As at or six months ended 30 June	
	2017	2018	2019	2019	2020
Profitability					
Net Income Margin (Group) (%) ⁽¹⁾	25.9%	29.6%	38.4%	33.9%	38.6%
Net Income Margin (Payments) (%) ⁽¹⁾	14.2%	25.4%	42.0%	36.2%	49.2%
Net Income Margin (Marketplace) (%) ⁽¹⁾ ..	47.7%	58.2%	62.6%	61.3%	53.3%
Net Income Margin (Fintech) (%) ⁽¹⁾	25.2%	27.7%	35.0%	31.3%	35.2%

	As at or year ended 31 December			As at or six months ended 30 June	
	2017	2018	2019	2019	2020
Asset Quality					
Provision for impairment of loans as a percentage of non-performing loans (%) ..	110.7%	113.0%	92.7%	88.6%	103.9%
Cost of risk (%) ⁽²⁾	3.1%	4.6%	3.5%	4.1%	4.2%
Basel III Capital Adequacy (Kaspi Bank)					
Risk-weighted assets (KZT billion)	1,172	1,243	1,487	-	1,595
Tier 1 capital adequacy ratio (%) ⁽³⁾	13.9%	16.8%	17.6%	-	19.5%
Total capital adequacy ratio (%) ⁽⁴⁾	20.9%	23.0%	22.4%	-	23.9%
NBK Capital Adequacy (Kaspi Bank)					
Risk-weighted assets (KZT billion)	1,397	1,672	2,159	-	2,024
Tier 1 capital adequacy ratio (%) ⁽⁵⁾	11.0%	11.4%	11.4%	-	14.7%
Total capital adequacy ratio (%) ⁽⁶⁾	16.5%	15.7%	14.5%	-	18.0%
Other Ratios					
Net loan to deposit ratio (%) ⁽⁷⁾	91.0%	86.5%	79.4%	-	67.7%
Cost of revenue and SG&A and technology costs as a percentage of revenue (Payments) (%) ⁽⁸⁾	83.1%	69.1%	49.0%	56.9%	41.0%
Cost of revenue and SG&A and technology costs as a percentage of revenue (Marketplace) (%) ⁽⁸⁾	43.3%	29.2%	23.9%	27.0%	36.1%
Cost of revenue and SG&A and technology costs as a percentage of revenue (Fintech) (%) ⁽⁸⁾	59.1%	50.0%	47.9%	50.2%	44.7%
Cost to income ratio (Fintech) (%) ⁽⁹⁾	33.2%	26.1%	25.3%	26.2%	22.8%
Return on equity ratio (Fintech)(%) ⁽¹⁰⁾	40.9%	49.6%	71.0%	54.0%	58.4%

Profitability

- (1) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

Asset Quality

- (2) Cost of risk is a non-IFRS measure calculated for any period as the total provision expense for loans divided by the average balance of gross loans to customers for the same period and annualised in the case of interim periods (calculated as described in "Selected Statistical Information—Average Balance Sheet and Interest Rate Data"), expressed as a percentage. The cost of risk for 2019 (3.5%) is adjusted and excludes the impact of the government debt forgiveness programme (see "Regulation—Regulation of Banking Activities—Government Debt Forgiveness Programme"). Taking the government debt forgiveness programme into account, cost of risk for 2019 amounted to 3.1%.

Basel III Capital Adequacy (Kaspi Bank)

- (3) Tier 1 capital adequacy ratio is calculated for Kaspi Bank on a consolidated basis under the methodology set by the Basel Committee with capital adjustments as set out in Basel III and is expressed as a percentage.
- (4) Total capital adequacy ratio is calculated for Kaspi Bank on a consolidated basis under the methodology set by the Basel Committee with capital adjustments as set out in Basel III and is expressed as a percentage.

NBK Capital Adequacy (Kaspi Bank)

- (5) Tier 1 capital adequacy ratio (K1-2) is calculated for Kaspi Bank in accordance with the rules of the NBK as the ratio of Tier 1 capital to total assets weighted for risk, expressed as a percentage.
- (6) Total capital adequacy ratio (K2) is calculated for Kaspi Bank in accordance with the rules of the NBK as the ratio of own capital to total assets weighted for risk, expressed as a percentage.

Other Ratios

- (7) Net loan to deposit ratio is a non-IFRS measure calculated for any period as the Group's loans to customers divided by the Group's customer accounts for the respective period, expressed as a percentage.

- (8) Cost of revenue and selling, general and administrative (“SG&A”) and technology costs as a percentage of revenue is a non-IFRS measure calculated for any period in respect of any of the Group’s Platforms as the sum of the respective Platform’s cost of revenue and SG&A and technology costs (based on the Group’s management accounts) divided by the revenue of the respective Platform for the respective period, expressed as a percentage.
- (9) Cost to income ratio is a non-IFRS measure calculated for any period as the Fintech Platform’s sum of operating expenses and SG&A and technology expenses (based on the Group’s management accounts) divided by the Fintech Platform’s net revenue minus operating expenses for the respective period, expressed as a percentage.
- (10) Return on equity ratio of Fintech is a non-IFRS measure calculated for any period as net income of Fintech divided by average equity of the Group for the respective period and annualised in the case of interim periods (adjusted by net income of Payments and Marketplace), expressed as a percentage.

Other Financial and Operating Data

	As at or year ended 31 December			As at or six months ended 30 June	
	2017	2018	2019	2019	2020
General					
Mobile App Monthly Active Users (MAU) (thousands of users) ⁽¹⁾	1,135	3,129	5,970	4,531	7,803
Mobile App Average Daily Active Users (DAU) (thousands of users) ⁽²⁾	215	860	2,030	1,369	3,770
Average DAU to MAU ratio (per cent.) ⁽³⁾	18.9%	27.5%	34.0%	30.2%	48.3%
Total Number of Transactions (thousands of transactions) ⁽⁴⁾	220,393	417,661	1,166,625	686,223	1,766,201
Share of Active Consumers Present on All Three Platforms (per cent.) ⁽⁵⁾	14.9%	24.9%	33.8%	29.7%	33.5%
Monthly Transactions per Active Consumer (number of transactions) ⁽⁶⁾	4.6	6.9	14.8	10.0	19.3
Share of Transactions via Super App in Kaspi Touchpoints (per cent.) ⁽⁷⁾	22.6%	55.1%	80.1%	68.4%	90.0%
Retention Rate of Active Consumers (per cent.) ⁽⁸⁾	88.4%	92.4%	94.3%	93.0%	98.2%
Payments Platform					
TPV (KZT million) ⁽⁹⁾	402,740	2,114,978	8,618,639	2,861,872	8,178,998
RTPV (KZT million) ⁽¹⁰⁾	369,539	1,400,109	3,447,730	1,338,188	2,407,832
Payments Active Consumers (thousands of consumers) ⁽¹¹⁾	1,201	2,637	4,919	3,737	6,548
TPV Payment Transactions (thousands of transactions) ⁽¹²⁾	69,095	267,299	856,514	296,900	865,452
RTPV Payment Transactions (thousands of transactions) ⁽¹³⁾	68,118	243,280	581,469	226,730	423,740
Payments Take Rate (per cent.) ⁽¹⁴⁾	1.0%	1.2%	1.3%	1.3%	1.3%
Average Balances on Current Accounts (KZT million) ⁽¹⁵⁾	41,680	93,079	194,313	148,005	275,921
Yield on Average Balances (per cent.) ⁽¹⁶⁾	9.7%	9.2%	8.7%	9.2%	9.9%
Marketplace Platform					
GMV (KZT million) ⁽¹⁷⁾	265,533	415,107	627,480	241,776	271,092
Marketplace Active Consumers (thousands of consumers) ⁽¹⁸⁾	1,638	2,109	2,671	2,363	2,777
Marketplace Active Stores (thousands of stores) ⁽¹⁹⁾	7.4	12.2	23.4	14.9	27.5
Number of Marketplace Purchases (thousands of transactions) ⁽²⁰⁾	4,253	10,491	23,218	9,417	10,310
Marketplace Take Rate (per cent.) ⁽²¹⁾	4.6%	6.0%	7.1%	6.5%	6.7%
Retention Rate of Marketplace Active Merchants (per cent.) ⁽²²⁾	99.9%	99.6%	99.3%	99.3%	99.2%
GMV per Marketplace Active Consumer (KZT thousand) ⁽²³⁾	162	197	235	212	236
Purchases per Marketplace Active Consumer (number of transactions) ⁽²⁴⁾	2.6	5.0	8.7	6.8	8.7
e-Commerce GMV (KZT million) ⁽¹⁷⁾	54,208	116,937	183,198	64,150	113,501
e-Commerce Active Consumers	342	662	1,034	794	1,332

	As at or year ended 31 December			As at or six months ended 30 June	
	2017	2018	2019	2019	2020
(thousands of consumers) ⁽¹⁸⁾					
Number of e-Commerce Purchases (thousands of transactions) ⁽²⁰⁾	555	1,184	2,140	754	1,516
GMV per e-Commerce Active Consumer (KZT thousand) ⁽²³⁾	157	177	177	182	175
Purchases per e-Commerce Active Consumer (number of transactions) ⁽²⁴⁾	1.6	1.8	2.1	2.0	2.2
Fintech Platform					
TFV (KZT million) ⁽²⁵⁾	1,058,901	1,432,280	2,003,590	865,014	693,706
Fintech Active Consumers (thousands of consumers) ⁽²⁶⁾	2,330	2,843	3,373	3,069	3,350
Number of Fintech Financing Transactions (thousands of transactions) ⁽²⁷⁾	6,639	13,462	27,787	11,327	11,809
Fintech Average Net Loan Portfolio (KZT million) ⁽²⁸⁾	778,188	987,785	1,145,155	1,089,481	1,267,351
Fintech Average Yield (per cent.) ⁽²⁹⁾	30.0%	30.5%	32.2%	31.3%	33.2%
TFV to Average Net Loan Portfolio Conversion Rate ⁽³⁰⁾	1.4	1.4	1.7	1.5	1.5

General

- (1) Super App Monthly Active Users (“MAU”) is an operating metric calculated as the monthly number of users with at least one discrete session (visit) in excess of 10 seconds on the Super App in the last month of each relevant period, expressed in thousands of users.
- (2) Super App Average Daily Active Users (“DAU”) is an operating metric calculated as the simple average of the daily number of users with at least one discrete session (visit) in excess of 10 seconds on the Super App for the last month of each relevant period.
- (3) Average DAU to MAU ratio is an operating metric calculated as Average DAU for any period divided by the MAU for the respective period, expressed as a percentage.
- (4) Total Number of Transactions is an operating metric calculated for any period as the overall number of transactions completed by Active Consumers, expressed in thousands of transactions.
- (5) Share of Active Consumers Present on All Three Platforms is an operating metric calculated for any period as the ratio of the number of Active Consumers which have used any of the products or services of each of the Payments, Marketplace and Fintech Platforms at least once for each Platform during the respective 12 months to the total number of Active Consumers as of the end of any such period, expressed as a percentage.
- (6) Monthly Transactions per Active Consumer is an operating metric calculated for any period as the ratio of the Total Number of Transactions for the respective 12 months to the total number of Active Consumers (the total number of consumers which have used any of the Group’s products or services at least once during the respective 12 months) as of the end of any such period, divided by 12, expressed in a number of transactions.
- (7) Share of Transactions via Super App in Kaspi Touchpoints is an operating metric calculated as the total number of Super App transactions divided by the total number of Transactions via Kaspi Touchpoints for the last month of each relevant period, expressed as a percentage.
- (8) Retention Rate of Active Consumers is an operating metric calculated for any period as (1-Churn Rate), where Churn Rate is the ratio of the number of Active Consumers that decided to discontinue to use products or services of Kaspi to the number of Active Consumers at the beginning of the respective period, expressed as a percentage.

Payments Platform

- (9) Total Payment Volume (TPV) is a financial metric calculated for any period as the sum of RTPV and total value of other payment transactions made by Active Consumers within the Payments Platform, which are made free of charge within Kaspi Ecosystem (such as P2P payments), expressed in millions of tenge.
- (10) Revenue-generating Total Payment Volume (RTPV) is a financial metric calculated for any period as the total value of revenue-generating transactions made by Active Consumers within the Payments Platform, expressed in millions of tenge.
- (11) Payments Active Consumers is an operating metric calculated for any period as the total number of consumers which have used the Payments Platform’s products or services at least once during the respective 12 months, expressed in thousands of consumers as of the end of any such period.
- (12) TPV Payment Transactions is an operating metric calculated for any period as the total number of payment transactions made by consumers through the Payments Platform, expressed in thousands of transactions.

- (13) RTPV Payment Transactions is an operating metric calculated for any period as the total number of revenue-generating payment transactions processed across all of the Platforms, expressed in thousands of transactions.
- (14) Payments Take Rate is a financial metric calculated for any period as the ratio of transaction and membership revenue excluding Kaspi Business revenue to RTPV, expressed as a percentage.
- (15) Average Balances on Current Accounts is a financial metric calculated for any period as the average total balance of the Payments Platform's accounts (including Kaspi Business and Kaspi Gold accounts) for each respective year based on the respective monthly average balances, expressed in millions of tenge.
- (16) Yield on Average Balances is a financial metric calculated for any period in respect of the Payments Platform as the sum of interest revenue divided by the Average Balances on Current Accounts, expressed as a percentage and annualised in case of interim periods. Yield on Average Balances is a non-IFRS performance measure. This is a non-IFRS measure.

Marketplace Platform

- (17) Gross Merchandise Value ("GMV") is a financial metric calculated for any period (for the Marketplace Platform or e-Commerce operations only, as the case may be) as the total value of goods and services sold across our Marketplace Platform or its e-Commerce segment, respectively, expressed in millions of tenge.
- (18) Active Consumers is an operating metric calculated for any period (for the Marketplace Platform or e-Commerce operations only, as the case may be) as the total number of consumers which have completed at least one purchase on the Marketplace Platform or its e-Commerce segment, respectively, during the respective 12 months, expressed in thousands of consumers as of the end of any such period.
- (19) Marketplace Active Stores is an operating metric calculated for any period as the total number of offline stores that have successfully completed the sale of goods or services to a consumer on our Marketplace Platform at least once during the respective 12 months, expressed in thousands of stores as of the end of any such period.
- (20) Number of Purchases is an operating metric calculated for any period (for the Marketplace Platform or e-Commerce operations only, as the case may be) as the total number of goods or services purchase transactions made by consumers through the Marketplace Platform or its e-Commerce segment, respectively, expressed in thousands of transactions.
- (21) Marketplace Take Rate is a financial metric calculated for any period as the ratio of seller fees to GMV, expressed as a percentage.
- (22) Retention Rate of Marketplace Active Merchants is an operating metric calculated for any period as (1-Churn Rate), where Churn Rate is the ratio of the number of Marketplace Active Merchants that decided to discontinue to offer and sell their products or services through our Marketplace Platform to the number of Marketplace Active Merchants at the beginning of the respective period, expressed as a percentage.
- (23) GMV per Active Consumer is an operating metric calculated for any period (for the Marketplace Platform or e-Commerce operations only, as the case may be) as Marketplace or e-Commerce GMV for the respective 12-month period (on a rolling basis) divided by the number of Marketplace or e-Commerce Active Consumers for the respective period, expressed in thousands of tenge.
- (24) Purchases per Active Consumer is an operating metric calculated for any period (for the Marketplace Platform or e-Commerce operations only, as the case may be) as the Number of Marketplace or e-Commerce Purchases for the respective 12-month period (on a rolling basis) divided by the number of Marketplace or e-Commerce Active Consumers for the same period.

Fintech Platform

- (25) TFV is a financial metric calculated for any period as the total value of loans to customers issued within the Fintech Platform, expressed in millions of tenge.
- (26) Fintech Active Consumers is an operating metric calculated for any period as the total number of consumers which held at least one outstanding financing product on the Fintech Platform during the respective 12 months, expressed in thousands of consumers as of the end of any such period.
- (27) Number of Fintech Financing Transactions is an operating metric calculated for any period as the overall number of loans and instalment finance products extended to customers within the Fintech Platform, expressed in thousands of transactions.
- (28) Fintech Average Net Loan Portfolio is a financial metric calculated for any period as the average balance of the Fintech Platform net loan portfolio for each respective year based on the respective monthly average balances, expressed in millions of tenge. This is a non-IFRS measure.
- (29) Fintech Average Yield is a financial metric calculated for any period in respect of the Fintech Platform as the sum of interest income and banking fee divided by the Fintech Average Net Loan Portfolio, expressed as a percentage and annualised in case of interim periods. Fintech Average Yield is a non-IFRS performance measure.
- (30) TFV to Average Net Loan Portfolio Conversion Rate is a financial metric calculated for any period as TFV for the respective 12-month period (on a rolling basis) divided by the Fintech Average Net Loan Portfolio for the respective period. This is a non-IFRS measure.

SELECTED STATISTICAL INFORMATION

The following tables present certain of the Group's selected statistical information for the periods indicated. The statistical information and discussion and analysis presented below is presented solely for the convenience of the reader for analytical purposes and on the basis of Industry Guide 3 under the Securities Act (Statistical Disclosure by Bank Holding Companies) ("Guide 3"). Limitations in the Group's existing financial reporting system prevent it from generating certain information pursuant to Guide 3. This section should be read in conjunction with the Annual Financial Statements included in this Registration Document, as well as "Presentation of Financial and Other Information" and "Operating and Financial Review".

Average Balance Sheet and Interest Rate Data

The following tables provide an analysis of the average balances of assets and liabilities of the Group for the six months ended 30 June 2020 and 2019, and the years ended 31 December 2017, 2018 and 2019. For the purposes of the following tables, the average is calculated on the basis of a simple average of monthly closing balances for each relevant period.

Average Assets and Liabilities

The following tables set out, for the six months ended 30 June 2020 and 2019, and the years ended 31 December 2017, 2018 and 2019: (i) the average balances for all major assets and liabilities of the Group; (ii) the average interest income received on each interest-bearing asset and the average interest expense paid for each interest-bearing liability; and (iii) the collective average yield for all interest-bearing assets and the collective average rate paid for all interest-bearing liabilities.

	For the year ended 31 December								
	2017			2018			2019		
	Average amount for the year ⁽¹⁾	Interest income / expense	Average yield / rate paid	Average amount for the year	Interest income / expense	Average yield / rate paid	Average amount for the year	Interest income / expense	Average yield / rate paid
KZT million, except percentages									
Interest-earning assets									
Loans to customers ⁽²⁾	778,187	130,504	16.8%	987,784	168,642	17.1%	1,145,155	218,912	19.1%
Debt securities.....	239,755	21,337	8.9%	289,093	23,843	8.2%	441,898	38,610	8.7%
Cash and equivalents ⁽³⁾ and due from banks.....	94,461	6,130	6.5%	92,450	2,581	2.8%	127,373	4,813	3.8%
Total interest-earning assets.....	1,112,403	157,971	14.2%	1,369,327	195,066	14.2%	1,714,426	262,335	15.3%
Other assets	200,219			171,294			212,350		
Total assets.....	1,312,622			1,540,621			1,926,776		
Interest-bearing liabilities									
Customer accounts	875,919	73,317	8.4%	1,069,980	81,231	7.6%	1,407,378	96,435	6.9%
Debt securities issued	110,175	10,337	9.4%	106,942	10,091	9.4%	136,798	13,705	10.0%
Subordinated debt..	90,922	9,692	10.7%	89,898	8,865	9.9%	82,705	7,808	9.4%
Due to banks.....	49,044	3,780	7.7%	32,676	2,498	7.6%	3,995	558	14.0%
Total interest-bearing liabilities.	1,126,061	97,126	8.6%	1,299,496	102,685	7.9%	1,630,876	118,505	7.3%
Other liabilities.....	27,554			34,972			45,348		
Total liabilities.....	1,153,614			1,334,468			1,676,224		
Net interest income ⁽⁴⁾		60,845			92,381			143,830	
Net interest spread ⁽⁵⁾			5.6%			6.3%			8.0%
Net interest margin ⁽⁶⁾			5.5%			6.7%			8.4%

	For the year ended 31 December								
	2017			2018			2019		
	Average amount for the year ⁽¹⁾	Interest income / expense	Average yield / rate paid	Average amount for the year	Interest income / expense	Average yield / rate paid	Average amount for the year	Interest income / expense	Average yield / rate paid
	KZT million, except percentages								
Yield components of loans to customers ⁽⁷⁾		107,060	13.8%		141,638	14.3%		168,088	14.7%
Average yield on loans to customers ⁽⁸⁾			30.5%			31.4%			33.8%
Net yield spread ⁽⁹⁾			15.2%			16.7%			17.8%
Net yield margin ⁽¹⁰⁾			15.1%			17.1%			18.2%

Notes:

- (1) Calculated as a simple average of monthly closing balances for each relevant year.
- (2) Calculated net of allowance for impairment losses.
- (3) Excludes cash on hand and non-interest-bearing current accounts with other banks.
- (4) Net interest income is defined and calculated as a difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities during the applicable period (calculated as described under “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”). This is a non-IFRS performance measure.
- (5) Net interest spread is defined and calculated as a difference between the average interest rate on interest-earning assets and the average interest rate on interest-bearing liabilities. Average interest-earning assets and average interest bearing liabilities are calculated as the average of monthly balances during the applicable period. The average interest rate on interest-earning assets is calculated as interest income for the period divided by average interest earning assets. The average interest rate on interest-earning liabilities is calculated as interest expense for the period divided by average interest earning liabilities. See also “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”. This is a non-IFRS performance measure.
- (6) Net interest margin is defined and calculated as a ratio of net interest income divided by the average balance of total interest-earning assets. Average interest-earning assets are calculated as the average of monthly balances during the applicable period. See also “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”. This is a non-IFRS performance measure.
- (7) Yield components of loans to customers is defined and calculated as the sum of interest income on loans and banking fees and commissions received by the Group in the Fintech Platform. This is a non-IFRS performance measure.
- (8) Average yield on loans to customers is defined and calculated as the sum of interest income on loans and banking fees and commissions received by the Group in the Fintech Platform divided by average balances of net loans to customers. Average balances of net loans to customers is calculated as the average of monthly balances during the applicable period. This is a non-IFRS performance measure.
- (9) Net yield spread is defined as the difference between the average yield (calculated as described under “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”) earned on interest-earning assets and the average rate paid (calculated as described under “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”) on interest-bearing liabilities. The average interest rate on interest-earning liabilities is calculated as interest expense for the period divided by average interest earning liabilities. This is a non-IFRS performance measure.
- (10) Net yield margin is defined as the sum of interest income on loans and banking fees and commissions received by the Group in the Fintech Platform divided by average interest-earning assets (calculated as described under “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”). Average interest-earning assets and average interest bearing liabilities are calculated as the average of monthly balances during the applicable period. This is a non-IFRS performance measure.

	Six months ended 30 June					
	2019			2020		
	Average amount for the year ⁽¹⁾	Interest income / expense	Average yield / rate paid	Average amount for the year	Interest income / expense	Average yield / rate paid
	KZT million, except percentages					
Interest-earning assets						
Loans to customers ⁽²⁾	1,089,481	97,682	17.9%	1,267,351	127,673	20.1%
Debt securities.....	434,598	18,681	8.6%	534,464	23,556	8.8%
Cash and equivalents ⁽³⁾ and due from banks	92,967	2,200	4.7%	223,038	5,455	4.9%
Total interest-earning assets	1,617,046	118,563	14.7%	2,024,853	156,684	15.5%
Other assets	194,176			269,845		
Total assets	1,811,222			2,294,698		
Interest-bearing liabilities						
Customer accounts	1,313,598	47,445	7.2%	1,683,444	53,748	6.4%
Debt securities issued	136,788	6,845	10.0%	137,008	6,873	10.0%
Subordinated debt.....	88,139	4,138	9.4%	76,527	3,676	9.6%
Due to banks.....	5,256	413	15.7%	2,501	82	6.6%
Total interest-bearing liabilities ..	1,543,781	58,841	7.6%	1,899,480	64,379	6.8%
Other liabilities.....	34,745			53,010		
Total liabilities	1,578,526			1,952,490		
Net interest income ⁽⁴⁾		59,722			92,305	
Net interest spread ⁽⁵⁾			7.0%			8.7%
Net interest margin ⁽⁶⁾			7.4%			9.1%
Yield components of loans to customers ⁽⁷⁾		79,664	14.6%		89,775	14.2%
Average yield on loans to customers ⁽⁸⁾			32.6%			34.3%
Net yield spread ⁽⁹⁾			16.9%			17.6%
Net yield margin ⁽¹⁰⁾			17.2%			18.0%

Notes:

- (1) Calculated as a simple average of monthly closing balances for each relevant period.
- (2) Calculated net of allowance for impairment losses.
- (3) Excludes cash on hand and non-interest-bearing current accounts with other banks.
- (4) Net interest income is defined and calculated as a difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities during the applicable period (calculated as described under “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”). This is a non-IFRS performance measure.
- (5) Net interest spread is defined and calculated as a difference between the average interest rate on interest-earning assets and the average interest rate on interest-bearing liabilities. Average interest-earning assets and average interest bearing liabilities are calculated as the average of monthly balances during the applicable period. The average interest rate on interest-earning assets is calculated as interest income for the period divided by average interest earning assets. The average interest rate on interest-earning liabilities is calculated as interest expense for the period divided by average interest earning liabilities. See also “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”. This is a non-IFRS performance measure.
- (6) Net interest margin is defined and calculated as a ratio of net interest income divided by the average balance of total interest-earning assets. Average interest-earning assets are calculated as the average of monthly balances during the applicable period. See also “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”. This is a non-IFRS performance measure.
- (7) Yield components of loans to customers is defined and calculated as the sum of interest income on loans and banking fees and commissions received by the Group in the Fintech Platform. This is a non-IFRS performance measure.
- (8) Average yield on loans to customers is defined and calculated as the sum of interest income on loans and banking fees and commissions received by the Group in the Fintech Platform divided by average balances of net loans to customers. Average balances of net loans to customers is calculated as the average of monthly balances during the applicable period. This is a non-IFRS performance measure.
- (9) Net yield spread is defined as the difference between the average yield (calculated as described under “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data*”) earned on interest-earning assets and the average rate paid (calculated as described under “*Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate*”).

Data”) on interest-bearing liabilities. The average interest rate on interest-earning liabilities is calculated as interest expense for the period divided by average interest earning liabilities. This is a non-IFRS performance measure.

- (10) Net yield margin is defined as the sum of interest income on loans and banking fees and commissions received by the Group in the Fintech Platform divided by average interest-earning assets (calculated as described under “Presentation of Financial and Other Information—Average Balance Sheet and Interest Rate Data”). Average interest-earning assets and average interest bearing liabilities are calculated as the average of monthly balances during the applicable period. This is a non-IFRS performance measure.

Changes in Interest Income and Interest Expense

The following table sets out, for the six months ended 30 June 2020 and 2019, and the years ended 31 December 2017, 2018 and 2019, changes in interest income/expense due to changes in volume and interest rates for the principal components of interest-earning assets and interest-bearing liabilities set out in the tables above.

	2018/2017			2019/2018		
	Change in interest income / expense	Change in volume	Change in rates	Change in interest income / expense	Change in volume	Change in rates
	KZT million					
Loans to customers ⁽¹⁾	38,138	35,150	2,988	50,270	26,868	23,402
Debt securities.....	2,506	4,391	(1,885)	14,767	12,603	2,164
Cash and cash equivalents, due from banks and securities ⁽²⁾	(3,549)	(130)	(3,419)	2,232	975	1,257
Total interest-earning assets...	37,095	39,411	(2,316)	67,269	40,445	26,824
Customer accounts.....	7,914	16,244	(8,330)	15,203	25,615	(10,412)
Debt securities issued.....	(246)	(303)	57	3,614	2,817	797
Subordinated debt.....	(827)	(109)	(718)	(1,057)	(709)	(348)
Due to banks.....	(1,282)	(1,261)	(21)	(1,940)	(2,193)	253
Total interest-bearing liabilities.....	5,559	14,571	(9,012)	15,820	25,530	(9,710)
Total net change.....	31,536	24,840	6,696	51,449	14,915	36,534

Notes:

- (1) Calculated net of allowance for impairment losses.
- (2) Excludes cash on hand and non-interest-bearing current accounts with other banks.

	Six months ended 30 June 2020/2019		
	Change in interest income / expense	Change in volume	Change in rates
	KZT million		
Loans to customers ⁽¹⁾	29,991	15,948	14,043
Debt securities.....	4,875	4,293	582
Cash and cash equivalents, due from banks and securities ⁽²⁾	3,255	3,078	177
Total interest-earning assets.....	38,121	23,318	14,803
Customer accounts.....	6,303	13,358	(7,055)
Debt securities issued.....	28	11	17
Subordinated debt.....	(462)	(545)	83
Due to banks.....	(331)	(216)	(115)
Total interest-bearing liabilities.....	5,538	12,608	(7,070)
Total net change.....	32,583	10,711	21,872

Notes:

- (1) Calculated net of allowance for impairment losses.
- (2) Excludes cash on hand and non-interest-bearing current accounts with other banks.

BUSINESS

Overview

Kaspi.kz is the largest Payments, Marketplace and Fintech Ecosystem in Kazakhstan with a leading market share in each of its key services and products. Our mission is to improve people's daily lives by developing innovative and highly relevant products and services. We are executing our strategy and growing our business by leveraging the latest technology and proprietary big data analytics with a view to create a seamless digital experience.

At the core of the Kaspi.kz Ecosystem is the Kaspi.kz Super App, the leading mobile app in the country with 7.8 million MAU. We believe that the Kaspi.kz Super App, which serves as a single gateway to all our services, is an integral part of people's daily lives in Kazakhstan. Through the Kaspi.kz Super App, we provide a growing range of innovative, interconnected, technologically advanced products and services that have revolutionised the way our consumers pay, shop and manage their personal finances. The usage of our Kaspi.kz Super App continues to grow as people's daily lives become increasingly digitalised, with the COVID-19 pandemic accelerating consumer adoption of cashless payments, online commerce and digital financial services.



Our Ecosystem serves both consumers and merchants and enables all participants to interact with each other. In our Ecosystem business model, the growth and development of one service contributes to the growth and development of other services, creating a powerful virtuous cycle with each participant deriving greater value than if they were to use a standalone service. A growing number of services being used by our consumers results in lower costs, synergies across all our Platforms and creates a powerful self-reinforcing network effect, giving us strong competitive advantages. All of these factors drive our Super App user satisfaction. We demonstrated a strong Net Promoter Score of 87.3 (based on a rolling 12-month average as of the first half of 2020) compared to the e-commerce industry average of 40 for the same period (based on CustomerGuru data). This is our principal indicator of customer satisfaction and loyalty and demonstrates that 9 out of 10 consumers recommend our Super App and its services to friends and family. Such a high level of consumer satisfaction is one of the key contributors to our high Active Consumer Retention Rate, which stood at 98.2% in the first half of 2020.

The Kaspi Ecosystem currently comprises the following three market leading Platforms, each of which is highly relevant to our consumers' everyday needs:

- *Payments Platform* connects our customers, which consist of both consumers and merchants, to facilitate cashless, digital payment transactions. We offer our customers a 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 a variety of services, including the Kaspi.kz Super App, Kaspi Gold pre-paid debit card, any bankcard or e-Wallet.

Our Kaspi.kz Super App and Kaspi QR technology are enabling us to disrupt the payments industry value chain with our own proprietary payment network that provides end-to-end payment functionality directly from our Kaspi.kz Super App to a merchant, without the need for a card and third-party payment network, such as Visa and Mastercard.

According to the NBK, in June 2020, our proprietary payment network transactions accounted for 66% of the total payment network transactions in Kazakhstan, while other payment networks, including Visa and Mastercard, had an aggregate share of 34% of the total payment network transactions in the country.

Kaspi.kz Payments Platform is the largest driving force behind Kazakhstan's transformation from cash to cashless and digital transactions. Based on NBK data, our TPV corresponded to a market share of 15% in 2017, 39% in 2018 and 65% in 2019 for total cashless and digital transactions (card payments, P2P payments, internet and mobile payments) effected in Kazakhstan.

- *Marketplace Platform* connects merchants and consumers enabling merchants to increase their sales and enabling consumers to buy a broad selection of products and services from a variety of online and offline merchants.

We help merchants increase their sales by linking them to our technology, payment options, including buy-now-pay-later consumer finance products, fulfilment, marketing and brand. Fulfilment options include in-store pick-up, delivery by merchants and delivery powered by Kaspi.kz.

According to Euromonitor, Kaspi.kz was the largest online retailer in Kazakhstan by sales value in each of 2017, 2018 and 2019. Kaspi.kz's e-Commerce GMV corresponded to a value market share of 23% in 2017, 38% in 2018 and 46% in 2019, based on Euromonitor's market size estimate.

Our Marketplace Platform's total GMV had a value share of the total Kazakhstan retail trade of 3.0% in 2017, 4.1% in 2018 and 5.5% in 2019, based on the MNE's total retail market spending estimate.

- *Fintech Platform* enables consumers to access instantly and seamlessly (primarily through the Kaspi.kz Super App) our digital finance products, including consumer finance and deposits. Our buy-now-pay-later consumer finance products are strategically integrated with our Marketplace Platform, which means that consumers are able to make a purchase seamlessly with financing and then pay over time in monthly instalments.

According to the NBK, in 2019 we enjoyed the largest market share in Consumer Loans in Kazakhstan, amounting to 32%.

We aim to continue growing the number of consumers, merchants and transactions by constantly expanding the range of services and products available through our Kaspi.kz Super App. For example, in July 2020, we acquired a 100% share of LLC Traveleasy, whose primary business is selling online airline and railway tickets. We subsequently renamed the company LLC Kaspi Travel and intend to add online travel services to our Super App by the end of 2020. We expect the Travel

Platform to initially offer air and railway tickets, with hotel and tour booking options to be added at a later stage. By leveraging our Super App infrastructure, we aim to build a market leading and profitable mobile Travel Platform, while incurring limited marketing and transaction expenses.

On 3 August 2020, we created LLC Kaspi Pay, a separate legal entity fully owned by Kaspi.kz. Kaspi Pay will incorporate our Payments Platform technology and will benefit from greater flexibility to offer innovative payment products to customers including Kaspi.kz, third-party online and offline merchants and financial institutions, as well as pursuing M&A, joint ventures and strategic partnerships in Kazakhstan and across the CIS region.

Our Key Milestones

In 2008, we introduced the new Kaspi brand with a simplified range of consumer finance and deposit products, aimed at providing fast and convenient financial services to consumers.

In 2010, we introduced payment kiosks, enabling our customers to top up accounts, repay consumer finance products and top up mobile phones.

In 2012, we launched our online Bill Payment platform and e-Wallet.

In 2014, we introduced our online Marketplace to provide our customers with the convenience of a full-suite online shopping experience and the Kaspi Bonus loyalty programme.

In 2015, we launched the Kaspi Gold debit card and Online Car Finance jointly with Kolesa.kz, the largest car classifieds platform in Kazakhstan. We also launched delivery services on our Marketplace Platform.

In 2016, we launched Kaspi Red, one of our buy-now-pay-later products, enabling our consumers to make purchases at selected retailers with interest free three-month instalments.

In 2017, we introduced our Mobile App and P2P wire transfers by phone number. We also introduced Kaspi Maps to allow users to locate our merchants, outlets and ATMs. In the same year, we launched the Kaspi Juma shopping festival as a national shopping event, similar to Black Friday in the U.S. and Singles Day in China.

In 2018, we launched Kaspi ID real-time face recognition technology, enabling consumers to access all our services seamlessly and securely. In addition, we launched Kaspi Message and P2P transfer by QR code.

In 2019, we rolled out Kaspi POS solutions with QR-technology to enable consumers and merchants to accept payments without the need for a card. We introduced the Kaspi Gold virtual card and launched our proprietary payment-processing network. We also introduced Online Merchant Finance, which offers working capital financing for merchants. In the same year, we launched the Kaspi Business mobile app in order to provide digital finance to our merchants. Furthermore, in 2019, we entered the Azerbaijan market by acquiring three leading online marketplace platforms for cars, real estate and general goods.

In 2020, we launched the service of fully online account opening for merchants and added Kaspi Pay functionality in the Kaspi Business Mobile App, enabling merchants to accept payments with QR-code directly from a smartphone. We also acquired one of Kazakhstan's leading online travel businesses in order to launch Kaspi Travel through the Kaspi.kz Super App.

Our Competitive Strengths

We have established a strong operational and financial track record and believe that the following competitive strengths have contributed and will continue to contribute to our long-term success:

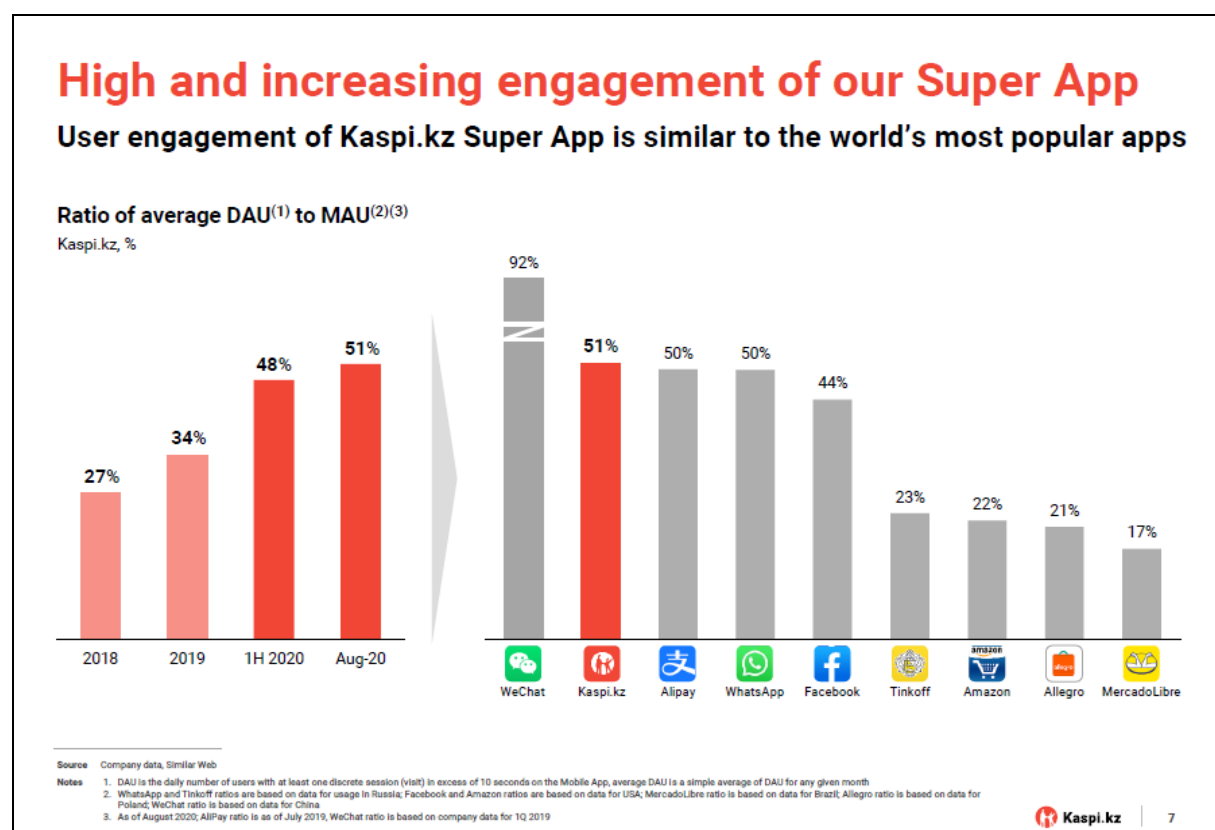
Kaspi.kz Super App is Kazakhstan's Leading Mobile App

At the core of our Kaspi.kz Ecosystem is our Super App, which is the gateway to all our Platforms and the leading mobile app in Kazakhstan. Through the Kaspi.kz Super App, we provide a growing range of innovative, interconnected, digital products and services that are used on a day-to-day basis by our consumers to pay, shop and manage their personal finances.

With the Kaspi.kz Super App, our consumers can shop online and in-store, make and receive payments, pay regular household bills, pay taxes and access other state services, open and manage accounts, receive consumer financing, use location services to find the nearest merchant, use messaging to make and confirm transactions, and earn/redeem bonuses under the Kaspi Bonus programme. All our services offered through Kaspi.kz Super App are highly synergetic and interaction between services creates a one-stop-shop solution for consumers and a virtuous demand cycle for our business.

We believe that our Super App – and mobile technology in general – eliminates the conventional offline/online boundaries between payments, shopping and finance. All of our services are designed to be used frequently by a large number of people, contributing to a highly engaged user base.

Our Kaspi.kz Super App is one of the most popular mobile apps in the country, reaching 7.8 million MAU by June 2020, representing a 72% increase from 4.5 million MAU in June 2019. The level of user engagement with the Kaspi.kz Super App is comparable to the levels of user engagement demonstrated by the world's most popular mobile apps (such as, among others, Alipay, Facebook and WhatsApp, based on SimilarWeb data). Our Average DAU to MAU ratio increased to 51% in August 2020 compared to 34% in 2019.



All of our Key Services Have No.1 Market Positions

We are the largest Payments, Marketplace and Fintech Ecosystem in Kazakhstan with a leading market share in each of our key products and services. The breadth of the products and services we offer, among other factors, has allowed us to attract 7.8 million MAU on our Kaspi.kz Super App as

at 30 June 2020, which equates to approximately one third of the total population in Kazakhstan. We believe this makes our Ecosystem comparable to some of the leading consumer-oriented internet businesses globally in terms of users as a share of the population.

Whilst we have a number of competitors in each of our segments, no single competitor offers the range of products and services that we are able to offer through a single Super App. We believe this factor contributes to our market leading position across all of our Platforms.

Based on NBK data, our TPV corresponded to a market share of 65% in 2019 for total cashless and digital transactions (card payments, P2P payments, internet and mobile payments) effected in Kazakhstan. Since the launch of our Kaspi.kz proprietary payment network in 2019, we have consistently taken market share from other payment networks, including Visa and Mastercard. According to the NBK, in June 2020, Kaspi.kz's proprietary payment network transactions accounted for 66% of the total payment network transactions in Kazakhstan, while other payment networks, including Visa and Mastercard, had an aggregate share of 34% of the total payment transactions processed in the country.

In 2019, our e-Commerce GMV corresponded to a market share of 46% in value, based on Euromonitor estimates, and the Marketplace Platform's total GMV was equivalent to 5.5% of Kazakhstan's retail trade in 2019, based on MNE's total retail market spending estimate.

As at 31 December 2019, our market share of Consumer Loans was 32%, whereas our market share of retail deposits (excluding the share of JSC "House Construction Savings Bank of Kazakhstan" (the "**State Mortgage Bank**")) was 18%, according to the NBK.

Significant Volumes of Proprietary Data Drive Product Development and Risk Management

Our Active Consumers make on average around 19 transactions per month. Transaction data covers all aspects of consumer spending habits and is combined with social, financial and behavioural digital data from mobile app usage. Such high levels of transactions per consumer combined with the leading market share of our Platforms, provides us with unmatched volumes of proprietary data and unique consumer insights.

Our experienced data scientists leverage our technology and proprietary data to both personalise and enhance our consumer experiences, ensure best-in-class product development and more effective credit and transaction risk management procedures. As a result, such additional data insights have allowed us to constantly grow our business and improve our cost of risk.

In 2019, our systems allowed us to process 37 transactions per second effected by our Active Consumers, and to make 99.9% of consumer loan approvals within 10 seconds.

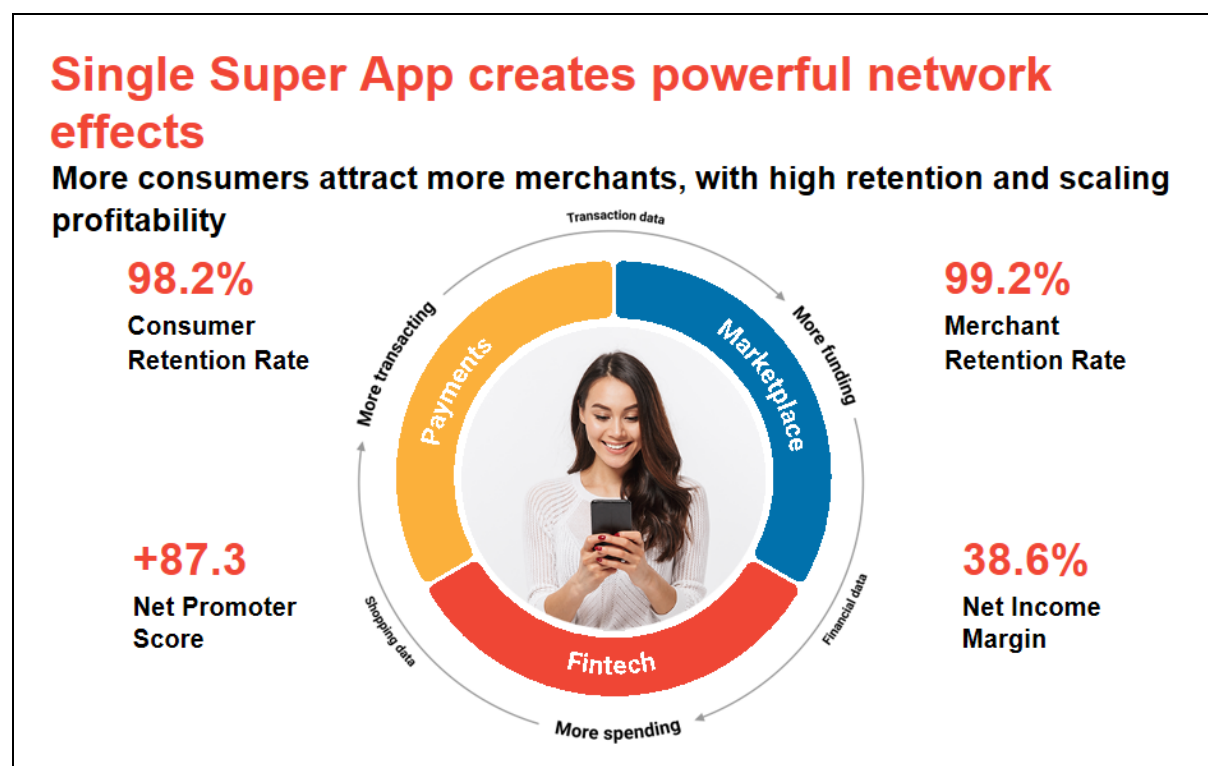
We do not sell or make data collected available to any third parties, other than as required by legislation.

Integrated Ecosystem with Powerful Self-reinforcing Network Effects

We believe that our Ecosystem's diverse and complementary array of services results in powerful and sustainable self-reinforcing network effects, as the growth and development of one service directly contributes to the growth and evolution of other services. Strong network effects help us maintain leading market shares, resulting in synergies across all of our Platforms and significant operating leverage.

For example, the large number of Active Consumers and the diverse range of convenient payment and financing options have led to increased consumer spending on our Marketplace. Higher spending on the Marketplace Platform in turn increases the number and volume of transactions through our Payments Platform, as well as financing through our Fintech Platform. In addition, we believe our highly engaged consumer base attracts more merchants to our Marketplace, thereby increasing the product selection and price competitiveness, which in turn leads to growth in the number of

consumers joining our Platforms. Such interaction between our different services creates a virtuous cycle that drives our profitable growth and creates significant competitive advantages.



High-quality products and services around consumers' everyday needs integrated into a single Kaspi.kz Super App contribute to a higher number of products and services being used by our Active Consumers. This makes our Platforms increasingly attractive, with few reasons for our consumers to switch to competing products and services. A high retention of Active Consumers reduces consumer acquisition costs and is an important reason for our increasing profitability. Our retention rate of Active Consumers in the first half of 2020 was 98.2%.

The result of these synergies and operating leverage is structurally high profitability. The Net Income Margin of our business improved from 26% in 2017 to 30% in 2018, 38% in 2019 and further to 39% in the first half of 2020.

Leading Brand

The "Kaspi" brand, which was first introduced in 2008 by the current management team, is among the most recognisable and popular in Kazakhstan across all of our Platforms.

Based on the results of a survey held by TNS Gallup (rolling for the 12 months ended 31 March 2020), we were the number one consumer choice across all of our products: (i) in payments, with 74.3% of respondents intending to pay online through Kaspi.kz in the next three months compared to 15.9% for the nearest competitor; (ii) in e-Commerce, with 35.7% of respondents intending to buy electronics through Kaspi.kz in the next three months compared to 19.8% for the nearest competitor; (iii) in consumer finance, with 51.6% of respondents intending to take a consumer loan from Kaspi.kz compared to 12.6% for the nearest competitor; (iv) in deposits, with 53.0% of respondents intending to place a deposit with Kaspi.kz compared to 16.6% for the nearest competitor; and (v) in card payments, with 76.3% of respondents intending to use our Kaspi Gold card for in-store and online shopping compared to 11.7% for the nearest competitor.

Long-Standing Team and Unique Corporate Culture

Our company is led by an entrepreneurial management team with a proven track record of driving innovations. The key members of the management team have each been with Kaspi.kz for more than 10 years. The team has a global and regional perspective combined with experience acquired at the world's leading academic, financial and technology institutions.

Our corporate culture is central to our success and is based on our mission of leveraging technology to improve the everyday lives of people. We believe that even large organisations need to stay innovative and we therefore foster an environment that inspires teamwork, constant improvement and a relentless focus on delivering the best possible experience to our customers.

Our Growth Strategy

Our strategy is to continue growing the number of consumers, merchants and transactions by constantly expanding our range of services and products available through our Kaspi.kz Super App.

Mobile digital payments, shopping and financial services are experiencing structural growth globally, with Kazakhstan in the relatively early stages of this transition. In the short term, COVID-19 has accelerated the shift from offline to digital platforms, which has been reflected in the usage of Kaspi.kz's products and services. The key elements of our strategy are as follows:

Take Advantage of Underpenetrated Markets with High Growth Potential

Kazakhstan has benefited from robust economic growth in recent years, which has contributed to the strong performance of our business. According to the MNE, Kazakhstan's real GDP growth was 4.1% in each of 2017 and 2018 and 4.5% in 2019. Kazakhstan's real GDP is expected to decline by 2.2% in 2020 mainly due to the COVID-19 pandemic. However, according to the EIU, Kazakhstan's real GDP is forecast to grow at between 3.6% and 4.5% per year in the period from 2021 to 2023.

Payments

The Kazakhstan payments market is at an early stage of development with significant potential for growth. Digital payments in Kazakhstan accounted for 31.0% of all consumer payment transactions in 2019, as compared to 81.6% in China, 76.8% in Turkey, 70.4% in Brazil and 51.4% in Russia.

Marketplace

We believe that low penetration of online retail sales in Kazakhstan, which accounted for 3.4% of the total retail market in 2019 and which is, according to Euromonitor, significantly below other markets, offers further high growth potential for our online Marketplace. Our Marketplace extends beyond online as we continue digitalising the in-store shopping experience with Kaspi.kz Super App and QR-technology.

Fintech

Similarly, we believe Kazakhstan's consumer finance sector also has significant growth potential as a result of the low penetration of consumer financial services, with Consumer Loans accounting for only 6.7% of GDP in 2019 (based on data from the NBK and the MNE), as compared to 23.7% of GDP in China, 18.1% of GDP in Brazil, 8.7% of GDP in Turkey and 8.5% of GDP in Russia, based on data from Euromonitor and the IMF.

Continually Introduce Innovative Digital Products through Kaspi.kz Super App

As an innovation-driven company, we have a proven track record of introducing cutting-edge digital products and services that have been quickly adopted by our customers, enabling us to continuously grow and expand our market share.

All our services are instantly available to our consumers through the Kaspi.kz Super App and as they use multiple services and products from Payments, Marketplace and Fintech Platforms, this creates a virtuous cycle that drives our long-term growth. We plan to grow further by continually introducing new innovative digital services through the Kaspi.kz Super App that will attract new users and increase the engagement of existing users.

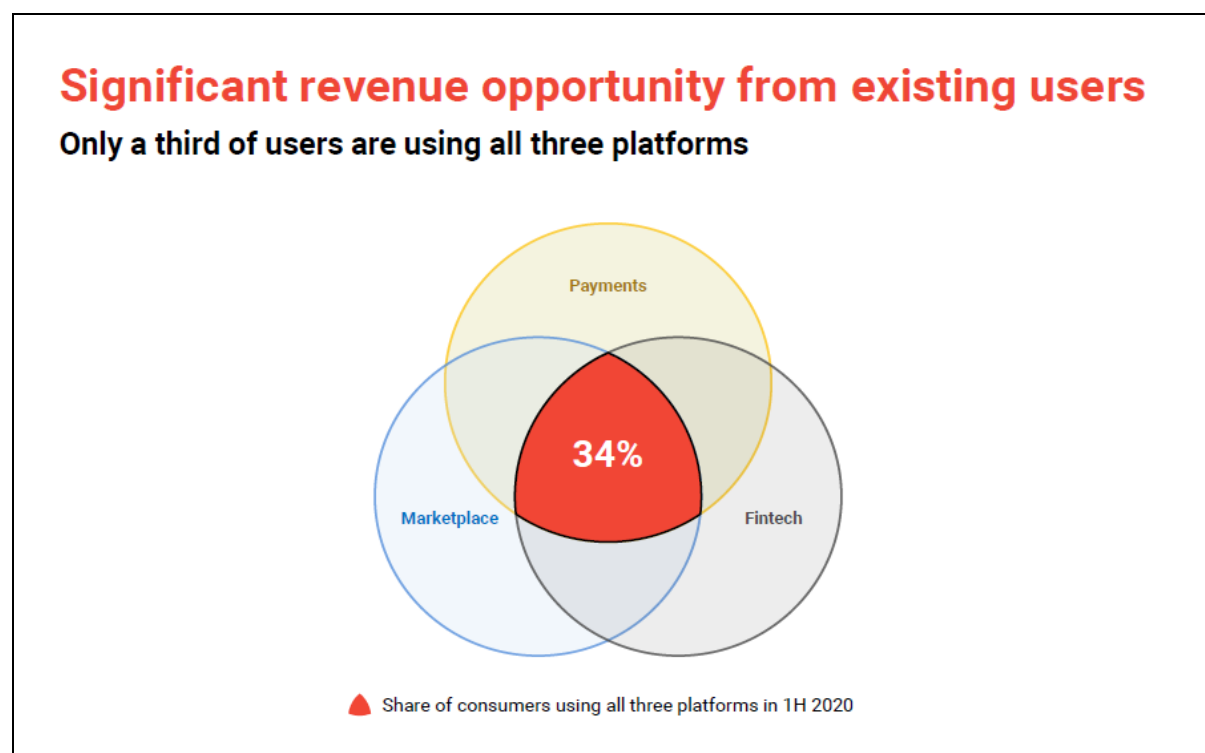
In 2020 and 2021, we expect our latest products such as Kaspi QR payments, Kaspi PoS solutions and Online Merchant Finance to add to our revenue growth.

We are also planning to enter the online travel business by the end of 2020. In July 2020, we acquired a 100% share of LLC Traveleasy, whose primary business is selling online airline and railway tickets. We subsequently renamed the company LLC Kaspi Travel and intend to add online travel to our Super App by the end of 2020. The Kaspi Travel Platform will connect travel operators and consumers. We expect the Travel Platform to initially offer air and railway tickets, with hotel and tour booking options to be added at a later stage. By leveraging our Super App infrastructure, we aim to build a market leading and profitable mobile Travel Platform, while incurring limited marketing and transaction expenses.

Given the substantial growth opportunity for digital payments in Kazakhstan and across the CIS region, in July 2020, we established LLC Kaspi Pay, a separate legal entity fully owned by Kaspi.kz. Kaspi Pay will incorporate our Payments Platform technology and will offer innovative payment products to online and offline merchants and third-party financial institutions, as well as pursue M&A, joint ventures and partnerships. We believe Kaspi Pay's increased focus and flexibility will make it better positioned to capitalise on the rapidly evolving digital payments opportunity and create additional value for Kaspi.kz, consumers and merchants.

Significant Revenue Opportunity as Consumers Use More of our Platforms

At present, only 34% of our Active Consumers use the products and services of all three Platforms.



Considering that all of our products and services are offered through the Kaspi.kz Super App, consumers can navigate seamlessly between our complimentary Platforms. In addition to allowing us

to increase the overall number of consumers, this gives us a further significant revenue opportunity if existing consumers use all of our Platforms.

Extend Service Offering to Merchants

Currently we have around 27.5 thousand Active Stores in our Ecosystem. As we continue expanding our merchant base, we believe that another significant revenue opportunity will come from the additional services that we can provide to our merchants.

By the end of 2019, we had started to roll-out Kaspi.kz POS solutions enabling merchants to accept in-store payments from Kaspi.kz Super App by scanning a QR-code. Currently, all of our Active Stores have our Kaspi.kz POS solution. At the same time, we launched Online Merchant Finance, a working capital finance product for our merchants. The service enables merchants to drawdown a facility of up to 20% of combined GMV and TPV (TPV through Kaspi.kz POS only) generated by the merchant through the Payments and Marketplace Platforms. This product will further incentivise our merchants to process all card payments through our POS. We have temporarily limited the roll-out of POS solutions and Merchant Finance origination due to the impact from COVID-19 on merchant operations but plan to gradually resume later in 2020 and in 2021.

We are also developing our Kaspi Marketing functionality, which will enable all our Payments and Marketplace merchants to promote their products through our Kaspi.kz Super App. We are currently testing the concept with selected merchants and intend to gradually roll-out the service by the end of 2020 and further in 2021. Marketing services are expected to be priced to merchants at around 1% of GMV generated from marketing services, contributing to the increase in our Marketplace Take Rate.

We see additional medium-term opportunities in various areas of merchant operations, including accounting, HR, logistics and inventory management.

Expansion into Selected Markets of Central Asia and the Caucasus

We believe that our highly scalable asset light business model will enable us in the mid-term to efficiently expand into selected adjacent countries in Central Asia and the Caucasus, extending our geographical reach to a total population of 87.0 million people and a combined U.S.\$185.6 billion of private consumption in 2019, according to the EIU, with limited presence of global and local players in the payments, marketplace and fintech space. Our Marketplace and Payments Platforms can be offered via our Super App to the population of any country of presence relatively easily, without significant capital expenditure requirements.

In line with this strategy, in September 2019 we expanded our addressable market from 18.6 million people (in Kazakhstan) to 28.7 million people by entering Azerbaijan through the acquisition of three leading marketplace platforms (Turbo.az (a car marketplace), Tap.az (a used and new items marketplace) and Bina.az (a real estate marketplace)). See “—Our Principal Business Activities—Marketplace Platform—Azerbaijan Marketplace Platforms”.

Guidance

Our medium-term goal is for the Payments and Marketplace Platforms to account for the majority of our Net Income. Supported by the accelerated acquisition of new users in our Super App in 2020, which is demonstrated by a 72% increase in MAU year-on-year in the first half 2020, we expect to continue acquiring new users to engage across all of our Platforms, which we anticipate will allow us to deliver strong growth across all of our Platforms in 2020 and 2021.

Payments

In the near-term, we will be aiming to maintain year-on-year growth of our Payments Platform RTPV at a level of 80-85% in 2020, targeting a high 80% 2019-2021 CAGR, on the back of an anticipated growth in the number of Active Consumers and the frequency of Payments transactions. We are also

expecting average balances on current accounts to demonstrate high 60% year-on-year growth in 2020 compared to 2019 and achieve high 50% 2019-2021 CAGR.

We anticipate that our Payments Take Rate will remain broadly flat in 2020 compared to 2019 and will remain at the same level in 2021. We target a low 50% and high 50% Net Income Margin for the Payments Platform in 2020 and 2021, respectively.

Marketplace

In the near-term, we will be aiming to maintain year-on-year growth of our GMV at a level between 25% and 30% in 2020 and at a 2019-2021 CAGR in the mid 50% by leveraging the Kaspi.kz Ecosystem to grow the Marketplace Platform's user base, driving engagement by adding new merchants, categories and cross-border capabilities. With increased adoption of online shopping by consumers, we continue to expect to see our e-Commerce GMV grow at a faster rate than our overall Marketplace GMV going forward. We also expect to be able to benefit from the removal of offline shopping restrictions introduced in response to the COVID-19 pandemic, recovering consumer appetite, and our investments in delivery infrastructure in the first half of 2020 and by expanding Mobile Commerce through the Kaspi.kz Super App and Kaspi QR. We expect our Marketplace Take Rate to demonstrate slight year-on-year expansion in 2020, remaining flat from 2020 to 2021. We anticipate the Marketplace Platform's Net Income Margin to stand at the level of low 60% in 2020 and increase to mid-60% by the end of 2021 as we continue to balance operating leverage with new technology and product development investments.

Fintech

We expect our TFV to demonstrate a year-on-year decline of around 10% in 2020 due to our more cautious approach to lending starting from March 2020 following the onset of the COVID-19 pandemic. At the same time, we expect our TFV to grow at a mid-30% CAGR from 2019 to 2021 on the back of its gradual recovery starting from summer 2020. We target a TFV to Average Net Loan Portfolio Conversion Rate of around 1.4 in 2020 and around 2.0 in 2021. We expect our 2020 and 2021 Fintech Average Yield levels to remain largely flat compared to our 2019 Fintech Average Yield of 32.2%, and our Fintech Net Income Margin to be in the mid-30% in 2020 and in the high-30% in 2021 due to our continued balancing of operating leverage with new technology and product development initiatives.

We are targeting a 3.5% cost of risk by the end of 2020 and will also aim to maintain a stable cost of risk in the near-term through the expansion of our Ecosystem, which allows us to constantly enrich our proprietary data and, combined with technology improvements, help us to better manage risk.

The guidance set out above for the Fintech Platform includes our Merchant Finance operations.

Our Principal Business Activities

Payments Platform

Overview

The Payments Platform connects our customers, which consist of both merchants and consumers, to facilitate digital payment transactions. We offer our customers a technology platform to purchase and receive payments for goods and services, as well as to transfer and withdraw money. We enable consumers to transact with merchants and amongst themselves using a variety of accounts, including the Kaspi Gold pre-paid debit card, P2P transfer, any bankcard or e-Wallet.

Our Payments Platform is important for us in attracting a large number of consumers. Our Active Consumers make on average around 19 transactions per month. Transaction data from our Payments Platform covers all aspects of consumer spending habits and is combined with social, financial and behavioural digital data from our mobile app usage. Such a high level of transactions per consumer combined with the leading market share of our Payments Platform provides us with unmatched

volumes of proprietary data and unique consumer insights. As a result, such additional data insights have allowed us to constantly improve our cost of risk and grow our business by introducing new products and services.

Kaspi.kz's Payments Platform is the largest driving force behind Kazakhstan's transformation from cash to cashless and digital transactions. Based on NBK data, our TPV corresponded to a market share of 15% in 2017, 39% in 2018 and 65% in 2019 in total cashless and digital transactions (card payments, P2P payments, internet and mobile payments) effected in Kazakhstan.

Fees for transaction processing and other payment-related services constitute the majority of the revenues of the Payments Platform and are primarily based on the TPV. We also earn revenue for processing P2P payments to other bankcards (both inside Kazakhstan and globally). The Payments Platform's revenue also includes annual fees paid by consumers and merchants for engagement in the Kaspi Ecosystem and interest revenue from cash balances.

TPV growth is being driven by the rapid take-up of all our payments products and has contributed to our growing and large share of market wide TPV. P2P Payments between existing Kaspi customers, which are not directly monetised, are growing significantly faster than our overall TPV, as our customers make digital mobile payments and transfers for the first time. In the first half of 2020, P2P Payments accounted for 74% of our TPV, with Bill Payments contributing 8% of our TPV, and card transactions comprising around 19% of our TPV.

In the first half of 2020, our TPV increased by 185.8% year-on-year and reached KZT8,178,998 million (U.S.\$20,253 million) while our RTPV increased by 79.9% year-on-year and reached KZT2,407,832 million (U.S.\$5,962 million).

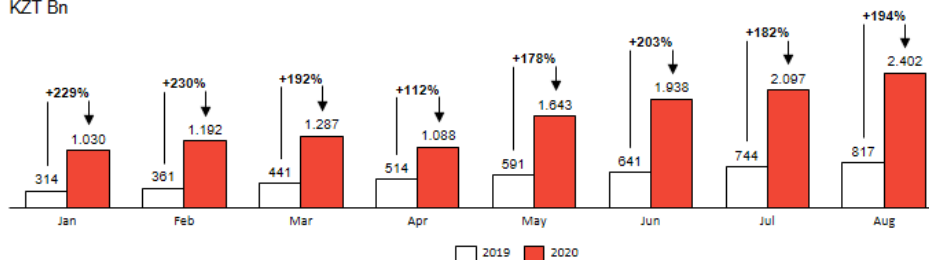
In our Payments Platform, we have observed continued growth in TPV and RTPV against the backdrop of increasing adoption of digital contactless payment methods by consumers. Our TPV demonstrated year-on-year growth of 194% in August 2020 compared to August 2019, with RTPV demonstrating 91% year-on-year growth in the same period. TPV demonstrated year-on-year growth of 187% in first eight months of 2020 compared to the first eight months 2019, with RTPV demonstrating 80% year-on-year growth in the same period.

TPV up 194% and RTPV up 91% in August

TPV and RTPV growth accelerating

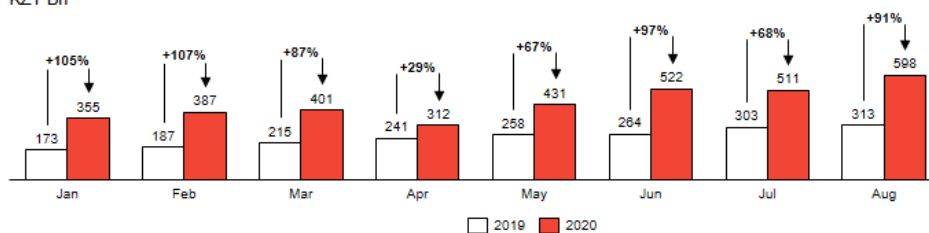
TPV

KZT Bn



RTPV

KZT Bn



Proprietary Payment Network

In mid-2019, we launched a proprietary payment network, disrupting the payments industry value chain by providing end-to-end payment functionality between consumers, directly from our Kaspi.kz Super App to a merchant integrated with our Bill Payment platform or with Kaspi POS Terminal and Kaspi Mobile POS, without the need for a card and third-party payment network, such as Visa and Mastercard.

In order to execute on this strategy, we created Kaspi QR technology with the purpose of shifting our consumers' payment experience in merchant stores from payments by card to payments via the Kaspi.kz Super App. This strategic move has been inspired by the wide adoption of mobile payments in China, where the population is increasingly using mobile technology and QR-code technology. The COVID-19 pandemic has further accelerated the shift of the consumer payment experience and preferences for cashless methods.

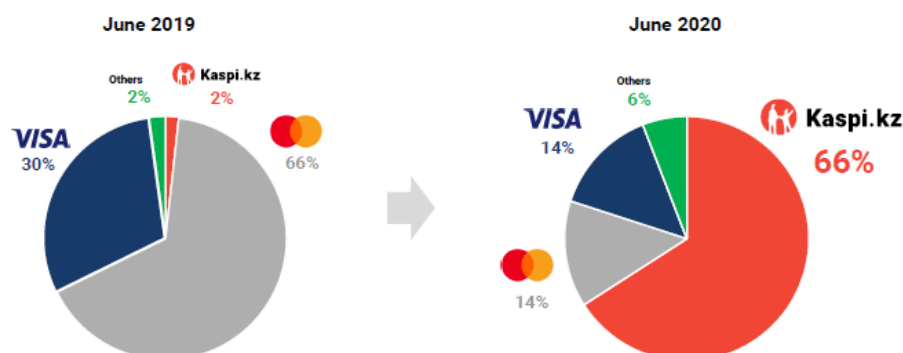
Our proprietary payment network reduces our transaction costs by eliminating the need to rely on any third parties and also allows us to fully control the customer experience and further enhance our proprietary data collection. In June 2020, 78.3% of our TPV was processed on our proprietary payment network.

In June 2020, we processed more transactions through our proprietary payment network than were processed by Mastercard and Visa combined in Kazakhstan. According to the NBK, in June 2020, our proprietary payment network transactions (including TPV transactions and other transactions of consumers from their cards to their own accounts through our proprietary network) accounted for 66% of the total payment network transactions in Kazakhstan, while other payment networks, including Visa and Mastercard, had an aggregate share of 34% of total payment transactions processed in the country.

We are disrupting the payments value chain

Kaspi.kz proprietary payment network rapidly taking market share from Visa and Mastercard

Total monthly Processed Volumes⁽¹⁾ in Kazakhstan



Note:

- (1) For Kaspi.kz this includes TPV transactions and other transactions by consumers from their cards to their own accounts through the proprietary payment network.

Consumer Payment Products

P2P Payments

We launched P2P payments through our Kaspi.kz Super App to enable consumers to settle bills and expenses with friends, to transfer or receive money from other Kaspi.kz consumers, as well as to wire money to any Mastercard card or Visa card domestically or globally.

Our consumers can make P2P payments through our Super App by using their card number, mobile phone number and/or a Kaspi QR code.

Only 4.4% of P2P transactions are directly monetised, with a fee charged on P2P payments to cards issued by another bank and foreign currency transactions. However, with P2P being a major driver of new user growth, transaction volumes and overall engagement, it is an important source of indirect monetisation and provides us with important consumer insights.

In the medium-term, we see potential to introduce new products and services specifically designed to increase direct monetisation of our P2P transaction volumes.

Bill Payments

We have created the Bill Payments platform on our Kaspi.kz Super App to enable consumers to pay for their recurring household needs.

In the absence of a direct debit functionality in Kazakhstan, prior to the introduction of the Kaspi.kz Bill Payments platform, bill payment processes handled by incumbent players were mostly manual, offline-based and inconvenient, and were accompanied by commissions. We disrupted the market by

developing a fully online and mobile Bill Payments platform, enabling consumers to receive and pay their bills electronically on a commission-free basis.

Currently, consumers can pay for wide range of services such as mobile operators, utility companies, public transportation, internet and cable TV, education, health and beauty, financial services, taxes and other categories.

The Bill Payments platform increases transaction frequency and drives consumer engagement and retention.

Kaspi Gold

Kaspi Gold is both our proprietary virtual online Kaspi.kz card and a Mastercard/Visa branded debit card (which is used predominantly for payments with merchants which do not have Kaspi Pay or for overseas transactions) that our consumers can use to pay for purchases online and in-store. Consumers can top up Kaspi Gold through (i) our Kaspi.kz Super App from any Mastercard/Visa card, (ii) our network of Payment Kiosks and ATMs, or (iii) automatically through payroll systems.

In the first half of 2020, 6,363 thousand Active Consumers used Kaspi Gold, as compared to 3,337 thousand Active Consumers in the first half of 2019.

Merchant Payments Solutions

Through our Payments Platform, we enable merchant acquiring acquisitions both online and in-store. Our online merchant acquiring services are provided through the Online Bill Payment platform, while in-store acquiring is facilitated by the Kaspi.kz Mobile POS and POS Terminal.

The table below sets out the breakdown of our merchant acquiring RTPV for the periods indicated:

	As at 31 December		As at 30 June		31 December	30 June
	2018	2019	2019	2020	2019	2020
	in KZT billions				% change from prior year	
Online acquiring	468	861	363	614	84.0%	69.1%
In-store acquiring	18	55	18	73	205.6%	305.6%
Total acquiring	486	916	382	687	88.5%	79.8%

Bill Payment Services

In addition to a consumer payments product, the Bill Payments platform is also a solution for merchants. Merchants integrate their invoicing/bill processing systems into our platform and our proprietary technology enables a seamless bill payment experience through the Kaspi.kz Super App.

Currently, over 6,000 merchants are organised around the following categories: mobile operators, utility companies, public transportation, internet and cable TV, education, health and beauty, financial services, taxes and other categories.

In 2019, in collaboration with the Ministry of Finance of Kazakhstan, we integrated our Bill Payment services with the state tax database and developed a function so that a consumer is notified about any accrued personal taxes and can settle these instantly through the Kaspi.kz Super App.

Kaspi Pay Mobile POS and POS Terminal

Kaspi Pay Mobile POS is our proprietary mobile application, available on iOS or Android devices and is aimed at SMEs and merchants with low transaction intensity.

Kaspi POS Terminal has pre-installed Kaspi POS software and is designed to create convenient ways for merchants to accept payments in a high-transaction intensity environment, for example supermarkets.

Kaspi POS Terminal enables merchants to receive payments from any bankcard and the Kaspi Gold pre-paid debit card. Kaspi POS Terminal also enables merchants to accept payments from Kaspi.kz consumers directly from Kaspi.kz Super App through Kaspi QR technology.

When a consumer transacts with Kaspi Gold through a physical card, we earn around 1.7% in take rates; when a consumer transacts through our POS solutions with another bankcard, we earn around 2.3% in take rates; when a consumer transaction is carried out through our Super App with Kaspi QR, we earn 0.95% in take rates.

We rolled out the Kaspi POS Terminal and Mobile POS in late 2019. As of 30 June 2020, over 23,000 Active Stores were using Kaspi POS solutions.

Kaspi Pay Mobile App

Kaspi Pay is a digital finance mobile application that helps merchants to manage business finances and transactions digitally. Merchants can see transactions in real time on our Payments and Marketplace Platforms, pay and transfer money, keep track of their finances and generate account statements. We charge our clients fees for money transfers and monthly subscription fees.

Marketplace Platform

Overview

The Marketplace Platform connects merchants and consumers by enabling merchants to increase their sales and consumers to buy a broad selection of products and services from a variety of online and offline merchants. Revenue is generated by charging seller fees to merchants when a sale is completed within the Marketplace Platform; hence, our revenue is driven by the GMV.

Fulfilment options include in-store pick-up, delivery by merchants and delivery powered by Kaspi.kz.

According to Euromonitor, Kaspi.kz was the largest online retailer in Kazakhstan by sales in 2017-2019. Kaspi.kz's e-Commerce GMV corresponded to a value market share of 23% in 2017, 38% in 2018 and 46% in 2019, based on Euromonitor market size estimate.

Our GMV mix has been gradually shifting towards e-Commerce GMV and Mobile Commerce GMV. In June 2020, e-Commerce GMV and Mobile Commerce GMV reached 88% of Total GMV compared to only 60% in June 2019.

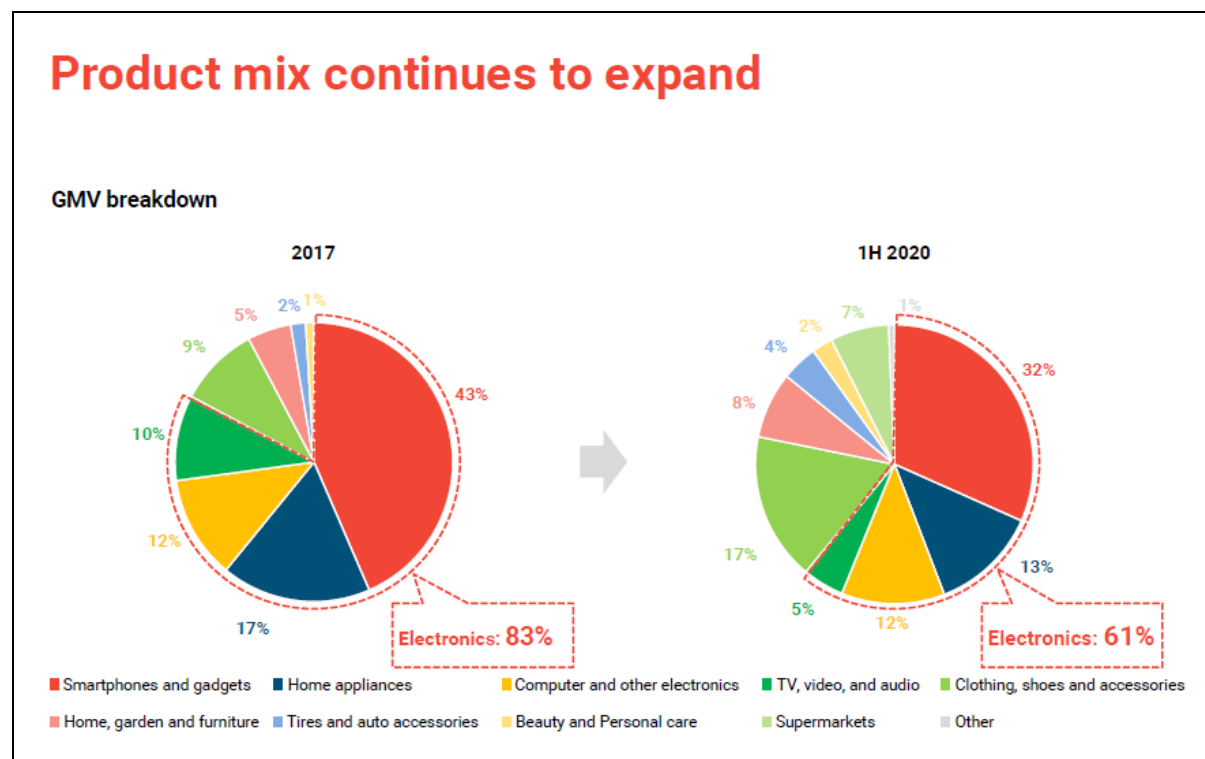
Since the launch of our Marketplace, we have been continuously expanding the range of goods available for purchase around our consumers' needs. In 2018, we introduced a number of new verticals, such as restaurants, tyres, cosmetics and drug stores, while in 2019 we began selling books, home and garden goods, boating and fishing goods, motorcycles and scooters, and tourism services. In the first half of 2020, we started selling pet supplies, as well as school and office supplies. As at September 2020, around 400 thousand items were listed on our Marketplace.

In the periods indicated, our GMV breakdown by share was as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	Share of total GMV (%)				
Smartphones and gadgets.....	43.5%	38.2%	31.3%	31.9%	31.6%
Clothing, shoes and accessories	8.6%	15.1%	21.2%	21.9%	17.2%
Home appliances.....	15.9%	12.8%	12.7%	13.5%	12.5%
Computers and other electronics.....	10.9%	10.7%	10.6%	12.1%	12.0%
TV, video and audio	9.1%	6.3%	6.4%	5.6%	4.8%
Home, garden and furniture	4.7%	3.6%	6.7%	5.5%	7.7%
Tyres and car accessories.....	1.6%	2.4%	4.0%	3.3%	4.2%
Supermarkets	-	-	4.0%	2.9%	6.8%
Beauty and personal care	0.9%	1.3%	2.1%	2.2%	2.4%

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	Share of total GMV (%)				
Other.....	8.6%	15.3%	0.9%	1.0%	0.7%

As a result of the gradual development from the lower margin electronics category to higher margin verticals (such as clothing, accessories, restaurants and other categories), our Marketplace Take Rate improved to 6.7% in the first half of 2020 from 6.5% in the first half of 2019. The Marketplace Take Rate ranged from 5.0% (for electronics) to a percentage level in the mid-teens (for jewellery).



In the first half of 2020, our GMV increased by 12.1% year-on-year and reached KZT271,092 million (U.S.\$671 million). In turn, e-Commerce GMV increased by 76.9% year-on-year to KZT113,501 million (U.S.\$281 million) despite total retail trade in Kazakhstan reducing by 7% over the same period (due to restrictions imposed in light of the COVID-19 pandemic), based on MNE estimates.

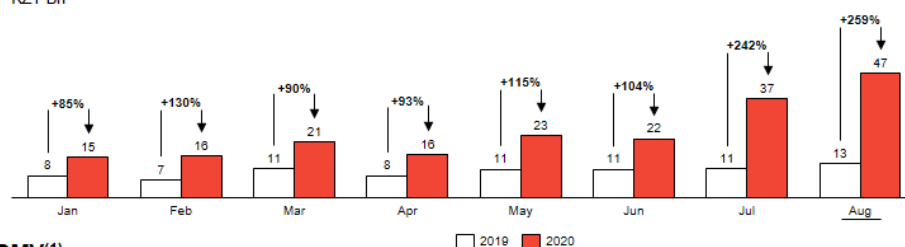
In our Marketplace Platform, we have observed accelerated growth in e-Commerce GMV driven by the increasing adoption of online shopping by our users and the scaling of Kaspi.kz's fulfillment capabilities. E-Commerce GMV demonstrated year-on-year growth of 259% in August 2020 compared to August 2019, resulting in e-Commerce GMV growth of 124% year-on-year in the first eight months of 2020 compared to the first eight months of 2019.

e-Commerce GMV growth accelerating to 259% in August

Growth of e-Commerce GMV driving total GMV

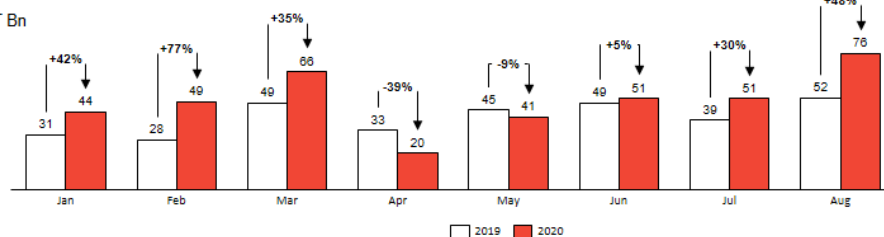
e-Commerce GMV⁽¹⁾

KZT Bn



GMV⁽¹⁾

KZT Bn



Note:

- (1) June 2019 data in the chart above is adjusted for sales of approximately KZT8bn during the Kaspi Juma nationwide shopping event (due to COVID-19, Kaspi Juma was not held in June 2020).

Merchants

Our merchants operate both online and offline, and include large retailers and brands in Kazakhstan. They operate across various product categories such as electronics, clothing, children's goods, furniture, restaurants, car accessories and others. Our Marketplace works with a range of international brands, and cross-border sellers are increasingly approaching Kaspi as a gateway to consumers in the region.

In order to become a participant of our Marketplace, a merchant signs an agreement with Kaspi.kz, which allows them to generate multichannel sales i.e. across online, in-store and mobile. In addition, a merchant has to open accounts with Kaspi.kz. A business account with Kaspi.kz is also a starting point to offer to a merchant all our digital finance products for merchants through the Kaspi Pay Mobile App.

Depending on the range and type of products sold, we agree on commercial terms, primarily the seller fee, which is applied to the GMV generated by the merchant. Merchants pay the same seller fee irrespective of whether a consumer buys an item online, in-store or through mobile commerce.

As at 30 June 2020, the total number of our Marketplace Active Stores amounted to 27,523 as compared to 14,908 at 30 June 2019.

We estimate that on average, an Active Store generates approximately one-third of their sales through the Marketplace Platform, which we believe contributes to a high Retention Rate of our Marketplace Active Stores, with Retention Rates totalling 99.2% in the first half of 2020.

e-Commerce

Our online Marketplace provides an integrated e-Commerce experience starting from the product selection and purchase to in-store pick-up or delivery across Kazakhstan. A consumer can buy any product offered on our online Marketplace through our Kaspi.kz Super App. The online Marketplace offers a list of product categories, which makes product selection convenient and is facilitated with comprehensive product reviews, ratings and videos.

As at 30 June 2020, we offered a broad range of products under the following categories: (i) sport and tourism; (ii) shoes; (iii) smartphones and gadgets; (iv) car accessories; (v) jewellery and accessories; (vi) health and beauty; (vii) home appliances; (viii) leisure and books; (ix) home and repair; (x) computers; (xi) TV, audio and video; (xii) furniture; (xiii) construction; (xiv) children's goods; (xv) clothes; (xvi) pet supplies; and (xvii) school and office supplies.

After selecting a listed item, the consumer has to select a merchant from the list of merchants selling the relevant item. The merchant selection process is assisted by merchant ratings and location details. Having chosen the item, price and merchant, a consumer will be directed to select in-store pick-up or delivery. We then request the consumer to confirm a payment option: (i) buy-now-pay-later consumer finance products from the Fintech Platform; or (ii) Kaspi Gold from the Payments Platform. The consumer may also pay partially or fully with points accrued under the Kaspi Bonus programme. If the consumer chooses the buy-now-pay-later option from the Fintech Platform, we make a decision within seconds to ensure a seamless shopping experience.

e-Commerce Fulfilment

Our Marketplace provides a variety of fulfilment options, including in-store pick-up or delivery by merchant or by Kaspi Delivery. Through Kaspi Delivery, we offer to our consumers a uniform and seamless shipping experience integrated with eight third-party logistics companies and courier services (DHL, DPD, KazPost, Pony Express, Gallop, Zammler, MyPost and Spark Logistics).

In June 2020, 74% of purchases on our online Marketplace were delivered to consumers (with 44% of purchases delivered by merchants and 31% delivered through Kaspi Delivery), whereas the remaining 25% of purchases were picked up by consumers in-store. In June 2019, 51% of purchases on our online Marketplace were delivered to consumers (with 29% of purchases delivered by merchants and 22% delivered through Kaspi Delivery), whereas the remaining 49% of purchases were picked up by consumers in-store.

The number of orders delivered grew by 198% on a year-on-year basis in the first half of 2020 in light of the COVID-19 pandemic and the corresponding growth in popularity of contactless delivery services. Going forward and subject to the normalisation of the epidemiological situation, we expect that the share of collected orders in our GMV will decrease slightly whilst remaining significant. We expanded Kaspi Delivery's coverage to 36 cities in 2018 and 54 cities in 2019. In the first half of 2020, we offered next day delivery on 45% of our e-Commerce orders and two-day delivery on 60% of our e-Commerce orders.

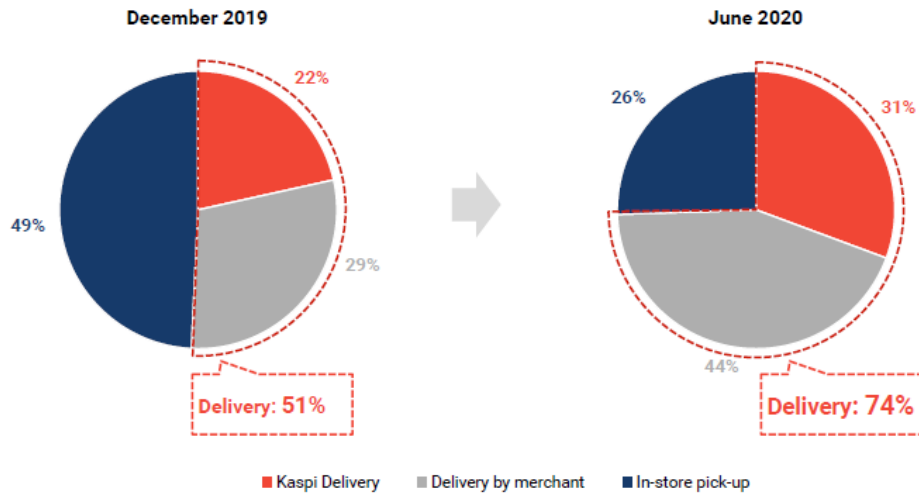
Delivery by merchant is offered free of charge on orders exceeding KZT10,000 or for a charge of KZT900 on orders below KZT10,000; in each case delivery is usually carried out on a same-day basis. Kaspi Delivery is aimed at making the assortment of goods listed on our Marketplace available across Kazakhstan and driving price affordability for consumers. Local delivery is free of charge and takes up to 3 days to complete, while intercity delivery costs on average KZT1,400 and takes up to 6 days to complete. In the first half of 2020 and the year ended 31 December 2019, 75% of items delivered to our consumers were delivered free of charge.

Delivery reaching 74% of total e-Commerce orders

Kaspi Delivery now accounts for 31% of total orders

Delivered orders by type of fulfillment

By number of orders, %



Mobile Commerce

Mobile Commerce allows us to play a role in digitalising the entire shopping experience through the Kaspi.kz Super App directly to a merchant's physical location. Consumers research goods and merchants first on our Kaspi.kz Super App and then complete the purchase at the merchant's location.

We develop Mobile Commerce through the Kaspi Red Shopping Club (a subscription-based service), which has a dedicated section for merchants and consumers in our Super App and is organised around popular shopping and lifestyle categories, which are not necessarily listed on our e-Commerce platform. Such categories include, among others, supermarkets, restaurants, petrol stations, medical services and beauty salons.

For a wide range of merchants, our Mobile Commerce platform is a valuable tool to attract consumers and increase sales. Consumers find information about partner merchants using the Super App, inspect the item at the physical store and complete the transaction digitally through the Kaspi.kz Super App (similar to the functionality of WeChat in China).

In the future, we are planning to add user-generated content to our Kaspi.kz Super App, including reviews, ratings and photos for offline merchants, which will further increase our importance to merchants and help consumers in their decision-making. As at 30 June 2020, approximately 27.5 thousand stores were part of the Kaspi Red Shopping Club.

In-store Shopping

In-store shopping is our original Marketplace business, with in-store shopping points installed at large electronic retailers. Kaspi.kz employees are strategically located at in store shopping points in the largest retail chains to assist consumers with completing their transactions.

Our in-store shopping Marketplace offers the convenience of selecting an item at any of the physical stores of our partner merchants and finalising the purchase with our buy-now-pay-later consumer finance products.

This service is mainly limited to 584 in-store shopping points located at large electronics retailers. However, as we continue to grow the share of e-Commerce and Mobile Commerce on our Marketplace Platform, we expect the share of in-store shopping in our GMV to significantly reduce going forward, in line with the trend observed in the first half of 2020, accelerated by the shift in consumer behaviour patterns in the face of the COVID-19 pandemic (in June 2019, the share of in-store shopping represented 40% of our Marketplace GMV, compared to only 12% in June 2020).

Kaspi Juma – Kazakhstan’s Largest Shopping Event

In November 2017, Kaspi.kz first launched the Kaspi Juma shopping festival as a national shopping event similar to Black Friday in the U.S. and Singles Day in China.

Kaspi Juma usually takes place twice a year, in the summer and the autumn, and allows our consumers to purchase any goods from participating merchants via a buy-now-pay-later consumer finance product with interest-free instalments for up to 24 months.

The latest Kaspi Juma took place in November 2019, with 2,455 stores participating across a wide range of categories and resulting in GMV increase of 4.5 times compared to Kaspi Juma in November 2018. The total value of orders booked during the November 2019 Kaspi Juma amounted to U.S.\$226 million, and contributed 9.6% of our annual GMV. Based on GFK information, Kaspi Juma generated 46.0% of Kazakhstan’s total electronics sales in November 2019.

The Kaspi Juma events held in June and November 2019 contributed on an aggregated basis around 14% of our GMV for 2019.

Kaspi Juma receives wide coverage on leading national TV channels and media, and is considered one of the major shopping events of the year.

On average, merchants pay double the seller fees to participate in Kaspi Juma.

Azerbaijan Marketplace Platforms

In 2019, we acquired three leading marketplace platforms (Turbo.az (a car marketplace), Tap.az (a used and new items marketplace) and Bina.az (a real estate marketplace)) in Azerbaijan. See “*Related Party Transactions*”.

According to SimilarWeb, the visitor traffic of each of the purchased platforms is significantly higher than of each respective second competitor: by around 64 times for Turbo.az in June 2020 (and by around 16 times in December 2019) (making Turbo.az the number one new and used car marketplace in Azerbaijan, both in June 2020 and December 2019), by four times for Tap.az in June 2020 (and by around 4.5 times in December 2019) (making Tap.az the number one new and used goods marketplace in Azerbaijan both in June 2020 and December 2019); and twofold for Bina.az (both in June 2020 and December 2019) (making Bina.az the number one real estate marketplace in Azerbaijan both in June 2020 and December 2019). In June 2020, the share of mobile traffic of Turbo.az, Tap.az and Bina.az comprised 88%, 86% and 81%, respectively.

Turbo.az had 1.9 million monthly active users in June 2020 and December 2019, as well as 152 thousand total sellers and 196 thousand total listings in the first half of 2020. In June 2020, Turbo.az demonstrated a 3% growth in terms of unique paying sellers as compared to June 2019, while the number of monthly active users increased by 13% in June 2020 compared to June 2019.

Tap.az had 1.9 million monthly active users in June 2020 (compared to 1.6 million monthly users in December 2019), as well as 385 thousand total sellers and 2,684 thousand total listings in the first half of 2020. In June 2020, Tap.az demonstrated a 42% growth in terms of unique paying sellers and an 18% growth in terms of total sellers as compared to June 2019, whereas the number of monthly active users increased by 37% in June 2020 compared to June 2019.

Bina.az had 0.5 million monthly active users in June 2020 (compared to 0.6 million active users in December 2019), as well as 34 thousand total sellers and 188 thousand total listings in the first half of 2020. In June 2020, Bina.az was flat in terms of unique paying sellers but it demonstrated a 23% growth in terms of total sellers as compared to June 2019, while the number of monthly active users increased by 14% compared to June 2019.

Our Azerbaijan marketplace platforms became profitable in 2019 and were self-funded as at the date of this Registration Document.

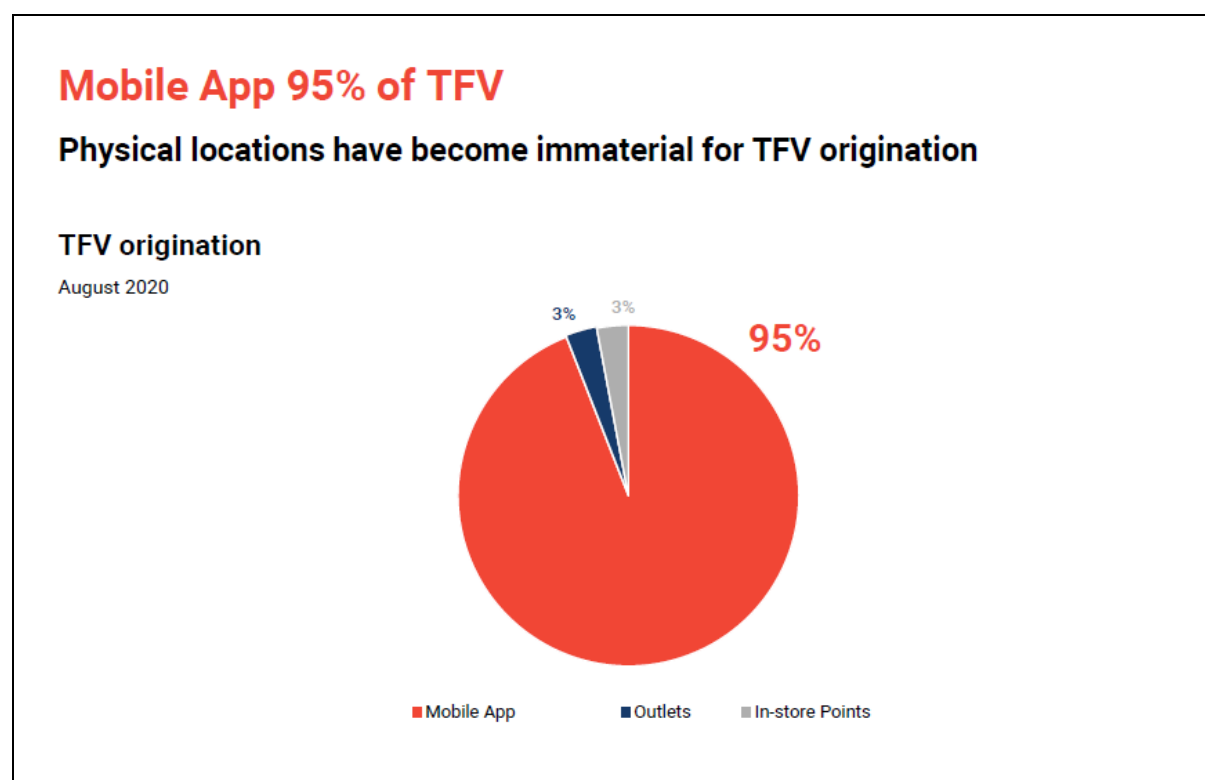
We believe that the acquisition of Turbo.az, Tap.az and Bina.az is in line with our strategy of expansion into selected markets of Central Asia and the Caucasus (see “*Business—Our Growth Strategy—Expansion into Selected Markets of Central Asia and the Caucasus*”). We currently focus on increasing the number of monthly active users and sellers on these platforms, and we expect that it will allow us to drive the continuing growth of our Marketplace business. See also “*Risk Factors—Risks relating to the Group’s Strategy—Kaspi.kz may face risks in relation to its planned expansion to some countries of Central Asia and the Caucasus and any related acquisitions*”.

Fintech Platform

Overview

Through the Fintech Platform, we enable our consumers to instantly and seamlessly access, primarily through our Kaspi.kz Super App, our digital finance products including consumer finance and deposits.

In June 2020, 91% of our TFV originated through our Super App with the remaining 9% of our TFV originating from outlets and in-store points, as compared to 72% and 28%, respectively, in June 2019. In August 2020, 95% of our TFV was originated through our Super App, with the remaining portion originating from outlets and in-store points.



Our buy-now-pay-later consumer finance products are integrated with the Marketplace Platform, which means that consumers are able to first buy a product and then pay in monthly instalments later. Our risk management technology allows us to make a credit decision on online applications within

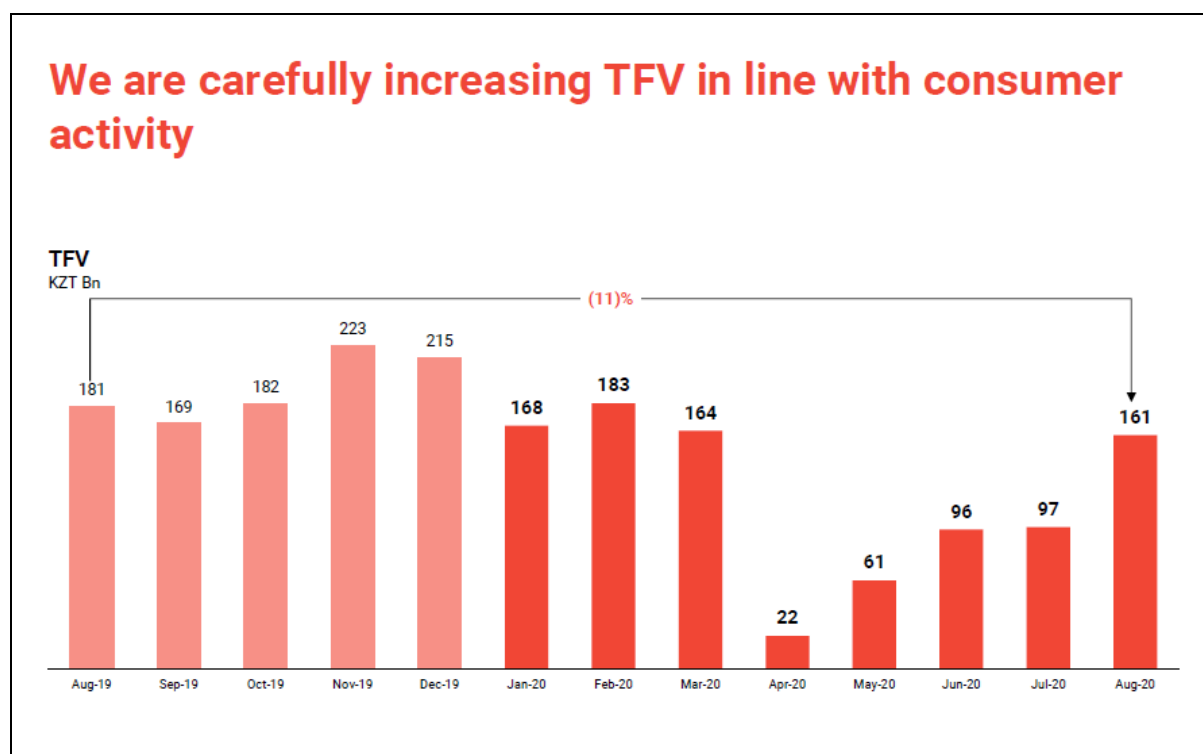
seconds, which ensures a seamless shopping experience to our consumers. Depending on the applicant's credit profile, we may lower the financing amount when the decision on approval is being made in order to manage the envisaged monthly repayments.

According to the NBK, in 2019, we were the leader in Kazakhstan in terms of Consumer Loans with a 32% market share, and were second in terms of volume of retail deposits, with an 18% market share (excluding the share of the State Mortgage Bank). We have a highly diversified and relatively small average ticket depositor base.

We believe that the number of transactions is crucial to the cash flow turnover in our Ecosystem. Therefore, we incentivise consumers to prepay any consumer finance product from the Fintech Platform without any penalty prior to contractual maturity. This drives the frequency of transactions, reduces the average term of the loan portfolio and the average size of financing, thus reducing the cost of risk.

The Fintech Platform primarily generates interest revenue, fees from consumer finance loans and Kaspi Red Shopping Club membership and other fees. In the first half of 2020, our TFV amounted to KZT693,706 million (U.S.\$1,718 million), representing a decline of 19.8% year-on-year, attributable to tightened risk management procedures in response to economic uncertainty as a result of the COVID-19 pandemic.

Since June 2020, in line with the gradual recovery in consumer activity and transactions, we have observed a corresponding recovery of our TFV following a sharp decrease in the monthly values of this metric in April and May 2020, as demonstrated by the chart below.



Buy-Now-Pay-Later and General Purpose Consumer Finance

We offer unsecured consumer finance loans to our consumers for both general purposes and specific purchases (buy-now-pay-later products). Consumers have access to consumer finance online primarily through our Kaspi.kz Super App.

Financing is unsecured and is provided for a period of 3 to 24 months (for buy-now-pay-later products) and 1 to 48 months (for general purposes), with a range of six maturity profiles available to consumers. A borrower can repay the loan through ATMs, payment kiosks and online on our Super

App. In 2020, Kaspi.kz's consumer finance products had an average term (prior to the introduction of the repayment deferral programme in late March 2020) of seven months (both for buy-now-pay-later products and general purpose loans), whereas the average amount of a consumer finance loan amounted to U.S.\$260 (for buy-now-pay-later loans) and U.S.\$500 (for general purpose loans).

Buy-now-pay-later products with a maturity of less than three months are provided to consumers interest free. To create a seamless shopping experience, buy-now-pay-later products are integrated with our Marketplace Platform to allow consumers to instantly buy products and pay later in instalments.

Kaspi Red Buy-Now-Pay-Later

Kaspi Red Shopping Club is a subscription-based programme which allows our consumers to have a pre-approved revolving shopping limit and make purchases on our Marketplace Platform free of any interest through a buy-now-pay-later product, for a period of up to three months.

We offer free membership for the first year. If the consumer uses the services of the Kaspi Red Shopping Club, for each subsequent year we will charge a membership fee which varies depending on the shopping limit chosen by the consumer (ranging from KZT50,000 to KZT150,000).

As at 30 June 2020, the average actual term of Kaspi Red instalment financing amounted to two months.

Online Car Finance

We have also developed a seamless online car purchase experience, from car selection to car financing. We have developed this product jointly with our strategic partner, Kolesa.kz, the leading online car classifieds platform in Kazakhstan (see "*Related Party Transactions*").

In order to secure financing, a consumer can select a car on Kolesa.kz and seamlessly apply for a loan originated through our Fintech Platform for the maximum term of 60 months. The loan approval process takes less than one minute, which then allows the consumer to complete the car purchase funded by Kaspi.kz via the Kolesa.kz website or the respective mobile application. We credit the purchase price to the seller's account. Purchased cars act as security for the financing provided. Our consumers may prepay car loans without any penalty prior to contractual maturity. In 2020, Kaspi.kz's online car loans had an average term (prior to the introduction of the repayment deferral programme in late March 2020) of 16 months and an average principal amount of U.S.\$6.0 thousand.

Instant Deposit

We also offer retail deposits primarily through our Super App and through our retail network. Retail deposits are an important source of funding for our financing activities. Once a deposit is instantly opened through our Super App, our consumers can top up their deposits through the Super App, any of our ATMs or Payment Kiosks. We offer retail deposits denominated in Tenge and U.S. Dollars.

In the first half of 2020, the average retail deposit amount was KZT800 thousand (U.S.\$2 thousand) and the average cost of retail deposits was 6.5%.

Online Merchant Finance

In December of 2019, we launched Merchant Finance, a working capital finance product for our merchants operating in the Payments and Marketplace Platform with a targeted yield of 15-20%.

The service enables merchants to drawdown a facility of up to 20% of GMV and TPV generated by the merchant through the Payments and Marketplace Platforms. The financing will be provided in local currency and we expect the average amount to be around U.S.\$10,000 equivalent. The maturity of each drawdown is up to six months and is automatically repaid daily from the merchant's GMV and TPV with Kaspi.kz.

Online Merchant Finance is provided fully online through Kaspi Pay Mobile App.

Risk Management

Consumer Finance Approval Process

We have developed a highly automated, centralised and a big data-driven proprietary loan approval process that enables us to make credit decisions within seconds. Our systems allow us to make 99.9% of consumer loan approvals within six seconds.

During the credit decision process, we use proprietary risk algorithms and sophisticated predictive scoring models to evaluate credit risks of potential borrowers using statistical modelling based on a wealth of proprietary internal data such as application, transactional, behavioural, shopping and payment history information. This is supplemented by external data, such as data received from credit bureaus (LLC First Credit Bureau and JSC State Credit Bureau), which jointly maintain the credit histories of around 9.7 million consumers in Kazakhstan, allowing us to estimate and monitor total consumer borrowings to enable better quality credit decisions, and the Pension Centre, which as of August 2020 maintained a database containing information on the pension savings and payroll of 6.9 million Kazakhstan consumers accessible to financial institutions, allowing us to additionally verify the solvency of potential borrowers.

Our scoring models and decision-making processes are assessed and analysed on a continuous basis for effectiveness and validity by our team of 155 data scientists. The additional proprietary data constantly accumulated around consumer activity within our Ecosystem enables us to continuously improve our credit decision process. Our data scientists can quickly modify the models to ensure the appropriate level of risk and adapt to current market conditions. Our nimble infrastructure allows us to amend our credit decision-making strategy within 15 minutes.

Based on the analysis of samples of our loan portfolio tested in 2019, in the absence of a wide range of proprietary data around daily lives of our consumers (such as credit history with Kaspi.kz, transactions and purchases, bill payments, behaviour on our Kaspi.kz Super App and volume of deposits), the delinquency rate (more than 90 days) would be approximately 14% as compared to our actual delinquency rate (more than 90 days) of 4.1%.

The image below sets out the share of Kaspi's loan applicants with the corresponding data records in the first half of 2020:



Collection

We divide the loan collection process into two stages: before and after 90 days past due. Collection of loans less than 90 days past due is performed internally, whereas collection of loans more than 90 days past due is outsourced to 40 external debt collection companies, whose activities are regulated and supervised by the FMRDA and the NBK.

Less than 90 days past due

We use various forms of communication to remind consumers of how and when to pay. Automated calls, operator calls, SMS reminders and reminders through Kaspi Message service of our Super App are sent to consumers shortly prior to the loan payment date. If a consumer cannot be reached, we reach out to alternative contact persons whose information we have obtained as part of the loan application process, where we require loan applicants to provide at least two such contacts.

At the early stages of the process, our primary objective is to understand and assess the reasons why a consumer missed his or her payment in order to develop an appropriate course of action during the later stages of collection. The collection process is supported by a dedicated business unit from the call centre and by automated tools and specific collection campaigns. We use data mining and machine learning capabilities extensively, while developing specific collection strategies to ensure the most effective collection result.

On the 15th day of delinquency, we place a lien on any account of the consumer maintained with any bank in Kazakhstan, which has the ultimate effect of reducing the balance on the consumer's account by the amount of the delinquent payment that is debited. The process is automated among the banks and may be accomplished without the need to apply to courts. During the later stage of collection, typically 60-90 days into delinquency, calls are made every three days explaining to the consumer the consequences of not repaying the debt. If the overdue loan is not repaid within 90 days of the due date for payment, we issue a termination letter declaring that the outstanding principal amount of the loan, accrued interest and penalties are immediately due and payable. We do not accrue any interest or penalties beyond 90 days of delinquency.

Borrowers who are over 90 days delinquent cannot obtain any further financing through our Ecosystem.

We typically collect 97% of loans that are less than 90 days overdue.

More than 90 days past due

After 90 days of delinquency, we engage a large number of licensed debt collection companies with different capabilities.

Some debt collection companies are primarily focused on contacting consumers by phone while others visit the consumer at their home address in order to find a way to recover the amounts owed.

We provide collection companies with technologies and tools to enhance their collection effectiveness. We have a dedicated business unit that constantly monitors the work of collection companies and allocates delinquent portfolios across companies, rewarding the most effective of them.

We typically collect 40% of loans that are more than 90 days overdue.

Security and Fraud Prevention

Kaspi.kz maintains a system of controls designed to keep fraud risk at or below acceptable levels. For example, in order to prevent fraud, Kaspi.kz leverages its comprehensive real-time monitoring and analysis technology implemented for monitoring suspicious transactions. This monitoring system allows us to detect suspicious transactions, as well as to decline such transactions at the authorisation stage. In order to prevent fraud, Kaspi.kz also leverages its big data, machine learning and face recognition capabilities, which we have enhanced in our loan approval and risk assessment process.

For example, when we first contact a consumer to provide one of our consumer financial services products, including deposits, Kaspi Gold or membership in Kaspi Red shopping club, we take the consumer's photograph and scan their ID documents, which are then additionally cross-verified as part of the decision-making process for granting such products and linked to one phone number and one Super App. At the later stages of using our products and services, we leverage our state-of-art face recognition technology to enable transactions, which prevents fraud and provides extra security and peace of mind to our consumers. Face recognition technology enables transactions in our Super App and at our ATMs.

Furthermore, most of our transactions are accompanied by an authentication process, whereby a transaction has to be confirmed by a unique code, which is generated by our systems and delivered to a consumer's smartphone.

To ensure security of clients' transactions in our Super App and website, certain documents (in particular, relating to consumer finance products) should be confirmed through Kaspi e-Sign, an electronic signature that is required to confirm the identity of the borrower. The consumer receives e-Sign following a face recognition identification and confirmation via a unique code.

Consumer Engagement Services

Along with revenue-generating products and services, we develop free services that additionally enhance customer engagement with our Super App and facilitate the completion of transactions across all of our Platforms through our Super App. Such services include Kaspi Message, Kaspi Maps and Kaspi Guide.

Kaspi Message

Kaspi Message is a free service embedded in our Super App, which we initially launched to reduce dependence on mobile operators for the delivery of notifications and other consumer communications via SMS messages. Since then, Kaspi Message evolved into a user-friendly and convenient

personalised channel for communicating with each of our consumers, which drives their engagement in our Super App.

Kaspi Message allows our consumers to receive direct communication relating to, in particular, bill payment reminders, money transfers, top-ups, funds withdrawals from consumers' accounts and deposits, bonus accruals, consumer finance approvals and monthly payment reminders.

Our consumers can also confirm P2P payments directly via Kaspi Message, and such confirmation is instantly seen by the other Kaspi consumer involved in the corresponding P2P payment. In addition, our consumers can make payments directly through an interactive message received in Kaspi Message. Kaspi Message also guides our consumers through the process of completing specific transactions across our Ecosystem. For example, during a purchase on our online Marketplace, we inform a consumer of each step towards successfully completing the purchase.

Kaspi Maps

We launched Kaspi Maps to facilitate transactions within our Ecosystem and help our consumers quickly and easily locate various points where they can shop and pay with Kaspi products.

Kaspi Maps enables our consumers to locate any of the nearest (i) Kaspi.kz outlets with indication of their working hours and current queueing time in minutes; (ii) merchant stores where purchases can be completed via our Ecosystem, with indication of their working hours; (iii) ATMs of any bank in Kazakhstan with indication of their withdrawal limit; and (iv) Kaspi Payment Kiosks where they can top up their deposits, Kaspi Gold or e-Wallet. Additionally, Kaspi Maps gives consumers access to information on discounts or promotional campaigns currently offered by our merchants participating in Kaspi.kz Ecosystem.

Kaspi Guide

Kaspi Guide is a consumer self-service tool which we have introduced to provide a convenient one-stop utility that contains comprehensive information on each of our products and services. We have structured Kaspi Guide as a user-friendly Q&A with short and precise answers to frequently asked questions, as well as video instructions, which we believe will better assist our consumers in explaining a product. Importantly, all commercial terms of our financial products are explained transparently and in detail. We believe the Kaspi Guide is an inherent element of our Ecosystem that ensures our consumers' confidence in all of our products and services, which in turn drives their engagement in our Ecosystem.

Marketing

Overview

As a technologically advanced company with efficient big data processing, we use our customers' behavioural, transactional and financial data to support our automated and highly personalised marketing efforts tailored to each customer's unique characteristics and needs.

Our marketing efforts also include maintaining a presence in key social media, TV advertising campaigns, as well as other promotional activities such as through Kaspi Bonus.

Kaspi Bonus

We launched our consumer bonus programme with the aim of driving our consumer engagement in our Ecosystem and to incentivise consumers to switch from offline to online payments and purchases. Consumers receive bonuses for transactions within our Payments and Marketplace Platforms and can spend accrued bonuses only via the Kaspi.kz Super App, including on purchases through our Marketplace.

Members of Kaspi Bonus receive a 0.5% bonus for the majority of completed transactions. In the first half of 2020, 4.3 million Active Consumers used Kaspi Bonus.

Other Consumer Touchpoints

The Kaspi.kz Super App is having a profound and transformational impact on our interactions with consumers and has become the dominant touchpoint of our Ecosystem for interactions with consumers and the delivery of our products and services. In June 2020, the share of transactions through Kaspi.kz Super App reached 90.0% of transactions in our Ecosystem (compared to 80% in December 2019, 55% in December 2018 and 23% in December 2017).

Historically our outlets have played an important role in providing financial products and onboarding new users to the Kaspi.kz Super App and educating them about digital services. As all of our products are fully digital and present in the Kaspi.kz Super App, and as our consumers become increasingly engaged in our Super App, outlets will inevitably decline in importance and we will be unlocking additional operating savings.

In 2019, we have downsized outlets from 214 as at 31 December 2018 to 191 as at 31 December 2019 (further downsizing to 180 outlets as at 30 June 2020), and in-store points from 661 as at 31 December 2018 to 596 as at 31 December 2019 (further downsizing to 584 as at 30 June 2020). In 2019 and the first half of 2020, outlets accounted for only 4% and 2% of our transactions, respectively, and we believe the optimal size of our network will be around 120 outlets.

As at 30 June 2020, Kaspi.kz managed a network of 4,125 Payment Kiosks and 1,872 ATMs as compared to 4,146 and 4,315 terminals and 1,418 and 618 ATMs as at 31 December 2019 and 31 December 2018, respectively. Payment Kiosks and ATMs are used by consumers mainly for deposits, e-Wallet and Kaspi Gold top-ups and withdrawals, repayments of loans, as well as to pay for third-party services. Kaspi.kz's ATMs are equipped with face recognition and Kaspi QR code scanning technologies, enabling a smooth and secure consumer experience.

Customer Support

We believe that customer service excellence is crucial for Kaspi.kz's continuous market leadership. By helping our customers navigate our products and services and quickly responding to their requests, we have been able to build trust with our clients, which has increased their loyalty and enhanced our reputation. We provide our support through Kaspi Message and Kaspi Guide embedded in our Super App, and a call centre available 24/7.

In the first half of 2020, we had 1,167 full-time employees in functions related to customer support activities, including the operation and management of our call centre, social media accounts and product support as compared to 1,344 and 1,232 such full-time employees in 2019 and 2018, respectively.

Product Development and Technology

Overview

We consider our state-of-the-art technology to be a primary tool for providing consumers with exceptional products and services that make their life better. Thus, we aim to employ best-in-class solutions, allowing us to design products and services generating high consumer satisfaction and to fulfil our mission of improving people's lives.

Our key priorities in the product development cycle are high quality of the end-product and fast consumer adoption. We employ an agile approach to product development, which is based around more than 15 cross-functional teams organised around specific products and services and directly responsible for them. These teams combine individuals from design, user experience, product development, IT, data science, finance and legal functions around a single product.

Our technology investments enable us to continuously innovate and develop new products and services, while perfecting existing ones, use big data to better identify, analyse and address the needs

of our consumers, and provide a compelling consumer value proposition and seamless consumer usage experience across all our Platforms.

Our technology is also designed to make real-time decisions and process high volumes of customer transactions, orders, consumer finance and deposit applications, as well as customer requests and contacts. In 2019 and the first half of 2020, our systems also allowed us to process 37 transactions per second effected by our Active Consumers and to make 99.9% of consumer loan approvals within six seconds.

In the first half of 2020, we had 1,028 full-time employees in functions relating to product development, technology, design, user experience and data science as compared to 985 and 823 such full-time employees in 2019 and 2018, respectively.

Data Centres

In order to ensure business continuity in case of IT systems disruption and provide reliable and continuous access to business data and services, Kaspi.kz's IT systems are located in three dedicated data centres, each connected to separate and independent power supply sources. The data centres provide 24/7 power, cooling, connectivity and security capabilities to protect critical operations and preserve business continuity for IT systems, ensuring a 99.99% availability across our Platforms and services.

Competition

We do not compete with one single competitor across all our products, services and Platforms. Rather, we seek to differentiate ourselves from competitors primarily based on our integrated consumer-focused Ecosystem, and the high adoption of our Kaspi.kz Super App is a significant competitive advantage.

Although we believe that we do not have directly comparable competitors, we face competition in each separate product and service:

- *Payments:* Our Payments Platform competes with foreign and domestic payment service providers and with retail banks (both domestic banks and subsidiaries of foreign banks) that look to gain a competitive edge through contracts with merchants.
- *Marketplace:* Our Marketplace Platform competes with global marketplace platforms, as well as online and offline retailers. Even though global marketplace platforms currently have limited presence in Kazakhstan, they seek to differentiate themselves mostly by the broad selection of listed items.
- *Fintech:* Our Fintech Platform competes with retail banks (both domestic banks and subsidiaries of foreign banks) that seek to differentiate themselves by offering retail deposits and consumer loans through their branch networks and points of sale at stores and shopping centres.

We are the only company in Kazakhstan offering all of the above services through an integrated Ecosystem and under one Super App, which gives us an edge over competitors.

Intellectual Property

We develop and own various types of intellectual property that are important to our business. We also rely on a significant amount of licensed software. We actively protect our intellectual property and seek to adhere to the terms of our licences. We own or have the right to use all of the material intellectual property that we use.

Our most significant brand names and logos relate to "Kaspi.kz", all of which have been registered as trademarks and service marks in Kazakhstan. We have several domain names that we own, including www.kaspi.kz.

Employees

We believe that our team is one of our most important assets. Our culture reflects Kaspi.kz's teamwork and innovation-driven focus, instilling in our professionals a passion for our clients. In the first half of 2020, we had on average 9,400 full-time employees, including 1,028 employees in technology and product development, 1,167 employees in our call centre and customer support, 3,239 front office employees in Kaspi.kz retail outlets and in-store points and 3,966 employees in administration and other functions. In 2019, we had on average 9,689 full-time employees, including 985 employees in technology and product development, 1,245 employees in our call centre and customer support, 3,393 front office employees in Kaspi.kz retail outlets and in-store points and 3,967 employees in administration and other functions. In 2018, we had on average 9,947 full-time employees (compared to 9,629 employees in 2017), including 823 employees in technology and product development, 1,232 employees in our call centre and customer support, 4,165 front office employees in Kaspi.kz retail outlets and in-store points and 3,727 in administration and other functions. Going forward, we expect our headcount to remain largely flat, in line with the expansion in the number of employees in engineering and data science functions and a gradual reduction in the number of consumer-facing employees.

We employ incentive programmes that reward our people with payment of bonuses based on achieving key quantitative performance indicators or success in specific projects for a particular business area, or a position under clearly defined criteria. We have developed our own evaluation and feedback processes based on customer feedback and customer interaction recordings.

None of our employees are represented by a labour union or are subject to a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Real Property

Kaspi.kz's headquarters are located at 154A Nauryzbai Batyr Street, Almaty 1997, Kazakhstan. Most of our real estate space (including our headquarters) is leased.

Insurance

While the laws of Kazakhstan do not require us to maintain various forms of insurance of our material assets, liabilities or risks (other than (i) the mandatory insurance of retail deposits (i.e. the system of mandatory deposit guaranteeing); (ii) the mandatory system of guaranteeing insurance payments to insurers for certain mandatory types of insurance; and (iii) certain types of mandatory insurances, such as the mandatory insurance of civil liability of vehicle owners and mandatory insurance of employees against accidents in the performance of labour (official) duties), we voluntarily insure our property and assets at levels that is in line with the standard in the Kazakhstan market. We believe that our insurance policies are in accordance with industry custom, including the terms of and the coverage provided by such insurance.

Incorporation and History

Originally, we operated our Fintech business through Kaspi Bank. In 2006, funds managed by Baring Vostok Capital Partners (a leading investment firm focusing on the CIS region that invested, amongst others, in Yandex) acquired a substantial interest in Bank Kaspisky, which was later renamed and rebranded into Kaspi Bank. The funds advised by Baring Vostok Capital Partners owned Bank Kaspisky jointly with Mr. Vyacheslav Kim, a prominent businessman with experience in the retail sector, who invested in Bank Kaspisky in 2006.

In 2007, Mikheil Lomtadze became CEO of Bank Kaspisky and assembled a new top management team. In 2008, we rebranded Bank Kaspisky into Kaspi Bank. In 2014, we established the wholly owned subsidiary LLP Kaspi Shop as the operator of our Marketplace Platform.

In 2019, we also expanded our addressable market from 18 million people in Kazakhstan to 28 million people by entering into Azerbaijan through acquiring three leading marketplace platforms (Turbo.az (a car marketplace), Tap.az (a used and new items marketplace) and Bina.az (a real estate marketplace)).

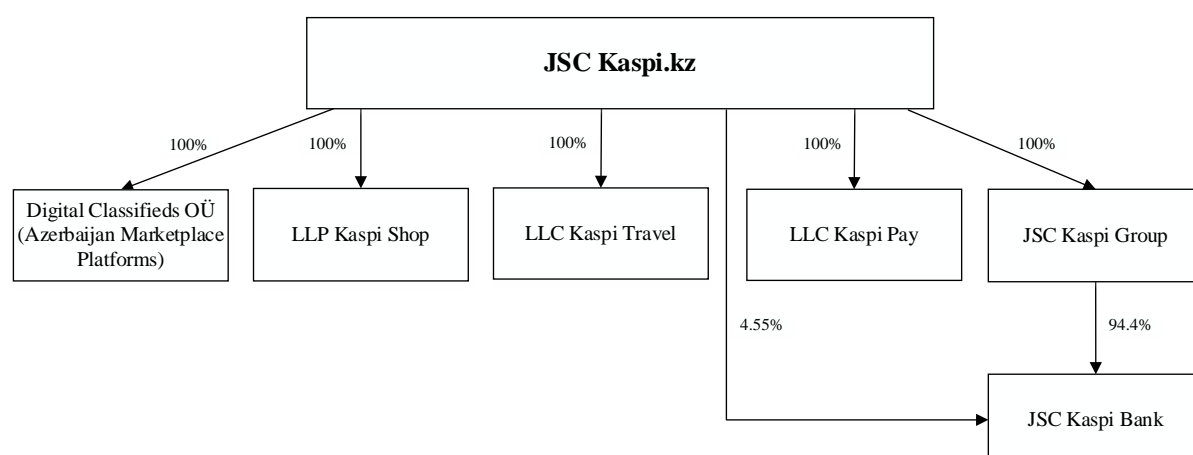
In July 2020, we acquired a 100% share of LLC Traveleasy, whose primary business is selling online airline and railway tickets. We subsequently renamed the company Kaspi Travel LLC and are aiming to launch an online travel platform through our Kaspi.kz Super App later in 2020.

On 3 August 2020, we created LLC Kaspi Pay, a separate legal entity fully owned by Kaspi.kz. Kaspi Pay will incorporate our Payments Platform technology (particularly Kaspi QR) and will benefit from the strategic flexibility to offer innovative payment products to customers including Kaspi.kz, third-party online and offline merchants and financial institutions. We expect Kaspi Pay to be well-positioned to pursue M&A, joint ventures and strategic partnerships in Kazakhstan and across the CIS region.

The Company was initially established on 16 October 2008 as a limited liability partnership. Through a series of transactions among its shareholders, the Company became a parent company of the Group, which currently consolidates the following principal subsidiaries: Kaspi Shop (the Marketplace Platform) and Kaspi Bank (the Payments and Fintech Platforms). The Company was subsequently transformed into a joint stock company on 17 October 2014.

Corporate Structure

The following chart sets out our principal subsidiaries.



JSC Kaspi.kz is a joint stock company incorporated in Kazakhstan and a parent company for the Group, which offers its products and services under the “Kaspi.kz” brand. The Company has the status of the regulated bank holding company of Kaspi Bank under Kazakhstan laws. See “*Regulation*”. Its registered address is at 154A Nauryzbai Batyr Street, Almaty 050013, Republic of Kazakhstan, and its telephone number is +7 727 3563419. The Company’s website address is www.kaspi.kz. Any information contained on the Company’s website does not form part of this Registration Document, unless explicitly incorporated by reference into this Registration Document.

LLP Kaspi Shop is a limited liability company incorporated in Kazakhstan which facilitates the operation of Kaspi.kz’s Marketplace Platform.

JSC Kaspi Group is a joint stock company incorporated in Kazakhstan and is an intermediary holding subsidiary of the Company. JSC Kaspi Group has the status of the bank holding company of Kaspi Bank under Kazakhstan laws. See “*Regulation*”.

Digital Classifieds OÜ is a company incorporated in Estonia which holds our Azerbaijan marketplace platforms (Turbo.az (a car marketplace), Tap.az (a used and new items marketplace) and Bina.az (a

real estate marketplace)). We purchased 100% of the shares in Digital Classifieds OÜ in September 2019. See “—Our Principal Business Activities—Marketplace Platform—Azerbaijan Marketplace Platforms” and “Related Party Transactions”.

LLC Kaspi Pay is a company incorporated in Kazakhstan. LLC Kaspi Pay was established on 3 August 2020 as a fully owned subsidiary of JSC Kaspi.kz to launch a new mobile payments platform for merchants enabled by QR technology and the Kaspi Pay mobile app.

LLC Traveleasy is a company acquired by us in July 2020. We hold a 100% share in LLC Traveleasy, whose primary business is selling online airline and railway tickets. We subsequently renamed the company LLC Kaspi Travel and intend to add online travel service to our Super App via this company by the end of 2020.

JSC Kaspi Bank is a joint stock company incorporated in Kazakhstan. Kaspi Bank is regulated by the FMRDA and the NBK and conducts its business under a licence for conducting banking and other operations and activity on securities market (No. 1.2.245/61 dated 3 February 2020). Kaspi Bank’s primary business consists of consumer banking activities.

Litigation

From time to time, Kaspi.kz is involved in litigation in the ordinary course of its business activities. There have been no governmental, legal or arbitration proceedings against Kaspi.kz and/or the Group (including any such proceedings which are pending or threatened of which we are aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, significant effects on Kaspi.kz’s and/or the Group’s financial position or profitability.

OPERATING AND FINANCIAL REVIEW

The following operating and financial review of the Group's financial condition and results of operations as at and for the years ended 31 December 2017, 2018 and 2019 should be read in conjunction with the Annual Financial Statements and related notes included elsewhere in this Registration Document.

The following operating and financial review includes forward-looking statements which reflect the current views of the Company's management and involve inherent risks and uncertainties. The actual results of operations could differ materially from those contained in such forward-looking statements due to factors discussed below and elsewhere in this Registration Document, particularly in "Risk Factors".

Financial information in this section has been derived from the Annual Financial Statements, in each case without material adjustments, unless otherwise stated, as well as the Company's management financial reports. The Annual Financial Statements have been prepared in accordance with IFRS.

Overview

Kaspi.kz is the largest Payments, Marketplace and Fintech Ecosystem in Kazakhstan with a leading market share in each of its key services and products. Our mission is to improve people's daily lives by developing innovative and highly relevant products and services. We are executing our strategy and growing our business by leveraging the latest technology and proprietary big data analytics with a view to create a seamless digital experience.

At the core of the Kaspi.kz Ecosystem is the leading mobile app in the country with 7.8 million MAU. We believe that the Kaspi.kz Super App, which serves as a single gateway to all our services, is an integral part of people's daily lives in Kazakhstan. Through the Kaspi.kz Super App we provide a growing range of innovative, interconnected, technologically advanced products and services that have revolutionised the way our consumers pay, shop and manage their personal finances. The usage of our Kaspi.kz Super App continues to grow as people's daily lives become increasingly digitalised and as a result of accelerating consumer adoption of cashless payments, online commerce and digital financial services due to the COVID-19 pandemic.



Our Ecosystem serves both consumers and merchants and enables all participants to interact with each other. In our Ecosystem business model, the growth and development of one service contributes to the growth and development of other services creating a powerful virtuous cycle, with each participant deriving greater value than if they were to use a standalone service. A growing number of services being used by our consumers results in lower costs, synergies across all our Platforms and creates a powerful self-reinforcing network effect; thereby giving us a strong competitive advantage. All of these factors drive our Super App user satisfaction. We have a strong Net Promoter Score of 87.3 (based on a rolling 12 month average as of the first half of 2020), compared to the e-commerce industry average of 40 for the same period (based on CustomerGuru data). This serves as our principal indicator of customer satisfaction and loyalty, and demonstrates that 9 out of 10 consumers recommend our Super App and its services to their friends and family. This level of consumer satisfaction is one of the key contributors to our high Active Consumer Retention Rate, which stood at 98.2% in the first half of 2020.

The Kaspi Ecosystem currently comprises the following three market leading Platforms, each of which is highly relevant to our consumers' everyday needs:

- *Payments Platform* connects our customers, which consist of both consumers and merchants, to facilitate cashless, digital payment transactions. We offer our customers a 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 a variety of services, including the Kaspi.kz Super App, a Kaspi Gold pre-paid debit card, a bankcard or an e-Wallet.

Our Kaspi.kz Super App and Kaspi QR technology are enabling us to disrupt the payments industry value chain with our own proprietary payment network that provides end-to-end payment functionality directly from our Kaspi.kz Super App to merchants, without the need for a card and/or third-party payment networks, such as Visa and Mastercard.

According to NBK, in June 2020, our proprietary payment network transactions accounted for 66% of total payment network transactions in Kazakhstan, while other payment networks, including Visa and Mastercard, had an aggregate share of 34% of total payment network transactions in the country.

Kaspi.kz Payments Platform is the largest driving force behind Kazakhstan's transformation from cash transactions to cashless and digital transactions. Based on NBK data, our TPV corresponded to a market share of 15% in 2017, 39% in 2018 and 65% in 2019 for total cashless and digital transactions (card payments, P2P payments, internet and mobile payments) effected in Kazakhstan.

- *Marketplace Platform* connects merchants and consumers, enabling merchants to increase their sales and consumers to buy a broad selection of products and services from a variety of online and offline merchants.

We help merchants increase their sales by linking them to our technology, payment options, including buy-now-pay-later consumer finance products, fulfilment, marketing and branding. Fulfilment options include in-store pick-up, delivery by merchants and delivery powered by Kaspi.kz.

According to Euromonitor, Kaspi.kz was the largest online retailer in Kazakhstan by sales value in each of 2017, 2018 and 2019. Kaspi.kz's e-Commerce GMV corresponded to a value market share of 23% in 2017, 38% in 2018 and 46% in 2019, based on Euromonitor's market size estimate.

Our Marketplace Platform's total GMV had a value share of total Kazakhstan retail trade of 3.0% in 2017, 4.1% in 2018 and 5.5% in 2019, based on MNE total retail market spending estimate.

- *Fintech Platform* enables consumers to access our digital finance products instantly and seamlessly, primarily through Kaspi.kz Super App, including consumer finance and deposit-taking services. Our buy-now-pay-later consumer finance products are strategically integrated with our Marketplace Platform, which means that consumers are able to make purchases seamlessly with financing, and then pay over time in monthly instalments.

According to the NBK, in 2019 we enjoyed the largest market share in Consumer Loans in Kazakhstan, amounting to 32%.

We aim to continue growing the number of consumers, merchants and transactions on or using our Platforms for their transactions by constantly expanding the range of services and products available through our Kaspi.kz Super App. For example, in July 2020, we acquired a 100% share of LLC Traveleasy, whose primary business is selling online airline and railway tickets. We subsequently renamed the company LLC Kaspi Travel, and intend to add online travel services to our Super App by the end of 2020. We expect the Travel Platform to initially offer air and railway tickets, with hotel and tour booking options to be added subsequently. By leveraging our Super App infrastructure, we aim to build a market leading and profitable mobile Travel Platform, while incurring limited marketing and transaction expenses.

On 3 August 2020, we created LLC Kaspi Pay, a separate legal entity fully owned by Kaspi.kz. Kaspi Pay will incorporate our Payments Platform technology and will benefit from greater flexibility to offer innovative payment products to customers, including Kaspi.kz, third-party online and offline merchants and financial institutions, as well as pursue M&A, joint ventures and strategic partnerships in Kazakhstan and across the CIS region.

Reportable Segments

Our segment reporting is based on our three business Platforms: (i) the Payments Platform, (ii) the Marketplace Platform and (iii) the Fintech Platform. We believe that such presentation maximises the efficiency of our Ecosystem management, resource allocation and performance assessment. We present segment information after elimination of inter-company transactions. In general, revenue, cost of revenue, technology and product development expenses, sales and marketing expenses, general and administrative expenses and provision expense are directly attributable, or are allocated, to each segment. We allocate costs and expenses that are not directly attributable to a specific segment, such as those that support general infrastructure and customer engagement across the Kaspi Ecosystem, to different segments mainly on the basis of usage, revenue, headcount and the number of Active Consumers, depending on the nature of the relevant costs and expenses.

In the first half of 2019, the Company's management decided to combine the Consumer Financial Services Platform and the e-Finance Platform, which had previously existed and been reported, into one Fintech Platform. The reason for this was that the migration from offline to online and mobile operations has been developing rapidly, resulting in a majority of transactions being executed through online touchpoints (website and Super App). As a result of changes in reportable segments, the historical comparative information for 2017 and 2018 has been revised to conform to the current presentation.

Payments Platform

During the period under review we derived, and we anticipate continuing to derive in the medium and long-term period, an increasing part of our revenue from (i) fees paid by our Payments merchants and consumers, calculated as a percentage of the RTPV on our Payments Platform, and (ii) interest income, which we generate on interest-free cash balances (current accounts). Our TPV has been, and is expected to continue to be, primarily driven by the increasing number of payments that we enable through the Payments Platform. This is a direct result of the attractiveness of our payments products and services, such as Kaspi Gold, bill payments and P2P payments, as well as the increasing number of Payments merchants and stores, which translates into the growth of our consumer base.

Our RTPV increased by 278.9% from KZT369,539 million in 2017 to KZT1,400,109 million in 2018 and further by 146.2% to KZT3,447,730 million (U.S.\$9,008 million) in 2019. Our RTPV increased by 79.9% from KZT1,338,188 million in the first half of 2019 to KZT2,407,832 million (U.S.\$5,962 million) in the first half of 2020. The growth in RTPV was mainly driven by the increasing number of transactions during the period under review as a result of the growth of the number of Payments Active Consumers (from 1,201 thousand in 2017 to 2,637 thousand in 2018, 4,919 thousand in 2019 and further to 6,548 thousand in the first half of 2020). The number of RTPV Payment Transactions enabled through our Payments Platform was 68.1 million, 243.3 million and 581.5 million in 2017, 2018 and 2019, respectively, representing year-on-year growth of 257.3% (2017 as compared to 2018) and 139.0% (2018 as compared to 2019). In the first half of 2020, we enabled 423,740 thousand RTPV Payment Transactions, which represented 86.9% growth compared to 226,730 thousand RTPV Payment Transactions in the first half of 2019. In the first half of 2020, P2P transactions accounted for 11% of our RTPV, while Bill Payments and card transactions accounted for 26% and 64% of RTPV, respectively.

Our Payments Take Rate was 1.0% in 2017, 1.2% in 2018 and 1.3% in 2019 and the first half of 2020. The improvement of the Payments Take Rate in 2019 and the first half of 2020 as compared to 2017 and 2018 was primarily attributable to the growing share of higher margin transactions effected via the Kaspi Gold pre-paid debit card where we charge higher fees (from 38.9% of RTPV in 2017 and 57.6% of RTPV in 2018 to 65.0% of RTPV in 2019 and 63.0% of RTPV in the first half of 2020).

Our Average Balances on Current Accounts comprised KZT41,680 million, KZT93,079 million, KZT194,313 million and KZT275,921 million, respectively, in 2017, 2018, 2019 and the first half of 2020. The increase in Average Balances on Current Accounts was driven by the increase in the number of Active Consumers who transact through, and maintain current accounts with, Kaspi.kz. In turn, the Yield on Average Balances was 9.7% in 2017, 9.2% in 2018, 8.7% in 2019 and 9.9% in the first half of 2020.

The table below sets forth the key metrics in respect of our Payments Platform in the first half of 2019 and 2020:

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior year
TPV (KZT million).....	2,861,872	8,178,998	20,253 million	185.8%
RTPV (KZT million).....	1,338,188	2,407,832	5,962 million	79.9%
Payments Active Consumers (thousands of consumers).....	3,737	6,548	-	75.2%
TPV Payment Transactions (thousands of transactions).....	296,900	865,452	-	191.5%
RTPV Payment Transactions (thousands of transactions).....	226,730	423,740	-	86.9%
Payments Take Rate (%).....	1.3%	1.3%	-	-
Average Balances on Current Accounts (KZT million).....	148,005	275,921	683 million	86.4%
Yield on Average Balances (%).....	9.2%	9.9%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

The table below sets forth the key metrics in respect of our Payments Platform in 2017, 2018 and 2019:

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾	% change from prior year	
TPV (KZT million).....	402,740	2,114,978	8,618,639	22,518	425.1%	307.5%

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾ million 9,008 million	% change from prior year	
RTPV (KZT million).....	369,539	1,400,109	3,447,730		278.9%	146.2%
Payments Active Consumers (thousands of consumers)	1,201	2,637	4,919	-	119.6%	86.5%
TPV Payment Transactions (thousands of transactions).....	69,095	267,299	856,514	-	286.9%	220.4%
RTPV Payment Transactions (thousands of transactions).....	68,118	243,280	581,469	-	257.1%	139.0%
Payments Take Rate (%).....	1.0%	1.2%	1.3%	-	-	-
Average Balances on Current Accounts (KZT million).....	41,680	93,079	194,313	508 million	123.3%	108.8%
Yield on Average Balances (%)	9.7%	9.2%	8.7%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Marketplace Platform

During the period under review we derived, and we anticipate continuing to derive in the medium- and long-term period, an increasing part of our revenue from seller fees paid by our merchants, calculated as a percentage of GMV on our Marketplace Platform. Our GMV has been, and is expected to continue to be, primarily driven by our increasing consumer base and the number of purchases that we enable through our Marketplace. This is a result of the attractiveness of our Marketplace and its features, including the availability of a combination of online and in-store shopping, the increased number of merchants, the wide range of listed merchandise, the convenient fulfilment of orders and the diverse range of payment and buy-now-pay-later financing options. In the first half of 2020, the COVID-19 pandemic further contributed to the popularity of our Marketplace Platform, which allows consumers to conveniently purchase goods from the comfort of their homes while adhering to social distancing guidelines. In addition, we believe that our Marketplace Platform benefits significantly from the Kaspi Ecosystem network effect. For example, a consumer making an online bill payment via our Payments Platform is highly likely to make an online purchase on the Marketplace Platform. Furthermore, around 90 to 95% of our GMV was paid for by buy-now-pay-later financing products generated through the Fintech Platform.

Our GMV increased by 56.3% from KZT265,533 million in 2017 to KZT415,107 million in 2018, and further by 51.2% to KZT627,480 million (U.S.\$1,639 million) in 2019. In the first half of 2020, our GMV amounted to KZT271,092 million (U.S.\$671 million), demonstrating 12.1% growth compared to KZT241,776 in the first half of 2019. The growth in GMV was mainly driven by the increasing number of purchases during the period under review as a result of the growth of the number of Marketplace Active Consumers (from 1.6 million in 2017 to 2.1 million in 2018, 2.7 million in 2019 and further to 2.8 million in the first half of 2020). The Number of Purchases that we enabled through the Marketplace Platform increased by 121.3% to 23,218 thousand in 2019 from 10,491 thousand in 2018, which in turn increased by 146.7% from 4,253 thousand in 2017. In the first half of 2020, we enabled 10,310 thousand purchases through the Marketplace Platform, which comprised a 9.5% year-on-year increase compared to 9,417 thousand purchases enabled in the first half of 2019.

Our in-store shopping GMV comprised 69.1%, 48.8%, 30.3% and 11.7% of our total GMV in 2017, 2018, 2019 and the first half of 2020, respectively, whereas our e-Commerce GMV accounted for 20.4%, 28.2%, 29.2% and 41.9% of our total GMV, and our Mobile Commerce GMV accounted for 10.4%, 23.1%, 40.5% and 46.4% of our total GMV for the same periods, respectively.

Our Marketplace Take Rate increased from 4.6% in 2017 to 6.0% in 2018 and further to 7.1% in 2019, and amounted to 6.7% in the first half of 2020, which is an increase from 6.5% in the first half

of 2019. The increase in the Marketplace Take Rate seen from 2017 to 2019 and its consistently high level in the first half of 2020 reflects the growth in the number of Marketplace Active Stores (from 7.4 thousand in 2017 to 12.2 thousand in 2018, 23.4 thousand in 2019 and further to 27.5 thousand in the first half of 2020), the diversification in our GMV mix and our entry into higher margin product categories (such as clothing, cosmetics, accessories and restaurants which allows us to charge merchants higher seller fees as compared to merchants engaged in lower margin product categories, such as electronics).

The table below sets forth the key metrics in respect of our Marketplace Platform in the first half of 2019 and 2020:

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior year
GMV (KZT million).....	241,776	271,092	671 million	12.1%
Marketplace Active Consumers (thousands of consumers).....	2,363	2,777	-	17.6%
Number of Marketplace Purchases (thousands of transactions).....	9,417	10,310	-	9.5%
Number of Marketplace Active Stores (thousands of stores).....	14.9	27.5	-	84.6%
Retention Rate of Marketplace Active Merchants (%)	99.3%	99.2%	-	-
Marketplace Take Rate (%)	6.5%	6.7%	-	-
GMV (rolling 12 months) (KZT million)	501,752	656,797	1,626 million	30.9%
Number of Marketplace Purchases (rolling 12 months) (thousands of purchases)	16,058	24,111	-	50.2%
GMV per Marketplace Active Consumer (KZT thousand).....	212	236	584	11.4%
Purchases per Marketplace Active Consumer (number of transactions).....	6.8	8.7	-	27.7%

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Rolling 12 months figures have been calculated for the 12 months preceding the end of the relevant period (30 June 2020 and 30 June 2019, respectively).

The table below sets forth the key metrics in respect of our Marketplace Platform in 2017, 2018 and 2019:

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾	% change from prior year	
GMV (KZT million).....	265,533	415,107	627,480	1,639 million	56.3%	51.2%
Marketplace Active Consumers (thousands of consumers).....	1,638	2,109	2,671	-	28.8%	26.6%
Number of Marketplace Purchases (thousands of transactions).....	4,253	10,491	23,218	-	146.7%	121.3%
Number of Marketplace Active Stores (thousands of stores)	7.4	12.2	23.4	-	64.4%	91.5%
Retention Rate of Marketplace Active Merchants (%)	99.9%	99.6%	99.3%	-	-	-
Marketplace Take Rate (%) ..	4.6%	6.0%	7.1%	-	-	-
GMV per Marketplace Active Consumer (KZT thousand)....	162	197	235	614	21.6%	19.4%

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾	% change from prior year	
Purchases per Marketplace Active Consumer (<i>number of transactions</i>).....	2.6	5.0	8.7	-	92.3%	74.8%

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

The table below sets forth the key metrics relating to our e-Commerce operations in the first half of 2019 and 2020:

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior year
e-Commerce Active Consumers (<i>thousands of consumers</i>).....	794	1,332	-	67.8%
e-Commerce GMV (<i>KZT million</i>).....	64,150	113,501	281 million	76.9%
Number of e-Commerce Purchases (<i>thousands of transactions</i>).....	754	1,516	-	101.0%
e-Commerce GMV (rolling 12 months) (<i>KZT million</i>) ⁽²⁾	144,648	232,549	576 million	60.8%
e-Commerce Transactions (rolling 12 months) (<i>thousands of transactions</i>) ⁽²⁾	1,560	2,902	-	86.0%
GMV per e-Commerce Active Consumer (<i>KZT thousand</i>).....	182	175	433	(4.2)%
Purchases per e-Commerce Active Consumer (<i>number of transactions</i>).....	2.0	2.2	-	10.9%

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Rolling 12 months figures have been calculated for the 12 months preceding the end of the relevant period (30 June 2020 and 30 June 2019, respectively).

The table below sets forth the key metrics relating to our e-Commerce operations in 2017, 2018 and 2019:

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾	% change from prior year	
e-Commerce Active Consumers (<i>thousands of consumers</i>).....	346	662	1,034	-	91.3%	56.2%
e-Commerce GMV (<i>KZT million</i>).....	54,208	116,937	183,198	479 million	115.7%	56.7%
Number of e-Commerce Purchases (<i>thousands of transactions</i>).....	555	1,184	2,140	-	113.3%	80.8%
GMV per e-Commerce Active Consumer (<i>KZT thousand</i>).....	157	177	177	462	12.7%	0.3%
Purchases per e-Commerce Active Consumer (<i>number of transactions</i>).....	1.6	1.8	2.1	-	12.5%	15.7%

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Fintech Platform

During the period under review, the majority of our revenue was attributable to interest and fees earned on the products and services offered through the Fintech Platform, although the share of this segment in our revenue decreased from 92.1% in 2017 to 86.3% in 2018 and further to 78.3% in 2019 and 77.4% in the first half of 2020, as a result of the faster growth of revenues of the Payments and Marketplace Platforms. We anticipate, that in the medium- and long-term period, the share of our revenue generated through our Fintech Platform will continue to decrease. Our TFV has been, and is expected to continue to be, primarily driven by the increasing number of Fintech Financing Transactions provided via this Platform as a result of the high quality of our customer experience, which stems from the convenience of online access through our Super App, our quick data driven loan approval process, our excellent customer service, and our high level of consumer loyalty (our Retention Rate of Active Consumers was 98.2% in the first half of 2020).

Our TFV increased by 35.3% from KZT1,058,901 million in 2017 to KZT1,432,280 million in 2018, and further by 39.9% to KZT2,003,590 million (U.S.\$5,235 million) in 2019. The growth in TFV in the period from 2017 to 2019 was mainly driven by the increasing number of Fintech Financing Transactions driven by strong demand for our financing products and the increasing Number of Fintech Active Consumers. In the first half of 2020, TFV decreased by 19.8% to KZT693,706 million compared to KZT865,014 million in the first half of 2019, reflecting a more cautious approach to new lending from mid-March 2020 in view of the onset of the COVID-19 pandemic.

In 2017, 2018 and 2019, we enabled 6,639 thousand, 13,462 thousand and 27,787 thousand Fintech Financing Transactions respectively, representing year-on-year growth of 102.8% (2017 as compared to 2018) and 106.4% (2018 as compared to 2019), whereas the Number of Fintech Active Consumers amounted to 2,330 thousand in 2017, growing by 22.0% to 2,843 thousand Fintech Active Consumers in 2018 and further increasing by 18.6% to 3,373 thousand Fintech Active Consumers in 2019. In the first half of 2020, we enabled 11,809 thousand Fintech Financing Transactions, representing year-on-year growth of 4.3% compared to 11,237 Fintech Financing Transactions in the first half of 2019. In the first half of 2020, we had 3,350 thousand Fintech Active Consumers, compared to 3,069 thousand Fintech Active Consumers in the first half of 2019 (a 9.1% year-on-year increase).

The Fintech Average Yield increased from 30.0% in 2017 to 30.5% in 2018, 32.2% in 2019 and further to 33.2% in the first half of 2020, mainly due to the change in product mix and the increase in prices for our consumer finance products.

The table below sets forth the key metrics in respect of our Fintech Platform in the first half of 2019 and 2020:

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior year
TFV (KZT million).....	865,014	693,706	1,718 million	(19.8)%
Fintech Active Consumers (thousands of consumers).....	3,069,131	3,349,782	-	9.1%
Number of Fintech Financing Transactions (thousands of transactions).....	11,326,567	11,809,269	-	4.3%
Fintech Average Net Loan Portfolio (KZT million)	1,089,481	1,267,351	3,138 million	16.3%
Fintech Average Yield (%).....	31.3%	33.2%	-	-
TFV to Average Net Loan Portfolio Conversion Rate.....	1.5	1.5	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

The table below sets forth the key metrics in respect of our Fintech Platform in 2017, 2018 and 2019:

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾	% change from prior year	
TFV (<i>KZT million</i>).....	1,058,901	1,432,280	2,003,590	5,235 million	35.3%	39.9%
Fintech Active Consumers (<i>thousands of consumers</i>).....	2,330	2,843	3,373	-	22.0%	18.6%
Number of Fintech Financing Transactions (<i>thousands of transactions</i>).....	6,639	13,462	27,787	-	102.8%	106.4%
Fintech Average Net Loan Portfolio (<i>KZT million</i>).....	778,188	987,785	1,145,155	2,992 million	26.9%	15.9%
Fintech Average Yield (%).....	30.0%	30.5%	32.2%	-	-	-
TFV to Average Net Loan Portfolio Conversion Rate.....	1.4	1.4	1.7	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Recent Developments

Acquisition of LLC Traveleasy and establishment of LLC Kaspi Pay

In July 2020, we acquired a 100% share of LLC Traveleasy, whose primary business is selling online airline and railway tickets.

In August 2020, we established LLC Kaspi Pay, a fully owned subsidiary of JSC Kaspi.kz, to launch a new mobile payments Platform for merchants, enabled by QR technology and Kaspi Pay mobile app.

Sale of Kaspi Insurance

In June 2020, we entered into a binding agreement to sell Kaspi Insurance to an unrelated third party on market terms for cash consideration of KZT4.5 billion. As at the date of this Registration Document, the completion of the sale is expected by the end of 2020 and is subject to receipt of the required regulatory approvals by the purchaser.

Factors Affecting our Results of Operations

Our operations have historically been influenced by the following key factors, which our management believes will continue to affect the Group's results of operations in the future.

Increase in the Number of Monthly Active Users (MAU)

We believe that we attract consumers to our Platforms and engage them in our Ecosystem through the diversity of services and products that we build around their daily lives. Our Super App is centred around regular shopping, payments and personal finance management needs of consumers in Kazakhstan. In order to continue engaging our consumers, we are planning to continuously enhance and expand our product and service offerings and to improve the overall user experience in our Ecosystem. The number of MAU increased to 7.8 million as at 30 June 2020 from 6.0 million as at 31 December 2019, 3.1 million as at 31 December 2018 and 1.1 million as at 31 December 2017. The growth in MAU and Active Consumers in each of the Platforms is one of the key drivers of the increases in GMV and TPV and contributed to the expansion of TFV in the periods under review.

Growth in the Number of Transactions per Active Consumer

As our Active Consumers increased their transaction volumes in terms of both value and number of transactions, our GMV, TPV and TFV each grew during the periods under review, and we expect that they will continue to grow in the future. The increased use of our Ecosystem by our existing Active Consumers was mainly fuelled by (i) an increase in consumer engagement across our Ecosystem

resulting in a higher number of transactions per Active Consumers and (ii) an increase in consumer engagement within specific products and services resulting in increased use of specific products. In the first half of 2020, the number of Monthly Transactions per Active Consumer amounted to 19.3 as compared to 14.8 Monthly Transactions per Active Consumer in 2019, 6.9 Monthly Transactions per Active Consumer in 2018 and 4.6 Monthly Transactions per Active Consumer in 2017.

Leveraging Big Data and Technology

Our Active Consumers make on average around 19 transactions per month. Transaction data covers all aspects of consumer spending habits and is combined with social, financial and behavioural digital data derived through the use of our Super App. The high levels of transactions per consumer, combined with the leading market share of our Platforms, provide us with unmatched volumes of proprietary data and unique consumer insights. We expect that our ability to deliver highly relevant and personalised content will continue to increase consumer engagement across our Ecosystem, resulting in a growing number of products and transactions per Active Consumer, and will be important for strengthening our Ecosystem and driving our growth going forward.

Furthermore, our big data-driven and adaptable scoring models allow us to enhance the effectiveness of our credit and transaction risk management, thus, maintaining delinquencies at acceptable levels. NPLs accounted for 8.9%, 8.3%, 9.0% and 8.3% of our gross loan portfolio as at 30 June 2020 and 31 December 2019, 2018 and 2017, respectively. Our cost of risk fluctuated from 3.1% in 2017 to 4.6% in 2018 and then to 3.5% in 2019. The generally stable level of cost of risk seen from 2017 to 2019 was primarily due to the increased payment discipline of our consumers as a result of the improved economic environment in Kazakhstan, enhanced loan collection procedures and our prudent provisioning policy. Notwithstanding the overall negative impact of the COVID-19 pandemic on the Kazakhstan economy, we were also able to maintain a stable level of cost of risk year-on-year in the first half of 2020 (4.2% compared to 4.1% in the first half of 2019). We believe that our ability to maintain a broadly stable cost of risk ratio, despite an increase in our consumer loan portfolio and the deteriorating macroeconomic backdrop seen in the first half of 2020, demonstrates the efficiency of our risk management system based on our big data and technology capabilities.

Marketplace GMV Mix

We generate revenue by charging seller fees on all transactions that we facilitate on our Marketplace Platform. Our Marketplace Take Rate increased from 4.6% in 2017 to 6.0% in 2018 and further to 7.1% in 2019, and amounted to 6.7% in the first half of 2020. The general positive trend in the Marketplace Take Rate reflects growth in the number of Marketplace Active Stores, the diversification in our GMV mix and our entry into higher margin product categories (such as clothing, cosmetics, accessories and restaurants which allows us to charge the respective merchants higher seller fees as compared to merchants engaged in lower margin sales such as electronics). We expect that our revenues will continue to be influenced by the GMV mix on our Marketplace.

Operating Leverage and Network Effect

Our Super App driven Ecosystem has significant operating leverage, as the growing number of services being used by our consumers results in lowers costs, synergies across all our Platforms, and creates a self-reinforcing network effect. Our business model and scale of operations enable us to reduce structural costs, which are allocated throughout our Platforms, and to maintain low capital expenditures. Our technology-driven strategy has enabled us to increase our operational volumes while reducing marginal costs, allowing us to achieve an economy of scale.

The Net Income Margin of our Payments Platform improved from 14.2% in 2017 to 25.4% in 2018 and further to 42.0% in 2019 and 49.2% in the first half of 2020, while the Net Income Margin of our Marketplace Platform increased from 47.7% in 2017 to 58.2% in 2018 and further to 62.6% in 2019 and stood at 53.3% in the first half of 2020, and the Net Income Margin of our Fintech Platform grew from 25.2% in 2017 to 27.7% in 2018 and further to 35.0% in 2019 and 35.2% in the first half of 2020.

Impact of COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The rapidly changing global market and economic conditions as a result of COVID-19 have impacted, and are expected to continue to impact, our operations and business. To protect the health and safety of our employees, we have modified our business practice and implemented work-from-home arrangements. We continue to actively monitor the situation and may take further actions that alter our business operations as may be required by state or municipal authorities or that we determine are in the best interests of our employees, customers, and business partners. The broader implications of the COVID-19 outbreak on our business, financial condition, and results of operations remain uncertain. The COVID-19 outbreak has adversely impacted, and is likely to continue to adversely impact global commerce due to reduced business activity and customer spending, and increased unemployment rates, among other factors, which could materially and adversely impact our business, financial condition, and results of operations in future periods.

The current macroeconomic environment as a result of the COVID-19 outbreak has adversely impacted some consumers' financial position, resulting in a more cautious approach to new lending and a decline in TFCV in our Fintech segment in the first half of 2020 compared to the first half of 2019. To support customers who are experiencing temporary financial difficulties and/or had limited access to loan repayment infrastructure due to the lockdown measures imposed by the Government, we announced a loan repayment deferral programme at the end of March 2020. The deferral programme allowed customers to postpone three upcoming monthly payments to later periods with corresponding extension of their loan term for three months via the Kaspi.kz Super App. The programme fully complies with the Government's support measures for individuals in the form of the right for repayment deferral that was declared a few days after the Group's announcement. 94% of consumers who enrolled onto the deferral program made payments on the relevant due date, resulting in no material impact on cost of risk. Accordingly, despite the deterioration in the economic environment, our cost of risk was stable at 4.2% year-on-year, thereby demonstrating our data driven real time risk management capabilities.

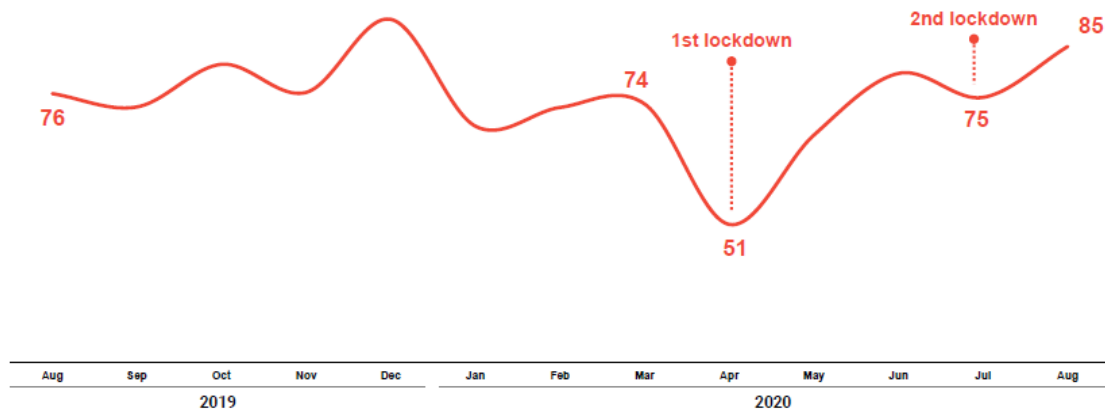
We have reflected the updated macroeconomic outlooks along with borrowers support measures launched by us, and the Government's stimulus package in our ECL estimates. Further details on the adjustments to the criteria of significant increase of credit risk, credit impairment and ECL are described in Note 3 to the Interim Financial Statements. Considering that the duration and severity of the impact of COVID-19 is unknown, we have been taking a more cautious approach to increasing new lending. See also *"Risk Factors—Risks relating to Kaspi.kz's Business and Industry—The outbreak of COVID-19 has had, and may continue to have, a negative impact on the global economy and on our business, operations and results"*.

Since June 2020, in line with the gradual recovery in consumer confidence, we have observed a corresponding recovery in consumer activity and transactions represented by our RPTV, which is recovering to pre-pandemic levels, as demonstrated by the chart below.

COVID-19 snapshot

Consumer transactions back to pre-COVID levels

RTPV per Active Consumer
KZT '000



The negative impact of the COVID-19 pandemic on our TFV has been partially offset by growth elsewhere in our Ecosystem. In particular, in view of the accelerated adoption of digital payments and e-Commerce through our Super App, we have seen our MAU reach 7.8 million in June 2020, demonstrating a 73% growth year-on-year. The number of transactions taking place through our Super App reached 90% in June 2020 compared to 68% in June 2019. Average monthly transactions per Active Consumer have almost doubled, increasing from 10.0 as at the end of June 2019 to 19.3 transactions as at the end of June 2020. These factors have translated, in particular, to the year-on-year growth of TPV and e-Commerce GMV.

Our TPV grew by 194% year-on-year in August 2020 compared to August 2019 (and by 184% year-on-year in the first half of 2020 compared to the first half of 2019), while our e-Commerce GMV demonstrated year-on-year growth of 259% in August 2020 compared to August 2019 (and of 77% year-on-year in the first half of 2020 compared to the first half of 2019).

Industry Trends

According to Ovum (World Cellular Information Service), the total number of smartphone connections in Kazakhstan increased from 12.7 million in 2016 to 19.2 million in 2019, and is expected to reach 23.4 million by 2024. See “*Industry Overview*”. We view the demand for mobile payments, shopping and finance as the key drivers of our growth and have made our Mobile Super App, the foundation of our strategy.

Mobile internet infrastructure is widespread in Kazakhstan but we believe our addressable market remains significantly underpenetrated. As a result, we expect that the demand for our products and services will keep growing in the coming years.

The Kazakhstan payments market is still at an early stage of development, as demonstrated by Kazakhstan’s digital payments penetration rate (calculated for Kazakhstan as the percentage of cashless transactions value in the total value of the sum of cashless transactions and total cash withdrawals, adjusted for Kaspi.kz’s P2P figures, and for other countries as the percentage of non-paper payment transactions value in the total consumer payment transactions value), which stood at 31.0% in 2019, compared to 81.6% in China, 76.8% in Turkey, 70.4% in Brazil and 51.4% in Russia in 2019.

E-commerce penetration in Kazakhstan has significant upside potential as compared to other emerging market countries and developed economies. Based on Euromonitor estimates, the GMV of Kazakhstan's online retail market accounted for 3.4% of the total retail sales value in 2019, as compared to 27.0% in China, 7.3% in Brazil, 7.1% in Russia and 5.8% in Turkey. The COVID-19 pandemic has led to a significant increase in e-commerce spending globally. For example, according to the US Department of Commerce, US consumers spent \$200.72 billion online with US retailers between April to June 2020, up 44.4% from \$138.96 billion for the same quarter the prior year, implying a 20.8% e-commerce penetration rate in the second quarter of 2020.

Kazakhstan's consumer banking sector is characterised by low penetration of consumer financial services. Consumer Loans in Kazakhstan amounted to 6.7% of the country's GDP in 2019, as compared to 23.7% in China, 18.1% in Brazil, 8.7% in Turkey and 8.5% in Russia, based on the data of Euromonitor, the IMF and the NBK.

Seasonality

Our Ecosystem is built around daily consumer needs and therefore mirrors consumer spending. Consumers on our Marketplace tend to spend less in the first quarter of the year and increase spending as the year-end holiday shopping season commences.

We have therefore been experiencing, and may continue to experience, seasonal impact on our revenue (in particular, on a quarterly basis) following our organic transition to moderate rates of growth.

Macroeconomic Environment

Substantially all of our assets and customers are located in Kazakhstan. As a result, our revenues and profitability depend on economic conditions in Kazakhstan.

Macroeconomic conditions in Kazakhstan significantly impact the demand for our services. During periods of economic growth, overall consumer spending tends to increase along with growth of consumer wealth, and during economic downturns, consumer spending tends to correspondingly decline. These fluctuations can have a considerable impact on the engagement of consumers and merchants within our Ecosystem.

The following table sets forth certain key Kazakhstan economic indicators as at or for the years indicated:

	As at and for the year ended 31 December		
	2017	2018	2019
GDP (in KZT billions at current prices)	54,379	61,820	69,533
Nominal GDP growth (in % change in physical volume of GDP).....	15.8%	13.7%	12.6%
Real GDP growth (in % change in physical volume of GDP).....	4.1%	4.1%	4.5%
(Deficit)/surplus of the budget of Kazakhstan (in KZT millions).....	(1,455,320)	(833,072)	(1,285,307)
Official reserves (in U.S.\$ billions)	30.7	31.0	29.0
Inflation (Year-end CPI change) (in %).....	7.1%	5.3%	5.4%
Unemployment (in %)	4.9%	4.9%	4.8%
Real wages (in %).....	(1.7)%	1.7%	9.1%
Real disposable money income (in %).....	1.8%	5.0%	6.5%
Nominal private consumption (in KZT billions)	28,597	32,207	36,148
Private consumption real growth (in %)	1.5%	6.1%	5.8%
Population (in millions)	18.2	18.4	18.6
Nominal KZT exchange rate as of year-end (KZT per U.S.\$).....	332.33	384.20	381.18

Source: World Bank, NBK, MNE, EIU © Reproduced with permission of the Economist Intelligence Unit

Components of Results of Operations

Revenue

Revenue includes interest revenue, fees and commission revenue, seller fees, transaction and membership revenue and other gains/losses.

Interest revenue includes interest earned on loans to customers, securities and deposits.

Fees and commissions mainly include banking fees and commissions, which are paid on a monthly basis and are associated with provided consumer finance.

Seller fees include fees paid by merchants from shopping transaction originated during both online and in-store shopping. We earn seller fees when transactions are completed on the Marketplace Platform. Seller fees are generally calculated as a percentage based on the GMV being sold by merchants.

Transaction and membership revenue includes transaction fees paid by merchants and consumers when we enable various payment, wire transfer and purchase transactions and membership fees paid by consumers and merchants for accessing various Kaspi Ecosystem services.

Other gains/losses include net gains/losses on foreign exchange operations and financial assets and liabilities at fair value through profit or loss. This component of revenue also includes revenue from our delivery service and revenue derived from the operations of our Marketplace Platforms in Azerbaijan.

Cost of Revenue

Cost of revenue includes interest expense, transaction expenses and operating expenses, which are directly attributable to our everyday operating activities.

Interest expense includes interest expense on customer accounts, mandatory insurance of retail deposits, interest expense on debt securities and subordinated debt.

Transaction expenses mainly comprise 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 our Kaspi.kz outlets and POS, 24-hour call support and communication with customers, product packaging, consumer finance origination and risk assessment, customer deposit acquisition and other expenses which can be attributed to our operating activities related to the origination and delivery of products and services.

Operational Costs

For the reader's convenience, we have grouped technology and product development, sales and marketing expenses, and general and administrative expenses into operational costs for the purposes of this operating and financial review.

Technology and Product Development

Technology and product development expenses consist of staff and contractor costs that are incurred in connection with the research and development of new and existing products and services, development, design, data science and maintenance of our products and services, and infrastructure costs. Infrastructure costs include servers, networking equipment, data centre and payment equipment related depreciation, rent, utilities, and other expenses necessary to support our technologies and Platforms. Collectively, these costs reflect the technology investments we make in order to offer a wide variety of products and services to our customers within the Kaspi Ecosystem.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of online and offline advertising expenses, promotion expenses, bonuses under Kaspi Bonus, staff costs and other expenses that are incurred directly to attract or retain consumers and merchants for the Kaspi Ecosystem.

General and Administrative Expenses

General and administrative expenses consist primarily of costs incurred to provide support to our business, including legal, human resources, finance, risk, compliance, executive, professional services fees, office facilities and other support functions.

Provision Expense

Impairment gains and losses recognised on financial assets are recorded in the “provision expense” line in our consolidated statement of profit or loss. For 2017, financial assets were considered to be impaired when there was objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment had been affected. With effect from 1 January 2018, provision expenses are recognised based on the ECL measurement in accordance with IFRS 9. ECL is a probability-weighted measurement of the present value of future cash shortfalls (i.e. the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights).

Income Tax

Income tax includes current income and deferred tax expense with respect to our operating income under the tax regulations of Kazakhstan.

Discussion and Analysis of Results of Operations for the six months ended 30 June 2020 and 2019

Payments Platform

The following table sets forth our Payments Platform’s results of operations for the periods indicated.

	Six months ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior year
REVENUE	25,330	48,594	120	91.8%
Transaction & Membership Revenue.....	18,492	34,880	86	88.6%
Interest Revenue	6,838	13,714	34	100.6%
COST OF REVENUE	(7,277)	(9,021)	(22)	24.0%
Transaction Expenses	(4,552)	(5,709)	(14)	25.4%
Operating Expenses	(2,725)	(3,312)	(8)	21.5%
TOTAL NET REVENUE	18,053	39,573	98	119.2%
Technology & Product Development	(3,107)	(4,381)	(11)	41.0%
Sales & Marketing	(3,496)	(5,770)	(14)	65.0%
General & Administrative Expenses	(545)	(735)	(2)	34.9%
OPERATING INCOME	10,905	28,687	71	163.1%
Income tax	(1,745)	(4,802)	(12)	175.2%
NET INCOME	9,160	23,885	59	160.8%
Net Income Margin (Payments) (%) ⁽²⁾	36.2%	49.2%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

The table below sets forth the key metrics in respect of our Payments Platform in the first half of 2019 and 2020.

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior year
TPV (<i>KZT million</i>).....	2,861,872	8,178,998	20,253 million	185.8%
RTPV (<i>KZT million</i>).....	1,338,188	2,407,832	5,962 million	79.9%
Payments Active Consumers (<i>thousands of consumers</i>).....	3,737	6,548	-	75.2%
TPV Payment Transactions (<i>thousands of transactions</i>).....	296,900	865,452	-	191.5%
RTPV Payment Transactions (<i>thousands of transactions</i>).....	226,730	423,740	-	86.9%
Payments Take Rate (%).....	1.3%	1.3%	-	-
Average Balances on Current Accounts (<i>KZT million</i>)	148,005	275,921	683 million	86.4%
Yield on Average Balances (%).....	9.2%	9.9%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Revenue

Payments revenue increased by 91.8% to KZT48,594 million (U.S.\$120 million) in the first half of 2020 from KZT25,330 million in the first half of 2019. The year-on-year increase was due to the growth of transaction and membership revenue and interest revenue.

Transaction and membership revenue increased by 88.6% to KZT34,880 million (U.S.\$86 million) in the first half of 2020 from KZT18,492 million in the first half of 2019 due to an increase in TPV and RTPV.

Our TPV increased by 185.8% to KZT8,178,998 million in the first half of 2020 from KZT2,861,872 million in the first half of 2019. Our RTPV increased by 79.9% to KZT2,407,832 million in the first half of 2020 from KZT1,338,188 million in the first half of 2019. The growth in TPV and RTPV was mainly driven by the increasing number of transactions during the periods under review as a result of the substantial growth in the number of Payments Active Consumers (from 3,737 thousand in the first half of 2019 to 6,548 thousand in the first half of 2020) and the number of payments per Payments Active Consumer (from 61 in the first half of 2019 to 65 in the first half of 2020) against the backdrop of the COVID-19 pandemic, which accelerated consumer shift to contactless payments. The number of RTPV Payment Transactions that we enabled through our Payments Platform was 226,730 thousand and 423,740 thousand in the first half of 2019 and the first half of 2020, respectively, representing year-on-year growth of 86.9%. Our Payments Take Rate amounted to 1.3% in both the first half of 2019 and the first half of 2020.

Interest revenue increased by 100.6% to KZT13,714 million (U.S.\$34 million) in the first half of 2020 from KZT6,838 million in the first half of 2019 primarily due to the increase in average cash balances from Kaspi Gold and Kaspi Business customers. Average Balances on Current Accounts increased by 86.4% to KZT275.9 billion (U.S.\$683 million) in the first half of 2020 from KZT148.0 billion in the first half of 2019. The increase in Average Balances on Current Accounts was driven by the increase in the number of Active Consumers who transacted through, and maintained current accounts with, Kaspi.kz.

Cost of Revenue

The following table sets forth cost of revenue of Payments and cost of revenue ratio for the periods indicated.

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior year
Transaction Expenses	(4,552)	(5,709)	(14)	25.4%
Operating Expenses	(2,725)	(3,312)	(8)	21.5%
Total cost of revenue.....	(7,277)	(9,021)	(22)	24.0%
Cost of revenue ratio (Payments) (%) ⁽²⁾	28.7%	18.6%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

Cost of revenue of Payments increased by 24.0% to KZT9,021 million (U.S.\$22 million) in the first half of 2020 from KZT7,277 million in the first half of 2019 due to the growth of all components of cost of revenue in line with the expansion of Payments business. Cost of revenue ratio of Payments decreased from 28.7% in the first half of 2019 to 18.6% in the first half of 2020. The reduction in cost of revenue ratio of the Payments Platform in the first half of 2020 is attributable to our decision to switch transaction processing to our own proprietary network from June 2019, thereby removing third party costs, and the material renegotiation of fees paid to Mastercard and Visa on the transactions that continue to be processed outside our own network. The use of our proprietary payment network allowed us to visibly reduce our transaction expenses as a portion of RTPV in the periods under review; transaction expenses comprised 0.24% of RTPV in the first half of 2020 compared to 0.34% in the first half of 2019, 0.30% in 2019, 0.33% in 2018 and 0.55% in 2017.

Transaction Expenses

Transaction expenses of Payments increased by 25.4% to KZT5,709 million (U.S.\$14 million) in the first half of 2020 from KZT4,552 million in the first half of 2019 primarily due to the growth in TPV, as we are required to pay fees to payment processors, payment networks and various service providers on a part of our transactions that continue to be processed outside our own network.

Operating Expenses

Operating expenses of Payments increased by 21.5% to KZT3,312 million (U.S.\$8 million) in the first half of 2020 from KZT2,725 million in the first half of 2019, primarily due to an increase in the volume of Payments and the resulting increased expenses related to the origination and delivery of products and services.

Net Revenue

For the reasons described above, net revenue of Payments was KZT39,573 million (U.S.\$98 million) and KZT18,053 million in the first half of 2020 and the first half of 2019, respectively, representing a 119.2% year-on-year increase.

Operational Costs

The following table sets forth breakdown of operational costs of Payments and operational costs as a percentage of revenue for the periods indicated.

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
Technology and product development	(3,107)	(4,381)	(11)	41.0%
Sales and marketing	(3,496)	(5,770)	(14)	65.0%
General and administrative expenses	(545)	(735)	(2)	34.9%
Total operational costs	(7,148)	(10,886)	(27)	52.3%
Percentage of revenue (Payments) (%)	28.2%	22.4%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Operational costs of Payments include expenses relating to technology and product development, sales and marketing, and general and administrative expenses. Operational costs of Payments increased by 52.3% to KZT10,886 million (U.S.\$27 million) in the first half of 2020 from KZT7,148 million in the first half of 2019 in line with the expansion of our Payments business. Operational costs of Payments as a percentage of revenue of Payments decreased from 28.2% in the first half of 2019 to 22.4% in the first half of 2020 due to our prudent approach to cost management, which positively translated into increases of the Net Income Margin of Payments (from 36.2% in the first half of 2019 to 49.2% in the first half of 2020).

Technology and Product Development

Technology and product development expenses of Payments increased by 41.0% to KZT4,381 million (U.S.\$11 million) in the first half of 2020 from KZT3,107 million in the first half of 2019 primarily due to our investments in IT infrastructure and growth in the number of, and salaries payable to, our IT and product development personnel.

Sales and Marketing

Sales and marketing expenses of Payments increased by 65.0% to KZT5,770 million (U.S.\$14 million) in the first half of 2020 from KZT3,496 million in the first half of 2019. The increase of sales and marketing expenses is a result of growth in the number of Payments Active Consumers and a corresponding growth in RTPV and RTPV Payment Transactions.

General and Administrative Expenses

Our general and administrative expenses increased by 34.9% to KZT735 million (U.S.\$2 million) in the first half of 2020 from KZT545 million in the first half of 2019 in line with the growth of our Payments business.

Operating Income

For the reasons described above, operating income of Payments was KZT28,687 million (U.S.\$71 million) and KZT10,905 million in the first half of 2020 and the first half of 2019, respectively.

Income Tax

Income tax expenses of Payments increased by 175.2% from KZT1,745 million in the first half of 2019 to KZT4,802 million in the first half of 2020 in line with taxable operating income.

Net Income

For the reasons described above, net income of Payments was KZT9,160 million and KZT23,885 million in the first half of 2019 and the first half of 2020, respectively, representing a 160.8% year-on-

year increase. Net Income Margin of Payments improved from 36.2% in the first half of 2019 to 49.2% in the first half of 2020, primarily as a result of our ability to maintain our cost of revenue at stable levels with a significant increase of our revenue.

Marketplace Platform

The following table sets forth our Marketplace Platform's results of operations for the periods indicated.

	Six months ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
REVENUE	15,761	19,151	47	21.5%
Seller Fees.....	15,761	18,137	45	15.1%
Other gains and losses.....	-	1,014	3	-
COST OF REVENUE	(810)	(1,714)	(4)	111.6%
Transaction Expenses	(76)	(112)	-	47.4%
Operating Expenses	(734)	(1,602)	(4)	118.3%
TOTAL NET REVENUE	14,951	17,437	43	16.6%
Technology & Product Development	(1,526)	(1,980)	(5)	29.8%
Sales & Marketing	(1,729)	(2,910)	(7)	68.3%
General & Administrative Expenses.....	(183)	(300)	(1)	63.9%
OPERATING INCOME	11,513	12,247	30	6.4%
Income tax	(1,845)	(2,034)	(5)	10.2%
NET INCOME	9,668	10,213	25	5.6%
Net Income Margin (Marketplace) (%) ⁽²⁾	61.3%	53.3%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT382.75.

(2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

The table below sets forth the key metrics in respect of our Marketplace in the first half of 2019 and 2020:

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior period
GMV (KZT million).....	241,776	271,092	671 million	12.1%
Marketplace Active Consumers (<i>thousands of consumers</i>).....	2,363	2,777	-	17.5%
Number of Marketplace Purchases (<i>thousands of purchases</i>).....	9,417	10,310	-	9.5%
Number of Marketplace Active Stores (<i>thousands of stores</i>).....	23,382	27,523	-	17.7%
Retention Rate of Marketplace Active Merchants (%)	99.3%	99.2%	-	-
Marketplace Take Rate (%)	6.5%	6.7%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Revenue

Marketplace revenue, represented by Seller Fees and Other Gains, increased by 21.5% to KZT19,151 million (U.S.\$47 million) in the first half of 2020 from KZT15,761 million in the first half of 2019, driven by an expanding GMV and Marketplace Take Rate. The KZT1,014 million of Other Gains included in our Marketplace revenue for the first half of 2020 comprised the revenue generated from our delivery service and on our Azerbaijan business for the first half of 2020.

Our GMV increased by 12.1% from KZT241,776 million in the first half of 2019 to KZT271,092 million (U.S.\$ 671 million) in the first half of 2020. The growth in GMV was mainly driven by the increasing number of purchases during the periods under review as a result of the growth of the number of Marketplace Active Consumers (from 2,363 thousand in the first half of 2019 to 2,777 thousand in the first half of 2020) and the Number of Purchases per Marketplace Active Consumer (from 6.8 in the first half of 2019 to 8.7 in the first half of 2020), but was limited due to restrictions on in-store shopping in view of COVID-19. The number of purchases that we enabled through the Marketplace Platform increased by 9.5% to 10.3 million in the first half of 2020 from 9.4 million in the first half of 2019.

Our Marketplace Take Rate increased from 6.5% in the first half of 2019 to 6.7% in the first half of 2020. The increase in the Marketplace Take Rate reflects the growth in the number of Marketplace Active Stores (from 14.9 thousand in the first half of 2019 to 27.5 thousand in the first half of 2020), the diversification in our GMV mix and our entry into higher margin product categories (such as clothing, cosmetics, accessories and restaurants), which allows us to charge the respective merchants higher seller fees as compared to merchants engaged in lower margin sales such as electronics.

Cost of Revenue

The following table sets forth a breakdown of our cost of revenue of our Marketplace Platform and cost of revenue ratio for the periods indicated.

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
Transaction expenses	(76)	(112)	(0.3)	47.4%
Operating expenses	(734)	(1,602)	(4)	118.3%
Total cost of revenue.....	(810)	(1,714)	(4)	111.6%
Cost of revenue ratio (Marketplace) (%) ⁽²⁾	5.1%	8.9%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

The cost of revenue of the Marketplace Platform increased by 111.6% to KZT1,714 million (U.S.\$4 million) in the first half of 2020 from KZT810 million in the first half of 2019 due to the growth of all components of our cost of revenue in line with the expansion of our Marketplace business. In turn, the cost of revenue ratio of the Marketplace Platform increased from 5.1% in the first half of 2019 to 8.9% in the first half of 2020 in view of the increasing share of Kaspi Delivery in the overall structure of fulfilment of orders due to COVID-19 restrictions on in-store shopping. We also subsidised delivery to make it free for all purchases made through our e-Commerce platform during COVID-19 lockdowns to support our merchants and consumers.

Transaction Expenses

Transaction expenses of Marketplace increased by 47.4% to KZT112 million (U.S.\$0.3 million) in the first half of 2020 from KZT76 million in the first half of 2019 in line with the growth of our Marketplace operations.

Operating Expenses

Operating expenses of Marketplace increased by 118.3% to KZT1,602 million (U.S.\$4 million) in the first half of 2020 from KZT734 million in the first half of 2019, primarily due to an increase in

transaction volumes on our the Marketplace Platform and a resulting increase in expenses related to the origination and delivery of products and services.

Net Revenue

For the reasons described above, net revenue of Marketplace was KZT14,951 million and KZT17,437 million (U.S.\$43 million) in the first half of 2019 and the first half of 2020 respectively, representing a 16.6% year-on-year increase.

Operational Costs

The following table sets forth a breakdown of operational costs of our Marketplace and operational costs as a percentage of revenue for the periods indicated.

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
Technology & Product Development	(1,526)	(1,980)	(5)	29.8%
Sales & Marketing	(1,729)	(2,910)	(7)	68.3%
General & Administrative Expenses	(183)	(300)	(1)	63.9%
Total operational costs.....	(3,438)	(5,190)	(13)	51.0%
Percentage of revenue (Marketplace) (%).....	21.8%	27.1%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Operational costs of our Marketplace increased by 51.0% to KZT5,190 million (U.S.\$13 million) from KZT3,438 million in the first half of 2019, comprising 27.1% and 21.8% of our Marketplace revenue, respectively. The increase was driven predominantly by the overall expansion of our Marketplace operations.

Technology and Product Development

Technology and product development expenses of Marketplace increased by 29.8% to KZT1,980 million (U.S.\$5 million) in the first half of 2020 from KZT1,526 million in the first half of 2019 primarily as a result of continued investment in IT infrastructure and growth in the number of, and salaries payable to, our IT and product development personnel.

Sales and Marketing

Sales and marketing expenses of our Marketplace increased by 68.3% to KZT2,910 million (U.S.\$7 million) in the first half of 2020 from KZT1,729 million in the first half of 2019. The increase of sales and marketing expenses of our Marketplace in the respective periods resulted from the growth in the number of Marketplace Active Consumers and the number of purchases made by them.

General and Administrative Expenses

General and administrative expenses of our Marketplace increased by 63.9% to KZT300 million (U.S.\$1 million) in the first half of 2020 from KZT183 million in the first half of 2019. The increase in general and administrative expenses was in line with the growth of our Marketplace business in the corresponding periods.

Operating Income

For the reasons described above, the Marketplace Platform's operating income increased by 6.4% to KZT12,247 million (U.S.\$30 million) in the first half of 2020 from KZT11,513 million in the first half of 2019.

Income Tax

Income tax of our Marketplace increased by 10.2% from KZT1,845 million in the first half of 2019 to KZT2,034 million (U.S.\$5 million) in the first half of 2020, primarily due to higher amounts of taxable operating income in the corresponding periods.

Net Income

For the reasons described above, the Marketplace Platform's net income increased by 5.6% from KZT9,668 million in the first half of 2019 to KZT10,213 million (U.S.\$25 million) in the first half of 2020. The Net Income Margin of our Marketplace decreased from 61.3% in the first half of 2019 to 53.3% in the first half of 2020 predominantly as a result of an increase in operating and transaction expenses driven by the increasing share of delivered orders and the limited growth of GMV due to restrictions on in-store shopping in light of the COVID-19 pandemic.

Fintech Platform

The following table sets forth our Fintech Platform's results of operations for the periods indicated.

	Six months ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
REVENUE	185,771	231,351	573	24.5%
Interest Revenue	111,725	142,970	354	28.0%
Fees & Commissions	77,986	86,890	215	11.4%
Transaction & Membership Revenue	1,678	2,885	7	71.9%
Other gains (losses)	(5,618)	(1,394)	(3)	(75.2)%
COST OF REVENUE	(77,237)	(82,767)	(205)	7.2%
Interest Expense	(58,841)	(64,380)	(159)	9.4%
Transaction Expenses	(1,585)	(1,166)	(3)	(26.4)%
Operating Expenses	(16,811)	(17,221)	(43)	2.4%
TOTAL NET REVENUE	108,534	148,584	368	36.9%
Technology & Product Development	(4,820)	(5,734)	(14)	19.0%
Sales & Marketing	(6,269)	(9,133)	(23)	45.7%
General & Administrative Expenses	(4,975)	(5,687)	(14)	14.3%
Provision Expense	(23,212)	(30,095)	(75)	29.7%
OPERATING INCOME	69,258	97,935	(243)	41.4%
Income tax	(11,085)	(16,454)	(41)	48.4%
NET INCOME	58,173	81,481	202	40.1%
Net Income Margin (Fintech) (%) ⁽²⁾	31.3%	35.2%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

The table below sets forth the key metrics in respect of our Fintech Platform in the first half of 2019 and 2020:

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior period
TFV (KZT million).....	865,014	693,706	1,718 million	(19.8)%
Fintech Active Consumers (thousands of consumers).....	3,069	3,350	-	9.2%
Number of Fintech Financing Transactions	11,327	11,809	-	4.3%

	Six months ended 30 June			
	2019	2020	2020	2020
			U.S.\$ ⁽¹⁾	% change from prior period
(thousands of transactions).....				
Fintech Average Net Loan Portfolio (KZT million)	1,089,481	1,267,351	3,138 million	16.3%
Fintech Average Yield (%).....	31.3%	33.2%	-	-
TFV to Average Net Loan Portfolio Conversion Rate.....	1.5	1.5	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Revenue

Fintech revenue increased by 24.5% to KZT231,351 million (U.S.\$573 million) in the first half of 2020 from KZT185,771 million in the first half of 2019. The year-on-year increase was due to the growth in interest revenue and fees and commissions driven by the increasing number of consumer finance transactions fuelled by our Super App and an increase in Fintech Average Net Loan Portfolio.

Interest revenue increased by 28.0% to KZT142,970 million (U.S.\$354 million) in the first half of 2020 from KZT111,725 million in the first half of 2019. In the first half of 2020, interest revenue included KZT121,925 million of revenue generated from loans, and KZT21,045 million of revenue generated from liquid assets. Fees and commissions increased by 11.4% to KZT86,890 million (U.S.\$215 million) in the first half of 2020 from KZT77,986 million in the first half of 2019.

The year-on-year increase was primarily due to (i) the increase in Fintech Financing Transactions to 11,809 thousand in the first half of 2020, mainly driven by the increase in the number of Fintech Active Consumers, and the reduction in the average ticket size for Fintech Financing Transactions from KZT76.4 thousand in the first half of 2019 to KZT58.7 thousand (U.S.\$145) in the first half of 2020; and (ii) the increase in Fintech Average Yield to 33.2% in the first half of 2020 from 31.3% in the first half of 2019 resulting from changes in product mix (in particular, from the increasing share of general purpose loans, which are associated with higher yield).

Based on management accounts, in the first half of 2020, out of KZT231 billion (U.S.\$573 million) in total revenue of the Fintech Platform, yield-based revenue comprised KZT211 billion (U.S.\$522 million), whereas other revenue (including interest revenue from liquidity management and other gains and losses) amounted to KZT21 billion (U.S.\$51 million), as compared to KZT171 billion and KZT15 billion, respectively, out of KZT186 billion in the first half of 2019.

We operate our Fintech Platform on a portfolio yield basis that includes both interest and fees and commissions which we receive from our customers. This approach is built around the customer and transactions that drive our TFV.

Cost of Revenue

The following table sets forth a breakdown of our cost of revenue of our Fintech and cost of revenue ratio for the periods indicated.

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
Interest expense	(58,841)	(64,380)	(159)	9.4%
Transaction expenses	(1,585)	(1,166)	(3)	(26.4)%
Operating expenses	(16,811)	(17,221)	(43)	2.4%
Cost of revenue.....	(77,237)	(82,767)	(205)	7.2%
Cost of revenue ratio (Fintech) (%) ⁽²⁾	41.6%	35.8%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

Cost of revenue of Fintech increased by 7.2% to KZT82,767 million (U.S.\$205 million) in the first half of 2020 from KZT77,237 million in the first half of 2019, due to the growth of interest expense and operating expenses for the reasons described below and in line with expansion of our business. Cost of revenue ratio of Fintech decreased to 35.8% in the first half of 2020 from 41.6% in the first half of 2019, which we believe demonstrates our operating leverage, whereby we can reduce structural costs through strong synergies across our Platforms due to the network effect.

Interest Expense

Our interest expense increased by 9.4% to KZT64,380 million (U.S.\$159 million) in the first half of 2020 from KZT58,841 million in the first half of 2019, due to a 23.0% growth of average interest-bearing liabilities in the first half of 2020 as compared to the first half of 2019 as a result of a year-on-year increase of average balances of customer accounts, while the average rate paid on interest-bearing liabilities decreased from 7.6% in the first half of 2019 to 6.8% in the first half of 2020 in line with the prevailing interest rate environment. See “—The Group—Interest Expense” below.

Transaction Expenses

Transaction expenses of Fintech decreased by 26.4% to KZT1,166 million (U.S.\$3 million) in the first half of 2020 from KZT1,585 million in the first half of 2019 primarily due to the decrease in TFV in view of our more cautious approach to consumer lending following the onset of the COVID-19 pandemic.

Operating Expenses

Operating expenses of Fintech marginally increased by 2.4% to KZT17,221 million (U.S.\$43 million) in the first half of 2020 from KZT16,811 million in the first half of 2019 due to increased expenses related to the origination and delivery of products and services.

Net Revenue

For the reasons described above, net revenue of Fintech was KZT148,584 million (U.S.\$368 million) and KZT108,534 million in the first half of 2020 and the first half of 2019, respectively, representing a 36.9% increase year-on-year.

Operational Costs

The following table sets forth a breakdown of operational costs of Fintech and operational costs as a percentage of revenue for the periods indicated.

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
Technology and product development	(4,820)	(5,734)	(14)	19.0%
Sales and marketing	(6,269)	(9,133)	(23)	45.7%
General and administrative expenses	(4,975)	(5,687)	(14)	14.3%
Total operational costs	(16,064)	(20,554)	(51)	28.0%
Percentage of revenue (Fintech) (%)	8.6%	8.9%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Operational costs of Fintech include expenses relating to technology and product development, sales and marketing, and general and administrative expenses. While operational costs of Fintech increased by 28.0% to KZT20,554 million (U.S.\$51 million) in the first half of 2020 from KZT16,064 million in the first half of 2019, we managed to keep them relatively stable as a percentage of revenue of Fintech with 8.9% in the first half of 2020 and 8.6% in the first half of 2019 due to our prudent approach to cost management, which positively translated into an increase of the Net Income Margin of Fintech.

Technology and Product Development

Technology and product development expenses of Fintech increased by 19.0% to KZT5,734 million (U.S.\$14 million) in the first half of 2020 from KZT4,820 million in the first half of 2019 due to a general increase in the costs relating to support of IT software and hardware in line with the increasing number of processed transactions.

Sales and Marketing

Sales and marketing expenses of Fintech increased by 45.7% to KZT9,133 million (U.S.\$23 million) in the first half of 2020 from KZT6,269 million in the first half of 2019. The increase of sales and marketing expenses is a result of the continuous growth in the number of Fintech Active Consumers and transactions, as well as the increasing participation in our Kaspi Bonus loyalty programme and growing redemption of accrued bonuses.

General and Administrative Expenses

General and administrative expenses of Fintech increased by 14.3% to KZT5,687 million (U.S.\$14 million) in the first half of 2020 from KZT4,975 million in the first half of 2019. This year-on-year increase was generally in line with the expansion of our Fintech operations.

Provision Expense

The following table sets forth the provision expense of Fintech for the periods indicated:

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
Provision expense	(23,212)	(30,095)	(75)	29.7%
Cost of risk	4.1%	4.2%	-	-

The provision expense of Fintech increased by 29.7% year-on-year in the first half of 2020 to KZT30,095 million (U.S.\$75 million) from KZT23,212 million in the first half of 2019. The increase in provision expense in the first half of 2020 is primarily attributable to the increase in the Fintech Average Net Loan Portfolio. Our cost of risk remained generally stable (amounting to 4.2% in the first half of 2020 and 4.1% in the first half of 2019) due to our centralised decision-making processes, proprietary risk algorithms and predictive scoring models for evaluating the risks of potential borrowers using statistical modelling supplemented by data received from credit bureaus (LLC First Credit Bureau and JSC State Credit Bureau) and the Pension Centre with regard to each consumer, as well as our effective collection procedures.

Operating Income

For the reasons described above, operating income of Fintech was KZT97,935 million and KZT69,258 million in the first half of 2020 and the first half of 2019, respectively.

Income Tax

Income tax expenses of Fintech increased by 48.4% from KZT11,085 million in the first half of 2019 to KZT16,454 million in the first half of 2020 primarily due to higher amounts of taxable operating income.

Net Income

For the reasons described above, net income of Fintech was KZT81,481 million and KZT58,173 million in the first half of 2020 and the first half of 2019, respectively, representing a 40.1% increase in the first half of 2020 as compared to the first half of 2019. Net Income Margin of Fintech improved from 31.3% in the first half of 2019 to 35.2% in the first half of 2020 primarily as a result of our ability to maintain our costs at stable levels and a higher increase in revenue.

The Group

We achieved significant growth and strong operating results during the periods under review. The following table sets forth the Group's consolidated statements of profit or loss for the periods indicated.

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
REVENUE	226,862	299,096	741	31.8%
Interest Revenue	118,563	156,684	388	32.2%
Fees & Commissions	77,986	86,890	215	11.4%
Seller Fees.....	15,761	18,137	45	15.1%
Transaction & Membership Revenue.....	20,170	37,765	94	87.2%
Other gains (losses).....	(5,618)	(380)	(1)	(93.2)%
COST OF REVENUE	(85,324)	(93,502)	(232)	9.6%
Interest Expenses	(58,841)	(64,380)	(159)	9.4%
Transaction Expenses	(6,213)	(6,987)	(17)	12.5%
Operating Expenses	(20,270)	(22,135)	(55)	9.2%
TOTAL NET REVENUE	141,538	205,594	509	45.3%
Technology & Product Development	(9,453)	(12,095)	(30)	27.9%
Sales & Marketing	(11,494)	(17,813)	(44)	55.0%
General & Administrative Expenses.....	(5,703)	(6,722)	(17)	17.9%
Provision Expense	(23,212)	(30,095)	(75)	29.7%
OPERATING INCOME	91,676	138,869	344	51.5%
Income tax	(14,675)	(23,290)	(58)	58.7%
NET INCOME	77,001	115,579	286	50.1%
Net Income Margin (Group) (%) ⁽²⁾	33.9%	38.6%	-	-

- (1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.
- (2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

Revenue

Our revenue increased by 31.8% to KZT299,096 million (U.S.\$741 million) in the first half of 2020 from KZT226,862 million in the first half of 2019. The year-on-year increase was due to the growth of all components of revenue in each of our segments, with transaction and membership revenue (mostly attributable to our Payments Platform) growing at a higher rate than fees and commissions and interest revenue (mostly attributable to our Fintech Platform) and seller fees (attributable to our Marketplace Platform).

Our growth of revenue is primarily explained by the increase in: (i) the RTPV and the stable Payments Take Rate in our Payments Platform, (ii) the GMV and the stable Marketplace Take Rate in our Marketplace Platform, and (iii) the Fintech Platform Yield and number of Fintech Financing Transactions. The growth of our principal metrics is primarily due to the increased number of transactions as a result of the growth of number of the Active Consumers and number of transactions per Active Consumer.

During the periods under review, the majority of our revenue was attributable to the products and services offered through the Fintech Platform, although the share of this segment decreased from 81.9% in the first half of 2019 to 77.4% in the first half of 2020, as a result of a faster growth of revenues of the Marketplace and Payments Platforms.

Cost of Revenue

The following table sets forth our cost of revenue breakdown by components for the periods indicated.

	Six-month period ended 30 June			% change from prior period
	2019	2020	2020	
	KZT million		U.S.\$ million ⁽¹⁾	
Interest expense	(58,841)	(64,380)	(159)	9.4%
Transaction expenses	(6,213)	(6,987)	(17)	12.5%
Operating expenses	(20,270)	(22,135)	(55)	9.2%
Cost of revenue.....	(85,324)	(93,502)	(232)	9.6%
Cost of revenue ratio (Group) (%) ⁽²⁾	37.6%	31.3%	-	-

- (1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange for the six months ended 30 June 2020, comprising KZT403.84.
- (2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

Our total cost of revenue increased by 9.6% to KZT93,502 million (U.S.\$232 million) in the first half of 2020 from KZT85,324 million in the first half of 2019 due to the growth of all components of our cost of revenue for the reasons described below in line with expansion of our business. Our cost of revenue ratio decreased from 37.6% in 2019 to 31.3% in 2020, which we believe demonstrates our operating leverage, whereby we can reduce structural costs through strong synergies across our Platforms due to the network effect.

Interest Expense

	Six-month period ended 30 June			
	2019	2020	2020	2020
	KZT million		U.S.\$ million ⁽¹⁾	% change from prior period
Customer accounts.....	47,445	53,748	133	13.3%
Debt securities issued.....	6,845	6,873	17	0.4%
Subordinated debt.....	4,138	3,676	9	(11.2)%
Due to banks.....	413	82	0.2	(80.1)%
Total interest expense	58,841	64,380	159	9.4%
Average rate paid on interest-bearing liabilities (%) ⁽²⁾	7.6%	6.8%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

(2) Average rate paid on interest-bearing liabilities is calculated as interest expense for the respective period divided by average interest-bearing liabilities (calculated on the basis of a simple average of monthly closing balances for each relevant period).

Our interest expense increased by 9.4% to KZT64,380 million (U.S.\$159 million) in the first half of 2020 from KZT58,841 million in the first half of 2019 primarily due to a 23.0% growth of average interest-bearing liabilities in the first half of 2020 as compared to the first half of 2019 as a result of a year-on-year increase of average balances of customer accounts while the average rate paid on interest-bearing liabilities decreased from 7.6% in the first half of 2019 to 6.8% in the first half of 2020 in line with the prevailing interest rate environment.

Our interest expense on customer accounts increased by 13.3% to KZT53,748 million (U.S.\$133 million) in the first half of 2020 from KZT47,445 million in the first half of 2019. The growth in the first half of 2020 as compared to the first half of 2019 was primarily due to a 28.2% growth of the average balance of customer accounts as a result of an increase in retail deposits while the average rate paid on customer accounts decreased to 6.4% in the first half of 2020 from 7.2% in the first half of 2019 in line with the prevailing interest rate environment.

Our interest expense on debt securities issued increased by 0.4% to KZT6,873 million (U.S.\$17 million) in the first half of 2020 from KZT6,845 million in the first half of 2019. This marginal increase was primarily due to a 0.2% increase in the average balances of debt securities issued against the backdrop of a stable average interest rate of 10.0% in both periods. See also “*Discussion and Analysis of Principal Assets – Funding – Debt Securities Issued*”.

Our interest expense on subordinated debt decreased by 11.2% to KZT3,676 million (U.S.\$9 million) in the first half of 2020 from KZT4,138 million in the first half of 2019. The decrease in the first half of 2020 as compared to the first half of 2019 was primarily due to a 13.2% decrease in the average balances of subordinated debt as a result of a portion of subordinated debt maturing in July 2019.

Our interest expense on due to banks decreased by 80.1% to KZT82 million (U.S.\$0.2 million) in the first half of 2020 from KZT413 million in the first half of 2019. The decrease in the first half of 2020 as compared to the first half of 2019 was primarily due to a 52.4% decrease of average balances of due to banks resulting from reduced repurchase agreements being made as part of our short-term liquidity management. The average rate paid on due to banks also decreased to 6.6% in the first half of 2020 from 15.7% in 2018.

Transaction Expenses

Our transaction expenses increased by 12.5% to KZT6,987 million (U.S.\$17 million) in the first half of 2020 from KZT6,213 million in the first half of 2019 primarily due to an increase of transaction expenses of the Payments Platform as a result of the growth in TPV, as we are required to pay fees to

payment processors, payment networks and various service providers on those parts of transactions which continue to be processed outside our own network.

Operating Expenses

Our operating expenses increased by 9.2% to KZT22,135 million (U.S.\$55 million) in the first half of 2020 from KZT20,270 million in the first half of 2019 primarily due increased volumes of on activity our Payments and Marketplace Platforms, and the resulting increased expenses attributable to our core operating activities related to the origination and delivery of products and services.

Net Revenue

For the reasons described above, our net revenue was KZT205,594 million (U.S.\$509 million) and KZT141,538 million in the first half of 2020 and the first half of 2019 respectively, representing a 45.3% increase year-on-year.

Operational Costs

The following table sets forth our operational costs breakdown by segments and operational costs as a percentage of revenue for the periods indicated.

	Six-month period ended 30 June			% change from prior period
	2019	2020	2020	
	KZT million		U.S.\$ million ⁽¹⁾	
Technology and product development	(9,453)	(12,095)	(30)	27.9%
Sales and marketing	(11,494)	(17,813)	(44)	55.0%
General and administrative expenses	(5,703)	(6,722)	(17)	17.9%
Total operational costs	(26,650)	(36,630)	(91)	37.4%
Percentage of revenue (Group) (%)	11.7%	12.2%	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for the six months ended 30 June 2020, comprising KZT403.84.

Our operational costs include expenses relating to technology and product development, sales and marketing, and general and administrative expenses. While our operational costs increased by 37.4% to KZT36,630 million (U.S.\$91 million) in the first half of 2020 from KZT26,650 million in the first half of 2019 in line with the expansion of our business, we managed to keep them relatively stable as a percentage of our revenue with 12.2% in the first half of 2020 and 11.7% in the first half of 2019 due to our prudent approach to cost management, which positively translated into an increase of our Net Income Margin.

Technology and Product Development

Our technology and product development expenses increased by 28.0% to KZT12,095 million (U.S.\$30 million) in the first half of 2020 from KZT9,453 million in the first half of 2019, primarily due to the growth of technology and product development expenses attributable to the Payments Platform as a result of continued investment in IT infrastructure and growth in the number of, and salaries payable to, our IT and product development personnel.

Sales and Marketing

Our sales and marketing expenses increased by 55.0% to KZT17,813 million (U.S.\$44 million) in the first half of 2020 from KZT11,494 million in the first half of 2019. The increase of sales and marketing expenses in all our Platforms during the period under review is a result of continuous growth of the number of Active Consumers and transactions across all our Platforms, as well as the increasing participation in our Kaspi Bonus loyalty programme and growing redemption of accrued bonuses.

General and Administrative Expenses

Our general and administrative expenses increased by 17.9% to KZT6,722 million (U.S.\$17 million) in the first half of 2020 from KZT5,703 million in the first half of 2019. The increase in the first half of 2020 as compared to the first half of 2019 was generally in line with the expansion of our operations.

Provision Expense

Our provision expense increased by 29.7% to KZT30,095 million (U.S.\$75 million) in the first half of 2020 from KZT23,212 million in the first half of 2019. We had a relatively low and stable cost of risk of 4.2% in the first half of 2020 and 4.1% in the first half of 2019. The changes were due to the reasons as described in “– Fintech Platform – Provision Expense” above.

Operating Income

For the reasons described above, the Group’s operating income was KZT91,676 million (U.S.\$344 million) and KZT138,869 million in the first half of 2019 and the first half of 2020, respectively.

Income Tax

Our income tax expenses increased by 58.7% from KZT14,675 million in the first half of 2019 to KZT23,290 million (U.S.\$58 million) in the first half of 2020 primarily due to higher amounts of taxable operating income.

Net Income

For the reasons described above, the Group’s net income was KZT115,579 million (U.S.\$286 million) and KZT77,001 million in the first half of 2020 and the first half of 2019, respectively, representing a 50.1% increase year-on-year. Our Net Income Margin improved from 33.9% in the first half of 2019 to 38.6% in the first half of 2020 as a result of our ability to maintain our operational costs at stable levels while significantly increasing our revenue.

Discussion and Analysis of Results of Operations for the years ended 31 December 2019, 2018 and 2017

Payments Platform

The following table sets forth our Payments Platform’s results of operations for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
REVENUE	9,571	26,471	66,393	173	176.6%	150.8%
Transaction & Membership Revenue	5,529	17,876	49,454	129	223.3%	176.7%
Interest Revenue	4,042	8,595	16,939	44	112.6%	97.1%
COST OF REVENUE	(3,892)	(8,367)	(16,043)	(42)	115.0%	91.7%
Transaction Expenses	(2,017)	(4,636)	(10,373)	(27)	129.9%	123.8%
Operating Expenses	(1,875)	(3,731)	(5,670)	(15)	99.0%	51.9%
TOTAL NET REVENUE	5,679	18,103	50,350	132	218.8%	178.1%
Technology & Product Development	(2,051)	(4,167)	(6,831)	(18)	103.2%	63.9%
Sales & Marketing	(1,302)	(4,926)	(8,347)	(22)	278.3%	69.5%
General & Administrative Expenses	(708)	(818)	(1,321)	(3)	15.5%	61.5%
OPERATING INCOME	1,618	8,192	33,851	88	406.4%	313.2%
Income tax	(257)	(1,461)	(5,974)	(16)	468.5%	308.9%
NET INCOME	1,360	6,731	27,877	73	394.9%	314.2%
Net Income Margin (Payments) (%) ⁽²⁾	14.2%	25.4%	42.0%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

- (2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

The table below sets forth the key metrics in respect of our Payments Platform for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾	% change from prior year	
TPV (<i>KZT million</i>).....	402,740	2,114,978	8,618,639	22,518 million	425.2%	307.5%
RTPV (<i>KZT million</i>).....	369,539	1,400,109	3,447,730	9,008 million	278.9%	146.2%
Payments Active Consumers (<i>thousands of consumers</i>)	1,201	2,637	4,919	-	119.6%	86.5%
TPV Payment Transactions (<i>thousands of transactions</i>).....	69,095	267,299	856,514	-	286.9%	220.4%
RTPV Payment Transactions (<i>thousands of transactions</i>).....	68,118	243,280	581,469	-	257.1%	139.0%
Payments Take Rate (%).....	1.0%	1.2%	1.3%	-	-	-
Average Balances on Current Accounts (<i>KZT million</i>).....	41,680	93,079	194,313	508 million	123.3%	108.8%
Yield on Average Balances (%)	9.7%	9.2%	8.7%	-	-	-

- (1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Revenue

Payments revenue increased by 150.8% to KZT66,393 million (U.S.\$173 million) in 2019 from KZT26,471 million in 2018, which in turn increased by 176.6% from KZT9,571 million in 2017. The year-on-year increase was due to the growth of transaction and membership revenue and interest revenue.

Transaction and membership revenue increased by 176.7% to KZT49,454 million (U.S.\$129 million) in 2019, which in turn increased by 223.3% to KZT17,876 million in 2018 from KZT5,529 million in 2017 primarily due to increases in TPV, RTPV and the Payments Take Rate.

Our TPV increased by 425.2% to KZT2,114,978 million in 2018 from KZT402,740 million in 2017, and further by 307.5% to KZT8,618,639 million (U.S.\$22,518 million) in 2019. Our RTPV increased by 278.9% to KZT1,400,109 million in 2018 from KZT369,539 million in 2017, and further by 146.2% to KZT3,447,730 million (U.S.\$9,008 million) in 2019. The growth in TPV and RTPV was mainly driven by the increasing number of transactions during the periods under review as a result of the growth of the number of Payments Active Consumers (from 1,201 thousand in 2017 to 2,637 thousand in 2018 and 4,919 thousand in 2019) and the number of payments per Payments Active Consumer (from 57 in 2017 to 92 in 2018 and 118 in 2019). The number of RTPV Payment Transactions that we enabled through our Payments Platform was 68 million, 243 million and 581 million in 2017, 2018 and 2019, respectively, representing year-on-year growth of 257.1% (2017 as compared to 2018) and 139.0% (2018 as compared to 2019).

Our Payments Take Rate was 1.0% in 2017, 1.2% in 2018 and 1.3% in 2019. The improvement of the Payments Take Rate in 2019 as compared to 2018 and 2017 was primarily attributable to the growing share of higher margin transactions effected via the Kaspi Gold pre-paid debit card where we charge higher fees (from 38.9% of RTPV in 2017 and 57.6% of RTPV in 2018 to 65.0% of RTPV in 2019).

Interest revenue increased by 97.1% to KZT16,939 million (U.S.\$44 million) in 2019 from KZT8,595 million in 2018, which in turn increased by 112.6% from KZT4,042 million in 2017 primarily due to an increase in average cash balances from Kaspi Gold and Kaspi Business customers. Average

Balances on Current Accounts increased by 123.3% to KZT194.3 billion (U.S.\$508 million) in 2019 from KZT93.1 billion in 2018, which in turn increased by 123.3% from KZT41.7 billion in 2017. The increase in Average Balances on Current Accounts was driven by an increase in the number of Active Consumers who transact through, and maintain current accounts with, Kaspi.kz.

Cost of Revenue

The following table sets forth cost of revenue of Payments and cost of revenue ratio for the years indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Transaction Expenses	(2,017)	(4,636)	(10,373)	(27)	129.8%	123.8%
Operating Expenses	(1,875)	(3,731)	(5,670)	(15)	99.0%	51.9%
Total cost of revenue.....	(3,892)	(8,367)	(16,043)	(42)	115.0%	91.7%
Cost of revenue ratio (Payments) (%) ⁽²⁾	40.7%	31.6%	24.2%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

Cost of revenue of Payments increased to KZT16,043 million (U.S.\$42 million) in 2019 from KZT8,367 million in 2018, which in turn increased from KZT3,892 million in 2017 due to the growth of all components of cost of revenue in line with expansion of the Payments business. Cost of revenue ratio of Payments fluctuated from 40.7% in 2017 to 31.6% in 2018 and subsequently decreased to 24.2% in 2019. The reduction in cost of revenue ratio of the Payments Platform in 2018 and 2019 is attributable to our decision to switch transaction processing to our own proprietary network from June 2019, thereby removing third party costs, and the material renegotiation of fees paid to Mastercard on our volumes that continue to be processed outside our own network.

Transaction Expenses

Transaction expenses of Payments increased by 123.8% to KZT10,373 million (U.S.\$27 million) in 2019 from KZT4,636 million in 2018, which in turn increased by 129.9% from KZT2,017 million in 2017 primarily due to the growth in TPV, since we are required to pay fees to payment processors, payment networks and various service providers.

Operating Expenses

Operating expenses of Payments increased by 51.9% to KZT5,670 million (U.S.\$15 million) in 2019 from KZT3,731 million in 2018, which in turn increased by 99.0% from KZT1,875 million in 2017 primarily due to the growth of the volume of Payments, and the resulting increased expenses related to the origination and delivery of products and services.

Net Revenue

For the reasons described above, net revenue of Payments was KZT50,350 million, KZT18,103 million and KZT5,679 million in 2019, 2018 and 2017, respectively, representing a 178.1% increase in 2019 as compared to a 218.8% increase in 2018.

Operational Costs

The following table sets forth breakdown of operational costs of Payments and operational costs as a percentage of revenue for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Technology and product development..	(2,051)	(4,167)	(6,831)	(18)	103.2%	63.9%
Sales and marketing.....	(1,302)	(4,926)	(8,347)	(22)	278.3%	69.4%
General and administrative expenses....	(708)	(818)	(1,321)	(3)	15.5%	61.5%
Total operational costs.....	(4,061)	(9,911)	(16,499)	(43)	144.0%	66.5%
Percentage of revenue (Payments) (%).	42.4%	37.4%	24.9%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Operational costs of Payments include expenses relating to technology and product development, sales and marketing, and general and administrative expenses. Operational costs of Payments increased by 66.5% to KZT16,499 million (U.S.\$43 million) in 2019 from KZT9,911 million in 2018, which in turn increased by 144.0% from KZT4,061 million in 2017 in line with the expansion of our Payments business. Operational costs of Payments as a percentage of revenue of Payments decreased from 42.4% in 2017 to 37.4% in 2018 and further to 24.9% in 2019 due to our prudent approach to cost management, which positively translated into increases of the Net Income Margin of Payments.

Technology and Product Development

Technology and product development expenses of Payments increased by 63.9% to KZT6,831 million (U.S.\$18 million) in 2019 from KZT4,167 million in 2018, which in turn increased by 103.2% from KZT2,051 million in 2017 primarily due to our expenses in IT infrastructure and growth in the number of, and salaries payable to, our IT and product development personnel.

Sales and Marketing

Sales and marketing expenses of Payments increased by 69.4% to KZT8,347 million (U.S.\$22 million) in 2019 from KZT4,926 million in 2018, which in turn increased by 278.3% from KZT1,302 million in 2017. The increase of sales and marketing expenses is a result of continuous growth of the number of Payments Active Consumers and a corresponding growth in RTPV and RTPV Payment Transactions.

General and Administrative Expenses

Our general and administrative expenses increased by 61.5% to KZT1,321 million (U.S.\$3 million) in 2019 from KZT818 million in 2018, which in turn increased by 15.5% from KZT708 million in 2017 in line with the growth of our Payments business.

Operating Income

For the reasons described above, operating income of Payments was KZT33,851 million, KZT8,192 million and KZT1,618 million in 2019, 2018 and 2017, respectively.

Income Tax

Income tax expenses of Payments increased by 468.5% from KZT257 million in 2017 to KZT1,461 million in 2018, and then increased by 308.9% to KZT5,974 million (U.S.\$16 million) in 2019 in line with taxable operating income.

Net Income

For the reasons described above, net income of Payments was KZT27,877 million, KZT6,731 million and KZT1,360 million in 2019, 2018 and 2017, respectively, representing a 314.2% increase in 2019 as compared to 2018 and a 394.9% increase in 2018 as compared to 2017. Net Income Margin of Payments improved from 14.2% in 2017 to 25.4% in 2018 and then to 42.0% in 2019, primarily as a result of our ability to maintain our operational costs at stable levels while significantly increasing our revenue.

Marketplace Platform

The following table sets forth our Marketplace Platform's results of operations for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
REVENUE	12,174	25,020	45,002	118	105.5%	79.9%
Seller Fees.....	12,174	25,020	44,701	117	105.5%	78.7%
Other gains and losses.....	-	-	301	1	-	-
COST OF REVENUE	(858)	(1,219)	(2,402)	(6)	42.1%	97.0%
Transaction Expenses	(101)	(123)	(202)	(1)	21.8%	64.2%
Operating Expenses	(757)	(1,096)	(2,200)	(6)	44.8%	100.7%
TOTAL NET REVENUE	11,316	23,801	42,600	111	110.3%	79.0%
Technology & Product Development	(2,490)	(2,654)	(3,284)	(9)	6.6%	23.7%
Sales & Marketing	(1,669)	(3,150)	(4,585)	(12)	88.7%	45.6%
General & Administrative Expenses	(252)	(277)	(463)	(1)	9.9%	67.1%
OPERATING INCOME	6,904	17,720	34,268	90	156.7%	93.4%
Income tax	(1,098)	(3,160)	(6,095)	(16)	187.8%	92.9%
NET INCOME	5,806	14,560	28,173	74	150.8%	93.5%
Net Income Margin (Marketplace) (%) ⁽²⁾	47.7%	58.2%	62.6%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

The table below sets forth the key metrics in respect of our Marketplace Platform in 2017, 2018 and 2019:

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾ 1,639 million	% change from prior year	
GMV (KZT million).....	265,533	415,107	627,480		56.3%	51.2%
Marketplace Active Consumers (thousands of consumers).....	1,638	2,109	2,671	-	28.8%	26.6%
Number of Purchases (thousands of purchases)	4,253	10,491	23,218	-	146.7%	121.3%
Number of Marketplace Active Stores (thousands of stores)	7.4	12.2	23.4	-	64.9%	91.8%
Retention Rate of Marketplace Active Merchants (%).....	99.9%	99.6%	99.3%	-	-	-
Marketplace Take Rate (%) ..	4.6%	6.0%	7.1%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Revenue

Marketplace revenue, represented by Seller Fees and Other Gains, increased by 79.9% to KZT45,002 million (U.S.\$118 million) in 2019 from KZT25,020 million in 2018, which in turn increased by 105.5% from KZT12,174 million in 2017, driven by expanding the GMV and the Marketplace Take Rate. The KZT301 million of Other Gains included in our Marketplace revenue for 2019 was comprised of the revenue generated from our Azerbaijan business in the fourth quarter of 2019.

Our GMV increased by 56.3% from KZT265,533 million in 2017 to KZT415,107 million in 2018 and further by 51.2% to KZT627,480 million (U.S.\$1,639 million) in 2019. The growth in GMV was mainly driven by the increasing number of purchases during the periods under review as a result of the growth of the number of Marketplace Active Consumers (from 1.6 million in 2017 to 2.1 million in 2018 and 2.7 million in 2019) and the Number of Purchases per Marketplace Active Consumer (from 2.6 in 2017 to 5.0 in 2018 and 8.7 in 2019). The number of purchases that we enabled through the Marketplace Platform increased by 121.0% to 23.2 million in 2019 from 10.5 million in 2018, which in turn increased by 144.2% from 4.3 million in 2017.

Our Marketplace Take Rate increased from 4.6% in 2017 to 6.0% in 2018 and further increased to 7.1% in 2019. The increase in the Marketplace Take Rate reflects the growth in the number of Marketplace Active Stores (from 7.4 thousand in 2017 to 12.2 thousand in 2018 and 23.4 thousand in 2019), the diversification in our GMV mix, and our entry into higher margin product categories (such as clothing, cosmetics, accessories and restaurants), which allows us to charge the respective merchants higher seller fees as compared to merchants engaged in lower margin sales, such as electronics.

Cost of Revenue

The following table sets forth breakdown of our cost of revenue of our Marketplace Platform and cost of revenue ratio for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ million ⁽¹⁾	% change from prior year	
	KZT million					
Transaction expenses	(101)	(123)	(202)	(1)	21.8%	64.2%
Operating expenses	(757)	(1,096)	(2,200)	(6)	44.8%	100.7%
Total cost of revenue	(858)	(1,219)	(2,402)	(6)	42.1%	97.0%

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
Cost of revenue ratio (Marketplace) (%) ⁽²⁾	7.0%	4.9%	5.3%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

While the cost of revenue of the Marketplace Platform increased by 97.0% to KZT2,402 million (U.S.\$6 million) in 2019 from KZT1,219 million in 2018 (which in turn represented a 42.1% increase from KZT858 million in 2017) due to the growth of all components of our cost of revenue in line with the expansion of our Marketplace business, the cost of revenue ratio of the Marketplace Platform decreased from 7.0% in 2017 to 4.9% in 2018 and insignificantly increased to 5.3% in 2019. The overall decreasing trend is primarily due to the growth in the Marketplace Take Rate in the respective periods, consumers' shift from in-store to online shopping, and our operating leverage, whereby we can reduce structural costs through strong synergies across our Platforms due to the network effect. The insignificant increase seen in 2019 was primarily driven by the increasing share of Kaspi Delivery in the overall structure of the fulfilment of orders.

Transaction Expenses

Transaction expenses of Marketplace increased by 64.2% to KZT202 million (U.S.\$1 million) in 2019 from KZT123 million in 2018, which in turn increased by 21.8% from KZT101 million in 2017 in line with the growth of our Marketplace operations.

Operating Expenses

Operating expenses of Marketplace increased by 100.7% to KZT2,200 million (U.S.\$6 million) in 2019 from KZT1,096 million in 2018, which in turn increased by 44.8% from KZT757 million in 2017, primarily due to increased activity in the Marketplace and the resulting increased expenses related to the origination and delivery of products and services.

Net Revenue

For the reasons described above, net revenue of Marketplace was KZT42,600 million (U.S.\$111 million), KZT23,801 million (U.S.\$69 million) and KZT11,316 million in 2019, 2018 and 2017, respectively, representing a 79.0% increase in 2019 as compared to 2018 and a 110.3% increase in 2018 as compared to 2017.

Operational Costs

The following table sets forth breakdown of operational costs of our Marketplace and operational costs as a percentage of revenue for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Technology & Product Development	(2,490)	(2,654)	(3,284)	(9)	6.6%	23.7%
Sales & Marketing	(1,669)	(3,150)	(4,585)	(12)	88.7%	45.6%
General & Administrative Expenses	(252)	(277)	(463)	(1)	9.9%	67.1%
Total operational costs	(4,411)	(6,081)	(8,332)	(22)	37.9%	37.0%
Percentage of revenue (Marketplace) (%)	36.2%	24.3%	18.5%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

While operational costs of our Marketplace increased by 37.0% to KZT8,332 million (U.S.\$22 million) from KZT6,081 million in 2018 (which in turn represented a 37.9% increase from KZT4,411 million in 2017), we managed to decrease them as a percentage of revenue of our Marketplace from 36.2% in 2017 to 24.3% in 2018 and further to 18.5% in 2019 due to our prudent approach to cost management, which positively translated into increases of our Net Income Margin. A decrease in operational costs of our Marketplace as a percentage of revenue of our Marketplace is mainly due to a substantially higher growth rate of revenue of our Marketplace (79.9% from 2018 to 2019 and 105.5% from 2017 to 2018 growth of revenue as compared to 37.0% and 37.9% growth of operational costs, respectively).

Technology and Product Development

Technology and product development expenses of Marketplace increased by 23.7% to KZT3,284 million (U.S.\$9 million) in 2019 from KZT2,654 million in 2018, which in turn increased by 6.6% from KZT2,490 million in 2017 primarily as a result of continued investment in IT infrastructure and growth in the number of, and salaries payable to, our IT and product development personnel.

Sales and Marketing

Sales and marketing expenses of our Marketplace increased by 45.6% to KZT4,585 million (U.S.\$12 million) in 2019 from KZT3,150 million in 2018, which in turn represented an 88.7% increase from KZT1,669 million in 2017. The increase in sales and marketing expenses of our Marketplace in the respective periods resulted from the continuous growth in the number of Marketplace Active Consumers and the number of purchases made by them.

General and Administrative Expenses

General and administrative expenses of our Marketplace increased by 67.1% to KZT463 million (U.S.\$1 million) in 2019 from KZT277 million in 2018, which in turn represented a 9.9% increase from KZT252 million in 2017. The increase in general and administrative expenses was in line with the growth of our Marketplace business in the corresponding periods.

Operating Income

For the reasons described above, the Marketplace Platform's operating income increased by 93.4% to KZT34,268 million (U.S.\$90 million) in 2019 from KZT17,721 million in 2018, which in turn represented a 156.7% increase from KZT6,904 million in 2017.

Income Tax

Income tax of our Marketplace increased by 187.8% from KZT1,098 million in 2017 to KZT3,160 million in 2018 and further by 92.9% to KZT6,095 million (U.S.\$16 million) in 2019, primarily due to higher amounts of taxable operating income in the corresponding periods.

Net Income

For the reasons described above, the Marketplace Platform's net income increased by 150.8% from KZT5,806 million in 2017 to KZT14,560 million in 2018 and further by 93.5% to KZT28,173 million (U.S.\$74 million) in 2019. The Net Income Margin of our Marketplace improved from 47.7% in 2017 to 58.2% in 2018 and further to 62.6% in 2019 as a result of our ability to improve our operational costs while significantly increasing our revenue and operating income.

Fintech Platform

The following table sets forth our Fintech Platform's results of operations for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
REVENUE	254,008	323,840	402,519	1,052	27.5%	24.3%
Interest Revenue	153,929	186,471	245,396	641	21.1%	31.6%
Fees & Commissions	106,841	140,259	163,876	428	31.3%	16.8%
Transaction & Membership Revenue.....	219	1,379	4,212	11	529.8%	205.4%
Other gains (losses).....	(6,981)	(4,269)	(10,965)	(29)	(38.9)%	156.9%
COST OF REVENUE	(125,297)	(135,095)	(155,741)	(407)	7.8%	15.3%
Interest Expense.....	(97,126)	(102,685)	(118,505)	(310)	5.7%	15.4%
Transaction Expenses	(1,171)	(1,950)	(3,550)	(9)	66.6%	82.1%
Operating Expenses	(27,000)	(30,461)	(33,686)	(88)	12.8%	10.6%
TOTAL NET REVENUE	128,712	188,745	246,778	645	46.6%	30.7%
Technology & Product Development	(8,924)	(8,901)	(10,219)	(27)	(0.3)%	14.8%
Sales & Marketing	(4,287)	(9,091)	(15,558)	(41)	112.1%	71.1%
General & Administrative Expenses.....	(11,501)	(8,850)	(11,475)	(30)	(23.1)%	29.7%
Provision Expense	(27,743)	(52,579)	(38,505)	(101)	89.5%	(26.8)%
OPERATING INCOME	76,257	109,325	171,021	447	43.4%	56.4%
Income tax	(12,129)	(19,497)	(29,948)	(78)	60.7%	53.6%
NET INCOME	64,128	89,828	141,073	369	40.1%	57.0%
Net Income Margin (Fintech) (%) ⁽²⁾	25.2%	27.7%	35.0%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

The table below sets forth the key metrics in respect of our Fintech Platform in 2017, 2018 and 2019:

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
				U.S.\$ ⁽¹⁾	% change from prior year	
TFV (KZT million).....	1,058,901	1,432,280	2,003,590	5,235 million	35.3%	39.9%
Fintech Active Consumers (thousands of consumers)	2,330	2,843	3,373	-	22.0%	18.6%
Number of Fintech Financing Transactions (thousands of transactions)	6,639	13,462	27,787	-	102.8%	106.4%
Fintech Average Net Loan Portfolio (KZT million)	778,188	987,785	1,145,155	2,992 million	26.9%	15.9%
Fintech Average Yield (%)	30.0%	30.5%	32.2%	-	-	-
TFV to Average Net Loan Portfolio Conversion Rate.....	1.4	1.4	1.7	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Revenue

Fintech revenue increased by 24.3% to KZT402,519 million (U.S.\$1,052 million) in 2019 from KZT323,840 million in 2018, which in turn increased by 27.5% from KZT254,008 million in 2017. The year-on-year increase was due to the growth in interest revenue and fees and commissions mainly driven by expansion of TFV, which was caused by the increasing number of consumer finance transactions fuelled by our Super App and Marketplace.

Interest revenue increased by 31.6% to KZT245,396 million (U.S.\$641 million) in 2019 from KZT186,471 million in 2018, which in turn increased by 21.1% from KZT153,929 million in 2017. In 2019, interest revenue included KZT201,973 million of revenue generated from loans, and KZT43,423 million of revenue generated from liquid assets. Fees and commissions increased by 16.8% to KZT163,876 million (U.S.\$428 million) in 2019 from KZT140,259 million in 2018, which in turn increased by 31.3% from KZT106,841 million in 2017.

The year-on-year increase was primarily due to (i) the increase in Fintech Financing Transactions to 27,787 thousand in 2019 from 13,462 thousand in 2018 and 6,639 thousand in 2017 which resulted in an increase of TFV by 39.9% to KZT2,003,590 million (U.S.\$5,235 million) in 2019 from KZT1,432,280 million in 2018, which in turn increased by 35.3% from KZT1,058,901 million in 2017, mainly driven by the increase in the number of Fintech Active Consumers and the reduction in the average ticket for Fintech Financing Transactions from KZT106 thousand in 2018 to KZT72 thousand (U.S.\$188) in 2019; and (ii) the increase in Fintech Average Yield to 32.2% in 2019 from 30.5% in 2018 and 30.0% in 2017, resulting from changes in product mix (in particular, from the increasing share of general purpose loans, which are associated with higher yield).

Based on management accounts, in 2019, out of KZT402.5 billion (U.S.\$1,052 million) in total revenue of the Fintech Platform, yield-based revenue comprised of KZT368.9 billion (U.S.\$964 million), whereas other revenue (including interest revenue from liquidity management and other gains and losses) amounted to KZT33.6 billion (U.S.\$88 million), as compared to KZT301.7 billion and KZT22.1 billion respectively, out of KZT323.8 billion in 2018 and KZT233.5 billion and KZT20.5 billion respectively, out of KZT254.0 billion in 2017.

We operate our Fintech Platform on a portfolio yield basis that includes both interest and fees and commissions which we receive from our customers. This approach is built around the customer and transactions that drive our TFV.

Cost of Revenue

The following table sets forth breakdown of our cost of revenue of our Fintech and cost of revenue ratio for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Interest expense	(97,126)	(102,685)	(118,505)	(310)	5.7%	15.4%
Transaction expenses	(1,171)	(1,950)	(3,550)	(9)	66.6%	82.1%
Operating expenses	(27,000)	(30,461)	(33,686)	(88)	12.8%	10.6%
Cost of revenue.....	(125,297)	(135,095)	(155,741)	(407)	7.8%	15.3%
Cost of revenue ratio (Fintech) (%) ⁽²⁾	49.3%	41.7%	38.7%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

Cost of revenue of Fintech increased by 15.3% to KZT155,741 million (U.S.\$407 million) in 2019 from KZT135,095 million in 2018, which in turn increased by 7.8% from KZT125,297 million in 2017 due to the growth of all components of our cost of revenue for the reasons described below and in line with expansion of our business. Cost of revenue ratio of Fintech decreased to 38.7% in 2019 from 41.7% in 2018 and 49.3% in 2017, which we believe demonstrates our operating leverage, whereby we can reduce structural costs through strong synergies across our Platforms due to the network effect.

Interest Expense

Our interest expense increased by 15.4% to KZT118,505 million (U.S.\$310 million) in 2019 from KZT102,685 million in 2018, which in turn increased by 5.7% from KZT97,126 million in 2017 primarily due to a 25.5% growth of average interest-bearing liabilities in 2019 as compared to 2018 and a 15.4% growth of average interest-bearing liabilities in 2018 as compared to 2017, primarily as a result of a year-on-year increase of average balances of customer accounts, while the average rate paid on interest-bearing liabilities decreased from 8.6% in 2017 to 7.9% in 2018 and further to 7.3% in 2019 in line with the prevailing interest rate environment. See “—The Group—Interest Expense” below.

Transaction Expenses

Transaction expenses of Fintech increased by 82.1% to KZT3,550 million (U.S.\$9 million) in 2019 from KZT1,950 million in 2018, which in turn increased by 66.6% from KZT1,171 million in 2017 primarily due to expansion of Fintech operations and the increasing frequency of transactions in line with the corresponding decrease in the average ticket size.

Operating Expenses

Operating expenses of Fintech increased by 10.6% to KZT33,686 million (U.S.\$88 million) in 2019 from KZT30,461 million in 2018, which in turn increased by 12.8% from KZT27,000 million in 2017, primarily due an increase in financing volumes on the Fintech Platform and the resulting increased expenses related to the origination and delivery of products and services. The slower increase in operating expenses in 2019 as compared to 2018 resulted primarily from the downsizing of our outlet and in-store points of sale network carried out during 2019 due to the shift of transactions to the Super App.

Net Revenue

For the reasons described above, net revenue of Fintech was KZT246,778 million (U.S.\$645 million), KZT188,745 million and KZT128,712 million in 2019, 2018 and 2017, respectively, representing a 30.7% increase in 2019 as compared to 2018 and a 46.6% increase in 2018 as compared to 2017.

Operational Costs

The following table sets forth breakdown of operational costs of Fintech and operational costs as a percentage of revenue for the periods indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Technology and product development..	(8,924)	(8,901)	(10,219)	(27)	(0.3)%	14.8%
Sales and marketing	(4,287)	(9,091)	(15,558)	(41)	112.1%	71.1%
General and administrative expenses	(11,501)	(8,850)	(11,475)	(30)	(23.1)%	29.7%
Total operational costs	(24,711)	(26,841)	(37,252)	(97)	8.6%	38.8%
Percentage of revenue (Fintech) (%).....	9.7%	8.3%	9.3%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Operational costs of Fintech include expenses relating to technology and product development, sales and marketing, and general and administrative expenses. While operational costs of Fintech increased by 38.8% to KZT37,252 million (U.S.\$97 million) in 2019 from KZT26,841 million in 2018, which in turn increased by 8.6% from KZT24,711 million in 2017 in line with the expansion of our Fintech business, we managed to keep costs relatively stable as a percentage of revenue of Fintech with 9.7% in 2017, 8.3% in 2018 and 9.3% in 2019 due to our prudent approach to cost management, which positively translated into increases of Net Income Margin of Fintech.

Technology and Product Development

Technology and product development expenses of Fintech increased by 14.8% to KZT10,219 million (U.S.\$27 million) in 2019 from KZT8,901 million in 2018 due to a general increase in the costs related to the support of IT software and hardware in line with the increasing number of processed transactions, which in turn decreased by 0.3% from KZT8,924 million in 2017 primarily due to significant expenses that we made in prior years as a result of investment in IT infrastructure and growth in the number of, and salaries payable to, our IT and product development personnel.

Sales and marketing

Sales and marketing expenses of Fintech increased by 71.1% to KZT15,558 million (U.S.\$41 million) in 2019 from KZT9,091 million in 2018, which in turn increased by 112.1% from KZT4,287 million in 2017. The increase of sales and marketing expenses is a result of continuous growth of the number of Fintech Active Consumers and transactions, as well as the increasing participation in our Kaspi Bonus loyalty programme and growing redemption of accrued bonuses.

General and Administrative expenses

General and administrative expenses of Fintech increased by 29.7% to KZT11,475 million (U.S.\$30 million) in 2019 from KZT8,850 million in 2018, which in turn decreased by 23.1% from KZT11,501 million in 2017. The increase in 2019 as compared to 2018 was generally in line with the expansion of our Fintech operations. The decrease in 2018 as compared to 2017 was primarily due to the expiration of our management incentive programme. We discontinued accruing incentives and terminated the unvested part in the first quarter of 2018. See “*Management and Corporate Governance—Long-Term Incentive Plan*”.

Provision Expense

The following table sets forth the provision expense of Fintech for the periods indicated:

	For the year ended 31 December		
	2017	2018	2019
	KZT million		
Provision expense	(27,743)	(52,579)	(38,505)
Cost of risk.....	3.1%	4.6%	3.5%

Our provision expense of Fintech decreased by 26.8% to KZT38,505 million (U.S.\$101 million) from KZT52,579 million in 2018, which in turn increased by 89.5% from KZT27,743 million in 2017. We had a relatively low and stable cost of risk of 3.5% in 2019, 4.6% in 2018 and 3.1% in 2017 due to our centralised decision-making process, proprietary risk algorithms and predictive scoring models for the evaluation of the risks of potential borrowers using statistical modelling supplemented by data received from credit bureaus (LLC First Credit Bureau and JSC State Credit Bureau) and the Pension Centre with regard to each consumer, as well as our effective collection procedures.

The increase in provision expense in 2018 as compared to 2017 was primarily due to the introduction of IFRS 9, which requires us to calculate the provision expense under the ECL measurement, as well as the expansion of the consumer finance portfolio.

Operating Income

For the reasons described above, operating income of Fintech was KZT171,021 million, KZT109,325 million and KZT76,257 million in 2019, 2018 and 2017, respectively.

Income Tax

Income tax expenses of Fintech increased by 60.7% from KZT12,129 million in 2017 to KZT19,497 million in 2018, and further increased by 53.6% to KZT29,948 million (U.S.\$78 million) in 2019 primarily due to higher amounts of taxable operating income.

Net Income

For the reasons described above, net income of Fintech was KZT141,073 million, KZT89,828 million and KZT64,128 million in 2019, 2018 and 2017, respectively, representing a 57.0% increase in 2019 as compared to 2018 and a 40.1% increase in 2018 as compared to 2017. The Net Income Margin of Fintech improved from 25.2% in 2017 to 27.7% in 2018 and further to 35.0% in 2019 primarily as a result of our ability to maintain our operational costs at stable levels while significantly increasing our revenue.

The Group

We achieved significant growth and strong operating results during the periods under review. The following table sets forth the Group's consolidated statements of profit or loss for the years indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
REVENUE	275,753	375,331	513,914	1,343	36.1%	36.9%
Interest Revenue	157,971	195,066	262,335	685	23.5%	34.5%
Fees & Commissions	106,841	140,259	163,876	428	31.3%	16.8%
Seller Fees.....	12,174	25,020	44,701	117	105.5%	78.7%
Transaction & Membership Revenue....	5,748	19,255	53,666	140	235.0%	178.7%
Other gains (losses).....	(6,981)	(4,269)	(10,664)	(28)	(38.8)%	149.8%
COST OF REVENUE	(130,046)	(144,682)	(174,186)	(455)	11.3%	20.4%
Interest Expense.....	(97,126)	(102,685)	(118,505)	(310)	5.7%	15.4%
Transaction Expenses	(3,288)	(6,709)	(14,125)	(37)	104.0%	110.5%
Operating Expenses	(29,632)	(35,288)	(41,556)	(109)	19.1%	17.8%
TOTAL NET REVENUE	145,707	230,649	339,728	888	58.3%	47.3%
Technology & Product Development ...	(13,465)	(15,721)	(20,334)	(53)	16.8%	29.3%
Sales & Marketing	(7,258)	(17,167)	(28,490)	(74)	136.5%	66.0%
General & Administrative Expenses....	(12,462)	(9,945)	(13,259)	(35)	(20.2)%	33.3%
Provision Expense	(27,743)	(52,579)	(38,505)	(101)	89.5%	(26.8)%
OPERATING INCOME	84,779	135,237	239,140	625	59.5%	76.8%
Income tax	(13,485)	(24,118)	(42,017)	(110)	78.9%	74.2%
NET INCOME	71,294	111,119	197,123	515	55.9%	77.4%
Net Income Margin (Group) (%) ⁽²⁾	25.9%	29.6%	38.4%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Net Income Margin is a non-IFRS measure calculated for any period as the ratio of Net Income to Revenue (in respect of the Group or any of the Platforms, as the case may be), expressed as a percentage.

Revenue

Our revenue increased by 36.9% to KZT513,914 million (U.S.\$1,343 million) in 2019 from KZT375,331 million in 2018, which in turn increased by 36.1% from KZT275,753 million in 2017. The year-on-year increase was due to the growth of all components of revenue in each of our segments, with seller fees (attributable to our Marketplace Platform) and transaction and membership revenue (mostly attributable to our Payments Platform) growing at a higher rate than fees and commissions and interest revenue (mostly attributable to our Fintech Platform).

Our strong growth of revenue is primarily explained by the increase in: (i) the RTPV and the Payments Take Rate in our Payments Platform; (ii) the GMV and the Marketplace Take Rate in our Marketplace Platform; and (iii) the TFV in our Fintech Platform. The growth of our principal metrics

is primarily due to the increased number of transactions as a result of the growth of the number of Active Consumers and number of transactions per Active Consumer.

During the periods under review, the majority of our revenue was attributable to the products and services offered through the Fintech Platform, although the share of this segment decreased from 92.1% in 2017 to 86.3% in 2018 and further to 78.3% in 2019, as a result of a faster growth of revenues of the Marketplace and Payments Platforms.

Cost of Revenue

The following table sets forth our cost of revenue breakdown by components for the years indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Interest expense	(97,126)	(102,685)	(118,505)	(310)	5.7%	15.4%
Transaction expenses	(3,288)	(6,709)	(14,125)	(37)	104.0%	110.5%
Operating expenses	(29,632)	(35,288)	(41,556)	(109)	19.1%	17.8%
Cost of revenue.....	(130,046)	(144,682)	(174,186)	(455)	11.3%	20.4%
Cost of revenue ratio (Group) (%) ⁽²⁾	47.2%	38.5%	33.9%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Cost of revenue ratio is a non-IFRS measure calculated for any period as the Group's or the respective Platform's cost of revenue divided by the Group's or the respective Platform's revenue for the respective period, expressed as a percentage.

Our total cost of revenue increased by 20.4% to KZT174,186 million (U.S.\$455 million) in 2019 from KZT144,682 million in 2018, which in turn increased by 11.3% from KZT130,046 million in 2017 due to the growth of all components of our cost of revenue for the reasons described below and in line with expansion of our business. Our cost of revenue ratio decreased from 47.2% in 2017 to 38.5% in 2018 and further to 33.9% in 2019, which we believe demonstrates our operating leverage, whereby we can reduce structural costs through strong synergies across our Platforms due to the network effect.

Interest Expense

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Customer accounts.....	(73,317)	(81,230)	(96,435)	(252)	10.8%	18.7%
Debt securities issued.....	(10,337)	(10,091)	(13,704)	(36)	(2.4)%	35.8%
Subordinated debt	(9,692)	(8,865)	(7,808)	(20)	(8.5)%	(11.9)%
Due to banks	(3,780)	(2,498)	(558)	(2)	(33.9)%	(77.6)%
Total interest expense	(97,126)	(102,685)	(118,505)	(310)	5.7%	15.4%
Average rate paid on interest-bearing liabilities (%) ⁽²⁾	8.6%	7.9%	7.3%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

(2) Average rate paid on interest-bearing liabilities is calculated as interest expense for the respective period divided by average interest-bearing liabilities (calculated on the basis of a simple average of monthly closing balances for each relevant period).

Our interest expense increased by 15.4% to KZT118,505 million (U.S.\$310 million) in 2019 from KZT102,685 million in 2018, which in turn increased by 5.7% from KZT97,126 million in 2017 primarily due to a 25.5% growth of average interest-bearing liabilities in 2019 as compared to 2018 and a 15.4% growth of average interest-bearing liabilities in 2018 as compared to 2017 primarily as a result of a year-on-year increase of average balances of customer accounts whilst the average rate paid on interest-bearing liabilities decreased from 8.6% in 2017 to 7.9% in 2018 and further to 7.3% in 2019 in line with the prevailing interest rate environment.

Our interest expense on customer accounts increased by 18.7% to KZT96,435 million (U.S.\$252 million) in 2019 from KZT81,230 million in 2018, which in turn increased by 10.8% from KZT73,317 million in 2017. The growth in 2019 as compared to 2018 was primarily due to a 31.5% growth of the average balance of customer accounts as a result of an increase in retail deposits while the average rate paid on customer accounts decreased to 6.9% in 2019 from 7.6% in 2018 in line with the prevailing interest rate environment. The growth in 2018 as compared to 2017 was primarily due to a 22.2% growth of average balances of customer accounts as a result of an increase in retail deposits whilst the average rate paid on customer accounts decreased to 7.6% in 2018 from 8.4% in 2017 in line with the prevailing interest rate environment.

Our interest expense on debt securities issued increased by 35.8% to KZT13,704 million (U.S.\$36 million) in 2019 from KZT10,091 million in 2018, which in turn decreased by 2.4% from KZT10,337 million in 2017. The increase in 2019 as compared to 2018 was primarily due to a 27.9% increase in the average balances of debt securities issued as a result of issuance of tenge-denominated bonds during the second half of 2018 whilst the average rate paid on debt securities increased to 10.0% in 2019 from 9.4% in 2018. The decline in 2018 as compared to 2017 was primarily due to a 2.9% decrease in the average balances of debt securities issued as a result of the repayment of tenge-denominated bonds in February 2018 and June 2018 whilst the average rate paid on debt securities remained unchanged (9.4% in 2018 and 2017). See also “*Discussion and Analysis of Principal Assets – Funding – Debt Securities Issued*”.

Our interest expense on subordinated debt decreased by 11.9% to KZT7,808 million (U.S.\$20 million) in 2019 from KZT8,865 million in 2018, which in turn decreased by 8.5% from KZT9,692 million in 2017. The decrease in 2019 as compared to 2018 was primarily due to a 8.0% decrease in the average balances of subordinated debt as a result of the repayment of tenge-denominated bonds in June and July 2019 and the average rate paid on subordinated debt decreasing to 9.4% in 2019 from 9.9% in 2018 as a result of the change in the calculation of interest rates on subordinated bonds by reference to inflation in Kazakhstan, which decreased in 2019. The decrease in 2018 as compared to 2017 was primarily due to a 1.1% decrease in the average balances of subordinated debt as a result of the repayment of tenge-denominated bonds in June 2018 and the average rate paid on subordinated debt decreasing to 9.9% in 2018 from 10.7% in 2017 as a result of the change in the calculation of interest rates on subordinated bonds by reference to inflation in Kazakhstan which decreased in 2018.

Our interest expense on due to banks decreased by 77.6% to KZT558 million (U.S.\$2 million) in 2019 from KZT2,498 million in 2018, which in turn decreased by 33.9% from KZT3,780 million in 2017. The decrease in 2019 as compared to 2018 was primarily due to a 87.8% decrease of average balances of due to banks as a result of lower amounts of repurchase agreements made as part of our short-term liquidity management, while the average rate paid on due to banks increased to 14.0% in 2019 from 7.6% in 2018. The decrease in 2018 as compared to 2017 was primarily due to a 33.4% decrease of average balances of due to banks as a result of lower amounts of time deposits of banks and other financial institutions, and a repurchase agreement due to a contractual repayment of these balances made as part of our short-term liquidity management, as well as the decrease in average rate paid on due to banks to 7.6% in 2018 from 7.7% in 2017.

Transaction Expenses

Our transaction expenses increased by 110.5% to KZT14,125 million (U.S.\$37 million) in 2019 from KZT6,709 million in 2018, which in turn increased by 104.0% from KZT3,288 million in 2017 primarily due to an increase of transaction expenses of the Payments Platform as a result of the growth in TPV, as we are required to pay fees to payment processors, payment networks and various service providers.

Operating Expenses

Our operating expenses increased by 17.8% to KZT41,556 million (U.S.\$109 million) in 2019 from KZT35,288 million in 2018, which in turn increased by 19.1% from KZT29,632 million in 2017 primarily due to a growth of transaction volumes on all of our Platforms and the resulting increased

expenses attributable to our core operating activities relating to the origination and delivery of products and services.

Net Revenue

For the reasons described above, our net revenue was KZT339,728 million, KZT230,649 million and KZT145,707 million in 2019, 2018 and 2017, respectively, representing a 47.3% increase in 2019 as compared to 2018 and a 58.3% increase in 2018 as compared to 2017.

Operational Costs

The following table sets forth our operational costs breakdown by segments and operational costs as a percentage of revenue for the years indicated.

	Year ended 31 December					
	2017	2018	2019	2019	2018	2019
	KZT million			U.S.\$ million ⁽¹⁾	% change from prior year	
Technology and product development..	(13,465)	(15,721)	(20,334)	53	16.8%	29.3%
Sales and marketing.....	(7,258)	(17,167)	(28,490)	74	136.5%	66.0%
General and administrative expenses....	(12,462)	(9,945)	(13,259)	35	(20.2)%	33.3%
Total operational costs.....	(33,185)	(42,833)	(62,083)	162	29.1%	44.9%
Percentage of revenue (Group) (%)	12.0%	11.4%	12.1%	-	-	-

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT average exchange rate for 2019, comprising KZT382.75.

Our operational costs include expenses relating to technology and product development, sales and marketing, and general and administrative expenses. While our operational costs increased by 44.9% to KZT62,083 million (U.S.\$162 million) in 2019 from KZT42,833 million in 2018, which in turn increased by 29.1% from KZT33,185 million in 2017 in line with the expansion of our business, we managed to keep costs relatively stable as a percentage of our revenue with 12.1% in 2019, 11.4% in 2018 and 12.0% in 2017 due to our prudent approach to cost management, which positively translated into increases of our Net Income Margin.

Technology and Product Development

Our technology and product development expenses increased by 29.3% to KZT20,334 million (U.S.\$53 million) in 2019 from KZT15,721 million in 2018, which in turn increased by 16.8% from KZT13,465 million in 2017 primarily due to the growth of technology and product development expenses attributable to the Payments Platform as a result of our continued investment in IT infrastructure and growth in the number of, and salaries payable to, our IT and product development personnel.

Sales and Marketing

Our sales and marketing expenses increased by 66.0% to KZT28,490 million (U.S.\$74 million) in 2019 from KZT17,167 million in 2018, which in turn increased by 136.5% from KZT7,258 million in 2017. The increase of sales and marketing expenses in all our Platforms during the periods under review is a result of continuous growth of the number of Active Consumers and transactions across all our Platforms, as well as increasing participation in our Kaspi Bonus loyalty programme and growing redemption of accrued bonuses.

General and Administrative Expenses

Our general and administrative expenses increased by 33.3% to KZT13,259 million (U.S.\$35 million) in 2019 from KZT9,945 million in 2018, which in turn decreased by 20.2% from KZT12,462 million in 2017. The increase in 2019 as compared to 2018 was generally in line with the expansion of our operations. The decrease in 2018 as compared to 2017 was primarily due to the expiration of our management incentive programme. We discontinued accruing incentives and terminated the unvested

part in the first quarter of 2018. See “*Management and Corporate Governance—Long-Term Incentive Plan*”.

Provision Expense

Our provision expense decreased by 26.8% to KZT38,505 million (U.S.\$101 million) in 2019 from KZT52,579 million in 2018, which in turn increased by 89.5% from KZT27,743 million in 2017. We had a relatively low and stable cost of risk of 3.5% in 2019, 4.6% in 2018 and 3.1% in 2017. The changes were due to the reasons as described in “– *Fintech Platform – Provision Expense*” above.

Operating Income

For the reasons described above, the Group’s operating income was KZT239,140 million, KZT135,237 million and KZT84,779 million in 2019, 2018 and 2017, respectively.

Income Tax

Our income tax expenses increased by 78.9% from KZT13,485 million in 2017 to KZT24,118 million in 2018, and further increased by 74.2% to KZT42,017 million (U.S.\$110 million) in 2019 primarily due to higher amounts of taxable operating income. In the periods under review, our effective tax rate was approximately 17%.

Net Income

For the reasons described above, the Group’s net income was KZT197,123 million, KZT111,119 million and KZT71,294 million in 2019, 2018 and 2017, respectively, representing a 77.4% increase in 2019 as compared to 2018 and a 55.9% increase in 2018 as compared to 2017. Our Net Income Margin improved from 25.9% in 2017 to 29.6% in 2018 and further to 38.4% in 2019 primarily, as a result of our ability to maintain our operational costs at stable levels with a significant increase of our revenue.

Discussion and Analysis of Principal Assets

General

The following table sets forth the principal components of our total assets as at the dates indicated.

	As at 31 December							As at 30 June		
	2017		2018		2019			2020		
	KZT million	% of total	KZT million	% of total	KZT million	% of total	U.S.\$ million ⁽¹⁾	KZT million	% of total	U.S.\$ million ⁽²⁾
Loans to customers.....	891,323	60.5%	1,067,002	62.8%	1,292,104	59.1%	3,390	1,227,990	49.5%	3,041
Investment securities and derivatives	212,535	14.4%	366,631	21.6%	474,581	21.7%	1,245	701,168	28.2%	1,736
Cash and cash equivalents.....	304,839	20.7%	168,471	9.9%	239,140	10.9%	627	361,727	14.6%	896
Property, equipment and intangible assets.	32,175	2.2%	36,688	2.2%	60,985	2.8%	160	66,163	2.7%	164
Other assets.....	12,766	0.9%	20,773	1.2%	52,044	2.4%	137	59,543	2.4%	147
Due from banks .	8,334	0.6%	22,872	1.3%	43,484	2.0%	114	41,453	1.7%	103
Mandatory cash balances with the National Bank of the Republic of Kazakhstan	10,870	0.7%	17,215	1.0%	25,243	1.2%	66	25,057	1.0%	62
Total assets	1,472,842	100.0%	1,699,652	100.0%	2,187,581	100.0%	5,739	2,483,101	100.0%	6,149

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 31 December 2019, comprising KZT381.18.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 30 June 2020, comprising KZT403.83.

Our total assets increased by 13.5% to KZT2,483,101 million as at 30 June 2020 from KZT2,187,581 million as at 31 December 2019, which in turn increased by 28.7% from KZT1,699,652 million as at

31 December 2018, representing a 15.4% growth from KZT1,472,842 million as at 31 December 2017.

The increase in total assets in the first half of 2020 as compared to the end of 2019 was a result of (i) a 47.7% growth in investment securities and derivatives from KZT474,581 million as at 31 December 2019 to KZT701,168 million as at 30 June 2020, mainly driven by the growth of our debt securities portfolio as part of our liquidity management and (ii) a 51.3% growth in cash and cash equivalents from KZT239,140 million as at 31 December 2019 to KZT361,727 million as at 30 June 2020 mainly as a result of an increase in current accounts with other banks, short-term deposits with other banks and reverse repurchase agreements.

The increase in total assets in 2019 as compared to 2018 was a result of growth of all components of our assets, and mainly due to (i) a 21.1% growth in loans to customers from KZT1,067,002 million as at 31 December 2018 to KZT1,292,104 million as at 31 December 2019 mainly as a result of the increase in TFV of our Fintech Platform, (ii) a 29.4% growth in investment securities and derivatives from KZT366,631 million as at 31 December 2018 to KZT474,581 million as at 31 December 2019, mainly driven by the growth of our debt securities portfolio as part of our liquidity management and (iii) a 41.9% growth in cash and cash equivalents from KZT168,471 million as at 31 December 2018 to KZT239,140 million as at 31 December 2019 mainly as a result of an increase in current accounts with other banks, short-term deposits with other banks and reverse repurchase agreements.

The increase in total assets in 2018 as compared to 2017 is mainly due to (i) a 19.7% growth in loans to customers from KZT891,323 million as at 31 December 2017 to KZT1,067,002 million as at 31 December 2018 mainly as a result of the increase in TFV of our Fintech Platform and (ii) a 72.5% growth in investment securities and derivatives from KZT212,535 million as at 31 December 2017 to KZT366,631 million as at 31 December 2018 mainly driven by the growth of our debt securities portfolio as part of our liquidity management. The increase in total assets in 2018 as compared to 2017 was partially offset by a 44.7% decrease in cash and cash equivalents mainly due to the decrease in current accounts with other banks reflecting liquidity management operations.

For a discussion and analysis of cash and cash equivalents and investment securities and derivatives, see “—Liquidity” below.

Loans to Customers

Loans to customers comprise the largest component of our assets, accounting for 49.5%, 59.1%, 62.8% and 60.5% of total assets as at 30 June 2020 and 31 December 2019, 2018 and 2017, respectively.

Our loans to customers decreased by 5.0% to KZT1,227,990 million as at 30 June 2020 from KZT1,292,104 million as at 31 December 2019 in view of our more cautious approach to the origination of new loans in the first half of 2020 in light of the COVID-19 pandemic and related economic downturn.

Our loans to customers increased by 21.1% to KZT1,292,104 million as at 31 December 2019 from KZT1,067,002 million as at 31 December 2018, which in turn increased by 19.7% from KZT891,323 million as at 31 December 2017. The gradual increase is attributable to the expansion of our consumer finance operations.

The following table sets forth our gross loan portfolio as at the dates indicated:

	As at 31 December			As at 30 June	
	2017	2018	2019	2020	
				U.S.\$ million ⁽¹⁾	U.S.\$ million ⁽²⁾
	KZT million			KZT million	U.S.\$ million ⁽²⁾
Gross loans to customers	981,471	1,187,797	1,399,517	3,672	1,353,437
Less allowance for impairment losses.....	(90,148)	(120,795)	(107,413)	(282)	(125,447)
Total loans to customers	891,323	1,067,002	1,292,104	3,390	1,227,990

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 31 December 2019, comprising KZT381.18.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 30 June 2020, comprising KZT403.83.

Gross loans to customers originated within our Fintech Platform amounted to KZT1,353,437, KZT1,399,517 million, KZT1,187,797 million and KZT981,471 million as at 30 June 2020 and 31 December 2019, 2018 and 2017, respectively.

The growth in our gross loan portfolio during the period from 2017 to 2019 was driven by (i) the increasing number of consumer finance transactions fuelled by strong demand for our financing products and the growth of our Marketplace Platform; (ii) the launch of general purpose online consumer finance loans; and (iii) the growth in the number of car financing transactions through Kolesa.kz. The decrease in our growth loan portfolio in the six months ended 30 June 2020 is attributable to our more conservative approach to lending adopted against the backdrop of the deteriorating economic environment following the onset of the pandemic and related lockdown measures.

Corporate loans accounted for 3.4% and 3.7% of our net loan portfolio as at 30 June 2020 and 31 December 2019, respectively.

All of our loans to customers accrue interest at a fixed rate. The following table sets forth the breakdown of our loan portfolio by remaining contractual maturity dates as at 30 June 2020:

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 year to 5 years	More than 5 years
	KZT million					
Gross loans to customers	124,816	187,440	203,352	273,960	545,337	18,532

The following table sets out the composition of our gross loan portfolio by the status of loans as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	KZT million			
Non-overdue	863,942	1,028,632	1,252,332	1,218,574
Less than 31 days overdue	16,126	22,050	15,566	5,102
31 to 90 days overdue	19,942	30,230	15,802	9,069
91 to 180 days overdue	12,908	24,175	20,721	14,364
181 to 360 days overdue	21,248	36,165	44,700	33,902
More than 360 days overdue	47,305	46,545	50,396	72,426
Total gross loans to customers	981,471	1,187,797	1,399,517	1,353,437

The following table sets out the breakdown of our NPLs, allowance for impairment and allowance for impairment to gross NPLs as at the dates indicated:

	Gross NPLs	Allowance for impairment	Allowance for impairment to gross NPLs
	KZT million		%
Non-performing loans to customers as at 31 December 2017	81,461	90,148	111%
Non-performing loans to customers as at 31 December 2018	106,886	120,795	113%
Non-performing loans to customers as at 31 December 2019	115,817	107,413	93%
Non-performing loans to customers as at 30 June 2020	120,692	125,447	104%

Non-performing loans, or NPLs, represent loans with payments of principal and/or interest overdue by more than 90 days. Provision for impairment to gross NPLs reflects our ability to absorb potential

losses from non-performing loans. Considering that the ratio represents impairment loan loss allowances for the specific pool as a percentage of NPLs, the ratio can exceed 100%.

The following table sets forth the breakdown of NPLs as a proportion of our gross loan portfolio as at the dates indicated.

As at 31 December						As at 30 June	
2017		2018		2019		2020	
Gross NPLs	% of gross loans	Gross NPLs	% of gross loans	Gross NPLs	% of gross loans	Gross NPLs	% of gross loans
81,461	8.3%	106,886	9.0%	115,817	8.3%	120,692	8.9%

Our NPLs accounted for 8.9%, 8.3%, 9.0% and 8.3% of our gross loan portfolio as at 30 June 2020 and 31 December 2019, 2018 and 2017, respectively. Our first payment default rate (the share of loans where borrowers failed to pay the first payment under their loan agreements) decreased from 2.5% in the fourth quarter of 2017 to 1.0% in the fourth quarter of 2019 and amounted to 0.7% as at 30 June 2020. Our second payment default rate (the share of loans where borrowers failed to pay the first and the second payments under their loan agreements) decreased from 1.1% in the fourth quarter of 2017 to 0.3% in the fourth quarter of 2019 and amounted to 0.3% as at 30 June 2020. Our delinquency rate (the share of loans that were not delinquent in the previous month but missed their current due date) decreased from 3.5% in the fourth quarter of 2017 to 2.3% in the fourth quarter of 2019 and amounted to 2.0% as at 30 June 2020. Our loss rate vintages (expected loss rate of portfolio originated in specific quarter/month as a combination of actual NPL as of reporting date and expected recovery of NPL based on statistics) were below 3% throughout the period between 2017 and 30 June 2020. We believe that our ability to maintain a sustainable ratio of NPLs to and improve other metrics, despite a rapid growth of our consumer loan portfolio, demonstrates the efficiency of our risk management system.

The following tables set forth the movements in loss allowance with regard to loans to customers as at the dates indicated:

	Year ended 31 December
	2017
	KZT million
At the beginning of the period.....	83,509
Provision expense.....	27,269
Write-off of assets	(48,015)
Foreign exchange difference	150
Recoveries of assets previously written off	27,235
At the end of the period	90,148

	Year ended 31 December
	2018
	KZT million
At 1 January 2018 before the adoption of IFRS 9	90,148
Effect of the adoption of IFRS 9	12,366
At the beginning of the period.....	102,514
Net changes resulting from changes in credit risk parameters.....	62,767
Write-off, net of recoveries	(31,877)
New assets issued or acquired	16,022
Matured or derecognised assets (except for write off).....	(28,600)
Foreign exchange difference	(31)
At the end of the period	120,795

	Year ended 31 December 2019 KZT million
At the beginning of the period	120,795
Net changes, resulting from changes in credit risk parameters	32,953
Write-off, net of recoveries	(53,301)
New assets issued or acquired	25,340
Repaid assets (except for write off)	(18,899)
Foreign exchange difference	525
At the end of the period	107,413

	As at 30 June 2020 KZT million
At the beginning of the period	107,413
Net changes, resulting from changes in credit risk parameters	20,064
Write-off, net of recoveries	(10,989)
New assets issued or acquired	18,728
Repaid assets (except for write off)	(9,826)
Foreign exchange difference	57
At the end of the period	125,447

Our loss allowance for loans to customers increased by 16.8% to KZT125,447 million as at 30 June 2020 from KZT107,413 million as at 31 December 2019 primarily due to the deterioration of the macroeconomic outlook linked to the COVID-19 pandemic and related restrictions, which were reflected in our provisions for the first half of 2020.

Our loss allowance for loans to customers decreased by 11.1% to KZT107,413 million as at 31 December 2019 from KZT120,795 million as at 31 December 2018, which in turn increased by 34.0% from KZT90,148 million as at 31 December 2017. The 11.1% decrease in 2019 can primarily be explained by changes in credit risk parameters and the write off, net of recoveries, of loans in the amount of KZT53,301 million.

Our loss allowance as of 1 January 2018 includes a remeasurement effect due to the adoption of IFRS 9 (see also “Adoption of IFRS 9 Financial instruments” in Note 3 to the Annual Financial Statements).

Liquidity

Our liquidity needs arise primarily from financing the operations of our Fintech Platform, which mainly include issuing loans to customers and cash transactions in our outlets and ATMs. We invest excess liquidity in high-quality interest-bearing financial instruments. We fund our liquidity needs largely through customer accounts, debt securities issued, subordinated debt and interbank borrowings (due to banks).

Cash and Cash Equivalents

Our cash and cash equivalents increased by 51.3% to KZT361,727 million as at 30 June 2020 from KZT239,140 million as at 31 December 2019, which in turn represented a 41.9% increase from KZT168,471 million as at 31 December 2018, representing a 44.7% decrease from KZT304,839 million as at 31 December 2017. The changes in cash and cash equivalents in the relevant periods are attributable to our liquidity management policy pursuant to which we invest excess liquidity in high quality debt securities or lend to other banks on the interbank market.

Investment Securities and Derivatives

Our securities portfolio primarily consists of debt securities. The following table sets forth information relating to securities held in each of the two categories set forth below as at the dates indicated.

	As at 31 December				As at 30 June	
	2017	2018	2019	2019	2020	
				U.S.\$ million ⁽¹⁾	KZT million	U.S.\$ million ⁽²⁾
Debt securities	212,256	356,311	472,943	1,241	696,298	1,724
Equity investments.....	252	378	312	1	301	1
Total financial assets at fair value through other comprehensive income (2017: investments available-for-sale)	212,508	356,689	473,255	1,242	696,599	1,725
Total financial assets at fair value through profit or loss(3)	27	9,942	1,326	3	4,569	11
Total investment securities and derivatives	212,535	366,631	474,581	1,245	701,168	1,736

- (1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 31 December 2019, comprising KZT381.18.
- (2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 30 June 2020, comprising KZT403.83.
- (3) Total financial assets at fair value through profit or loss comprises derivative financial instruments.

In line with our liquidity management approach, we primarily invest in either government or quasi-government issued debt such as treasury notes of the Ministry of Finance of Republic of Kazakhstan, notes of the NBK, or high-grade “blue-chip” corporate debt. As at 30 June 2020 and 31 December 2019, 2018 and 2017, the majority of our debt securities portfolio consisted of sovereign debt securities. In terms of derivative instruments, we engage primarily in currency derivatives in the process of managing our open currency position.

Our investment securities and derivatives increased by 47.7% to KZT701,168 million as at 30 June 2020 from KZT474,581 million as at 31 December 2019, which in turn increased 29.4% from KZT366,631 million as at 31 December 2018, which represented an increase of 72.5% from KZT212,535 million as at 31 December 2017. The changes in our investment securities and derivatives in the respective periods are attributable to our liquidity management policy pursuant to which we invest excess liquidity in high quality debt securities or lend to other banks on the interbank market.

During the period under review, we had no securities with significant unrealised losses recognised in other comprehensive income.

Cash Flows

The following table sets forth a summary of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	KZT million				
Net cash inflow (outflow) from operating activities.....	141,589	35,657	296,347	147,906	334,788
Net cash (outflow) inflow from investing activities.....	26,248	(129,286)	(112,855)	(70,394)	(220,243)
Net cash (outflow) from financing activities.....	(20,434)	(57,079)	(112,240)	(33,177)	(562)
Cash and cash equivalents at the beginning of the period.....	157,389	304,839	168,471	168,471	239,140
Cash and cash equivalents at the end of the period.....	304,839	168,471	239,140	211,935	361,727

Net cash inflow from operating activities increased by 126.4% to KZT334,788 million in the first half of 2020 compared to KZT147,906 million in the first half of 2019, driven by changes in our operating assets and liabilities which were in line with the development of our core operations, primarily as a result of an increase in the interest received on our interest-earning assets (mainly our loan portfolio) and fees and commission received, partially offset by fees and commissions paid and other expenses paid (primarily consisting of operating expenses).

Net cash inflow from operating activities increased by 731.1% to KZT296,347 million in 2019 from KZT35,657 million in 2018, which in turn decreased by 74.8% from KZT141,589 million in 2017. In 2019 as compared to 2018 our net cash inflow from operating activities increased due to changes in our operating assets and liabilities which were in line with the development of our core operations (primarily as a result of an increase in the interest received on our interest-earning assets (mainly our loan portfolio) and fees and commission received, partially offset by increases in the interest paid on our interest-bearing liabilities (mainly our customer accounts), fees and commissions paid and other expenses paid (primarily consisting of operating expenses)). In 2018 as compared to 2017 our net cash inflow from operating activities decreased due to changes in operating assets and liabilities in line with the development of our core operations notwithstanding the increase in net cash inflow from operating activities before changes in operating assets and liabilities (primarily as a result of an increase in interest received on our interest-earning assets (mainly our loan portfolio) and fees and commission received, partially offset by increases in interest paid on our interest-bearing liabilities (mainly customer accounts), fees and commissions paid and other expenses paid (primarily consisting of operating expenses)). During the periods under review, our operating assets changed mainly due to the expansion of our loan portfolio, while the growth of customer accounts was a key contributor to the increase of our operating liabilities.

In the first half of 2020, we had a net cash outflow of KZT220,243 million from investing activities as compared to the outflow of KZT70,394 million in the first half of 2020. The increased outflow in the first half of 2020 was mainly due to increased net investment into financial assets at fair value through other comprehensive income as a part of liquidity management.

In 2019, we had net cash outflow of KZT112,855 million from investing activities as compared to the outflow of KZT129,286 million in 2018 and the inflow of KZT26,248 million in 2017. The reduced outflow in 2019 was mainly due to a KZT84,749 million net outflow resulting from the purchase of financial assets at fair value through other comprehensive income, as we applied excess cash primarily to debt securities as part of our liquidity management. The outflow in 2018 as compared to the inflow in 2017 was mainly due to a KZT118,731 million net outflow as a result of purchase of financial assets at fair value through other comprehensive income, since we applied excess cash primarily to debt securities as part of our liquidity management. The cash inflow or outflow from proceeds or purchase of financial assets at fair value through other comprehensive income are

explained by our liquidity management policy pursuant to which we invest excess liquidity in high quality debt securities as it is not always possible to immediately apply cash for the loan origination.

Net cash outflow from financing activities decreased by 98.3% to KZT562 million in the first half of 2020 from KZT33,177 million in the first half of 2019 in view of the absence of a dividend payout in the first half of 2020.

Net cash outflow from financing activities increased by 96.6% to KZT112,240 million in 2019 from KZT57,079 million in 2018, which in turn increased by 179.3% from KZT20,434 million in 2017. The increase of the outflow in 2019 as compared to 2018 was primarily the result of the dividends paid in the amount of KZT97,697 million and the repayment of subordinated debt in the amount of KZT11,368 million. The increased outflow in 2018 as compared to 2017 was primarily the result of the purchase of treasury shares in the amount of KZT75,287 million as a result of the buy-back through KASE (see “Principal Shareholders – Changes in Shareholding”), although the increase of the outflow in 2018 was partially offset by the issue of debt securities issued of KZT38,108 million while we had no issue of debt securities issued in 2017.

Funding

Our funding base relies primarily on customer accounts (term deposits and current accounts). Other sources of funding include debt securities issued, subordinated debt and due to banks.

The following table sets forth our sources of funding as at the dates indicated.

	As at 31 December						As at 30 June		
	2017		2018		2019		2020		U.S.\$ ⁽²⁾ million
	Amount	% of total funding	Amount	% of total funding	Amount	% of total funding	Amount	% of total funding	
	KZT million, except percentages						U.S.\$ ⁽¹⁾ million		
Term deposits	900,591	72.2%	1,066,783	73.0%	1,342,890	72.7%	3,523	1,450,800	3,593
Current accounts	79,048	6.3%	166,137	11.4%	284,083	15.4%	745	363,957	901
Total customer accounts	979,639	78.5%	1,232,920	84.4%	1,626,973	88.1%	4,268	1,814,757	4,494
Total debt securities issued	111,335	8.9%	138,094	9.5%	138,574	7.5%	364	138,835	344
Total subordinated debt	93,579	7.5%	89,603	6.1%	77,786	4.2%	204	77,792	193
Time deposits of banks and other financial institutions	40,156	3.2%	-	-	-	-	-	-	-
Repurchase agreements	23,044	1.8%	49	0.0%	3,000	0.2%	8	-	-
Total due to banks	63,200	5.0%	49	0.0%	3,000	0.2%	8	-	-
Total funding	1,247,753	100.0%	1,460,666	100.0%	1,846,333	100.0%	4,844	2,031,384	5,030

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 31 December 2019, comprising KZT381.18.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 30 June 2020, comprising KZT403.83.

Customer Accounts

Term deposits and current accounts by customers are the largest component of our liabilities and constitute our main source of funding. We open interest-bearing term deposits for a specified period and non-interest-bearing current accounts for retail customers and legal entities. We believe that our deposit base is highly diversified with an average time deposit per retail customer of KZT800 thousand as at 30 June 2020. In the first half of 2020 98.4% of deposits maturing in the first half of 2020 were extended.

The following table sets forth the breakdown of our customer accounts as at the dates indicated:

	As at 31 December						As at 30 June		
	2017		2018		2019		2020		U.S.\$(2) million
	KZT million	% of total	KZT million	% of total	KZT million	% of total	KZT million	% of total	
Individuals									
Term deposits	828,734	84.6%	1,025,099	83.1%	1,298,772	79.8%	1,405,128	77.4%	3,480
Current accounts ..	50,806	5.2%	124,971	10.1%	242,206	14.9%	314,126	17.3%	778
Total due to individuals	879,540	89.8%	1,150,070	93.2%	1,540,978	94.7%	1,719,254	94.7%	4,257
Corporate customers									
Term deposits	71,857	7.3%	41,684	3.4%	44,118	2.7%	45,672	2.5%	113
Current accounts ..	28,242	2.9%	41,166	3.3%	41,877	2.6%	49,831	2.7%	123
Total due to corporate customers	100,099	10.2%	82,850	6.7%	85,995	5.3%	95,503	5.3%	236
Total customer accounts	979,639	100.0%	1,232,920	100.0%	1,626,973	100.0%	1,814,757	100.0%	4,494

(1) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 31 December 2019, comprising KZT381.18.

(2) U.S. Dollar figures have been calculated based on the U.S.\$/KZT exchange rate as at 30 June 2020, comprising KZT403.83.

Customer accounts increased by 11.5% to KZT1,814,757 million as at 30 June 2020 from KZT1,626,973 million as at 31 December 2019, representing an increase of 32.0% from KZT1,232,920 million as at 31 December 2018, which in turn increased by 25.9% from KZT979,639 million as at 31 December 2017. The increases during the periods under review are primarily attributable to the growth of retail deposits, which mainly result from an increase in the number of Active Consumers and the further integration of current customers into our Ecosystem.

Our average balances of customer accounts increased by 19.6% to KZT1,683,444 million in the six months ended 30 June 2020 from KZT1,407,378 million in 2019, which represented a 31.5% increase from KZT1,069,980 million in 2018, which in turn increased by 22.2% from KZT875,919 million in 2017, while the average rate paid on customer accounts changed from 8.4% in 2017, 7.6% in 2018 and 6.9% in 2019 to 6.4% in the first half of 2020. The decreases in the average rate paid on customer accounts in 2018, 2019 and the first half of 2020 as compared to 2017 were in line with the prevailing interest rate environment and our funding needs.

As at 31 December 2019, our 20 largest customers held KZT97,195 million, or 6.0% of customer accounts, as compared to KZT78,531 million, or 6.4% of customer accounts, as at 31 December 2018 and KZT103,651 million, or 10.6% of customer accounts, as at 31 December 2017. As at 30 June 2020, our 20 largest customers held KZT98,701 million, or 5.4% of customer accounts.

Under Kazakhstan laws, individuals have a right to withdraw their term deposits prior to maturity if they forfeit their right to the contractually agreed accrued interest (but in this instance they will still be entitled to accrued interest at the rate applicable to call deposits).

Debt Securities Issued

We issue debt securities in the domestic market to fund the ongoing growth of our business operations. To minimise currency risk, we issue tenge-denominated debt securities since we conduct our business operations predominantly in tenge. The terms and conditions of the Group's debt instruments include a number of general covenants such as non-change of business, non-change of legal form and compliance with applicable reporting requirements, which are customary to KASE-listed bonds. As at the date of this Registration Document, the Company believes that the Group is in compliance with such covenants. There are no covenants prohibiting the Group from incurring additional debt or issuing equity securities.

Debt securities issued insignificantly increased to KZT138,835 as at 30 June 2020 from KZT138,574 million as at 31 December 2019, which in turn increased from KZT138,094 million as at 31 December 2018, representing an increase of 24.0% from KZT111,335 million as at 31 December 2017.

Our average balances of debt securities issued increased by 27.9% to KZT136,798 million in 2019 from KZT106,942 million in 2018 as a result of the issue of tenge-denominated bonds in the

aggregate amount of KZT38,108 million in the second half of 2018. In the first half of 2020, our average balances of debt securities issued increased insignificantly to KZT137,008 million compared to KZT136,798 million in 2019.

The increase in 2018 as compared to 2017 is due to the placement of the tenge-denominated bonds for long-term funding at an attractive cost of borrowing. While debt securities issued increased as at 31 December 2018 as compared to 31 December 2017, our average balances of debt securities issued decreased by 2.9% to KZT106,942 million in 2018 from KZT110,175 million in 2017 as a result of the repayment of tenge-denominated bonds in the aggregate amount of KZT12,715 million in February 2018 and June 2018.

The average rate paid on debt securities issued increased from 9.4% in each of 2017 and 2018 to 10.0% in 2019 in line with the prevailing interest rate environment and remained at the level of 10.0% in the first half of 2020.

The following table sets forth the breakdown of our debt securities issued as at the dates indicated:

	As at 31 December					As at 30 June
	Maturity date	Nominal interest rate	2017	2018	2019	2020
	Month/ year	%	KZT million			
Recorded at amortised cost						
Second bond programme – fourth issue	February 2018	8.00%	10,285	-	-	-
Second bond programme – fifth issue	June 2018	8.00%	1,603	-	-	-
Third bond programme – first issue	January 2025	9.90%	51,040	51,041	51,042	51,042
Third bond programme – second issue	January 2024	9.80%	48,407	48,408	48,410	48,411
Third bond programme – second issue	January 2023	9.70%	-	38,645	39,122	39,382
Total debt securities issued ..			111,335	138,094	138,574	138,835

Subordinated Debt

As at 30 June 2020, the amount of subordinated debt comprised KZT77,792 million, which represented a marginal increase from KZT77,786 million as at 31 December 2019. As at 31 December 2019, the amount of subordinated debt comprised KZT77,786 million, which decreased by 13.2% from KZT89,603 million as at 31 December 2018, which in turn decreased by 4.2% from KZT93,579 million as at 31 December 2017. The decrease in 2019 as compared to 2018 is primarily due to the repayment of a portion of subordinated debt upon maturity in the amount of KZT11,368 million, whereas the decrease in 2018 as compared to 2017 is mainly due to the repayment of a portion of subordinated debt upon maturity in the amount of KZT3,924 million.

Our average balances of subordinated debt decreased by 7.5% to KZT76,527 million in the first half of 2020 from KZT82,705 million in 2019 as a result of a portion of subordinated debt maturing in July 2019. Our average balances of subordinated debt decreased by 8.0% to KZT82,705 million in 2019 from KZT89,898 million in 2018 as a result of the repayment of tenge-denominated subordinated bonds in the aggregate amount of KZT11,782 million (including accrued but unpaid interest) in July 2019.

Our average balances of subordinated debt decreased by 1.1% to KZT89,898 million in 2018 from KZT90,922 million in 2017 as a result of the repayment of tenge-denominated subordinated bonds in June 2018 in the amount of KZT3,924 million.

The average rate paid on subordinated debt decreased from 10.7% in 2017 to 9.9% in 2018 and further to 9.4% in 2019 and increased to 9.6% in the first half of 2020 as a result of the calculation of an interest rate on subordinated bonds with a reference to inflation in Kazakhstan, which decreased during the period under review.

We attract subordinated debt through the issue of tenge-denominated bonds in the domestic market. The instruments qualify as part of the regulatory capital of Kaspi Bank and are included in the Tier 2 component of regulatory capital. The terms and conditions of the Group's subordinated debt instruments do not contain any covenants prohibiting the Group from incurring additional debt or issuing equity securities.

The following table sets forth the breakdown of our subordinated debt as at the dates indicated:

	As at 31 December					As at 30 June
	Maturity date	Nominal interest rate	2017	2018	2019	2020
	Month/ year	%	KZT million			
Recorded at amortised cost						
First bond programme – third issue	June 2018	2.5% plus inflation rate	3,912	-	-	-
First bond programme – fourth issue	July 2019	2% plus inflation rate	6,273	6,221	-	-
First bond programme – fifth issue	July 2019	2% plus inflation rate	5,499	5,563	-	-
Second bond programme – first issue.....	July 2021	1% plus inflation rate	9,941	9,981	10,050	10,112
Second bond programme – third issue	February 2023	2% plus inflation rate	5,686	5,569	5,466	5,418
Third bond programme – fourth issue	June 2025	10.7%	62,257	62,259	62,261	62,262
Debt component of preference shares	N/A	N/A	11	10	9	-
Total subordinated debt			93,579	89,603	77,786	77,792

Due to Banks

Amounts due to banks include time deposits of banks and other financial institutions and repurchase agreements. Due to banks increased to KZT3,000 million as at 31 December 2019 from KZT49 million as at 31 December 2018, which in turn decreased from KZT63,200 million as at 31 December 2017. The increase as at 31 December 2019 as compared to 31 December 2018 is due to the increase of repurchase agreements entered into as part of our short-term liquidity management. The decrease in 2018 as compared to 2017 is mainly due to the repayment of all balances of time deposits of banks and other financial institutions and a decrease in the repurchase agreements from KZT23,044 million as at 31 December 2017 to KZT49 million as at 31 December 2018 upon expiration, entered into as part of our short-term liquidity management.

We had no outstanding amounts due to banks as at 30 June 2020 due to limited needs in short-term funding as part of our short-term liquidity management.

Our average balances of due to banks decreased by 37.4% from KZT3,995 million in 2019 to KZT2,501 million in the first half of 2020. In turn, our average balances of due to banks decreased by 87.8% to KZT3,995 million in 2019 from KZT32,676 million in 2018 as a result of repayment of all balances of time deposits of banks and other financial institutions and a decrease in the repurchase

agreements upon expiration, entered into as part of our short-term liquidity management. Our average balances of due to banks decreased by 33.4% to KZT32,676 million in 2018 from KZT49,044 million in 2017 as a result of repayment of all balances of time deposits of banks and other financial institutions and a decrease in the repurchase agreements upon expiration, entered into as part of our short-term liquidity management.

The average rate paid on due to banks was 7.7% in 2017, 7.6% in 2018, 14.0% in 2019 and 6.6% in the first half of 2020, which fluctuated in line with the prevailing interest rate environment.

Capital Adequacy and Capital Management

The management of Kaspi Bank monitors Kaspi Bank's capital adequacy ratios based on the requirements of the Basel III framework. The table below sets forth the respective ratios calculated on the basis of Kaspi Bank's consolidated financial statements under Basel III as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Risk-weighted assets (KZT million)	1,172,317	1,243,295	1,487,495	1,595,307
Tier 1 capital adequacy ratio (%)	13.9%	16.8%	17.6%	19.5%
Total capital adequacy ratio (%)	20.9%	23.0%	22.4%	23.9%
Tier 1 capital (KZT million)	163,532	208,339	262,106	310,717
Total capital (KZT million)	244,776	286,233	333,689	381,127

In addition to Basel III capital adequacy ratios, as a Kazakhstan bank, Kaspi Bank is obliged to comply with the regulatory capital adequacy ratios stipulated by the NBK. These ratios are calculated in accordance with NBK regulations. Going forward, we plan to maintain Kaspi Bank's Tier 1 and Total Capital ratios at levels above these required by the NBK, including buffers applicable to systemically important banks, and to use the additional portion above this threshold for the purposes of distributing dividends to shareholders, subject to applicable law and commercial considerations (including without limitation, cash requirements and future projects).

The table below sets forth the respective ratios calculated in accordance with NBK regulations recorded by Kaspi Bank as at and for the periods indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Risk-weighted assets (KZT million)	1,397,186	1,672,224	2,158,996	2,023,819
Tier 1 capital adequacy ratio (%)	11.0%	11.4%	11.4%	14.7%
Total capital adequacy ratio (%)	16.5%	15.7%	14.5%	18.0%
Tier 1 capital (KZT million)	153,020	191,372	245,330	297,172
Total capital (KZT million)	230,106	263,329	312,575	363,349

Commitments and Contingencies

In the ordinary course of business we enter into financial instruments with off-balance sheet risk in order to meet the needs of our customers. Guarantees issued and included below represent financial guarantees on which payment is not probable as at the respective reporting date, and such guarantees have therefore not been recorded in the consolidated statement of financial position.

Our maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

We use the same credit policy in undertaking contingent commitments as we do for on-balance operations. As at 30 June 2020, we had provisions for losses on contingent liabilities of KZT80 million. In turn, as at 31 December 2019, we had provisions for losses on contingent liabilities of KZT51 million as compared to KZT42 million as at 31 December 2018 and no provisions for losses on contingent liabilities as at 31 December 2017.

The following table sets forth our contingent liabilities and credit commitments as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	KZT million			
Commitments on loans and unused credit lines	55,202	61,320	77,322	91,400
Guarantees issued and similar commitments ..	1,793	1,409	1,428	1,413
Total contingent liabilities and credit commitments	56,995	62,729	78,750	92,813

The increase in total contingent liabilities and credit commitments is primarily attributable to the increase in commitments on loans and unused credit lines in connection with Kaspi Red Shopping Club cards, resulting from a corresponding increase in the number of Active Consumers using Kaspi Red Shopping Club.

Quantitative and Qualitative Disclosure about Risks

The main risks that could adversely affect our results of operations are credit risk, liquidity risk and market risks (interest rate, currency and securities portfolio risks). Our management reviews and supports policies for managing each of the risks summarised below. For a detailed description of our risk management and exposures, see Note 26 to the Annual Financial Statements.

Credit Risk

Overview

In the course of our operations, we are exposed to credit risk, i.e. the risk that one party to a financial instrument may fail to discharge any of its obligations and thereby cause the other party to incur a financial loss. Our credit risk exposure arises primarily from our consumer finance business through the Fintech Platform. To this end, we have developed a comprehensive data-driven risk management framework.

To manage credit risk during loan origination, the Group has centralised all processes related to decision making, verification and accounting. The Group has developed an automated, centralised and big data-driven proprietary loan approval process that enables it to make instant credit decisions. The fully centralised risk management system is responsible for maintaining scoring models and decision-making process. The quality of approved loans is monitored by the risk management bodies unit on a day-to-day basis with periodic validation of the models. In terms of credit risk, the risk management consists of independent modelling, anti-fraud, monitoring and provisioning divisions.

Our broad proprietary database of information in respect of clients who have at any time taken a loan through any of our Platforms, together with the capabilities of our IT systems, provide a substantial basis for constant improvement of current credit risk models and the development of new risk analysis tools. The comprehensive database of information on our clients is fully centralised. All processes of credit risk management are subject to functional separation for unbiased and adequate reaction to credit risk events.

Our data-driven decision making process is based on (i) data engineering (we constantly enrich our proprietary customer data due to multiple touchpoints (transactional data, behavioural data, shopping information)); (ii) data preparation (we structure the collected data to use it for our risk management and do not share with third parties unless required by laws); (iii) data analysis (we employ our proprietary risk algorithms, sophisticated predictive scoring models and machine learning for the analysis of the structured data, after that each customer is assigned to one of over 1,000 decision scenarios based on multiple factors); and (iv) implementation (our credit decisions are based on real time strategies which may be modified within 15 minutes with no involvement of IT specialists).

We monitor our exposure on a regular basis to ensure that the credit limits and creditworthiness guidelines established by our risk management policy are not breached.

Scoring Models

We have developed a highly automated, centralised and big data-driven proprietary loan approval process that enables us to make high-quality credit decisions in real time within seconds. During this process we extensively use our data mining, machine learning and big data analytical capabilities. In the first half of 2020, our systems allowed us to make 99.9% of consumer loan approvals within six seconds.

During the credit decision process, our platforms use proprietary risk algorithms and sophisticated predictive scoring models for evaluation of the risks of potential borrowers using statistical modelling based on (i) a wealth of proprietary internal data such as application, transactional, behavioural, shopping and payment history information, which is supplemented by (ii) external data such as data received from credit bureaus (LLC First Credit Bureau and JSC State Credit Bureau) and the Pension Centre.

Our scoring models and decision-making process are assessed and analysed on a continuous basis for effectiveness and validity. The additional proprietary data constantly accumulated around our customers' activity within our Ecosystem enables us to continuously improve our credit decision-making process, thereby managing our risks at acceptable levels. Our team of 155 data scientists may swiftly adjust the models to ensure that the level of risk remains at acceptable levels and to adapt to current market conditions.

Write off of Loans to Customers

Loans to customers are written off against the allowance for impairment losses. The decision to write off a loan is taken by the Credit Committee and is commonly taken when a loan is overdue for more than one year. However, the write off of a loan does not indicate that no other actions will be taken to collect the loan. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

Liquidity Risk

We are exposed to liquidity risk arising out of potential mismatches between the maturities of our assets and liabilities, which may result in us being unable to meet obligations in a timely manner. Our liquidity risk exposure arises primarily from the potential significant withdrawals of deposits prior to their stated maturities. A major part of our liabilities consist of retail customer accounts with an average contractual maturity of less than two years. In accordance with Kazakhstan laws, individuals have a right to withdraw their term deposits prior to maturity. However, the actual duration of a customer account deposit is on average more than five years, which ensures our reliable and long-term funding base. In 2020, the average balance of our retail customer accounts was KZT800 thousand and 98.4% of deposits matured in the first half of 2020 were extended, which is another factor showing diversification and stability of the funding base. As at 30 June 2020, approximately 80% of our deposits of individuals were under the insurance cap.

To support our liquidity position, we maintain a significant amount of high quality liquid assets which comprise mainly cash and cash equivalents, as well as debt securities issued by the Ministry of Finance of Kazakhstan.

Market Risks

Market risks covers interest rate risk, currency risk and securities portfolio risk to which the Group is exposed.

Interest Rate Risk

The Group has exposure to interest rate risk resulting from movements in interest rates that affect income, expense or the value of financial instruments. The contractual maturities of the Group's assets and liabilities have modest gaps, which provides the option of instant reaction to changes in market interest rates. We have significant amounts of high-quality liquid assets with short maturity, which helps us to minimise the Group's sensitivity to sharp increases in interest rates in case of a liquidity shortfall on the market.

Currency Risk

Our assets and liabilities are denominated in several currencies, with the substantial majority of assets (loans) denominated in tenge and a portion of deposits denominated in foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. We manage our currency risk by maintaining a modest open currency position. We issue loans to customers exclusively in tenge, which protects us from hidden currency risk in the event of currency devaluation.

Price Risk

Our securities portfolio risk arises from fluctuations in the value of financial instruments because of changes in market prices whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. We have established various limits on our operations with securities, including instrument specific limits, in order to balance profit and risk in the securities portfolio. Our portfolio predominantly comprises Kazakhstan government debt securities, which represented 84.2% of total investment securities and derivatives as at 30 June 2020.

Significant Accounting Policies

The Group applies certain significant accounting policies in the preparation of the Annual Financial Statements. These accounting policies have been consistently applied to all periods presented in the Annual Financial Statements. A detailed description of the Group's significant accounting policies is set forth in Note 3 to the Annual Financial Statements.

Accounting Estimates and Judgements

The Group has identified the critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future periods. A detailed description of the Group's significant accounting estimates and judgements is set forth in Note 3 to the Annual Financial Statements.

Recent Accounting Pronouncements

The IASB has published a number of amendments to IFRS, which are effective for accounting periods starting from 1 January 2019. Their adoption has not had a significant effect on the consolidated financial statements of the Group. The Group has not early adopted any of the amendments effective after 31 December 2018.

New and Revised Standards

The IASB has issued the following new standards and interpretations which are not yet effective in respect of the financial period included in the Annual Financial Statements, and which have not been adopted in the Annual Financial Statements:

- IFRS 17, Insurance Contracts (“**IFRS 17**”) – effective for accounting periods starting from 1 January 2021 (as at the date of this Registration Document, the IASB was considering

deferral of the effective date by one year to 1 January 2022). The standard may have an impact on the consolidated financial statements due to the new accounting principles for calculating insurance liabilities. However, as at the date of this Registration Document, the Group's management has not completed its assessment of the impact of IFRS 17 on the Group's consolidated financial statements.

- Amendments to IFRS 3;
- Amendments to IAS 1 and IAS 8; and
- Conceptual Framework for Financial Reporting.

Except for the adoption of IFRS 17, the management of the Group do not expect that the adoption of the new standards and interpretations listed above will have a material impact on the financial statements of the Group in future periods. For a detailed description, see Note 3 to the Annual Financial Statements.

Tax Legislation

Tax, currency and customs legislations of the Republic of Kazakhstan are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. As at 31 December 2019, 2018 and 2017, the Management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and customs positions will be sustained.

MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors

The Board of Directors is the primary supervisory body of the Company. The Board of Directors, among other functions, approves appointments to the Management Board of the Company (the “**Management Board**”), approves material acquisitions and disposals by the Company, and forms the audit and remuneration and strategic review committees.

As at the date of this Registration Document, the Board of Directors of the Company consists of six members (including three independent directors) as set out below. The current Board of Directors was elected by the General Meeting of Shareholders on 8 April 2019 for a period until 26 November 2023.

Name	Age	Position/Title	Years with the Group
Vyacheslav Kim.....	50	Non-Executive Director, Chairman Executive Director, Chairman of the Management Board (CEO)	13
Mikheil Lomtadze.....	44	Non-Executive Director	-
Nikolay Zinoviev.....	46	Independent Non-Executive Director	-
Douglas Gardner.....	57	Independent Non-Executive Director	-
Szymon Gutkowski.....	50	Independent Non-Executive Director	-
Alina Prawdzik.....	51	Independent Non-Executive Director	-

The business address of the Board of Directors is 050013, Republic of Kazakhstan, Almaty, Nauryzbai Batyr Street, 154A.

Mr. Vyacheslav Kim

Chairman of the Board of Directors

Mr. Vyacheslav Kim is a co-founder of Kaspi.kz and has been with the Group since its inception and currently serves as the Chairman of the Board of Directors. Mr. Kim is also an advisor on Central Asia strategy to Baring Vostok Capital Partners, the leading private equity firm in the CIS. Mr. Kim is a prominent businessman with extensive experience in the sphere of retail. He currently serves as a Member of the Board of Directors of Magnum, the largest hypermarket chain in Kazakhstan. He is also on the Board of Governors of the Physics and Mathematics School, the leading and most recognised high school in Kazakhstan. Mr. Kim is a Member of National Investor’s Council chaired by the President of the Republic of Kazakhstan. He graduated from Almaty State University, majoring in Finance.

Mr. Mikheil Lomtadze

Member of the Board of Directors

Mr. Mikheil Lomtadze is a co-founder of Kaspi.kz’s ecosystem business and currently serves as a Chairman of the Management Board. Mr. Lomtadze joined the Group in 2007. Prior to that, Mr. Lomtadze was a Partner at Baring Vostok Capital Partners. From 1995 to 2000, Mr. Lomtadze founded and developed GCG Audit, the leading strategy consulting and auditing firm in Georgia, which later became part of the Ernst & Young global network. In 2018, Mr. Lomtadze was named the best CEO in Kazakhstan by members of Kazakhstan Growth Forum. He was also named the best CEO in Kazakhstan according to the survey carried out by Forbes and PricewaterhouseCoopers in 2018 and 2019. Mr. Lomtadze received a Bachelor’s degree from the European School of Management (Georgia) and holds an MBA degree from Harvard Business School (Class of 2002). Mr. Lomtadze is currently a member of Harvard Business School’s Middle East & North Africa Advisory Board.

Mr. Nikolai Zinoviev

Non-Executive Director

Mr. Nikolai Zinoviev serves as a Non-Executive Director of the Company. Mr. Zinoviev was previously CEO and founder of Europlan, the largest car leasing company in Russia. Prior to that, he was Vice-President at the US-Russia Investment Fund, established by the United States government to provide equity and debt financing to small and medium size enterprises in Russia. Currently, Mr. Zinoviev is founder and CEO of the leading B2B online marketplace Superbrands.ru. Mr. Zinoviev received a Bachelor's degree in English from the State Pedagogical University, Rostov-on-Don and a Bachelor's of Economics from Moscow State University.

Mr. Douglas Gardner

Independent Non-Executive Director

Mr. Douglas (Doug) Gardner serves as an Independent Non-Executive Director of the Company. Mr. Gardner has previously held Board and Audit Committee Chairman positions for banks, retail enterprises, real estate development firms and family offices. He has provided advisory services to companies, focusing on their corporate governance and financial reporting processes. Prior to that, Mr. Gardner held the post of Managing Partner for Ernst & Young Russia, Kazakhstan and CIS. Mr. Gardner is a Certified Public Accountant. Mr. Gardner graduated from the University of Oklahoma with a Bachelor's of Business Administration in Accounting.

Mr. Szymon Gutkowski

Independent Non-Executive Director

Mr. Szymon Gutkowski serves as an Independent Non-Executive Director of the Company. Mr. Gutkowski is a Managing Partner of DDB Poland, the leading marketing strategy company in Poland. His expertise lies in the field of brand building, marketing and communications strategy. From 2014 to 2018, Mr. Gutkowski was President of the Polish Marketing Communication Association, and since 2017, Mr. Gutkowski has been a Member of the Client Advisory Board of Facebook in Poland. He is decorated with the Knights Cross of Polonia Restituta Order. Mr. Gutkowski graduated from Warsaw University with a degree in Theoretical Mathematics and obtained an executive MBA from the joint program of the University of Illinois Urbana-Champaign and the International Management Centre of Warsaw University.

Mrs. Alina Prawdzik

Independent Non-Executive Director

Mrs. Prawdzik serves as an Independent Non-Executive Director of the Company. Mrs. Prawdzik was previously a Managing Partner at Innogy Innovation Hub, where she was responsible for operations in Central Eastern Europe and was a Head of its "Smart & Connected Buildings" investment focus. Prior to that, she worked at e-Bay.com as a Regional Manager responsible for European Emerging Markets and as a General Manager responsible for International Expansion Europe. Mrs. Prawdzik graduated from the University of Gdansk (Poland), majoring in International Trade.

Management Board

The composition of the Management Board as at the date of this Registration Document is set out below.

Name	Age	Position/Title	Years with the Group
Mikheil Lomtadze.....	44	Chairman of the Management Board (CEO)	13
Tengiz Mosidze	45	Deputy Chairman of the Management Board (CFO)	12
Yuri Didenko	46	Deputy Chairman of the Management Board	13
Pavel Mironov	40	Deputy Chairman of the Management Board	12

The business address of the Management Board is 050013, Republic of Kazakhstan, Almaty, Nauryzbai Batyr Street, 154A.

Mr. Mikheil Lomtadze

Chairman of the Management Board

Mr. Lomtadze serves as the Chairman of the Management Board. See “—*Board of Directors*” above.

Mr. Tengiz Mosidze

Deputy Chairman of the Management Board

Mr. Tengiz Mosidze joined the Group as a member of the founding management team in 2008 and currently serves as a Deputy Chairman of the Management Board, responsible for finance. Mr. Mosidze has extensive experience in the area of finance. Prior to joining the Group, Mr. Mosidze worked at Ernst & Young as a Financial Manager for the Caucasus and Central Asia region. Prior to that, Mr. Mosidze was part of the World Bank team responsible for the development of microfinance organisations in Georgia. Mr. Mosidze received a Bachelor’s degree and a Master’s degree in Finance from the European School of Management (Georgia). Mr. Mosidze also graduated from the Harvard Business School GMP programme (Class of 2013).

Mr. Yuri Didenko

Deputy Chairman of the Management Board

Mr. Yuri Didenko joined the Group as a member of the founding management team in 2007 and currently serves as a Deputy Chairman of the Management Board, responsible for capital markets and treasury. Mr. Didenko has extensive experience in investment and financial analysis. Prior to joining the Group, Mr. Didenko was a Director of Investments at Baring Vostok Capital Partners. Mr. Didenko graduated from Kyiv National Economic University with a degree in Finance and is a CFA Charterholder. Mr. Didenko also graduated from the Harvard Business School GMP programme (Class of 2015).

Mr. Pavel Mironov

Deputy Chairman of the Management Board

Mr. Pavel Mironov joined the Group as a member of the founding management team in 2008 and currently serves as a Deputy Chairman of the Management Board, responsible for the Group’s daily operations. Mr. Mironov has extensive experience in technology. Prior to joining the Group, he worked at Tieto, a leading European IT and software company, and covered projects in Russia, Georgia, Kazakhstan and other CIS countries. Mr. Mironov graduated from the Moscow Institute of Electronics and Mathematics of the Higher School of Economics with a degree in Computer Science. Mr. Mironov also graduated from the Harvard Business School GMP programme (Class of 2015).

Senior Management

The composition of the Group’s long-standing Senior Management as at the date of this Registration Document is set out below.

Name	Age	Position/Title	Years with the Group
Sergey Timokhin	40	Head of Payments	9
David Sarkisyan.....	40	Head of e-Commerce	6
Anuar Yelshibayev	36	Head of Kaspi Travel	9
Duman Uvatayev	31	Chief Data Officer	8
Sergey Barkalov.....	32	Head of User Experience & Design	6
Sandro Berdzenishvili.....	37	Head of Merchants	6
Oksana Ageyeva	37	Head of Operations	10
Zhomart Kapanov	36	Chief Risk Officer	10
Saltanat Zhumabay	37	Head of Fintech Products	10
Sabyrzhan Berkinbayev	40	Chief Legal Officer	11
Oleg Bakmutov.....	39	Head of Human Capital	6
Kanat Aitenov	36	Head of Network	8
Yevgeny Popov.....	41	Head of Treasury	4
Mamuka Kirvalidze	51	Head of International Expansion	13
David Ferguson.....	42	Head of Investor Relations	1

Management Remuneration

In accordance with the Company's Charter, the remuneration of the members of the Board of Directors is determined by the General Meeting of Shareholders, while the remuneration of the Chairman of the Management Board is determined by the Board of Directors. There is no amount set aside or accrued by the Company for the purposes of providing retirement or similar benefits to such persons.

The Group's aggregate remuneration of the key management personnel was KZT3,034 million, KZT5,177 million and KZT900 million in 2017, 2018 and 2019, respectively.

There are no conflicts or potential conflicts between the duties of the members of the Board of Directors or the Management Board of the Company and their private interests or other duties.

No member of the Board of Directors or of the Management Board is a party to any service contract with the Group where such contract provides for benefits upon termination of employment.

Control and Shareholdings

The Company is not aware of any person who, either as at the date of this Registration Document, exercises, or could exercise, directly or indirectly, control over the Company.

As at the date of this Registration Document, other than Messrs. Mikheil Lomtadze, Vyacheslav Kim and the Management Shareholders, none of the members of the Board of Directors, the Management Board or Senior Management hold any Shares or options to acquire any Shares.

Litigation Statement about Directors and Senior Management

As at the date of this Registration Document, and for the five years preceding the date of this Registration Document, none of the Directors, members of the Management Board or Senior Management:

- has had any convictions in relation to fraudulent offences;
- has been a member of the administrative, management or supervisory bodies of any company, or been a partner in any partnership, at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Corporate Governance

Corporate Governance Code

The Board of Directors is committed to the highest standards of corporate governance appropriate for a company of the Company's size and country of incorporation. The Company's Corporate Governance Code, which was adopted in 2018, is largely consistent with the principles of governance applicable to Kazakhstan companies whose shares are listed on KASE. The Company complies with the corporate governance regime under Kazakhstan laws. The Company has implemented corporate governance measures under which it has appointed three independent non-executive directors, two non-executive directors, one executive director, and has established two committees of the Board of Directors (the audit committee and the remuneration and strategic review committee), in each case chaired by non-executive independent directors.

Overview

All of the committees of the Board of Directors perform their duties on behalf of the Board of Directors, and the Board of Directors is responsible for constituting, assigning, co-opting and fixing the terms of service for the committee members.

The composition of the committees as at the date of this Registration Document, as well as a brief description of the terms of reference of the committees, is set forth below.

Audit Committee

The audit committee comprises three directors, two of whom are independent, and meets at least four times a year. The audit committee is chaired by an independent director. The audit committee is responsible for, among other matters: (i) overseeing the integrity of the Group's consolidated financial statements, systems of internal control and compliance with legal and regulatory requirements; (ii) reviewing of the terms of appointment and remuneration of the independent auditors; and (iii) reviewing and approving the annual audit plan. As at the date of this Registration Document, the audit committee is chaired by Mr. Douglas Gardner, and Mr. Nikolay Zinovyev and Mr. Szymon Gutkowski are the other committee members.

Remuneration and Strategic Review Committee

The remuneration and strategic review committee comprises three directors, one of whom is independent, and meets at least four times a year. The remuneration and strategic review committee is chaired by an independent director. The remuneration and strategic review committee is responsible for determining and reviewing, among other matters, the Company's remuneration policies, compensation and benefits plans, including incentive compensation and equity-based plans. The remuneration and strategic review committee determines and reviews the remuneration of members of the Board of Directors and the Management Board. As at the date of this Registration Document, the remuneration and strategic review committee is chaired by Mr. Szymon Gutkowski, and Mrs. Alina Prawdzik and Mr. Mikheil Lomtadze are the other committee members.

Internal Audit Service

The internal audit service is responsible for the oversight of the business operations of the Company in relation to the internal control and risk management. The internal audit service carries out auditing assignments in accordance with the plan established by the Board of Directors, and reports on the Company's compliance with the plan's recommendations. The internal audit service reports to the Board of Directors. The members of the internal audit service must be available for any meetings of the Board of Directors.

PRINCIPAL SHAREHOLDERS

General

The following table sets forth the shareholding in the Company through ownership of the Shares or GDRs representing the Shares as at the date of this Registration Document.

Shareholder	Number	% ⁽¹⁾
Mr. Vyacheslav Kim	60,944,066	31.77%
Mr. Mikheil Lomtadze	49,835,353	25.98%
Asia Equity Partners Limited ⁽²⁾	54,358,605	28.34%
Baring Vostok Nexus Limited ⁽³⁾	13,209,758	6.89%
ELQ Lux Holding S.à r.l. ⁽⁴⁾	7,672,186	4.00%
Management Shareholders ⁽⁵⁾	5,785,032	3.02%
Total outstanding shares	191,805,000	100.0%
Treasury GDRs ⁽⁶⁾	7,695,000	N/A

- (1) Percentage shareholding in share capital.
- (2) Asia Equity Partners Limited is a company organised and existing under the laws of Luxembourg with its registered office and principal place of business at 16 rue Erasme L-1468, Luxembourg. At the date of this Registration Document, 28.34% of the Company's outstanding shares represented by GDRs were held by Asia Equity Partners Limited, which is owned by Baring Vostok Nexus Limited, which is in turn owned by the partnerships comprising Baring Vostok Private Equity Fund III, Baring Vostok Private Equity Fund V, and Baring Vostok Fund V Supplemental Fund.
- (3) Baring Vostok Nexus Limited is a company organised and existing under the laws of Guernsey with its registered office and principal place of business at 1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey GY1 2HL. At the date of this Registration Document, 6.89% of the Company's issued and outstanding shares were held by Baring Vostok Nexus Limited, which is owned by the partnerships comprising Baring Vostok Private Equity Fund III, Baring Vostok Private Equity Fund V, and Baring Vostok Fund V Supplemental Fund. The 6.89% shareholding includes 12,257,305 Shares held under the participation deed between Mr. Vyacheslav Kim and Baring Vostok Nexus Limited dated 25 June 2019, whereby Mr. Vyacheslav Kim is a shareholder of record while Baring Vostok Nexus Limited has all economic rights relating to the Shares (including the right to dividend distributions and to transfer or dispose of Shares). In total, together with the 28.34% of the Company's outstanding shares held by Asia Equity Partners Limited, the Baring Vostok Funds beneficially owned 35.23% of the Company's outstanding shares at the date of this Registration Document.
- (4) ELQ Lux Holding S.à r.l. is a *société à responsabilité limitée* organised under the laws of Luxembourg with its registered office at 2, Rue du Fossé, L-1536 Luxembourg. ELQ Lux Holding S.à r.l. is a wholly-owned indirect subsidiary of The Goldman Sachs Group, Inc.
- (5) The Management Shareholders consist of Messrs. Yuri Didenko, Mamuka Kirvalidze, Pavel Mironov and Tengiz Mosidze. The Management Shareholders' ownership interest is split equally between them, with each Management Shareholder holding 1,466,258 GDRs as at the date of this Registration Document.
- (6) The Company purchased treasury Shares as part of its buyback programme in 2018 and subsequently exchanged them for GDRs. Dividends accrue and are payable on the Shares underlying the treasury GDRs held by the Company, but such Shares are not counted for the purposes of determining a quorum at the shareholders' meeting and do not carry the right to vote.

GDR Programme

On 28 March 2019, the Company and the Depositary entered into the Deposit Agreement for the establishment and maintenance of the GDR programme. Following the establishment of the GDR programme, as at the date of this Registration Document the Depositary issued 191,805,000 GDRs against the deposit by the existing shareholders of 191,805,000 Shares.

Changes in Shareholding

Throughout 2016 and 2017, the Company's shareholding structure remained unchanged, with 38.57% of the Company's outstanding Shares being owned by the funds advised by Baring Vostok Capital Partners, 30.00% of the Company's outstanding Shares being owned by Mr. Kairat Satybaldyuly, 21.45% of the Company's outstanding Shares being owned by Mr. Vyacheslav Kim and 9.98% of the Company's outstanding Shares being owned by Mr. Mikheil Lomtadze.

Between July and September 2018, Mr. Kairat Satybaldyuly sold his entire shareholding in the Company through a series of sales via the trading platform of the KASE. In the same period (i) Mr. Vyacheslav Kim purchased and sold Shares and (ii) as part of a share buy-back programme launched

by the Company in July 2018 and discontinued in October 2018, the Company purchased 16,320,000 Shares, in each case, via the trading platform of the KASE. As a result of such transactions, Mr. Satybaldyuly ceased to be a shareholder of the Company with effect from 1 October 2018.

In December 2018, pursuant to a long-standing arrangement encompassing their various business interests (including, but not limited to, the Company), Mr. Vyacheslav Kim transferred 39,896,635 Shares to Mr. Mikheil Lomtadze for certain non-cash consideration, such that Mr. Mikheil Lomtadze's beneficial interest in the Company increased to 31.62% as at 31 December 2018.

As at 31 December 2018, 35.11% of the Company's outstanding Shares were beneficially owned by the funds advised by Baring Vostok Capital Partners, 33.27% by Mr. Vyacheslav Kim and 31.62% by Mr. Mikheil Lomtadze.

In April 2019, as a result of a series of stand-alone transactions among the Company, its principal shareholders and ELQ Investors II Ltd (a wholly-owned subsidiary of The Goldman Sachs Group, Inc., which subsequently transferred its remaining shareholding in the Company to ELQ Lux Holding S.à.r.l., a wholly-owned indirect subsidiary of The Goldman Sachs Group, Inc.), the Company acquired 4.55% of the common shares in Kaspi Bank, of which 3.84% and 0.71% were previously held by ELQ Investors II Ltd and Baring Vostok Nexus Limited, respectively. The Company used 4.5% of Shares held by it in treasury as consideration for the transfer to the Company of 4.55% of the common shares in Kaspi Bank. Separately, Mr. Mikheil Lomtadze settled his residual obligations in connection with his former partnership at Baring Vostok Capital Partners Limited by transferring 2,301,656 Shares to Baring Vostok Nexus Limited.

Following these transactions, the Company increased its shareholding in Kaspi Bank from 94.40% to 98.95%. As a result, the Company's shareholding structure has changed in the following way: (i) the funds advised by Baring Vostok Capital Partners increased their beneficial ownership from 35.11% of the Company's outstanding Shares as at 31 December 2018 to 35.23% of the Company's outstanding Shares, (ii) Mr. Vyacheslav Kim decreased his beneficial ownership from 33.27% of the Company's outstanding Shares as at 31 December 2018 to 31.77% of the Company's outstanding Shares, (iii) Mr. Mikheil Lomtadze decreased his beneficial ownership from 31.62% of the Company's outstanding Shares as at 31 December 2018 to 29.00% of the Company's outstanding Shares, and (iv) ELQ Investors II Ltd became a 4.00% shareholder in the Company and has transferred the entirety of its shareholdings in the Company to ELQ Lux Holding S.à.r.l., a wholly-owned indirect subsidiary of the Goldman Sachs Group.

In August 2019, the Company offered 7,695,000 treasury Shares to its shareholders in exchange for the same number of GDRs held by its shareholders.

In June 2020, the Management Shareholders acquired 3.02% of Kaspi.kz's shares from Mr. Mikheil Lomtadze via an exchange of assets between the parties.

Summary of Minority Shareholders' Rights

Certain protections are afforded to minority shareholders of a joint stock company under the JSC Law, albeit indirectly. In particular, the JSC Law:

- requires all interested party transactions to be approved by dis-interested directors and all major transactions to be approved by the board of directors of the joint stock company;
- empowers shareholders to request certain information from the joint stock company;
- empowers shareholders holding, either independently or collectively, 10% or more of the voting shares of the joint stock company to request its board of directors to call general meetings of shareholders and request audits;
- provides for cumulative voting when members of the board of directors of the joint stock company are being elected;

- empowers shareholders to request the joint stock company to buy-back (repurchase) their shares in certain limited circumstances;
- empowers shareholders holding, either independently or collectively, 5% or more of the voting shares to:
 - file a claim with a court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officials and return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received by them as a result of adopting a resolution approving the conclusion of major transactions and/or interested party transactions in instances provided by the JSC Law;
 - propose to the board of directors of the joint stock company to include additional matters to the agenda of the general meeting of shareholders; and
 - receive information on the amount of remuneration as the result of the year of each member of the board of directors and/or the management board, in the manner established under the JSC Law; and
- empowers minority shareholders to apply to the registrar of securities of the company in order to enable them to combine their votes at general meetings of shareholders for the purposes of voting.

For a detailed description of rights attached to common shares of the Company, see “*Description of Share Capital and Applicable Kazakhstan Legislation*”.

RELATED PARTY TRANSACTIONS

The following is an overview of our transactions with related parties as at the dates indicated below. Our financial information set forth herein has, unless otherwise indicated, been extracted without material adjustment from the Annual Financial Statements.

According to IFRS, parties are considered to be related if one party has the ability to control the other party, is under common control with, or exercises significant influence over, the other party's financial or operational decisions, or if a person is a member of the key management personnel of the reporting entity or of a parent of the reporting entity, as defined by IAS 24 "Related Party Disclosures". In determining each possible related party relationship, one must consider the substance of the relationship and not merely the legal form. The Company enters into banking transactions in the ordinary course of its business with shareholders, management, subsidiaries and companies with which it has significant shareholders in common. These transactions include loans and customer accounts and are priced predominantly at market rates. It is the Company's policy to conduct transactions with related parties on the same terms and conditions as it applies to non-related party transactions.

We had the following transactions outstanding as at 31 December 2017, 2018 and 2019, and 30 June 2020 with related parties:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	KZT million							
	Transaction s with related parties	Total category as per financial statements captions	Transaction s with related parties	Total category as per financial statements captions	Transaction s with related parties	Total category as per financial statements captions	Transaction s with related parties	Total category as per financial statements captions
Loans to customers	1,396	981,471	1,529	1,187,797	-	1,399,517	-	1,353,437
Key management personnel of the Group	1,396	-	1,518	-	-	-	-	-
Other related parties	-	-	11	-	-	-	-	-
Allowance for losses on loans to customers	(181)	(90,148)	(1)	(120,795)	-	(107,413)	-	(125,447)
Key management personnel of the Group	(181)	-	-	-	-	-	-	-
Other related parties	-	-	(1)	-	-	-	-	-
Customer accounts	14,892	979,639	11,603	1,232,920	10,303	1,626,973	9,992	1,814,757
Key management personnel of the Group	1,384	-	4,103	-	1,018	-	991	-
Other related parties	13,508	-	7,500	-	9,285	-	9,001	-

Further, in January 2018, the Company provided a loan in the amount of KZT20,000 million on market terms to one of its shareholders which was fully repaid in June 2018.

In addition, as part of its Fintech operations, the Group offers its online car finance products at Kolesa.kz, a major Kazakhstan classifieds platform. The Group pays a fee to Kolesa.kz for the loan generated at Kolesa.kz. See "Business—Our Principal Business Activities—Fintech Platform—Online Car Finance". Kolesa.kz is controlled by the private equity funds advised by Baring Vostok Capital Partners and Mr. Mikheil Lomtadze.

In September 2019, we acquired three leading marketplace platforms (Turbo.az (a car marketplace), Tap.az (a used and new items marketplace) and Bina.az (a real estate marketplace)) in Azerbaijan expanding our addressable market from 18 million to 28 million people. We purchased 100% of shares in Digital Classifieds OÜ, an Estonian company, holding these platforms, from Blue Ocean Partners Ltd, our related party controlled by Mr. Mikheil Lomtadze, for a cash consideration of U.S.\$31 million, which was paid in full. Dis-interested members of the Company's Board of Directors reviewed the transaction taking into account a valuation report of an independent financial

adviser, and approved the purchase on 23 August 2019. See also “*Business—Our Principal Business Activities—Marketplace Platform—Azerbaijan Marketplace Platforms*”.

Compensation to directors and other members of key management (in the form of employee benefits) comprised KZT900 million, KZT5,177 million and KZT3,034 million in 2019, 2018 and 2017, respectively. The decrease in compensation to directors and other members of key management in 2019 is attributable to the revision of the Group’s compensation and benefits structure and policy. The year-on-year increase in compensation to directors and other members of key management during 2017-2018 is attributable to higher compensation for achieved objectives as a result of a strong financial performance of the Group.

INDUSTRY OVERVIEW

1. Kazakhstan is digitalising rapidly

Digitalisation in Kazakhstan is happening at a rapid rate, albeit from a relatively low level. Changes include: (i) rapid growth in e-commerce and mobile commerce; (ii) the move from cash to contactless and digital payments; and (iii) growth in innovative digital financial products and services. These multi-year structural changes have accelerated since the start of the COVID-19 pandemic and have created a favourable environment for the further growth of Kaspi.kz's Payments, Marketplace and Fintech Ecosystem, all of which are integrated into Kaspi.kz's single Super App.

Digitalisation is happening alongside an improving economic outlook

The pace of digitalisation can be enhanced by favourable economic trends and Kazakhstan is the largest rapidly developing economy in the Central Asian region according to World Bank, with 2019 a nominal GDP of U.S.\$181.7 billion based on MNE data. Real GDP growth in 2018 and 2019 accelerated by 4.1% and 4.5%, respectively, according to MNE.

Following short-term disruption caused by the COVID-19 pandemic, real GDP is expected to decline by 2.2% in 2020. However, with a U.S.\$13.5 billion (8% of GDP) stimulus package and substantial sovereign fund, Kazakhstan has adequate buffers which should help the economy return to growth in 2021. According to the EIU, Kazakhstan's real GDP is forecast to grow at 3.6% to 4.5% between 2021 and 2023, which compares favourably with other major emerging markets. Real private consumption is forecast to grow at a 2020–23 CAGR of 2.2% based on EIU data.

The unemployment rate as of the second quarter of 2020 stood at 5.0%, based on MNE data. Demographic trends are supportive, with Kazakhstan's population increasing to 18.6 million as at the second quarter of 2020 from 16.0 million at the end of 2008.

According to MNE, the KZT/U.S.\$ exchange rate was 332.3 at the end of 2017, 384.2 at the end of 2018, and 381.2 at the end of 2019. At the end of the first half of 2020, the KZT/U.S.\$ exchange rate was 403.8.

Key macroeconomic data

		2017	2018	2019
Nominal GDP	U.S.\$billion	166.8	179.3	181.7
Real GDP growth.....	%	4.1	4.1	4.5
Year-end CPI change	%	7.1	5.3	5.4
Federal budget surplus/(deficit) to GDP	%	2.7	1.3	1.8
Year-end U.S.\$/KZT exchange rate.....	U.S.\$/KZT	332.3	384.2	381.2
Private consumption real growth	%	1.5	6.1	5.8
Population.....	M	18.2	18.4	18.6

Source: MNE, EIU © Reproduced with permission of the Economist Intelligence Unit.

Real GDP growth estimates and forecasts

		2020F	2021F	2022F	2023F	CAGR 2020F-23F
China.....	%	1.7	7.7	5.5	5.3	5.0
Kazakhstan.....	%	-2.2	3.6	4.3	4.5	2.5
Brazil	%	-5.5	2.7	2.2	1.9	0.3
Russia	%	-6.1	2.6	1.4	1.6	-0.2
Turkey.....	%	-5.2	4.8	4.3	3.8	1.8

Source: EIU

Digitalisation is enabled by widely available and affordable mobile internet

According to Ovum (World Cellular Information Service), smartphone usage in Kazakhstan is high, with 19.2 million connections in 2019, 4G infrastructure widely rolled out and a low cost of mobile

internet data. These factors underpin the usage of digital mobile internet services, of which to date Kaspi.kz has been the largest beneficiary.

Smartphones connections in Kazakhstan

		2017	2018	2019	2024F
Total number of smartphone connections.....	Mn	16.7	17.8	19.2	23.4
Smartphones as % of total mobile connections.....	%	66.6	70.3	72.9	82.4

Source: Ovum (World Cellular Information Service)

Average price of 1GB of data

		February 2020
China.....	U.S.\$	0.61
Brazil	U.S.\$	1.01
Russia	U.S.\$	0.52
Turkey.....	U.S.\$	0.72
Kazakhstan.....	U.S.\$	0.46

Source: Cable.co.uk, FX conversion from local currency to U.S.\$ as of 27/04/2020.

As of the first half of 2020, the Kaspi.kz's Super App had over 7.8 million MAU, making it Kazakhstan's most popular mobile app with engagement of 51%, measured by average DAU to MAU; This is comparable with the world's most popular social and commerce apps, such as Alipay, Facebook and WhatsApp (based on SimilarWeb data).

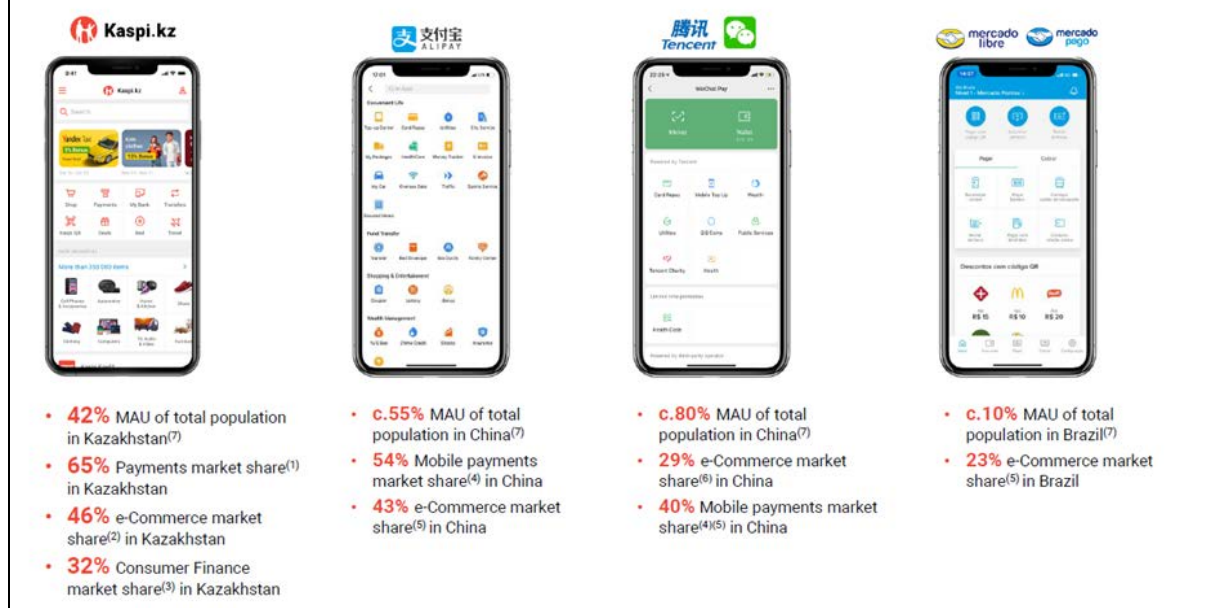
2. Super Apps are accelerating digitalisation globally and in Kazakhstan Kaspi.kz Super App is the Leading Mobile App Ecosystem

As mobile internet access has become widespread, 'super apps' offering a range of frequently used and interconnected services via a single app, have become hugely popular. In China, Tencent and Alibaba leveraged their WeChat and Alipay user bases, by integrating payments, e-commerce and finance. Mercado Libre, PayTM, GoJek and Grab (amongst others) have built similar mobile ecosystems. In Kazakhstan, Kaspi.kz is the only popular Super App.

As internet trends evolve, leading ecosystems can digitalise more formerly offline services. Ant Group's original proposition was online payments (Alipay), with offline payments and a financial services marketplace subsequently added. Tencent started as a communications platform before launching mobile payments, e-Commerce and financing. MercadoLibre added payment solutions for its marketplace users and then off-marketplace payments, bill payments and credit for merchants and consumers. Kaspi.kz's initial services were bill payments and financial products, with e-Commerce, Mobile Commerce, P2P Payments, Kaspi QR and, more recently, Kaspi Travel being added. Today, the breadth of products available through the Kaspi.kz Super App is amongst the widest of any leading ecosystem globally.

Ecosystem and super app synergies extend beyond allowing users to easily navigate between different services. The combination of payments, shopping and finance solutions not only facilitates purchases but also drives usage of the other, thus creating a one-stop-shop solution for consumers and a powerful self-reinforcing network effect for business. Data collected on consumers' purchases as well as payments, credit and social behaviour can be used to develop a more personalised consumer experience and improve risk management. A growing consumer base attracted by a high-quality user experience incentivises more merchants to join the platform, which in turn makes the product selection more attractive to consumers, with opportunities to launch even more services; it is a virtuous cycle. From a financial perspective, the result is superior monetisation, high market shares, improving unit economics, significant operating synergies and high profitability.

Super Apps have emerged as leaders in commerce, payments and finance across Asia and Latin America



Source: Kaspi.kz's own estimates from Euromonitor International Limited (Retailing 2020 edition, retail value RSP incl. VAT, current prices), NBK, World Bank, iResearch Global Group.

Notes: (1) Represents share of Kaspi in the total size of card payments in Kazakhstan by value in 2019 based on NBK data. (2) Represents share of Kaspi Marketplace e-Commerce GMV in the total size of Kazakhstan online retail market in 2019 based on Euromonitor market size estimate. (3) Represents share of Kaspi's consumer loans in the total size of consumer loans in Kazakhstan in KZT terms in 2019 based on NBK. (4) As of 1Q 2019, based on iResearch Global Group; represents share in mobile payment market. (5) In 2019, based on Euromonitor. (6) Tencent market share based on JD.com as the platform is directly integrated into WeChat homescreen (7) Assuming 18.6 million total population in Kazakhstan in 2019 based on Euromonitor, c.1.4 billion total population in China and 211.0 million total population in Brazil in 2019 based on World Bank.

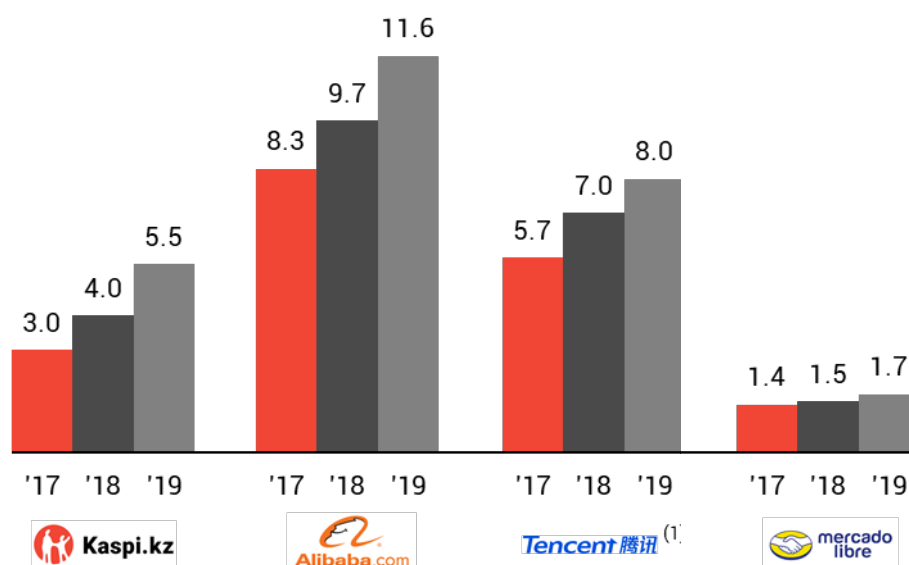
3. Super Apps are digitalising retail and Kaspi.kz's Marketplace is the largest channel for retail spending in Kazakhstan

According to the MNE, Kazakhstan's total retail market amounted to KZT11,346 billion (U.S.\$29.6 billion) in 2019, with a 2016-19 CAGR of 14.0%, which is above the average inflation rate of 6.2% over the same period. Kaspi.kz's Marketplace is Kazakhstan's largest retailer by GMV, having increased its market share every year since its launch. In 2019, Marketplace GMV reached 5.5% of total retail, which includes online and offline trade.

In China, where retail is dominated by online players, Alibaba has consistently increased its retail leadership through its Super App, widening the gap with the No. 2 market player JD.com. In Brazil, Mercado Libre became the country's No. 1 e-commerce platform in 2016, and has increased its market share every year since and, as of 2019, was Brazil's sixth largest retailer.

Super Apps are large players in overall retail and consistently taking share

GMV % total retail spend



Source: Kaspi.kz GMV is based on the Company's own estimates using its own data and Euromonitor International Limited (Retailing 2020 edition, retail value RSP incl. VAT, current prices).

Note: (1) Tencent is represented by JD.com which is integrated into WeChat homescreen.

E-Commerce penetration in Kazakhstan is still low, with significant upside potential

Kazakhstan's e-commerce market value was estimated at KZT401.3 billion (U.S.\$1.1 billion) in 2019 according to Euromonitor, which corresponds to 3.4% of the total retail trade, with a CAGR of 33.3% between 2016 and 2019. With e-commerce penetration in Kazakhstan still significantly below other markets, high structural growth is expected to continue for some time, with, as has been observed globally, near-term growth accelerating due to the COVID-19 pandemic.

E-Commerce as a % of total retail market

		2019
China.....	%	27.0%
Brazil	%	7.3%
Russia	%	7.1%
Turkey.....	%	5.8%
Kazakhstan.....	%	3.4%

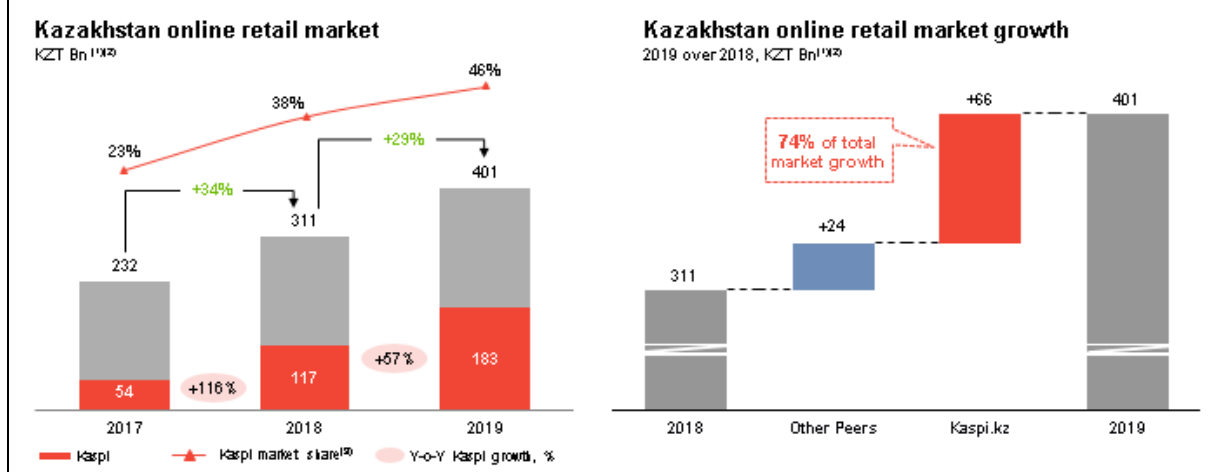
Source: Euromonitor International Limited (Retailing 2020 edition, retail value RSP incl. VAT, current prices), Company data.

E-Commerce is growing fast in Kazakhstan, led by Kaspi.kz

According to Euromonitor data, Kaspi.kz was the largest online retailer in Kazakhstan by value sales in 2018 and 2019, with market shares of 23% in 2017, 38% in 2018 and 46% in 2019, based on our estimates. Substantial market share gains are the result of growth in the number of users and higher engagement of the Kaspi.kz Super App. Further, Kaspi.kz's e-Commerce GMV growing twice as fast as the overall market in 2019, playing a disproportionately large role in the growth of e-commerce in Kazakhstan. Based on Euromonitor data, the second largest online retailer in Kazakhstan is AliExpress which had three times smaller GMV growth in 2019 than Kaspi.kz and is mainly focused on cross-border orders from China.

#1 in e-Commerce with 46% market share in 2019

Growing almost 2x faster than market with 74% of total market growth



Source: Kaspi.kz own estimates from company own data and Euromonitor International Limited (Retailing 2020 edition, retail value RSP incl. VAT, current prices).

Notes: Definition differences in GMV between the company and Euromonitor data exist, i.e. Kaspi online GMV provided by the company includes GMV of retailers such as Sulpak and Technodom while Euromonitor classifies them outside Kaspi's online GMV (1) Market size based on Euromonitor data, Kaspi's online GMV (value of items sold through Kaspi.kz marketplace) based on Kaspi data. (2) Gross value including VAT and other Sales Taxes as per Euromonitor methodology: Retail Value (Retail Selling Price) including Sales Tax. (3) Represents share of Kaspi Marketplace online GMV in the total size of Kazakhstan online retail market in KZT terms.

4. Super Apps are digitalising payments and in Kazakhstan, Kaspi.kz is driving the country's rapid transition to digital payments

Digital payments penetration in Kazakhstan is still low, with significant upside potential

In Kazakhstan, the digital payments market is growing fast, though cash still accounts for the majority of consumer spending. According to data from the NBK, Euromonitor, and the Company, the share of digital transactions in the Kazakhstan economy was 31% in 2019.

Digital payments penetration rates

		2020
China.....	%	84.3%
Turkey.....	%	79.4%
Brazil	%	72.4%
Russia	%	54.1%
Kazakhstan.....	%	38.0%

Source: Kaspi.kz's own estimates from its own data and Euromonitor (Consumer Finance 2020 edition), National Bank of Kazakhstan

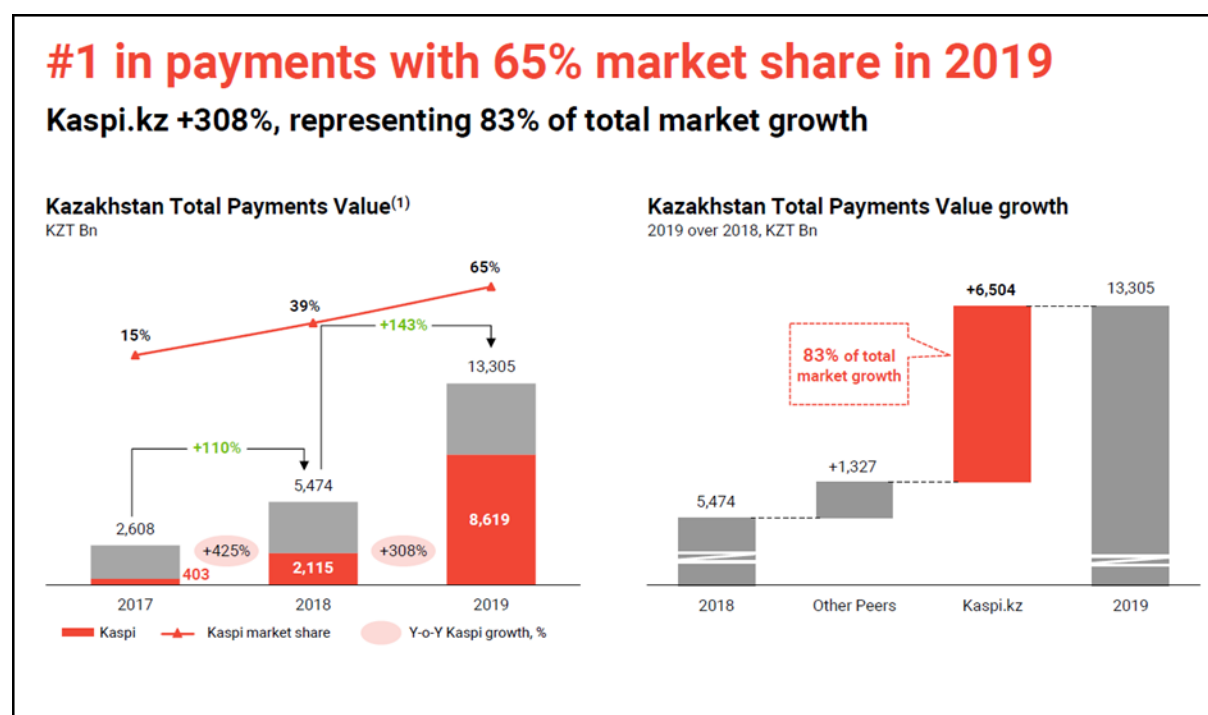
Note: Figures for countries except Kazakhstan calculated as % of Non-Paper Payment Transactions value of total Consumer Payment Transactions value. Figures for Kazakhstan calculated as % of Cashless Transactions value of the sum of Cashless Transactions and Total Cash Withdrawals adjusted for Kaspi.kz P2P figures (annualised figures based on data for the first half of 2020).

Kaspi.kz is one of the main drivers of the shift to mobile payments

Globally, consumers are embracing the convenience of mobile payments. As with e-commerce, the COVID-19 pandemic has accelerated this long-established trend. China is the world's largest mobile payments market and best illustrates how mobile payments have become a regular feature of day-to-day life, with the penetration of third-party mobile payments reaching high levels. According to iResearch, third-party mobile payment transaction volumes delivered 2015-18 CAGR of 150%. The market is also highly concentrated, with Alipay and Tencent's Super Apps having 54.3% and 39.2%

shares respectively in 2018. In Kazakhstan in 2019, Kaspi.kz accounted for 83% of overall payments market growth, making it the largest contributor in Kazakhstan's shift to digital payments.

By launching innovative payment services for consumers and merchants through its Super App, Kaspi.kz increased its share of the payments market to 65% in 2019, from 39% and 15% in 2018 and 2017, respectively.



Source: NBK, Company data

Note: (1) Represents Kaspi's share of the total value of card payments in Kazakhstan based on NBK data.

5. Forecast economic improvement is positive for consumer lending, household leverage remains low and Kaspi.kz's Ecosystem helps it better manage risk

Consumer lending in Kazakhstan remains underpenetrated, with significant upside potential

Despite accelerating growth in recent years, consumer banking and lending remains underpenetrated in Kazakhstan with the share of consumer loans in GDP reaching 6.7% in 2019.

Consumer loans as a % of GDP

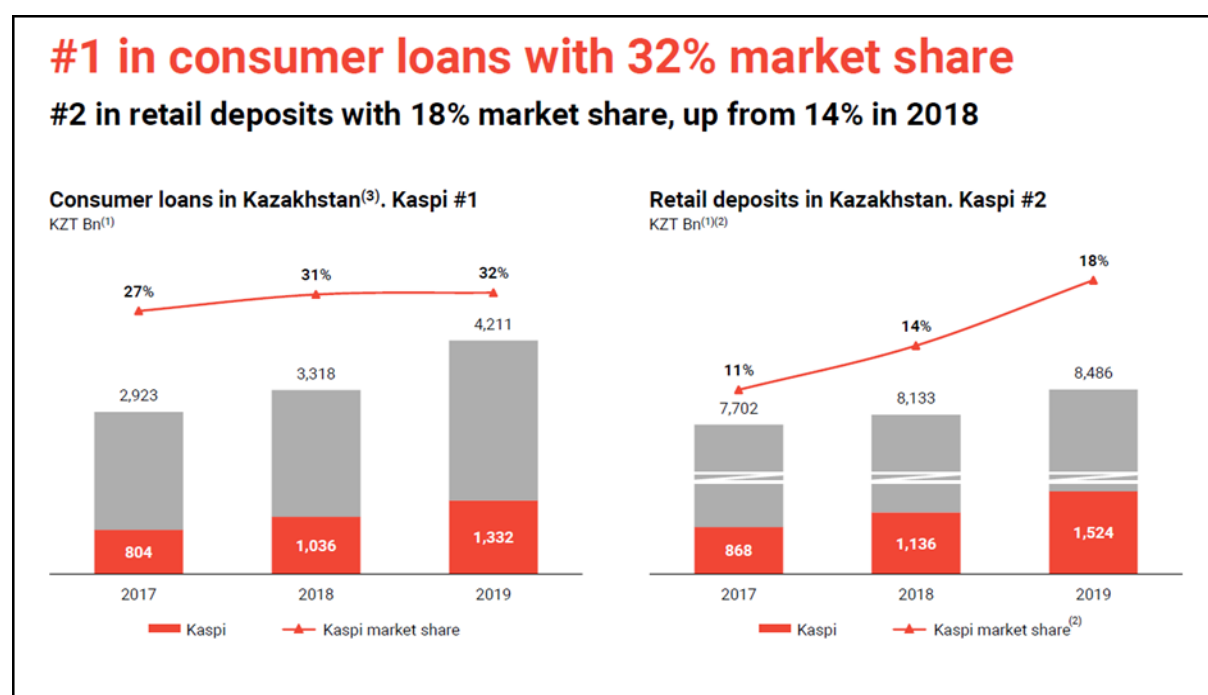
		2019
China.....	%	23.7
Brazil	%	18.1
Turkey.....	%	8.7
Russia	%	8.5
Kazakhstan.....	%	6.7

Source: Kaspi.kz's own estimates from Euromonitor International Limited (disposable income data). People's Bank of China, National Bank of Kazakhstan, Central Bank of the Russian Federation, Banco Central Do Brasil, Central Bank of the Republic of Turkey, IMF, EIU. Information converted at U.S.\$ exchange rate as at 31 December 2019.

Solid economic growth has been positive for consumer lending, Kaspi.kz is No.1 and consistently increasing its share of the market

With consumers increasingly opting to conduct their financial affairs digitally, the popularity of Kaspi.kz's Super App and the power of its Ecosystem has made Kaspi.kz a major beneficiary of changing consumer behaviour, as evidenced by consistent market share gains. In consumer loans in

Kazakhstan, Kaspi.kz has the No.1 market share and in retail deposits, Kaspi.kz has the second largest market share.



Source: NBK, Company data

Note: (1) Based on NBK statistics and methodology. (2) Represents the share of Kaspi's consumer deposits in the total size of consumer deposits in Kazakhstan in KZT terms, excluding State Mortgage Bank. (3) Excluding mortgages.

6. Central Asia and Caucasus region offers a substantial opportunity for Kaspi.kz to expand its user base

Central Asia and Caucasus region

We believe that the Central Asia and Caucasus region, defined as the region including Kazakhstan, Uzbekistan, Turkmenistan, Azerbaijan, Kyrgyz Republic, Tajikistan and Georgia, presents a sizable potential opportunity for further expansion of Kaspi.kz. The Central Asia and Caucasus region is a significant consumer market with a total population of 87.3 million, a combined GDP of U.S.\$394.2 billion and a combined private consumption of U.S.\$215.9 billion in 2019, according to EIU.

Central Asia and Caucasus region

	GDP 2019 (U.S.\$ billion)	Private consumption 2019 (U.S.\$ billion)	Population 2019 (million)
Kazakhstan	181.7	94.4	18.6
Turkmenistan.....	73.3	36.6	5.9
Uzbekistan.....	57.0	29.9	33.0
Azerbaijan.....	48.0	26.9	10.0
Kyrgyz Republic.....	8.2	6.6	6.4
Tajikistan.....	8.3	9.2	9.3
Georgia.....	17.7	12.3	4.0
Total Central Asia and Caucasus region	394.2	215.9	87.3

Source: EIU © Reproduced with permission of the Economist Intelligence Unit. EIU estimations for 2019.

As part of our international expansion strategy, in 2018 we acquired Azerbaijan's leading classifieds platforms Turbo.az, Tap.az and Bina.az (see "Business—Our Principal Business Activities—

Marketplace Platform—Azerbaijan Marketplace Platforms”), which we expect will allow us to broaden our Active Consumer base and drive the continuing growth of our Marketplace business.

Based on the data of the State Statistical Committee of the Republic of Azerbaijan and the IMF, with a population of 10.0 million as of 2019, Azerbaijan has the fourth largest population in the CIS region. As of 2019, Azerbaijan also had the fourth largest economy in the CIS region by GDP per capita. Based on Euromonitor estimates, Azerbaijan has 62.9% mobile Internet penetration with significant upside potential. E-commerce remains at a nascent stage with 0.5% e-commerce penetration in 2019; however, a CAGR of 30.1% is forecasted between 2019 and 2024, which compares with a CAGR of 6% for disposable income growth between 2019 and 2023, according to Euromonitor. Likewise, only 25% of Azerbaijan’s adult population made or received digital payments in 2017. Across the rest of the region, e-commerce, digital payments and mobile consumer financial services remain significantly underpenetrated, with substantial potential for structural growth over the medium-term.

REGULATION

We are subject to a number of laws and regulations in Kazakhstan that regulate, among other matters, payment services, anti-money laundering, data protection and information security. Kaspi Bank is also subject to numerous laws and regulations governing banking activities in Kazakhstan. Kaspi Insurance is subject to laws and regulations governing insurance activities.

Regulation of Payment Services

The Payment Systems Law

The Law of the Republic of Kazakhstan No. 11-VI ZRK “On Payments and Payment Systems”, dated 26 July 2016 (as amended) (the “**Payment Systems Law**”), is the main law establishing the legal framework for payment services in Kazakhstan. It sets forth the list of payment instruments, payments processing procedures and requirements with respect to payment services providers. Under the Payment Systems Law, it is prohibited to provide payment services in Kazakhstan in the absence of a corresponding licence from the FMRDA or without recorded registration with the FMRDA. A bank may provide payment services under the Payment Systems Law provided that it holds a licence from the FMRDA in respect of opening and maintaining clients’ bank accounts and performing transfer operations.

Kaspi Bank holds a licence for conducting banking and other operations and activities on the securities market (Licence No. 1.2.245/61 dated 3 February 2020 for performing banking operations), including, *inter alia*, opening and maintaining clients’ bank accounts and performing transfer operations (the “**Banking Licence**”). The Banking Licence allows Kaspi Bank to perform payment services under the Payment Systems Law.

Kaspi Bank was included into the Register of Significant Payment Services Providers as of 1 May 2018 and remains included therein as at the date of this Registration Document. Pursuant to the Payment Systems Law, a significant payment service provider, *inter alia*, shall determine a risk management system with respect to the risks attributable to the activities of a significant payment service provider and the procedure for resolving conflicts of interest between a significant payment service provider and interested parties. The risk management system shall establish procedures for identifying, measuring, monitoring and managing risks, procedures for ensuring continuity of payment service activities and a plan for the restoration of its activities. The Payment Systems Law stipulates an obligation of a significant payment service provider to submit to the NBK information on the provided payment services, make an assessment of the quality of the provided payment services, and present the results of such assessment to the NBK in accordance with the procedure established by the NBK.

Accounts and Payment Processing

Under the Payment Systems Law, the NBK determines rules and procedures for maintaining bank accounts, forms of payment documents, terms and conditions for payments processing. In particular, the Rules for opening, maintaining and closing of clients’ bank accounts (approved by the Decree of the Management Board of the NBK No. 207 dated 31 August 2016 (as amended)) set forth, *inter alia*, know your client procedures, the legal framework for bank account agreements to be concluded with clients, and a unified bank account number structure. The Rules for making non-cash payments and (or) money transfers in the Republic of Kazakhstan (approved by the Decree of the Management Board of the NBK No. 208, dated 31 August 2016 (as amended)) set forth requirements with respect to payment documents and terms and conditions of payment processing.

The NBK and the FMRDA

The NBK monitors and supervises the payment services market and to this end:

- analyses the market for payment services;

- analyses the use of payment instruments;
- analyses and evaluates the services provided by payment service providers;
- receives information from relevant payment service providers;
- carries out accounting registration of payment organisations and maintains a register of payment organisations;
- exercises control over the observance by payment service providers of the requirements of the legislation of the Republic of Kazakhstan;
- conducts audits of the activities of payment service providers, including any other person authorised under an agreement with them to carry out the functions of providing payment services; and
- applies restricted response measures and sanctions in case of noncompliance with legislation requirements.

According to a new law adopted on 3 July 2019, which was signed by Mr. Tokayev, the President of Kazakhstan, on 11 November 2019, the NBK was reorganised by way of separation from the NBK of a new state agency under the name of the FMRDA, effective from 1 January 2020. The FMRDA controls and supervises the compliance of banks with the payments and payment system regulation. The NBK ceased to perform its main functions as the state authority responsible for regulation, control and supervision of the financial market and financial organisations; however, it will continue to perform certain key regulatory functions, such as conducting macroprudential policies and imposing a special regulatory regime. The macroprudential policy of the NBK involves, *inter alia*: (a) the monitoring of systemic risks in the financial system; and (b) on its own discretion or jointly with the Government of Kazakhstan, imposing limitations on the performance of certain types of banking and other operations of financial organisations in case of occurrence, or a threat, of a systemic financial turmoil. The special regulatory regime of the NBK is a set of special conditions for conducting activities relating to payment services which may be imposed by a decree of the Management Board of the NBK for a period of up to five years. The relevant decree should contain the types of payment services and/or activity related to payment services, the special conditions of rendering such services while the special regulatory regime is in force, and the terms of applicability of the Kazakhstan legislation to entities subject to the special regulatory regime. The imposition and cancellation of the special regulatory regime shall be approved by a decree of the Management Board of the NBK, as well as other relevant regulatory acts. Going forward, the NBK will also continue to be a central bank focusing on monetary credit policy, currency control and the development of payment systems.

Financial Stability Council

The Financial Stability Council is an advisory and consultative body under the President of the Republic of Kazakhstan, performing interagency coordination to ensure financial stability. The Financial Stability Council has been established in accordance with Presidential Decree No. 220 “On Financial Stability Council of the Republic of Kazakhstan” dated 18 December 2019, effective from 1 January 2020. The Financial Stability Council consists of the Chairman of the FMRDA (Chairman of Financial Stability Council); Deputy of Presidential Chief of Staff of the Republic of Kazakhstan or Presidential aide (overseeing social and economic issues); Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market; Minister of Finance of the Republic of Kazakhstan; and Minister of the National Economy of the Republic of Kazakhstan. The primary objective of the Financial Stability Council is assisting in ensuring the financial stability of Kazakhstan and preventing and/or mitigating systemic risks. The Financial Stability Council has the functions of preliminary consideration and provision of recommendations on issues related to ensuring financial stability, including: (a) macroprudential policy implementation measures aimed at mitigating systemic risks of the financial system; (b) measures for preventing financial turmoil and

mitigation of its consequences; (c) rehabilitation measures for insolvent banks, the forced liquidation of which may bear systemic risks for the financial system, including state participation in such rehabilitation; (d) financing measures for rehabilitation of second-tier banks, including at the expense of the NBK and/or its subsidiaries. The operating entity of the Financial Stability Council is the NBK. The Financial Stability Council has a right to request and receive materials required for the implementation of the functions and objectives of the Financial Stability Council from Kazakhstan state authorities and other organisations on the terms set out in the Kazakhstan legislation. Such materials include, *inter alia*: (a) information from the NBK on identified systemic risks, results of assessments and the monitoring of systemic risks and proposed measures for their mitigation in terms of macroprudential issues; (b) information from the FMRDA on the financial condition and risks of financial organisations, supervisory and regulatory measures in terms of macroprudential policy and the financial condition and material position of insolvent banks, proposed measures for rehabilitation of insolvent banks and the rationale of necessity, practicability and efficiency of state participation in consideration of issues related to rehabilitation measures for an insolvent bank.

E-money

The Payment Systems Law provides for payments using e-money. E-money is issued by the issuer in an amount equivalent to the amount of money received from individuals or agents, in accordance with the agreements concluded with them and the internal rules established in the respective e-money system. The internal rules of an e-money system shall stipulate the methods, procedure and terms for making e-payments, establish security procedures and the protection of information from unauthorised access to the electronic money system, and ensure adequate anti-money laundering measures are in place.

The NBK developed the Rules for issue, use and redemption of e-money, as well as the requirements for issuers of e-money and e-money systems in the Republic of Kazakhstan, approved by the Decree of the NBK Management Board No. 202, dated 31 August 2016.

The e-money issuer is obliged to carry out the identification of a natural person in the event that they purchase e-money in an amount exceeding the equivalent of 100 MCI. The maximum amount of one transaction performed by an unidentified owner of electronic money (an individual) shall not exceed an amount equal to 100 MCI. The maximum amount of e-money stored on one electronic device of an unidentified individual owner of e-money (an individual) shall not exceed an amount equal to 200 MCI. MCI (Monthly Calculation Index) is set annually and is used for the calculation of benefits and other social payments, as well as the application of penalties, taxes and other payments in accordance with the legislation of the Republic of Kazakhstan. Starting from 1 April 2020, MCI is set at KZT2,778 (approximately U.S.\$6.9).

The Anti-Money Laundering Law

The Law of the Republic of Kazakhstan No. 191-IV ZRK “On Countering the Legalisation (Laundering) of Criminally Obtained Income and the Financing of Terrorism”, dated 28 August 2009 (as amended) (the “**Anti-Money Laundering Law**”), covers a broad scope of persons (including certain types of companies, notaries, etc.) which can be designated as financial monitoring subjects and imposes a number of requirements that these persons have to comply with, including, among other things, the development of appropriate internal standards and procedures, client identification, control over client operations and the reporting of suspicious operations. In particular, payment organisations, insurance companies and banks are to be recognised as financial monitoring subjects.

Under the Anti-Money Laundering Law, one of the main obligations imposed on the financial monitoring subjects is the appropriate identification of clients and verification of certain operations, including, *inter alia*:

- cash transactions;

- certain transactions where one of the counterparties is a legal entity, an individual registered in an offshore jurisdiction, or has a bank account in such jurisdiction;
- certain operations in relation to a bank account or deposit where such bank account or deposit has been opened for an anonymous person;
- transaction conducted by a legal entity existing for less than three months; and
- certain other transactions with property subject to mandatory state registration,

in each case, exceeding KZT3 million or such higher amounts depending on type of the transaction.

Pursuant to the Anti-Money Laundering Law, suspicious transactions are to be reported to the Committee of financial monitoring of the Ministry of Finance of the Republic of Kazakhstan; such transactions must be suspended upon resolution of the Committee. The Anti-Money Laundering Law requires any suspicious transaction to be reported to the Committee immediately and in any case before the suspicious transaction has been processed. If a suspicious transaction cannot be postponed, it must be reported within three hours after it has been processed or within 24 hours following its identification.

In addition, financial monitoring subjects must carry out certain actions in the event of any operation involving an individual or organisation that is known to participate in extremist or terrorist activities. If the officer of financial monitoring subject suspects that an operation is conducted in order to legalise any funds received from illegal activities, such operations must be reported whether or not they are qualified as suspicious operations. Financial monitoring subjects must not inform their clients that transactions are being reported. They bear no liability for damages that may be caused by the suspension of the transactions or the refusal to process them.

Regulation of Banking Activities

Kazakhstan has a two-tier banking system, with the NBK comprising the first tier and all other commercial banks comprising the second tier (with the exception of the Development Bank of Kazakhstan (DBK), which as a state development bank has a special status and belongs to neither tier). Generally, all financial institutions in Kazakhstan are required to be licensed and regulated by the NBK. From 2004 to April 2011, licensing and regulation functions were carried out by the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organisations (including its respective successors). The respective functions were carried out by the NBK from April 2011 until the end of 2019. Starting from 1 January 2020, these functions are performed by the FMRDA.

The NBK

The NBK is the central bank of Kazakhstan and the state authority which is empowered to develop and conduct monetary policy, ensure the functioning of payment systems, conduct currency regulation and control and assist in ensuring the stability of the financial system and price stability in Kazakhstan. Although the NBK is an independent institution, it reports directly to the President of Kazakhstan.

The NBK is empowered, among other things, to licence financial institutions, to approve prudential standards for them, to approve the financial reporting requirements for financial institutions and to monitor the activities thereof, to apply sanctions where necessary, and to participate in the liquidation of financial institutions.

Responsibility for the supervision of compliance with anti-monopoly legislation within the banking sector in Kazakhstan lies primarily with Kazakhstan's competition agency, except for certain issues of anti-monopoly regulation that fall under the joint purview of the competition agency and the NBK, including transactions above certain asset value thresholds that require prior consent of the

competition agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the competition agency and the NBK.

The Law of the Republic of Kazakhstan No. 2155 “On the National Bank of the Republic of Kazakhstan”, dated 30 March 1995 (as amended) (the “**NBK Law**”) sets forth the legal framework relating to the NBK’s status, organisational structure and competence. Starting from 1 January 2019, the NBK is entitled to use justified judgment in the course of its controlling and supervising activities and apply appropriate supervisory response measures.

The Banking Law

The Banking Law is the main law regulating the banking sector in Kazakhstan. It establishes a framework for banking activities, registration and licensing of banks and regulation of banking activities by the FMRDA and the NBK.

The Banking Law provides for a list of banking operations that cannot be conducted without an appropriate licence from the FMRDA and sets forth a list of activities permitted for banks and Bank Holdings (as defined below).

Kaspi Bank holds Licence No. 1.2.245/61 dated 30 June 2009 for performing banking and other operations and conducting activity in the securities market.

Systemically Important Financial Institutions

Pursuant to the NBK Law, in order to ensure the stability of the financial system, the NBK performs regular monitoring of macroeconomic and macrofinancial factors affecting the stability of Kazakhstan’s financial system and establishes a macroprudential policy, which includes a set of measures aimed at lowering the systemic risks of the financial system. Such systemic risks include the risks of interruption of the provision of financial services, which could possibly lead to the deterioration of the financial condition of the whole financial system or its parts, and/or the risk of interruption of the stable functioning of the financial system. Systemic risks also include risks relating to the operation of systemically important financial institutions, whose stable functioning determines the overall stability of the financial system.

Among other functions, the NBK, subject to the approval of the FMRDA, determines the criteria for classifying financial institutions as systemically important and manages the list of such financial organisations. Starting from 1 January 2020, second-tier banks may be assigned the status of systemically important financial institutions subject to the NBK’s determination.

The following criteria, *inter alia*, are used for determining whether a second-tier bank is a systemically important financial institution:

- 1) scale of the bank, i.e. the share of the bank’s total assets (liabilities) in the total assets (liabilities) of Kazakhstan second-tier banks;
- 2) interrelatedness of the bank with financial market participants:
 - a. share of inter-bank assets, contingent assets towards the banks as well as investments of the bank to its subsidiaries in the total share of inter-bank assets, contingent assets to the banks as well as investments of the bank to subsidiaries; and
 - b. share of inter-bank liabilities, contingent liabilities towards the banks as well as liabilities on pension assets of Unified Accumulative Pension Fund invested in the bank by deposits and securities in the total share of inter-bank liabilities, contingent liabilities towards the banks as well as liabilities on pension assets of the Unified Accumulative Pension Fund invested in the bank by deposits and securities;

- 3) fungibility of the bank:
 - a. share of the total amount of payments made by the bank through the inter-bank money transfer system, inter-bank clearing system, payments in the e-banking market (in a banking network), payments and transfers made through correspondent accounts opened between the bank and its counterparties, through international money transfer systems in the total wireless payments of the banks; and
 - b. share of the bank's loan portfolio in the total loan portfolio of banks.
- 4) complexity of banking operations performed by the bank:
 - a. share of total contingent claims of the bank on derivatives and foreign currency in the total contingent claims of banks on derivatives and foreign currency; and
 - b. share of total contingent liabilities of the bank on derivatives and foreign currency in the total contingent liabilities of banks on derivatives and foreign currency.

Under the new regulation effective from 1 January 2020, Kaspi Bank falls under the definition of a systemically important financial institution.

Capital Adequacy, Liquidity Ratios

Starting from 2005, regulations regarding regulatory capital and risk management have entered into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel II accord. The NBK sets limits and rules for calculating capital adequacy, maximum credit exposures to single borrowers, liquidity ratios and open currency positions limits.

According to the Decree of the Management Board of the NBK No. 170 dated 13 September 2017 (as amended), the main capital and Tier 1 capital are defined through an exhaustive list of different categories of debt and equity that qualify for treatment as capital and certain ratios, as applicable.

Starting from 1 January 2017, the NBK requires banks to maintain a K1 capital adequacy ratio (base capital to total assets weighted for risk) of 5.5 per cent. (prior to 1 January 2017, the minimum level of the K1 ratio stood at 5 per cent.), and a K1-2 capital adequacy ratio (Tier 1 capital to total assets weighted for risk) of 6.5 per cent. (prior to 1 January 2017, the minimum level of the K1-2 ratio stood at 6 per cent.). The K2 capital adequacy ratio (own capital to total assets weighted for risk) requirement is 8 per cent. (prior to 1 January 2017, the minimum level of the K-2 ratio stood at 7.5 per cent.).

Furthermore, all banks, except for systemically important financial institutions, must maintain levels of K1, K1-2 and K2 ratios, accounting for the conservation buffer and system buffer, of 7.5 per cent., 8.5 per cent. and 10 per cent., respectively, while systemically important financial institutions shall maintain such ratios at minimum levels of 9.5 per cent., 10.5 per cent., and 12.0 per cent., respectively. As at the date of this Registration Document, Kaspi Bank holds the status of a systemically important financial institution and therefore is required to comply with the ratios applicable to systemically important financial institutions. Where K1, K1-2 and K2 ratios of a bank comply with capital adequacy requirements but at least one of them is below the capital adequacy ratios calculated together with capital buffer requirements, the NBK regulations provide for certain limitations for any such bank to pay dividends or buy back shares except as provided by JSC Law.

Shareholders of a bank who have the status of the Bank Holding or Major Participant (as defined below) of the bank are obliged to take measures provided for by the NBK regulations to maintain the capital adequacy ratios of the bank.

As at the date of this Registration Document, the minimum charter capital for a newly-established bank was set at the level of KZT10 billion. In turn, the minimum capital base for a bank currently amounts to KZT10 billion.

In the fourth quarter of 2019, the NBK introduced changes to the calculation of risk-weighted assets for unsecured consumer lending by calculation of a consumer's debt ratio, dependent on whether a consumer's payroll is officially confirmed. Prior to such changes, the percentage for calculation of risk-weighted assets for unsecured consumer loans was fixed and set at the level of 150%, whereas the relevant amendments introduced a progressive scale based on the consumer's debt burden and absence or existence of an officially confirmed formal payroll. Therefore, starting from 1 January 2020, certain loans granted to customers with no formal payroll and (or) a high level of indebtedness may bear risk weights in excess of 150%.

Regulation of Retail Lending

On 27 November 2019, amendments to the Resolution of the Management Board of the NBK "On Amendments to the Resolution on Limitation for execution of separate types of banking and other operations by financial institutions" No. 292 dated 25 December 2013 were introduced. These amendments have tightened the requirements for granting of unsecured consumers loans by Kazakhstan banks. Pursuant to the amendments, Kazakhstan banks are required to maintain calculations of a debtor's debt ratio in two forms: (a) calculation of a borrower's credit score, and (b) calculation of a borrower's debt ratio.

Consumers will be able to meet the required borrower's credit score if their wage ratio exceeds the MSL (Minimum Subsistence Level), which is KZT31,183 as at the date of this Registration Document. The formula set for determining the minimum borrower's credit score is as follows:

Monthly wage \geq *MSL* + 0.5**MSL**(number of infant family members).

If a borrower's monthly wage is lower than the amount calculated per the above, banks will not be able to provide loans or credit lines to such a borrower, and cannot refinance such borrower's existing loans if such refinancing would increase the borrower's debt ratio.

The calculation of the monthly wage is made taking into account the following:

- 1) official wage for a period from three to 12 months preceding the borrower's application for the loan, which could be confirmed by documental means, *inter alia*, in the form of an extract from the Pension Centre, the database of State Corporation "Government for Citizens", or an extract from the borrower's bank account(s);
- 2) the borrower's average expenses with the use of a debit card for a period from three to 12 months prior to the application for loan;
- 3) average balances on the borrower's debit cards for a period from three to 12 months prior to the application for loan;
- 4) outstanding amounts on the borrower's deposit(s) or current bank account(s) as of the date of application for loan;
- 5) the maximum amounts of monthly payments for repaid loans and micro loans which the borrower had paid simultaneously for the three years preceding the date of application for the loan; and
- 6) ownership of a vehicle or immovable property, the market value of which exceeds the contemplated amount of the loan.

Furthermore, in accordance with Law of the Republic of Kazakhstan No 291-VI dated 27 December 2019, which, among other matters, introduced amendments to the banking legislation, under a loan agreement granted to an individual who is not engaged in entrepreneurial activity, a bank or any other organisation performing various types of banking activities is not allowed to accrue and claim penalty (fees, charges), or fees or other payments connected with such loan, following 90 consecutive calendar days of the individual's delay in fulfilling their obligation for repayment of any payments of

the principal debt amount and/or interest on the loan. This restriction, however, does not apply to retail loans entered into with an individual if as of the effective date of the loan agreement the principal under the loan was secured in full by a property subject to registration and (or) cash collateral.

Government Debt Forgiveness Programme

On 26 June 2019, the President of Kazakhstan signed Decree No. 34 “On Measures Aimed at Lowering the Debt Burden of Citizens of the Republic of Kazakhstan”, which envisaged the one-off gratuitous redemption of unsecured consumer loans of certain socially vulnerable categories of Kazakhstan’s population, with the ultimate aim of decreasing the overall indebtedness of the Kazakhstan population and enhancing the stability of Kazakhstan’s financial system.

The programme extended to the indebtedness in the amount not exceeding KZT3 million (with a maximum redemption amount of KZT300 thousand per borrower) of, among other categories of individuals, multi-child families, families with a disabled child, orphans and recipients of targeted governmental assistance.

The programme was implemented through JSC “Fund of Problem Loans” transferring the sums to be redeemed to the accounts of banks and relevant microfinancial organisations.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established. As at the date of this Registration Document, 25 banks, including Kaspi Bank, were covered by this scheme. At present, the insurance coverage is limited to personal deposits in any currency and current accounts up to a maximum amount per customer of KZT15 million for a saving deposit in KZT, KZT10 million for other deposits in KZT, and KZT5 million for deposits in foreign currency at any given bank. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals. If a customer holds several deposits of different kinds and in different currencies with a bank, such customer is entitled to receive aggregate guaranteed compensation in respect of such deposits in an amount not exceeding KZT15 million.

As at the date of this Registration Document, under Kazakhstan law, interest rates on deposits for individuals was capped at 9% for KZT-denominated deposits and 1% for USD-denominated deposits.

Acquisition of Shares of Kazakhstan Banks

Shareholders of a Kazakhstan bank

Under the Banking Law, any individual or legal entity can be a shareholder of a Kazakhstan bank except as follows:

- (i) a legal entity registered in a Blacklisted Jurisdiction (as defined below) cannot be a shareholder in a Kazakhstan bank, unless such Kazakhstan bank is a subsidiary of a non-resident bank and such non-resident bank has the minimum required rating issued by one of the rating agencies determined by the FMRDA; or
- (ii) an individual or a legal entity cannot own shares in a Kazakhstan bank exceeding a certain threshold established by the Banking Law without the prior written consent of the FMRDA (as described below).

General ownership restriction

Direct or indirect acquisition of shares in a Kazakhstan bank may require the prior written consent of the FMRDA if certain thresholds set out under the Banking Law are met or exceeded.

In particular, no person (whether independently or jointly with another person) can directly or indirectly:

- (a) own, use and (or) manage 10% more of the Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by the respective Kazakhstan bank), and also
- (b) have control or the ability to influence the decisions made by the respective Kazakhstan bank in the amount of 10% or more of the Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by the respective Kazakhstan bank),

without obtaining the prior written consent of the FMRDA. This requirement *inter alia* does not apply to the State or the national managing holding, an organisation specialising in improving the quality of loan portfolios of second-tier banks, subsidiaries of the NBK, and a single accumulative pension fund if it owns 10% or more of a Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by a Kazakhstan bank) at the expense of pension assets.

In case a person acquires (whether independently or jointly with another person), directly or indirectly, 10% or more of the voting shares of a bank without obtaining the prior written consent of the FMRDA, the FMRDA has the right to apply the supervisory response measures envisaged by the Banking Law, which includes, *inter alia*, the requirement for the sale of shares in a bank by the respective person within a period not exceeding six months. In addition, exercising a right to vote at a general meeting of shareholders without the relevant FMRDA consent may entail the possibility of challenging the legality of the general meeting and decision taken at such general meeting of shareholders.

A person acquiring 10% or more of the voting shares of a Kazakhstan bank is considered its affiliate and must disclose its identity to the respective Kazakhstan bank in the manner prescribed by the law. Information about the identity of an affiliate is publicly available. The owner of 10% or more of the voting shares in a Kazakhstan bank also assumes certain obligations, including the obligation to support the respective bank in remedying any financial problems it may incur (primarily through providing equity capital or subordinated debt), an obligation to obtain a credit rating and ongoing reporting obligations.

The Banking Law also provides for such terms as "Major Participant" and "Bank Holding" (as defined below) in relation to shareholders of a Kazakhstan bank.

Major Participant status

Under the Banking Law, an individual or a legal entity (except for, *inter alia*, the State, the national managing holding, an organisation specialising in improving the quality of credit portfolios of second-tier banks and subsidiaries of the NBK), which, directly or indirectly (whether independently or jointly with another person):

- (i) may own 10% or more of placed shares of a Kazakhstan bank (excluding preferred shares and shares redeemed by a Kazakhstan bank);
- (ii) will be able to vote with 10% or more of the Kazakhstan bank's voting shares; or
- (iii) will have the ability to influence the decisions taken by the Kazakhstan bank by virtue of an agreement or otherwise,

will be deemed to be a major participant of a Kazakhstan bank (the "**Major Participant**") and will need to obtain the prior written consent of the FMRDA before acquiring such status.

Bank Holding status

Under the Banking Law, a legal entity (except for, *inter alia*, the State, the national managing holding, an organisation specialising in improving the quality of credit portfolios of second-tier banks and

subsidiaries of the NBK), which, directly or indirectly (whether independently or jointly with another person):

- (i) may own 25% or more of the Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by a Kazakhstan bank);
- (ii) will be able to vote with 25% or more of the Kazakhstan bank's voting shares; or
- (iii) will determine the decisions taken by the Kazakhstan bank, by virtue of a contract or otherwise, or have control,

will be deemed to be a bank holding of a Kazakhstan bank (the "**Bank Holding**") and will need to obtain the prior written consent of the FMRDA before acquiring such status.

The Banking Law sets forth a list of activities permitted for a Bank Holding. Where a foreign legal entity directly holds 25% or more of the placed shares (excluding preferred shares and shares redeemed by a Kazakhstan bank) of a Kazakhstan bank, or has the ability to vote directly with 25% or more of the Kazakhstan bank's voting shares, such foreign legal entity must be a financial organisation having a minimum required rating and subject to consolidated supervision in its country of residence.

Consent of the FMRDA

Under the Banking Law, the FMRDA's consent for a Major Participant or a Bank Holding status is issued by the FMRDA within three months after the relevant application is submitted to the FMRDA subject to the provision of required documents and absence of grounds for the FMRDA's refusal to issue the consent established by the Banking Law, which include *inter alia*:

- (i) unstable financial condition of the applicant;
- (ii) inefficiency of the provided recapitalisation plan in the case of deterioration of a bank's financial condition; and
- (iii) lack of impeccable business reputation of an applicant who is an individual or of a business executive of an applicant which is a legal entity.

Minimum rating requirement

Non-resident legal entities may obtain the consent of the FMRDA to acquire the status of a Bank Holding or a Major Participant if such non-resident legal entities meet a minimum required rating determined by the FMRDA.

Blacklisted Jurisdictions prohibition

In accordance with Article 17(5) of the Banking Law, legal entities registered in any of the Blacklisted Jurisdictions (as listed below) cannot directly or indirectly own and (or) use, and (or) dispose of voting shares of a Kazakhstan resident bank, unless such Kazakhstan resident bank is a subsidiary of a non-resident bank and such non-resident bank has the minimum required rating of one of the rating agencies determined by the FMRDA.

The exact list of Blacklisted Jurisdictions is determined by the FMRDA. The following jurisdictions are currently included in the list of Blacklisted Jurisdictions: Principality of Andorra; State of Antigua and Barbuda; Commonwealth of the Bahamas; Barbados State; State of Belize; The state of Brunei Darussalam; Republic of Vanuatu; Republic of Guatemala; State of Grenada; Republic of Djibouti; Dominican Republic; Republic of Indonesia; Spain (only in part of the Canary Islands); Republic of Cyprus; People's Republic of China (only in part of the territories of the special administrative regions of Aomin (Macau) and Xianggang (Hong Kong)); Federal Islamic Republic of Comoros; Republic of Costa Rica; Malaysia (only in part of the territory of the Labuan enclave); Republic of Liberia; Principality of Liechtenstein; Republic of Mauritius; Portugal (only in part of the territory of

the Madeira Islands); Republic of Maldives; Republic of Malta; Republic of Marshall Islands; Principality of Monaco; Union of Myanmar; Republic of Nauru; Netherlands (only in part of the territory of the island of Aruba and the dependent territories of the Antilles); Federal Republic of Nigeria; New Zealand (only in part of the territory of the Cook Islands and Niue); Republic of Palau; Republic of Panama; Independent State of Samoa; Republic of Seychelles; State of Saint Vincent and the Grenadines; Federation of Saint Kitts and Nevis; State of Saint Lucia; United Kingdom of Great Britain and Northern Ireland (only in part of the following territories: Anguilla Islands, Bermuda, British Virgin Islands, Gibraltar, Cayman Islands, Montserrat Island, Turks and Caicos Islands, Isle of Man, The Channel Islands (Guernsey, Jersey, Sark, Alderney)); United States of America (only in part of the territories of the U.S. Virgin Islands, Guam Island and the Commonwealth of Puerto Rico); Kingdom of Tonga; Republic of the Philippines; Democratic Republic of Sri Lanka.

In addition, in December 2019, the NBK published a draft of the Decree of the Management Board of the NBK approving a revised list of blacklisted jurisdictions effective from 1 January 2020, which excludes the jurisdictions of Hong Kong, Republic of Cyprus, Republic of Mauritius, Republic of Indonesia and Isle of Man from the list and adds the following jurisdictions to the list of blacklisted jurisdictions: Republic of Montenegro, the Kingdom of Morocco (Tangier city), Lebanese Republic, Islamic Republic of Mauritania, Republic of Fiji, Jamaica, Republic of Trinidad and Tobago, Republic of Surinam, United Republic of Tanzania, Commonwealth of Dominica, Co-operative Republic of Guyana, Mariana Islands and French Republic's: Kerguelen Islands, French Polynesia and French Guiana.

Regulation of Branches of Foreign Banks

On 27 July 2015, Mr. Nursultan Nazarbayev, the former President of Kazakhstan, signed the Marrakesh Agreement on the establishment of the WTO. On 12 October 2015, the Law of the Republic of Kazakhstan "On Ratification of the Protocol on accession to the Marrakesh Agreement Establishing the WTO as of 15 April 1994" became effective, and starting from 30 November 2015, the Republic of Kazakhstan became the 162th member of the WTO.

In accordance with the terms set out in the agreement on entering the WTO, starting from December 2020, foreign banks will be able to directly open their branches in Kazakhstan. Branch offices will be allowed to access the resources of their respective head offices, thereby allowing such branch offices to provide financing for cost-demanding projects, and accordingly having a positive effect on the Kazakhstan economy by attracting direct investments. The NBK is planning to set a number of related restrictive terms for foreign banks, such as: (1) the requirement for a valid licence obtained from the foreign financial regulator in the foreign bank's country of incorporation; (2) a minimum U.S.\$20 billion threshold applicable to the direct capital of the parent company; (3) execution of an agreement between the NBK and the relevant local financial regulator of the parent company; and (4) attraction of retail deposits by the relevant branch offices in an amount of not less than U.S.\$120,000.

Furthermore, on 13 November 2019, the Mazhilis (the lower chamber of the Kazakhstan Parliament) approved the draft Law "On Ratification of the Agreement on Harmonisation of Legislation of States-Members of the Eurasian Economic Union in the Sphere of Financial Market". The Agreement envisages the harmonisation of legislation of member states of the European Economic Union in the sphere of financial markets (the banking sector, insurance sector and sector of services on the securities market), including, *inter alia*, in connection with the adoption of commonly agreed requirements applicable to participants of financial markets in respect of their creation, establishment and activities in the banking sector, insurance sector and sector of activities on the securities market; the harmonisation of approaches to the regulation of risks in the sphere of financial market pursuant to international standards; the harmonisation of oversight requirements and procedure of exercising oversight in respect of financial markets participant; and the harmonisation of requirements on disclosure of information in the sphere of financial markets. The harmonisation of legislation is expected to be finalised by 2025.

Financial Stability

Under the Banking Law, in the event of (i) a breach by a bank of capital adequacy or liquidity ratios; or (ii) two or more breaches by a bank in any 12-month period of any other prudential or other mandatory requirements, the Government based on the proposal of the FMRDA may acquire, either directly or through a national management holding company, the authorised shares of any bank in Kazakhstan to the extent necessary (but not less than 10% of the total amount of placed shares of such bank, including those to be acquired by the Government or the national management holding company) to improve such bank's financial condition and ensure compliance with prudential or other mandatory requirements. The Banking Law provides that the management and shareholders of an affected bank are not granted any right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body authorised to manage state property or the national management holding company is authorised to appoint no more than 30% of the members of the board of directors and the management board of the affected bank.

In the event that a bank has negative capital, the FMRDA may buy out shares of such bank subject to the consequent sale of the shares to an investor guaranteeing improvement of the bank's financial condition.

The main objectives of the above regulations are to improve early detection mechanisms for risks in the financial system, provide powers to the Government and the FMRDA to acquire shares in commercial banks that face financial problems, and improve the overall condition of financial institutions in Kazakhstan.

The Government or the national management holding company must sell the acquired shares by way of direct sale or through the stock exchange in case of improvement to the financial condition of the bank.

Other Regulations

The Banking Law establishes an exhaustive list of activities allowed for a bank holding and lists the types of legal entities whose shares may be acquired by a bank or a bank holding.

Per the Banking Law, the FMRDA's consent is required for election (appointment) of the top management at the level of a bank and at the level of a bank holding. For consent purposes, top management of a bank includes members of the board of directors, members of the management board, chief accountant and other managers of a bank coordinating and (or) monitoring the activities of more than one structural unit of the bank and is authorised to sign documents on the basis of which banking operations are conducted. Top management of a bank holding includes members of the board of directors, members of the management board, chief accountant, and other managers of a bank holding coordinating and (or) monitoring the activities of subsidiaries and (or) organisations where a bank holding holds (directly or indirectly) significant participation in the capital of such organisation (i.e., holds 20% and more of voting shares (participatory interests in the charter capital) (whether independently or jointly with another legal entity)).

Management of Distressed Assets

The Banking Law allows a bank, upon receipt of the consent of the FMRDA, to establish or acquire a subsidiary organisation acquiring distressed assets of the parent bank. One of the Group's subsidiaries, ARK Balance LLP, was established on 20 December 2013 for the purposes of managing Kaspi Bank's distressed assets.

The procedure for a subsidiary acquiring distressed assets of the parent bank, the period during which the subsidiary manages the acquired distressed assets, as well as the requirements for such assets are established by the FMRDA. Such subsidiary organisation may conduct only those activities related to the management of distressed assets which are in line with the regulations of the FMRDA.

A subsidiary organisation acquiring distressed assets is obliged to transfer the money received from its activities to the parent bank, except for amounts of expenses related to the implementation of the activities related to acquisition and disposal of distressed assets under the Banking Law.

The Powers of the FMRDA under the Banking Law

Under the Banking Law, the FMRDA may apply a number of supervisory response measures, *inter alia*, with respect to banks (including second-tier banks in Kazakhstan such as Kaspi Bank), Bank Holdings, the top management of the respective bank and the Bank Holding, their respective Major Participants, a bank conglomerate and (or) organisations included in a bank conglomerate in order to (i) protect the interests of depositors, creditors, clients and correspondents of banks, (ii) ensure the financial stability of banks, and (iii) prevent deterioration of financial conditions and increasing risks related to bank's banking activities.

Supervisory Response Measures

The Banking Law allows the FMRDA to apply the following supervisory response measures:

- (i) recommended supervisory response measures;
- (ii) measures for improvement of financial condition and minimisation of risks; and
- (iii) compulsory measures of supervisory response.

Recommended supervisory response measures

“Recommended supervisory response measures” include (i) making a notification on discovered instances of non-compliance to a bank's bodies, Major Participants, Bank Holding and/or bank conglomerate member entity; (ii) recommendation on mitigation of revealed instances of non-compliance; and (iii) warning on implementation of other supervisory response measures.

Measures on improvement of financial conditions and minimisation of risks

The Banking Law allows the FMRDA to apply a number of compulsory measures aimed at the improvement of the financial conditions and minimisation of risks of the banks, organisations engaged in certain types of banking operations, the Major Participants, the Bank Holdings, the bank conglomerate and (or) organisations included in the bank conglomerate. In particular, Article 46 of the Banking Law allows the FMRDA to apply, *inter alia*, the following compulsory measures aimed at the improvement of financial condition and minimisation of risks:

- requiring that the bank maintains the capital adequacy ratios and (or) liquidity ratios above the minimum levels established by the NBK;
- removing the top management of a bank;
- suspending and (or) restricting carrying out certain types of banking and other operations, carrying out certain types of transactions or establishing a special procedure for their implementation;
- restructuring of assets and (or) bank liabilities, including changes in their structure;
- reduction of expenses, including through the termination or limitation of additional hiring of employees, closure of branches and representative offices, subsidiaries, restriction of remuneration and other types of material incentives for top management;
- suspending and (or) restriction of investments in certain types of assets or the establishment of their special order of implementation;
- forming provisions (reserves) according to international financial reporting standards;

- restricting operations with persons connected with a bank by special relations; and
- suspending accrual and (or) payment of dividends on shares and (or) unlimited financial instruments.

The FMRDA can apply the above compulsory measures by way of:

- issuing mandatory written instructions to a bank setting out compulsory measures to be taken by the bank and (or) requiring that the bank develops an action plan to restore such bank's financial condition;
- entering into an agreement with a bank setting out measures to be taken by the bank to remedy any identified breaches.

Compulsory measures of supervisory response

The FMRDA applies compulsory measures of supervisory response to Major Participants and Bank Holding, as well as organisations that are part of a banking conglomerate in the following cases, *inter alia*, if (i) the use of other supervisory response measures cannot ensure the protection of the interests of depositors and creditors, the financial stability of a bank, and the minimisation of risks associated with the activities of a bank; or (ii) the actions (inaction) of a Bank Holding and (or) a Major Participant could lead to a further deterioration in the financial position of the bank or Bank Holding.

Where a bank's shareholders include a Major Participant or a Bank Holding, the FMRDA may require such shareholders to decrease their direct or indirect ownership of the relevant bank to less than 10% of the bank's voting shares in the case of a Major Participant and less than 25% of the bank's voting shares in the case of a Bank Holding. Such measures can be applied to a bank's shareholder when, for example, the bank's shareholders which are Major Participants or a Bank Holding are in an unstable financial condition, which may negatively affect the bank concerned.

Measures on the improvement of financial conditions, the minimisation of risks, and compulsory measures of supervisory response shall be applied using justified judgment.

Bank with an Unstable Financial Situation

The FMRDA can classify a bank as a bank with an unstable financial situation threatening the interests of its depositors and creditors and (or) threatening the stability of the financial system if certain criteria are met by the bank. Such criteria, *inter alia*, includes situations when the bank's capital adequacy ratios fall below the minimum levels, or the bank fails to fulfil monetary obligations and other claims of its creditors due to the absence or insufficiency of money in the bank. The FMRDA may apply any supervisory response measures to the bank with an unstable financial situation. In case the bank's unstable financial situation is not remedied within the period established by the FMRDA, the FMRDA shall qualify this bank as an insolvent bank and may apply to the respective bank certain measures, such as, for example: (i) requiring the bank to carry out compulsory restructuring of its liabilities; (ii) requiring the bank to transfer all or part of its assets and liabilities to another bank(s); (iii) creating a stabilisation bank, and requiring the bank to transfer all or part of its assets and liabilities to such stabilisation bank; or (iv) deprivation of a licence to conduct banking and other operations with the subsequent forced liquidation of the insolvent bank.

Sanctions

The FMRDA has the right to apply to the bank, the Major Participant, the Bank Holding, organisations that are part of a banking conglomerate, as well as organisations carrying out certain types of banking operations, the following sanctions, *inter alia* (regardless of the supervisory response measures applied to them earlier, if any):

- suspension or deprivation of a bank's licence and (or) annexes to a bank's licence for all or certain banking operations on the grounds provided for in Article 48 of the Banking Law; and

- revocation of a permission to open a bank on the grounds provided for in Article 49 of the Banking Law.

Regulation of Insurance Activities

Insurance Law

Similarly to the Kazakhstan banking sector, the Kazakhstan insurance sector is highly regulated. The Law of the Republic of Kazakhstan No. 126-II “On Insurance Activity”, dated 18 December 2000 (as amended) (the “**Insurance Law**”), along with the Civil Code of the Republic of Kazakhstan (special part), dated 1 July 1999 (as amended), is the main law regulating the insurance sector in Kazakhstan. It establishes a framework for insurance activities, registration and licensing of insurance companies, and regulation of insurance activities by the FMRDA and the NBK.

The Insurance Law provides for a list of branches, classes and types of insurance. Insurance operations may be conducted only in accordance with an appropriate licence from the NBK for certain types of insurance within life insurance or general insurance branches. An insurance company may not simultaneously operate in both the life insurance and general insurance sectors.

Kaspi Insurance holds a licence for the right to carry out insurance (reinsurance) activities in the class of “general insurance” (Licence No. 2.1.5 dated 7 November 2013 issued by the NBK) (the “**Insurance Licence**”).

Capital Adequacy, Liquidity Ratios

The Insurance Law provides for the following prudential standards for insurance (reinsurance) organisations: (i) minimum charter capital; (ii) margin of solvency margin adequacy; (iii) the ratio of sufficiency of highly liquid assets; and (iv) asset diversification standards.

According to the Decree of the Management Board of the NBK No. 304, dated 26 December 2016 (as amended), the minimum charter capital for a newly-established insurance company varies from 1,500,00 up to 10,500,000 MCI depending on the contemplated types of insurance activities.

The NBK sets forth standards, formulas and ratios for the calculation of liquidity adequacy.

Acquisition of Shares of a Kazakhstan Insurance Company

Shareholders of a Kazakhstan insurance company

Under the Insurance Law, any individual or legal entity can be a shareholder of a Kazakhstan insurance company except that:

- a legal entity registered in the Blacklisted Jurisdiction cannot be a shareholder in the Kazakhstan insurance company, unless such Kazakhstan insurance company is a subsidiary of a non-resident insurance company and such non-resident insurance company has the minimum required rating of one of the rating agencies determined by the FMRDA; or
- an individual or a legal entity cannot own shares in a Kazakhstan insurance company exceeding a certain threshold established by the Insurance Law without the prior written consent of the FMRDA (as described below, see “– *Major Participant of the Kazakhstan Insurance Company and Insurance Holding status*”).

Major Participant of the Kazakhstan Insurance Company

Under the Insurance Law, an individual or a legal entity (except for *inter alia* the State or the national managing holding), which, directly or indirectly:

- (i) may own 10% or more of placed shares of a Kazakhstan insurance company (excluding preferred shares and shares redeemed by a Kazakhstan insurance company);

- (ii) will be able to vote with 10% or more of the Kazakhstan insurance company's voting shares; or
- (iii) will have the ability to influence the decisions taken by the Kazakhstan insurance company by virtue of an agreement or otherwise,

will be deemed to be a major participant of a Kazakhstan insurance company (the “**Major Participant of the Kazakhstan Insurance Company**”) and will need to obtain the prior written consent of the FMRDA before acquiring such status.

In case a person acquires (whether independently or jointly with another person), directly or indirectly, 10% or more of the voting shares of a Kazakhstan insurance company without obtaining the prior written consent of the FMRDA, the FMRDA has the right to apply the supervisory response measures envisaged by the Insurance Law, which include, *inter alia*, the requirement for the sale of shares in the insurance company by the respective person within a period not exceeding six months. In addition, exercising a right to vote at a general meeting of shareholders without the relevant FMRDA consent may entail the possibility of challenging the legality of the general meeting and a decision taken at such general meeting of shareholders.

A person acquiring 10% or more of the voting shares of a Kazakhstan insurance company is considered its affiliate and must disclose its identity to the respective Kazakhstan insurance company in the manner prescribed by the law. Information about the identity of an affiliate is publicly available. The owner of 10% or more of the voting shares in a Kazakhstan insurance company also assumes certain obligations, including the obligation to support the respective insurance company in remedying any financial problems it may incur, an obligation to obtain a credit rating, and ongoing reporting obligations.

Insurance Holding status

Under the Insurance Law, a legal entity (except for *inter alia* the State or the national managing holding), which, directly or indirectly,

- (i) may own 25% or more of a Kazakhstan insurance company's placed shares (excluding preferred shares and shares redeemed by a Kazakhstan insurance company);
- (ii) will be able to vote with 25% or more of a Kazakhstan insurance company's voting shares; or
- (iii) will determine the decisions taken by a Kazakhstan insurance company, by virtue of a contract or otherwise, or have control,

will be deemed to be an insurance holding of a Kazakhstan insurance company (the “**Insurance Holding**”) and will need to obtain the prior written consent of the FMRDA.

Where a foreign legal entity directly holds 25% or more of the placed shares (excluding preferred shares and shares redeemed by a Kazakhstan insurance company) of a Kazakhstan insurance company, or has the ability to vote directly with 25% or more of the Kazakhstan insurance company's voting shares, such foreign legal entity must be a financial organisation having a minimum required rating and being subject to consolidated supervision in its home country.

Consent of the FMRDA

Under the Insurance Law, the consent of the FMRDA for a Major Participant of the Kazakhstan Insurance Company or an Insurance Holding status is issued by the FMRDA within three months after the relevant application is submitted to the FMRDA, subject to the provision of required documents and absence grounds for the FMRDA's refusal to issue the consent established by the Banking Law, which include *inter alia*:

- (i) unstable financial condition of the applicant;

- (ii) inefficiency of the provided recapitalisation plan for the case of deterioration of a bank's financial condition; and
- (iii) lack of impeccable business reputation of an applicant who is an individual or of a business executive of an applicant which is a legal entity.

Minimum rating requirement

Non-resident legal entities may obtain the consent of the FMRDA to acquire the status of a Major Participant of the Kazakhstan Insurance Company or an Insurance Holding if such non-resident legal entities meet a minimum required rating determined by the FMRDA.

Blacklisted Jurisdictions prohibition

In accordance with Article 21(4) of the Insurance Law, legal entities registered in any of the Blacklisted Jurisdictions cannot directly or indirectly own and (or) use, and (or) dispose of voting shares of a Kazakhstan insurance company, unless such Kazakhstan insurance company is a subsidiary of a non-resident insurance (re-insurance) company and such non-resident insurance (re-insurance) company has the minimum required rating of one of the rating agencies determined by the NBK. The list of Blacklisted Jurisdictions is provided in “*Regulation of Banking Activities—Acquisition of Shares of Kazakhstan Banks*” above.

Compulsory Insurance Categories

Various compulsory insurance categories are subject to separate specific laws. In particular, Kaspi Insurance activities are subject to the Law of the Republic of Kazakhstan No. 446-II “On Compulsory Insurance of Civil Liability of Vehicle Owners”, dated 1 July 2003 (as amended). The law sets forth, *inter alia*, the scope of insurance coverage, insurance agreement framework, amounts of insurance premiums and payments. Under the law, the insurance premium is to be calculated on the basis of the basic premium equal to 1.9 MCI and applying appropriate ratios and coefficients (depending on vehicle type, age and driving experience of the insured person, etc.). It is prohibited to increase or decrease the insurance premium amount except based on grounds stipulated in the law.

Guarantee Fund

For the purposes of engaging in certain types of insurance activities, an insurance company shall enter into a participation agreement with the Insurance Payment Guarantee Fund (the “**Fund**”). The Law of the Republic of Kazakhstan No. 423-II “On the Insurance Payment Guarantee Fund” (the “**Law on Fund**”), dated 3 June 2003 (as amended), sets forth the general framework for ensuring insurance payments to beneficiaries (insurers, insured parties, as applicable) in the event of liquidation of an insurance company. The Law on Fund imposes obligations on insurance companies to make compulsory contributions to the Fund. The amount of contributions is calculated by the Fund in accordance with the methodology established by the FMRDA and the NBK and is approved annually with consent of the FMRDA. The Law on Fund, among other things, also establishes sanctions to be applied by the FMRDA in case of non-compliance with set requirements.

Other Regulations

The Insurance Law establishes an exhaustive list of permitted activities for an insurance company and its major shareholder (holding 10% and more of voting shares) and types of legal entities the shares of which may be acquired by an insurance company or its major shareholder.

Pursuant to the Insurance Law, it is required to obtain the approval of the FMRDA top management at the level of an insurance company and at the level of insurance holding (a legal entity which owns directly or indirectly 25% and more of voting shares of the insurance company or may directly or indirectly vote with 25% and more of voting shares or otherwise affect the insurance company's decisions or control the insurance company). For these purposes, top management of an insurance company includes the head and members of the Board of Directors, the head and members of the

executive body, the chief accountant and other managers of the insurance company, who coordinate and (or) control the activities of the business units of the insurance company and are authorised to sign documents on the basis of which insurance activities are conducted. Top management of an insurance holding includes the head and members of the Board of Directors, the executive body, the chief accountant, and other managers of the insurance holding who coordinate and (or) control the activities of the subsidiary organisation and (or) organisation where an insurance holding holds (directly or indirectly) significant participation in the capital of such organisation (i.e., holds 20% and more of the voting shares (participatory interests in the charter capital) (whether held independently or jointly with another legal entity)).

Personal Data Protection

The Personal Data Law applies to the Group. Among other things, the Personal Data Law requires that an individual must consent to the processing (i.e. any action on the accumulation, storage, modification, addition, use, distribution, depersonalisation, blocking and destruction) of their personal data and must provide such consent prior to the personal data being processed. Consent shall be provided in writing or in the form of an electronic document or in any other way with the use of elements of protective actions that do not contradict the legislation of the Republic of Kazakhstan.

Under the Personal Data Law, the storage of personal data shall be carried out by the owners and (or) operators of personal data bases, as well as by any third party which has contractual relationships with such owners and (or) operators, in the database which is physically located and stored within the territory of the Republic of Kazakhstan.

Under the Personal Data Law, owners and operators of personal data databases shall ensure security of personal data through legal, technical and organisational measures and in accordance with requirements set forth by the Law of the Republic of Kazakhstan No. 418-V ZRK “On Informatisation”, dated 24 November 2015 (as amended).

DESCRIPTION OF SHARE CAPITAL AND APPLICABLE KAZAKHSTAN LEGISLATION

Set out below is a summary of material information concerning the share capital of the Company, including a description of certain rights of the holders of common shares and related provisions of the Charter in effect on the date of this Registration Document and of relevant laws of Kazakhstan.

Share Capital

The Company was initially registered with the Department of Justice of the Ministry of the Republic of Kazakhstan as a limited liability partnership on 16 October 2008. The Company was subsequently transformed into a joint stock company on 17 October 2014. The Company can exist for an unlimited duration. As at the date of this Registration Document, the authorised share capital of the Company comprises 216,742,000 Shares. The issued and fully paid share capital of the Company comprises 199,500,000 Shares, of which 7,695,000 are treasury Shares. All shares of the Company are common and in registered form in the share register of the Company maintained by JSC “Central Securities Depository” (the “**Central Securities Depository**”). The currency of the Shares is Kazakhstan Tenge. The principal legislation under which the Company operates, and under which the common shares have been created, is the JSC Law and its LEI is 2549003YU6FARG8OAZ13.

Ownership of the Company’s shares is evidenced by an extract from the shareholders register of the Company. The Central Securities Depository is the only entity authorised to maintain shareholder registers of private companies incorporated in Kazakhstan and is majority-owned by the NBK. The address of the Central Securities Depository is 050051, Republic of Kazakhstan, Almaty, 28 Samal-1 Residential Unit.

Summary of the Charter

The Charter was approved by the sole shareholder of the Company on 15 October 2014 and subsequently amended in 2017 (Amendments No. 1 to the Charter approved on 30 May 2017), 2018 (Amendments No. 2 to the Charter approved on 2 April 2018; Amendments No. 3 to the Charter approved on 9 July 2018; Amendments No. 4 to the Charter approved on 26 November 2018), 2019 (Amendments No. 5 to the Charter approved on 19 August 2019) and 2020 (Amendments No. 6 to the Charter approved on 22 June 2020). The Charter provides that the Company’s purpose, among others, is to engage in the investment-financing activities, finance consulting, and other activities not prohibited by the laws of Kazakhstan and required for the Company. The Company’s main objects and activities are set out in full in Section 3 of the Charter.

Share Rights

Subject to the provisions of the JSC Law and without prejudice to any rights attaching to any existing shares or class of shares, the Company may issue shares and other securities. Subject to the Charter and the provisions of the JSC Law, the authorised but unissued shares of the Company are at the disposal of the Board of Directors.

Rights attaching to Shares and Variation of Rights

The JSC Law provides for two types of shares: common and preference. Each type has attached to it the rights set out in the JSC Law. These rights may be extended by a company’s charter (although the Company’s Charter does not purport to extend such rights), but these rights cannot be restricted.

A holder of common shares has the right:

- to participate in the management of a joint stock company in the manner provided for under the JSC Law and/or the charter of the joint stock company;
- to receive dividends;

- to familiarise him or herself with the financial statements of the joint stock company and to receive information on its activities using the procedure established at the general meeting of shareholders or in the charter of the joint stock company;
- to receive extracts from the joint stock company's registrar (the Central Securities Depository) or, if appropriate, a nominal holder confirming the shareholder's ownership right to the securities;
- to propose to a general meeting of shareholders candidates for election to the board of directors;
- to contest in court the resolutions adopted by the bodies of the joint stock company;
- to file with the joint stock company written requests for information regarding its activities and to receive a response from the joint stock company within 30 calendar days of the date of the filing of such request;
- to receive part of the joint stock company's property in the event of the joint stock company's liquidation;
- of pre-emption in relation to the purchase of shares or other securities convertible into shares of the joint stock company in the manner established under the JSC Law;
- to participate in the adoption of resolutions by the general meeting of shareholders in respect of a change in the amount or type of the shares in the manner established under the JSC Law; and
- if such shareholder or a group of shareholders holds 5% or more of the voting shares of the joint stock company to:

file a claim with a court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officials, as well as a return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received by them as a result of adopting a resolution that proposes the conclusion of major transactions and/or interested party transactions;

propose to the board of directors of the joint stock company to include additional matters to the agenda of the general meeting of shareholders; and

receive information on the amount of remuneration as the result of the year of each member of the board of directors and/or the management board, in the manner established under the JSC Law provided that the following conditions are simultaneously met: (i) determination by the court of the fact of deliberately misleading the joint stock company's shareholders by the respective member of the board of directors and/or the executive body of the joint stock company in order to obtain profit (income) by him (them) or his affiliated persons; (ii) if it is proved that unfair actions and/or inaction of the respective member of the board of directors and/or the executive body of the joint stock company resulted in loss being incurred by the joint stock company.

In addition to the above, a major shareholder, being any shareholder or group of shareholders representing not less than 10% of the voting shares (individually or collectively, as applicable) (a "**Major Shareholder**") has the right:

- to request the convening of an extraordinary general meeting of shareholders, or to file a claim with the court seeking the same where the board of directors refuse to convene a general meeting of shareholders;
- to request to call a meeting of the board of directors of the joint stock company; and

- to request that an audit of the joint stock company be performed at the expense of the relevant Major Shareholder.

Voting Rights

Subject to any rights or restrictions attached to any class of shares by or in accordance with the Charter or the JSC Law, each holder of voting shares present at the meeting of shareholders, whether in person or by proxy, shall have:

- one vote on all procedural issues decided by the meeting of shareholders; and
- one vote per each fully paid share of which he is the holder, on all substantive issues decided by the meeting of shareholders (except in the case of electing the directors, where the number of votes such holder has shall be equal to the number of fully paid shares of which he is the holder multiplied by the number of directors being elected at such a meeting) (see “—*Board of Directors*”).

A resolution of shareholders in writing shall not be effective without a quorum, which requires the attendance of persons holding 50% or more of the voting share capital of the Company or, for a repeated meeting called due to the absence of the 50% quorum, persons holding 40% or more of the voting share capital of the Company. No holder of Shares has voting rights that differ from those of any other holder of Shares.

Dividends and Other Distributions

The JSC Law and the Charter set out the general procedure for determining the dividends that the Company distributes to its shareholders. The net income of the Company shall be distributed in accordance with the procedure provided for by the laws of the Republic of Kazakhstan, the Charter and the Corporate Governance Code. See “*Dividend Policy*”.

Distributions to Shareholders on Liquidation

In the event of liquidation, the property of a joint stock company which is left after the satisfaction of the creditors’ claims is distributed among the shareholders in the following order of priority:

- *first* – payments for shares which must be repurchased pursuant to the JSC Law;
- *second* – payments of accrued and outstanding dividends on preferred shares; and
- *third* – payments of accrued and outstanding dividends on common shares.

If the property of the liquidated joint stock company is insufficient to pay the accrued and outstanding dividends on preferred shares, such property is distributed among the holders of preferred shares in proportion to the number of shares held by them. The remaining property of the joint stock company is distributed among the holders of shares in proportion to the number of shares held by them subject to the JSC Law’s requirement that holders of preferred shares have a priority right to receive dividends and a share in the joint stock company’s property in the event of its liquidation.

Exchange of Shares

The JSC Law and the Charter permit the Company to issue common and preferred shares. The Company may exchange its placed shares of one type to shares of another type. A decision on shares exchange falls within the exclusive competence of the general meeting of shareholders. The terms, timing and procedure of such exchange shall be determined by a decision of the general meeting of shareholders.

Unpaid Shares and Repurchased Shares

The JSC Law states that, until a share has been paid in full, such share cannot be placed, and the respective company must refrain from instructing that the share be credited to the personal account of the would-be acquirer. Instead, the share is credited to the personal account of the company with the Central Securities Depository. Shares which have been repurchased by a company are credited to another special account of the company with the Central Securities Depository. No dividends accrue or are payable on unplaced shares or shares repurchased by the Company, and such shares are not counted for the purposes of determining a quorum and do not carry the right to vote.

Transfer of Shares

To transfer a share, the shareholder (or its representative) must sign a written order and submit it to the Central Securities Depository or nominee for execution or, in the alternative, give suitable electronic instructions as permitted by law. The Central Securities Depository or nominee will execute a sell order by pairing it with a buy order signed by the buyer (or its representative), and vice versa. All dealings with the shares must be registered by making entries in the relevant personal accounts in the registry system or the nominee's books. Legal title to a share passes at the moment when the transaction is so registered (unless each party to the transaction has a different nominee, in which case legal title passes at the moment when the transaction is registered in the personal accounts of each nominee with the Central Securities Depository). An extract from the personal account of a shareholder in the registry system or a nominee's books is evidence of that holder's legal right to a share. The Central Securities Depository or a nominee can refuse to register a transaction if the documents submitted do not conform to legislative requirements. Additionally, the National Bank has the right (by notifying the relevant issuer and the Central Securities Depository) to suspend trading in securities by blocking all or certain personal accounts in the registry or nominee systems if legal requirements establishing the following have been violated: (i) the rights and interests of investors when acquiring securities; or (ii) the terms and procedures for trading securities.

A fee will ordinarily be payable to the Central Securities Depository or nominee for registering the transfer, under contractual terms.

Alteration of Share Capital

The Company may from time to time, by a three-quarters majority of the total number of voting shares, increase its authorised share capital. The Board of Directors may place the shares within the permitted authorised number of shares. Any decision to place shares must state the number, the price and the manner of placement of the shares.

Buy-back/Repurchase of own Shares

Subject to the JSC Law and Law of the Republic of Kazakhstan No. 461-II "On Securities Market" dated 2 July 2003 (as amended) (the "**Securities Market Law**"), and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or otherwise). Such shares will be credited to the Company's account with the Central Securities Depository.

The Company cannot purchase any of its shares which are being placed in a primary offering. Any purchase by the Company must be effected with the consent of the relevant shareholder using a valuation method that has been approved in advance by a foundation meeting or amended by a general meeting of shareholders (save for any purchase which is effected through a stock exchange by way of an open trade). In certain circumstances provided for by the JSC Law, and subject to certain conditions set out in the JSC Law, the Company must repurchase shares belonging to a shareholder within 30 days of receiving a duly formalised request from such shareholder.

In both cases, shares being repurchased by the Company cannot exceed 25% of the total number of placed shares of the Company, and the purchase price for such shares cannot exceed 10% of the size

of the Company's own capital. There is no guarantee that the National Bank will take the position that this limit shall apply in a case of buy-back of securities by the Company.

Pre-Emptive Rights

Under the JSC Law, a shareholder of the Company has a pre-emptive right to acquire newly placed shares of the Company (including newly issued shares or shares previously repurchased by the Company). Holders of shares have pre-emptive rights for shares or for securities convertible into shares and holders of preferred shares have pre-emptive rights for preferred shares.

Within 10 calendar days of the date on which the Company adopts a decision to place a specified number of shares, it must make an offer to each existing shareholder (either by written notification or by way of publication in the mass media) for the shareholder to acquire the shares pro rata to its shareholding at the placement price established by the Company. Each shareholder then has 30 calendar days from the date of such notification or publication to submit an application to acquire shares (i.e. to exercise its pre-emptive right). Upon the expiry of such period, the right to submit an application will lapse. Where a shareholder submits an application to acquire shares, the shareholder then has 30 calendar days from the date of the application to pay for the shares being acquired, unless provided otherwise in the Charter. If no payment is made upon the expiry of such period, the application is deemed to be void.

General Meetings

The Board of Directors must convene and the Company must hold general meetings (including annual and extraordinary general meetings) in accordance with the requirements of the JSC Law. The Board of Directors may call general meetings at such times as it determines. In addition, an extraordinary general meeting may be convened on the written request of a Major Shareholder.

The Board of Directors cannot of its own initiative introduce any changes to the agenda or propose a procedure for the conduct of a general meeting pursuant to a request of the Major Shareholder. However, the Board of Directors may include additional items onto the agenda at its own discretion. Shareholders are entitled to receive not less than 30 (or, in the event of a meeting in absence and in mixed voting cases, 45) days' notice of the holding of any general meeting.

The general meeting of shareholders shall have exclusive competence to determine certain matters, including the following:

- the introduction of amendments and supplements to, or the approval of new version of the Charter and the Corporate Governance Code;
- the voluntary reorganisation (including in relation to the Company's status as a joint stock company) or liquidation of the Company;
- any increase in the amount of authorised shares of the Company or any change in the type of any authorised shares of the Company which have not been placed;
- the amendment of the valuation method for determining the price for the repurchase of shares by the Company;
- the appointment of auditors to undertake the audit of the Company;
- the determination of the scope and the expiry dates of the powers of the Board of Directors, the selection of members of the Board of Directors and early termination of their powers, as well as the determination of the amount and payment terms of remuneration to members of the Board of Directors;
- approval of annual financial statements and the amount of dividends paid on shares, if any; and

- if such decision may not be taken by the Board of Directors, decisions for the Company to conclude any related party transaction.

On issues related to the internal organisation of the Company, a general meeting of shareholders has the right to cancel any decision made by any other management body of the Company.

Board of Directors

The Charter provides that the Board of Directors must comprise at least three (3) persons. The exact number of members of the Board of Directors shall be established by the decision of the General Meeting of Shareholders. Under the JSC Law, not less than 30% of members of the Board of Directors must be independent directors. The “independent director” criteria are set out in the JSC Law.

Directors are elected by the general meeting of shareholders by way of cumulative voting (whereby the number of votes a shareholder has is equal to the number of fully paid shares of which he is the holder multiplied by the number of directors being elected at a meeting of shareholders) and a shareholder has a right to give all such votes fully for one candidate or to distribute votes among several candidates for membership of the Board of Directors. Candidates who receive a majority of votes are considered to be elected to the Board of Directors. If two or more candidates gain an equal number of votes then additional cumulative voting is carried out with regard to such candidates.

The quorum required for a duly convened meeting of the Board of Directors shall comprise not less than 50% of the total number of the members of the Board of Directors.

Each member of the Board of Directors has one vote. The decisions of the Board of Directors are made by a simple majority of those members present at the meeting of the Board of Directors. In case of equal number of votes, the vote of the Chairman of the Board of Directors shall prevail.

The General Meeting of Shareholders has the right of early termination with respect to the powers of any or all members of the Board of Directors and to remove any member of the Board of Directors from office.

The Board of Directors shall have exclusive competence to determine certain matters, including the following:

- the placement of shares, including the price, number and the manner of placement of such shares;
- in relation to the Chairman of the Management Board, the appointment, the term of appointment and the dismissal ahead of the expiry of the term of appointment of such Chairman of the Management Board;
- preliminary approval of the annual financial statements of the Company;
- the remuneration and incentive plan for the members of the management board and other officers;
- the increase of the Company’s liabilities by an amount equal to or exceeding 10% of the Company’s own capital;
- the conclusion by the Company of any major transaction (being, *inter alia*, a transaction or combination of interrelated transactions which result or may result in the purchase or disposal by the Company of assets representing 25% or more of the total balance sheet value of the Company’s assets) and any related party transaction; or
- the determination of the scope and the expiry dates of the powers of the internal audit service of the Company.

According to the banking regulations it is required to obtain the FMRDA's consent for election (appointment) of the Chairman and a member of the Board of Directors. Such consent should be obtained within sixty (60) calendar days from the date of election (appointment).

The Management Board and Chairman of the Management Board

The members of the Management Board and its Chairman are appointed by the Board of Directors for a term established thereby. The Management Board runs the day-to-day operations of the Company. The Management Board is entitled to make decisions on any matters relating to the activity of the Company that are not, under the JSC Law, other legislative acts of Kazakhstan or the Charter, within the competence of other bodies or officers of the Company.

The Chairman of the Management Board is entitled to, amongst other things, hire personnel and represent the Company before third parties and arrange for the performance of actions contemplated by decisions of the General Meeting of Shareholders and the Board of Directors. The Chairman of the Management Board is entitled to enter on behalf of the Company into the following transactions subject to preliminary approval of the Board of Directors:

- any transaction or linked transactions in respect of disposal, pledge or other lien or granting any rights with respect to the securities held by the Company;
- any transaction or linked transactions in respect to borrowing or lending by the Company irrespective of a loan amount; and
- granting to the Company's employees any option rights in respect of the Company's securities.

According to the banking regulations it is required to obtain the consent of the FMRDA for election (appointment) of the Chairman and a member of the Management Board. Such consent should be obtained within sixty (60) calendar days from the date of election (appointment).

Remuneration of Directors

The remuneration of members of the Board of Directors is determined by the General Meeting of Shareholders.

Permitted Interests of Directors

A director of the Company cannot participate in voting on any related party transaction proposed to be entered into by the Company if:

- such director is a party to the transaction or he participates in the transaction as a representative or intermediary; or
- such director is an affiliate of a legal entity that is a party to the transaction or such legal entity participates in the transaction as a representative or intermediary.

Disclosure of Interests in Shares

A list of shareholders that have the right to participate in a meeting of shareholders and vote at the meeting will be prepared by the Central Securities Depository on the basis of information recorded in the register of shareholders of the Company. However, any shareholder holding shares through a nominee and whose identity is not disclosed to the Central Securities Depository shall not be entitled to vote at a meeting of shareholders.

In addition, any person acquiring 10% or more of the voting shares of the Company, or otherwise falling within the definition of an affiliate as provided for in article 64 of the JSC Law, is considered an affiliate of the Company and must disclose to the Company its identity and information about its affiliated persons. Information about the identity of such person and its affiliates is not confidential.

Related Party Transactions

Under the JSC Law, a related party transaction is a transaction in which (a) an affiliate of the company either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary or (b) an affiliate of the company is an affiliate of the legal entity which either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary. The JSC Law excludes certain types of transactions from the definition of a related party transaction (such as, for instance, an acquisition of the company's shares or other securities by its shareholder or a repurchase by the company of the placed shares of the company).

Under the JSC Law, related party transactions must be approved by the majority of dis-interested members of the Board of Directors or, if all members of the Board of Directors are interested, by the decision of a meeting of shareholders made by: (a) the majority of dis-interested shareholders; or (b) a simple majority of the total number of voting shares of the Company if all shareholders are interested. The JSC Law permits the Company to establish in its Charter a different procedure for entry into certain types of related party transactions. The Charter does not provide for any specific procedure for the approval of the related party transaction.

Under the Charter, it is necessary to have at least one vote of a member of the board of directors dis-interested in the transaction. If two out of the three members of the board of directors have interest in the related party transaction, such related party transaction shall be concluded on the basis of the decision of the board of directors taken by at least one vote of a dis-interested member of the board of directors.

Major Transactions

Under the JSC Law, a major transaction is (a) a transaction or a set of inter-related transactions, as a result of which the company acquires or alienates (or will acquire or alienate) property whose value equals 25 or more percent of the total book value of the company's assets; (b) a transaction or an aggregate of inter-related transactions, as a result of which the company may buy its placed securities or sell the securities bought by the company in the amount of 25 or more percent of the total number of placed securities of the same type; (c) another transaction recognised by the company's charter as a major transaction.

Under the JSC Law, major transactions shall be approved by the board of directors. In the event the company enters into a major transaction, as a result of which the company acquires or alienates (may be acquired or alienated) property whose value equals 50 or more percent of the total book value of the company's assets (as of the date of adoption of the decision on entering into such transaction), such transaction shall be approved by the general meeting of shareholders.

The decision on entering into a major transaction in which the company is interested shall be approved by the general meeting of shareholders by a simple majority of votes of the total number of voting shares in the company.

Mandatory Offers

Under the JSC Law, a person who, acting either alone or jointly with its affiliated persons, is acquiring:

- 30% or more of the voting shares of the Company; or
- any other number of voting shares of the Company where such acquisition would result in such person alone or jointly with its affiliated persons holding 30% or more of the voting shares of the Company,

is required to make an offer to the remaining shareholders to buy out their shares at the market price which shall be determined by the acquirer on the basis of the guidelines provided for in the JSC Law (the "**Mandatory Offer**"). Any failure by the acquirer to make such an offer would result in the

acquirer being obliged to reduce its shareholding to not more than 29%. Under the Entrepreneurship Code, any person, acting either alone or jointly with its affiliates, wishing to acquire more than 50% of the voting shares of the Company, must obtain prior consent from the Competition Committee.

Squeeze-out Rules

Squeeze-out rules were introduced into the JSC Law in July 2018, and became effective from 1 January 2019, except for the provision in respect of unclaimed money transferred to the special account opened with the Central Securities Depository, which came into effect on 1 July 2019 (the “**Squeeze-Out**”).

Under the JSC Law, a person who, acting either solely or jointly with its affiliated persons, is acquiring:

- 95% or more of the voting shares of the company; or
- other number of voting shares in aggregate constituting not less than 10% of the voting shares of the company, as a result of which this person acquired, independently or jointly with its affiliates, 95% or more of the voting shares of the company,

has the right to demand from the other shareholders of the company to sell their voting shares. The offer price shall be the market value of voting shares at the stock exchange (if such shares are traded at the stock exchange) or determined by the independent appraisal. The remaining shareholders are obliged to sell their voting shares within 60 calendar days after the date of publication of the request on the internet resource of the depository of financial statements. It is prohibited for such remaining shareholders to enter into any other transactions with the company’s voting shares within such 60-day period.

The Squeeze-Out mechanism does not apply to legal entities belonging to the group of the national managing holding in accordance with the Law of the Republic of Kazakhstan “On the National Welfare Fund”.

The requirements of the JSC Law regarding the Mandatory Offer do not apply to an acquirer who exercises their right to initiate a Squeeze-Out.

MATERIAL CONTRACTS

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) which has been entered into by any member of the Group: (i) within the two years immediately preceding the date of this Registration Document and which is, or may be, material; or (ii) which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Company as at the date of this Registration Document.

Material Financings

In the ordinary course of business, the Group attracts funding to finance its operations in the form of senior and subordinated tenge-denominated bonds listed on KASE.

The terms and conditions of the Group's senior debt instruments include a number of general covenants such as non-change of business, non-change of legal form and compliance with applicable reporting requirements, which are customary to KASE-listed bonds. As at the date of this Registration Document, the Company believes that the Group is in compliance with such covenants.

The following table sets forth the breakdown of the Group's debt securities issued as at the date indicated:

	As at 30 June		
	Maturity date	Nominal interest rate	2020
	Month/ year	%	KZT million
Recorded at amortised cost			
Third bond programme – first issue.....	January 2025	9.90%	51,042
Third bond programme – second issue	January 2024	9.80%	48,411
Third bond programme – third issue.....	January 2023	9.70%	39,382
Total debt securities issued			138,835

The terms and conditions of the Group's subordinated debt instruments do not contain any covenants prohibiting the Group from incurring additional debt or issuing equity securities. The instruments qualify as part of regulatory capital of the Group and are included in the Tier 2 component of regulatory capital.

The following table sets forth the breakdown of the Group's subordinated debt as at the date indicated:

	As at 30 June		
	Maturity date	Nominal interest rate	2020
	Month/ year	%	KZT million
Recorded at amortised cost			
Second bond programme – first issue	July 2021	1% plus inflation rate	10,112
Second bond programme – third issue	February 2023	2% plus inflation rate	5,418
Third bond programme – fourth issue.....	June 2025	10.7%	62,262
Debt component of preference shares	N/A	N/A	-
Total subordinated debt			77,792

INDEPENDENT AUDITORS

The Annual Financial Statements have been audited by Deloitte, LLP, independent auditors, as stated in their audit report appearing herein (the “**Independent Auditor’s Report**”). The address of Deloitte, LLP is 36 Al Farabi Avenue, Almaty 050059, Republic of Kazakhstan. Deloitte, LLP operates under a state licence on auditing in the Republic of Kazakhstan, Number 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006. Deloitte, LLP is a member of the Chamber of Auditors of the Republic of Kazakhstan. Deloitte, LLP does not have a material interest in the Company.

GENERAL INFORMATION

1. Copies of this Registration Document will be available for inspection for 12 months following the date of this Registration Document at www.kaspi.kz.
2. The registered office of the Company is 154a Nauryzbai Batyr Street, Almaty 050013, Republic of Kazakhstan, and its telephone number is +7 727 3563419.
3. There has been no significant change in either the financial performance or the financial position of the Group since 31 December 2019, the end of the last financial period for which financial information has been published, other than as described in the section entitled “Capitalisation”.
4. In the opinion of the Company, the working capital available to the Group is sufficient for the Group’s present requirements, that is, for at least the next 12 months following the date of this Registration Document.
5. The following table sets forth certain information regarding the Group’s significant subsidiaries as at the date of this Registration Document:

Name	Country of Incorporation	Beneficial ownership/ voting rights	Registered Office
Kaspi Bank Joint Stock Company	Kazakhstan	98.95%	154a Nauryzbai Batyr Street, Almaty 050013, Republic of Kazakhstan

GLOSSARY OF TERMS AND DEFINITIONS

In this Registration Document, unless the context otherwise requires, the following words and expressions have the following meanings.

“Active Consumer”	an operating metric calculated for any period as the total number of consumers which have used any of the Group’s products or services at least once during the respective 12 months, expressed in thousands of consumers as of the end of any such period
“Annual Financial Statements”	the audited consolidated financial statements of the Group as at and for the years ended 31 December 2019, 2018 and 2017
“Anti-Money Laundering Law”	Law of the Republic of Kazakhstan No. 191-IV ZRK “On Countering the Legalisation (Laundering) of Criminally Obtained Income and the Financing of Terrorism”, dated 28 August 2009 (as amended)
“Bank Holding”	a bank holding of a Kazakhstan bank as defined under the Banking Law
“Banking Law”	Law of the Republic of Kazakhstan No. 2444 “On Banks and Banking Activity in the Republic of Kazakhstan”, dated 31 August 1995 (as amended)
“Banking Licence”	Licence No. 1.2.245/61 dated 3 February 2020 for performing banking operations granted to Kaspi Bank by the FMRDA
“Board of Directors”	the board of directors of the Company
“Central Securities Depository”	JSC “Central Securities Depository”
“Charter”	the charter of the Company dated 15 October 2014 (as amended)
“Company”	JSC Kaspi.kz
“Consumer Loans”	for the purposes of industry review and analysis of the Company’s market position, consumer finance loans issued to retail customers (excluding mortgage loans)
“DAU” or “Daily Active Users”	an operating metric calculated as the simple average of the daily number of users with at least one discrete session (visit) in excess of 10 seconds on the Super App for the last month of each relevant period
“Deloitte”	Deloitte, LLP, an independent auditor to the Company
“Director(s)”	the director(s) of the Company
“EUR” or “euro”	the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended
“European Union” or “E.U.”	a political and economic union of 28 member states that are located primarily in Europe

“FCA”	the Financial Conduct Authority of the U.K.
“FMRDA”	the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market
“FSMA”	the Financial Services and Markets Act 2000 of the U.K.
“GDRs”	global depositary receipts representing interests in Shares
“General Meeting of Shareholders”	the general meeting of shareholders of the Company
“GMV” or “Gross Merchandise Value”	a financial metric calculated for any period as the total value of goods and services sold across our Marketplace Platform, expressed in millions of tenge
“Group”	the Company and its consolidated subsidiaries
“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board
“IMF”	the International Monetary Fund
“Independent Auditor’s Report”	the audit report prepared by Deloitte, LLP in respect of the Annual Financial Statements
“Insurance Holding”	an insurance holding of a Kazakhstan insurance company as defined under the Insurance Law
“Insurance Law”	Law of the Republic of Kazakhstan No. 126-II “On Insurance Activity”, dated 18 December 2000 (as amended)
“JSC Law”	Law of the Republic of Kazakhstan No. 415-II “On Joint Stock Companies” dated 13 May 2003, as amended
“KASE”	JSC “Kazakhstan Stock Exchange”
“Kaspi Bank”	JSC “Kaspi Bank”
“Kazakhstan” or “Republic of Kazakhstan”	the Republic of Kazakhstan
“KZT” or “tenge”	the lawful currency for the time being of the Republic of Kazakhstan
“Major Participant”	a major participant of a Kazakhstan bank as defined under the Banking Law
“Management Board”	the management board of the Company
“Management Shareholders”	Yuri Didenko, Tengiz Mosidze, Pavel Mironov and Mamuka Kirvalidze
“MAU” or “Monthly Active Users”	an operating metric calculated as the monthly number of users with at least one discrete session (visit) in excess of 10 seconds on the Super App in the respective calendar month, expressed in thousands of users
“MNE”	Ministry of National Economy of the Republic of Kazakhstan Committee on Statistics

“NBK”	the National Bank of the Republic of Kazakhstan
“NPL”	non-performing loan
“Net Promoter Score”	a consumer satisfaction metric based on regular polls conducted by the Group, wherein consumers are asked how likely they are to recommend the Group’s services to friends and relatives on a scale from 0 to 5. Net Promoter Score is then calculated by subtracting the share of consumers giving 1,2,3 from the share of consumers giving 5
“Payment Systems Law”	Law of the Republic of Kazakhstan No. 11-VI ZRK “On Payments and Payment Systems”, dated 26 July 2016 (as amended)
“Pension Centre”	the Kazakhstan State Pension Payment Centre
“Personal Data Law”	Law of the Republic of Kazakhstan “On Personal Data and the Protection Thereof” No. 94-V ZRK, dated 21 May 2013 (as amended)
“POS”	points of sale
“Prospectus Regulation”	Regulation (EU) 2017/1129 (and any amendments thereto)
“Prospectus Regulation Rules”	the Prospectus Regulation Rules of the FCA made under section 73A of the FSMA
“RTPV” or “Revenue-generating Total Payment Volume”	a financial metric calculated for any period as the total value of revenue-generating transactions made by Active Consumers within the Payments Platform, expressed in millions of tenge
“Senior Management”	the senior management of the Group as at the date of this Registration Document
“Shareholders”	means, unless specified otherwise, holder(s) of Share(s)
“Shares”	common shares of the Company
“State Mortgage Bank”	JSC “House Construction Savings Bank of Kazakhstan”
“Super App”	Kaspi.kz consumer Mobile Application
“Tax Code”	the Code of the Republic of Kazakhstan “On Taxes and Other Mandatory Payments to the Budget” introduced with effect from 1 January 2018 (as amended)
“TFV” or “Total Finance Volume”	a financial metric calculated for any period as the total value of loans to customers issued within the Fintech Platform, expressed in millions of tenge
“TPV” or “Total Payment Volume”	a financial metric calculated for any period as the sum of RTPV and total value of other payment transactions made by Active Consumers within the Payments Platform, which are made free of charge within Kaspi Ecosystem (such as P2P payments), expressed in millions of tenge
“U.K.”	the United Kingdom

“U.S.\$”, “U.S. Dollar” or “dollar”	the lawful currency for the time being of the United States
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“VAT”	value added tax
“WTO”	the World Trade Organisation

Company
JSC “Kaspi.kz”
154a Nauryzbai Batyr Street Almaty 050013
Republic of Kazakhstan

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Republic of Kazakhstan

INDEPENDENT AUDITORS TO THE COMPANY

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Almaty 050059
Republic of Kazakhstan

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KASPI.KZ
JOINT STOCK COMPANY

Interim Condensed Consolidated
Financial Information
For the six months ended
30 June 2020 (Unaudited)

Kaspi.kz Joint Stock Company

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**Statement of Management's Responsibilities
For the Preparation and Approval of the Interim Condensed
Consolidated Financial Information
For the Six Months Ended 30 June 2020 (Unaudited)**

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 2020 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 a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair 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

1 September 2020
Almaty, Kazakhstan

Kaspi.kz Joint Stock Company

Interim Condensed Consolidated Statement of Profit or Loss For the Three and Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT, except for earnings per share which are in KZT)

	Notes	Six Months Ended		Three Months Ended	
		30 June 2020 (unaudited)	30 June 2019 (unaudited)	30 June 2020 (unaudited)	30 June 2019 (unaudited)
REVENUE	4,5,6	299,096	226,862	139,115	122,504
Interest Revenue		156,684	118,563	79,882	62,473
Fees & Commissions		86,890	77,986	42,998	40,779
Seller Fees		18,137	15,761	7,052	9,140
Transaction & Membership Revenue		37,765	20,170	19,169	11,645
Other gains/(losses)		(380)	(5,618)	(9,986)	(1,533)
COST OF REVENUE	7	(93,502)	(85,324)	(47,971)	(43,393)
Interest Expenses		(64,380)	(58,841)	(33,294)	(29,992)
Transaction Expenses		(6,987)	(6,213)	(3,546)	(2,896)
Operating Expenses		(22,135)	(20,270)	(11,131)	(10,505)
TOTAL NET REVENUE		205,594	141,538	91,144	79,111
TECHNOLOGY & PRODUCT DEVELOPMENT		(12,095)	(9,453)	(6,220)	(4,729)
SALES & MARKETING		(17,813)	(11,494)	(8,806)	(5,978)
GENERAL & ADMINISTRATIVE EXPENSES		(6,722)	(5,703)	(3,299)	(2,797)
PROVISION EXPENSE	8	(30,095)	(23,212)	(9,604)	(12,110)
OPERATING INCOME		138,869	91,676	63,215	53,497
INCOME TAX	9	(23,290)	(14,675)	(10,569)	(9,007)
NET INCOME		115,579	77,001	52,646	44,490
Attributable to:					
Shareholders of the Company		114,500	74,766	52,150	43,919
Non-controlling Interests		1,079	2,235	496	571
NET INCOME		115,579	77,001	52,646	44,490
Earnings per share					
Basic and diluted (KZT)		597	403	272	235

On behalf of the Management:


Mikheil Lomtadze

Chairman of the Management Board




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 and Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

	Six Months Ended		Three Months Ended	
	30 June 2020 (unaudited)	30 June 2019 (unaudited)	30 June 2020 (unaudited)	30 June 2019 (unaudited)
NET INCOME	115,579	77,001	52,646	44,490
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	(11)	(83)	(6)	(24)
<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	184	(1,918)	2,568	43
Reclassification of (losses)/gains included in profit or loss, net of tax KZT Nil	(276)	(609)	(243)	(48)
Other comprehensive (loss)/gain for the period	(103)	(2,610)	2,319	(29)
TOTAL COMPREHENSIVE INCOME	115,476	74,391	54,965	44,461
Attributable to:				
Shareholders of the Company	114,398	72,246	54,444	43,835
Non-controlling Interests	1,078	2,145	521	626
TOTAL COMPREHENSIVE INCOME	115,476	74,391	54,965	44,461

On behalf of the Management:


Mikhail Lomtadze
Chairman of the Management Board




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 30 June 2020 (Unaudited) (in millions of KZT)

	Notes	30 June 2020 (unaudited)	31 December 2019
ASSETS:			
Cash and cash equivalents	10	361,727	239,140
Mandatory cash balances with National Bank of the Republic of Kazakhstan		25,057	25,243
Due from banks		41,453	43,484
Investment securities and derivatives	11	701,168	474,581
Loans to customers	12	1,227,990	1,292,104
Property, equipment and intangible assets		66,163	60,985
Other assets		59,543	52,044
TOTAL ASSETS		2,483,101	2,187,581
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks		-	3,000
Customer accounts	13, 15	1,814,757	1,626,973
Debt securities issued		138,835	138,574
Insurance reserves		3,273	3,608
Other liabilities	16	117,504	42,018
Subordinated debt		77,792	77,786
TOTAL LIABILITIES		2,152,161	1,891,959
EQUITY:			
Share capital		95,825	95,825
Additional paid-in-capital		506	506
Revaluation reserve of financial assets		370	472
Retained earnings		230,132	195,232
Total equity attributable to Shareholders of the Company		326,833	292,035
Non-controlling interests		4,107	3,587
TOTAL EQUITY		330,940	295,622
TOTAL LIABILITIES AND EQUITY		2,483,101	2,187,581

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board




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 Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

	Share capital	Additional paid-in-capital	Revaluation reserve/(deficit) of financial assets	Retained earnings	Total equity attributable to Shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2019	54,857	506	3,307	142,822	201,492	12,426	213,918
Net Income	-	-	-	74,766	74,766	2,235	77,001
Other comprehensive loss	-	-	(2,520)	-	(2,520)	(90)	(2,610)
Total comprehensive (loss)/income	-	-	(2,520)	74,766	72,246	2,145	74,391
Change in non-controlling interest due to exchange of treasury shares with Kaspi Bank JSC subsidiary shares	40,968	-	-	(31,358)	9,610	(9,610)	-
Dividends declared by subsidiary Kaspi Bank JSC	-	-	-	-	-	(2,513)	(2,513)
Dividends declared	-	-	-	(31,140)	(31,140)	-	(31,140)
Balance at 30 June 2019 (unaudited)	95,825	506	787	155,090	252,208	2,448	254,656
Balance at 31 December 2019	95,825	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 by subsidiary Kaspi Bank JSC	-	-	-	-	-	(558)	(558)
Dividends declared	-	-	-	(79,600)	(79,600)	-	(79,600)
Balance at 30 June 2020 (unaudited)	95,825	506	370	230,132	326,833	4,107	330,940

On behalf of the Management:

Mikheil Comitadze

Chairman of the Management Board



Marina 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 Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

	Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received*		139,744	109,470
Interest paid		(60,061)	(54,961)
Expenses paid on obligatory insurance of individual deposits		(2,597)	(2,042)
Fee & commissions received		138,287	112,484
Fee & commissions paid		(22,532)	(15,481)
Other income received		8,056	2,843
Other expenses paid		(38,178)	(32,851)
Cash flows from operating activities before changes in operating assets and liabilities		162,719	119,462
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Mandatory cash balances with NBRK		185	(3,571)
Financial assets at FVTPL		5,136	661
Due from banks		4,101	(6,351)
Loans to customers		27,727	(96,446)
Other assets		(2,605)	(23,333)
Increase/(decrease) in operating liabilities:			
Due to banks		(3,000)	1,201
Customer accounts		170,713	176,331
Financial liabilities at FVTPL		(7,967)	3,183
Other liabilities		(410)	(16,310)
Cash inflow from operating activities before income tax		356,599	154,827
Income tax paid		(21,811)	(6,921)
Net cash inflow from operating activities		334,788	147,906
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(9,365)	(3,389)
Proceeds on sale of property and equipment		558	219
Proceeds on disposal of financial assets at FVTOCI		315,563	478,280
Purchase of financial assets at FVTOCI		(526,999)	(545,504)
Net cash outflow from investing activities		(220,243)	(70,394)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid by subsidiary to non-controlling interests		(562)	(2,513)
Dividends paid		-	(30,664)
Net cash outflow from financing activities		(562)	(33,177)
Effect of changes in foreign exchange rate on cash and cash equivalents		8,604	(871)
NET INCREASE IN CASH AND CASH EQUIVALENTS		122,587	43,464
CASH AND CASH EQUIVALENTS, beginning of period		239,140	168,471
CASH AND CASH EQUIVALENTS, end of period		361,727	211,935

*Please see Note 3 on presentation of interest received on loans participated in repayment holidays program.

On behalf of the Management:

Mikhail Lomtadze
Chairman of the Management Board



Nailya Ualibekova
Chief Accountant

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

1. Corporate information

Overview

Kaspi.kz is the Payments, Marketplace and Fintech Ecosystem in Kazakhstan. Mobile App is at the core of the Kaspi.kz Ecosystem.

Our Mobile App serves as a single gateway to all our products and services. Through the Kaspi.kz Mobile App we provide a growing range of innovative, interconnected, technologically advanced products that change the way our customers pay, shop and manage their personal finance.

Kaspi.kz operates its Ecosystem with the mission of improving people's lives by developing innovative products and services that address their everyday needs. We are executing our strategy and growing our business by leveraging advanced technology and proprietary big data analytics as well as by designing a seamless customer experience.

Our Ecosystem serves both consumers and merchants and enables all participants to interact with each other. The growth and development of one service contributes to the growth and development of other services creating a powerful network effect, with each participant deriving greater value than if they were to use a standalone service.

Kaspi.kz Segments

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

- *Payments Platform* connects our customers, which consist of both consumers and merchants, to facilitate cashless, digital payment transactions. We offer our customers a technology platform to both pay and receive payments for goods and services, as well as to transfer and withdraw money. We enable consumers to transact with merchants and amongst themselves using a variety of payment options, including Kaspi Gold card and virtual account, any bank card and QR-code. Our Kaspi.kz Mobile App and Kaspi QR technology enable us to build a proprietary payment network that provides end-to-end payment functionality directly from our Kaspi.kz Mobile App to a merchant, without the need for a card and third-party payment network.
- *Marketplace Platform* connects merchants and consumers enabling merchants to increase their sales and enabling consumers to buy a broad selection of products and services from 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.
- *Fintech Platform* enables customers to manage their personal finance online and access consumer finance and deposit products primarily through the Kaspi.kz Mobile App. Our Buy Now Pay Later consumer finance products are also strategically designed around the product and merchant selection on our Marketplace Platform, which means that customers are able to shop seamlessly and pay later for their purchases in several affordable monthly installments.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

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"). The registered address of the Company is 154A, Nauryzbai Batyr street, Almaty, 050013, the Republic of Kazakhstan. During the six months ended 30 June 2020, the Company's indirectly held subsidiary «Kaspi Insurance» JSC was renamed to Insurance Company «Basel» JSC. The Group structure has not changed during 2020.

As at 30 June 2020 and 31 December 2019, the ultimate shareholders' structure of the Company was as follows:

	30 June 2020 %	31 December 2019 %
Ultimate shareholders:		
Baring Vostok Funds	35.23	35.23
Kim Vyacheslav	31.77	31.77
Lomtadze Mikheil (CEO)	25.98	29.00
Goldman Sachs	4.00	4.00
Management	3.02	-
Total	100.00	100.00

In June 2020 members of the founding management team of the Company acquired 3.02% of Kaspi.kz shares from M. Lomtadze. This transaction was not accounted as a share-based payment arrangement as it was exchange of assets between M. Lomtadze and other members of the founding management team and shares were not transferred as compensation for their service as employees of the Group.

Operating environment

External factors affecting Expected credit loss ("ECL") estimates

At the end of the 1st quarter of 2020, there were significant changes in the economic environment where the Group operates. The global pandemic spread of COVID-19 and consecutive "lock down" measures implemented by governments around the world, led to a global deterioration of the macroeconomic environment. As a result of the global pandemic, a significant reduction in oil demand led to a sharp fall of oil prices in March 2020 with further stabilization of oil price in the second quarter of 2020.

To address the spike of COVID-19 cases in Kazakhstan, the Government imposed a state of emergency and severe restrictions on movement of the population and on activity of non-essential entities starting from mid-March 2020 for three months. In the first half of May 2020 the state of emergency was ended with consecutive removal of the majority of restrictions. As a result of these temporary "lock down" measures Kazakhstan's annual economic outlook forecasts were revised downwards for 2020.

In mid-July 2020, the Government re-imposed for certain restrictions on the activity of some entities associated with a high concentration of population in confined areas due to the continued instances of COVID-19. These restrictions were removed in mid-August 2020, with the introduction of strict sanitary rules to prevent further cases.

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

To support customers that got into temporary financial difficulties and/or had limited access to loan repayment infrastructure due to the Government imposed "lock down" measures, the Group announced a loan repayment holidays program ("the Program"). The Program allowed customers to postpone three upcoming monthly payments to later periods with corresponding extension of loan term for three months via the Kaspi.kz Mobile App.

The Program fully complies with the Government's support measures for individuals in the form of the right for repayment holidays that was declared a few days after the Group's announcement. In addition, the Government issued a substantial stimulation and supportive measures package to mitigate the consequences of the macroeconomic shock. In particular, the package includes:

- Direct distribution of a minimal salary amount for all individuals and entrepreneurs, that lost income due to "lock down" measures for each month of activity restriction;
- Support measures to SME's and corporates, to maintain employment levels;
- Repayment holidays for SME's and individuals for a period of up to three months;
- Concessional financing for SME's and corporates;
- Tax payment deferrals for SME's and corporates in certain industries.

The Group has reflected the updated macroeconomic outlooks along with borrowers support measures launched by the Group, and stimulating measures package by Government in its ECL estimates. Further details on the adjustments to the criteria of significant increase of credit risk, credit impairment and ECL are described in Note 3.

The management's analysis of the Group's liquidity and capital position in the second quarter of 2020, demonstrate that the Group has sufficient liquidity buffer and will continue to comply with regulatory requirements, including liquidity risk and capital adequacy ratios, for the foreseeable future.

This interim condensed consolidated financial information was approved on 1 September 2020.

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 assuming that the Group is a going concern, as the Group have 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. This 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 2019 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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)
For the Six Months Ended 30 June 2020 (Unaudited)
(in millions of KZT)

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 2020	31 December 2019
KZT/USD	403.93	382.59
KZT/EUR	452.52	429.00

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 2019, except for the changes as set out below:

Criteria for significant increase of credit risk and credit impairment

To capture additional uncertainties caused by the macroeconomic shock, the management has applied following changes to criteria of impairment staging of loans to customers:

- Loans in the non-past due bucket, that participated in the Program, were maintained in Stage 1, as based on management's assumption, the participation in the Program is not an indicator of significant increase of credit risk by itself;
- Loans with early past due days up to the 30 days, that participated in the Program, were moved from Stage 1 (12 month ECL) to Stage 2 (SICR);
- Loans with past due more than 30 days, that participated in the Program, were moved from Stage 2 (SICR) to Stage 3 (Credit impaired).

The managerial adjustment to the criteria for loan staging is made in a light of IASB clarification "IFRS 9 and COVID-19" taking into account all support measures available to the customers of the Group, that mitigates credit risk over the *expected life* of a financial instrument, as well as the high level of uncertainty regarding the full economic effect of "lock down" measures.

ECL measurement

The Group's ECL model incorporates the historic correlation of macroeconomic and credit risk data, including data from previous macroeconomic shocks in years 2014 - 2015. The ECL estimates as at 30 June 2020, already employ downturn economic outlooks, which were further adjusted, based on management's expertise, to capture most recent effects of "lock down" on economic development. In particular, the Group made the following additional adjustments to the ECL of loans that participated in the Program:

- For loans in non-past due bucket:
 - ECL assessment based on 12 month period, but with additional conservative adjustment to capture possible negative "lock down" effect;
- Loans with early past due days up to 30 days:
 - Switch to lifetime ECL assessment by transferring loans from stage 1 to stage 2;
- Loans with past due more than 30 days:
 - ECL assessment for credit impaired loans by transferring loans to stage 3.

As a result of the updated macroeconomic outlooks and additional management adjustments, the provision expense on loans to customers increased to KZT 28,966 million for the six months ended 30 June 2020 as compared to KZT 24,827 million for the six months ended 30 June 2019, reflecting the forward looking ECL as a result of "lock down". The Group has analyzed actual statistical data through July 2020 to ensure that ECL estimates at the reporting date were affirmed by the actual payment behavior of the Program participants in subsequent periods.

Management makes the assumptions that the further gradual easing of restrictions and adaptation of businesses to new sanitary rules will continue until the end of 2020 year accompanied by the macroeconomic environment's gradual recovery. The overall contraction of GDP experienced during 2020 is forecast to rebound by 2021.

Accounting policy for repayment holidays

Given the mission of the Program, described in Note 1, the Group structured repayment holidays in a way to avoid a higher debt repayment burdens and allow customers to defer payments during the lockdown period. To enable this, interest income accrued during the repayment holidays was recorded as received for the cash flow statement purposes during the period as it was formally financed by providing short-term overdrafts to these borrowers with no additional interest or penalties accrued for the deferral period. Interest received in the cash flow statement for the first half of 2020 includes KZT 32,089 million, representing interest payments from borrowers who, participated in the Program.

As at 19 August 2020, 94% of all customers, participating in the Program, made their monthly payment including interest after expiry of the payments holiday.

Notes to the Interim Condensed Consolidated Financial Information (Continued)
For the Six Months Ended 30 June 2020 (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 2020, but did not have any significant impact on the Group's interim condensed consolidated financial information for the six months ended 30 June 2020:

- Amendments to IFRS 3 Definition of a business;
- Amendments to IAS 1 and IAS 8 Definition of material;
- Amendments to References to the Conceptual Framework in IFRS Standards.

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 six months ended 30 June 2020 and 2019 is presented below:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
REVENUE	299,096	226,862
Marketplace	19,151	15,761
Seller fees	18,137	15,761
Other	1,014	-
Payments	48,594	25,330
Transaction & Membership Revenue	34,880	18,492
Interest Revenue	13,714	6,838
Fintech	231,351	185,771
Interest Revenue	142,970	111,725
Fees & Commissions	86,890	77,986
Transaction & Membership Revenue	2,885	1,678
Other gains/(losses)	(1,394)	(5,618)

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 and revenue from 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 2020 (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. In 2019, the Group decided to combine two platforms, Consumer Financial Services Platform and e-Finance Platform into one platform Fintech. The reason for combination is that migration from offline to online & mobile operations is developing rapidly resulting in about 70% of transactions executed in online & mobile.

The following tables present the summary of each segments revenue, net revenue and net income for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
REVENUE	299,096	226,862
Marketplace	19,151	15,761
Payments	48,594	25,330
Fintech	231,351	185,771
NET REVENUE	205,594	141,538
Marketplace	17,437	14,951
Payments	39,573	18,053
Fintech	148,584	108,534
NET INCOME	115,579	77,001
Marketplace	10,213	9,668
Payments	23,885	9,160
Fintech	81,481	58,173

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).

Notes to the Interim Condensed Consolidated Financial Information (Continued)
For the Six Months Ended 30 June 2020 (Unaudited)
(in millions of KZT)

6. Revenue

Revenue includes interest revenue, fees, commissions, seller fees, transaction & membership revenue and other gains/(losses).

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
REVENUE	299,096	226,862
Interest Revenue	156,684	118,563
Fees & Commissions	86,890	77,986
Seller Fees	18,137	15,761
Transaction & Membership Revenue	37,765	20,170
Other gains/(losses)	(380)	(5,618)

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

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.

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 2020 and 2019, the net gain/(loss) on financial assets and liabilities at fair value through profit or loss amounted to KZT 8,369 million and KZT (9,281) million, respectively. For the six months ended 30 June 2020 and 2019, the net gain/(loss) on foreign exchange operations amounted to KZT (6,171) million and KZT 4,922 million, respectively. It also includes revenue from delivery service and revenue from Digital Classifieds in the Republic of Azerbaijan.

Notes to the Interim Condensed Consolidated Financial Information (Continued)
For the Six Months Ended 30 June 2020 (Unaudited)
(in millions of KZT)

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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
COST OF REVENUE	(93,502)	(85,324)
Interest Expenses	(64,380)	(58,841)
Transaction Expenses	(6,987)	(6,213)
Operating Expenses	(22,135)	(20,270)

Interest expenses include interest expenses on customer accounts, mandatory insurance of retail 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, 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 for the six months ended 30 June 2020 and 2019 are presented as follows:

	Six months ended 30 June 2020 (unaudited)			Six months ended 30 June 2019 (unaudited)		
	Employee benefits	Deprecia- tion & amortisa- tion	Operating lease	Employee benefits	Deprecia- tion & amortisa- tion	Operating lease
Cost of Revenue	(8,847)	(292)	(674)	(8,786)	(221)	(736)
Sales & Marketing	(167)	-	(2)	(150)	-	(12)
Technology & Product Development	(5,488)	(2,946)	(791)	(4,249)	(2,086)	(680)
General & Administrative expenses	(2,976)	(1,038)	(971)	(2,700)	(710)	(1,068)
Total	(17,478)	(4,276)	(2,438)	(15,885)	(3,017)	(2,496)

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

8. Provision expense

The movements in loss allowance for the six months ended 30 June 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		
Loss allowance for ECL as at 31 December 2019	31,983	5,235	70,195	22	304	789	9	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)	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	80	130,127				

The effects of managerial adjustment to ECL, which is described in Note 3 (Significant accounting policies), is allocated in rows "Net changes, resulting from changes in credit risk parameters" and "New assets issued or acquired".

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

The movements in loss allowance for the six months ended 30 June 2019 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	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loss allowance for ECL as at 31 December 2018	21,193	7,028	92,574	13	409	1,940	4	2,063	42	125,266											
Changes in provisions																					
-Transfer to Stage 1	6,597	(376)	(6,221)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(440)	1,415	(975)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Transfer to Stage 3	(2,465)	(5,975)	8,440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(7,744)	4,290	26,347	(7)	(14)	(1,940)	8	327	7	21,274											
Write off, net of recoveries	-	-	(48,793)	-	-	-	-	(8)	-	(48,801)											
New assets issued or acquired	12,953	-	-	4	-	-	-	-	-	12,957											
Repaid assets (except for write off)	(5,815)	(448)	(4,756)	-	-	-	-	-	-	(11,019)											
Foreign exchange difference	-	-	519	-	-	-	-	(1)	-	518											
As at 30 June 2019 (unaudited)	24,279	5,934	67,135	10	395	-	12	2,381	49	100,195											

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 30 June 2020 and 31 December 2019 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 30 June 2020 and 31 December 2019 comprise:

	30 June 2020 (unaudited)	31 December 2019
Vacation reserve and accrued bonuses	482	605
Property, equipment and intangible assets	(3,189)	(2,999)
Other	36	21
Net deferred tax liability	(2,671)	(2,373)

Relationships between tax expenses and accounting profit for the six months ended 30 June 2020 and 2019 are explained as follows:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Net income before income tax	138,869	91,676
Tax at the statutory tax rate of 20%	27,774	18,335
Non-taxable income	(4,879)	(3,907)
Non-deductible expense	395	247
Income tax expense	23,290	14,675
Current income tax expense	22,992	14,617
Deferred tax expense	298	58
Income tax expense	23,290	14,675

During the six months ended 30 June 2020 and 2019, 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 2020 and 2019 years.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

	30 June 2020 (unaudited)	31 December 2019
Net deferred tax liability:		
As at 1 January	(2,373)	(1,833)
Change in deferred income tax balances recognized in consolidated profit or loss	(298)	(540)
At the end of the period	(2,671)	(2,373)

10. Cash and cash equivalents

	30 June 2020 (unaudited)	31 December 2019
Cash on hand	111,445	102,143
Current accounts with other banks	24,500	15,576
Short-term deposits with other banks	199,169	103,852
Reverse repurchase agreements	26,613	17,569
Total cash and cash equivalents	361,727	239,140

As at 30 June 2020 and 31 December 2019, the fair value of collateral of reverse repurchase agreements, which were classified as cash and cash equivalents, amounted to KZT 28,578 million and KZT 22,079 million, respectively.

11. Investment securities and derivatives

	30 June 2020 (unaudited)	31 December 2019
Total financial assets at FVTOCI	696,599	473,255
Total financial assets at FVTPL	4,569	1,326
Total investment securities and derivatives	701,168	474,581

	30 June 2020 (unaudited)	31 December 2019
Debt securities	696,298	472,943
Equity investments	301	312
Total financial assets at FVTOCI	696,599	473,255

As at 30 June 2020 and 31 December 2019, sovereign debt securities of KZT 590,309 million and KZT 391,467 million, respectively, were included in debt securities.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

	A- and higher	BBB+ to BBB-	BB+ to B-	CCC+ and lower	Total
Investment securities and derivatives as at 30 June 2020 (unaudited)	4,394	683,513	11,992	1,269	701,168
Investment securities and derivatives as at 31 December 2019	3,092	438,975	30,530	1,984	474,581

As at 30 June 2020, investment securities and derivatives at FVTOCI of the Group in the amount of KZT 699,899 million and KZT 1,269 million are classified in Stage 1 and Stage 2 (2019: KZT 472,597 million and KZT 1,984 million), respectively according to IFRS 9.

Financial assets at fair value through profit or loss comprise:

	30 June 2020 (unaudited)	31 December 2019
Financial assets at fair value through profit or loss:		
Derivative financial instruments	4,569	1,326
Total financial assets at fair value through profit or loss	4,569	1,326

As at 30 June 2020, financial assets at FVTPL included swap and spot instruments in the amount of KZT 13 million with a notional amount of KZT 16,850 million and forwards in the amount of KZT 4,556 million with a notional amount of KZT 130,904 million. Financial liabilities at FVTPL included swap and spot instruments in the amount of KZT 7 million with a notional amount of KZT 16,813 million and forwards in the amount of KZT 864 million with a notional amount of KZT 133,979 million.

As at 31 December 2019, financial assets at FVTPL included swap and spot instruments in the amount of KZT 6 million with a notional amount of KZT 2,761 million and forwards in the amount of KZT 1,320 million with a notional amount of KZT 193,683 million. Financial liabilities at FVTPL included swap and spot instruments in the amount of KZT 21 million with a notional amount of KZT 8,915 million and forwards in the amount of KZT 8,817 million with a notional amount of KZT 205,458 million.

As at 30 June 2020 and 31 December 2019, restricted deposits included in due from banks with investment credit ratings (higher than 'BBB-') in favour of international payments systems amounted to KZT 26,339 million and KZT 22,227 million, respectively and in favour of non-deliverable forwards amounted to KZT 13,863 million and KZT 19,913 million, respectively.

Notes to the Interim Condensed Consolidated Financial Information (Continued)
For the Six Months Ended 30 June 2020 (Unaudited)
(in millions of KZT)

12. Loans to customers

	30 June 2020 (unaudited)	31 December 2019
Gross loans to customers	1,353,437	1,399,517
Less: allowance for impairment losses (Note 8)	(125,447)	(107,413)
Total loans to customers	1,227,990	1,292,104

As at 30 June 2020 and 31 December 2019, 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 2020 and 2019 are disclosed in Note 8.

As at 30 June 2020 and 31 December 2019, accrued interest of KZT 16,727 million and KZT 17,677 million, respectively, was included in loans to customers.

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	120,692	125,447	104%
Total non-performing loans to customers as at 30 June 2020 (unaudited)	120,692	125,447	104%

	Gross NPLs	Total allowance for impairment losses	Total allowance for impairment to losses gross NPLs
Non-performing loans	115,817	107,413	93%
Total non-performing loans to customers as at 31 December 2019	115,817	107,413	93%

Provision expense on loans to customers for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Provision expense on loans to customers:		
Fintech	(28,966)	(24,827)
Total provision expenses on loans to customers	(28,966)	(24,827)

As at 30 June 2020 and 31 December 2019, the Group did not have outstanding loans which individually exceeded 10% of the Group's equity.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

As at 30 June 2020 and 31 December 2019, 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	1,173,959	25,864	153,614	1,353,437
Loss allowance	(48,947)	(8,393)	(68,107)	(125,447)
Carrying amount as at 30 June 2020 (unaudited)	1,125,012	17,471	85,507	1,227,990

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers				
Gross carrying amount	1,228,093	15,383	156,041	1,399,517
Loss allowance	(31,983)	(5,235)	(70,195)	(107,413)
Carrying amount as at 31 December 2019	1,196,110	10,148	85,846	1,292,104

As at 30 June 2020 and 31 December 2019, commitments on loans and unused credit lines represented by revocable loan commitments amounted to KZT 91,400 million and KZT 77,239 million, respectively.

During the second quarter of 2020, KZT 610,306 million of loans participated in the Program described in Note 1. Out of the loans to customers, participating in the Program, the Group has classified loans of KZT 18,396 million in Stage 2 and KZT 18,898 million in Stage 3 as at 30 June 2020.

As at 19 August 2020, 94% of all customers, participating in the Program, made their monthly payment after expiry of the payments holiday.

13. Customer accounts

	30 June 2020 (unaudited)	31 December 2019
Individuals		
Time deposits	1,405,128	1,298,772
Current accounts	314,126	242,206
Total due to individuals	1,719,254	1,540,978
Corporate customers		
Time deposits	45,672	44,118
Current accounts	49,831	41,877
Total due to corporate customers	95,503	85,995
Total customer accounts	1,814,757	1,626,973

As at 30 June 2020 and 31 December 2019, accrued interest of KZT 10,332 million and KZT 8,996 million, respectively, was included in customer accounts.

As at 30 June 2020 and 31 December 2019, customer accounts of KZT 9,455 million and KZT 13,109 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 2020 and 31 December 2019, customer accounts of KZT 98,701 million (5.4%) and KZT 97,195 million (6.0%), respectively, were due to the top twenty customers.

14. 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).

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited) (in millions of KZT)

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2020 (unaudited)	31 December 2019		
Non-derivative financial assets at FVTOCI (Note 11)	689,172	442,002	Level 1	Quoted bid prices in an active market.
Non-derivative financial assets at FVTOCI (Note 11)	7,356	31,183	Level 2	Quoted prices in markets that are not active or 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.
Unlisted Equity investments classified as financial assets at FVTOCI (Note 11)	71	70	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)	4,569	1,326	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)	871	8,838	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.

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 2020 (unaudited)		
	Carrying amount	Fair value	Fair value hierarchy
Due from banks	41,453	41,429	Level 2
Loans to customers	1,227,990	1,274,103	Level 3
Customer accounts	1,814,757	1,768,738	Level 2
Debt securities issued	138,835	138,011	Level 2
Subordinated debt	77,792	75,864	Level 2

	31 December 2019		
	Carrying amount	Fair value	Fair value hierarchy
Due from banks	43,484	43,621	Level 2
Loans to customers	1,292,104	1,334,322	Level 3
Customer accounts	1,626,973	1,610,650	Level 2
Debt securities issued	138,574	137,651	Level 2
Subordinated debt	77,786	76,347	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.

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.

15. 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 30 June 2020 and 31 December 2019 with related parties:

	As at 30 June 2020 (unaudited)		As at 31 December 2019	
	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				
Customer accounts	9,992	1,814,757	10,303	1,626,973
- key management personnel of the Group	991		1,018	
- other related parties	9,001		9,285	

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Compensation to key management personnel:		
Employee benefits	(393)	(568)

During the six months ended 30 June 2020 and 2019, interest income from transactions with key management personnel amounted to KZT Nil and KZT 81 million, respectively. During the six months ended 30 June 2020 and 2019, interest expense from transactions with key management personnel amounted to KZT 6 million and KZT 38 million, respectively, and other related parties amounted to KZT 53 million and KZT 66 million, respectively. During the six months ended 30 June 2020 and 2019, transaction costs attributable to origination of loans to customers and paid to other related parties on an arm's length basis, amounted KZT 4,174 million and KZT 4,921 million, respectively.

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued)
For the Six Months Ended 30 June 2020 (Unaudited)
(in millions of KZT)

16. Other liabilities

	30 June 2020 (unaudited)	31 December 2019
Other financial liabilities:		
Accrued dividends	80,624	1,028
Payables for customers' online transactions	9,341	11,703
Payables for Visa and Master Card transactions	1,669	482
Accrued expenses	1,348	1,918
Derivative financial liabilities	871	8,838
Other	1,540	174
Total financial liabilities	95,393	24,143
Other non-financial liabilities:		
Prepayments	4,335	4,779
Current income tax payable	3,288	1,084
Deferred tax liabilities	2,671	2,373
Accumulated employee benefits	2,232	1,733
Employee vacation reserves	1,586	1,338
Other taxes payable	1,329	2,191
Other	6,670	4,377
Total non-financial liabilities	22,111	17,875
Total other liabilities	117,504	42,018

In July 2020, Kaspi.kz JSC paid dividends to the shareholders in the amount of KZT 79,600 million.

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:

	30 June 2020 (unaudited)	31 December 2019
Capital adequacy ratios:		
Tier 1 capital	19.5%	17.6%
Total capital	23.9%	22.4%

Kaspi.kz Joint Stock Company

Notes to the Interim Condensed Consolidated Financial Information (Continued) For the Six Months Ended 30 June 2020 (Unaudited)

(in millions of KZT)

As at 30 June 2020 and 31 December 2019, JSC Kaspi Bank had complied with NBRK's capital requirements. The following table presents the JSC Kaspi Bank's capital adequacy ratios in accordance with the NBRK requirements:

	30 June 2020 (unaudited)	31 December 2019
Capital adequacy ratios:		
Tier 1 capital (k1.2)	14.7%	11.4%
Total Capital (k.2)	18.0%	14.5%

18. Subsequent events

In July 2020, the Company acquired a 100% share of Traveleasy LLC, whose primary business is selling online airline and railway tickets. The initial accounting for the business combination was incomplete at the time the interim consolidated financial information is authorized for issue.

In July 2020, the Company established a fully owned subsidiary Kaspi Pay LLC to launch new mobile payments platform for merchants, enabled by QR technology and Kaspi Pay mobile app.

KASPI.KZ

JOINT STOCK COMPANY

Consolidated Financial Statements
For the years ended
31 December 2019, 2018 and 2017

Kaspi.kz Joint Stock Company

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kaspi.kz Joint Stock Company

Opinion

We have audited the consolidated financial statements of Kaspi.kz Joint Stock Company and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2019, 2018 and 2017 and the consolidated statements of profit or loss, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, 2018 and 2017 and its consolidated financial performance and its consolidated cash flows for the each of the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Kaspi.kz Joint Stock Company

Statement of Management's Responsibilities For the Preparation and Approval of the Consolidated Financial Statements For the Years Ended 31 December 2019, 2018 and 2017

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Kaspi.kz Joint Stock Company and its subsidiaries ("the Group") as at 31 December 2019, 2018 and 2017 and the results of its operations, cash flows and changes in equity for the years then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, 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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's 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 consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

These consolidated financial statements were approved by the Chairman of the Management Board and the Chief Accountant on 20 February 2020 and will be provided to the shareholders for approval in accordance with the requirements of the legislation of the Republic of Kazakhstan.

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board

20 February 2020
Almaty, Kazakhstan


Nailya Ualibekova
Chief Accountant



Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p><i>Impairment of loans to customers under IFRS 9 Financial instruments ("IFRS 9")</i></p>	<p>The audit procedures performed in this area, included:</p>
<p>As disclosed in Note 13, loans to customers amounted to KZT 1,292,104 million, net of the related allowance for impairment losses of KZT 107,413 million as at 31 December 2019.</p> <p>The assessment of the significant increase in credit risk and measurement of expected credit losses require considerable judgment in analyzing all reasonable and supportable information at the reporting date. Key areas of judgement included:</p> <ul style="list-style-type: none"> • The identification of loans with a significant increase in credit risk or credit impaired loans and allocation of loans to the appropriate stage of impairment; • Measuring the amount of expected credit losses by assessing the probability of a loan falling into default and amount of recoveries expected from defaulted loans, including the valuation of collateral to determine the loss given default for individually assessed impaired loans. <p>Due to the significance of the loans' balances, magnitude of estimation uncertainties and the complexity of judgements applied by management in measuring expected credit losses, we identified impairment of loans as a key audit matter.</p>	<ul style="list-style-type: none"> • Obtaining an understanding of the loan loss provisioning process, particularly over the capture of loans in terms of the stage allocation, measurement and recognition of allowances for expected credit losses. It included an assessment of design and implementation of relevant controls over the expected credit loss model, including model governance and mathematical accuracy; • Assessment of the provisioning methodology developed for calculation of impairment losses in accordance with the requirements outlined in IFRS 9; • Assessment of the reasonableness of management's assumptions and input data used in the model, including the staging of loans, the probability of a loan falling into default and assessment of any recoveries expected from defaulted loans with the involvement of our internal specialists against requirements of the accounting standards. We tested the underlying statistical data, represented by the principle balances, including overdue principle and interest and allocation of loans by days in arrears on a sample basis; • Independent assessment of collateral valuation used in calculation of impairment losses for individually assessed impaired loans by challenging assumptions around future cash flows, valuation of collateral held and realization period, as well as discount factors, by agreeing these key assumptions based on historical data, to supporting documents. • Consideration of the adequacy and completeness of the Group's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9. <p>We found no material exceptions in these tests.</p>

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Nurlan Belenov
General Director
Deloitte LLP
State license on auditing in the
Republic of Kazakhstan
№ 0000015, type MFU-2, issued by the
Ministry of Finance of the
Republic of Kazakhstan dated
13 September 2006



Zhangir Zhilybayev
Engagement partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012

20 February 2020
Almaty, Kazakhstan

Kaspi.kz Joint Stock Company

Consolidated Statements of Profit or Loss

For the Years Ended 31 December 2019, 2018 and 2017

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

	Notes	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
REVENUE	4,5,6	513,914	375,331	275,753
Interest Revenue		262,335	195,066	157,971
Fees & Commissions		163,876	140,259	106,841
Seller Fees		44,701	25,020	12,174
Transaction & Membership Revenue		53,666	19,255	5,748
Other gains(losses)		(10,664)	(4,269)	(6,981)
COST OF REVENUE	7	(174,186)	(144,682)	(130,046)
Interest Expense		(118,505)	(102,685)	(97,126)
Transaction Expenses		(14,125)	(6,709)	(3,288)
Operating Expenses		(41,556)	(35,288)	(29,632)
TOTAL NET REVENUE		339,728	230,649	145,707
TECHNOLOGY & PRODUCT DEVELOPMENT		(20,334)	(15,721)	(13,465)
SALES & MARKETING		(28,490)	(17,167)	(7,258)
GENERAL & ADMINISTRATIVE EXPENSES		(13,259)	(9,945)	(12,462)
PROVISION EXPENSE	8	(38,505)	(52,579)	(27,743)
OPERATING INCOME		239,140	135,237	84,779
INCOME TAX	9	(42,017)	(24,118)	(13,485)
NET INCOME		197,123	111,119	71,294
Attributable to:				
Shareholders of the Company		193,790	105,540	65,278
Non-controlling Interests		3,333	5,579	6,016
NET INCOME		197,123	111,119	71,294
Earnings per share				
Basic and diluted (KZT)	10	1,027	676	311

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board


Nailya Ualibekova
Chief Accountant

The notes on pages 11-72 form an integral part of these consolidated financial statements.

Kaspi.kz Joint Stock Company

Consolidated Statements of Other Comprehensive Income For the Years Ended 31 December 2019, 2018 and 2017 (in millions of KZT)

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
NET INCOME	197,123	111,119	71,294
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	(66)	(126)	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in investment revaluation reserve for debt instruments at FVTOCI (2017: equity and debt instruments classified as investments available-for-sale):			
(Losses)gains arising during the period, net of tax KZT Nil	(1,886)	152	4,374
Reclassification of losses(gains) included in profit or loss, net of tax KZT Nil	(976)	8	(170)
Other comprehensive (loss)income for the year	(2,928)	34	4,204
TOTAL COMPREHENSIVE INCOME	194,195	111,153	75,498
Attributable to:			
Shareholders of the Company	190,955	105,572	69,240
Non-controlling Interests	3,240	5,581	6,258
TOTAL COMPREHENSIVE INCOME	194,195	111,153	75,498

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board




Nailya Ualibekova
Chief Accountant

The notes on pages 11-72 form an integral part of these consolidated financial statements.

Kaspi.kz Joint Stock Company

Consolidated Statements of Financial Position

As at 31 December 2019, 2018 and 2017

(in millions of KZT)

	Notes	31 December 2019	31 December 2018	31 December 2017
ASSETS:				
Cash and cash equivalents	11	239,140	168,471	304,839
Mandatory cash balances with National Bank of the Republic of Kazakhstan		25,243	17,215	10,870
Due from banks		43,484	22,872	8,334
Investment securities and derivatives	12	474,581	366,631	212,535
Loans to customers	13	1,292,104	1,067,002	891,323
Property, equipment and intangible assets	14	60,985	36,688	32,175
Other assets	15	52,044	20,773	12,766
TOTAL ASSETS		2,187,581	1,699,652	1,472,842
LIABILITIES AND EQUITY				
LIABILITIES:				
Due to banks	16	3,000	49	63,200
Customer accounts	17	1,626,973	1,232,920	979,639
Debt securities issued	18	138,574	138,094	111,335
Insurance reserves		3,608	4,615	4,947
Other liabilities	19	42,018	20,453	29,290
Subordinated debt	20	77,786	89,603	93,579
TOTAL LIABILITIES		1,891,959	1,485,734	1,281,990
EQUITY:				
Share capital	21	95,825	54,857	130,144
Additional paid-in-capital		506	506	506
Revaluation reserve of financial assets		472	3,307	3,275
Retained earnings		195,232	142,822	47,207
Total equity attributable to Shareholders of the Company		292,035	201,492	181,132
Non-controlling interests		3,587	12,426	9,720
TOTAL EQUITY		295,622	213,918	190,852
TOTAL LIABILITIES AND EQUITY		2,187,581	1,699,652	1,472,842

On behalf of the Management:


Mikheil Lomtadze
Chairman of the Management Board




Nailya Ualibekova
Chief Accountant

The notes on pages 11-72 form an integral part of these consolidated financial statements.

Kaspi.kz Joint Stock Company

Consolidated Statements Of Changes in Equity For the Years Ended 31 December 2019, 2018 and 2017 (in millions of KZT)

	Issued capital	Treasury shares	Additional paid-in-capital	Revaluation reserve of financial assets	Property revaluation reserve	Retained earnings	Total equity attributable to holders of the parent	Non-controlling interest	Total equity
Balance at 31 December 2016	130,144	-	506	(587)	(48)	(2,863)	127,052	10,163	137,215
Net Income	-	-	-	-	-	65,278	65,278	6,016	71,294
Other comprehensive income	-	-	-	3,962	-	-	3,962	242	4,204
Total comprehensive income	-	-	-	3,962	-	65,278	69,240	6,258	75,498
Release of property revaluation reserve	-	-	-	-	48	(46)	2	(2)	-
Dividends declared	-	-	-	-	-	(15,162)	(15,162)	-	(15,162)
Dividends declared by subsidiary Kaspi Bank JSC	-	-	-	-	-	-	-	(2,021)	(2,021)
Decrease in non-controlling interest due to buy-back by subsidiary Kaspi Bank JSC	-	-	-	-	-	-	-	(4,678)	(4,678)
Balance at 31 December 2017	130,144	-	506	3,275	-	47,207	181,132	9,720	190,852
Effect of IFRS 9 adoption on 1 January 2018	-	-	-	-	-	(9,925)	(9,925)	(146)	(10,071)
Balance at 1 January 2018 (as restated)	130,144	-	506	3,275	-	37,282	171,207	9,574	180,781
Net Income	-	-	-	-	-	105,540	105,540	5,579	111,119
Other comprehensive income	-	-	-	32	-	-	32	2	34
Total comprehensive income	-	-	-	32	-	105,540	105,572	5,581	111,153
Dividends declared by subsidiary Kaspi Bank JSC	-	-	-	-	-	-	-	(2,729)	(2,729)
Purchase of treasury shares	-	(75,287)	-	-	-	-	(75,287)	-	(75,287)
Balance at 31 December 2018	130,144	(75,287)	506	3,307	-	142,822	201,492	12,426	213,918
Net Income	-	-	-	-	-	193,790	193,790	3,333	197,123
Other comprehensive loss	-	-	-	(2,835)	-	-	(2,835)	(93)	(2,928)
Total comprehensive (loss)/income	-	-	-	(2,835)	-	193,790	190,955	3,240	194,195
Dividends declared	-	-	-	-	-	(97,697)	(97,697)	-	(97,697)
Dividends declared by subsidiary Kaspi Bank JSC	-	-	-	-	-	-	-	(3,053)	(3,053)
Change in non-controlling interest due to exchange of treasury shares with Kaspi Bank JSC subsidiary shares (Note 1)	-	40,968	-	-	-	(31,942)	9,026	(9,026)	-
Transaction for entities under common control (Note 1)	-	-	-	-	-	(11,741)	(11,741)	-	(11,741)
Balance at 31 December 2019	130,144	(34,319)	506	472	-	195,232	292,035	3,587	295,622

On behalf of the Management:

Mikhail Lomtadze
Chairman of the Management Board

Nailiya Ualibekova
Chief Accountant

The notes on pages 11-72 form an integral part of these consolidated financial statements.



Kaspi.kz Joint Stock Company

Consolidated Statements of Cash Flows

For the Years Ended 31 December 2019, 2018 and 2017

(in millions of KZT)

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received	237,198	182,349	132,706
Interest paid	(112,661)	(101,409)	(95,315)
Expenses paid on obligatory insurance of individual deposits	(4,391)	(3,215)	(2,832)
Fee & commission received	238,867	176,337	123,747
Fee & commission paid	(37,599)	(13,141)	(6,267)
Other income received	8,010	3,414	2,119
Other expenses paid	(71,963)	(63,491)	(53,241)
Cash flows from operating activities before changes in operating assets and liabilities	257,461	180,844	100,917
Changes in operating assets and liabilities			
(Increase)decrease in operating assets:			
Mandatory cash balances with NBRK	(8,028)	(6,345)	(3,186)
Financial assets at fair value through profit or loss	(6,460)	(1,482)	60,812
Due from banks	(20,657)	(13,147)	(6,625)
Loans to customers	(301,018)	(242,319)	(198,286)
Other assets	(4,174)	(2,425)	(4,058)
Increase(decrease) in operating liabilities:			
Due to banks	2,951	(62,858)	23,028
Customer accounts	417,295	211,058	165,012
Financial liabilities at FVTPL	8,838	(1,312)	1,312
Other liabilities	(8,227)	(4,289)	11,033
Net cash inflow from operating activities before income tax	337,981	57,725	149,959
Income tax paid	(41,634)	(22,068)	(8,370)
Net cash inflow from operating activities	296,347	35,657	141,589
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	(16,932)	(10,991)	(5,241)
Proceeds on sale of property and equipment	556	436	681
Proceeds on sale of financial assets at FVTOCI (2017: investments available-for-sale)	296,318	149,691	186,077
Purchase of financial assets at FVTOCI (2017: investments available-for-sale)	(381,067)	(268,422)	(155,269)
Net cash outflow on transaction under common control	(11,730)	-	-
Net cash (outflow)inflow from investing activities	(112,855)	(129,286)	26,248
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt securities issued	-	(12,715)	-
Issue of debt securities issued	-	38,108	-
Repayment of subordinated debt	(11,368)	(3,924)	(10)
Dividends paid	(97,697)	-	(15,156)
Dividends paid by subsidiary to non-controlling interest	(3,175)	(3,261)	(589)
Purchase of non-controlling interest by subsidiaries	-	-	(4,679)
Purchase of treasury shares	-	(75,287)	-
Net cash outflow from financing activities	(112,240)	(57,079)	(20,434)
Effect of changes in foreign exchange rate on cash and cash equivalents	(583)	14,340	47
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	70,669	(136,368)	147,450
CASH AND CASH EQUIVALENTS, beginning of period	168,471	304,839	157,389
CASH AND CASH EQUIVALENTS, end of period	239,140	168,471	304,839

On behalf of the Management:

Mikheil Lomtadze
Chairman of the Management Board



Nailya Ualibekova
Chief Accountant

The notes on pages 11-72 form an integral part of these consolidated financial statements.

1. Corporate information

Overview

Kaspi.kz is the Payments, Marketplace and Fintech Ecosystem in Kazakhstan. Mobile App is at the core of the Kaspi.kz Ecosystem.

Our Mobile App serves as a single gateway to all our products and services. Through the Kaspi.kz Mobile App we provide a growing range of innovative, interconnected, technologically advanced products that change the way our customers pay, shop and manage their personal finance.

Kaspi.kz operates its Ecosystem with the mission of improving people's lives by developing innovative products and services that address their everyday needs. We are executing our strategy and growing our business by leveraging advanced technology and proprietary big data analytics as well as by designing a seamless customer experience.

Our Ecosystem serves both consumers and merchants and enables all participants to interact with each other. The growth and development of one service contributes to the growth and development of other services creating a powerful network effect, with each participant deriving greater value than if they were to use a standalone service.

Kaspi.kz Segments

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

- *Payments Platform* connects our customers, which consist of both consumers and merchants, to facilitate cashless, digital payment transactions. We offer our customers a technology platform to both pay and receive payments for goods and services, as well as to transfer and withdraw money.

We enable consumers to transact with merchants and amongst themselves using a variety of services, including Kaspi Gold card, any bank card or e-Wallet. Our Kaspi.kz Mobile App and Kaspi QR technology enable us to build a proprietary payment network that provides end-to-end payment functionality directly from our Kaspi.kz Mobile App to a merchant, without the need for a card and third-party payment network.

Through the Payments Platform, we generate transaction fees from customers and merchants, card interchange fees, annual fees from customers, as well as interest revenue from interest-free cash balances.

- *Marketplace Platform* connects merchants and consumers enabling merchants to increase their sales and enabling consumers to buy a broad selection of products and services from a variety of merchants.

We help merchants increase their sales by linking them to our technology, payment options, including consumer finance products, marketing and brand. Fulfilment options include in-store pick up, delivery by merchants and delivery powered by Kaspi.kz.

Kaspi.kz Joint Stock Company

Notes to Consolidated Financial Statements (Continued) For the Years Ended 31 December 2019, 2018 and 2017 (in millions of KZT)

Through the Marketplace Platform, we generate seller fees from merchants.

- *Fintech Platform* enables customers to manage their personal finance online and access consumer finance and deposit products primarily through the Kaspi.kz Mobile App. Our consumer finance products are also strategically designed around the product and merchant selection on our Marketplace Platform, which means that customers are able to select goods and merchants first, and then seamlessly access available solutions to finance their purchases.

Through the Fintech Platform we generate interest, fee revenue and membership fees from customers who are members of the Kaspi Red Shopping Club.

Information about the group of companies

Kaspi.kz Joint Stock Company was incorporated in the Republic of Kazakhstan on 16 October 2008 and registered as a Legal Company Asian Advisers Limited Liability Partnership. On 24 October 2012, the Group was re-registered due to a change in the composition of participants. On 15 October 2014, the Group changed its status from Limited Liability Partnership to Kaspi Joint Stock Company. By resolution of the board of the National Bank of the Republic of Kazakhstan ("NBRK") #166 dated 16 September 2015, Kaspi.kz Joint Stock Company was granted the status of a bank holding Group of Kaspi Bank Joint Stock Company. The registered address of the Group is 154A, Nauryzbai Batyr street, Almaty, 050013, the Republic of Kazakhstan.

In February 2019, the Company acquired 100% share of Kaspi Office LLP (former – Bona Trade LLP) for KZT 258 thousand. This transaction was accounted as an asset acquisition as the Group didn't acquire any significant employees, processes or activities that would constitute a "business" in addition to the real estate and other insignificant assets acquired. Substantially all of the consideration paid has been allocated to the cost of real estate acquired and liabilities assumed.

In September 2019, the Company acquired three leading classified platforms (Turbo.az (a car marketplace), Tap.az (a used and new items marketplace) and Bina.az (a real estate marketplace)) in the Republic of Azerbaijan. The Company purchased 100% of shares in Digital Classifieds OÜ, an Estonian company (refer as Digital Classifieds thereafter), holding these platforms, from Blue Ocean Partners Ltd, its related party. Based on the accounting policy, the assets and liabilities acquired from business combinations under common control are recognized at the carrying amounts in the consolidated financial statements. The difference between consideration transferred and carrying amount of net assets acquired is added to or subtracted from Equity reserves. The acquisition of Digital Classifieds OÜ was accounted as business combination under common control and the difference between the net assets acquired (KZT 247 million) and consideration paid (KZT 11,988 million) was subtracted from Equity reserves in the amount of KZT 11,741 million.

In June 2019, Kaspi.kz acquired 4.55% of Kaspi Bank JSC shares through a share exchange of Kaspi.kz JSC repurchased shares for shares of Kaspi Bank JSC.

Kaspi.kz Joint Stock Company

Notes to Consolidated Financial Statements (Continued) For the Years Ended 31 December 2019, 2018 and 2017 (in millions of KZT)

Kaspi.kz Joint Stock Company is the parent Group of the following directly and indirectly held subsidiaries:

Subsidiary	Type of operation	Country of operation	Ownership as at 31 December 2019	Ownership as at 31 December 2018	Ownership as at 31 December 2017
Kaspi Group JSC	Holding Company	Kazakhstan	Directly (100%)	Directly (100%)	Directly (100%)
Kaspi Magazin LLP	E-commerce	Kazakhstan	Directly (100%)	Directly (100%)	Directly (100%)
Kaspi Bank JSC	Banking	Kazakhstan	Indirectly (98.95%)	Indirectly (94.40%)	Indirectly (94.07%)
Kaspi Insurance JSC	Insurance	Kazakhstan	Indirectly (98.95%)	Indirectly (94.40%)	Indirectly (94.07%)
ARK Balance LLP	Distressed asset management	Kazakhstan	Indirectly (98.95%)	Indirectly (94.40%)	Indirectly (94.07%)
Kaspi Office LLP	Real estate	Kazakhstan	Directly (100%)	-	-
Digital Classifieds OÜ	E-commerce	Azerbaijan	Directly (100%)	-	-

As at 31 December 2019, 2018 and 2017, the shareholders' structure of shares was as follows:

	31 December 2019 %	31 December 2018 %	31 December 2017 %
Ultimate shareholders:			
Baring Vostok Funds	35.23	35.11	38.57
Kim Vyacheslav	31.77	33.27	21.45
Mikheil Lomtadze	29.00	31.62	9.98
Goldman Sachs	4.00	-	-
Satybaldyuly Kairat	-	-	30.00
Total	100.00	100.00	100.00

These consolidated financial statements were approved by the Chairman of the Management Board and the Chief Accountant on 20 February 2020 and will be provided to the shareholders for approval in accordance with the requirements of the legislation of the Republic of Kazakhstan.

2. Basis of presentation

Foreign currency translation

In preparing the financial statements of each individual entity, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates or exchange rates prevailing at the reporting date. Transactions in foreign currencies are initially recorded at their spot rates at the date of the transaction.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Rates of exchange

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

	31 December 2019	31 December 2018	31 December 2017
KZT/USD	382.59	384.20	332.33
KZT/EUR	429.00	439.37	398.23

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

3. Significant accounting policies

Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The Group and its subsidiaries maintain their accounting records in accordance with IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. The Group presents its statement of financial position in order of liquidity.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit and loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Kaspi.kz Joint Stock Company ("the Company") and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company. Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Leases

Effective from 1 January 2019, IFRS 16, *Leases* ("IFRS 16") has replaced IAS 17, *Leases* ("IAS 17"). The Group has applied new standard on a modified retrospective basis without restating prior periods. The new standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted under IAS 17.

The Group as lessee

The Group as lessee recognizes a right-of-use asset and a corresponding liability to pay future rentals on the consolidated statement of financial position. The asset will be amortised over the shorter of the length of the lease and the useful economic life, subject to review for impairment, and the liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate.

The Group recognises lease payments for short-term leases or leases in which the base asset has a low value as an expense during the lease period. In a long-term lease, assets are recognised at the lease start date as right-of-use and a lease liability.

A right-of-use asset is recognised in accounting at initial value – the initial measurement of lease liabilities and lease payments as at the lease start date or before that date less lease facilitating payments received and any initial direct lease costs.

On 1 January 2019 there was no material impact on the Group's consolidated statement of financial position on implementation of IFRS 16.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash balances with NBRK, reverse repurchase agreements and unrestricted balances on correspondent accounts and deposits with other banks with original maturities within three months and are free from contractual encumbrances. Cash and cash equivalents are measured at amortised cost.

Mandatory cash balances with NBRK

Mandatory cash balances with NBRK represent funds in correspondent accounts with the NBRK and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks initially are recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method, and are carried net of allowance for impairment losses.

Property, equipment and intangible assets

Property, equipment and intangible assets, except land and buildings, are carried at historical cost less accumulated depreciation and any recognised impairment loss, if any. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and amortization of intangible assets is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. Depreciation has been calculated on a straight-line basis at 2% per annum for buildings and construction and 10-33.3% for furniture and computers and intangible assets.

Leasehold improvements are amortized over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and renewals are charged when incurred and included in operating expenses in the consolidated statement of profit or loss, unless they qualify for capitalization.

Buildings and constructions held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation defined on the basis of market data by qualified independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of property is recognised and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to the consolidated profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in the consolidated profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. Depreciation of property revaluation reserve is transferred from property revaluation reserve to retained earnings on an annual basis. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight-line basis over the useful life of the assets.

The expenses associated with the registration of ownership, maintenance and valuation of investment property are included in the cost of sales.

The depreciation expense and payment of taxes associated with ownership of investment property are included in general and administrative expenses. Investment property is disclosed within other non-financial assets in the consolidated financial statements (Note 15).

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The Group records a provision for uncertain tax positions if it is probable that the Group will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Group's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

Operating taxes

The Republic of Kazakhstan also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to a provision is presented in the Consolidated Statement of Profit or Loss net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of the financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Financial instruments

In 2018, the Group has applied IFRS 9 (as revised in July 2014) and the related consequential amendments to other IFRS that are effective for an annual period that begins on or after 1 January 2018. According to the transition provisions of IFRS 9, the Group elected not to restate comparatives. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018 and details of new IFRS 9 requirements are described in each relevant accounting policy.

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

In 2017, financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments ("HTM"), 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

From 1 January 2018 due to the adoption of IFRS 9, all recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" ("SPPI") criterion, are classified at initial recognition as fair value through profit or loss ("FVTPL"). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", are measured at FVTPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model under which these instruments are managed:

- Financial assets, other than equity investments, that are managed on a "hold to collect" basis are measured at amortised cost;
- Financial assets, other than equity investments, that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income ("FVTOCI");
- Financial assets, including equity investments, that are managed on another basis, including trading financial assets, will be measured at FVTPL.

Equity financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify an instrument as FVTOCI. For equity investments classified as FVTOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

Financial assets, other than equity investments, that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

After initial measurement, amortised cost financial assets are measured using the effective interest rate method, less any impairment losses. The fair value of FVTPL and AFS/FVTOCI financial assets is determined under IFRS 13, *Fair Value Measurement* ("IFRS 13"). The fair value gains or losses for FVTPL are recognized in the statement of profit or loss and for AFS/FVTOCI are recognized in the other comprehensive income, until these instruments are disposed of. During 2017, unrealized gains/losses on equity investments were reclassified to the statement of profit or loss upon a sale. This treatment ceased with the adoption of IFRS 9 as described above.

During 2017, loans to customers, accounts receivable and other financial assets that have fixed or determinable payments that are not quoted in an active market (including balances with the NBRK, due from banks) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. These instruments continue to be accounted for at amortized cost after the adoption of IFRS 9.

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AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. These instruments are accounted for at fair value under IFRS 9. The Group has designated these investments as equity instruments at FVTOCI as the Group plans to hold them in the long term for strategic reasons.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. All derivative financial instruments are classified as held for trading and measured at fair value through profit or loss and not designated for hedge accounting.

Impairment of financial assets prior to 1 January 2018

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. During the year ended 31 December 2017, financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant (more than 25%) or prolonged (more than two quarters) decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve of financial assets.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's effective interest rate.

Notes to Consolidated Financial Statements (Continued) For the Years Ended 31 December 2019, 2018 and 2017 (in millions of KZT)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When the financial assets are considered uncollectible, they are written off against the allowance account.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

If an AFS asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognised in the consolidated statements of profit or loss is transferred from equity to the consolidated statement of profit or loss.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment of financial assets since 1 January 2018

Expected credit loss ("ECL") measurement - definitions

ECL is a probability-weighted measurement of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and should be determined by evaluating a range of possible outcomes.

An ECL measurement is based on four components used by the Group:

- *Exposure at Default ("EAD")* - an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- *Probability of Default ("PD")* - an estimate of the likelihood of default to occur over a given time period.
- *Loss Given Default ("LGD")* - an estimate of a loss arising on default. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from any collateral. It usually expressed as a percentage of EAD.
- *Discount Rate* - a tool to discount an expected loss from the present value at the reporting date. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Default and credit-impaired assets

The financial asset is considered to be in default, or credit impaired, when it meets one or more of the following criteria:

For individually significant loans (except interbank exposures):

- the borrower is more than 60 days past due on its contractual payments (regulatory definition of default for individually significant loans);
- significant deterioration of the borrower's operating results;
- the bank has sold the borrower's debt with losses;
- the loan had experienced a forced restructuring due to deterioration in the borrower's creditworthiness;
- the misuse of borrowed funds;
- the borrower is deceased (retail loans);
- the borrower is insolvent (bankruptcy) for corporate customers;
- the borrower's debt was partially or fully written off due to a significant increase in credit risk.

For homogeneous loans:

- the borrower is more than 90 days past due on its contractual payments;
- the bank has sold the borrower's debt with losses;
- the loan had experienced a forced restructuring due to a deterioration in borrower creditworthiness;
- the borrower is deceased (retail loans);
- the borrower's debt was partially or fully written off due to a significant increase in credit risk.

For other financial assets, debt securities and due from banks:

- the counterparty or issuer rated at C or less;
- the counterparty or issuer is more than 30 days past due;
- the counterparty or issuer has significant deterioration of operating results.

Significant increase in credit risk ("SICR")

The SICR assessment is performed on an individual basis and on a portfolio basis. SICR for individually significant loans is assessed on an individual basis by monitoring the triggers stated below. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Group's risk department.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or subsidiary criteria have been met:

Notes to Consolidated Financial Statements (Continued) For the Years Ended 31 December 2019, 2018 and 2017 (in millions of KZT)

For individually significant loans:

- Increase in lifetime probability of default over defined thresholds;
- The number of days past due is higher than 31 days but lower than 60;
- The increase in credit risk, expressed in the relative threshold based on internal ratings is significant. SICR is determined based on the comparison date and credit risk rating as of the reporting date for each financial asset individually.

For homogeneous loans:

- increase in lifetime probability of default over defined thresholds;
- The number of days past due is more than 31 but less than 90;
- External factors affect the solvency of individual groups of individuals (such as natural disasters, closure of the city-forming enterprise in the region, etc.).

For other financial assets, debt securities and due from banks:

- deterioration of the counterparty's or issuer's rating by 4 notches;
- deterioration of the counterparty's or issuer's rating up to CCC+;
- deterioration of operating results of the counterparty or issuer.

ECL measurement - description of estimation techniques

General principle

For financial assets that are not purchased or originated credit impaired ("POCI") assets ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether the borrower's credit risk has increased significantly in a three-stage model for ECL measurement:

Stage 1: a group of financial instruments for which no significant increase in the credit risk level has been recorded since initial recognition and provisions for this group are created as 12-month ECL, and interest income is calculated based on the gross book value.

Stage 2: a group of financial instruments for which a significant increase in the credit risk level has been recorded since the initial recognition and provisions for which equal ECL for the instrument's lifetime, and interest income is calculated based on the gross carrying amount of the financial asset.

Stage 3: a group of credit-impaired financial instruments, for which provisions equal the ECL amount for the instrument's lifetime, and interest income is accrued based on the carrying amount of the asset, net of the loss allowance.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), and at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

The Group performs individual assessments for credit-impaired loans.

The Group performs assessments on a portfolio basis for retail loans and loans issued to small and medium entities ("SMEs"). This approach incorporates aggregating the portfolio into homogeneous segments based on borrower-specific information, such as delinquency, historical data on losses and forward-looking macroeconomic information.

Macroeconomic overlay and macroeconomic scenarios

The Group incorporates forward looking information in its impairment calculations via macroeconomic models, which leads to a direct adjustment of default probabilities. Since the Group cannot predict the future realisation of these macroeconomic parameters, it uses three scenarios - a base scenario, an optimistic scenario and a pessimistic scenario. The latter two scenarios are linked to a weight of 23%. The base scenario has an attached weight of 54% in the calculation. For each scenario a set of values for the relevant macroeconomic variables is used as an input for the macroeconomic model, which subsequently is applied to adjust the relevant input parameter.

The List of Macro-Economic Indicators

- Real GDP growth;
- Unemployment.

ECL measurement - description of estimation techniques

Principles of individual assessment - ECL assessments on an individual basis are done by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines three possible outcomes for each loan.

Principles of portfolio assessments - to assess the staging of exposure and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, so that exposure to risk within a group are homogeneous.

Examples of shared characteristics include product type and the amount of debt.

Two types of PDs are used to calculate ECLs: 12- month and lifetime PD:

- 12-month PDs - the estimated probability of a default occurring within the next 12 months (or over the remaining life of a financial instrument if less than 12 months). This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historical default data and adjusted for forward-looking information;
- Lifetime PDs - the estimated probability of a default occurring over the remaining life of a financial instrument. This parameter is used to calculate lifetime ECLs. An assessment of a lifetime PD is based on the latest available historic default data and adjusted for forward looking information.

To calculate Lifetime PD, the Group uses different statistical approaches depending on the segment and product type, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure and assessed on a collective basis based on the latest available recovery statistics.

For loans secured by real estate, cash and liquid securities, the Group calculates LGD based on specific collateral characteristics, such as projected collateral values, historical sales discounts and other factors.

Modification of loans to customers

The Group modifies loans to customers in temporary financial difficulty in order to allow a borrower to recover solvency. Modification of loans is provided in the form of short-term revision of loan terms and may include the reduction of interest rate, reduction of monthly payment amount, extension of the loan term, or a combination of these measures that do not lead to derecognition of the financial asset. After the recovery period, ordinary contractual terms are to be applied. The recovery period is agreed in the modification terms, but in most cases is set for 6 months.

Modification of loan is provided only once and to the borrowers with overdue less than 90 days on a modification date, where sufficient grounds exist to support its recoverability.

During the recovery period, such modified loans are classified to Stage 3, with corresponding increase in loss allowance. After the recovery period, such modified loans are allocated to the relevant impairment category, based on its days past due and impairment methodology.

Write off of loans to customers

Loans are written off against the allowance for impairment losses. Decision for the write off is taken by the Credit Committee and commonly at overdue more than one year. However write off of loans does not indicate that no other actions will be undertaken to collect the loans. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities, such as due to banks, customer accounts, debt securities issued, subordinated debt and other financial liabilities are initially recognised at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method as a component of interest expense.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

Recognition of income and expense*Recognition of interest income and expense*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognised on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Notes to Consolidated Financial Statements (Continued) For the Years Ended 31 December 2019, 2018 and 2017 (in millions of KZT)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument or, (where appropriate) a shorter period to the gross carrying amount.

Interest earned on assets at fair value is classified within interest income.

Revenue recognition prior to 1 January 2018

Fee & commission income and expense include fees other than those that are an integral part of effective interest rate. The fees included in this part of the Group's consolidated statement of profit or loss include among other things fees charged for servicing a loan. Fee & commission income and expenses with regards to services are accounted for as the services are received. These fees include seller fees, transaction and membership fees. Seller fees includes fees paid by merchants from shopping transaction originated during both online and in store shopping. The Group earns seller fees when transactions are completed on the Marketplace Platform and are generally determined as a percentage based on the value of merchandise and services being sold by merchants. The Group earns transaction and membership revenues when processing payments and engaging customers in 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.

Revenue recognition since 1 January 2018

The Group recognized revenue from the following major sources:

Fees & commissions revenue mainly includes banking service fees and commissions. Banking service fees are recognized over a period in which the related service is provided, typically monthly, and include the following services of Kaspi Ecosystem, such as access to wide network of Kaspi ATMs with free cash withdrawals up to certain limits, 24-hour service line support, charge-free transfers between Kaspi clients' accounts and bill payments for services via kaspi.kz website and mobile application, SMS and mobile push notification services.

Seller fees includes fees paid by merchants from shopping transaction originated during both online and in store shopping. The Group earns seller fees when transactions are completed on the Marketplace Platform and are generally determined as a percentage based on the value of merchandise and services being sold by merchants. Seller fees are recognized when the services are rendered, which generally occurs upon delivery of the related products and services to the customer.

The Group earns transaction and membership revenues when processing payments/transactions and engaging customers in Kaspi Ecosystem. This includes transaction fees paid by merchants when the Group enables various payment and purchase transactions. Transaction fees charged to customers for processing services such as cash withdrawals over certain limits and P2P (peer to peer) money transfers to other banks' cards and worldwide. Such fees are recognized when the associated service is satisfied, which normally occurs at the point in time the service is requested by client and provided by the Group.

Membership fee revenue is deferred and recognized over the terms of the applicable memberships, typically for one year, on a straight-line basis. Membership fees are paid on a monthly/quarterly basis or paid up front at the beginning of the applicable membership period by customers and merchants for accessing various Kaspi Ecosystem services. Generally, memberships are cancellable and non-refundable.

Share capital and share premium

Contributions to share capital are recognized at cost. Non-cash contributions are not included into the share capital until realized in cash.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares repurchased from shareholders are recognized at cost of acquisition. When such repurchased treasury shares are further sold, any difference between their selling price and the cost of acquisition is charged to share capital (if positive) or to retained earnings (if negative). Where repurchased treasury shares are retired, the carrying value thereof is reduced by the amount paid by the Group at repurchase thereof, with the share capital respectively reduced by the par value of such retired shares restated, where applicable, for inflation, and the resulting difference is charged to retained earnings.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10, *Events after the Reporting Period* ("IAS 10") and disclosed accordingly.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Revaluation reserve of financial assets, which comprises changes in fair value of financial assets at fair value through other comprehensive income investments (2017: investments available for sale) and allowance for impairment losses for debt instruments measured at fair value through other comprehensive income.

Retirement and other benefit obligations

In accordance with the requirements of the Republic of Kazakhstan in which the Group operates, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension fund, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged to the consolidated statement of profit or loss in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension fund. The Group does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The critical judgments, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements. Significant judgments have been made in the business model assessment, significant increase in credit risk, models and assumptions used which are discussed in Note 3 below.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant increase of credit risk

As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 26 for more details.

Incorporation of forward looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 26 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 26 for more details on ECL and Note 24 for more details on fair value measurement.

Impairment of loans and receivables under IAS 39

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to the allowance for impairment of loans and receivables a key source of estimation uncertainty because (a) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (b) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties (for individually significant loans) and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 24 for more details on fair value measurement.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its consolidated statement of financial position as well as its profit or loss could be material.

Had the management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available, would have resulted that could have had a material impact on the Group's reported net income.

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

- *IFRIC 23, Uncertainty over Income Tax Treatments*

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method

The implementation of IFRIC 23 had no significant impact on the consolidated financial statements of the Group.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17, *Insurance Contracts*;
- IFRS 10, *Consolidated Financial Statements* and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3;
- Amendments to IAS 1 and IAS 8;
- Conceptual Framework.

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

- IFRS 17, *Insurance Contracts*

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, *Insurance Contracts*.

The Standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021. However, IASB is currently considering deferral of the effective date by one year to 1 January 2022. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard may have an impact on the consolidated financial statements due to the new accounting principles for calculating insurance liabilities. However, the management of the Group has not completed its assessment of the impact on the Group's consolidated financial statements.

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 years ended 31 December 2019, 2018 and 2017 is presented below:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
REVENUE	513,914	375,331	275,753
Marketplace	45,002	25,020	12,174
Seller fees	44,701	25,020	12,174
Other gains	301	-	-
Payments	66,393	26,471	9,571
Transaction and Membership Revenue	49,454	17,876	5,529
Interest revenue	16,939	8,595	4,042
FinTech	402,519	323,840	254,008
Interest Revenue	245,396	186,471	153,929
Fees & Commissions	163,876	140,259	106,841
Transaction & Membership Revenue	4,212	1,379	219
Other gains(losses)	(10,965)	(4,269)	(6,981)

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 the recently acquired Digital Classifieds in the Republic of Azerbaijan.

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.

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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 of Kaspi Red Shopping Club, 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 consolidated financial statements of the Group. The Group decided to combine two platforms Consumer Financial Services Platform and e-Finance Platform into one platform Fintech. The reason for combination is that migration from offline to online & mobile operations is developing rapidly resulting in majority of transactions executed in online & mobile. The historical comparative information has been revised to conform to the current presentation.

The following tables present the summary of each segments' revenue, net revenue and net income for the years ended 31 December 2019, 2018 and 2017:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
REVENUE	513,914	375,331	275,753
Marketplace	45,002	25,020	12,174
Payments	66,393	26,471	9,571
FinTech	402,519	323,840	254,008
NET REVENUE	339,728	230,649	145,707
Marketplace	42,600	23,801	11,316
Payments	50,350	18,103	5,679
FinTech	246,778	188,745	128,712
NET INCOME	197,123	111,119	71,294
Marketplace	28,173	14,560	5,806
Payments	27,877	6,731	1,360
FinTech	141,073	89,828	64,128

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").

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in 2019, 2018 and 2017. Segment profit represents the net income earned by each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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As at 31 December 2019, 2018 and 2017, no information on segment assets or liabilities is presented to the CODM.

For the years ended 31 December 2019, 2018 and 2017, 94%, 95% and 94% of revenues from external customers were attributable to customers from Kazakhstan, respectively.

As at 31 December 2019, 2018 and 2017, all non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts, respectively, were located in Kazakhstan.

6. Revenue

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

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
REVENUE	513,914	375,331	275,753
Interest Revenue	262,335	195,066	157,971
Fees & Commissions	163,876	140,259	106,841
Seller Fees	44,701	25,020	12,174
Transaction & Membership Revenue	53,666	19,255	5,748
Other gains(losses)	(10,664)	(4,269)	(6,981)

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.

Banking service fees are charged on a monthly basis, and include the following services of Kaspi Ecosystem: access to wide network of Kaspi ATMs with free cash withdrawals up to certain limits, 24-hour service line support, charge-free transfers between Kaspi clients' accounts and bill payments for services via Kaspi.kz website and mobile application, SMS and mobile push notification services.

Seller fees includes fees paid by merchants from shopping transactions originated during both online and in store shopping. The Group earns seller fees when transactions are completed on the Marketplace Platform and are generally determined as a percentage based on the value of merchandise and services being sold by merchants.

The Group earns transaction and membership revenues when processing payments and engaging customers in 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.

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Other gains(losses) is mainly due to net gains(losses) on foreign exchange operations and financial assets and liabilities at fair value through profit or loss. For the years ended 31 December 2019, 2018 and 2017, the net (loss)gain on financial assets and liabilities at fair value through profit or loss amounted to KZT (14,100) million, KZT 8,425 million and KZT (14,291) million, respectively. For the years ended 31 December 2019, 2018 and 2017, the net gain(loss) on foreign exchange operations amounted to KZT 7,447 million, KZT (12,040) million and KZT 7,436 million, respectively. It also includes an immaterial amount of revenue from recently acquired 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 to the Group's everyday operating activities.

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
COST OF REVENUE	(174,186)	(144,682)	(130,046)
Interest Expense	(118,505)	(102,685)	(97,126)
Transaction Expenses	(14,125)	(6,709)	(3,288)
Operating Expenses	(41,556)	(35,288)	(29,632)

Interest expense includes interest expense on customer accounts, mandatory insurance of retail deposits and 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 the retail network, 24-hour call support and communication with customers, product packaging, 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.

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Employee benefits, depreciation and amortisation expenses and operating lease expenses for the years ended 31 December 2019, 2018 and 2017 are presented as follows:

	Year ended 31 December 2019			Year ended 31 December 2018			Year ended 31 December 2017		
	Employee benefits	Deprecia- tion & amortisa- tion	Opera- ting lease	Employee benefits	Deprecia- tion & amortisa- tion	Opera- ting lease	Employee benefits	Deprecia- tion & Amortisa- tion	Opera- ting lease
Cost of Revenue	(17,070)	(471)	(1,432)	(15,443)	(401)	(1,287)	(13,949)	(425)	(1,241)
Sales & Marketing	(310)	-	(23)	(351)	-	-	(294)	-	-
Technology & Product Development	(8,963)	(4,589)	(1,443)	(7,396)	(3,357)	(1,002)	(6,385)	(2,803)	(962)
General & Administrative expenses	(4,893)	(1,709)	(2,069)	(3,079)	(1,374)	(3,157)	(5,283)	(1,505)	(3,053)
Total	(31,236)	(6,769)	(4,967)	(26,269)	(5,132)	(5,446)	(25,911)	(4,733)	(5,256)

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8. Provision expense

The movements in loss allowance were as follows:

	Loans to customers			Due from banks	Financial assets at fair value through other comprehensive income			Cash and cash equivalents	Other assets	Contingencies	Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3				
Loss allowance for ECL as at 31 December 2018	21,193	7,028	92,574	13	409	-	1,940	4	2,063	42	125,266
Changes in provisions											
- Transfer to Stage 1	6,750	(771)	(5,979)	-	-	-	-	-	-	-	-
- Transfer to Stage 2	(236)	558	(322)	-	(100)	100	-	-	-	-	-
- Transfer to Stage 3	(2,689)	(5,086)	7,775	-	-	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(7,642)	4,459	36,136	9	(9)	689	-	5	344	9	34,000
New assets issued or acquired	25,340	-	-	-	14	-	-	-	-	-	25,354
Repaid assets (except for write-off)	(10,733)	(953)	(7,213)	-	(10)	-	(1,940)	-	-	-	(20,849)
Write-off, net of recoveries	-	-	(53,301)	-	-	-	-	-	(29)	-	(53,330)
Foreign exchange difference	-	-	525	-	-	-	-	-	-	-	525
As at 31 December 2019	31,983	5,235	70,195	22	304	789	-	9	2,378	51	110,966

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	Stage 1	Stage 2	Loans to customers	Due from banks	Financial assets at fair value through other comprehensive income	Cash and cash equivalents	Other assets	Contingenci es	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	Stage 1	Stage 3	Stage 1	Total
Loss allowance for ECL as at 1 January 2018	11,154	3,351	88,009	3	209	15	1,741	17	104,499
Changes in provisions									
-Transfer to Stage 1	244	(167)	(77)	-	-	-	-	-	-
-Transfer to Stage 2	(189)	209	(20)	-	-	-	-	-	-
-Transfer to Stage 3	(1,132)	(2,092)	3,224	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	812	6,641	55,314	-	146	(10)	228	-	65,071
New assets issued or acquired	16,022	-	-	7	54	-	-	25	16,108
Repaid assets (except for write- off)	(5,718)	(914)	(21,968)	-	-	-	-	-	(28,600)
Write-off, net of recoveries	-	-	(31,877)	-	-	-	83	-	(31,794)
Foreign exchange difference	-	-	(31)	3	-	(1)	11	-	(18)
As at 31 December 2018	21,193	7,028	92,574	13	409	4	2,063	42	125,266

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	Loans to customers (Note 13)	Investments available- for-sale	Other assets	Total
31 December 2016	83,509	65	1,406	84,980
Provision expense	27,269	-	474	27,743
Write-off of assets	(48,015)	-	(184)	(48,199)
Foreign exchange difference	150	-	(99)	51
Recoveries of assets previously written off	27,235	-	144	27,379
31 December 2017	90,148	65	1,741	91,954

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 Group 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 December 2019, 2018 and 2017 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 December 2019, 2018 and 2017 comprise:

	31 December 2019	31 December 2018	31 December 2017
Vacation reserve and accrued bonuses	605	510	1,624
Property, equipment and intangible assets	(2,999)	(2,343)	(2,053)
Other	21	-	5
Net deferred tax liability	(2,373)	(1,833)	(424)

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Relationships between tax expenses and accounting profit for the years ended 31 December 2019, 2018 and 2017 are explained as follows:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
Net income before income tax	239,140	135,237	84,779
Tax at the statutory tax rate of 20%	47,828	27,047	16,956
Non-taxable income	(6,273)	(4,367)	(3,909)
Non-deductible expense	462	1,438	438
Income tax expense	42,017	24,118	13,485
Current income tax expense	41,477	22,699	9,861
Deferred income tax expense	540	1,419	3,624
Income tax expense	42,017	24,118	13,485

During 2019, 2018 and 2017, non-taxable income was represented by interest income on governmental and other qualified securities in accordance with the tax legislation.

	31 December 2019	31 December 2018	31 December 2017
Net deferred tax (liability)/asset:			
At the beginning of the period	(1,833)	(424)	3,190
Change in deferred income tax balances recognized in equity	-	10	10
Change in deferred income tax balances recognized in profit or loss	(540)	(1,419)	(3,624)
At the end of the period	(2,373)	(1,833)	(424)

Tax, currency and customs legislations of the Republic of Kazakhstan are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review.

As at 31 December 2019, 2018 and 2017, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

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10. Earnings per share

	31 December 2019	31 December 2018	31 December 2017
Net income attributable to the shareholders of the Company	193,790	105,540	65,278
Less: dividends on preference shares declared in respect of the period	-	-	(3,192)
Less: dividends on preferred shares that would be paid on full distribution of income	-	-	(13,071)
	193,790	105,540	49,015
Weighted average number of ordinary shares for basic and diluted earnings per share	188,748,808	156,133,699	157,500,000
Earnings per share – basic and diluted (KZT)	1,027	676	311

The 2017 weighted average shares used to compute basic and diluted EPS were retroactively restated to reflect the 1:105 split made in July 2018.

11. Cash and cash equivalents

	31 December 2019	31 December 2018	31 December 2017
Cash on hand	102,143	88,374	64,468
Current accounts with other banks	15,576	13,613	165,157
Short-term deposits with other banks	103,852	64,013	74,052
Reverse repurchase agreements	17,569	2,471	1,162
Total cash and cash equivalents	239,140	168,471	304,839

Cash on hand includes cash balances with ATMs and cash in transit. As at 31 December 2019, 2018 and 2017 fair value of collateral of reverse repurchase agreements, classified as cash and cash equivalents, amounted to KZT 22,079 million, KZT 3,336 million and KZT 1,709 million, respectively.

12. Investment securities and derivatives

Investment securities and derivatives comprise:

	31 December 2019	31 December 2018	31 December 2017
Total financial assets at fair value through OCI (2017: investments available-for-sale)	473,255	356,689	212,508
Total financial assets at fair value through profit or loss	1,326	9,942	27
Total investment securities and derivatives	474,581	366,631	212,535

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Financial assets at fair value through OCI (2017: Investments available-for-sale) comprise:

	31 December 2019	31 December 2018	31 December 2017
Debt securities	472,943	356,311	212,256
Equity investments	312	378	252
Total financial assets at fair value through OCI (2017: investments available-for- sale)	473,255	356,689	212,508

As at 31 December 2019, 2018 and 2017, sovereign debt securities of KZT 391,467 million, KZT 311,604 million and KZT 176,266 million, respectively, were included in debt securities.

Financial assets at fair value through profit or loss comprise:

	31 December 2019	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss:			
Derivative financial instruments	1,326	9,942	27
Total financial assets at fair value through profit or loss	1,326	9,942	27

As at 31 December 2019, financial assets at fair value through profit or loss included swap and spot instruments in the amount of KZT 6 million (2018: KZT 98 million, 2017: KZT 27 million) with notional amount of KZT 2,761 million (2018: KZT 63,408 million, 2017: KZT 22,198 million) and forwards in the amount of KZT 1,320 million (2018: KZT 9,844 million, 2017: KZT Nil) with notional amount of KZT 193,683 million (2018: KZT 135,513 million, 2017: KZT Nil).

As at 31 December 2019, financial liabilities at fair value through profit or loss included swap and spot instruments in the amount of KZT 21 million (2018: KZT Nil, 2017: KZT Nil) with notional amount of KZT 8,915 million (2018: KZT Nil, 2017: KZT Nil) and forwards in the amount of KZT 8,817 million (2018: KZT Nil, 2017: KZT 1,312 million) with notional amount of KZT 205,458 million (2018: KZT Nil, 2017: KZT 57,485 million).

13. Loans to customers

	31 December 2019	31 December 2018	31 December 2017
Fintech	1,399,517	1,187,797	981,471
Less: allowance for impairment losses (Note 8)	(107,413)	(120,795)	(90,148)
Total net loans to customers	1,292,104	1,067,002	891,323

As at 31 December 2019, 2018 and 2017, accrued interest of KZT 17,677 million, KZT 31,883 million and KZT 39,201 million, respectively, was included in loans to customers.

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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 at the dates indicated:

	Gross NPLs	Allowance for impairment	Allowance for impairment to gross NPLs
Fintech	115,817	107,413	93%
Total non-performing loans to customers as at 31 December 2019	115,817	107,413	93%

	Gross NPLs	Allowance for impairment	Allowance for impairment to gross NPLs
Fintech	106,886	120,795	113%
Total non-performing loans to customers as at 31 December 2018	106,886	120,795	113%

	Gross NPLs	Allowance for impairment	Allowance for impairment to gross NPLs
Fintech	81,461	90,148	111%
Total non-performing loans to customers as at 31 December 2017	81,461	90,148	111%

Provision expense on loans to customers for the years ended 31 December 2019, 2018 and 2017:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
Provision expense on loans to customers:			
Fintech	(39,394)	(50,189)	(27,269)
Total provision expenses on loans to customers	(39,394)	(50,189)	(27,269)

As at 31 December 2019, 2018 and 2017, the Group did not provide loans, which individually exceeded 10% of the Group's equity.

14. Property, equipment and intangible assets

	Buildings and construction	Furniture and equipment	Intangible assets	Construc- tion in progress	Total
At initial/revalued cost					
31 December 2016	20,554	23,378	8,925	27	52,884
Additions	750	2,072	2,260	-	5,082
Transferred to investment property	(852)	-	-	-	(852)
Disposals	(751)	(217)	(79)	(27)	(1,074)
31 December 2017	19,701	25,233	11,106	-	56,040
Additions	218	7,267	2,358	172	10,015
Disposals	(347)	(459)	(41)	-	(847)
31 December 2018	19,572	32,041	13,423	172	65,208
Additions	18,486	10,485	2,142	915	32,028
Disposals	(761)	(852)	(119)	-	(1,732)
31 December 2019	37,297	41,674	15,446	1,087	95,504
Accumulated depreciation and impairment					
31 December 2016	5,233	10,938	3,324	-	19,495
Acquisition of subsidiary	777	2,923	1,033	-	4,733
Charge for the year	(31)	-	-	-	(31)
Eliminated on disposals	(143)	(189)	-	-	(332)
31 December 2017	5,836	13,672	4,357	-	23,865
Charge for the year	618	3,187	1,327	-	5,132
Eliminated on disposals	(82)	(395)	-	-	(477)
31 December 2018	6,372	16,464	5,684	-	28,520
Charge for the year	1,378	4,114	1,676	-	7,168
Eliminated on disposals	(250)	(800)	(119)	-	(1,169)
31 December 2019	7,500	19,778	7,241	-	34,519
Net book value					
31 December 2019	29,797	21,896	8,205	1,087	60,985
31 December 2018	13,200	15,577	7,739	172	36,688
31 December 2017	13,865	11,561	6,749	-	32,175

As at 31 December 2019, 2018 and 2017, property and equipment included fully depreciated property and equipment of KZT 7,400 million, KZT 6,544 million and KZT 5,408 million, respectively.

The fair value of buildings and construction was determined based on the market comparable approach that reflects recent transaction prices for similar properties and was carried out by independent valuers not related to the Group. There has been no change to the valuation technique during the year. In measuring fair value of the Group's buildings and construction, the were measurements categorized into Level 3. During the years 2019, 2018 and 2017, there were no movements between Level 3 and other levels.

Items included in buildings and construction are stated at revalued amounts. As at 31 December 2019, 2018 and 2017, the net book value of those items, that would have been recognised had the assets been carried under the cost model totaled KZT 29,797 million, KZT 13,200 million and KZT 13,865 million, respectively.

In 2019, 2018 and 2017, management of the Group performed an analysis of the property market and concluded that there were no significant changes in the fair value since the latest property revaluation date.

15. Other assets

	31 December 2019	31 December 2018	31 December 2017
Other financial assets:			
Prepayments for customers online transactions	8,902	4,468	5,713
Receivables from VISA and Master Card transactions	1,810	2,893	1,937
Other	4,138	8,193	2,322
Total other financial assets	14,850	15,554	9,972
Less: allowance for impairment losses	(2,243)	(1,343)	(1,188)
Total net other financial assets	12,607	14,211	8,784
Other non-financial assets:			
Investment property	29,804	2,652	821
Other	9,768	4,630	3,714
Total other non-financial assets	39,572	7,282	4,535
Less: allowance for impairment losses	(135)	(720)	(553)
Total net other non-financial assets	39,437	6,562	3,982
Total other assets	52,044	20,773	12,766

Movements in allowances for impairment of other assets for the years ended 31 December 2019, 2018 and 2017 are disclosed in Note 8.

Investment property movement as at 31 December 2019, 2018 and 2017 is presented as follows:

	2019	2018	2017
Cost			
As at 1 January	2,722	852	513
Additions	27,926	1,870	579
Disposals	(470)	-	(240)
As at 31 December	30,178	2,722	852
Accumulated depreciation			
As at 1 January	(70)	(31)	(10)
Depreciation charge	(321)	(39)	(27)
Disposals	17	-	6
As at 31 December	(374)	(70)	(31)
Net book value	29,804	2,652	821

During the years ended 31 December 2019, 2018 and 2017, the Group foreclosed collateral it held as security for loans. As a result, the Group received investment property of KZT 27,926 million, KZT 1,870 million, and KZT 579 million, respectively.

As at 31 December 2019, 2018 and 2017, the fair value of investment property amounted to KZT 36,678 million, KZT 3,177 million and KZT 825 million, respectively.

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16. Due to banks

	31 December 2019	31 December 2018	31 December 2017
Recorded at amortized cost:			
Repurchase agreements	3,000	49	23,044
Time deposits of banks and other financial institutions	-	-	40,156
Total due to banks	3,000	49	63,200

As at 31 December 2019, 2018 and 2017, accrued interest of KZT Nil, KZT Nil and KZT 294 million, respectively, was included in due to banks.

Fair value of collateral of repurchase agreements, which were classified as due to banks as at 31 December 2019, 2018 and 2017, amounted to KZT 3,092 million, KZT 51 million and KZT 23,744 million, respectively.

17. Customer accounts

	31 December 2019	31 December 2018	31 December 2017
Individuals			
Term deposits	1,298,772	1,025,099	828,734
Current accounts	242,206	124,971	50,806
Total due to individuals	1,540,978	1,150,070	879,540
Corporate customers			
Term deposits	44,118	41,684	71,857
Current accounts	41,877	41,166	28,242
Total due to corporate customers	85,995	82,850	100,099
Total customer accounts	1,626,973	1,232,920	979,639

As at 31 December 2019, 2018 and 2017, accrued interest of KZT 8,996 million, KZT 7,573 million and KZT 6,038 million, respectively, was included in customer accounts.

As at 31 December 2019, 2018 and 2017, customer accounts of KZT 13,109 million, KZT 7,997 million and KZT 6,418 million, respectively, were held as security against loans, letters of credit, guarantees issued by the Group and other transactions related to contingent obligations.

As at 31 December 2019, 2018 and 2017, customer accounts of KZT 97,195 million (6.0%), KZT 78,531 million (6.4%) and KZT 103,651 million (10.6%), respectively, were due to top twenty customers.

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18. Debt securities issued

	Currency	Maturity date month/ year	Nominal interest rate %	31 December 2019	31 December 2018	31 December 2017
Second bond program – fourth issue	KZT	February 2018	8.00	-	-	10,285
Second bond program – fifth issue	KZT	June 2018	8.00	-	-	1,603
Third bond program – first issue	KZT	January 2025	9.90	51,042	51,041	51,040
Third bond program – second issue	KZT	January 2024	9.80	48,410	48,408	48,407
Third bond program – third issue	KZT	January 2023	9.70	39,122	38,645	-
Total debt securities issued				138,574	138,094	111,335

As at 31 December 2019, 2018 and 2017, accrued interest of KZT 5,620 million, KZT 5,620 million and KZT 4,318 million, respectively, was included in debt securities issued. All debt securities issued are recorded at amortised cost as at 31 December 2019, 2018 and 2017. The Group did not have any defaults or other breaches with respect to its debt securities during the years ended 31 December 2019, 2018 and 2017.

19. Other liabilities

	31 December 2019	31 December 2018	31 December 2017
Other financial liabilities:			
Payables for customers' online transactions	11,703	5,536	8,372
Derivative financial liabilities	8,838	-	1,312
Accrued expenses	1,918	1,255	1,162
Accrued dividends payable to non-controlling interest	1,028	900	1,432
Payables for Visa and Master Card transactions	482	3,004	6,544
Other	174	89	55
Total financial liabilities	24,143	10,784	18,877
Other non-financial liabilities:			
Prepayments	4,779	2,008	280
Accumulated employee benefits	1,733	1,268	6,895
Employee vacation reserves	1,338	1,315	1,250
Current income tax payable	1,084	1,618	965
Other taxes payable	2,191	784	176
Deferred tax liabilities	2,373	1,833	424
Other	4,377	843	423
Total non-financial liabilities	17,875	9,669	10,413
Total other liabilities	42,018	20,453	29,290

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20. Subordinated debt

	Currency	Maturity date month/year	Nominal interest rate, %	31 December 2019	31 December 2018	31 December 2017
First bond program – third issue	KZT	June 2018	2.5% plus inflation rate	-	-	3,912
First bond program – fourth issue	KZT	July 2019	2% plus inflation rate	-	6,221	6,273
First bond program – fifth issue	KZT	July 2019	2% plus inflation rate	-	5,563	5,499
Second bond program – first issue	KZT	July 2021	1% plus inflation rate	10,050	9,981	9,941
Second bond program – third issue	KZT	February 2023	2% plus inflation rate	5,466	5,569	5,686
Third bond program – fourth issue	KZT	June 2025	10.7	62,261	62,259	62,257
Debt component of preference shares	KZT	n/a	n/a	9	10	11
Total subordinated debt				77,786	89,603	93,579

Debt component of preference shares relates to subsidiary Kaspi Bank JSC, and is held by the non-controlling interest. As at 31 December 2019, 2018 and 2017, accrued interest of KZT 3,616 million, KZT 4,120 million and KZT 4,310 million, respectively, was included in subordinated debt. All subordinated debt are recorded at amortised cost as at 31 December 2019, 2018 and 2017. The above liabilities are subordinated to the claims of depositors and other creditors of the issuer in the event of liquidation. The Group did not have any defaults or other breaches with respect to its subordinated debt during the years ended 31 December 2019, 2018 and 2017.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019	Financing cash flows	Non-cash changes		31 December 2019
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	138,094	-	-	480	138,574
Subordinated debt	89,603	(11,368)	-	(449)	77,786

	1 January 2018	Financing cash flows	Non-cash changes		31 December 2018
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	111,335	25,393	-	1,366	138,094
Subordinated debt	93,579	(3,924)	-	(52)	89,603

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			Non-cash changes		
	1 January 2017	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2017
Debt securities issued	111,330	-	-	5	111,335
Subordinated debt	93,905	(10)	-	(316)	93,579

21. 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 December 2019, 2018 and 2017:

	Authorised shares	Issued and fully paid shares	Treasury shares	Shares outstanding
Ordinary shares				
1 January 2017	1,500,000	1,500,000	-	1,500,000
Movement	-	-	-	-
31 December 2017	1,500,000	1,500,000	-	1,500,000
Share split (1:105)	157,500,000	157,500,000	-	157,500,000
Purchase of treasury shares	-	-	16,320,000	(16,320,000)
Conversion of preference shares into ordinary shares (1:1)	52,500,000	42,000,000	-	42,000,000
31 December 2018	210,000,000	199,500,000	16,320,000	183,180,000
Movement	6,742,000	-	(8,625,000)	8,625,000
31 December 2019	216,742,000	199,500,000	7,695,000	191,805,000
Preference shares				
1 January 2017	500,000	400,000	-	400,000
Movement	-	-	-	-
31 December 2017	500,000	400,000	-	400,000
Share split (1:105)	52,500,000	42,000,000	-	42,000,000
Conversion of preference shares into ordinary shares (1:1)	(52,500,000)	(42,000,000)	-	(42,000,000)
31 December 2018	-	-	-	-
Movement	-	-	-	-
31 December 2019	-	-	-	-

On 9 July 2018, the Group completed a stock split of one pre-split ordinary and preference share for 105 post-split ordinary and preference shares, respectively.

During the year ended 31 December 2018, the Group repurchased 16,320,000 ordinary shares at a market price for the total amount of KZT 75,287 million.

In December 2018, the Group converted all preference shares into ordinary shares based on a ratio of 1-for-1.

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The table below provides a reconciliation of the change in outstanding share capital fully paid as at 31 December 2019, 2018 and 2017:

	Preference shares	Ordinary shares	Total
Balance at 1 January 2017	27,400	102,744	130,144
Movements	-	-	-
31 December 2017	27,400	102,744	130,144
Purchase of treasury shares	-	(75,287)	(75,287)
Conversion of preference shares into ordinary shares (1:1)	(27,400)	27,400	-
31 December 2018	-	54,857	54,857
Movements	-	40,968	40,968
31 December 2019	-	95,825	95,825

All shares are KZT denominated. The Group has one class of ordinary shares which carry no right to fixed income. Share premium represents an excess of contributions received over the nominal value of shares issued and amounts received as a result of the resale of shares over their purchase price.

During the years ended 31 December 2019, 2018 and 2017, the Group declared dividends of KZT Nil, KZT 0.03 and KZT 7,980.03 per preference share, respectively.

During the years ended 31 December 2019, 2018 and 2017, the Group declared dividends ranging from KZT 170 to KZT 175, KZT Nil and KZT 7,980 per ordinary share, respectively.

22. Commitments and contingencies

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. Guarantees issued included below represent financial guarantees, where payment is not probable as at the respective reporting date, and therefore have not been recorded in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit policy in undertaking contingent commitments as it does for on-balance operations.

As at 31 December 2019, 2018 and 2017, provision for losses on contingent liabilities amounted to KZT 51 million, KZT 42 million and KZT Nil, respectively.

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As at 31 December 2019, 2018 and 2017, the Group's contingent liabilities and credit commitments comprised the following:

	31 December 2019	31 December 2018	31 December 2017
	Nominal amount	Nominal amount	Nominal amount
Commitments on loans and unused credit lines:			
Revocable loans	77,239	61,320	55,202
Irrevocable loans	83	-	-
Total commitments on loans and unused credit lines	77,322	61,320	55,202
Guarantees issued and similar commitments	1,428	1,409	1,793
Total contingent liabilities and credit commitments	78,750	62,729	56,995

As at 31 December 2019, 2018 and 2017, commitments on loans and unused credit lines represent the Group's revocable and irrevocable commitments to extend loans within unused credit line limits. Those commitments where the borrower has to apply each time it wants to draw the credit facility from unused credit lines and the Group may approve or deny the extension of the credit facility based on the borrower's financial performance, debt service and other credit risk characteristics are considered revocable. Those commitments where the Group is contractually obliged with no conditions to extend the loan are considered as irrevocable.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material losses will be incurred and respectively no provision has been made in these consolidated financial statements.

Pensions and retirement plans

Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2019, 2018 and 2017, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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.

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Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group might be significant.

23. 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 December 2019, 2018 and 2017 with related parties:

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	Transactions with related parties	Total category as per financial statements captions	Transactions with related parties	Total category as per financial statements captions	Transactions with related parties	Total category as per financial statements captions
Consolidated statement of financial position						
Loans to customers	-	1,399,517	1,529	1,187,797	1,396	981,471
- key management personnel of the Group	-		1,518		1,396	
- other related parties	-		11		-	
Allowance for losses on loans to customers	-	(107,413)	(1)	(120,795)	(181)	(90,148)
- key management personnel of the Group	-		-		(181)	
- other related parties	-		(1)		-	
Customer accounts	10,303	1,626,973	11,603	1,232,920	14,892	979,639
- key management personnel of the Group	1,018		4,103		1,384	
- other related parties	9,285		7,500		13,508	

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

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	Transactions with related parties	Total category as per financial statements caption	Transactions with related parties	Total category as per financial statements caption	Transactions with related parties	Total category as per financial statements caption
Compensation to key management personnel:						
Employee benefits	(900)	(31,236)	(5,177)	(26,269)	(3,034)	(25,911)

During the years ended 31 December 2019, 2018 and 2017, interest income from transactions with key management personnel amounted to KZT 104 million, KZT 122 million and KZT 104 million, respectively. During the years ended 31 December 2019, 2018 and 2017, interest expense from transactions with key management personnel amounted to KZT 69 million, KZT 233 million and KZT 169 million, respectively, and other related parties amounted to KZT 120 million, KZT 122 million and KZT 344 million, respectively. During the years ended 31 December 2019, 2018 and 2017, transaction costs attributable to loans to customers and paid to other related parties on a arm's length basis, amounted KZT 13,043 million, KZT 4,515 million and KZT 1,132 million, respectively.

24. 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 31 December 2019	Fair value as at 31 December 2018	Fair value as at 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)
Non-derivative financial assets at fair value through other comprehensive income (2017: investments available-for-sale)	442,002	353,201	212,283	Level 1	Quoted bid prices in an active market
Non-derivative financial assets at fair value through other comprehensive income (2017: investments available-for-sale)	31,183	310	155	Level 2	Quoted prices in markets that are not active or 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.
Non-derivative financial assets at fair value through other comprehensive income (2017: investments available-for-sale)	-	3,108	-	Level 2	DCF method. Discounted cash flows based on observable market yield for similar quoted debt instruments.
Unlisted Equity investments classified as financial assets at fair value through other comprehensive income	70	70	-	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 12)	1,326	9,942	27	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 12)	8,838	-	1,312	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 December 2017, AFS investments included equity shares of KZT 70 million, which did not have a quoted market price in an active market and thus were measured at cost.

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The reconciliation of Level 3 fair value measurements of financial assets is presented as follows:

	Financial assets (Level 3)
At 31 December 2016	75,414
Total gain(losses):	
- in profit or loss	(3,941)
Settlements	(71,473)
At 31 December 2017	-
1 January 2018 (restated due to IFRS 9)	70
Purchases	-
Total gain(losses):	
- in profit or loss	-
Settlements	-
At 31 December 2018	70
1 January 2019	-
Purchases	-
Total gain(losses):	
- in profit or loss	-
Settlements	-
At 31 December 2019	70

There were no transfers between Level 1 and Level 2 in the period.

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 consolidated financial statements approximate their fair values.

31 December 2019			
	Carrying amount	Fair value	Fair value hierarchy
Due from banks	43,484	43,621	Level 2
Loans to customers	1,292,104	1,334,322	Level 3
Customer accounts	1,626,973	1,610,650	Level 2
Debt securities issued	138,574	137,651	Level 2
Subordinated debt	77,786	76,347	Level 2
31 December 2018			
	Carrying amount	Fair value	Fair value hierarchy
Due from banks	22,872	22,500	Level 2
Loans to customers	1,067,002	1,090,414	Level 3
Customer accounts	1,232,920	1,205,660	Level 2
Debt securities issued	138,094	133,085	Level 1
Subordinated debt	89,603	83,320	Level 1,2*

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	31 December 2017		Fair value hierarchy
	Carrying amount	Fair value	
Loans to customers	891,323	881,941	Level 3
Customer accounts	979,639	967,667	Level 2
Debt securities issued	111,335	106,283	Level 1
Subordinated debt	93,579	87,597	Level 1,2*

*As at 31 December 2018 and 2017, fair value of subordinated debt that was measured using Level 2 valuation technique amounted to KZT 81 million, KZT 11 million and KZT 11 million, respectively.

Loans to customers

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

Debt securities issued, subordinated debt

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

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.

Information about measurement hierarchy of property, equipment and intangible assets is disclosed in Note 14.

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.

Due to banks

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

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.

25. 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 December 2019	31 December 2018	31 December 2017
Capital adequacy ratios:			
Tier 1 capital	17.6%	16.8%	13.9%
Total capital	22.4%	23.0%	20.9%

As at 31 December 2019, 2018 and 2017, JSC Kaspi Bank had complied with NBRK's capital requirements. The following table presents the Bank's capital adequacy ratios in accordance with the NBRK requirements:

	31 December 2019	31 December 2018	31 December 2017
Capital adequacy ratios:			
Tier 1 capital (k1.2)	11.4%	11.4%	11.0%
Total Capital (k.2)	14.5%	15.7%	16.5%

26. Risk management policy

The Group permanently advances it's risk management environment, to fit up-to-date challenges and risks the Group is exposed to. The Group is exposed to following types of risks: credit risk, liquidity risk, market risk.

Credit risk

The Group is exposed to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. The Group's credit risk exposure arises primarily from our consumer finance business through the Fintech Platform. To manage credit risk during loan origination the Group centralized all processes related to decision making, verification and accounting through it's headquarters. The Group has developed an automated, centralised and big data-driven proprietary loan approval process that enables it to make instant credit decisions. The risk management block is responsible for maintaining scoring models and decision-making process. The quality of approved loans are monitored by risk management block on day-to-day basis with periodical validation of the models.

During the credit decision process, the Group uses proprietary risk algorithms and predictive scoring models for the evaluation of the risks of potential borrowers using statistical modelling based on (i) a wealth of proprietary internal data such as application, transactional, behavioural, shopping and payment history information, which is supplemented by (ii) external data such as data received from credit bureaus (LLC First Credit Bureau and LLC State Credit Bureau) and pension centre (the State Pension Payment Centre) with regard to each customer.

The additional proprietary data constantly accumulated around the Group's customers' activity within its Ecosystem that enables it to continuously deepen its credit decision process.

The risk management block, in terms of credit risk, consists of independent modelling, anti-fraud, monitoring and provisioning division.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks. For financial assets recorded on statement of financial position, the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

As at 31 December 2019, 2018 and 2017, the maximum exposure to credit risk after offset and collateral was equal to its carrying value of all financial assets except for loans to customers.

As at 31 December 2019, 2018 and 2017, the maximum exposure to credit risk after offset and collateral of loans to customers, was amounted to KZT 1,015,844 million, KZT 813,650 million and KZT 682,377 million, respectively.

Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral obtained are as follows:

- For reverse repurchase transactions – securities;
- For commercial lending – charges over real estate properties and vehicles.

Although, the Group use collateral as credit enhancement to mitigate its exposure to credit risk, major part of its loan portfolio is represented by unsecured loans. Thus, as at 31 December 2019, 2018 and 2017, unsecured gross carrying amount of loans to customers amounted to KZT 1,094,746 million, KZT 877,837 million and KZT 705,790 million, respectively.

As at 31 December 2019, credit impaired loans with net carrying value of KZT 24,934 million were either fully or partially collateralized, reflecting the extent to which collateral and other credit enhancements mitigate credit risk.

Credit quality of financial assets

The tables below present information about the significant changes in the gross carrying amount of loans during the period that contributed to changes in the loss allowance during the year ended 31 December 2019:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans at amortized cost				
Gross carrying amount as at				
1 January 2019	954,160	24,481	209,156	1,187,797
Changes in the gross carrying amount				
- Transfer to Stage 1	16,507	(3,136)	(13,371)	-
- Transfer to Stage 2	(16,025)	16,854	(829)	-
- Transfer to Stage 3	(82,457)	(17,242)	99,699	-
New financial assets originated or purchased	1,004,893	-	-	1,004,893
Financial assets that have been repaid	(648,985)	(5,574)	(53,929)	(708,488)
Write-offs	-	-	(85,210)	(85,210)
Other changes	-	-	525	525
Gross carrying amount as at				
31 December 2019	1,228,093	15,383	156,041	1,399,517

The Group uses an internal rating model to classify individually significant loans to customers in different risk categories:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers that individually assessed for impairment				
Grades: Low to fair risk	25,420	-	-	25,420
Grades: Monitoring	-	-	-	-
Grade: Impaired	-	-	27,965	27,965
Loans to customers that collectively assessed for impairment	1,202,673	15,383	128,076	1,346,132
Total gross carrying amount	1,228,093	15,383	156,041	1,399,517
Loss allowance	(31,983)	(5,235)	(70,195)	(107,413)
Carrying amount as at				
31 December 2019	1,196,110	10,148	85,846	1,292,104

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans at amortized cost				
Gross carrying amount as at 1 January 2018	770,757	34,580	176,134	981,471
Changes in the gross carrying amount				
- Transfer to Stage 1	1,603	(1,135)	(468)	-
- Transfer to Stage 2	(25,736)	25,791	(55)	-
- Transfer to Stage 3	(77,229)	(27,028)	104,257	-
New financial assets originated or purchased	776,056	-	-	776,056
Financial assets that have been repaid	(491,291)	(7,727)	(8,804)	(507,822)
Write-offs	-	-	(61,878)	(61,878)
Other changes	-	-	(30)	(30)
Gross carrying amount as at 31 December 2018	954,160	24,481	209,156	1,187,797

The Group uses an internal rating model to classify individually significant loans to customers in different risk categories:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Loans to customers that individually assessed for impairment					
Grades: Low to fair risk	42,094	-	-	-	42,094
Grades: Monitoring	-	-	10,126	-	10,126
Grade: Impaired	-	-	70,518	13,785	84,303
Loans to customers that collectively assessed for impairment	912,066	24,481	114,727	-	1,051,274
Total gross carrying amount	954,160	24,481	195,371	13,785	1,187,797
Loss allowance	(21,193)	(7,028)	(81,611)	(10,963)	(120,795)
Carrying amount as at 31 December 2018	932,967	17,453	113,760	2,822	1,067,002

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from banks				
High grade (A- and higher)	15,010	-	-	15,010
Investment grade (BBB+ - BBB-)	27,272	-	-	27,272
Non-Investment grade (BB+ - B-)	1,224	-	-	1,224
Low grade (CCC+ and lower)	-	-	-	-
Total gross carrying amount	43,506	-	-	43,506
Loss allowance	(22)	-	-	(22)
Carrying amount as at 31 December 2019	43,484	-	-	43,484

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from banks				
High grade (A- and higher)	18,242	-	-	18,242
Investment grade (BBB+ - BBB-)	101	-	-	101
Non-Investment grade (BB+ - B-)	4,542	-	-	4,542
Low grade (CCC+ and lower)	-	-	-	-
Total gross carrying amount	22,885	-	-	22,885
Loss allowance	(13)	-	-	(13)
Carrying amount as at 31 December 2018	22,872	-	-	22,872

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investment debt securities				
High grade (A- and higher)	1,772	-	-	1,772
Investment grade (BBB+ - BBB-)	438,969	-	-	438,969
Non-Investment grade (BB+ - B-)	30,218	-	-	30,218
Low grade (CCC+ and lower)	-	1,984	-	1,984
Carrying amount as at 31 December 2019	470,959	1,984	-	472,943

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investment debt securities				
High grade (A- and higher)	1,799	-	-	1,799
Investment grade (BBB+ - BBB-)	317,173	-	-	317,173
Non-Investment grade (BB+ - B-)	34,231	-	3,108	37,339
Low grade (CCC+ and lower)	-	-	-	-
Carrying amount as at 31 December 2018	353,203	-	3,108	356,311

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Financial assets, other than loans to customers and other financial assets, are graded according to their external credit ratings issued by an international rating agencies, such as Standard and Poor's, Fitch and Moody's Investors Services. The highest possible rating is AAA.

	A- and higher	BBB+ to BBB-	BB+ to B-	CCC+ and lower	Not rated	Total
Gross carrying value:						
31 December 2019						
Cash and cash equivalents, net of cash on hand	50,672	67,987	448	-	17,899	137,006
Mandatory cash balances with NBRK	-	25,243	-	-	-	25,243
Due from banks	15,010	27,272	1,224	-	-	43,506
Investment securities and derivatives	3,092	438,975	30,530	1,984	-	474,581
31 December 2018						
Cash and cash equivalents, net of cash on hand	29,304	43,488	5,773	-	1,532	80,097
Mandatory cash balances with NBRK	-	17,215	-	-	-	17,215
Due from banks	18,242	101	4,542	-	-	22,885
Investment securities and derivatives	1,799	322,683	42,149	-	-	366,631

As at 1 January 2019 and 31 December 2019, all loan commitments and financial guarantee contracts of the Group are classified in Stage 1 (12-month ECL) and have "low to fair" risk grade.

Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified. The following tables refer to modified financial assets where modification does not result in derecognition. Financial assets (with loss allowance based on lifetime ECL) modified during the years ended 31 December 2019 and 2018:

	2019
Gross carrying amount before modification	30,175
Net amortised cost before modification	18,434
Net modification gain(loss)	-
Net amortised cost after modification	18,434
Financial assets modified since initial recognition at a time when loss allowance was based on lifetime ECL	30,175
Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL cost after modification	13,371

	2018
Gross carrying amount before modification	17,595
Net amortised cost before modification	10,873
Net modification gain(loss)	-
Net amortised cost after modification	10,873
Financial assets modified since initial recognition at a time when loss allowance was based on lifetime ECL	17,595
Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL cost after modification	-

Macro sensitivity

The Group has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 1 percentage point. For the purpose of ECL estimation the Group takes growth rate of real GDP at 3.20% and 3.65% for years 2020 and 2021, respectively as the baseline scenario, 4.96% and 5.41% for the years 2020 and 2021 respectively as upside scenario and 1.44% and 1.89% for the years 2020 and 2021 respectively as downside scenario. Change in baseline growth rate of real GDP by +/- 1 percentage point with respective correction of upside and downside scenarios lead to change in loss allowance amount by KZT -5,261/+5,263 million as at 31 December 2019, respectively.

Liquidity risk

The liquidity management framework of the Group mainly consists of following instruments:

- Assessment of sufficient level of high quality liquid assets
- Cash flow forecasting
- Diversification of funding
- Social media marketing
- Up-to-date contingent funding plan

The liquidity risk is managed considering specific aspects of Kazakhstan economy, in particular limited funding instruments and possible dollarization due to currency devaluation expectations.

The Group devote great significance to social media marketing, to support the brand of the Group and mitigate various risks such as liquidity and reputational risks. The division of social media marketing covers mass media, social networks, blogs and other sources of information, available to current or potential customers.

A major part of the Group's obligations consists of customer accounts of individuals, with nominal maturity under 2 years. However 98.7% of deposits in 2019 were rolled over, that ensures Group with reliable and long-term funding base. Average amount of individuals' customer accounts balance is KZT 851 thousand as at 31 December 2019, which is another indicator of diversification and stability of the funding base.

The Group retains significant amount of high quality liquid assets, that consists mainly from cash, deposits within NBRK, short-term and mid-term notes of NBRK and bonds of Ministry of Finance of the Republic of Kazakhstan.

Market risk

Price Risk

The Group's market risk arises from fluctuations in the value of financial instruments because of changes in market prices whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. The Group has established various limits on operations with securities, including instrument specific limits, in order to balance profit and risk in the securities portfolio. The Group's portfolio is predominantly comprised of Kazakhstan government debt securities.

Currency risk

The Group manages its currency risk by keeping modest open currency position. The Group does issue loans to customers only in tenge, which protects the Group from hidden currency risk in case of currency devaluation.

Interest rate risk

Contractual maturities of assets and liabilities of the Group has modest gaps, which provides possibilities of instant reactions on changes of market interest rates. The Group has significant amounts of high quality liquid assets with short maturity which helps to minimize sensitivity to sharp increase of interest rate in case of liquidity shortfall on the market.

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An analysis of the liquidity and interest rate risks is presented in the following table.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL ASSETS						
Interest bearing financial assets	367,293	354,332	780,720	325,911	113,489	1,941,745
Non-interest bearing financial assets	144,089	1,242	83	-	-	145,414
TOTAL FINANCIAL ASSETS	511,382	355,574	780,803	325,911	113,489	2,087,159
FINANCIAL LIABILITIES AND COMMITMENTS						
Total interest bearing financial liabilities	101,512	341,951	777,749	203,691	111,888	1,536,791
Non-interest bearing financial liabilities	336,230	3,145	3,148	-	-	342,523
Total financial liabilities	437,742	345,096	780,897	203,691	111,888	1,879,314
Guarantees issued and similar commitments	99	20	-	-	1,309	1,428
Total financial liabilities and commitments	437,841	345,116	780,897	203,691	113,197	1,880,742
Liquidity gap	73,541	10,458	(94)	122,220	292	
Cumulative liquidity gap	73,541	83,999	83,905	206,125	206,417	
Interest sensitivity gap	265,781	12,381	2,971	122,220	1,601	
Cumulative interest sensitivity gap	265,781	278,162	281,133	403,353	404,954	

As at 31 December 2019, 2018 and 2017, guarantee deposits in favour of international payments systems included in due from banks amounted to KZT 42,140 million, KZT 18,322 million and KZT 8,328 million, respectively.

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	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2018 Total
FINANCIAL ASSETS						
Interest bearing financial assets	399,366	224,207	465,647	264,844	141,271	1,495,335
Non-interest bearing financial assets	153,452	2,815	4,767	-	-	161,034
TOTAL FINANCIAL ASSETS	552,818	227,022	470,414	264,844	141,271	1,656,369
FINANCIAL LIABILITIES AND COMMITMENTS						
Total interest bearing financial liabilities	68,845	120,911	560,266	367,683	178,434	1,296,139
Non-interest bearing financial liabilities	175,305	5	-	-	-	175,310
Total financial liabilities	244,150	120,916	560,266	367,683	178,434	1,471,449
Guarantees issued and similar commitments	72	14	8	-	1,315	1,409
Total financial liabilities and commitments	244,222	120,930	560,274	367,683	179,749	1,472,858
Liquidity gap	308,596	106,092	(89,860)	(102,839)	(38,478)	
Cumulative liquidity gap	308,596	414,688	324,828	221,989	183,511	
Interest sensitivity gap	330,521	103,296	(94,619)	(102,839)	(37,163)	
Cumulative interest sensitivity gap	330,521	433,817	339,198	236,359	199,196	
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2017 Total
FINANCIAL ASSETS						
Interest bearing financial assets	219,171	201,277	385,654	248,195	125,532	1,179,829
Non-interest bearing financial assets	255,328	206	1,322	-	-	256,856
TOTAL FINANCIAL ASSETS	474,499	201,483	386,976	248,195	125,532	1,436,685
FINANCIAL LIABILITIES AND COMMITMENTS						
Total interest bearing financial liabilities	105,409	268,654	523,167	92,690	184,118	1,174,038
Non-interest bearing financial liabilities	87,637	511	4,444	-	-	92,592
Total financial liabilities	193,046	269,165	527,611	92,690	184,118	1,266,630
Guarantees issued and similar commitments	315	316	5	20	1,137	1,793
Total financial liabilities and commitments	193,361	269,481	527,616	92,710	185,255	1,268,423
Liquidity gap	281,138	(67,998)	(140,640)	155,485	(59,723)	
Cumulative liquidity gap	281,138	213,140	72,500	227,985	168,262	
Interest sensitivity gap	113,762	(67,377)	(137,513)	155,505	(58,586)	
Cumulative interest sensitivity gap	113,762	46,385	(91,128)	64,377	5,791	

The liquidity gap is negative only in long maturity periods if taken cumulatively. Nevertheless, based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over.

Interest rate sensitivity analysis

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The sensitivity analysis includes interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

As at 31 December 2019, the impact on profit before income tax due to a +/-3% change in interest rate amounted -/+ KZT 465 million (2018: -/+ KZT 820 million, 2017: KZT -/+939 million). The impact on equity due to a +/-3% change in interest rate amounted KZT -7,035 million/KZT +7,756 million (2018: KZT -2,535 million/+2,800 million, 2017: KZT -7,626 million/+8,493 million).

Currency risk

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	Tenge	USD 1 USD = KZT 382.59	EUR EUR 1 = KZT 429.00	Other currency	31 December 2019 Total
Non-derivative financial assets					
Total non-derivative financial assets	1,838,745	234,475	8,579	4,039	2,085,838
Non-derivative financial liabilities					
Total non-derivative financial liabilities	1,460,220	394,686	6,266	465	1,861,637
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	378,525	(160,211)	2,313	3,574	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(182,631)	(9,081)	(38,610)	(3,489)	(233,811)
Accounts receivable on spot and derivative contracts	7,262	170,788	36,465	1	214,516
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	(175,369)	161,707	(2,145)	(3,488)	(19,295)
NET POSITION	203,156	1,496	168	86	

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	Tenge	USD 1 USD = KZT 384.20	EUR EUR 1 = KZT 439.37	Other currency	31 December 2018 Total
Non-derivative financial assets					
Total non-derivative financial assets	1,483,196	148,488	8,809	5,968	1,646,461
Non-derivative financial liabilities					
Total non-derivative financial liabilities	1,135,626	329,436	6,008	379	1,471,449
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	347,570	(180,948)	2,801	5,589	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(287,445)	(384)	(33,392)	(5,543)	(326,764)
Accounts receivable on spot and derivative contracts	141,885	168,357	33,392	-	343,634
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	(145,560)	167,973	-	(5,543)	16,870
NET POSITION	202,010	(12,975)	2,801	46	
		USD 1 USD = KZT 332.33	EUR EUR 1 = KZT 398.23	Other currency	31 December 2017 Total
Non-derivative financial assets					
Total non-derivative financial assets	1,138,400	290,247	3,910	4,117	1,436,674
Non-derivative financial liabilities					
Total non-derivative financial liabilities	895,827	360,734	9,810	267	1,266,638
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	242,573	(70,487)	(5,900)	3,850	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(80,090)	(2,426)	-	(3,827)	(86,343)
Accounts receivable on spot and derivative contracts	2,181	72,955	5,973	-	81,109
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	(77,909)	70,529	5,973	(3,827)	
NET POSITION	164,664	42	73	23	

Currency risk sensitivity

The Group analysed sensitivity to an increase and decrease in the USD and EUR against the KZT. 25% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 December 2019 for a 25% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

As at 31 December 2019, the impact on profit or loss and on equity due to +/-25% change in USD rate amounted to KZT +/-374 million (2018: KZT +/-3,244 million, 2017: KZT +/-11 million).

As at 31 December 2019, the impact on profit or loss and on equity due to +/-25% change in EUR rate amounted to KZT +/-42 million (2018: KZT +/-700 million, 2017: KZT +/-18 million).

27. Subsequent events

In the second half of 2019, Kaspi Bank JSC ("the Bank") was subject to an asset quality review (the "AQR") of the banking sector in Kazakhstan, that was conducted by the NBRK and included the top 14 banks. In February 2020, the results of the Bank's asset quality review were provided to the management and on the basis of these results, the management of the Group do not expect any material negative impact on the Bank's Net Income or Capital and its compliance with prudential capital adequacy ratios.